

GET THE FACTS⁺ ABOUT RISK RATING 2.0



Cyndee Haydon

2022 NAR Vice Chair, Insurance Committee
NATIONAL ASSOCIATION OF REALTORS®



NARdotREALTOR



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AGENDA

- Overview and Welcome
- Current FEMA Insurance Rating System
- Risk Rating 2.0 – What REALTORS Need to Know
- Member Resources
- Thank you!

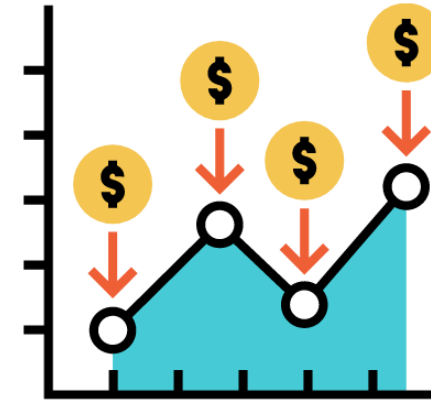
NFIP - National Flood Insurance Program



\$60 Billion Collected
since the 1970s

COST

\$96 Billion Paid Out



- Hurricane Katrina in 2005 had the highest NFIP payouts, at \$16.3 billion.
- Hurricane Harvey ranked second with \$8.9 billion in NFIP payouts.
- Superstorm Sandy, ranked third, with \$8.8 billion in NFIP payouts.
- Hurricane Irma, ranked ninth with \$1.1 billion in payouts.
- Hurricane Ida, 2021 - cost unknown but significant

Source: FEMA.gov

2012 Biggert-Waters Act



Wright National Flood Insurance Company
A Stock Company
PO Box 33003
St. Petersburg, FL, 33733
Office: 800.820.3242 x 0
Fax: 800.850.3299

AGENCY INFORMATION

Agency Number 86255
Agency MORRIS & TEMPLETON INSURANCE AGENCY INC
Address PO BOX 15088,
City, State, Zip SAVANNAH, GA 31416-1788
Phone Number (912) 355-4549

Construction Date

01/01/1986

Building Replacement Cost

\$300,000.00

Building Elevated

Building is elevated

COMMUNITY INFORMATION

Program Type Flood Regular Policies
Community 130016 - BRYAN COUNTY *
Flood Risk/Rated Zone VE
Zone Determination Number DRP0000000005862342
Zone Reference Number

BUILDING INFORMATION

Property Address 3318 FORT MCALLISTER RD
City, State, Zip RICHMOND HILL, GA 31324-4805
Occupancy Type Single Family
Building Type Two Floors
Elevation Certificate Yes
Lowest Floor Elevation 9.3 feet
Location of Contents Basement / Enclosure and Above
Basement Finished
Condominium Coverage
Construction Date
Building Replacement Cost
Building Elevated
Elevation Difference
Building Flood Protection
Enclosure

COVERAGE/PREMIUM INFORMATION

Coverage	Limits	Deductible	RPH Basic
Building	\$250,000.00	\$1,000.00	25.00
Contents	\$100,000.00	\$1,000.00	25.00

Discount/Surcharge
1 Year Premium

30.00
\$87,574.00

IMPORTANT NOTES

THIS IS NOT AN OFFER FOR INSURANCE. THIS QUOTE IS NON-FIRM AND NON-BINDING AND SUBJECT TO REVIEW AND ADJUSTMENT.

Please submit the required documentation listed on your application summary for review and approval. If additional information is required to actuarially rate the risk, you will be contacted.

Selling real estate since Biggert Waters

Fear - How high will it go?

Uncertainty - When and how will it happen?

Doubt - Can Clients really afford to live here long term?

**And now add increased
Climate events and sea level rise**



NAR has worked 10 years with FEMA on a Long Term, Equitable solution

2012 - Biggert Waters

2014 - Homeowner Flood Insurance
Affordability Act

2015 - NAR Forms Insurance Committee
to hire Actuaries and Work with FEMA

2021 - NFIP Risk Rating 2.0

RPAC and Advocacy at work



Austin Perez

NAR Staff Executive, Insurance Committee
NATIONAL ASSOCIATION OF REALTORS®



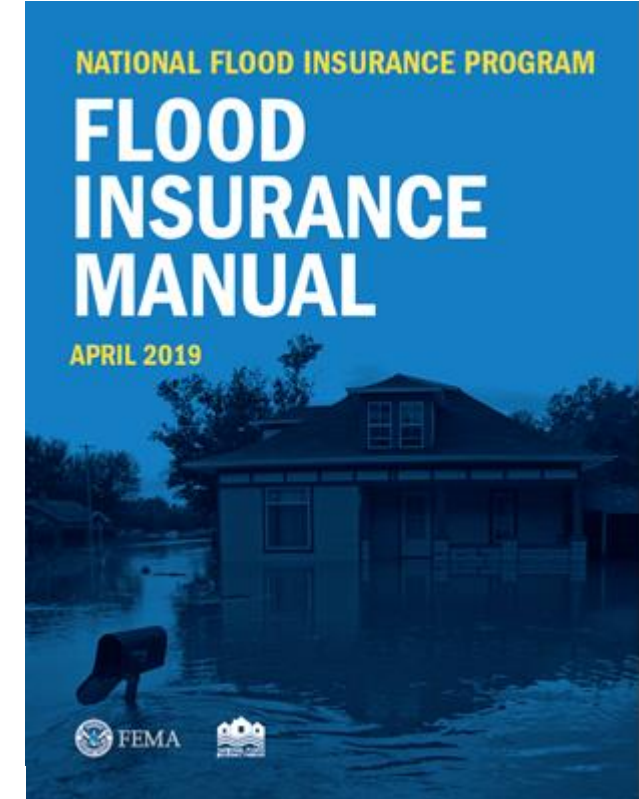
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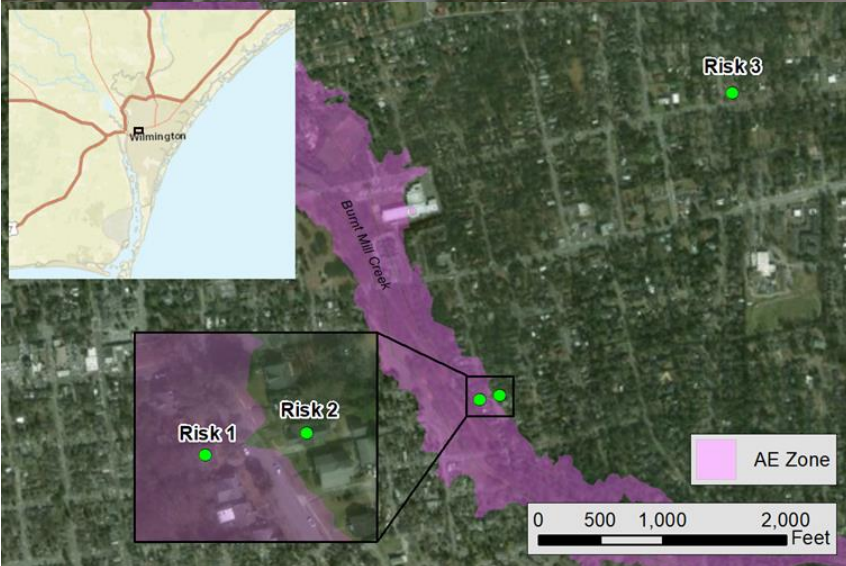
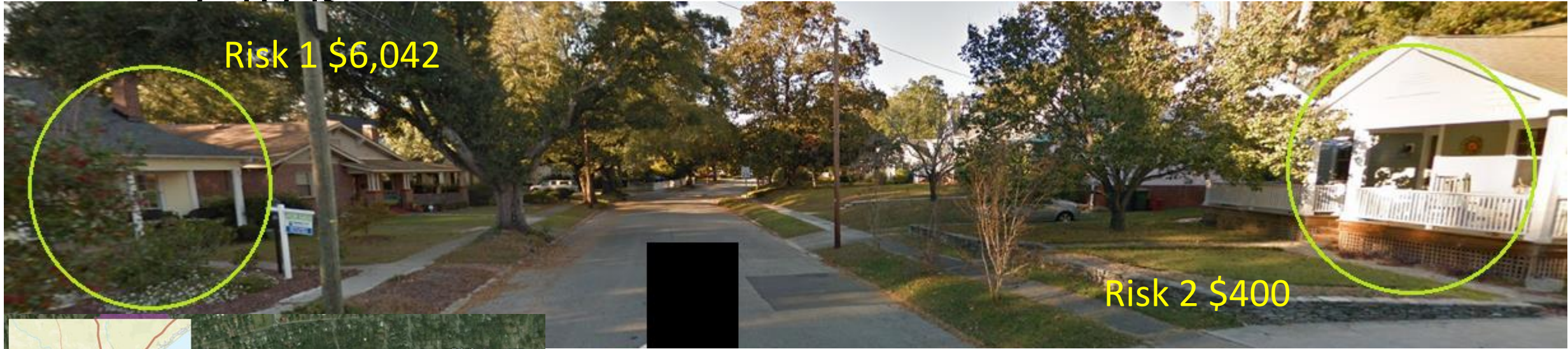


