

FEMA Fact Sheet – Understanding Risk Rating 2.0: Equity in Action

Here is what you need to know about NFIP’s Risk Rating 2.0: Equity in Action, a more modern, individualized and equitable way to protect the life you’ve built in today’s ever-changing environment.

FEMA’s National Flood Insurance Program provides coverage for residential properties, personal property, and non-residential properties — helping Americans protect the lives they’ve built from the financial impacts of flooding. NFIP flood insurance premiums are based on the risk rating of the building to be insured: the higher the risk, the higher the flood insurance premium.

What is Risk Rating 2.0: Equity in Action?

Risk Rating 2.0: Equity in Action is FEMA’s new, individualized approach to risk assessment, built on years of investment in flood hazard information. By using new data, new flooding models, and new technology, Risk Rating 2.0: Equity in Action can assess many factors for individual properties, including:

- Frequency of flooding
- Multiple flood types — river overflow, storm surge, coastal erosion, and heavy rainfall
- Proximity to flood sources
- Building characteristics, such as First Floor Height and the cost to rebuild

Why is NFIP changing its risk rating system?

Prior to Risk Rating 2.0: Equity in Action, the NFIP rating methodology primarily considered flood zones and elevations, and had not been updated in 50 years. This caused disparities that resulted in individuals paying more than their fair share in flood insurance premiums. With Risk Rating 2.0: Equity in Action, FEMA now utilizes the latest in technology that allows it to:

- Calculate rates that are equitable for all policyholders, based on the values of their buildings and individual properties’ flood risks.
- Provide building owners and renters with more specific and accurate information on flood risk, which will help them make well-informed decisions on purchasing flood insurance and taking steps to mitigate flood risk.



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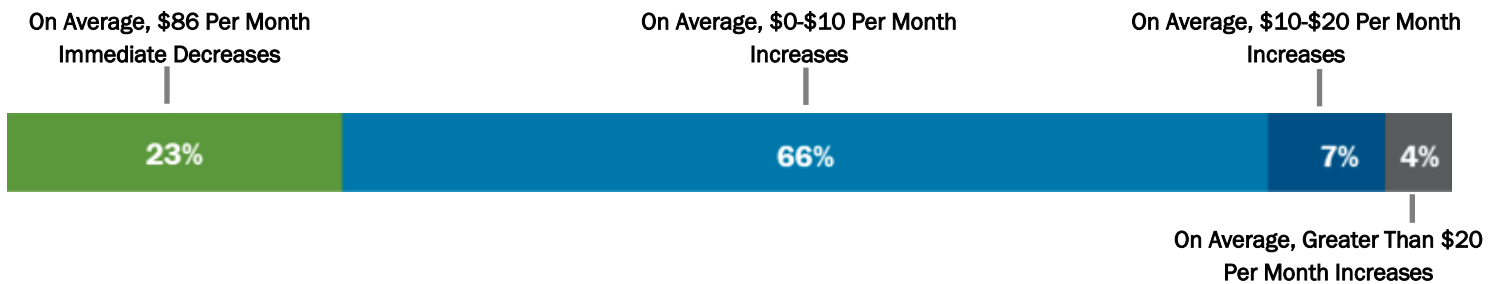
- Improve community resilience and help disaster survivors recover faster after floods – America’s number one natural disaster – which are projected to get worse across the country due to climate change.
- Ensure rate increases and decreases accurately reflect individual flood risk. The rating is specific to the building (rather than a blanket rate based on a flood map).

When is FEMA changing the risk rating system?

- New policies effective on or after Oct. 1, 2021, are priced under Risk Rating 2.0: Equity in Action. From Oct. 1, 2021, through March 31, 2022, existing policies may be able to renew under the Risk Rating 2.0: Equity in Action methodology.
- Policies effective on or after April 1, 2022, will be renewed under Risk Rating 2.0: Equity in Action.

How does Risk Rating 2.0: Equity in Action affect NFIP flood insurance premiums?

Under the old rating methodology, policyholders on average saw premium increases of \$8 per month annually.



Under Risk Rating 2.0: Equity in Action, most policyholders (96%) will see decreases or increases of no more than \$20 per month. Policyholders who have premium decreases will transition to the lower rate immediately when their policies renew. Policyholders who have premium increases will see their rates transition gradually, with most annual increases capped at 18%. Premiums will only increase until the full-risk rate is reached.