

ZIP Code Level Premium Change Analysis

About Risk Rating 2.0: Equity in Action

FEMA is updating the National Flood Insurance Program's pricing methodology through the implementation of Risk Rating 2.0: Equity in Action. This methodology leverages industry best practices and cutting-edge technology to enable FEMA to deliver rates that are actuarially sound, equitable, easier to understand and reflect a property's unique flood risk.

We have discovered inequities in the existing pricing methodology that are unacceptable. Presently, many policyholders with lower-value homes are paying more than they should and policyholders with higher-value homes are paying less than they should. Under Risk Rating 2.0 Equity in Action, FEMA now has the capability and tools to address rating disparities by incorporating more flood risk variables including the property's replacement cost value.

The new methodology is a transformational leap forward that delivers a 21st century pricing system that is fair and able to adjust to the effects of climate change.

Description of the Data

- An analysis of ZIP code level premium change under Risk Rating 2.0 – Equity in Action is shown in the spreadsheets labeled **"fema_risk-rating-zip-breakdown-state_2021"**. These spreadsheets show the projected premium changes for all policyholders and for single-family home policyholders of the NFIP categorized by ZIP code for each state.
- The data shows the monthly premium change policyholders will experience under Risk Rating 2.0. The data is based on the policyholder information from May 2020 and are projections of the likely premium changes that will occur under Risk Rating 2.0.
- The data is shown as the monthly premium change in \$10 increments starting at -\$100 or more per month and going to \$100 or more per month. The data is displayed in two ways – as a policyholder count and as a percentage of policyholders. The policyholders with decreases will renew under Risk Rating 2.0 upon their renewal starting on Oct. 1, 2021. Policyholders with increases will renew under Risk Rating 2.0 starting on April 1, 2022.
- Upon renewal, policyholders will be able to provide information about their structure, which may change their premium from the projected premium used for this analysis. Policyholders may also change their coverage or deductible selections. Therefore, while this dataset is a close representation of the change in premium by ZIP code, once implemented, these numbers will change in response to policyholder elections.



FEMA

Important Reminder

To protect policyholder privacy regulations, any ZIP code with less than five policyholders was either grouped into a single ZIP code bucket for the state or combined with a neighboring ZIP code.