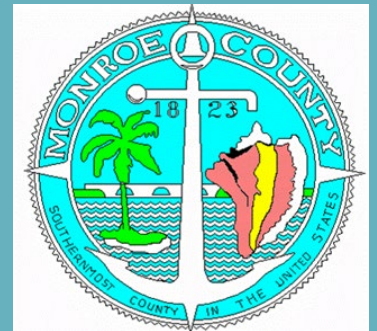


Update: National Flood Insurance Program and Risk Rating 2.0

Monroe County Board of County Commissioners

Office of Legislative Affairs

November 8, 2021



RECAP of NFIP



- Nationally, 5M policies, \$4.6B in rev from policy holders' premiums, \$1.3T in coverage.
- **Florida – 1.7M policies, \$974M in premiums paid, \$440B in total coverage.**
- Florida has the most NFIP policies in the country – and the most at stake with changes to the NFIP, including any changes that negatively impact policy holders, such as increased premiums.
- NFIP is a federal program that must be authorized by Congress. By federal law the program must be “reauthorized” every five years.
- Last big reauthorization and reform efforts passed by Congress: Biggert Waters (2012) and Homeowner Flood Insurance Affordability Act (HFIAA) (2014)
- Current important provision – **glide paths**: 18% (primary res) and 25% for second homes, commercial, SRL props (current annual increases are about 11%.)
- 18 extensions since 2014
- NFIP currently authorized through Dec. 3. Most likely another short-term extension after.

Risk Rating 2.0



**** RISK RATING 2.0 IS ONE OF THE MOST SIGNIFICANT CHANGES TO NFIP SINCE ITS INCEPTION ****

- FEMA's new methodology for rating the risk of each property to determine their NFIP premium amount.
- MUCH more granular than current flood zones. Property specific. Includes many more flood risk variables.
- Per FEMA it will capture the "true risk" of properties, and assigns a more accurate risk-based insurance cost.

Former rating accounted for:

- BFE (ECs are encouraged)
- Flood zone on flood map
- 1% chance of flooding

RR 2.0 will account for:

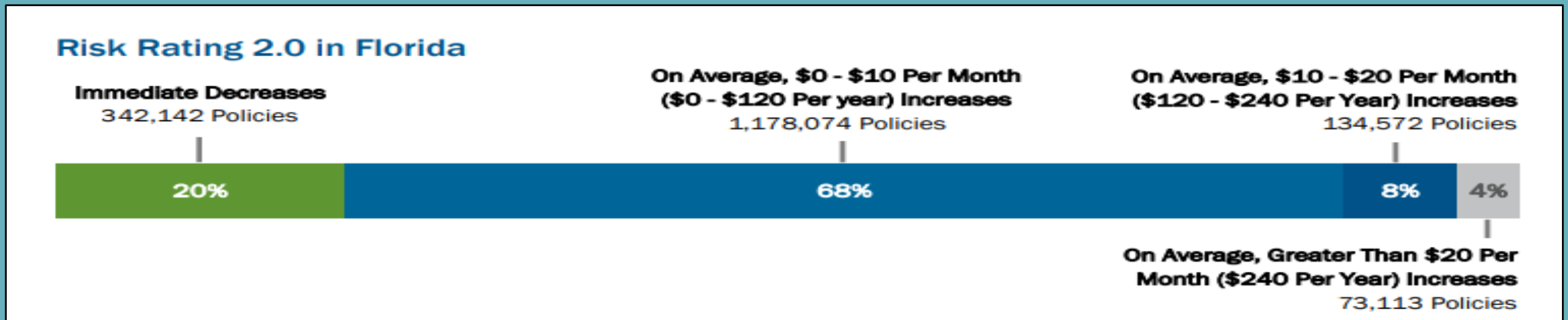
- Proximity to coast/river/water body
- Structural (construction/foundation types)
- Building elevation (using FEMA's "internal" data sets not ECs.)
- Propensity for storm surge, excessive rainfall.
- Frequency of flooding
- Cost to rebuild
- # of Prior claims

Risk Rating 2.0 continued



**** NEW RR 2.0 RATES TO GO INTO EFFECT OCT 2021 FOR NEW POLICIES,
AND APRIL 2022 FOR EXISTING POLICIES ****

- No property level premium information has been released yet; only State level data is available. In the past month or so, zip code level data was released.
- Per FEMA: 1.1M policies will stay about the same; 200K policies will increase; 340K policies will decrease.

