Individual Risks,
Individual Insurance,
Risk Rating 2.0

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PIMA COUNTY REGIONAL FLOOD CONTROL DISTRICT
Equity in Action = Property owners will no longer pay more than their share in premiums based on the value of their home.
FEMA, through new pricing methodology, will better inform individuals and communities about flood risk, set premiums to strongly signal those risks and promote actions to mitigate against them.

Current NFIP policies statistics:
- 5 million policies in force
- $1.3 Trillion in coverage amount
- 22,525 communities across the nation
  - 75% are part of the CRS
  - 67% of all policies come from CRS communities
  - It pays to be in the CRS
- The maximum policy cost will go down drastically
New Methods for Pricing Flood Insurance

- New pricing methodology
  - Arizona = 25% immediate decrease. 68% will see a no change or up to $10 increase per month. Simplified approach in rating methodology

- Use of 2018 Affordability Framework as a guide
  - Lower income earners generally live in higher hazard areas. How do we combat this?

- Utilizes resource investments and best available data
  - FEMA sourced data
  - Additional data sources (USGS, US Army Corps, NOAA)
  - Includes up front fees and surcharges
What IS Changing

- Simplify the quote process – policies will show the total premium price
- Eliminate elevation certificate requirement for policy pricing
  - Elevation certificates will still be required for verifying construction and floodplain management
- Expanded mitigation credits
- Expand CRS discounts to ALL floodplains (SFHA, OFHA, X, etc.). Discounts will be uniformly applied across the community.
  - 25% for Pima County
  - 20% City of Tucson
  - 15% Town of Marana
- Leveraging more information on flood hazards related to levees – all levees will be considered regardless of if they are accredited or not
- Reflects prior claims
  - Prior NFIP claims is based on a loss history over a 20-year rolling window period and 1 claim is forgiven
  - Only counts claims over the deductible amount
- Replacement Cost Value (RCV) instead of Full Cash Value (FCV)
  - RCV is not the market value of the structure - just the cost to rebuild what would be damaged
  - Considers loss difference between higher-valued and lower-valued homes
- BFEs and flood zones will not be used in rating consideration
What IS NOT Changing

- Federal law of rate caps on premium increases (max 18%) set by Congress
- Premium discounts through CRS involvement
- Transfer of discounts to new property owners
- Use of FIRMs for mandatory purchase and floodplain management regulations

What is Being PHASED OUT

- Preferred risk policies (X-zones)
- Grandfathered rates
- Mortgage Portfolio Protection (rarely used)
- Submit for Rates (rarely used)
Rating Variables

- Flood type or river class (fluvial vs. pluvial)
  - Fluvial = relating to a stream/river/ocean
  - Pluvial = relating to rain
- Distance to flooding source (main channel)
- Elevation (lowest finished floor and finished floor elevation)
- Flood frequencies (10-year, 100-year, 500-year)

Building Variables

- Replacement Cost Value
- Construction type (wood vs. masonry)
- Foundation type
- # of floors
- Mitigation credits:
  - Post, piles, piers -> with or without enclosures underneath (mostly in coastal zones)
  - Flood openings -> specific credit applied varies based on foundation type and first floor height. Percentage is based on height above grade and type of use.
  - Machinery equipment elevation
First floor height tool and FEMA assumptions comes from CORELOGIC

- CORELOGIC is NOT available to communities right now for testing

Property owners can provide additional information to their insurance agent to help refine a quote. If after providing additional information and the quote increases, the lower premium will be given. Additional information includes:

- Ground elevation survey
- Elevation certificate for finished floor elevation
- RCV quotes
- Claims history
- Pictures/verification of mitigation elements
Data and Analysis

- Elevations of the structure will be relative to flooding source
- Local relative elevation = 500 meters squared
  - If the structure sits higher than the average of the surrounding area, it will be a lower rate; if it sits lower than the average it will be a higher rate
- First floor height = first living floor above ground
  - Important for electrical/machinery and mitigation discounts
- Various ratings of the elevation of first floor height:
  - Slab on grade
  - Basement
  - Crawlspace
  - Solid wall foundation
When Does This Go Into Effect & What are the Benefits

- Beginning October 1, 2021, new policyholders will be subject to the new flood rating system.
- By April 1, 2022, all renewing policyholders will be folded into the new program.

**What are the benefits of Risk Rating 2.0?**

The NFIP is developing Risk Rating 2.0 to deliver the following key benefits to policyholders, communities, and the flood insurance industry:

- Creates an individualized picture of a property’s risk
- Reflects more types of flood risk in rates
- Provides rates that are easier to understand for agents and policyholders
- Uses the latest actuarial practices to set risk-based rates
- Reduces complexity for agents to generate a quote

**Learn More**

To learn more about Risk Rating 2.0 and to get the most up-to-date information, please visit [www.fema.gov/nfiptransformation](http://www.fema.gov/nfiptransformation).
## Zip Code Breakdowns

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## CRS Rating Modification Impact

