FEMA Offers More Equitable Flood Insurance Rates Beginning Oct. 1

Release Date: September 24, 2021

WASHINGTON -- Beginning Oct. 1, FEMA's National Flood Insurance Program (NFIP) will begin to offer more equitable and risk informed rates.

The new premiums are the result of the program's new pricing methodology delivering rates that are actuarially sound, equitable, easier to understand and better reflect an individual property's flood risk.

New policies will be sold using the new methodology, and some existing policyholders may be eligible for immediate premium decreases when their policy renews.

To date, FEMA has provided more than 2.8 million quotes and trained 20,792 agents.

Potential and existing policyholders can learn their specific rates with a call to their insurance company or agent.

"The NFIP's new rating methodology is long overdue since it hasn't been updated in more than 40 years," said David Maurstad, senior executive of the National Flood Insurance Program. "Now is the right time to modernize how risk is identified, priced and communicated. By doing so we empower policyholders to make informed decisions to protect their homes and businesses from life-changing flooding events that will strike in the months and years ahead due to climate change."

Also known as Risk Rating 2.0, the new methodology uses increased technological and mapping capabilities to determine and communicate a property's full flood risk. In addition, the new rating methodology has exposed inequities in pricing whereby some policyholders have been unjustly subsidizing other policyholders.

More Equitable Rates

The new methodology considers the cost to rebuild along with several other flood variables to determine a property's true flood risk.

Under the legacy pricing system, every policyholder would have seen rate increases now and into the future. Beginning Oct. 1, about 23% -- or more than 1 million -- policyholders will see a decrease in their premium at the time of their policy's renewal. These policyholders with older pre-Flood Insurance Rate Map homes have some of the highest rates in the nation under the current rating methodology.

Sharing Information with the Public

FEMA has shared information about the new methodology on FEMA.gov that explains in detail the rating system methodology as well as providing rate impacts at the state, county and ZIP code level.

Phased Rollout

Conscious of the far-reaching economic impacts of COVID-19, the agency decided to take a phased approach to rolling out the new rates:

- Beginning Oct. 1, 2021
  - Existing National Flood Insurance Program policyholders will be able to take advantage of decreases at the time of the policy's renewal.
  - New policies will be subject to the new pricing methodology, which reflects a property's full risk rate.
- Beginning, April 1, 2022
  - All remaining policies will be written under the new pricing plan at the time of renewal allowing these policyholders extra time to prepare.

Incremental Increases

Under the previous methodology, all policyholders received annual increases year after year without knowing their full risk rate. While some policyholders will experience a decrease under the new methodology, others will experience an increase that is commensurate with their full risk rate. By statute, most rate increases are capped at 18% per year.

Maintaining Benefits

The new methodology maintains features that have benefitted communities and flood insurance policyholders:

- FEMA will continue to offer premium discounts for pre-Flood Insurance Rate Map subsidized and newly mapped properties.
- Policyholders will still be able to transfer their discount to a new owner by assigning their flood insurance policy when their property changes ownership.
- Discounts of 5%-45% to policyholders in communities who participate in the Community Rating System (CRS) will continue and will be extended to all policies in the community instead of just those located in the high-risk area.

Climate Change Considerations

The new methodology adapts to climate change by using the full range of flood risk across a suite of catastrophe models -- both government models and private sector models.

Because actuarial rates are based on the expected claims during the one-year policy period, they should reflect today's risk. Future rates will be updated to reflect any changes, including climate impacts.

Policyholders who have questions about their new rate should contact their insurance company or agent.

For more information visit FEMA.gov.