

GET THE FACTS⁺ ABOUT RISK RATING 2.0



Cyndee Haydon

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



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AGENDA

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

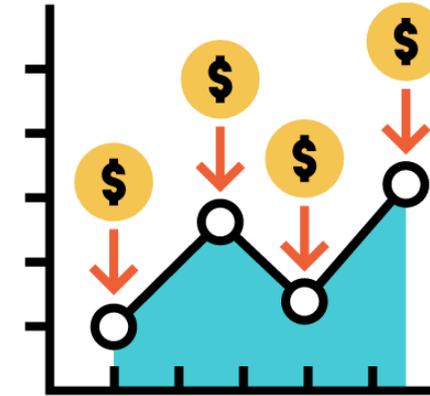
NFIP - National Flood Insurance Program



\$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	Zone Determination Number	DRP0000000005862342
Community	130016 - BRYAN COUNTY *	Zone Reference Number	-----
Flood Risk/Rated Zone	VE		

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



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	30.00
1 Year Premium	\$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.

...Not an Option

- Hurricane Andrew - market risk > market share
- Sinkhole claims
- Assignment of Benefits
- Water & Roof Claims
- Homeowners Insurance Plagued by Lawsuits
- Citizens Insurance growing
- Private companies in the red
- Reinsurance costs skyrocketing
- NFIP 1.0 not sustainable
- COBRA Zones ex. Key West
- Sea level rise & Climate events



