

# 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 buildings<sup>1</sup> 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 V<sup>2</sup>. 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](http://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
<b>New Policy- Any Zone</b>	N/A	N/A	N/A	\$2,200	\$2,200-(25% discount)= \$1,650	Straight to full-risk premium after CRS discount; no glidepath
<b>Existing Preferred Risk Policy</b>	0%	\$500	\$500	\$2,200	\$2,200-(25% discount)= \$1,650	Year 1 Premium: \$590 Year 2 Premium: \$696 Year 3-7: 18% increases
<b>Existing Standard Zone X -rated Policy</b>	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
<b>Existing Zone AE Policy</b>	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
<b>Existing Zone AE Policy- Upgrade to Class 4</b>	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

<sup>1</sup> 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.

<sup>2</sup> 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.)