

# Puerto Rico – Risk Rating 2.0

With the implementation of Risk Rating 2.0, FEMA delivers rates that more accurately reflect flood risk and ensure the National Flood Insurance Program will be here for this generation and generations to come.

## National Flood Insurance Program in Puerto Rico

### NFIP Policies in Force by County in Puerto Rico



A significant part of FEMA’s NFIP Transformation is Risk Rating 2.0, which will fundamentally change the way FEMA prices insurance and determines an individual property’s flood risk.

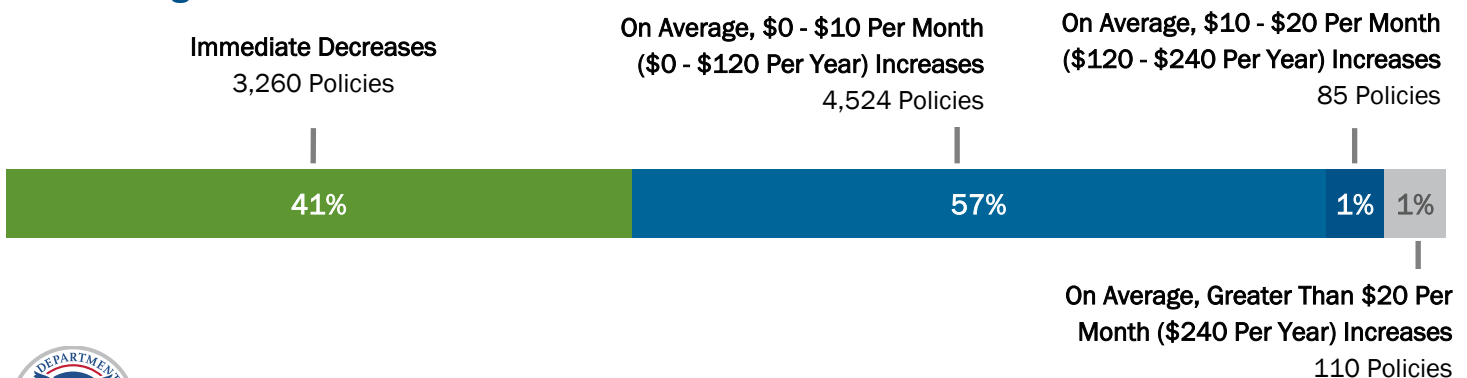
Risk Rating 2.0 is equity in action. With Risk Rating 2.0, individuals will no longer pay more than their share in flood insurance premiums based on the value of their homes. Roughly two-thirds of policyholders with older pre-FIRM homes will see a premium decrease.

FEMA will reduce disaster-related suffering and disaster-related costs in Puerto Rico through insurance and the mitigation of flood risks by leveraging advances in industry best practices, technology, and flood risk modeling.

FEMA’s core mission and programs continue to emphasize purchasing flood insurance and pursuing mitigation options to achieve resiliency. While there are many policies in force in Puerto Rico, there are still opportunities to increase participation in the program to improve resiliency, as shown in the table below.

NFIP Policies in Force in PR	Estimated Residential Penetration Rate in PR	Average NFIP Claim Payout in PR in the Past 10 Years
4,700	0.2%	\$25,611

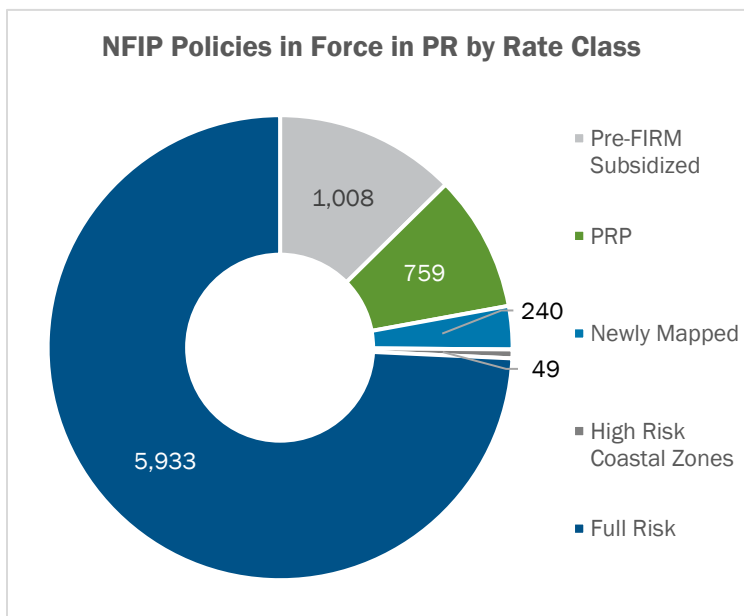
### Risk Rating 2.0 in Puerto Rico



Under the current methodology, all NFIP policyholders have been subject to premium increases every year. Risk Rating 2.0, from a premium increase perspective, does not deviate significantly from the current methodology except annual increases will eventually stop under Risk Rating 2.0 once the full-risk rate is realized. Premium increases will also be subject to the 18% per year cap set by Congress for most policies.

