Renewing Flood Insurance Policies Under Risk Rating 2.0: Equity in Action

What agents need to know about renewing policies in the National Flood Insurance Program (NFIP):

- Beginning April 1, 2022, all policies will be priced under Risk Rating 2.0: Equity in Action at their next renewal. From Oct. 1, 2021 through March 31, 2022, existing policies are able to renew under the Risk Rating 2.0: Equity in Action methodology.
- Some premiums will go down, some will go up, and some will stay about the same. Premiums that go up will transition gradually, with most annual increases capped at 18%.
- Former Preferred Risk Policies (PRPs) and policies on Newly Mapped properties now have more flexibility to adjust coverage and premium amounts.

Rating Variables Required for Renewals

NFIP insurers renewing policies under Risk Rating 2.0: Equity in Action may contact agents for additional rating information required to quote a renewal premium. It is important to respond to NFIP insurer's requests for information to ensure the most accurate premium. If an insurer is unable to collect the information, and a required value is unavailable, the insurer may issue the renewal using Provisional Rates (see Flood Insurance Manual (FIM) Section 3. IV). The table below highlights the rating variables that are required to renew a policy.*

Rating Variables	Flood Insurance Manual (FIM)	Notes
Building Occupancy	Section 3. II. C. 1. a.	The building occupancies have been expanded and updated.
Foundation Types	Section 3. II. C. 3.	Each new foundation type corresponds with an Elevation Certificate (EC) diagram number.
First Floor Height (FFH)	Section 3. II. C. 4. Using Section C of the EC. Section 3. II. C. 4. c. Table 15. Using Section E of the EC. Section 3. II. C. 4. c. Table 16.	ECs are no longer required to rate a policy since FEMA can source a ground elevation and FFH value. A policyholder has the option to provide an EC for elevation data, for a potentially more favorable premium. The building's FFH is the height of the first lowest floor above the adjacent grade, measured in feet.
Construction Type	Section 3. II. C. 2.	Updated FIM Guidance: Use Masonry as the construction type when the first full floor above ground level is constructed with masonry materials, such as brick (not brick veneer) or concrete block walls for the full floor. Note: *If the bottom floor is masonry (such as a basement, walkout level, or crawlspace), and the next higher floor has frame construction, use Frame as the construction type.*
Square Footage	Section 3. II. C. 7. a. and Table 19.	FEMA uses square footage to inform the Building Replacement Cost Value.
Number of Floors in Building	Section 3. II. C. 9. d.	Exclude enclosures, crawlspaces (on grade or subgrade), basements, and attics used only for storage.

**For further details about the information included in this table, please refer to the NFIP Flood Insurance Manual (FIM), Risk Rating 2.0 Edition Oct. 2021.*

FEMA

Rating Variables	Flood Insurance Manual (FIM)	Notes
Floor of Unit	Section 3. II. C. 9. e.	Indicate the floor where the unit to be insured is located.
Total Number of Units in the Building	Section 3. II. C. 9. f.	Indicate the number of units in the building.
Building Replacement Cost Value (including cost of foundation)	Section 3. II. C. 7. b.	Updated FIM Guidance Building Replacement Cost Value is collected from the agent or NFIP insurer for occupancy type - Other Residential Building, Residential Condominium Building, Non-Residential Building, Non-Residential Manufactured/Mobile Building, Non-Residential Unit: The Building Replacement Cost Value may be obtained by using common industry practices. The insurer must maintain the method or documentation used to determine the Building Replacement Cost Value in the policy underwriting file. Note: *Generally, FEMA determines the Building Replacement Cost Value using NFIP Application data and insurance industry data connected with the property address for occupancies not listed above.*
Building is Eligible for the Machinery & Equipment (M&E) Mitigation	Section 3. II. C. 5. a.	This discount is for the reduced risk exposure associated with elevated M&E.
Enclosure/Crawlspace Constructed with Proper Openings or Engineered Openings	Section 3. II. C. 5. b.	There is a discount for buildings, in any flood zone, with proper flood openings in enclosure or crawlspace.
Building & Contents Coverage	Section 3. II. D. 1.	Coverage amounts are now per $1,000 instead of per $100.
Deductibles	Section 3. II. D. 3. and Tables 24-26.	Deductible options changed.

