

overcome an objection at the point of sale, while still generating the same average revenue per policy. Although we are unable to quantify the expected impact of this proposal on future policy sales, we expect it to help the program generate a modest increase in policies in force.

As an additional benefit, this will bring the NFIP in closer conformity with the insurance industry standard of

practice for property insurance where expense constants are rarely used. This proposal will make the NFIP's premium calculation more like that for other property lines. As such, it should also make it more intuitive for insurance agents to process flood insurance.

#### Comparison of Proposed Rate Increases with Current Rates

The following chart compares the current rates we charge for Pre-FIRM

SFHA properties with the proposed rate increases for Pre-FIRM, SFHA properties. Also these proposed increases apply only to the rates charged for the "first layer" of flood insurance coverage set by Congress in Section 1306 of the National Flood Insurance Act of 1968, as amended (Pub. L. 90-448):

Type of structure	Current A zone <sup>1</sup> rates per year per \$100 coverage on—		Proposed A zone <sup>1</sup> rates per year per \$100 coverage on—			
	Structure	Contents	Structure		All other	Contents
			RCBAP <sup>2</sup>			
			High rise	Low rise		
1. Residential:						
No Basement or Enclosure .....	.68	.79	.85	.70	.76	.96
With Basement or Enclosure .....	.73	.79	.90	.75	.81	.96
2. All other including hotels and motels with normal occupancy of less than 6 months duration:						
No basement or Enclosure .....	.79	1.58	N/A	N/A	.83	1.62
With basement or Enclosure .....	.84	1.58	N/A	N/A	.88	1.62

<sup>1</sup> A zones are zones A1-A30, AE, AO, AH, and unnumbered A zones.

<sup>2</sup> Residential Condominium Building Association Policies (RCBAP) are distinguished between High Rise (those structures that have 3 or more floors and 5 or more units) and Low Rise (those structures that have either less than 3 floors or less than 5 units).

Type of structure	Current V zone <sup>1</sup> rates per year per \$100 coverage on—		Proposed V zone <sup>1</sup> rates per year per \$100 coverage on—			
	Structure	Contents	Structure			Contents
			RCBAP <sup>2</sup>		All other	
			High rise	Low rise		
1. Residential:						
No Basement or Enclosure .....	.91	1.06	1.08	.93	.99	1.23
With Basement or Enclosure .....	.98	1.06	1.15	1.00	1.06	1.23
2. All other including hotels and motels with normal occupancy of less than 6 months duration:						
No basement or Enclosure .....	1.06	2.10	N/A	N/A	1.10	2.14
With basement or Enclosure .....	1.12	2.10	N/A	N/A	1.16	2.14

<sup>1</sup> V zones are zones V1-V30, VE, and unnumbered V zones.

<sup>2</sup> Residential Condominium Building Association Policies (RCBAP) are distinguished between High Rise (those structures that have 3 or more floors and 5 or more units) and Low Rise (those structures that have either less than 3 floors or less than 5 units).

Prior to this change, as shown in the Current A Zone and Current V Zone table, RCBAP policyholders were always charged the same building rates as everyone else. In order to accomplish the elimination of the Expense Constant in a revenue-neutral manner, it is now necessary to vary the rates as shown in the Proposed tables.

#### National Environmental Policy Act (NEPA)

Pursuant to section 102(2) (C) of the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4317 *et seq.*, we are conducting an environmental assessment of this proposed rule. The assessment will be available for inspection through the Rules Docket

Clerk, Federal Emergency Management Agency, room 840, 500 C St. SW., Washington, DC 20472.

#### Executive Order 12866, Regulatory Planning and Review

We have prepared and reviewed this proposed rule under the provisions of E.O. 12866, Regulatory Planning and Review. Under Executive Order 12866, 58 FR 51735, October 4, 1993, a significant regulatory action is subject to OMB review and the requirements of the Executive Order. The Executive Order defines "significant regulatory action" as one that is likely to result in a rule that may:

(1) Have an annual effect on the economy of \$100 million or more or

adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(2) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(4) raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in the Executive Order.

For the reasons that follow we have concluded that the proposed rule is