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

2012 - Biggert Waters Flood Reform Act

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®



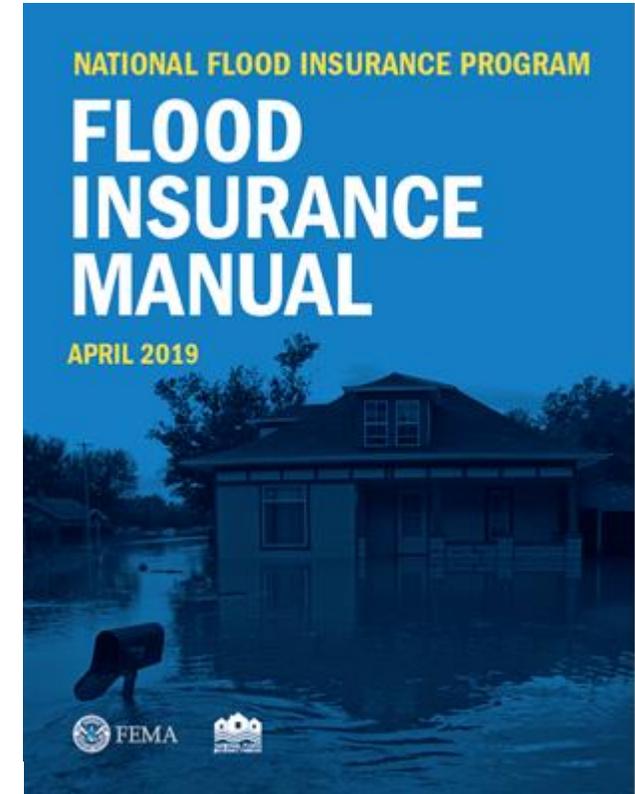
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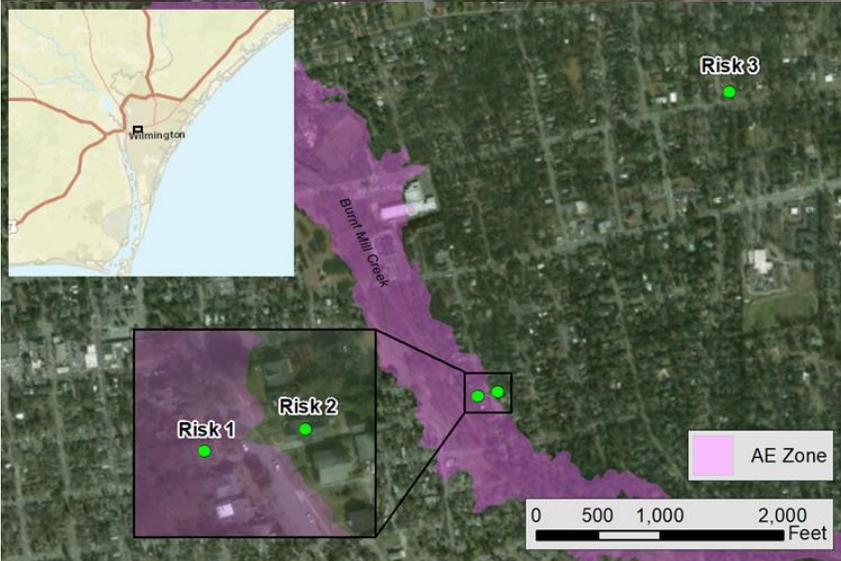
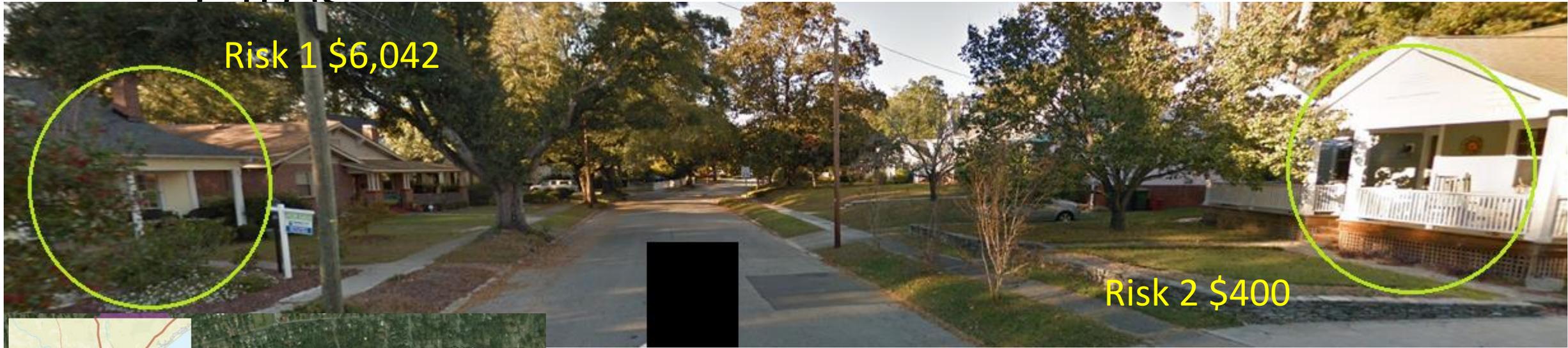


