
**National Flood Insurance Program
Policyholder FAQs & FEMA Responses**
January 2023

With the implementation of Risk Rating 2.0, FEMA applied its administrative authority to update the pricing methodology for the National Flood Insurance Program (NFIP) – the first major overhaul of rates in NFIP’s history. As of April 1, 2022, all NFIP policies are subject to Risk Rating 2.0. As of January 2023, NFIP Policyholders continue to have questions about Risk Rating 2.0’s methodology, its implementation, and methods to reduce rising premiums. To provide policyholders with more information, FEMA has contributed answers included in this document:

1. I don’t understand how my flood insurance premium is being calculated. What is FEMA’s formula for calculating my premium under Risk Rating 2.0? Where can I see these calculations?

For detailed information on how premiums are calculated, please see the [Risk Rating 2.0 Data and Methodology Report](#), the [Appendix D Rating Factors](#), and the [Premium Calculation Worksheet Examples](#), which are linked at the bottom of the [Risk Rating 2.0 website](#). The Data and Methodology Report provides a technical overview of the rating plan. The Appendix D Rating Factors file contains the specific rating factors used for each of the rating variables (e.g., Distance to River, Foundation Type, and First Floor Height). The Premium Calculation Worksheet Examples provide specific examples of how premiums are calculated.

2. How can I lower my cost of flood insurance? What is one key action that will trigger a lower premium, and by how much will it reduce my premium?

When a policyholder is reviewing their policy and the cost, they should review their deductibles and coverages with their agents. Additionally, policyholders can take various actions to reduce their premium. Most importantly, elevating the building can reduce the risk and the corresponding premium. Additional actions include elevating certain machinery and equipment and introducing flood openings. Further information about the benefits of these actions can be found on FloodSmart.gov within the [NFIP Discount Explanation Guide](#). Finally, policyholders should speak with their agents about the individual benefits to their policy.

3. I’m interested in elevating my home to reduce my flood risk, but I don’t know how this investment will impact my premium. How can I figure out if undertaking this mitigation measure will change my premium? Is there a web-based tool or calculator online that I can use to determine the amount by which my premium will change by mitigating my risk?

Policyholders can learn more about the various discounts available to them by reviewing the NFIP Discount Explanation Guide. Additionally, policyholders should speak with their agents about the individual benefits to their policy where agents can run various mitigation scenarios.

4. I live in a coastal community, adjacent an ocean and a river, and I live here because I am employed in the coastal economy. What is the flood source in my policy determination? How is FEMA measuring this distance? Should I relocate further from my job to reduce my premium?

The nearest river and coast will both impact the premium, as they both contribute to flood risk. Distance alone does not determine flood risk, but a combination of distance, elevation, and territory together determine flood risk.

Distance to River is calculated as the geodesic distance to the nearest river feature (line or polygon) within a location's corresponding HUC12. Distance to Coast is calculated as the geodesic distance to the nearest Coast polygon within 50 miles in coastal states. For more information on the data sources, please see Appendix A of the [Risk Rating 2.0 Data and Methodology Report](#). For an example of how both measurements impact a premium calculation, please see the [Premium Calculation Worksheet Examples](#).

FEMA recognizes and shares concerns about flood insurance affordability. Affordability was a concern under the legacy rating system, and affordability remains a concern under Risk Rating 2.0. For most policyholders who will see rate increases, in line with previous years, FEMA will transition their Risk Rating 2.0 policy premium gradually and within the 18% annual cap. The price of a flood insurance policy is an important signal of the flood risk a homeowner or renter faces, informing actions to mitigate and prepare for potential floods. Therefore, risk-based flood insurance premiums are appropriately more costly in areas that have the highest flood risk. However, risk-based premium rates are often burdensome for low- and moderate-income homeowners and renters. As a result, these households often go without insurance and do not recover as quickly or fully as their insured neighbors. If authorized by Congress, FEMA could establish a means-tested affordability program to allow for a focus on low- and moderate-income households, enabling FEMA to account for such policyholders' ability to pay when setting their flood insurance premiums.

5. Where can I see my full risk rate? When will I reach my full risk rate? As an existing policyholder, I understand I am on a glidepath; for how many years will I see increases?

Where can I see the full-risk rate? The full-risk premium is provided on the declarations page. Additionally, the full-risk premium is information provided as a part of every new business, renewal, and endorsement quote. Policyholders can speak with their agent or carrier for more details.

