CSFI coalition for sustainable flood insurance

December XX, 2021

Mr. David Maurstad
Deputy Associate Administrator of Insurance and Mitigation
Federal Emergency Management Agency
500 C Street, S.W.
Washington, DC 20472

Re: Risk Rating 2.0

Dear Mr. Maurstad:

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 outline our concerns with the implementation of Risk Rating 2.0.

Over the last several months, our Coalition has worked to understand the potential impact of the most significant overhaul to the NFIP program since its creation. Since rates were released at the end of August 2021, we have engaged with local governments, insurance agents, realtors, bankers, home builders, and others to understand how Risk Rating 2.0 will impact policyholders. What we have learned is that many policyholders will see significant increases in premiums, many of them in X zones, long considered "low risk." Policyholders accustomed to having annual premiums ranging from $600-$700 may see new annual rates jumping to $3,000 or $5,000, and in some cases even higher.

Since weighting of risk factors involved in the calculation of premiums have not been publicly disseminated, policyholders are confused about their new rates, and they are fearful of future increases to meet their "full-risk rate." As a Coalition, we recognize that flood risk is changing; however, it is economically unwise and unjust to shock complying homeowners with substantial premium increases, especially when in most cases, there is not an alternative place to shop for coverage.

Congress currently limits how much premiums can rise to 18 percent per year, mitigating the effects of sticker shock in the short-term. However, we believe that this provision is not sufficient in protecting property holders. For example, in five years, a homeowner with a $600 policy would face an $1,370 bill – and in 10 years, that becomes $3,100. This presents a dual problem to homeowners: unaffordable insurance costs each year, and then a diminished value when they try to sell their home. The primary investment made by most American families – property – is devalued.

Flood insurance is essential to communities across the country, as 99 percent of U.S. counties have been impacted by a flooding event since 1996. While flooding clearly extends beyond coastal areas, it is worth noting that 51 percent of the country's jobs are located in coastal counties, and 57 percent of the country's GDP is generated by our coastal counties, according to Emsi labor market data. These figures point to America's indispensable "working coast" which powers the nation through energy production, supplies the country's seafood, and is home to the communities of first responders, health care workers, educators, and others who support these critical industries.

As Risk Rating 2.0 will largely impact many of these communities, there is a significant need for more information about this major transformation of the program. Our Coalition feels there are actions that could be taken immediately by FEMA to address the impact of Risk Rating 2.0. These include:

- **Disclosure of full-risk rates** – Policyholders should have access to full-risk rates at the time of renewal or issuance of a new policy to reduce uncertainty, allow for financial planning, and promote continued participation
- **Premium caps at tiered home values** – The premium cap on a full risk NFIP policy should correlate to the value of a home, so that more moderately priced homes have lower caps and program costs are more equitably distributed
- **Enhanced public education** – The responsibility for consumer education on Risk Rating 2.0 has been placed squarely on insurance agents. Considering this is the largest overhaul of rates in more than 50 years, a broader public education campaign – prior to implementation – should take place so that policyholders can better comprehend factors taken into account for new rates and be better equipped to handle future costs
- **Greater transparency in rate development –** Provide access to rating engine to see how different factors are calculated and weighed; stakeholders such as contractors need data to inform building design standards and construction; communities absolutely need to know the elevations attributed to each property by the NFIP
- **More equitable application of Community Rating System Discounts** – While Risk Rating 2.0 provides for broader application of CRS discounts, those discounts are only offered to policyholders who have reached their full risk rates; re-establish CRS discounts following FEMA's 30 years of legacy training to and commitment of the more than 1500 CRS-qualified communities across America
- **Affordability protections for existing policyholders** – Properties that have been elevated following FEMA's legacy guidance must be granted protection from harsh rate increases that were not disclosed at the time the mitigation agreements were executed

On the Congressional front, understanding that short-term reauthorization is currently necessary, CSFI continues to advocate for long-term affordability provisions. We are urging Congress to implement lower rate caps, limiting all premium rate hikes to a maximum of nine percent per year, as proposed in the National Flood Insurance Program Reauthorization and Reform Act of 2021. This policy improvement is particularly important to current and prospective policyholders at this time, as they await empowering information in the wake of the implementation of Risk Rating 2.0.

The organizations signed below reiterate our calls for greater collaboration from FEMA ahead of full Risk Rating 2.0 implementation. We look forward to working with FEMA, as well as our respective congressional delegations, to create a stronger program that is more equitable, affordable, and accessible to policyholders and communities throughout the country.