

New Rates, New Rating Engine, Almost a New NFIP

FEMA'S Flood Insurance Makeover "Risk Rating 2.0"

The National Flood Insurance Program (NFIP) is rolling out its new risk calculation and pricing methodology "Risk Rating 2.0." At the same time, new online tools are making it easier for agents and their customers to understand risk and make choices about insurance coverage.

New Rates

Since April 1st, as policies renew, homeowners and renters who already have NFIP policies are learning whether they will pay more, less, or about the same under Risk Rating 2.0. (For new policyholders, the updated rates started in October 2021.) And yes, you read that correctly, some people will pay *less*. In fact, for the first time since the program began in 1968, some policyholders are seeing premium decreases.



The Federal Emergency Management Agency (FEMA) runs the NFIP and the agency estimates:

- 23% of policyholders will make a lower premium payment every month
- 66% will see a monthly increase of \$10 or less
- 7% of policyholders will see increases between \$10 and \$20 a month
- 4% will see increases of more than \$20 a month.

For those who want to dive into the numbers, FEMA has breakdowns of its estimates by state, county and zip code here: [Risk Rating 2.0 State Profiles](#). For people who prefer graphics and maps, similar information can be found here: [State Totals: Projected Risk Rating 2.0 Premium Changes](#).

The increases may be smaller than some people are expecting, in part because the hikes are being limited this year and, in the future,—by law. Congress has limited increases to no more than 18% per year. Increases will continue annually until the full rate is reached.

New methodology

The old method of calculating rates mainly emphasized a property's elevation and its zone on the FEMA

flood maps. The new way considers all of the factors that influence the risk of flooding. New premiums will reflect a property's individualized flood risk based on several factors, including:

- distance to water
- ground elevation
- first-floor height
- foundation type
- construction type
- estimated rebuilding cost.

Including replacement cost will help make the program more equitable – and people with smaller homes will no longer pay more than their fair share in premiums. With this comprehensive approach to risk, elevation certificates will no longer be required.

New Rating Engine

Explaining flood insurance to your clients and getting them a quote is much easier with NFIP's new online software, available to any company servicing a NFIP policy.

Here's how it works: Start by entering the property address, prompting the system to generate data including distance to a flooding source, local NFIP participation, and community rating. Then the system asks for structure information such as foundation type and square footage. One final step, entering the coverage amount your client wants, and the software creates a customized quote. Learn more by watching this video: [FEMA's New Rating Methodology - YouTube](#).

Heavy spring rains can lead to flash flooding and hurricane season is quickly approaching. Now is a good time to speak with clients so they can protect their homes and the lives they've built.

Additional Resources

Online flood maps: [FEMA Flood Map Service Center](#)

Comprehensive view of risk: [National Risk Index](#).

Marketing materials: [The National Flood Insurance Program for Agents](#)

Everything NFIP: www.floodsmart.gov