

**Congress of the United States**  
**Washington, DC 20515**

November 1, 2019

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

The Honorable Steny Hoyer  
Majority Leader  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Steve Scalise  
Minority Whip  
U.S. House of Representatives  
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader Hoyer, Minority Leader McCarthy and Minority Whip Scalise:

We write because our constituents and all Americans deserve a long-term National Flood Insurance Program (NFIP) reauthorization that enhances the affordability, efficiency, fairness, accountability, and sustainability of the program. These reforms should be based on the realities experienced in the aftermath of major flooding and storms our constituents have experienced. Since the last long-term reauthorization, the NFIP has been subjected to 13 short-term extensions. This uncertainty has created significant anxiety for homeowners, renters, and small business owners in our states. We appreciate Chairwoman Waters and Ranking Member McHenry's commitment to a long-term reauthorization and the extensive work they put into bipartisan legislation that reforms the program.

However, we are concerned this proposal does not address premium increases our constituents expect under FEMA's new methodology for determining risk that is poised to become effective in October 2020. This new methodology, known as Risk Rating 2.0, will no longer use flood maps and zones to determine a homeowner's premium rate, but rather a series of models that will "fundamentally change" a property's individual flood risk assessment and therefore their insurance price.<sup>1</sup> While FEMA intends Risk Rating 2.0 to provide more accurate and transparent flood insurance pricing, this untested proposal could lead to increased premiums, forcing homeowners to drop coverage, or even worse, lose their home.

In addition, there are many questions surrounding how FEMA will implement this program, including but not limited to the types and sources of any data that will be used to calculate risk, how risk would be factored in areas behind levee systems, and impacts to grandfathered policies. Congress has not been fully briefed on all aspects of this new proposal that will inject an enormous degree of uncertainty for the over five million NFIP policy holders. Given these uncertainties and lingering questions, the current premium caps will be insufficient to ensuring the NFIP is affordable for all our constituents under Risk Rating 2.0.

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<sup>1</sup> <https://www.fema.gov/nfiptransformation>

As you know, the maximum annual increase for primary residences is 18 percent, with a 15 percent maximum for a rate class. According to FEMA, renewal premiums will increase an average of 11.3 percent, Severe Repetitive Loss Premiums are increasing to 10 percent, and annual premium increases of 14.9 percent for preferred risk policies and 14.8 percent for newly mapped procedure policies are on the horizon.<sup>2</sup> While we recognize it is the only data available, we caution against using historical average rate increases as a barometer for expected rate increases under Risk Rating 2.0 because risk determination is not currently individualized. Additionally, the 18 percent premium cap only includes building and contents coverage, Increased Cost of Compliance (ICC) coverage, and the reserve fund assessment. Not included is the Federal Policy Fee, the HFIAA surcharge, a 5% premium on severe repetitive loss (SRL) properties, and a possible probation surcharge.

Since FEMA is designing a system to reflect individual property's unique flood risk, we remain concerned that the 15 percent cap on rate classes and grandfathered properties protections are irrelevant. Some policyholders are eligible for a newly mapped subsidy if their property is newly mapped into a Special Flood Hazard Area (SFHA). This grandfathering policy is in place to protect policyholders from unexpected rate increases due to risk adjustments reflected in zone changes under new Flood Insurance Rate Maps. But the individual risk rating system proposed in Risk Rating 2.0 threatens this structure.

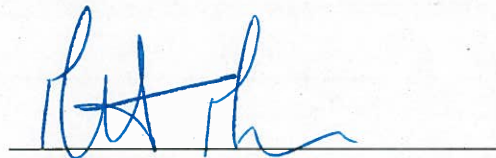
We know the negative consequences of hiking premiums after the Biggert-Waters Act of 2012 caused costs to skyrocket, hurting policyholders and a chill was sent through the real-estate market. With Risk Rating 2.0 on the horizon, we encourage you to do everything possible to prevent premium spikes for our constituents. Our constituents cannot suffer from a double-digit rate increase in addition to the fees and surcharges FEMA could impose on policy holders under Risk Rating 2.0. They also cannot bear a backdoor attempt to remove grandfathered policies. We urge you to work with us to ensure the Waters-McHenry package reflects our priorities for premiums caps and delays the impacts of Risk Rating 2.0 before it comes to the House floor for a vote.

We look forward to working with you to address this affordability issue in a long-term NFIP reauthorization.

