

Explaining the CRS Discount in Risk Rating 2.0

The [Community Rating System \(CRS\)](#) is a voluntary incentive program for NFIP participating communities; currently there are more than 1,500 CRS communities which account for more than 70% of the NFIP policies. The CRS offers NFIP premium discounts in communities that develop and execute community floodplain management practices that exceed the NFIP minimum requirements. Discounts now range from 5-45% for buildings¹ in **any** flood zone depending upon the [CRS Community status](#).

What's Changed in Risk Rating 2.0

Risk Rating 2.0 (RR 2.0) rating methodology now incorporates a wide range of rating variables; however, two major ones that are no longer used are Base Flood Elevations and flood zones. In the old methodology (RR 1.0), properties in moderate-low risk zones (e.g., B, C, X) with minimal losses could qualify for a lower-cost Preferred Risk Policy (PRP); however, they did not receive a CRS discount. If they did not qualify for the PRP, they could be written as a standard-rated Zone X policy and receive 5% or 10% discount depending upon the CRS Class. Buildings in Zone A or V would get the full discount.

CLASS	DISCOUNT	CLASS	DISCOUNT
1	45%	6	20%
2	40%	7	15%
3	35%	8	10%
4	30%	9	5%
5	25%	10	–

Table 1. Discounts per CRS Class Rating

In RR 2.0, because the flood zone is no longer a rating variable, the discount that had applied to just Zone A and V policies now applies to all policies. So, a policy in Zone X receives the same discount as a policy in Zone V². While there are numerous variations and nuances, the following discussion provides an overall summary on how the discount is applied for new and existing policies. Refer to Table 2 for examples.

New Policies

A newly written policy on a compliant building in a CRS community will receive the CRS discount when the policy is issued. If a newly written policy qualifies to receive a statutory discount (e.g., newly mapped, pre-FIRM), then those discounts will be applied to the policy in addition to a CRS discount.

Existing Policies

Existing policies with premium decreases at their renewal into Risk Rating 2.0 will go to their full-risk premium immediately along with the applicable CRS discount. A PRP in a CRS community will not receive the CRS discount until it reaches its full-risk premium (minus the CRS discount).

A RR 1.0 standard Zone X-rated policy will start at its initial legacy premium with the 5% or 10% CRS discount and then be on a glidepath to its full-risk premium (minus the higher CRS discount). A RR 1.0 Zone A or V policy will start at its initial legacy premium (with existing CRS discount) and be on a glidepath to its full-risk premium (minus the CRS discount).

Change in CRS Class

Whether an improvement or retrograde in class occurs, the new CRS discount will be applied to a policy's full-risk premium at the next renewal. When a class improvement occurs for policies on a glidepath to full-risk premium, the policy will reach the full-risk premium sooner due to *the higher CRS discount being applied to the full-risk premium*.



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When a class retrograde occurs for policies on a glidepath to full-risk premium, their glidepath premium for the following year at renewal will include the difference in the CRS discount amount as result of the class retrograde.

Q. When rating, what part of the total premium is the CRS discount applied to?

A. The CRS discount is applied to the total of the building, contents, and ICC premium after any mitigation discounts (e.g., M&E, flood vents) and before any statutory discounts (e.g., newly mapped, pre-FIRM), annual increase cap, and fees, surcharges, and assessments.

Example Scenarios

The following table provides scenarios for a CRS Class 5 community (25% discount). For more specific examples, community officials can contact their FEMA Regional Flood Insurance Liaison and property owners can talk to their insurance agent. Learn more at www.fema.gov/flood-insurance/risk-rating.

Table 2. CRS Rating Scenarios

SCENARIO	RR 1.0 CRS Discount	RR 1.0 Premium w/o CRS Discount	RR 1.0 Premium with CRS Discount	RR 2.0 Full-Risk Premium w/o CRS Discount	RR 2.0 Full- Risk Premium after CRS Discount	Starting Point and 18% Glidepath
New Policy- Any Zone	N/A	N/A	N/A	\$2,200	\$2,200-(25% discount)= \$1,650	Straight to full-risk premium after CRS discount; no glidepath
Existing Preferred Risk Policy	0%	\$500	\$500	\$2,200	\$2,200-(25% discount)= \$1,650	Year 1 Premium: \$590 Year 2 Premium: \$696 Year 3-7: 18% increases
Existing Standard Zone X -rated Policy	10%	\$1,200	\$1,200-(10% discount)= \$1,080	\$2,200	\$2,200-(25% discount)= \$1,650	Year 1 Premium: \$1,274 Year 2 Premium: \$1,504 Year 3: Reach \$1,650
Existing Zone AE Policy	25%	\$2,200	\$2,200-(25% discount)= \$1,650	\$3,200	\$3,200-(25% discount)= \$2,400	Year 1 Premium: \$1,947 Year 2 Premium: \$2,297 Year 3: Reach \$2,400
Existing Zone AE Policy- Upgrade to Class 4	25%	\$2,200	\$2,200-(25% discount)= \$1,650	\$3,200	\$3,200-(30% discount)= \$2,240	Year 1 Premium: \$1,947 Year 2 Reach \$2,240

¹ Policies not eligible include Emergency Program, Group Flood Insurance, Provisionally Rated and buildings not in compliance with community floodplain management regulations or have known violations. See the [NFIP Flood Insurance Manual](#) for details.

² Note that FEMA has premium caps (e.g., \$12,125 for single-family homes), so if the premium exceeds that cap, the total CRS discount may not show; e.g., a Class 4 CRS discount on a \$18,000 premium for a single-family home would result in a premium still higher than the cap, so it would show \$12,125 for the premium.)