What is Risk Rating 2.0?

Risk Rating 2.0 is a method of pricing for flood insurance introduced by the Federal Emergency Management Agency (FEMA) in October 2021. As of April 1, 2023, FEMA has fully implemented the National Flood Insurance Program's (NFIP) pricing approach, Risk Rating 2.0. Previously, flood insurance premiums in the NFIP were determined solely by the home's location in a flood zone.

Under the Risk Rating 2.0, flood insurance premiums are calculated using multiple factors that provide a detailed assessment of each property's flood risk and value.

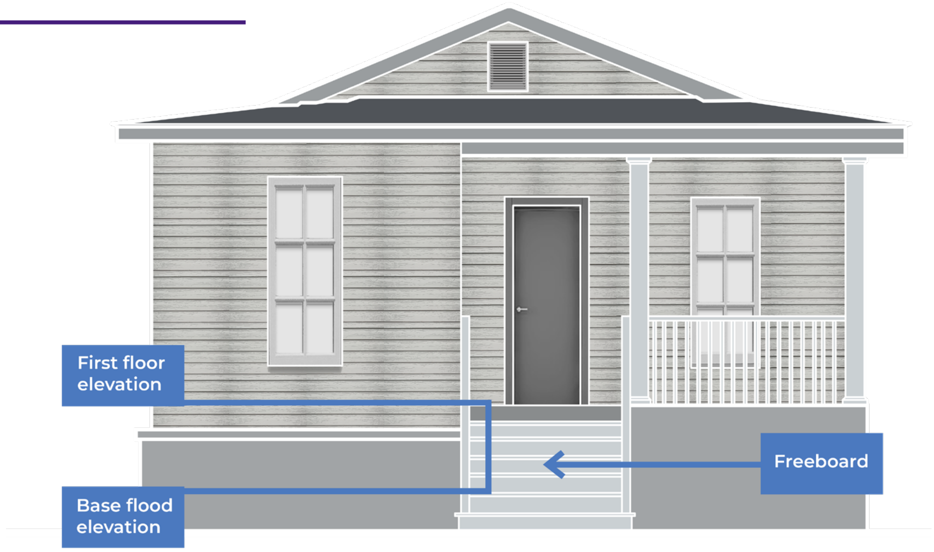
These factors include:

- **Flooding frequency:** How often flooding occurs in the area.
- **Types of flood sources:** Sources such as heavy rainfall, river overflow, coastal storm surge or other water.
- **Distance to floodwater sources:** The property's proximity to rivers, lakes and coastlines.
- **Elevation:** How high the home sits in relation to its surroundings, neighborhood and potential floodwaters source. This considers both the property's ground elevation and relative elevation (i.e., how high/low the home sits in relation to its surrounding neighborhood).
- **Replacement cost value:** The cost to rebuild the home, which reflects the property's value.
- **Building characteristics:** Type of use, foundation type, first floor height, etc.
- **Insurance policy:** Coverage and deductible values.

WHAT IS FREEBOARD?

Under most building codes, homes must be built to the base flood elevation or BFE. The BFE is the height that floodwaters are expected to rise to during a flood that has a 1% chance of happening in any given year. FEMA uses this measurement to help identify how likely it is that an area will experience flooding.

Freeboard is an additional elevation over the BFE to provide additional protection from flood risk.



Graphic by LaHouse

Freeboard requirements typically range from 1 to 3 feet above the BFE, depending on the local building code. This extra elevation provides several benefits:

- **Reduced flood damage:** Raising a home above the expected flood level significantly decreases the likelihood of floodwaters reaching the living space.
- **Lower insurance premiums:** Homes elevated above the BFE typically qualify for lower flood insurance rates under Risk Rating 2.0 because of the reduced flood risk.

For example, if the BFE in a specific area is 10 feet, a freeboard requirement of 2 feet means new homes must be built so that their lowest floor is at least 12 feet above the ground.

While freeboard may increase construction costs up front, the long-term savings from reduced flood damage and lower insurance premiums often outweigh these initial expenses.

FIRST FLOOR HEIGHT

Raising the floor height of a home can impact how much homeowners pay in flood insurance premiums under Risk Rating 2.0 because it reduces flood risk.

The first floor height (FFH), or the height of the building's lowest floor above the adjacent grade, is another rating variable needed to understand the flood risk. Generally, buildings that are higher off the ground have lower risk. The following chart shows the discount percentage based on the foundation type and FFH, which is included in the amount charged for building and contents coverage. For example, a building with a crawlspace foundation and FFH of 3 feet above adjacent grade corresponds to a 22.1% discount compared to the same building having a FFH of 0. Between whole numbers, the discount for FFH is continuously provided (interpolated). For example, a building with a slab-on-grade foundation and FFH of 1.25 feet will receive a discount of -9.85%, which is a quarter of the way between the discount for 1 foot and 2 feet.

FIRST FLOOR HEIGHT (FEET)	SLAB-ON-GRADE	CRAWLSPACE	ELEVATED ON FILL	ELEVATED WITH POSTS OR PIERS WITH ENCLOSURES	ELEVATED WITH POSTS OR PIERS WITHOUT ENCLOSURES
0	0%	0%	0%	0%	0%
1	-8%	-8%	-8%	-9%	-10%
2	-15.4%	-15.4%	-15.4%	-17.2%	-19%
3	-22.1%	-22.1%	-22.1%	-24.6%	-27.1%
4	-28.4%	-28.4%	-28.4%	-31.4%	-34.4%
5	-34.1%	-34.1%	-34.1%	-37.6%	-41%

Data courtesy of FEMA

Risk Rating 2.0 offers a more accurate and comprehensive method for determining flood insurance premiums by considering multiple factors beyond just flood zone location. Implementing measures like freeboard and raising the first floor height can significantly reduce flood risk and lower insurance costs.

“This work was funded as part of Program Project ID R/CH-12_ELWD through the Louisiana Sea Grant College Program under the National Oceanic and Atmospheric Administration Award NA24OARX417C0149.”

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P3988-D (online) 09/25
The LSU AgCenter and LSU provide equal opportunities in programs and employment.
This work is supported by the USDA National Institute of Food and Agriculture award number 2024-69016-42193.