FEMA is obligated to brief an array of internal stakeholders before it is able to share information externally with its partners.

FEMA values the input and needs of all of its partners and stakeholders.

We must engage stakeholders groups in a specific order to ensure crucial information is received in a timely manner.

Historically, FEMA has not collected enough premiums to cover expected losses. We must fix that.

Floods have the greatest economic and social impact on the U.S.

Our stakeholders (including GAO, industry, and Congress) have been urging us to improve our risk rating methodology.

We must transform the NFIP into a sustainable program.
FEMA is focused on building a culture of preparedness by closing the insurance gap and increasing mitigation activity.

Risk Rating 2.0 aims to deliver several key benefits:

- Provide rates that are easier to understand for agents and policyholders.
- FEMA’s new rating capability will simplify and standardize the quoting process across the country.
- Create an individualized picture of a property’s risk.

FEMA is building on years of investment in flood hazard information to incorporate innovative data and modeling. The new rating structure will determine a customer’s flood risk by incorporating:

- Logical Rating Characteristics
- A broader range of flood frequencies
- Multiple data sources
Risk Rating 2.0 is a fairer rating methodology that will result in less cross-subsidization between policyholders.

Higher value homes will now see their corresponding replacement cost value reflected in their policy premiums.

Regardless of zone, policyholders will now pay a more equitable share in premiums based on the unique characteristics of their home.

RR 2.0 will help FEMA establish a financially sound and sustainable NFIP.

How Are the Models Being Used?

How is the new methodology different?

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</table>
RR 2.0 is incorporating replacement cost value.

- Replacement cost is an important piece of information used to rate homeowners’ insurance policies but is not currently used as an NFIP rating variable for all federal flood policies.
- New rates will use replacement cost data to estimate the cost to rebuild the home.
- By reflecting the cost to rebuild, the new rating plan will also aim to deliver more fair rates for owners of lower-value homes.

Community resilience is a shared responsibility.

RR 2.0 will reveal a better picture of flood risk for our partners, individuals, and communities.

FEMA will continue to emphasize insurance and mitigation options for individuals and communities to address affordability.

We are ready to support our partners, individuals, and communities as they take action to address their flood risk.

Questions

To stay up-to-date with Risk Rating 2.0, and for the latest details, please visit

www.fema.gov/nfiptransformation.