Understanding the Premium

FEMA calculates a full-risk premium for every single policy. Any applicable discounts or subsidies are then applied to that full-risk premium.

The table below provides a list of components that comprise the policy's total amount due.**

Components of the Total Amount Due	Flood Insurance Manual (FIM)	Component Description
Building Premium	Section 3. II. D.	Amount charged for building coverage.
Contents Premium	Section 3. II. D.	Amount charged for contents coverage.
Increased Cost of Compliance	Section 3. II. D. 2.	1.9% of the policy's building and contents coverage premiums (inclusive of any mitigation discounts or CRS discount).
Mitigation Discounts	Section 3. II. C. 5.	Discounts for elevating Machinery & Equipment or installing proper openings.
Community Rating System (CRS) Discount	Section 3. II. B. 3.	The CRS discount applies uniformly to all eligible buildings across the community, regardless of flood zone.
FULL-RISK PREMIUM		**Total of the above amounts.** **Note: *A loss and expense constant is applied to the full risk premium prior to the discounts being calculated.***

***For further details about the information included in this table, please refer to the [NFIP Flood Insurance Manual (FIM), Risk Rating 2.0 Edition Oct. 2021](#).*

STATUTORY DISCOUNTS		
Components of the Total Amount Due	**Flood Insurance Manual (FIM)**	**Component Description**
Annual Increase Cap (Discount)	Section 4. I. C. 2.b.	A legislated annual increase cap, also known as a glidepath, that refers to the statutory provisions whereby a premium may not increase year over year by more than 18-25% of what a policyholder is paying. This discount applies only to policies that were in effect prior to the implementation of Risk Rating 2.0: Equity in Action.
Pre-FIRM Discount	Section 3. II. E. 2.	A discount for a building (primary residence only) with a start of construction or substantial improvement on or before December 31, 1974, or before the effective date of the initial Flood Insurance Rate Map (FIRM) for the community. Policies receiving the Annual Increase Cap Discount will not receive this discount.
Newly Mapped Discount	Section 3. II. D. 2.	A discount for a building that was once designated outside of the Special Flood Hazard Area (SFHA) on an effective FIRM and, following a map revision, is designated within a SFHA (limited timeframe). Policies receiving the Annual Increase Cap Discount will not receive this discount.
Other Statutory Discount	Section 3. II. E. 3.	A discount for a building located in Zone A99, Zone AR, or in a community in the Emergency Program. Policies receiving the Annual Increase Cap Discount will not receive this discount.
DISCOUNTED PREMIUM		**The full risk premium minus any statutory discounts.*** **
Reserve Fund Assessment	Section 3. II. F. 1.	The Reserve Fund Assessment is 18% of the Discounted Premium.
Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)	Section 3. II. F. 2.	$25 for primary residence occupancies and $250 for all other occupancies.
Federal Policy Fee	Section 3. II. F. 3.	$47 for most policies. For Residential Condominium Buildings see FIM, Section 3, Table 33.
Probation Surcharge	Section 3. II. F. 4.	$50 on each policy in a community placed on probation.
TOTAL AMOUNT DUE		**The total amount of annual premium, including fees and surcharges.**

Lapse in Coverage

A policy with an expiration date between October 1, 2021, and March 31, 2022, renewing under the legacy pricing methodology, is subject to the lapse rules outlined in the legacy NFIP rating plan FIM. However, if a lapse of less than 90 days occurs, resulting in a new effective date of April 1, 2022, or later, then the policy must be written as a new business policy under Risk Rating 2.0: Equity in Action. Additionally, if premium payment for a policy is received 90 days or more after expiration, then the policy must be written as a new business policy under Risk Rating 2.0: Equity in Action.

A policy with an expiration date on or after April 1, 2022, is subject to the lapse rules outlined in the NFIP FIM, Risk Rating 2.0 Edition Oct. 2021, Section 5: How to Renew. If premium payment for a policy is received on or after 30 days following the policy expiration date, then the policy cannot be renewed, and a new application process is required to reinstate coverage. The lapse in coverage may affect policy rating; in particular, continued eligibility for statutory discounts.

****Policies may be subject to minimum or maximum rates by peril and coverage that may affect how discounts, surcharges, and deductible changes impact the premium. In some rare cases, there may be no change in premium when there is a change in a rating variable or deductible. See FIM Section 3.II.G.*