

Risk Rating 2.0: What Changed? What is Staying the Same?

Risk Rating 2.0 is an initiative by FEMA to **update** and **modernize** how NFIP policies are priced. Prior to Risk Rating 2.0, insurance rates were set based on the elevation of a property and its flood zone. FEMA did not consider other factors relevant to an individual property such as its distance to water. Under the new system, FEMA "leverages best industry practices and cutting-edge technology to deliver rates that are actuarially sound, equitable, easier to understand, and better reflect [an individual] property's flood risk." Notably, this includes taking into consideration the property's replacement cost value.

Staying the Same

- **FIRMs/FEMA Flood Maps** will still be used to determine mandatory purchase requirements and for floodplain management.
- **Statutory limits on premium rate increases:** Congress still requires that most rates do not increase more than 18% per year.
- **Pre-Firm, Newly Mapped, and Mitigation discounts** will continue to be available.
- **Discounts** will continue to be able to transfer with the sale of a property.
- The **Community Rating System** and its discounts will continue to be available.

Changed

- FEMA will **is using more factors** than just elevation and flood zone **to determine the flood risk** of a property. Such as distance to water and cutting-edge catastrophe models
- Lower value properties will no longer subsidize the rates of higher valued properties **because the replacement cost value** of the property is used to determine the policy premium.
- **Increased opportunities** for mitigation discounts.
- **Community Rating Discounts** will be applied to all policies in a participating community, regardless of what flood zone the property is in.

Risk Rating 2.0 went into effect on October 1, 2021 for new policies and goes into effect April 1, 2022 for renewing policies.