

Risk Rating 2.0 Is Here

*Adapted with permission from Ceil Strauss, Minnesota Department of Natural Resources
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FEMA has a new pricing methodology that fundamentally changes the way premiums are calculated for National Flood Insurance Program (NFIP) policies. The transition to Risk Rating 2.0 is underway:

- **Oct. 1, 2021 - PHASE I:** All new policies started using Risk Rating 2.0 premiums; renewals of existing policies may use Risk Rating 2.0 (since some will see premium decreases).
- **April 1, 2022 - PHASE II:** Renewal of all existing policies will use Risk Rating 2.0.

What is changing?

Some of the overall goals for the new rating methodology include:

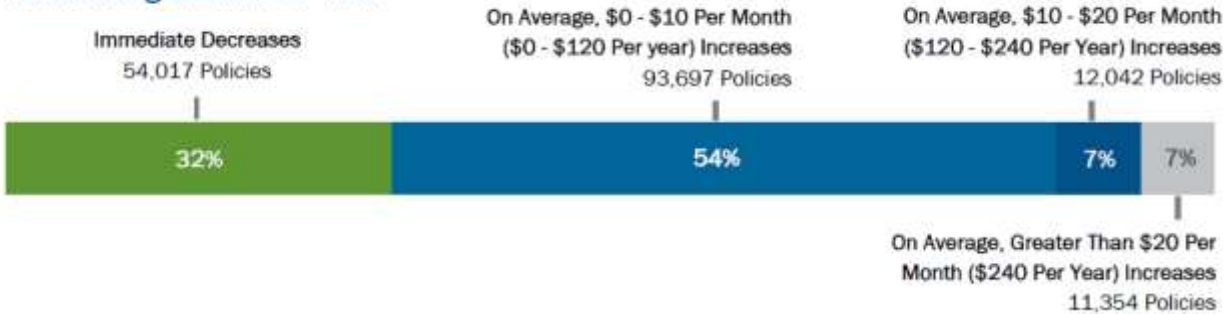
- Reducing complexity:
 - Eliminating Elevation Certificate (ECs) requirement (can use if better rate)
 - Simplifying information needed (will use different rating factors)
- Promoting investment in mitigation:
 - Mitigation credits (e.g., for elevated Machinery & Equipment)
 - Expanding CRS discounts (discounts for all policies)
- Addressing inequalities:
 - Leveraging more location-specific information
 - Reflecting prior claims
 - Factoring in replacement costs
 - Not charging higher rates for first \$60,000 of coverage

What the changes mean for New York

Based on FEMA analysis of New York's current flood insurance policies, we expect the following changes in premiums for the first year of Risk Rating 2.0:

- **32%** (54,017 policies): Immediate **decreases**
- **54%** (93,697 policies): **\$0 - \$10 per month** (\$0 - \$120 per year) **increases**
- **7%** (12,042 policies): **\$10 - \$20 per month** (\$120 - \$240 per year) **increases**
- **7%** (11,354 policies): **Greater than \$20 per month** (\$240 per year) **increases**; *Note: More than half of the policies in this group are for non-residential buildings*
- See [New York's profile](#). More detailed first year premium change analyses at the county and zip code level can be downloaded from [FEMA's Risk Rating 2.0 State Profiles page](#) or viewed by location on [data visualization dashboards](#) created by the Association of State Floodplain Managers.

Risk Rating 2.0 in New York



Summary of FEMA Evaluation of Risk Rating 2.0 Year 1 Premium Changes for New York.

What's staying the same?

- FEMA's Flood Insurance Rate Maps will continue to be used to determine Mandatory Purchase requirements and for Floodplain Management (local floodplain management ordinances).
- Only those in communities participating in the National Flood Insurance Program (NFIP) are eligible to purchase the federally backed NFIP flood insurance.
- Letters of Map Amendment (LOMAs) and Letters of Map Revision (LOMRs).
- Increased Cost of Compliance (ICC).
- Discounts for those in Community Rating System (CRS). *Note: Discounts will apply to all map zones, so more policies get discounts.*
- Limiting annual premium increases (e.g., 18% per year on most residential policies).
- Can transfer better rates by assigning flood insurance policy when property changes ownership.

Reminder of previous rating factors

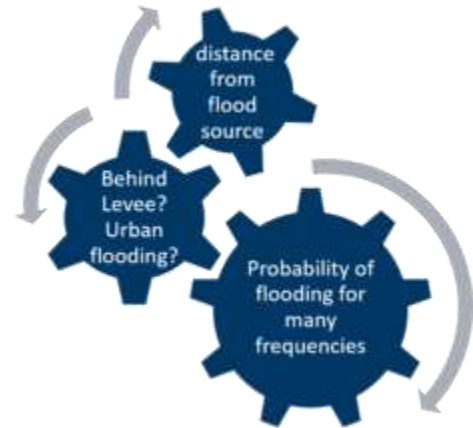
Since flood insurance became available through the National Flood Insurance Program over 50 years ago, the main factors affecting premiums have included:

- **In SFHA?** Is the structure in the Special Flood Hazard Area (SFHA), i.e., one of the higher risk A or V Zones, on a FEMA Flood Insurance Rate Map (FIRM)?
- **Pre or Post FIRM?** When was the structure built?
 - **Pre-FIRM:** If it was built before the first FIRM, rates were subsidized and a FEMA Elevation Certificate was not required
 - **Post FIRM:** If it was built after the first FIRM, a FEMA Elevation Certificate was required, and it was rated based on actual elevations
- **Lowest Floor Elevation minus BFE:** How does the lowest floor elevation (including basement) compare to the Base Flood Elevation (BFE), or the 1% annual chance flood elevation (commonly call the "100-year flood" elevation)?

What are the new rating factors?

The previous flood insurance premium ratings (for newer buildings) relied mainly on the FEMA map zone and lowest floor elevation versus the Base Flood Elevation. The Risk Rating 2.0 rating engine includes many different factors, including:

- Distance to flooding source.
- Flood type (inland, coastal, or Great Lakes).
- Building replacement cost.
- Building foundation and construction type.
- First floor height.
- Ground elevation (lowest adjacent grade).
- Considering urban flooding and whether behind a levee.
- Probability of damage for more flood frequencies (below and above 1% annual chance flood), including up to 10,000-year flood (depending on data available in that area).



For More Information

- See [FEMA's Risk Rating 2.0: Equity in Action page](#)