

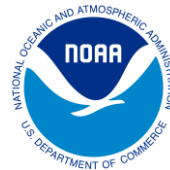


CRS Technical Assistance: Monitoring Impact of National Flood Insurance Program Overhaul on CRS Communities Summary 2021-2022

Risk Rating 2.0 Resources Created:

Wetlands Watch staff created Risk Rating 2.0 videos and talking points, available on our [website](#). The summary document listed as a deliverable on this grant were broken into two fact sheets available on Wetlands Watch's website: one for national impacts (<https://tinyurl.com/ysvj38cr>) and Virginia specific impacts (<https://tinyurl.com/2yku5u4u>). These two fact sheets are also included below.

This report, Task 91.03, was funded by the Virginia Coastal Zone Management Program at the Department of Environmental Quality through Grant FY21 # NA21NOS419 of the U.S. Department of Commerce, National Oceanic and Atmospheric Administration, under the Coastal Zone Management Act of 1972, as amended.



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The National Flood Insurance Program's Risk Rating 2.0 is a massive overhaul of the outdated methodology of rating flood insurance premiums.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.

National Flood Insurance Program Risk Rating 2.0 Fact Sheet – Virginia

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.

Impacts to VA Policy Holders

Immediate Decreases – 46,812 Policies

\$10–\$120/Year Avg. Increases –
50,931 Policies

\$120–\$240/Year
Avg. Increases –
5,093 Policies

\$240+/Year Avg. Increases –
1,949 Policies

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 still subject to Congressional caps:

- 18% annual increase cap 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

Policies in Force by Rate Class in VA