How long am I on the glidepath? Many policyholders are already at their full-risk premium. When reviewing your policy, you can determine if you're at the full-risk premium or not by looking at the difference between the discounted premium (which is the premium paid during the current term) and the full-risk premium. If the two premiums are the same, then you are at the full-risk premium. If the discounted premium is less than the full-risk premium then you are probably on a glidepath towards your full-risk premium. The year-by-year premiums will increase until you reach full risk premium according to your glidepath which can range from 5-25%, with most at 18%. However, as noted in the following question, the full risk premium can change over time.

6. Are FEMA's data sources under Risk Rating 2.0 perfect? What technologies are being used, and are these technologies expected to improve? Will FEMA update data sources, and could this cause my full risk rate to change in time?

Floods are highly uncertain, so FEMA uses the latest in flood modeling to create as accurate an understanding of flood risk as we can. Science and technology continue to develop and flood models continue to improve, and Risk Rating 2.0 is designed to incorporate these improvements as they develop.

FEMA is using a combination of models to support the development of rates, including state-of-the-art industry technology and the NFIP's mapping data. Data sources being used include:

- Third-party sourced: Commercially available structural and replacement cost data and catastrophe flood models.
- FEMA sourced: Existing mapping data, NFIP policy and claims data.
- Other Federal Government sourced: Publicly available U.S. Geological Survey data, National Oceanic and Atmospheric Administration (NOAA) Sea, Lake, and Overhead Surges from Hurricanes (SLOSH) data, and U.S. Army Corps of Engineers data sets.

FEMA plans to review and update their rates on a regular basis to account for changes in risk, along with updates to the models and data used. Many things will change in future years (e.g., climate change, inflation, understanding of risk, changes to expenses/fees, policyholder population etc.). RR2.0 is designed to adapt to future conditions and changes in flood risk. This is accomplished in part by using graduated hazard to track the marginal year-by-year changes in risk with equivalent marginal changes in rates.

Risk Rating 2.0 uses multiple catastrophe models, allowing the rating system to adapt to new views of risk as each model is updated to reflect underlying changes in risk. In our multi-model approach, we will incorporate new versions of models, as they update to reflect changes in risk. The individual glidepath of the statutory rate increases helps policyholders transition to changes in risk over time, while still communicating both the current estimate of their full risk and the cost they are actually paying.

- 7. Is there a way to validate my individual property information that FEMA has on file, like my first floor height? Is there a way to correct such information if I believe it to be wrong? Can I self-certify my elevation? Are there other factors that I can double check, self-certify, and help FEMA rectify?**

With every quote, FEMA responds to the carrier with the First Floor Height used to rate the policy. Additionally, this information is required to be shown on the policyholder's Declarations Page. When providing the First Floor Height, FEMA will automatically calculate a First Floor Height but current or prospective policyholders can provide an Elevation Certificate to verify the First Floor Height using either Section C (which is completed by a licensed surveyor) or Section E (which can be completed by a licensed surveyor or the policyholder).

- 8. My property is protected by levees, which I am paying taxes for, and my community is paying to maintain. These levees reduce our likelihood of flooding, but my flood insurance premium is higher than ever due to Risk Rating 2.0. Are these levees lowering my flood insurance premiums, and if so, by how much?**

In developing Risk Rating 2.0: Equity in Action, FEMA partnered with the U.S. Army Corps of Engineers (USACE) to identify and use credible and consistently available information and methods to account for the level of risk reduction provided by levees. The rates for Risk Rating 2.0: Equity in Action were developed using an unprecedented level of available data and information. FEMA used readily available data from the U.S. Army Corps of Engineers (USACE)-maintained National Levee Database (NLD) and the Levee Screening Tool (LST). All levees identified in the NLD (Spring 2020) were considered for Risk Rating 2.0: Equity in Action. The NLD is a dynamic database that is continually updated and can be viewed by visiting <https://levees.sec.usace.army.mil/>.

The probability of overtopping and the probability of failing prior to overtopping were derived from five key data points. The five key data points used to assess the risk reduction provided by a levee include: levee centerline, levee crest profile, leveed area, overtopping frequency, and levee performance. For each levee, the overtopping frequency and levee performance were directly incorporated into the catastrophe models to

determine average annualized losses. Leveed areas have a separate rating algorithm than non-leveed areas. The [Levees in Risk Rating 2.0](#) document and the [rating factors](#) (see the Levee Quality tabs), including the probability of overtopping (e.g., 100-year), used in Risk Rating 2.0 for all leveed systems are available on the [Risk Rating 2.0 Equity in Action](#) website.

Premiums behind levees are based on a combination of the flood hazard, the levee itself, and how and where you built within the leveed area. There may be additional risk from pluvial flooding due to heavy rainfall or storm surge due to coastal flooding, and these factors can add to the flood risk and corresponding flood insurance premiums in areas behind levees.

