

United States Senate

September 22, 2021

The Honorable Deanne Criswell
Administrator
Federal Emergency Management Agency
500 C Street SW
Washington, D.C. 20024

Dear Administrator Criswell,

We write to urgently request that you delay the new Federal Emergency Management Agency (FEMA) National Flood Insurance Premium (NFIP) rating system known as Risk Rating 2.0, which is scheduled to go into effect for new policies on October 1, 2021. We strongly support more updated rating methodologies that rely on the most accurate data that can help with the solvency of the NFIP, however we have serious concerns about the how the program has thus far been constructed, presented and begun to be implemented and more significantly troubled by reports that nearly 80% of policyholders will see premium increases nationwide¹.

It is our understanding that internal analysis shows that FEMA estimates roughly 900,000 policyholders, or nearly 20% of all policyholders, will drop out of the program over the next 10 years in large part due to unaffordable premiums under Risk Rating 2.0. In light of this information, we are extremely concerned about the administration's decision to proceed forward with the implementation of this program without first determining an alternative that avoids the prospect that hundreds of thousands of families will be inclined to forfeit flood insurance on their homes. This unwillingness to alter the current proposal and the potential for having a significant increase in uninsured homeowners leaves Congress in the unfortunate position of having to pass more expensive, less beneficial disaster aid on the back end each time a devastating storm strikes and homeowners are left unprotected.

FEMA has planned to rollout Risk Rating 2.0 for years, but despite our requests for information, the agency has only began sharing specific information on its potential impacts earlier this year. We are troubled that FEMA has not publicly conveyed that 75% of primary residences will potentially see premium increases of 18%, the cap under law². This is a sharp departure from the 6% to 12% percent average increases that primary residence policyholders have seen in recent

¹ https://www.fema.gov/sites/default/files/documents/fema_risk-rating-2.0-national-rate-analysis.pdf

² <https://www.crs.gov/Reports/R45999?source=search&guid=855cb6d1f89e491697aac3ab6a61e7fc&index=0>

years. In addition, we still have not received requested information and have little insight into the impact of the new program on grandfathered properties.

The actuarial premiums that homeowners will see once Risk Rating 2.0 is fully implemented are much higher than what FEMA is rating premiums in its first year. This means that it could take years of compounding 18% increases until homeowners reach their actuarial rate. According to FEMA, 50% of primary residences would reach their actuarial rate within 5 years, 40% would reach their actuarial rate within 10 years, and 10% would take longer than a decade to reach their full actuarial rate³. FEMA has suggested once a policy has reached its full risk rate, increases would stop. However, these estimates assume the status quo and it seems unlikely that underlying risk factors would not increase over the next decade, potentially putting policyholders on track for high increases for years to come as a result.

We are entering the height of hurricane season, and tens of thousands of Americans have already faced destruction of their homes and livelihoods by Hurricane Ida alone. Tragically, this historic storm led to at least 84 deaths and caused tens of billions in unmet needs and property damage. Flood providers are currently inundated with processing flood claims. With NOAA predicting the rest of this hurricane season to have above-normal activity, we worry that Risk Rating 2.0 will leave flood providers overburdened by the additional responsibility of learning a new, unfamiliar and untested rating system.

FEMA advised that, “beginning August 1, current National Flood Insurance Program policyholders can contact their insurance company or insurance agent to learn more about what Risk Rating 2.0-Equity in Action means to them.” Unfortunately, this service from FEMA was delayed past this date and rating engine systems only began to go on September 1, 2021. We are therefore concerned agents have not yet had sufficient training to learn the new program and will therefore be unable to properly convey those changes to policyholders and provide a clear understanding of their new premiums for years to come.

To make matters worse, FEMA has made an open call to nearly five million policyholders to contact their agents to see if they can opt-in to a renewal with a lower Risk Rating 2.0 premium. But our understanding is that only 23% of policyholders are actually seeing decreases, leaving an overwhelming majority of those who call in to their agent disappointed to learn that they will not be receiving a lower monthly premium. We are already hearing of agents choosing to stop selling NFIP policies all together due to the implementation of Risk Rating 2.0 and we have a genuine worry that if FEMA continues down this path with the implementation of Risk Rating 2.0 on the proposed timeline, the NFIP may face long lasting reputational damage that will hurt the integrity and long-term solvency of the program.

