

# Major Improvements Coming to the National Flood Insurance Program

## What You Need to Know Starting October 1, 2021

On October 1, 2021 FEMA began implementing a new pricing methodology called Risk Rating 2.0: Equity in Action. These changes apply to new flood insurance policies. Most existing policies are not be affected until after **April 1, 2022**. Existing policy holders can take advantage of any **premium decreases** at the time of their renewal beginning **October 1, 2021**.

### What's Changing?

Since the 1970s, NFIP rates have relied predominantly on a property's location with a zone on a relatively static Flood Insurance Rate Map. With the new methodology, FEMA now has access to modern insurance technologies, catastrophic models and data sets so it no longer requires zones or elevation certificates. The new methodology rates each individual home according to property specific rating factors such as its unique elevation, distance to water and cost to rebuild.

### Why?

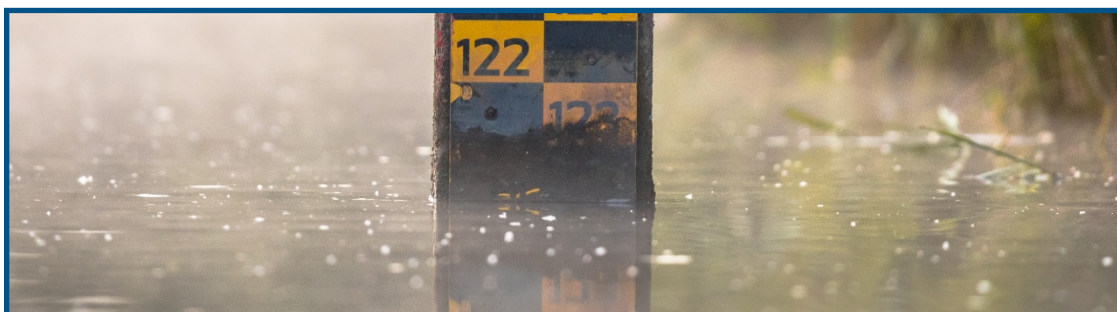
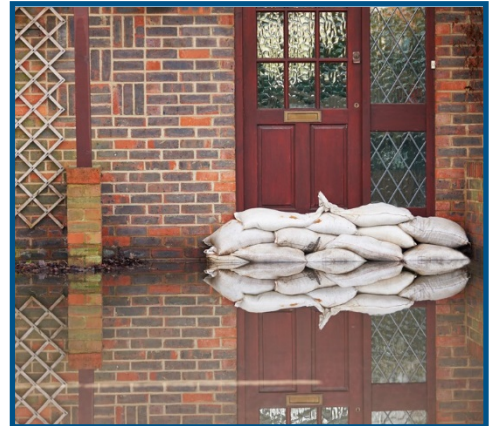
Currently, policyholders with lower-value homes are paying more than they should and policyholders with higher-value homes are paying less than they should. These lower-value homes have some of the highest rates in the National Flood Insurance Program. Under the new methodology, they will see an immediate decrease in insurance costs because it accounts for more risk factors and rates each home individually. Unlike the current methodology when a property reaches its full risk rate, increases stop<sup>1</sup>. The new methodology is more equitable and better meets the challenges of a changing climate.

### What Does this Mean for my NFIP Rate – Will it Go Up or Down?

Because each home is rated individually under the new system, only a licensed insurance agent can tell you that. Please contact your agent today to prepare a quote for you. You can also view FEMA's nationwide actuarial analysis at [www.fema.gov/flood-insurance/risk-rating](http://www.fema.gov/flood-insurance/risk-rating).

### What's Not Changing Under Risk Rating 2.0: Equity in Action?

- Rate increases will not exceed 18% per year.
- Grandfathered rates including for newly mapped and pre-FIRM subsidized homes will continue.
- Policyholders will still be able to transfer discounts to a new owner by assigning their flood insurance policy to the new owner.
- Floodplain Management requirements will continue to be enforced by communities and lenders as usual.



FEMA



<sup>1</sup> This is not to imply that rates would not increase due to changes in the cost of living or other changes to the property.