Rate Explanation Guide

FEMA's new rating methodology, **Risk Rating 2.0: Equity in Action**, considers specific characteristics of a building – the **Where, How, and What** – to provide a more modern, individualized, and equitable flood insurance rate. Understanding these characteristics helps to identify the building's unique flood risk and associated premium.

WHERE It Is Built (Property Address)

FEMA uses the building's property address to determine flood risk for the property. The property address is used to determine:

- **A building's distance to flooding sources,** *including the distance to the coast, ocean, rivers, and Great Lakes.*
- **The ground elevation** *where the building is located relative to the elevation of the surrounding area and the elevation of nearby flooding sources.*
- **Other characteristics** *such as the community where the building is located and how that relates to the Community Rating System discount or whether the building is on a barrier island.*

HOW It Is Built (Building Characteristics)

Knowing the physical characteristics of a building provides a deeper understanding of the building's individual flood risk and how it may impact premium. Relevant variables include:

Building Occupancy

The type (and use) of the building being insured sets available coverage limits and determines what is covered as indicated in the policy form.

Foundation Type

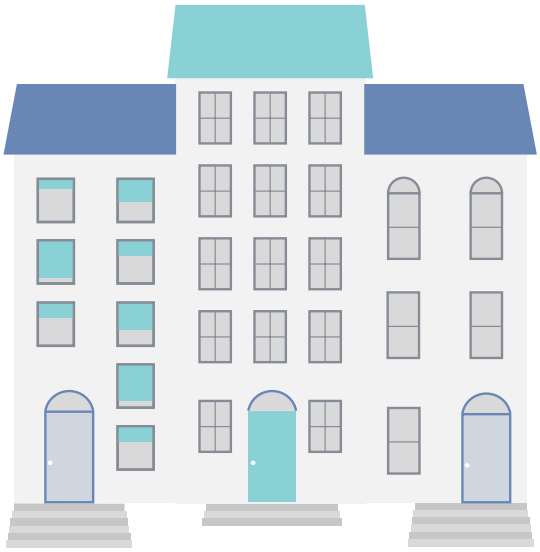
The foundation type provides important insight as to where the flood risk is likely to begin. For instance, risk varies based on whether a building's foundation is underground, at ground, or above ground.

First Floor Height

Buildings whose first floor is higher off the ground have lower flood risk.

Number of Floors

Buildings with more floors spread their risk over a higher area.



Unit Location

Individual units on higher floors have lower flood risk than units on lower floors.

Construction Type

Masonry walls perform better in different flooding events than wood frame walls.

Flood Openings

Flood openings can lower a building's flood risk as they allow floodwaters to flow through a building's enclosure or crawlspace.

Machinery & Equipment

Elevating above the first floor lowers the risk of damage to machinery & equipment covered in the policy.

FEMA

WHAT Is Built and Covered (Replacement Cost and Coverage)

The building's replacement cost value, the amount of coverage requested, and the deductible choices influence the insurance premium.

Building Replacement Cost Value*

Buildings with higher costs to repair generally result in higher losses, resulting in higher premiums.

Building and Contents Coverage

Policies with higher coverage limits have higher potential loss costs, which lead to higher premiums. Building coverage and contents coverage amounts are selected separately.

Building and Contents Deductible

Policyholders who choose higher deductibles are assuming more of the risk during a flood event, which can result in a lower overall premium. Choosing a higher deductible means policyholders will need to cover more of the cost to rebuild out of pocket.

** The Building Replacement Cost Value used for rating does not affect the replacement cost value determined at time of loss.*