In addition, we still have questions and have yet to receive information related to how Risk Rating 2.0 will evaluate and account for levees. States that invested in levees should have that mitigating risk factor taken into account when calculating premiums for homes and small businesses. We hope that FEMA will quickly incorporate this factor into their rating methodology and work with local communities to integrate others that may be absent.

³ <https://www.crs.gov/Reports/R45999?source=search&guid=855cb6d1f89e491697aac3ab6a61e7fc&index=0>

Given these uncertainties, we request that you delay implementation of Risk Rating 2.0 immediately in order to provide time for full Congressional oversight, coordination and correct and transparent implementation.

Thank you for your attention to this matter.

Sincerely,

ROBERT MENENDEZ
United States Senator

BILL CASSIDY, M.D.
United States Senator

CHARLES E. SCHUMER
United States Senator

JOHN KENNEDY
United States Senator

CORY A. BOOKER
United States Senator

CINDY HYDE-SMITH
United States Senator

KIRSTEN GILLIBRAND
United States Senator

MARCO RUBIO
United States Senator

ROGER F. WICKER
United States Senator

Congress of the United States
Washington, DC 20515

September 16, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi and Minority Leader McCarthy,

We write because our constituents are in desperate need of relief from the National Flood Insurance Program (NFIP) rate hikes expected under Federal Emergency Management Agency's (FEMA) Risk Rating 2.0. While we appreciate FEMA's work to create a NFIP that establishes actuarially sound rates, we are concerned about the burden of potential double digit rate hikes on our constituents by FEMA's untested pricing methodology. Therefore, we ask you to include language delaying the unfair implementation of Risk Rating 2.0 in any piece of legislation going to the floor this month until a more robust methodology that includes a lower premium cap is in place for policy holders.

While Congress continues to debate needed affordability, fairness, and sustainable reforms to the NFIP, FEMA plans to unilaterally implement Risk Rating 2.0 in a phased approach beginning on October 1, 2021. FEMA's Risk Rating 2.0 implementation announcement earlier this year has already impacted communities we represent that are still dealing with the far-reaching economic impacts of COVID-19 and recovering from the devastation of Hurricanes Ida and Henri.

There are serious implementation questions surrounding Risk Rating 2.0. Our constituents and those involved in implementing FEMA's rate hikes need more time to get the answers they deserve. The additional burden of up to double digit rate hikes by FEMA for our constituents, especially those in low- and moderate-income communities is too much for them to bear. Massive rate changes should be subject to additional scrutiny and review by Members of Congress in a long-term reauthorization, not arbitrary FEMA deadlines. A delay in implementing Risk Rating 2.0 is needed to allow Congress time to work on a comprehensive long-term reauthorization of the NFIP.

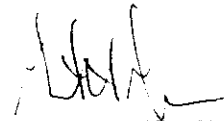
FEMA has already previewed that nearly 80 percent of policy holders in the eight states (approximately 1,385,759 in Floridaⁱ, 661,830 in Texasⁱⁱ, 394,757 in Louisianaⁱⁱⁱ, 170,685 in New Jersey^{iv}, 155,349 in South Carolina^v, 157,316 in California^{vi}, 117,093 in New York^{vii}, and 104,145 in North Carolina^{viii}) that account for the largest share of NFIP policies should expect to pay a higher premium under Risk Rating 2.0. This increase is due to FEMA's new methodology as well as the existing statutory limits on rate increases.

We appreciate the hard work Chair Maxine Waters and Ranking Member Patrick McHenry have put into developing a long-term NFIP reauthorization, including efforts to recognize the pending rate hikes. Time is of the essence with FEMA's pending deadline to implement Risk Rating 2.0. We cannot accept another short-term extension of the NFIP without addressing these expected rate hikes for our constituents. We are eager to work together to implement reforms to the NFIP based on the realities experienced in the aftermath of major flooding and storms our constituents have just experienced. Thank you very much for your time and attention to our request.