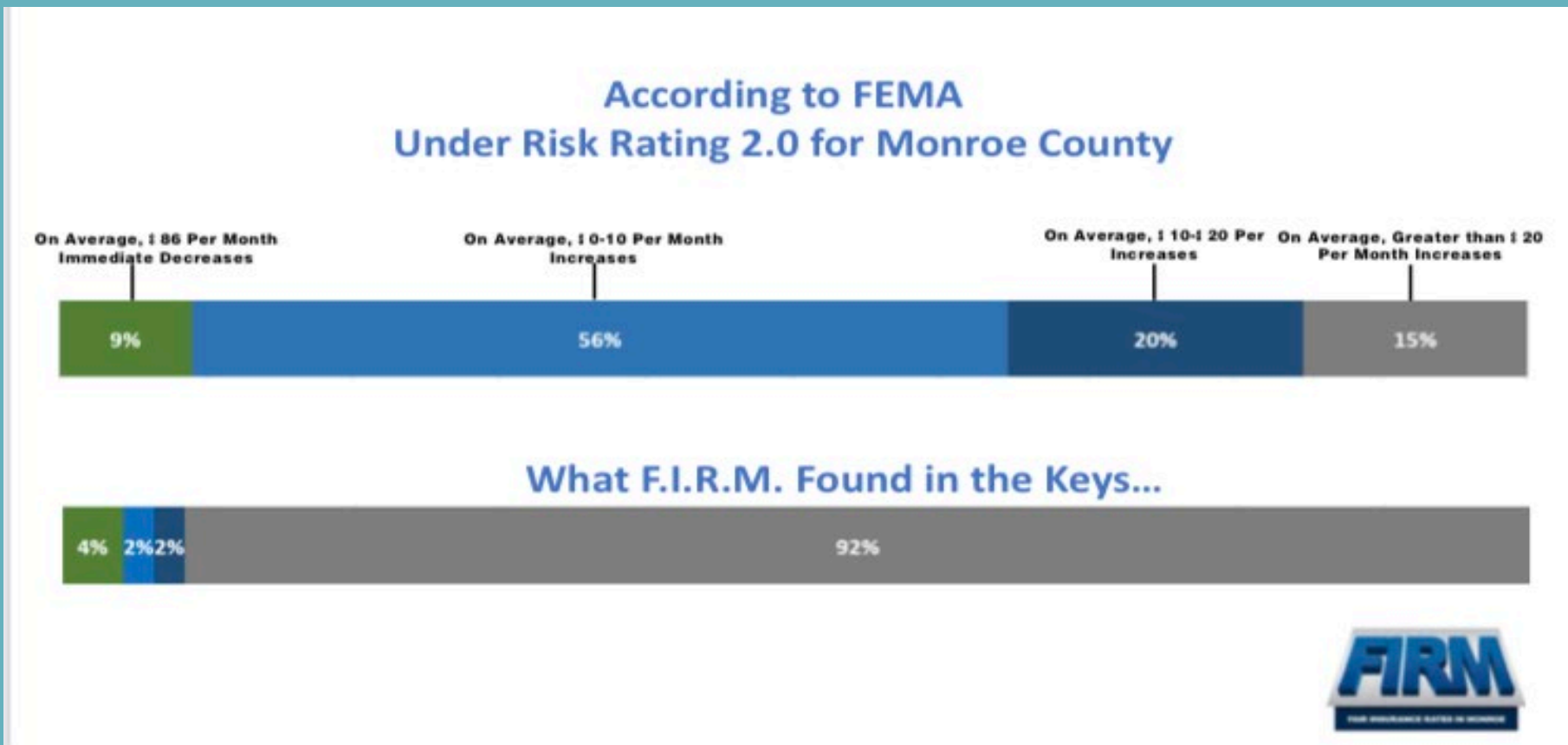


- [RiskRating 2.0 State Profiles | FEMA.gov](https://www.fema.gov/risk-rating-2.0-state-profiles) (for your county and zip code level)
- New premiums will not be able exceed the statutory limits on annual increases.
- CRS discounts will continue to apply to all policies.