Problem 1: Current NFIP rates developed 50 years ago



Base Flood Elevation (BFE)
and
Special Flood Hazard Area

Problem 2: Neighbors with very different rates



- Hypothetical, identical houses*
 - Risk 1 near a creek
 - Risk 2 across the street from Risk 1
 - Risk 3 far away from the creek
- Current NFIP premiums:
 - Risk 1: \$6,042
 - Risk 2: \$400
 - Risk 3: \$400

Source: Milliman

Problem 3: Repetitive Loss Properties



Herbert Street Goldsboro, North Carolina

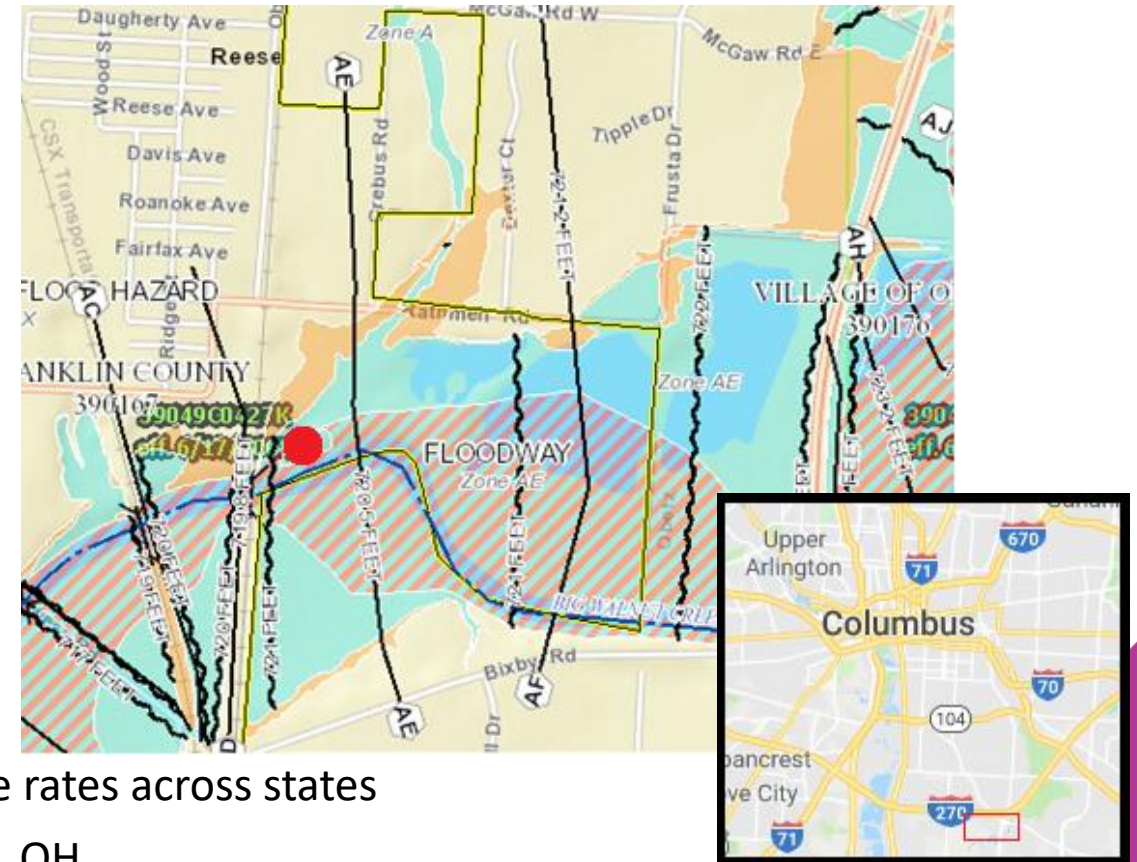
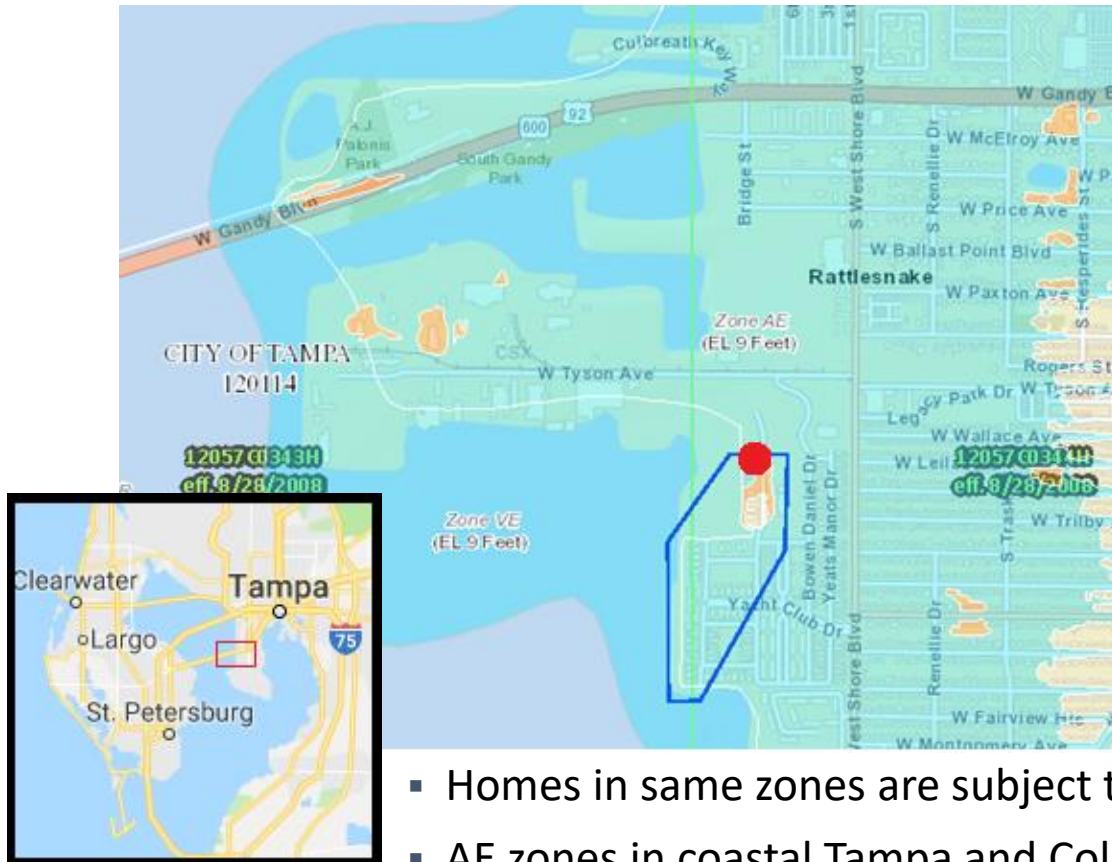
PROPERTY FLOOD PROFILE	Hurricane Matthew	Hurricane Florence
Flood Elevation (NAVD88 ft)	69.5 ft	71.6 ft
1% Base Flood Elevation	25	90
Building Type	Single-Family	Single-Family
Flood Elevation in Structure	4.3 ft	6.6 ft
Estimated Cost to Repair Structure **	\$44,309	\$55,252
Estimated Cost for Content **	\$22,155	\$27,626
Estimated Total Recovery Cost	\$66,464	\$82,878
Estimated Annual NFIP Insurance Rate*	\$1,530 - \$2,290	
Gauge Location	Neuse River at Goldsboro	