Sincerely,



Bill Pascrell, Jr.
Member of Congress



Garret Graves
Member of Congress

Additional signers include the following Members of Congress:

Representative Brian Babin
Representative Vern Buchanan
Representative Cheri Bustos
Representative Troy A. Carter, Sr.
Representative Charlie Crist
Representative Brian Fitzpatrick
Representative Carlos A. Gimenez
Representative Josh Gottheimer
Representative Al Green
Representative Clay Higgins
Representative Brian Higgins
Representative Mike Johnson
Representative Andy Kim
Representative Douglas LaMalfa
Representative Julia Letlow
Representative Tom Malinowski
Representative Grace Meng
Representative Gregory F. Murphy, M.D.

Representative Troy E. Nehls
Representative Donald Norcross
Representative Steven Palazzo
Representative Frank Pallone, Jr.
Representative Donald M. Payne, Jr.
Representative Bill Posey
Representative Tom Rice
Representative David Rouzer
Representative Steve Scalise
Representative Mikie Sherrill
Representative Albio Sires
Representative Christopher H. Smith
Representative Michelle Steel
Representative Ritchie Torres
Representative David Trone
Representative Bonnie Watson Coleman
Representative Randy Weber
Representative Susan Wild

ⁱ https://www.fema.gov/sites/default/files/documents/fema_florida-state-profile_03-2021.pdf

ⁱⁱ https://www.fema.gov/sites/default/files/documents/fema_texas-state-profile_03-2021.pdf

ⁱⁱⁱ https://www.fema.gov/sites/default/files/documents/fema_louisiana-state-profile_03-2021.pdf

^{iv} https://www.fema.gov/sites/default/files/documents/fema_new-jersey-state-profile_03-2021.pdf

^v https://www.fema.gov/sites/default/files/documents/fema_south-carolina-state-profile_03-2021.pdf

^{vi} https://www.fema.gov/sites/default/files/documents/fema_california-state-profile_03-2021.pdf

^{vii} https://www.fema.gov/sites/default/files/documents/fema_new-york-state-profile_03-2021.pdf

^{viii} https://www.fema.gov/sites/default/files/documents/fema_north-carolina-state-profile_03-2021.pdf



coalition for sustainable
flood insurance

September 20, 2021

The Honorable Maxine Waters, Chairwoman
House Committee on Financial Services
2221 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry, Ranking Member
House Committee on Financial Services
2004 Rayburn House Office Building
Washington, DC 20515

The Honorable Sherrod Brown, Chairman
Senate Committee on Banking, Housing, and Urban
Affairs
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Pat Toomey, Ranking Member
Senate Committee on Banking, Housing, and Urban
Affairs
455 Dirksen Senate Office Building
Washington, DC 20510

Re: National Flood Insurance Program (NFIP) Reauthorization and Risk Rating 2.0

Dear Members of Congress:

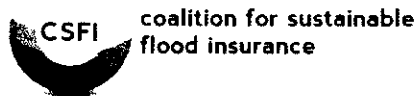
We write to you on behalf of the Coalition for Sustainable Flood Insurance (CSFI), a national coalition of business associations, economic development organizations, governmental entities, and consumer groups, to underline the urgent need for National Flood Insurance Program (NFIP) congressional reauthorization. The immediate effects of Hurricane Ida, and the continuation of an active hurricane season, emphasize the critical need to protect millions of vulnerable Americans by reauthorizing the NFIP.

As you are aware, congressional action is required by September 30, 2021 in order to prevent a lapse in NFIP authorization. Failure of Congress to act appropriately would have widespread consequences, including FEMA stopping the sale and renewal of policies for millions of properties in communities across the nation. Given the bullish strength of the real estate market, eager buyers and sellers would be in the dark and at significant risk without NFIP. Furthermore, given the continued critical impact of COVID-19, our businesses should not face additional uncertainties due to lack of reauthorization.

While understanding that short-term reauthorization is currently necessary, CSFI continues to advocate for long-term policy priorities. Our priority is urging Congress to implement lower rate caps, limiting all premium rate hikes to a maximum of nine percent per year, as proposed in an April 2021 circulated discussion draft. This policy improvement is particularly important to current and prospective policyholders at this time, considering the scheduled launch of Risk Rating (RR) 2.0 on October 1 and the uncertainty of premium hikes beyond year one of RR 2.0 implementation.