Sincerely,



Bill Pascrell, Jr.  
Member of Congress

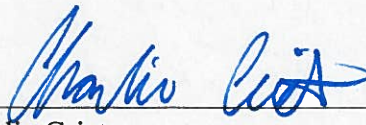


Garret Graves  
Member of Congress

<sup>2</sup> <https://nfipservices.floodsmart.gov/sites/default/files/w-19014.pdf>



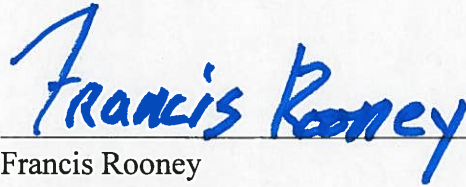
David Rouzer  
Member of Congress



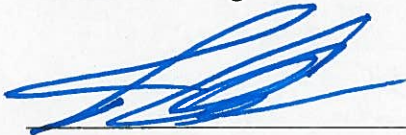
Charlie Crist  
Member of Congress



Debbie Mucarsel-Powell  
Member of Congress



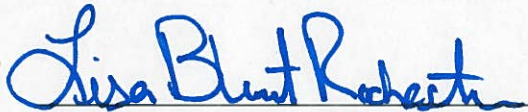
Francis Rooney  
Member of Congress



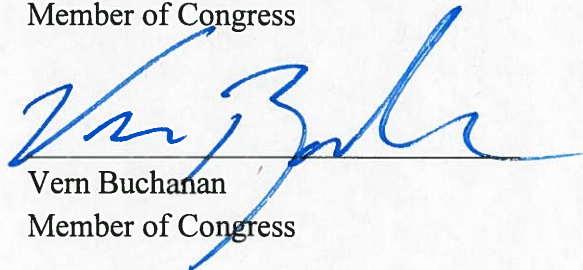
Ralph Abraham  
Member of Congress



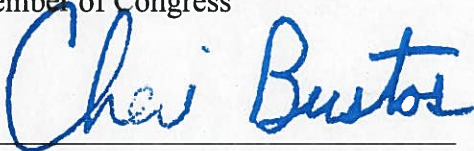
Brian Babin D.D.S.  
Member of Congress



Lisa Blunt Rochester  
Member of Congress



Vern Buchanan  
Member of Congress



Cheri Bustos  
Member of Congress



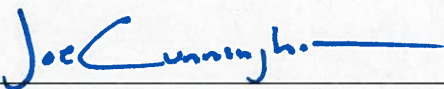
Bradley Byrne  
Member of Congress



Matt Cartwright  
Member of Congress



Angie Craig  
Member of Congress



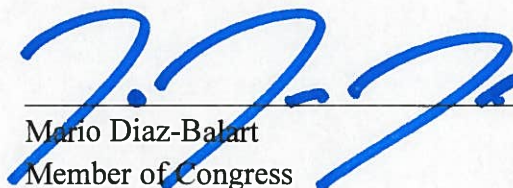
Joe Cunningham  
Member of Congress



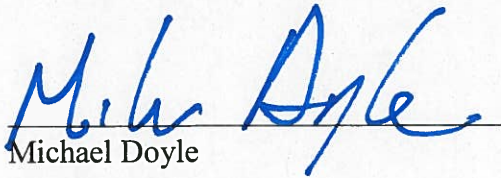
Val Demings  
Member of Congress



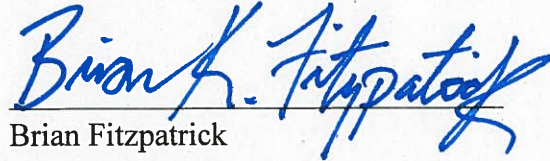
Ted Deutch  
Member of Congress



Mario Diaz-Balart  
Member of Congress



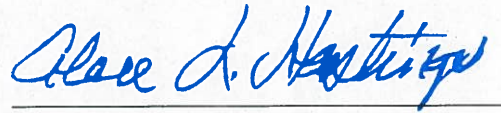
Michael Doyle  
Member of Congress



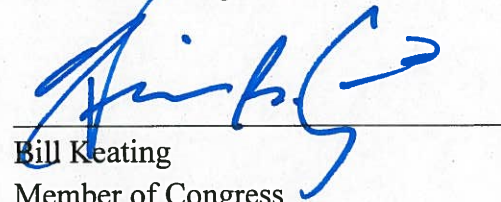
Brian Fitzpatrick  
Member of Congress



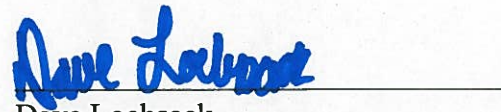
Matt Gaetz  
Member of Congress



Alcee L. Hastings  
Member of Congress



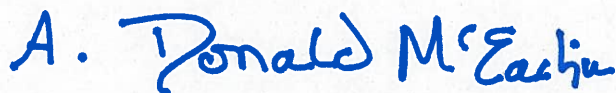
Bill Keating  
Member of Congress



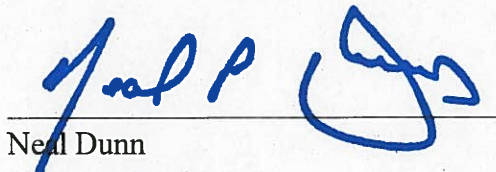
Dave Loebsack  
Member of Congress



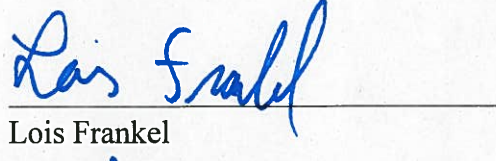
Tom Malinowski  
Member of Congress



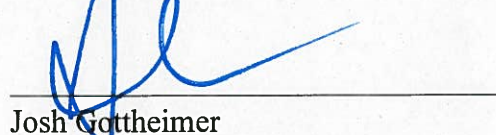
A. Donald McEachin  
Member of Congress



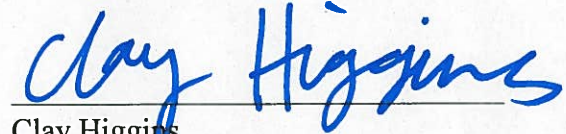
Neal Dunn  
Member of Congress



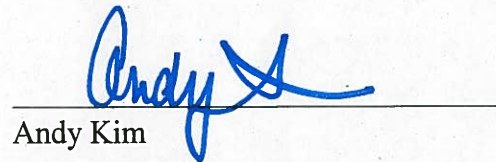
Lois Frankel  
Member of Congress



Josh Gottheimer  
Member of Congress