* The estimated NFIP Insurance premium utilized the legacy NFIP methodology and North Carolina provided structure-specific information to generate the rate.

** Rates were calculated by North Carolina Risk Management utilizing ACOE Wilmington District damage curves and RS Means.

Source: John Dorman, Assistant State Emergency Management Director
for Risk Management, North Carolina

Problem 4: Many paying more than their share of the risk

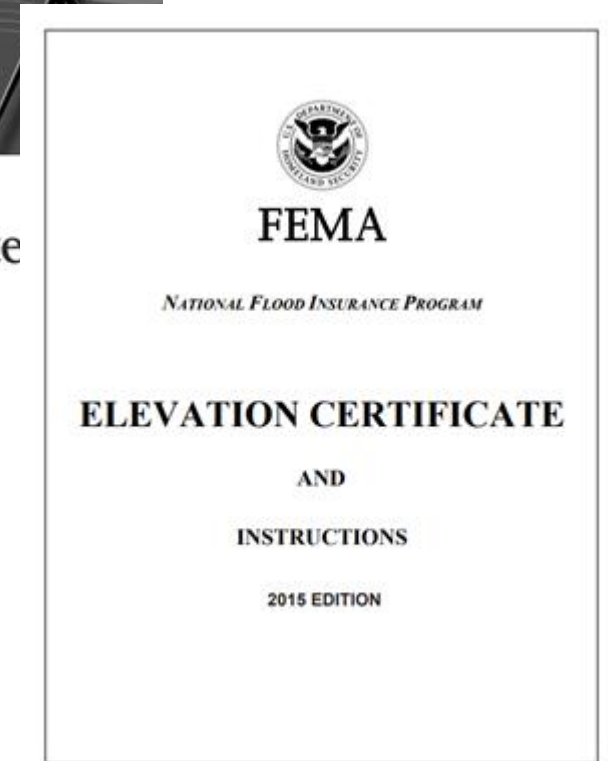
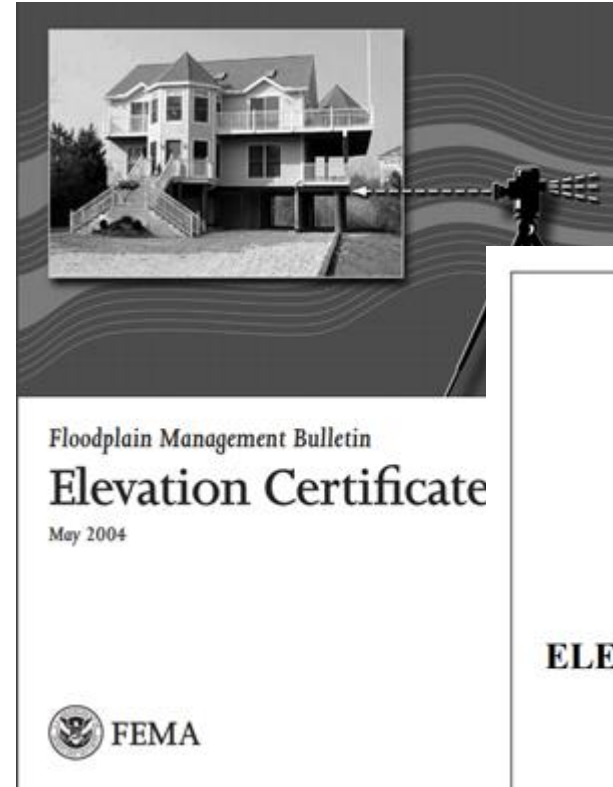


- Homes in same zones are subject to same rates across states
- AE zones in coastal Tampa and Columbus, OH
- Identical houses at these locations
 - One-story, frame house worth \$250k
 - First floor 1 foot above base flood elevation
 - No basement, built 1990

Source: Milliman

Problem 5: Elevation certificate requirements

- Required for some homes, but not all
- Depends on several factors: flood zone, year of construction, year of initial map
- Process / decision / cost that most homeowners don't fully understand
- Depends on many parties all doing their jobs adequately and seamlessly in short timeframe



Source: Milliman

Risk Rating 2.0 is product of collaboration and science

TIME: Research, design, analysis, development, and testing translates to 5+ years of work and thousands of hours.