With the recent delayed release of rates under RR 2.0, and lack of public education about the potential impact, more information must be shared with consumers before implementation to better comprehend anticipated costs. Thus, we encourage congressional leaders to support a delay in RR 2.0 as you continue to champion constituents' concerns and vocalize ideas for improvements to FEMA administrators.

The organizations signed below reiterate our joint support for swift reauthorization. We look forward to working with our respective congressional delegations to create a stronger program that is more equitable, affordable, and accessible to policyholders and communities throughout the country. In the long term, CSFI seeks to improve NFIP by increasing participation and protection in a streamlined, sensible manner. Thank you for your leadership and for your consideration of our shared interests in reauthorization and reforming the NFIP.



Respectfully,

Michael Hecht
President & CEO
Greater New Orleans, Inc. (LA)

Bob Mitchell
President
Bay Area Houston Economic Partnership (TX)

Tyler Newman
President and CEO
Business Alliance for a Sound Economy (NC)

Craig Brown
Mayor
City of Galveston (TX)

Kirk Roccaforte
Orange County Commissioner Pct.3
Orange, Texas (TX)

Angelyn S. Treutel Zeringue
President
SouthGroup Insurance-Gulf Coast (MS)

Honorable Michael Chauffe
Mayor, Village of Grosse Tete
President, Louisiana Municipal Association (LA)

Guy Cormier
Executive Director
Police Jury Association of Louisiana (LA)

Matthew Jewell
Parish President
St. Charles Parish (LA)

Rep. Aimee Freeman
District 98
Orleans Parish (LA)

Todd P. Murphy
President
Jefferson Chamber of Commerce (LA)

Amy Bach
Executive Director
United Policyholders (CA)

Wiley Blankenship
President & CEO
Coastal Alabama Partnership (AL)

Fair Insurance Rates in Monroe
Monroe County
Key West, Florida (FL)

Brian Maxwell
City Manager
City of Galveston (TX)

Aaron Roccaforte
Mayor Pro Tem
City of Bridge City (TX)

Robert Taylor
CEO
Louisiana Bankers Association (LA)

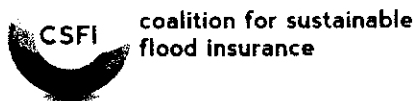
John Gallagher
Executive Director
Louisiana Municipal Association (LA)

Michael B. Cooper
Parish President
St. Tammany Parish (LA)

Robby Miller
Parish President
Tangipahoa Parish (LA)

Robert Thomas
Executive Director
Plaquemines Association of Business & Industry (LA)

G. Ben Johnson
President & CEO
New Orleans Chamber of Commerce (LA)



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flood insurance

Thomas Falgout
CEO
Greater Iberia Chamber of Commerce (LA)

J. Stephen Perry
President & CEO
New Orleans & Company (LA)

Lisa Jennings
Executive Director
Westbank Business & Industry Association (LA)

Mickey Thomas
President & CEO
South Louisiana Bank (LA)

Ronnie Slone
President
The Sloan Group

Lynda Nugent Smith
Realtor
Keller Williams Realty (LA)

Ann Comarda
President
New Orleans Metro Assoc. of Realtors (LA)

Dan Mills
Chief Executive Officer
Homebuilders Assoc. of Greater New Orleans (LA)

Marguerite Oestreicher
Executive Director
New Orleans Area Habitat for Humanity (LA)

George Swift
President & CEO
Southwest LA Economic Development Alliance (LA)

Chris Masingill
Chief Executive Officer
St. Tammany Corporation (LA)

Jim Walter
President
Coin du Lestin Property Owners Association (LA)

Wendell R. Verret
Port Director
Twin Parish Port Comm, Port of Delcambre (LA)

Kim Callaway
Director of Legal & Governmental Affairs
Louisiana Realtors (LA)

Bill Bubrig
Owner
Bubrig Insurance Agency (LA)

Amy Ybarzabal
Executive Officer
Northshore Home Builders Association (LA)

Bryce Johnson
Chief Executive Officer
Home Builders Assoc. of Fargo-Moorhead (ND,MN)