### Financial Impact on the Insured in Unincorporated Pima County

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<tr>
<th>Risk Rating 2.0 Monthly Rate Changes</th>
<th>Policies</th>
<th>Percent</th>
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<tr>
<td>Decrease</td>
<td>943</td>
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<td>Increase $0-10</td>
<td>2,319</td>
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<td>Increase $10+</td>
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<td>Total Flood Insurance Policies In-Force</td>
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### CRS Discount Premium Change

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<thead>
<tr>
<th>CRS Discount Premium Change</th>
<th>Savings</th>
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<tr>
<td>National Premium Average</td>
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<td>Total Est. Premiums (Avg x Policies)</td>
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<td>Properties with Current SFHA Discount of 25%</td>
<td>$225,155</td>
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<td>Properties with Current non-SFHA Discount of 10%</td>
<td>$162,948</td>
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<td>Current Class 5 Savings</td>
<td>$388,103</td>
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<td>Class 5 Savings After RR2.0 (Oct. 2021)</td>
<td>$685,006</td>
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<tr>
<td>Class 3 Savings After Modification (April 2022)</td>
<td>$959,008</td>
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Case Study – Mt. Lemmon Short Rd.

- Zone X, Local Floodplain (Soldier Canyon)
- Roughly 300 feet from flooding source (fluvial)
- Pima County (25% discount)
  - $1,402 savings
- Replacement Cost Value = >$600,000
  - Substantially Improved
- First floor height = 0.3 Core Logic

- Full Coverage (250K building, 100k contents)
  - $3,375
Case Study – Camino De La Jicarilla

- Zone X-Shaded, 500-year floodplain
  - No option to input “X-Shaded”
- Roughly 543 feet from flooding source (fluvial?)
  - Bank protected
- City of Tucson (20% discount)
  - $837 savings
- Replacement Cost Value = >$250,000
- First floor height = 1.1 Core Logic

- Full Coverage (250K building, 100k contents)
  - $4,897
Case Study – Postvale Rd.

- Zone A
- Roughly 438 feet from flooding source (fluvial)
- Pima County (25% discount)
  - $1,225 savings
- Replacement Cost Value = >$90,000
- First floor height = 1.0 Core Logic
- Full Coverage (250K building, 100k contents)
  - $2,989
Case Study – Tucson Mountain Dr.

- Zone X
- Roughly 719 feet from flooding source (pluvial?)
- Pima County (25% discount)
  - $142 savings
- Replacement Cost Value = >$300,000
- First floor height = 1.1 Core Logic
- Full Coverage (250K building, 100k contents)
  - $615
### Questions:

- **Reserve Fund Assessment?** – “...purpose is to set aside a fund to pay future claims.” (Flood Insurance Manual)
- **Mitigation Discount does not count for much?** Is it worth it for already in-place equipment?
- **Zone X-Shaded, bank protected, lesser valued home is rated a higher premium than more at-risk structures?**
- **No X-Shaded option, just X**
- **Distance to flooding source (main channel)?**
Positives

- Standard web address to access the pricing portal
  - Not a software product
- Quick and easy to produce and receive quotes
  - 5 minutes
- “Flood Chat” online help tool for insurance agents
- Pictures showing elevation methods and foundation types
  - Slab on grade, crawlspace, piers, basement, etc.
- Latitude and Longitude used for central point
  - Not just the property address
  - Could be forged?
- Occupancy Information gathered
  - Small business under/over 100 employees, non-profit entity, primary residence, rental
  - Being used to verify “equity in action” and contents coverage?
Case Study – 1st Street

- Zone X
- Street drainage (pluvial)
- City of Tucson (20% discount)
  - $33 savings
- Replacement Cost Value = >$120,000
- First floor height = 3.1 Core Logic

- Coverage (100K building, 50k contents)
  - $684

Not primary residence ($250)
Case Study – Calle Fortunado

- Zone X-Shaded, 500-year flood
- Rillito River? (fluvial)
- Pima County (25% discount)
  - $932 savings
- Replacement Cost Value = >$180,000
- First floor height = 1.1 Core Logic

- Full Coverage (250K building, 100k contents)
  - $4,217

- Reaction: “So sad. Making simple flood insurance to those out of the SFHA unaffordable to many on a tight budget. Sad very sad.”
Case Study – Mesquite Dr.

- Zone X
- Roughly 25 feet from flooding source (pluvial)
- City of Tucson (20% discount)
  - $376 savings
- Replacement Cost Value = >$110,000
- First floor height = 0.5 Core Logic
- Coverage (100K building, 50k contents)
  - $2,013
- Reaction: “2k/year!? That’s insane expensive!!”
Case Study – Venice Ave.

- Zone AE
- Flooding source? (fluvial?)
- City of Tucson (20% discount)
  - $470 savings
- Replacement Cost Value = >$170,000
- First floor height = 1.1 Core Logic
- Full Coverage (250K building, 100k contents)
  - $2,522
- Reaction: “…didn’t you say a mansion was only $3,000 something? My little house is FAR from that”
Case Study – Venice Ave. continued

- Elevation Certificate shows that structure is below the base flood elevation
- Example of when it is better to use FEMA’s Core Logic finished floor rating
- Currently paying $1,200, but up from $1,008 originally.
Important Links and More Information

- Video - https://www.youtube.com/watch?v=oi2g-0GfgMk

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