PEOPLE: The cross-functional team of 20+ NFIP program experts, including 8+ full-time actuaries, collaborated with a diverse network of experts from a wide range of disciplines:

- Academics
- Actuaries
- Building scientists
- Engineers
- Insurance industry experts
- Mappers
- Underwriters
- Mitigation experts

TECHNOLOGY: Cutting-edge technology and best available data used to make a modern-day program:

Private Sector
Rate Setting Methods



Private Sector
Catastrophe Models



Government Models, Available Data, and
Collaborations



FEMA



US Army Corps
of Engineers®

Source: FEMA

Risk Rating 2.0 prices each home individually rather than by flood zone

Current Rating Methodology

FEMA-sourced data

Rating Variables

- Flood Insurance Rate Map Zone
- Base Flood Elevation
- Foundation Type
- Structural Elevation (Special Flood Hazard Area Only)

1% Annual Chance of Flooding (Frequency)

Fees and Surcharges

Risk Rating 2.0 Methodology*

FEMA-sourced data

Additional data sources: Federal government-sourced data, commercially available third-party

Cost to Rebuild

Rating Variables

- Distance to Coast/Ocean/River
- River Class
- Flood type — Fluvial/Pluvial
- Ground Elevation
- First Floor Height
- Construction Type/Foundation Type

Broader Range of Flood Frequencies

Fees and Surcharges

Source: FEMA

Risk Rating 2.0 adopts modern insurance industry technologies, practices and standards

Methodology	Single-Family Home Maximum Policy Cost*
Current Rating Methodology	\$45,925
Risk Rating 2.0	\$12,125

Source: FEMA

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Old NFIP 1.0 Policy Facts



Today NFIP rates can rise 18%-25% per year until they hit \$63,000 for a \$250,000 Policy



NFIP is 50+ years old & rate based only on flood zone and elevation today



Rates never stops rising for Pre-Firm Grandfathered homes



2/3rds of older Pre-Firm homes are overpaying under the current system



Old NFIP Not Sustainable for homeowners or taxpayers



Source: Fema.gov

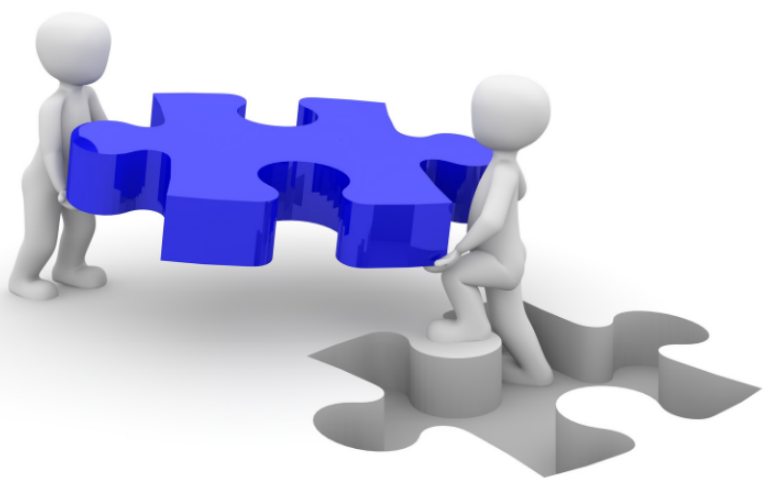
Risk Rating 2.0

Leverages Modern Insurance Technology, Standards and LIDAR data



**Provides Actuarially Sound Rates that are
Equitable and Easy to Understand**

Risk Rating 2.0 Facts



New Maximum Rate is \$12,125/yr
(a 73% decrease)



23% see Immediate Decrease
and most will pay about the same



Uses property specific factors including
buildings unique elevation, distance to
water and cost to rebuild



Seller can still transfer their policy to
the buyer



Buyers can get quotes immediately -
Don't need Elevation Certificate

Risk Rating 2.0 Facts

Buyers Can Now Make Educated Decisions with all the Facts



Maintains same 18%-25% cap on annual increases so no big jumps



Fewer policy holders seeing \$100/mo increases; only 3200 nationwide vs 45,000 under old rating structure



Now lower value homes don't cross subsidize high value homes



All policies (even X zone) get property specific rates and mitigation discounts including CRS



Buyers now can shop private market and not worry about coming back to NFIP

What's Not Changing

- Residential & Commercial Policy Coverage stays the same - \$250,000 property / \$100,000 contents;
- Buyer can still assume/transfer the Seller's policy so no big jumps on day 1.
- Still have 18% or 25% maximum increases for existing policies when transferred
- Still required to have flood insurance if in a Special Flood Hazard Area like AE & VE and have a federally backed mortgage
- Community Rating System (CRS) discounts of 5-45% still apply
- Elevation certificates are now optional and can be used if it will help get more favorable rates

Selling real estate after Oct 1, 2021

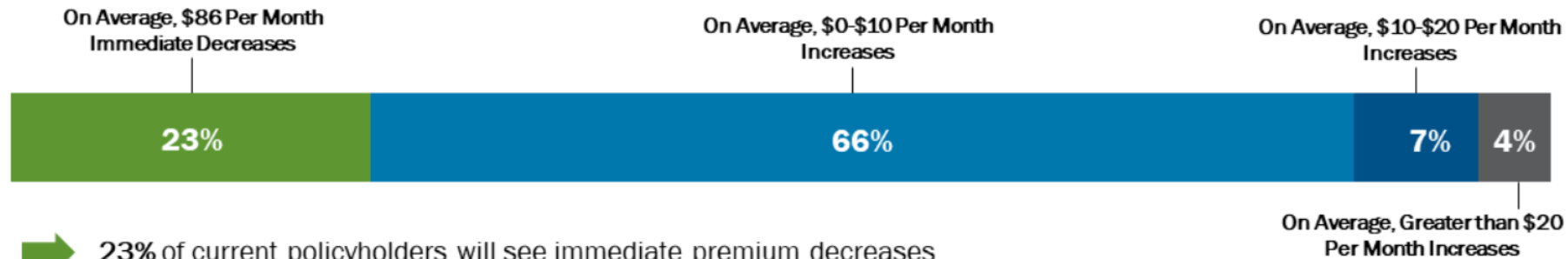
- Buyers and Sellers will now know home's true actuarial rate
- Discloses and Empowers Buyers and Sellers with the data
- Allows Buyers to decide if they are comfortable with total and future cost of ownership.
- NFIP isn't only rising insurance cost facing Florida



Remember - Buyers can assume Seller's NFIP Policy

Risk Rating 2.0 – National Rate Analysis

Under the **current rating methodology**, every year at renewal, policyholders on average see premium increases of **\$8 per month**.



