

NFIP Michigan Rate Analysis Comparison

Purpose is to provide a detailed comparison between the NFIP’s new rating methodology Risk Rating 2.0: Equity in Action 2021 and the rates under the old rating methodology for the state of Michigan.

Context Setting (Nationwide)

Under the old rating methodology policyholders have seen an average annual increase of just over 11% or \$8 per month. Should Risk Rating 2.0 not be implemented, 100% of NFIP policyholders will continue see rate increases year after year.

Premiums are ultimately driven by variables that an individual policyholder can control. Upon receipt of a premium, a policyholder can change the parameters (such as the level of coverage limits, deductibles, and other additional data or take a mitigation action) that impact their property’s unique rate. This is the same process that exists under the legacy methodology.

Replacement Cost Value Data

The Replacement Cost Value (RCV) shown in the supplemental spreadsheet represents building RCV for policies that only elect building coverage, contents RCV for policies that only elect contents coverage, and building RCV plus contents RCV for policies that elect both building and contents coverage. Note that Replacement Cost Value does not represent market value (the value of the home, including the cost of the land and structural improvements when bought or sold), but the cost to rebuild the structure with similar materials.

Under the old system, policyholders with the largest annual increases have relatively low average RCVs. Under Risk Rating 2.0, those seeing decreases have relatively low average RCVs, and those seeing large increases have relatively high average RCVs.

Summary of Comparison Results for MI

The following tables provide a comparison of rate changes under the old system as of April 1, 2021 and the new rate changes effective October 1, 2021 under Risk Rating 2.0. Per the supplemental spreadsheet, here’s what the picture looks like for MI:

1. Beginning with the more extreme edges for the **green** and **grey** bars of the breakout.



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Table 1: For all structure types of the National Flood Insurance Program policies (Commercial, Condos, Multi-Family, Single Family) in MI

New	Old
2,763 policyholders see more than \$100 per month decreases (\$1,200 in the first year) (Extreme end of the Green Bar)	"Zero" policyholders have seen decreases of \$100 per month (\$1,200 per year) (Extreme end of the Green Bar)
4 policyholders see increases over \$100 per month (\$1,200 in the first year) (Extreme end of the Grey Bar)	354 policyholders have seen increases of \$100 per month (\$1,200 per year) (Extreme end of the Grey Bar)

Table 2: For all single-family home policies in MI

New	Old
2,155 single-family home policyholders see more than \$100 per month decreases (\$1,200 in the first year) (Extreme end of the Green Bar)	"Zero" single-family home policyholders have seen decreases of \$100 per month (\$1,200 per year) (Extreme end of the Green Bar)
"Zero" single-family home policyholders see increases over \$100 per month (\$1,200 in the first year) (Extreme end of the Grey Bar)	211 single-family home policyholders have seen increases of \$100 per month (\$1,200 per year) (Extreme end of the Grey Bar)

2. Next, the full range of policy counts for the green and grey bars of the breakout:

Table 3: For all structure types of the National Flood Insurance Program policies (Commercial, Condos, Multi-Family, Single Family) in MI

New	Old
11,120 policyholders see decreases. (Total Green Bar)	"Zero" policyholders have seen decreases. (Total Green Bar)
293 policyholders see large increases of \$20 or more per month (Total Grey bar)	1,694 policyholders have seen large increases of \$20 or more per month (Total Grey bar)

Table 4: For all single-family home policies in MI

New	Old
8,838 single-family home policyholders see decreases (Total Green Bar)	"Zero" single-family home policyholders have seen decreases (Total Green Bar)
67 single-family home policyholders see increases of \$20 or more per month (Total Grey bar)	1,111 single-family home policyholders have seen increases of \$20 or more per month (Total Grey bar)

3. Finally, the remaining policy counts grouped in the light blue and dark blue bars:

Table 5: For all structure types of the National Flood Insurance Program policies (Commercial, Condos, Multi-Family, Single Family) in MI

New	Old
8,445 policyholders see increases of \$0 - \$10 per month (Light Blue Bar)	16,360 policyholders have seen increases of \$0 - \$10 per month (Light Blue Bar)
623 policyholders see increases of \$10 - \$20 per month (Dark Blue Bar)	2,198 policyholders have seen increases of \$10 to \$20 per month (Dark Blue Bar)

Table 6: For all single-family home policies in MI

New	Old
7,264 single-family home policyholders see increases of \$0 - \$10 per month (Light Blue Bar)	13,331 single-family home policyholders have seen increases \$0 - \$10 per month (Light Blue Bar)
444 single-family home policyholders see increases of \$10 - \$20 per month (Dark Blue Bar)	2,013 single-family home policyholders have seen increases of \$10 - \$20 per month (Dark Blue Bar)

*Analysis of increases and decreases for the legacy methodology is based on the rates changes from the April 2021 Federal Insurance Manual.