Problem 1: Current NFIP rates developed 50 years ago



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

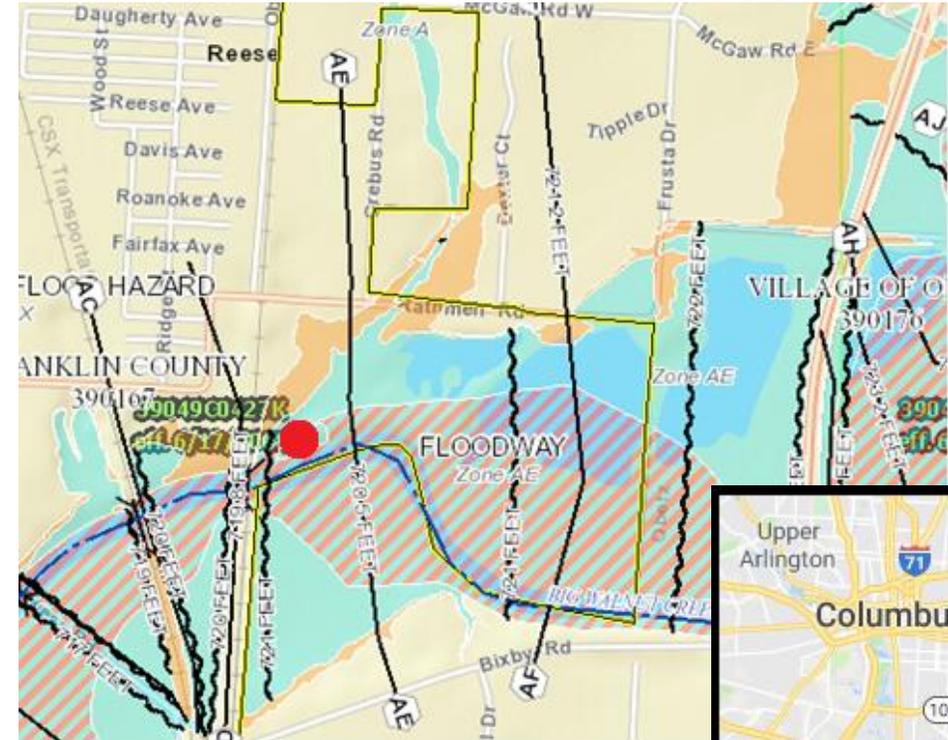
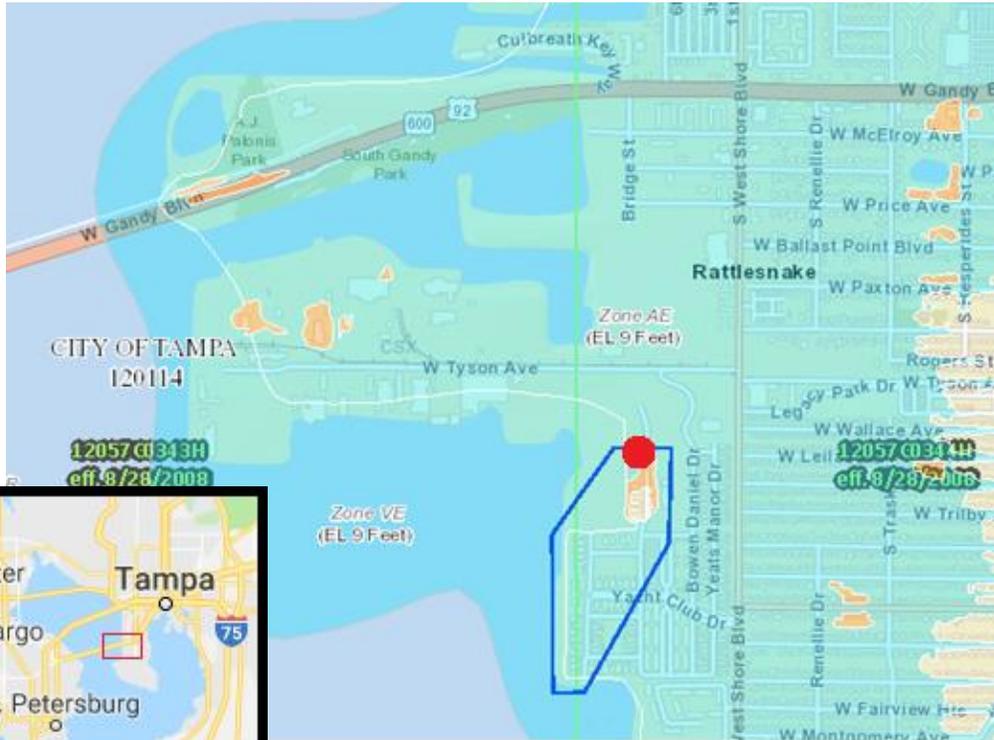
PROPERTY FLOOD PROFILE	Hurricane Matthew	Hurricane Florence
Flood Elevation (NAVD88 ft)	69.5 ft	71.6 ft
1% Base Flood Elevation	25	90
Building Type	Single-Family	Single-Family
Flood Elevation in Structure	4.3 ft	6.6 ft
Estimated Cost to Repair Structure **	\$44,309	\$55,252
Estimated Cost for Content **	\$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