- ➡ 23% of current policyholders will see immediate premium decreases
- ➡ An additional 66% of current policyholders will see, on average, **\$0 - \$10 per month** increases
- ➡ 7% of current policyholders under Risk Rating 2.0 will see, on average, **\$10 - \$20 per month** increases
- ➡ And 4% of current policyholders under Risk Rating 2.0 will see, on average a **\$20 or more per month** increase

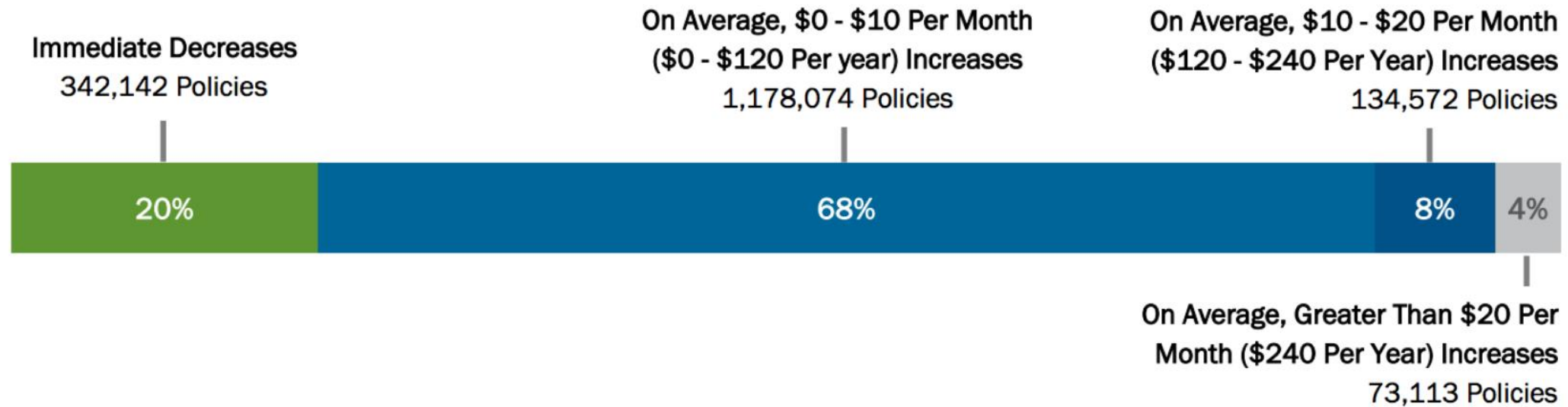


Federal Emergency Management Agency

For more info go to www.fema.gov/NfipTransformation

NFIP Policies in Force in FL	Properties in FL Not Covered by NFIP Policy	Average NFIP Claim Payout in the Past 10 Years	Average Individual Assistance Claim Payout in the Past 10 Years
1,727,900	5.9 million	\$28,100	\$5,100

