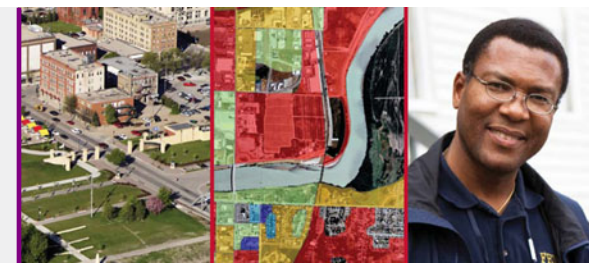




FEMA

Flood Insurance – Affordability and Availability

November 2015



Overview

Tensions Between:

- **Risk Based Rates**
- **Affordability**
- **Participation**
- **Resiliency**

Risk Based Rates

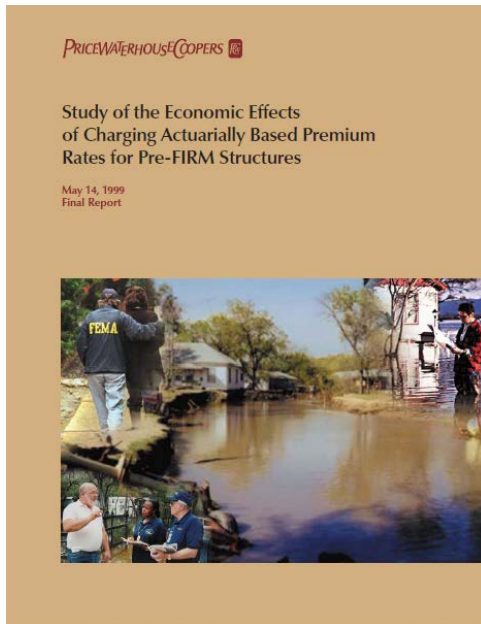
Prior to recent legislation, premiums were capped but did not reflect structure's actual risk

- **Pre-FIRM Subsidies**
Provide reasonable rates for structures built before risk was identified by simply charging less
- **Grandfathering**
Retain rating classification when maps change by cross subsidizing with other policyholders

Recent legislation removed and reinstated subsidies

- **Pre-FIRM Subsidies**
25% Increases for non-primary, severe repetitive loss, business, substantial damage in 2012 upheld in 2014; sale to new owner immediate full risk in 2012, removed in 2014, replaced by 5-15% increases for all other than 25% groups.
- **Grandfathering**
Eliminated in 2012, reinstated fully in 2014

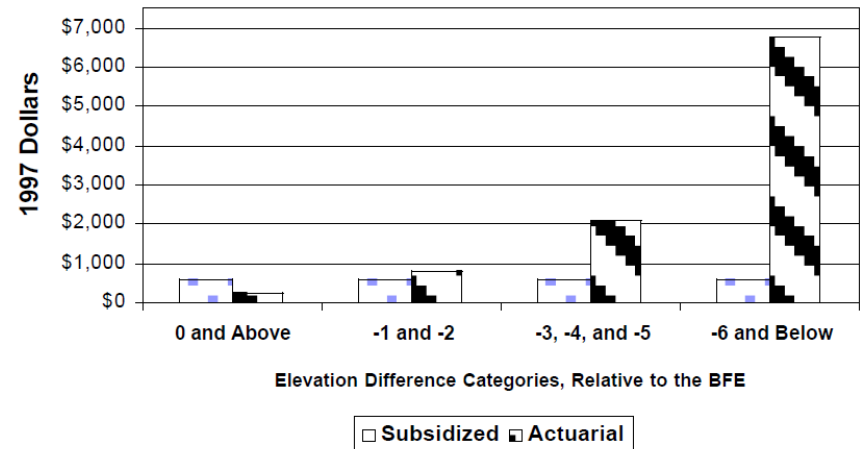
Risk Based Rates – PWC Study



<https://www.fema.gov/media-library/assets/documents/9432?id=2555>

Figure 5.1

Scenario 1: 1998 Average Premiums for Pre-FIRM Residential Properties All NFIP Study Communities



- 45% at 0 and above,
- 30% at -1 and -2,
- 12% at -3, -4 and -5, and
- 13% at -6 and below.