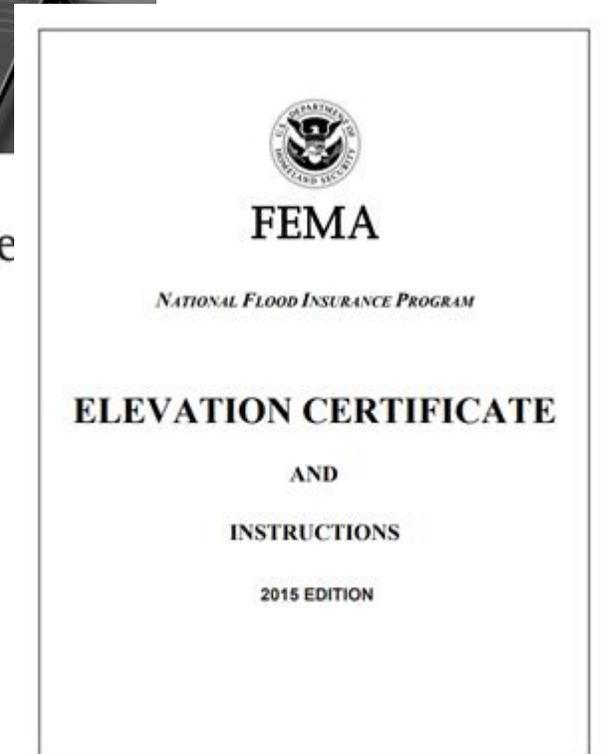
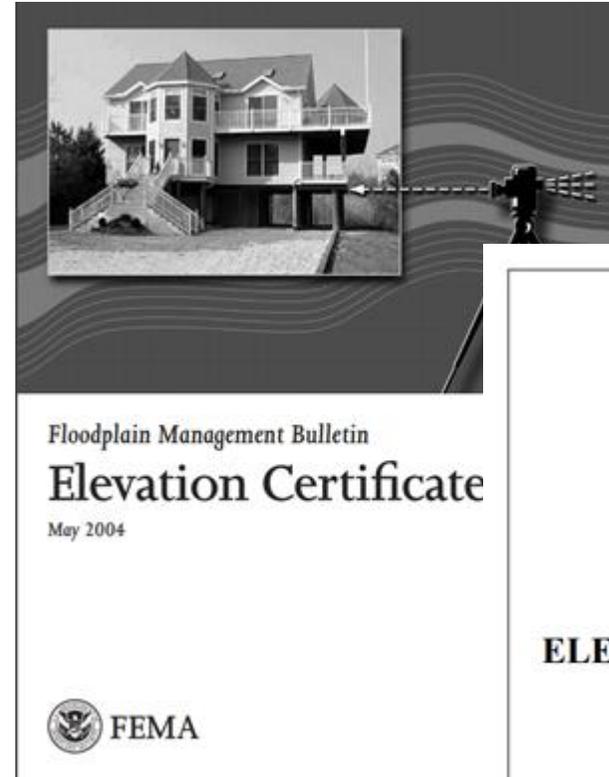


- Homes in same zones are subject to same rates across states
- AE zones in coastal Tampa and Columbus, OH
- Identical houses at these locations
 - One-story, frame house worth \$250k
 - First floor 1 foot above base flood elevation
 - No basement, built 1990