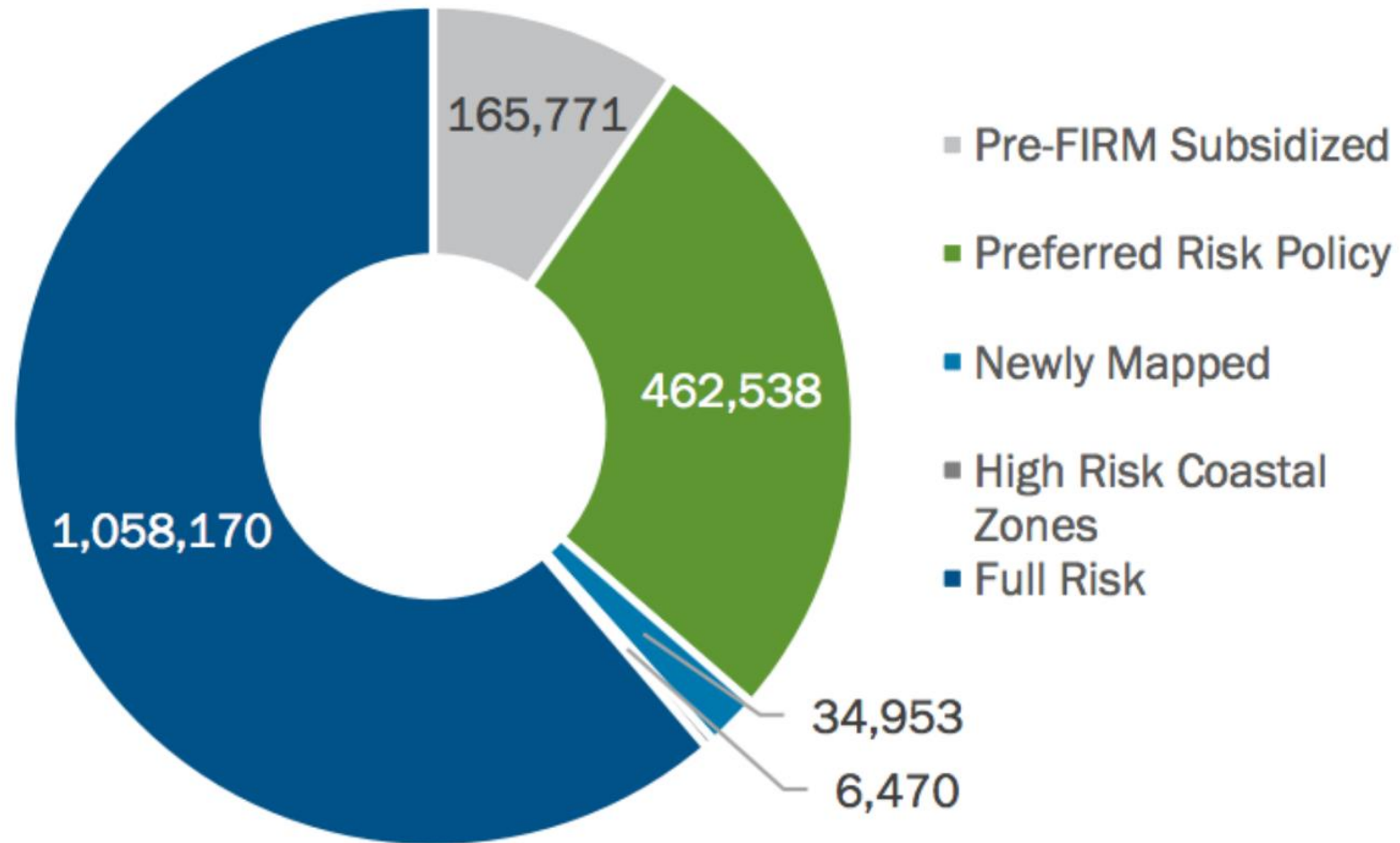
Risk Rating 2.0 in Florida



FEMA

March 2021 1

NFIP Policies in Force in FL by Rate Class

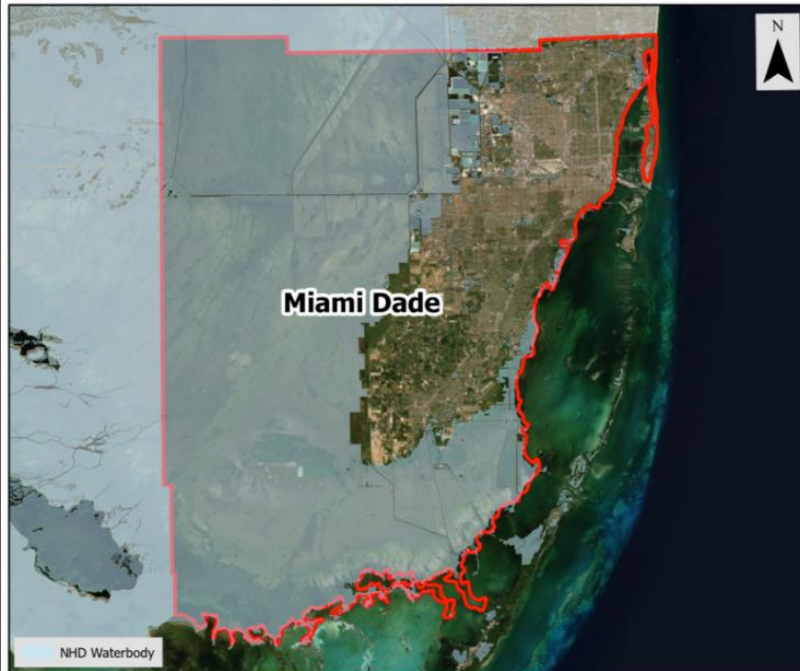
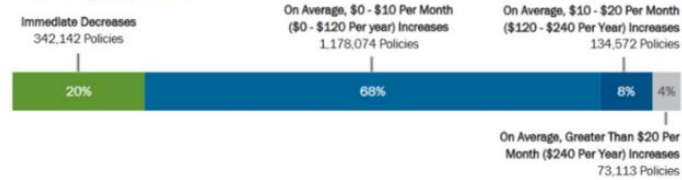


FEMA Risk Rating 2.0

FEMA is building on years of investment in flood hazard information by incorporating private sector data sets, catastrophe models and evolving actuarial science.

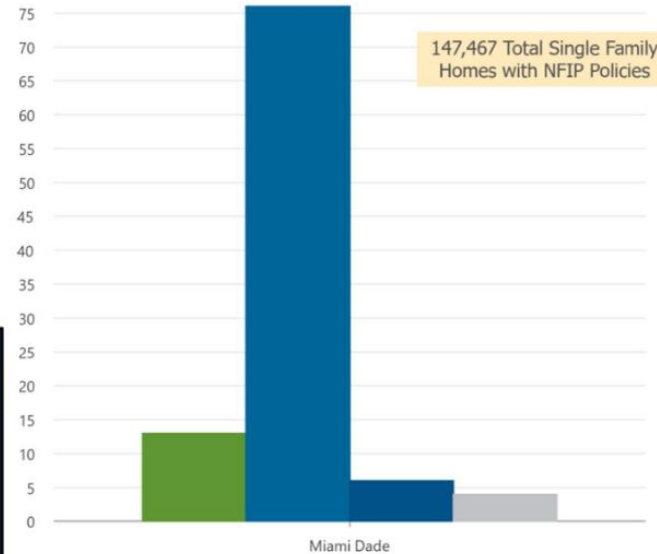
With Risk Rating 2.0, FEMA now has the capability and tools to address rating disparities by incorporating more flood risk variables. These include flood frequency, multiple flood types—river overflow, storm surge, coastal erosion and heavy rainfall—and distance to a water source along with property characteristics such as elevation and the cost to rebuild.

Risk Rating 2.0 in Florida



Miami Dade County

Flood Insurance Changes with Risk Rating 2.0



13 %

Immediate Decrease in Insurance Policy Cost
19,615 properties

76 %

Increase in Insurance Policy Cost by \$0 to
\$120 per year, 112,763 properties

6 %

Increase in Insurance Policy Cost by \$120 to
\$240 per year, 8,953 properties

4 %

Increase in Insurance Policy Cost by greater
than \$240 per year, 6,136 properties

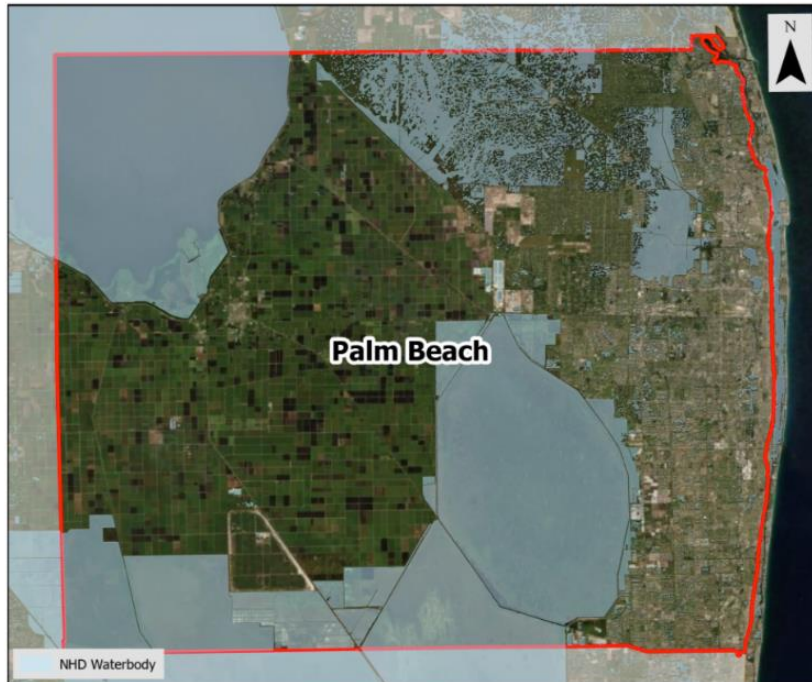
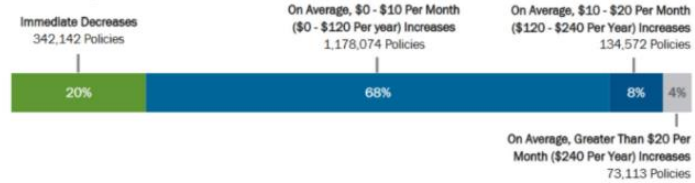
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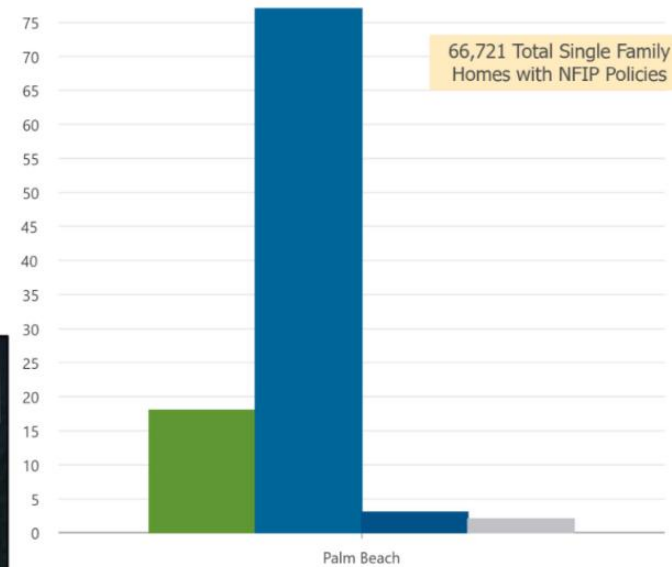
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Risk Rating 2.0 in Florida



