

# 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 nationwide<sup>1</sup>.

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 law<sup>2</sup>. This is a sharp departure from the 6% to 12% percent average increases that primary residence policyholders have seen in recent

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<sup>1</sup> [https://www.fema.gov/sites/default/files/documents/fema\\_risk-rating-2.0-national-rate-analysis.pdf](https://www.fema.gov/sites/default/files/documents/fema_risk-rating-2.0-national-rate-analysis.pdf)

<sup>2</sup> <https://www.crs.gov/Reports/R45999?source=search&guid=855cb6d1f89e491697aae3ab6a61e7fc&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 rate<sup>3</sup>. 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.

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<sup>3</sup> <https://www.crs.gov/Reports/R45999?source=search&guid=855cb6d1f89e491697aae3ab6a61e7fc&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