A Flood of Changes

In 2020, there were 30 named hurricanes and tropical storms – more than ever before – exhausting the official alphabetical list of hurricane names for just the second time.¹ One hurricane alone – Hurricane Laura – caused $19 billion in damages.² Yet as hurricanes become more frequent and more severe, so too are weather-related events across the country. A powerful derecho – likened to an inland hurricane – hit the central US in 2020, causing $11 billion in damages and went on record as one of the costliest storms of the year. Flood events are accelerating, as are flood claims. More large rain events are causing flooding in areas traditionally considered non-flood-prone areas.

As more flooding occurs in unlikely locations, authorities are taking action. The Federal Emergency Management Agency (FEMA) has restructured the National Flood Insurance Program's (NFIP) flood assessment model, Risk Rating 2.0. What's different about the new flood plan is that for the first time, climate change is being factored into the agency's assessment of flood risk.

THE CHANGES IN DETAIL

Beginning October 1, 2021, Phase I of the new Risk Rating 2.0 model took effect. According to FEMA, any new flood policies will be subject to the new rating methodology. The existing policyholders who are eligible for renewal may see an immediate decrease in premiums – an estimated 23% of policyholders.

Phase II of the program begins on April 1, 2022. At that point, all remaining policies renewing on or after that date will fall under the new rating model.

However, the NFIP is keeping the flood insurance rating maps because the data from the maps determine which properties are mandated by mortgagees to purchase flood insurance. The maps are also used for FEMA's floodplain management efforts.

THE IMPACT ON CONSUMERS

The new rating model is designed to reflect the flood risk more accurately in historically low flood-prone areas. For 66% of current policyholders, premiums will increase and could continue to do so year over year.

Those most impacted by the changes will be consumers with properties located near a body of water. However, even inland properties could be subjected to higher rates. With homeowners' policies excluding flood damage and without flood insurance, many homeowners could experience costly, devastating claims. And unfortunately, that could happen soon – an estimated 6 million more properties now find themselves exposed to flood threats.³
Using new mapping technology, analysts can determine the flood risk of a specific property. As climate change impacts more people in wider swaths of the country, that kind of technology can help the NFIP more accurately assess the flood risks and put adequate pricing around flood insurance policies. As risks are more defined, homeowners can determine with more accuracy just how vulnerable their properties are — that is critical information.

Do you need flood protection? NFP can help you answer that question. Our property insurance experts can discuss your current conditions and determine where your property might fall under the new NFIP rating model. We are experienced in handling flood insurance and can advise on coverage points and what options are available to you.

**KEEPING UP WITH THE CHANGES**

As climate-related weather events increase in severity and frequency, homeowners are seeing flooding in places that may never have experienced such events. No matter where you live, there is a chance that you might have a flood event that could impact your property.

Let NFP help. Our experts can walk you through coverage and give you the information and support you need to protect your property and belongings. We can help you obtain the right amount of coverage to fully cover your property from flood risks.

**For more information, please contact Brad Millican at brad.millican@nfp.com.**

**Sources**

3. (Rozsa, 2021)