Risk Rating 2.0 continued



- Early analysis of RR 2.0 impacts on Monroe County's rate differ significantly from FEMA's projections.
 - Over 90% of policy holders will see increases, with an average annual of \$3,200.
 - Almost all properties with an Elevation Certificate had lower premium calculations.



NFIP Policies in South Florida- What's at stake for our communities?



**** FLORIDA'S POLICY HOLDERS – AND ESPECIALLY THOSE IN THE COUNTIES OF MIAMI DADE, BROWARD AND MONROE -- HAVE THE MOST AT STAKE WITH THE CHANGES TO NFIP'S RISK FACTORS AND PREMIUM CALCULATIONS.****

With 1.7M policies, Florida is most impacted state.

In Florida, these counties are most impacted:

MD County: 342K policies, \$76B in coverage (*most policies and highest coverage in State.*)

Broward County: 210K policies, \$52B in coverage (*second highest polices and coverage in State.*)

Palm Beach County: 140K policies, \$38B in coverage

Monroe County: 30K policies, \$7B in coverage (*highest percentage of properties insured with NFIP.*)

What is happening now?



Legislative activity:

- 2020 Financial Services Chair proposed legislation that would limit annual flood insurance rate increases to 9 percent.
- Infrastructure and BBB bills include provisions for NFIP: funding for an affordability program, mapping, debt forgiveness (\$25B), resiliency.
- Nov 2, bipartisan legislation was introduced in the Senate to reauthorize the NFIP: the National Flood Insurance Program Reauthorization and Reform Act **National Flood Insurance Program Reauthorization Act** (Co-sponsored by Sen. Rubio.)
- You can view the [legislation here](#) and a section-by-section [summary here](#). Very similar to 2019 SAFE-NFIP.
- The bill contains several provisions that have been advocated by us:
 - Five-year authorization of the NFIP
 - Caps annual premium increases at 9%
 - Freezes interest payments on the NFIP debt and reinvests that savings towards mitigation efforts
 - Increases ICC

CONTACT YOUR FEDERAL ELECTED OFFICIALS REGARDING YOUR CONCERNS ABOUT INCREASING PREMIUMS AND ASK THEM TO SUPPORT THESE EFFORTS

What's happening now?



Agency Level Activity:

- FEMA Requests for Information – indicate the potential for significant changes to NFIP, aside from premiums.
- Current RFI seeks public input on updating/increasing NFIP's floodplain management standards.

Questions relate to: Expanding the flood plain, new elevation requirements, factoring in climate change to mapping, prohibiting critical structures in flood plains, changes to RL props and substantial damage metrics.

Responses/comments are due Dec 13, 2021. The notice information and the place to submit comments:
[Regulations.gov](https://www.regulations.gov)

PAY ATTENTION TO ANNOUNCEMENTS OF FEMA NFIP AND FLOOD PLAIN RELATED AGENCY ACTIONS AND RESPOND WITH WRITTEN COMMENTS.

What to do?



- Policy holders should get an elevation certificate. (FEMA's data that is informing its new rating scheme is likely inaccurate and/or not favorable. Folks need to get their own elevation data.)
- Policy holders should talk to their insurance agent, and ask them about how your specific premium will be impacted. Don't have to wait until April.
- All stakeholders should stay informed, the situation is evolving.
- Local govt staff should carefully monitor FEMA announcements, RFIs, public meetings -- and respond. Ensure coordination btw technical and legislative/policy/political staff.
- ** All stakeholders should talk to their federal legislators, share concerns/urgency about RR 2.0 - - ask them to support a 10% or less cap on annual increases to premium.**
- Remember: Participating and advancing within in the Community Rating System (CRS) can help with reducing flood insurance rates as communities will continue to earn National Flood Insurance Program rate discounts of 5%-45%, based on their community classification.