

# National Flood Insurance Program Risk Rating 2.0 Fact Sheet

## Overview

The National Flood Insurance Program's Risk Rating 2.0 is a massive overhaul of the outdated methodology of rating flood insurance premiums. The big takeaway: rates will no longer be set using an elevation & zone on Flood Insurance Rate Maps (FIRMS). Rates will now include multiple risk variables. This new approach will also bring equity into the NFIP rating structure, meaning less expensive structures will pay proportionally less than more expensive structures. The regulatory arm of the NFIP has not changed - all minimum standards for regulating within flood zones remain in place.

## Timeline

### Phase I

New policies beginning 10/1/21 will be rated using the new methodology. If your existing policy will decrease under RR 2.0, you may elect to pay the lower rate when you renew.

### Phase II

All policies that renew on or after 4/1/22 will be subject to the new rating methodology. All policies will be rated using the new methodology by 4/1/23.

## New Rating Approach

FEMA's new rating approach uses new data & science, including catastrophe models, private sector data sets, & actuarial science. The gist: more/better technology & data = a risk informed rating plan.

### Old Methodology

Flood Insurance Rate Map Zone  
Base Flood Elevation  
1% Annual Chance of Flooding

### New Methodology

Distance to Ocean/River  
Full Cost to Rebuild  
Broader Range of Flood Frequencies

## Full Risk Rates

The new rates are subject to Congressional annual rate caps, per the Homeowner & Flood Insurance Affordability Act of 2013-2014:

- 18% annual increase for primary residents
- 25% annual increase for commercial, investment, severe repetitive loss, & substantial improvement properties

## When will policies reach full risk rates?

25% in year 1

50% by year 5

90% by year 10

**Note:** Unfortunately, a property's "full-risk rate" is a moving target & subject to increases over time. According to FEMA, the changes are largely unknown at this time.