Also, under the legacy NFIP rating plan, buildings behind accredited levees may have been eligible for a Preferred Risk Policy (PRP) that had an artificially lower premium. For some levees, that premium may have been appropriate, but not for all levees. With Risk Rating 2.0, PRPs are not appropriate since they typically didn't account for the full flood risk that exists behind levees. Now we are accounting for that full risk under Risk Rating 2.0 and the premiums reflect it.

- 9. I'd like to know how my premium compares to the average premium in my area. Has FEMA released average premiums across ZIP codes, counties, and states. If so, where can I find them? If not, will FEMA release this information, and if not, why not?**

FEMA has not released average premiums, however, premium changes from the legacy system to Risk Rating 2.0 at the state, county, and zip code level are available on the [Risk Rating 2.0 Equity in Action](#) website. FEMA plans to release full risk premium information by state, county, and zip code in the near future.

- 10. I understand that the NFIP is in debt. How is this outstanding debt affecting my premium? If NFIP debt was cancelled by Congress, could my premium go down?**

NFIP debt is not a factor in FEMA's rate setting. Risk Rating 2.0 does have a load for both ceded risk and retained risk. Premiums account for all expected costs of a risk transfer to prospective policyholders. They do not load for the past underwriting experience of prior policyholders.

FEMA rates do include provisions for the prospective likelihood of large events. These provisions include a ceded risk load to recognize the cost of reinsurance and a retained risk load to recognize the potential of future borrowing.

For the NFIP to be resilient to climate change, it will take more than setting appropriate premiums. It will also take establishing a Sound Financial Framework that brings understanding and clarity of roles in paying for NFIP losses.

As the NFIP is being considered for reauthorization, we look forward to working with the congress on implementing a resilient Sound Financial Framework for the NFIP.

- 11. I've accepted FEMA Disaster Assistance after a previous event. This requires me to maintain flood insurance in perpetuity. However, my premium is much higher under Risk Rating 2.0, and it will continue rise year after year. Moreover, I am on a fixed income, and I simply cannot pay these higher rates, yet I am not allowed to drop coverage. What recourse is available for me? What would you recommend that I do?**

FEMA recognizes and shares concerns about flood insurance affordability. Affordability was a concern under the legacy rating system, and affordability remains a concern under Risk Rating 2.0. Under the legacy rating system, almost all premiums would rise and continue to rise indefinitely. Under Risk Rating 2.0, increases are subject to an annual cap of 18% for most policyholders.

The price of a flood insurance policy is an important signal of the flood risk a homeowner or renter faces, informing actions to mitigate and prepare for potential floods. Therefore, risk-based flood insurance premiums are appropriately more costly in areas that have the highest flood risk. However, risk-based premium rates are often burdensome for low- and moderate-income homeowners and renters. As a result, these households often go without insurance and do not recover as quickly or fully as their insured neighbors.

Currently, FEMA does not have the authority to account for ability to pay when setting rates. If authorized by Congress, FEMA could establish a means-tested affordability program to allow for a focus on low- and moderate-income households, enabling FEMA to account for such policyholders' ability to pay when setting their flood insurance premiums.

12. I am a low-income policyholder, making less than the area median income. Where can I turn to for help? Is there an NFIP affordability program or are any discounts available to me based on my income, ability to pay, or other financial factors?

FEMA recognizes and shares concerns about flood insurance affordability. Affordability was a concern under the legacy rating system, and affordability remains a concern under Risk Rating 2.0. Under the legacy rating system, almost all premiums would rise and continue to rise indefinitely. Risk Rating 2.0 gives an offramp from these increases for owners of many smaller and lower risk homes, as they will now pay premiums commensurate to the risk of their property and will no longer be cross-subsidizing larger and higher risk homes. For formerly grandfathered policies, the distribution of rate changes under Risk Rating 2.0 is similar to that for other NFIP policies. Some will see a decrease, while most will see no change or a modest increase, and a relatively small number will see significant increases. Where a particular property falls in that distribution largely reflects the property's flood risk and the cost of the structure.

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About CSFI: Since April 2013, Greater New Orleans, Inc. has led the Coalition for Sustainable Flood Insurance (CSFI), a national coalition of approximately 250 organizations across 35 states, formed during the implementation of the Biggert-Waters Act. CSFI was a driving force behind the passage of the Homeowner Flood Insurance Affordability Act (HFIAA) compromise legislation that was cosponsored by more than 235 Members of the House, representing the overwhelming support of both caucuses, and passed the Senate with the support of 72 Senators. Since the passage of HFIAA, our coalition has focused on advocating for a stronger NFIP policy framework that advances risk assessment, affordability, mitigation, and program participation. Visit www.csfi.info to learn more and join the coalition.