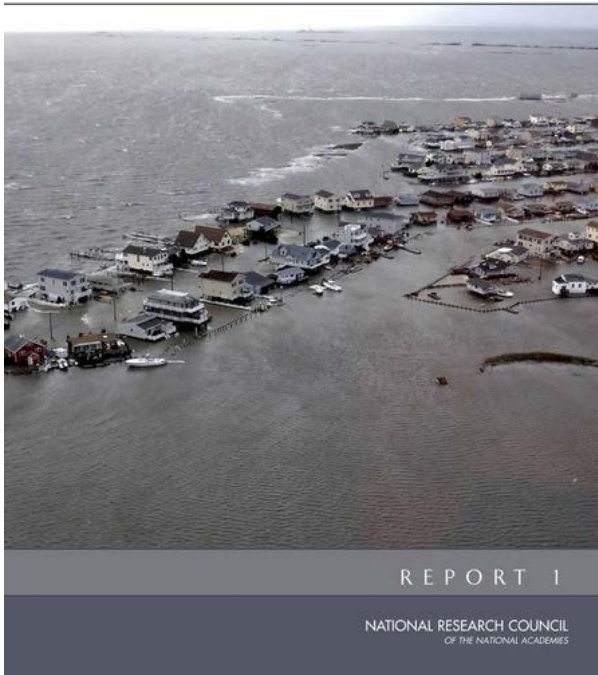
Affordability

National Academy of Sciences Affordability Study

- **Legislation requires FEMA to:**
 - 1) work with the NAS to complete an affordability study, and**
 - 2) deliver an affordability framework to congress after completion of the affordability study**
- **The first report was released in March 2015 and covered definitions and policy decisions for an affordability program**
- **The second report will be released late 2015 and will only cover the design of a nationwide evaluation of an affordability program**
- **The second report will not deliver the results of a nationwide evaluation due to data gaps**
- **These reports will inform FEMA's affordability framework, due 18 months after completion of the affordability study**

Affordability Study Phase I

AFFORDABILITY OF NATIONAL FLOOD INSURANCE PROGRAM PREMIUMS



http://www.nap.edu/catalog.php?record_id=21709

Design Decisions

Who will receive
assistance?

- Cost burdened
- Loss of pre-FIRM subsidy/grandfathering
- Requirement to purchase flood insurance

What assistance
will be
provided?

- Premium payment assistance
- Mitigation cost assistance
- Both

How will
assistance be
provided?

- Vouchers
- Mitigation loans and grants
- Tax credits and deductions

How much
assistance will
be provided?

- Formula for calculating amounts
- Setting minimum and maximum amounts
- Duration of assistance

Who will pay for
assistance?

- Allocate between taxpayers and policy holders who do not receive assistance

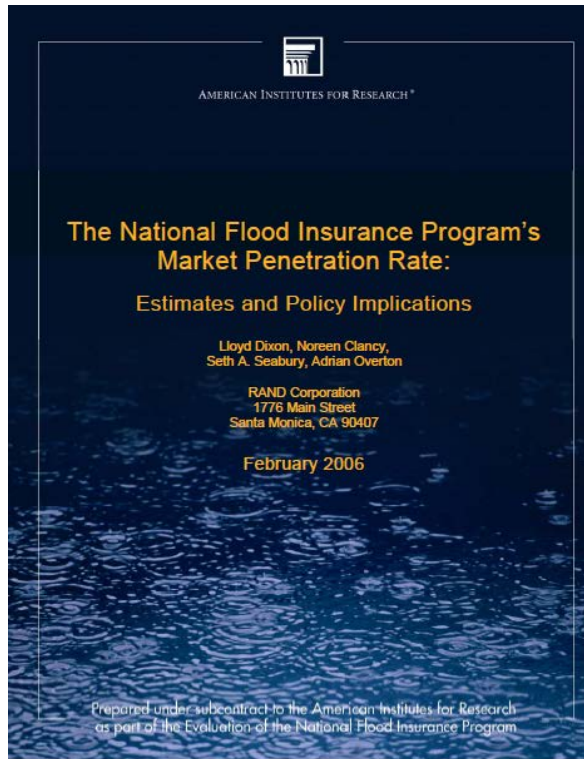
How will
assistance be
administered?

- Specify the entities responsible for eligibility and assistance award determinations

Policy Options

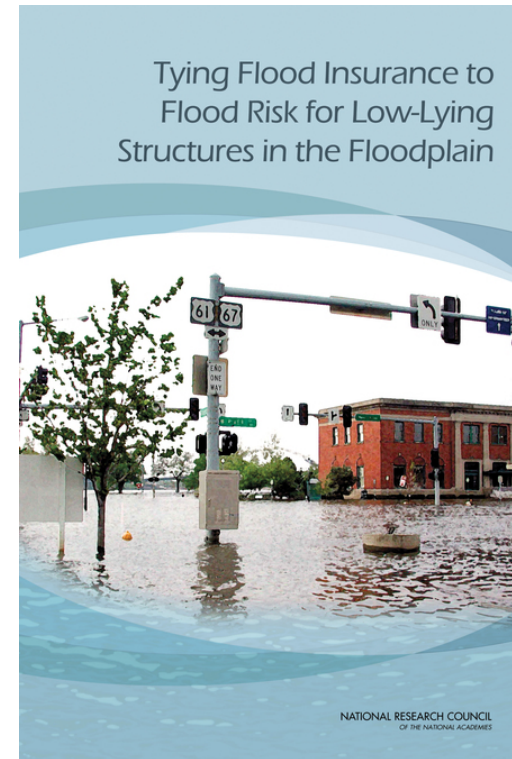
Affordability Assistance

Other Resources



<https://www.fema.gov/media-library/assets/documents/9606?id=2599>

<https://www.fema.gov/national-flood-insurance-program-evaluation>



<http://www.nap.edu/catalog/21720/tying-flood-insurance-to-flood-risk-for-low-lying-structures-in-the-floodplain>