



**PUBLIC
POLICY**

FEMA FLOOD MAPPING – RISK RATING 2.0

ACTION NEEDED:

Urge Congress to **SUPPORT** counties and recommend that FEMA delay its implementation of its new Risk Rating 2.0 flood mapping initiative.

BACKGROUND

The NFIP is administered by the Federal Emergency Management Agency (FEMA) and allows property owners in participating communities to buy insurance to protect against flood losses. Under federal law, the purchase of flood insurance is mandatory for all federal or federally related financial assistance, including home mortgage loans, for the acquisition and/or construction of buildings in high-risk flood areas (Special Flood Hazard Areas or SFHAs).

In 2014, Congress passed the Homeowners Flood Insurance Affordability Act (HFIAA). Among the issues addressed were rate increases that were soaring as a result of previous legislation. Through HFIAA, rate increases were capped at no more than 18% annually for residential and 25% for commercial properties.

NFIP rates are directly tied to FEMA flood maps (a.k.a. Florida Insurance Rate Maps – FIRMs). While FEMA has labored to update maps across the country, most community maps are out of date and don't account for new development, increased impervious areas, or local flood control efforts. In short, FEMA's approach to rating a property's risk can be viewed as being binary – that is, a property is either in or out of mapped flood zone. That alone determines whether a property is required to have flood insurance. Moreover, premium rates are developed community-wide rather than on an individual property's risk.

CONCERNS

To address the deficiencies in the traditional mapping process, FEMA is scheduled to launch a new risk rating system called Risk Rating 2.0. This new system will fundamentally change the way FEMA rates a property's flood risk and prices insurance. The current rating methodology has not changed since it was first developed in the 1970s. The current rating methodology is heavily dependent on the 1-percent-annual-chance-event, while Risk Rating 2.0 will incorporate a broader range of flood frequencies and other catastrophe models. Unfortunately, FEMA has not consulted with states or local governments in developing the new system.

New rates will go into effect on October 1, 2020. There is much uncertainty how the new approach will affect premiums and whether properties outside a FEMA-mapped flood zone will be required to purchase flood insurance. Couple this uncertainty with the maximum annual premium rate increase of up to 18%, there is real concern that Florida property owners could be negatively impacted.





PUBLIC POLICY

Accordingly, FAC believes there should be sufficient time for the State of Florida and policy holders to understand how the new system will work. The current six-month time frame is insufficient for such an assessment and staff recommends the following:

- That no rate changes go into effect for at least 24-months;
- That FEMA consult with the State and counties before any changes take place; and,
- That an appeal process be created so counties and policy holders can appeal any changes they find do not reflect a property's flood risk.

