

Risk Rating 2.0 Flood Insurance Manual

Questions and Answers for the Week

September 20, 2021

Question	Response	Date
NEW BUSINESS TRANSACTION: SECTION 3 “HOW TO WRITE”		
II. 4. b. FEMA Determined First Floor Height		
How will FEMA determine the First Floor Height if no EC is used?	FEMA will determine a First Floor Height value using application information and various datasets.	9/20/2021
II. 4. c. Elevation Certificate (EC)/Land Survey		
Can I submit an EC to rate my policy?	Yes, the policyholder can optionally provide an EC (or land survey) to provide data for a First Floor Height value for any flood zone.	9/20/2021
Can you use an EC regardless of flood zone?	Yes, ECs can be used to provide data for a First Floor Height value for any floor zone.	9/20/2021
Are ECs no longer required to issue a flood policy?	ECs are no longer required to issue a flood policy. However, the policyholder has the option to provide an EC for rating purposes. If an EC is used, then the Insurer must maintain the EC and photos in file.	9/20/2021
Are new ECs required, or can Industry continue using previous versions?	FEMA will accept previous ECs as long as they contain the required information to determine the First Floor Height.	9/20/2021

Question	Response	Date
II. 4. d. iii. Troubleshooting		
<p>Can a building owner or an owner's representative complete Section E of the EC?</p>	<p>Yes, Section E of the EC may be completed by a building owner or owner's representative. Section E, Building Elevation Information (Survey Not Required) marked "for Zone AO and Zone A (without BFE)" can be used in all flood zones for rating purposes.</p> <ul style="list-style-type: none"> - Preparers must compute and enter the elevation differences between the lowest floor and the LAG along with lowest floor and Highest Adjacent Grade (HAG). - If Section E is completed for zones other than unnumbered A and AO, the information can be used for rating purposes only and does not relate to floodplain management requirements. 	<p>9/20/2021</p>
III. E. 4. New Policy After a Real Estate Transaction		
<p>How do new policies after a Real Estate Transaction work?</p>	<p>The new owner of an NFIP-insured building can buy a new NFIP policy and receive any statutory discount the prior policyholder received if all of the following apply:</p> <ul style="list-style-type: none"> • The building is not in condominium ownership before or after the transaction; • The building was insured by the NFIP with building coverage at the time of transaction; • The new NFIP policy will be effective on, or within one year after, the transaction date; and • The insurer submits the prior NFIP policy number and NAIC number to FEMA and maintains acceptable documentation of the title transfer 	<p>9/6/2021</p>
ENDORSEMENT TRANSACTION: SECTION 4 "HOW TO ENDORSE"		
I. C. 1. Changing the Agent of Record		
<p>Does changing an agent of record continue under Risk Rating 2.0?</p>	<p>Yes, insurers should continue with their standard business practice when endorsing a policy to reflect a new agent of record.</p>	<p>9/6/2021</p>

Question	Response	Date
V. A. Assignment of a Policy to a New Building Owner		
Can a policy be transferred to a new owner and receive the same discounts as the previous insured?	A new owner may receive the same discounted premium as the previous owner. However, the annual increase cap (which is a component of the discounted premium) is based on the information provided by the new owner. The discounted premium does not include assessments, fees, or surcharges.	9/6/2021
When does the new time requirement to submit endorsements for policy assignments begin?	The new time requirement to submit endorsements for policy assignments applies to endorsements effective on or after October 1, 2021. The owner of an insured building may provide written consent to assign a flood insurance policy with building coverage to the purchaser of the building. <i>The seller must sign the assignment endorsement on or before the closing date, and the new building owner has up to 30 days beyond the closing date to submit the Endorsement Form to the insurer for processing.</i>	9/6/2021
GENERAL INFORMATION		
Will homes built to code based on FEMA guidelines be able to be grandfathered using the zone or Base Flood Elevations (BFEs)?	<p>No, since zone and BFE are no longer rating elements for Risk Rating 2.0 grandfathering is not an option. FEMA is determining premium -based on the unique flood risk characteristics of every individual property.</p> <p>Existing policies renewing on or after October 1, 2021 will be able to move to their Risk Rating 2.0 full-risk premium either immediately if the premium is lower, or increase gradually based on the statutory annual premium increase caps to the full-risk premium.</p>	9/20/2021
Will FEMA continue to issue flood maps and make flood zone changes?	<p>Yes, FEMA will continue to issue updated Flood Insurance Rate Maps (FIRMs).</p> <p>FEMA’s regulatory flood hazard data, as displayed on FIRMs, will still be necessary and essential for communities as it will continue to inform floodplain management building requirements, land use decisions, and the mandatory purchase requirement for flood insurance. <i>See FIM Appendix D: Flood Maps for more information.</i></p>	9/20/2021

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<p>Why is my renewal premium higher than my last renewal?</p>	<ul style="list-style-type: none"> • Risk Rating 2.0 is a new and different rating methodology. It identifies flood risk at the individual structural level. As a result, when compared to premiums of existing policies there are differences. Some premiums will be lower while some premiums will be higher. • Risk Rating 2.0 uses many variables to assess flood risk such as distance to flood source and elevations. In addition, Risk Rating 2.0 identifies flood risk for multiple types of flood like inland, coastal, tsunami, and great lake flooding. • Any premium increases will transition gradually and within the existing statutory limits until the full-risk rate for the property is reached. <i>See FIM Section 4. I. C. 2. b.</i> 	<p>9/13/2021</p>
<p>What can I do to reduce my premium?</p>	<ul style="list-style-type: none"> • There are mitigation discounts available for actions such as elevating machinery and equipment, installing proper openings, or removing enclosures. <i>See FIM Section 3. II. C. 5.</i> • Making changes such as increasing your deductible may reduce the premium. <i>See FIM Section 4. II. D. 1. for endorsement information and FIM Section 3. II. D. 3 for deductible options.</i> • Talk to your insurance agent and community official to determine the best options for you. 	<p>9/13/2021</p>
<p>Does changing a rating variable on the application impact premium?</p>	<p>In most cases changing a rating variable will impact the premium. There are some cases where changing a rating variable will not impact the premium. This is due to there being thresholds for most rating elements, where once you are above that threshold, the change will have little to no impact to changing the flood risk. An example would be changing the floor of interest for a condo unit from 50 to 60 would have little (any maybe no) impact to premium. <i>See FIM Section 3. I. A. Table 1. for a full list of rating variables.</i></p>	<p>9/13/2021</p>
<p>If I'm an insurance agent, who do I contact if I have questions about a Risk Rating 2.0 quote?</p>	<p>Insurance agents should contact their NFIP insurer for any RR 2.0 quotes. NFIP insurers have developed processes and systems to process RR 2.0 policies. FEMA is available to support NFIP insurers. <i>See FIM Section 1. IV. A.</i></p>	<p>9/13/2021</p>