**97%** of policyholders with single-family homes outside leveed areas and **100%** of policyholders with single-family homes inside leveed areas will see premium **decreases or increases of \$10 or less per month** under Risk Rating 2.0.

## What can you do? Mitigate to Reduce Rates in Puerto Rico



The chart to the left identifies policyholders in Puerto Rico who may need the most help to reduce flood insurance rates. They will be paying their true flood risk rate under Risk Rating 2.0, and by implementing mitigation measures while on a glidepath to their full risk rate, they can help reduce their costs.

The Government of Puerto Rico plays a key role in leading those mitigation efforts through coordination and collaboration with communities. States, local communities, tribes, territories, and individuals should prioritize mitigation projects, mitigation planning, and the adoption or strengthening of building codes and zoning regulations to improve resilience and reduce flood insurance rates.

### Participate in the Community Rating System (CRS)

Communities will continue to earn National Flood Insurance Program rate discounts of 5% - 45% based on the Community Rating System classification. The discount will be uniformly applied to all policies throughout the participating community, regardless of whether the structure is in the Special Flood Hazard Area (SFHA).

Currently, policyholders in CRS communities save an average of \$162, or 15%, per year on their flood insurance policy. To date, there are 23,000 communities that participate in the Community Rating System.

As of Oct. 1, 2020, one community in Puerto Rico participates in the Community Rating System. To view the participating community and its current class rating, visit <https://www.fema.gov/flood-insurance>.



## Apply for Hazard Mitigation Assistance Grants

Hazard Mitigation Assistance (HMA) grants are available for pre-disaster and post-disaster mitigation projects. As of October 1, 2021 for new policyholders and April 1, 2022 for existing policyholders, projects involving installing flood openings per 44 CFR 60.3 criteria, elevating structures, and elevating machinery and equipment above the first floor (i.e. hot water heaters) may reduce rates both inside and outside SFHAs. For detailed information, refer to the “Risk Rating 2.0 Equity in Action” fact sheet.

HMA Program	Program Information
Flood Mitigation Assistance (FMA)	<ul style="list-style-type: none"> <li>• Pre-Disaster grant program</li> <li>• Obligations of \$1.4 billion from 2004 to 2021</li> <li>• More information: <a href="https://www.fema.gov/grants/mitigation/floods">https://www.fema.gov/grants/mitigation/floods</a></li> </ul>
Building Resilient Infrastructure and Communities (BRIC)	<ul style="list-style-type: none"> <li>• Pre-disaster grant program</li> <li>• Obligations of \$1.2 billion from 2020 to 2021</li> <li>• More information: <a href="https://www.fema.gov/grants/mitigation/building-resilient-infrastructure-communities">https://www.fema.gov/grants/mitigation/building-resilient-infrastructure-communities</a></li> </ul>
Hazard Mitigation Assistance Grant Program (HMGP) and HMGP Post Fire	<ul style="list-style-type: none"> <li>• Post-disaster grant program</li> <li>• Obligations of \$15.3 billion from 1990 to 2021</li> <li>• More information <a href="https://www.fema.gov/grants/mitigation/hazard-mitigation">https://www.fema.gov/grants/mitigation/hazard-mitigation</a> and <a href="https://www.fema.gov/grants/mitigation/post-fire">https://www.fema.gov/grants/mitigation/post-fire</a></li> </ul>

## Take Action to Reduce Flood Risk

States, tribes, territories, local communities, and individuals can all take mitigation actions to reduce their flood risk and potentially reduce their flood insurance premiums.

### STATES/TRIBES/TERRITORIES

- Promote higher regulatory standards for development.
- Promote strong community-wide floodplain management.
- Promote/expedite pre-disaster HMA grant applications for FMA and BRIC.
- Prioritize, plan for, and take advantage of HMGP funding after a disaster occurs.
- Offer tax credits for flood mitigation.
- Establish and maintain a revolving loan fund for flood risk reduction projects.

## LOCAL COMMUNITIES

- Prioritize mitigation grants for owners of Severe Repetitive Loss and Repetitive Loss properties.
- Apply for Hazard Mitigation Assistance grants through the Government of Puerto Rico.
- Adopt and enforce building codes and zoning regulations.

## PROPERTY OWNERS

- Buy flood insurance.
- Install flood openings or elevate the home and elevate all machinery and equipment to a higher floor such as hot water heaters.
- After a flood, NFIP policyholders in the SFHA should consider using Increased Cost of Compliance (ICC) coverage to access up to \$30,000 to help cover the cost of elevating, relocating, or demolishing substantially damaged structures.
  - For a structure to qualify as being substantially damaged, the total cost of repairs must be 50% or more of the structure's pre-flood market value. Non-residential buildings may choose floodproofing as an option in addition to elevation, relocation, or demolition.
- Severe Repetitive Loss and Repetitive Loss homeowners should contact the State Hazard Mitigation Officer to learn how up to 100% of mitigation project costs may be covered.

### Additional Information

For more information on ICC and substantial damage, visit:

- <https://www.fema.gov/floodplain-management/financial-help/increased-cost-compliance>; and
- <https://www.fema.gov/press-release/20201016/fact-sheet-substantial-damage-what-does-it-mean>