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

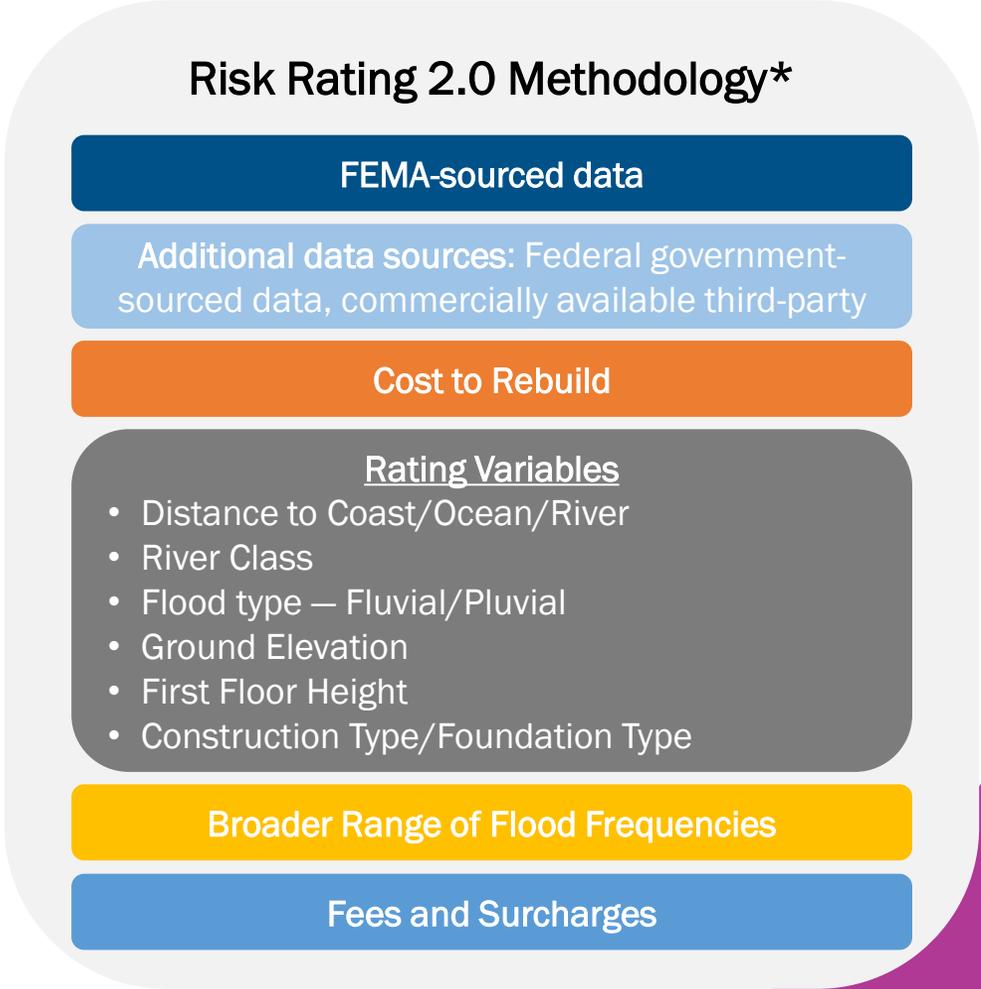
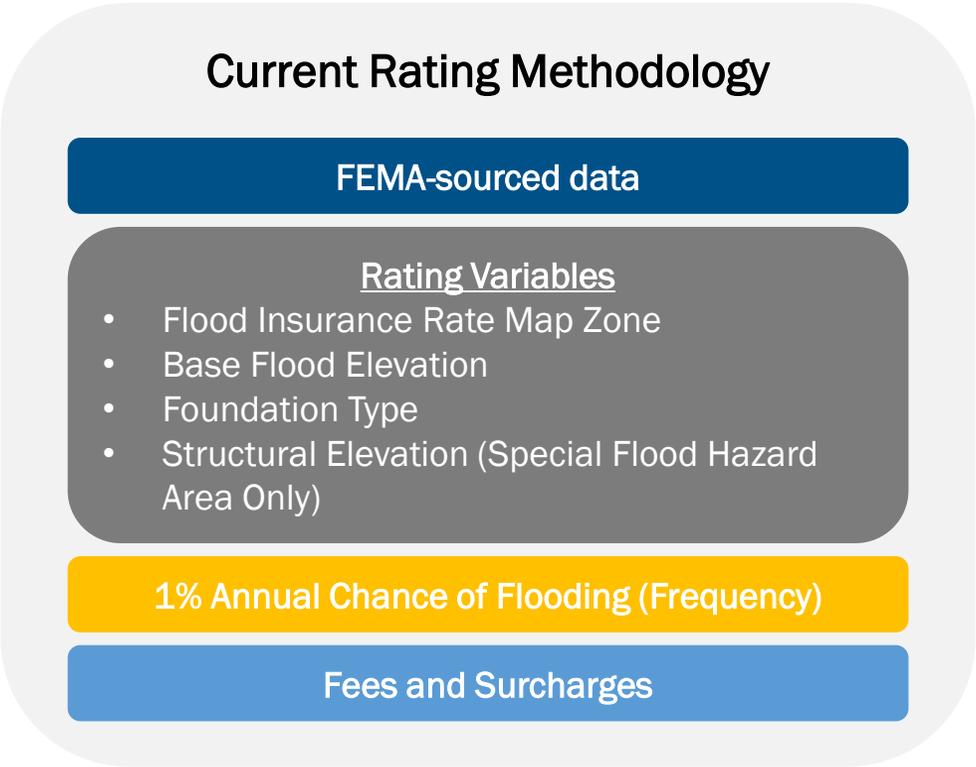