Clay Higgins  
Member of Congress



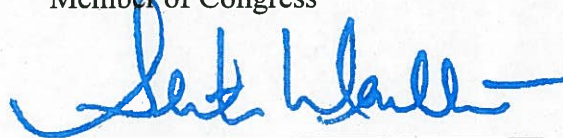
Andy Kim  
Member of Congress



Elaine Luria  
Member of Congress



Doris Matsui  
Member of Congress



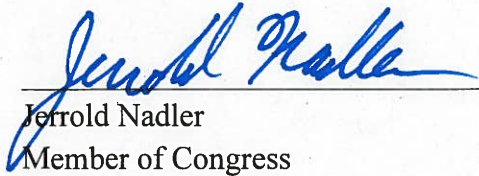
Seth Moulton  
Member of Congress



Stephanie Murphy  
Member of Congress



Gregory F. Murphy, M.D.  
Member of Congress



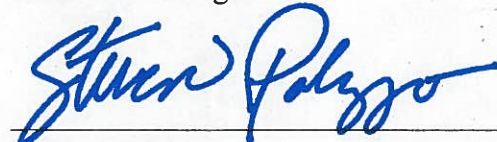
Jerrold Nadler  
Member of Congress



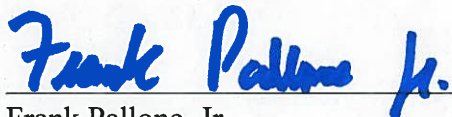
Donald Norcross  
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Pete Olson  
Member of Congress




Steven Palazzo  
Member of Congress



Frank Pallone, Jr.  
Member of Congress



Donald Payne, Jr.  
Member of Congress



Stacey E. Plaskett  
Member of Congress



Tom Rice  
Member of Congress



Kathleen M. Rice  
Member of Congress



Max Rose  
Member of Congress



C.A. Dutch Ruppertsberger  
Member of Congress



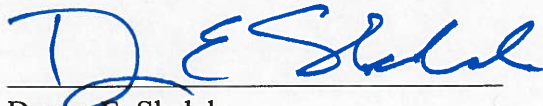
Bobby L. Rush  
Member of Congress



Bradley S. Schneider  
Member of Congress



Robert C. "Bobby" Scott  
Member of Congress



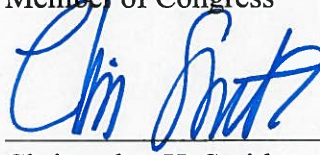
Donna E. Shalala  
Member of Congress



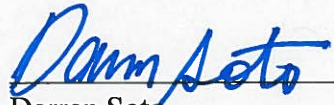
Mikie Sherrill  
Member of Congress



Albio Sires  
Member of Congress



Christopher H. Smith  
Member of Congress



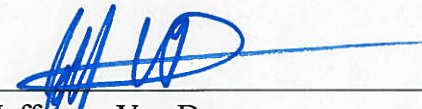
Darren Soto  
Member of Congress



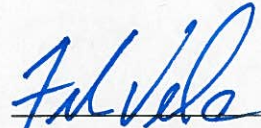
Thomas R. Suozzi  
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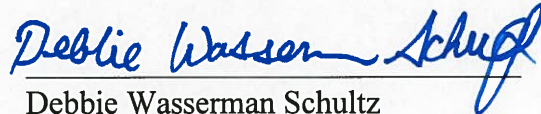
David Trone  
Member of Congress



Jefferson Van Drew  
Member of Congress



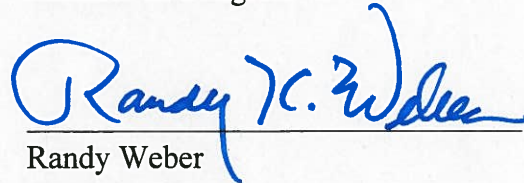
Filemon Vela  
Member of Congress



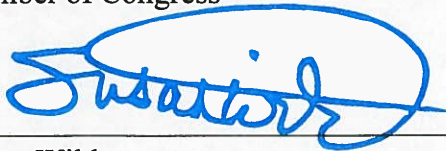
Debbie Wasserman Schultz  
Member of Congress



Bonnie Watson Coleman  
Member of Congress



Randy Weber  
Member of Congress



Susan Wild  
Member of Congress



Robert J. Wittman  
Member of Congress

CC Chairwoman Maxine Waters  
Ranking Member Patrick McHenry