Palm Beach County

Flood Insurance Changes with Risk Rating 2.0



66,721 Total Single Family Homes with NFIP Policies

18 %

Immediate Decrease in Insurance Policy Cost
12,150 properties

77 %

Increase in Insurance Policy Cost by \$0 to \$120 per year, 51,265 properties

3 %

Increase in Insurance Policy Cost by \$120 to \$240 per year, 2,206 properties

2 %

Increase in Insurance Policy Cost by greater than \$240 per year, 1,100 properties

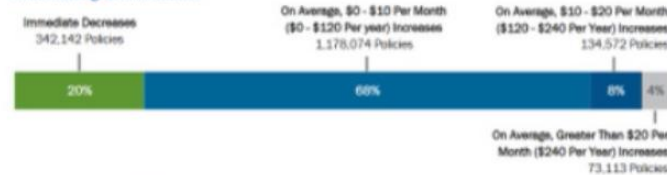
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FEMA Risk Rating 2.0

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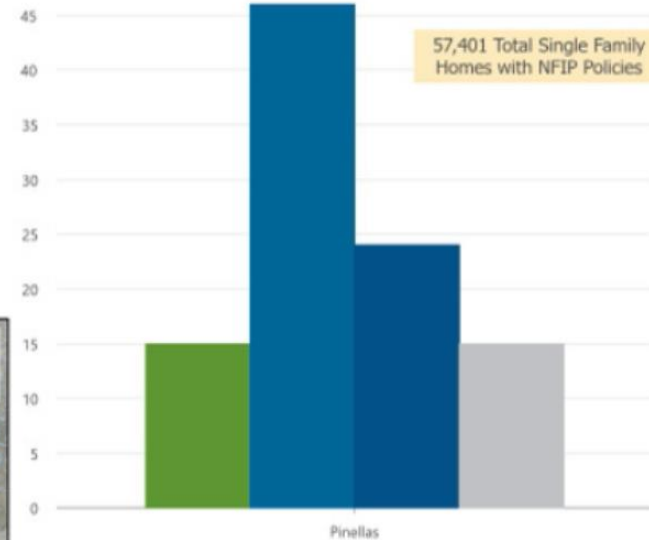
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Risk Rating 2.0 in Florida



Pinellas County

Flood Insurance Changes with Risk Rating 2.0



57,401 Total Single Family Homes with NFIP Policies

- 15 % Immediate Decrease in Insurance Policy Cost
8,505 properties
- 46 % Increase in Insurance Policy Cost by \$0 to \$120 per year, 26,478 properties
- 24 % Increase in Insurance Policy Cost by \$120 to \$240 per year, 13,701 properties
- 15 % Increase in Insurance Policy Cost by greater than \$240 per year, 8,717 properties

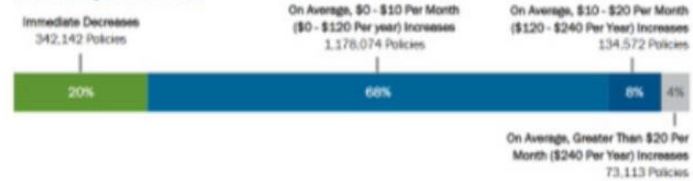
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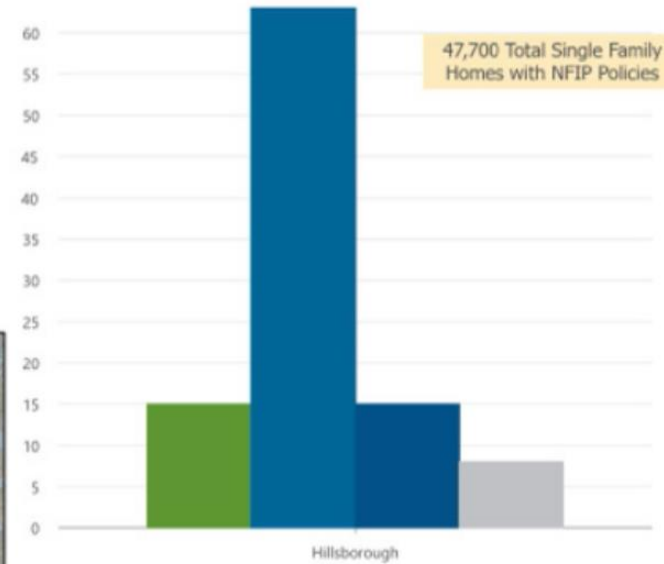
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Risk Rating 2.0 in Florida



Hillsborough County

Flood Insurance Changes with Risk Rating 2.0



47,700 Total Single Family Homes with NFIP Policies



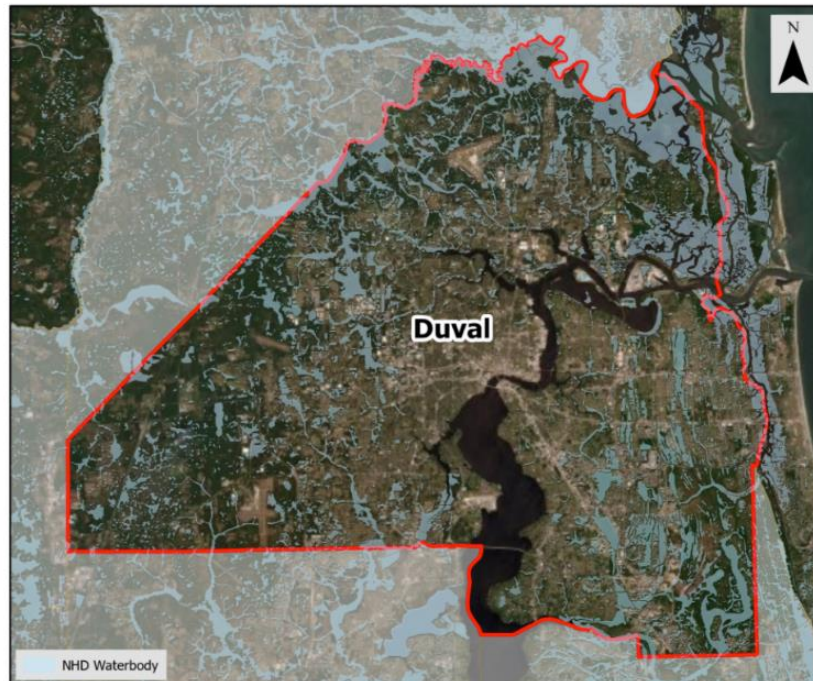
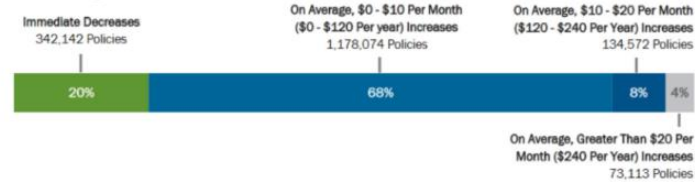
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FEMA Risk Rating 2.0