Government Models, Available Data, and
Collaborations



Source: FEMA

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



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 big increases;



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



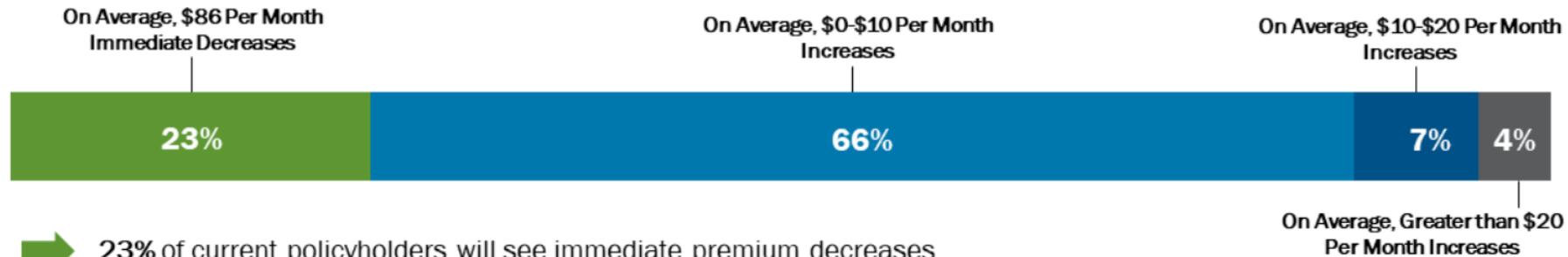
Buyers can shop private market and make their choice

What's Not Changing

- Residential & Commercial Policy Coverage stays the same
- 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

