



# FEMA Flood Risk Rating 2.0

## What does it mean for real estate agents and their clients?

FEMA has enacted unprecedented changes to the National Flood Insurance Program (NFIP) rates. These changes could make the difficult flood insurance conversation you often have with new homebuyers even more complicated. FEMA's all-new pricing methodology, called Risk Rating 2.0, transforms the way flood risk is evaluated for all types of properties and may considerably raise flood insurance rates for high-value real estate, especially homes close to or along a shoreline.



### IMPORTANT RISK RATING 2.0 MILESTONES

#### October 1, 2021

All new flood insurance policies effective on or after this date must be issued under Risk Rating 2.0.

#### October 1, 2021 to March 31, 2022

Existing policies that renewed during this time could be renewed under the legacy rating plan or the new Risk Rating 2.0, whichever offers the most beneficial premium to the homeowner.

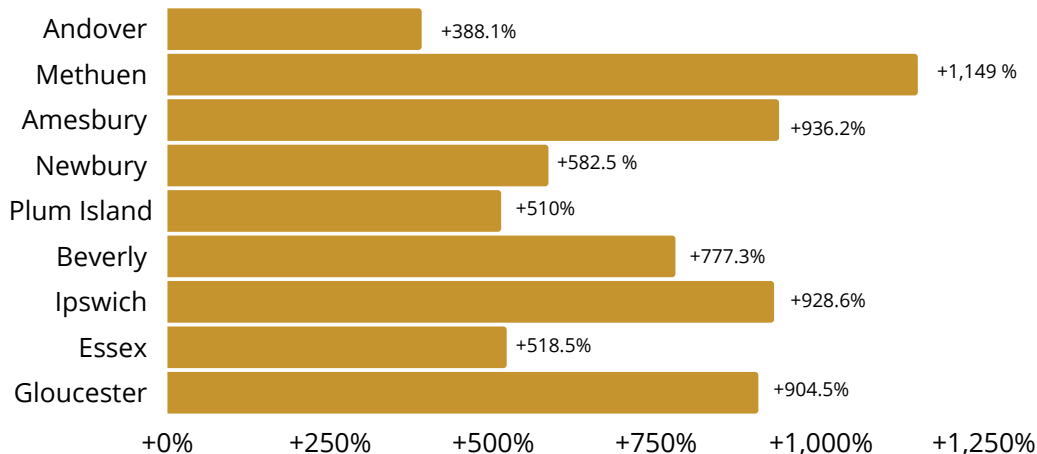
#### April 1, 2022

All remaining flood insurance policies, new and renewing, must be issued under Risk Rating 2.0.

### How might NFIP rate changes affect your clients?

Many current homeowners may experience sticker shock when they see their flood insurance annual renewal rate. However, it is new homebuyers, many of whom will be entering the flood insurance market for the first time, who we anticipate could take the biggest financial hit.

### Estimated full rate increases for new NFIP policies in some Massachusetts towns



Source: First Street Foundation, ZIP code-level calculations of potential flood insurance rates based on risk.

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Keep in mind that current NFIP policyholders and people buying a home with an existing flood insurance policy are not subject to projected full-rate increases like the ones we've shown. There are existing statutory limits on annual rate increases of 18% for primary homes and 25% for secondary homes. This can still add up to substantially more than what a property owner has paid in the past, especially if the increases are implemented each year. However, there are no such limits set for new flood insurance policies, and rate hikes on these properties could be substantial to compensate for the past five decades of mispriced insurance policies.

### What can you do?

The following are three ways you can help your clients navigate this new rate reality.

- 1. Involve your client's insurance broker from the start of the home buying process.**  
If your client is beginning to look at properties to purchase, you can contact Fred C. Church's Private Client Group for an overview of the flood insurance rates in the area, and each home's flood zone and potential flood risk.
- 2. Encourage your clients to be open to insurance products and carriers from the Private Flood Market.**  
NFIP is not the only market for flood risk coverage anymore. Fred C. Church has access to Private Flood Market insurance solutions that may offer your clients significant advantages, such as broader coverage options and savings on premiums.
- 3. Prioritize securing a flood insurance policy early in the purchase and sale process.**  
If your client's offer on a home has been accepted, then Fred C. Church wants to get to work quickly. We will carefully research the property's characteristics, from elevation to foundation and basement type. If we identify factors that might increase flood insurance rates, we can provide recommendations to you and your buyer on how to mitigate these issues.



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INSURANCE

**PRIVATE CLIENT GROUP**

We insure success.

### The Fred C. Church Private Client Group is your flood insurance resource.

Our experienced and dedicated team is here to answer your questions, provide information you can share with your clients, and help your homeowners and buyers secure comprehensive flood insurance solutions at competitive rates.