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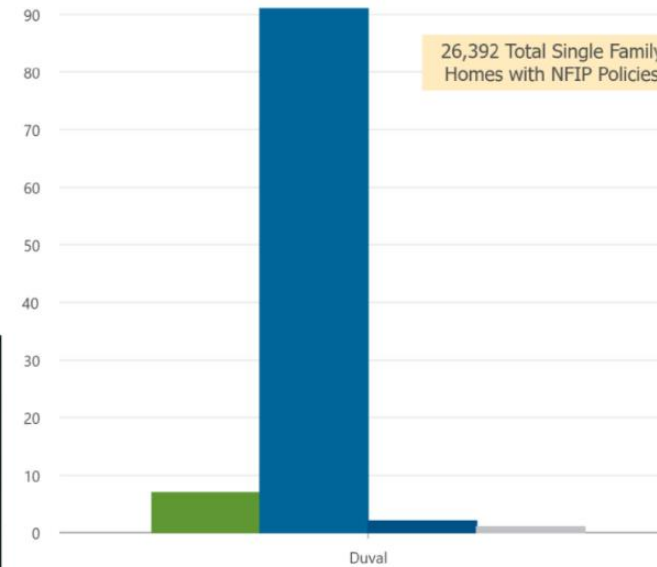
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Risk Rating 2.0 in Florida



Duval County

Flood Insurance Changes with Risk Rating 2.0



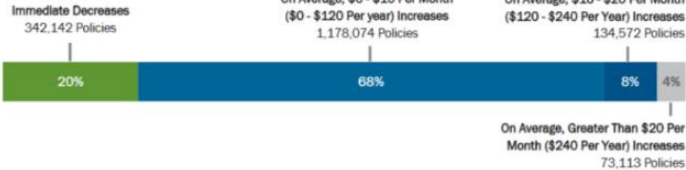
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FEMA Risk Rating 2.0

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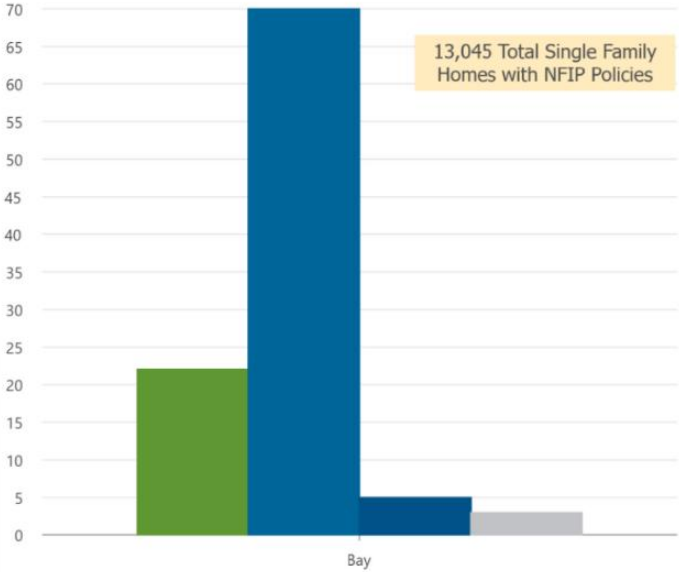
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Risk Rating 2.0 in Florida



Bay County

Flood Insurance Changes with Risk Rating 2.0



Created by No Flood Florida with data provided by FEMA's Risk Rating 2.0, May 2021

Risk Rating 2.0 Timeline

Starts Oct 1 2021

New Business Policies

Starts April 1, 2022 for
Renewal/Existing Policies

NFIP and Risk Rating 2.0 Resources:

Risk Rating 2.0 NFIP Transformation

www.fema.gov/NFIPtransformation

Risk Rating 2.0 Graphs for Florida Counties

<https://bit.ly/FLNFIPgraphs>

Definitions

<https://bit.ly/FloodDefinitions>

Risk Rating 2.0 for all States (County and zip code)

<https://bit.ly/RiskRatingbyState>

GET THE FACTS



A Few Early Examples:

\$260,000 Seminole home not on water (1960)

- NFIP today
- Risk Rating 2.0 – Oct 1 2021

Never stops increasing 18%+/yr

\$2040 - Current NFIP with no contents

\$3,377 - Current NFIP with \$100K contents

- No automatic annual increases
- \$1,683 – NFIP with no contents (\$357 savings = @\$30/mo) = **0.64%**
- \$2,038 – NFIP with 100K contents (\$1339 savings = @112/mo) **0.60%**

A Few Early Examples:

\$1,000,000 Treasure Island Home 100ft from VE

- NFIP today

- Risk Rating 2.0 – April 1 2022

Never stops
increasing 18%+/yr

\$2488 - Current NFIP
with no contents

- No automatic increases
- Buyers can no plan for future
- \$7,669 – NFIP with no contents
- Factors cost to rebuild, etc.
- Cost is not even 1% = **0.76%**

TRANSITIONS TYPICALLY MESSY AND NOISY!

Installing a new operating system



Pause – Breathe – Get the Facts!

What Realtors® Need To Know

- If you have contracts scheduled to close before Oct 1 – have buyer's insurance agent review and evaluate impact to buyer of any delays past
- Encourage clients to get all insurance options early in process
- Encourage clients to consult insurance agent(s) with Flood policy knowledge.
- Both sides need to ask – Does the seller have a flood policy?
- Remember if Seller has existing policy the Buyer has the option to assume/transfer policy. Have them work with their agent to understand process and options.
- Don't assume - remember your license and training

Realtors® Bring Value to Your Clients and Sphere

- Ask them if they have heard about the 2 changes happening with New Flood Maps and New FEMA Flood Insurance Policy Pricing and offer to update them
- Share the 10 yr journey and how you (Realtors) have advocated through NAR and RPAC to achieve this for your neighbors and the communities you serve - OWN IT!
- Get the Facts about Flood Insurance and be proactive and bring value updating clients and sphere
- You can help connect them with good agent where they can get all their options - maybe private is better for them



THANK YOU.



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THAT'S WHO WE 

 NATIONAL
ASSOCIATION OF
REALTORS®


REALTORS®
Political
Action
Committee
Your Best Investment In Real Estate