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

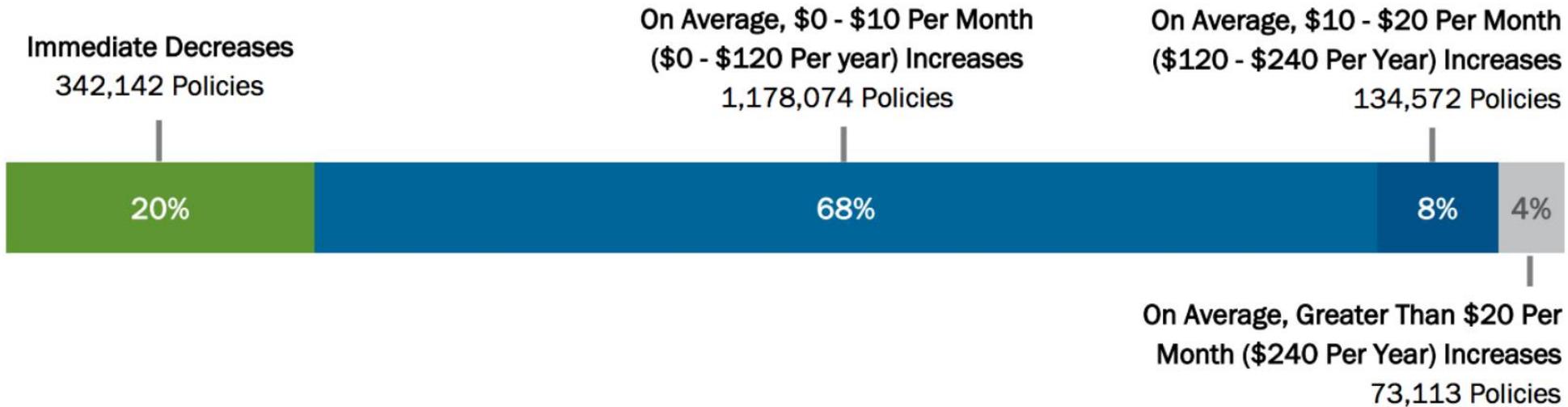


Federal Emergency Management Agency

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

Risk Rating 2.0 Timeline

Starts Oct 1 2021

New Business Policies

Starts April 1, 2022 for
Renewal/Existing Policies

Important to Note

NO Increases on October 1 under Risk Rate 2.0 because it's just new policies. Any increases are 1.0

Risk Rate 2.0 doesn't go into effect until April 1

A Few Early Examples:

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

- NFIP today

Never stops increasing 18%+/yr

\$2040 - Current NFIP with no contents

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

- Risk Rating 2.0 – Oct 1 2021

- 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 now 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!

Selling real estate after Oct 1, 2021

- Now know home's actuarial rate
- Buyers can make better long-term decisions
- Better idea of cost of future flood insurance
- NFIP isn't only rising insurance cost facing Florida



PRO Tip: Buyers can assume Seller's NFIP Policy

What Realtors® Need To Know

- Prepare your clients that change is coming
- Utilize NAR resources provided - Handout NAR FEMA flyer to clients
- Be their calm professional...Pause – Breathe – Get the facts
- Ask - Does the seller have a flood policy? If Seller has an existing NFIP policy, Buyer has option to assume/transfer it.
- Encourage Buyer's to start early in the process and work with experienced, knowledgeable flood insurance agents to understand process and all their options.
- Don't assume - remember your license and training

Realtors® Bring Value to Your Clients and Sphere

- Share our 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 information and value updating clients and sphere - handout the NAR FEMA Flyer
- You can help connect them with insurance agents who specializes in flood insurance so they can get all their options
- Be a resource and advocate to help them escalate any issues to FEMA or NAR if they arise



Additional NAR Resources for You

NAR Member Information Packet <https://www.nar.realtor/national-flood-insurance-program/fema-risk-rating-2-0-equity-in-action>

FEMA-NAR Flyer for Homeowners <https://www.nar.realtor/national-flood-insurance-program/major-improvements-coming-to-the-national-flood-insurance-program>

NAR Frequently Asked Questions (FAQs) <https://www.nar.realtor/national-flood-insurance-program/faq-fema-risk-rating-2-0-townhall>

NAR Member Legal Guidance <https://www.nar.realtor/flood-insurance#section-166024>

NAR-FEMA Toolkit: Disaster Preparedness <https://www.nar.realtor/national-flood-insurance-program/fema-nar-toolkit-flood-preparedness-resources>

Video: NAR-FEMA Townhall <https://www.nar.realtor/videos/nar-town-hall-featuring-fema-senior-executive-david-maurstad>

Video: Flood Insurance & Disclosures: What You Need to Know Now <https://www.nar.realtor/window-to-the-law/flood-insurance-and-disclosures>

Additional Contacts for You

Austin Perez

Senior Policy Representative – Insurance

National Association of REALTOR

APerez@nar.realtor

Or you can email FEMA directly at FEMA-NFIP-INSURANCETRANSFORMATION@fema.dhs.gov

THANK YOU.



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THAT'S WHO WE  REALTOR

 NATIONAL ASSOCIATION OF REALTORS®

 REALTORS®
Political
Action
Committee
Your Best Investment In Real Estate