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## NFIP Short-Term Reauthorization Priorities

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With the latest NFIP reauthorization set to expire September 30, our Coalition for Sustainable Flood Insurance (CSFI) has prioritized key changes that should be part of a longer term reauthorization. Understanding that a longer term reauthorization may not be feasible right now, the following policy changes have been identified by CSFI as improvements that would have beneficial impacts, without requiring significant immediate reforms:

- 1.) **Implement rate caps** – We urge Congress to consider capping all premium rate hikes to a maximum of 9% a year, as proposed in discussion draft introduced to House Financial Services in April 2021. This is particularly important given the launch of Risk Rating 2.0 and the uncertainty of premium hikes beyond year one of implementation.
- 2.) **Preserve grandfathering** – Grandfathering must be preserved. People should not be penalized for playing by the rules and by codifying FEMA’s grandfathering policy, homeowners can be better assured that their homes will retain their value
- 3.) **Enhanced Mitigation Support** - Increase the maximum Increased Cost of Compliance coverage (ICC) payment from \$30,000 to \$60,000; ensure payment is not subject to policy caps and that eligibility and flexibility are expanded

### Risk Rating 2.0 & Concerns from CSFI Members

Many of our members – particularly those who remember Biggert-Waters – are concerned about what implementation of Risk Rating 2.0 will actually look like. These concerns include:

- **Not enough transparency.** Policyholders need more information on FEMA methodologies; these should be inspectable and reproducible
- **Need more data from FEMA** to be released before RR 2.0 implementation, such as:
  - For each community, estimated average annual losses used to develop new premiums
  - Results of “generalized linear models” used to develop rating factors based on parameters such as “distance from water” and “elevation above water”
  - The extent to which estimates of premiums reflect modeled events and probabilities that have rarely, if ever, occurred in flood history (are these realistic models?)
  - Need more data, presentations, webinars, public input opportunities
  - **Implementation timeline should be extended.** There are calls for FEMA to follow established procedures, such as the Administrative Procedure Act, which would allow for more transparency and public input in the process, as well as stronger consumer protections. There should be at least 12 months between when all information is released and when Risk Rating 2.0 is implemented.
- **Unknown rate increases.** Monthly increases don’t appear significant at first glance, but for how many years will they see increases?
- **Lack of Congressional involvement.** Although NFIP rate-setting authority was granted by Congress to the FEMA Administrator, should the biggest change in how flood insurance premiums are calculated in the NFIP since its creation in 1968 be implemented without congressional input?
- **Appeals Process will suffer.** According to FEMA, once Risk Rating 2.0 is implemented, *map appeals are not to have any effect on the premium that a policyholder pays.* That means that Risk Rating 2.0’s decoupling of flood zones and the policy premiums for a property may limit a policyholder’s ability to appeal the new FEMA-assigned rate

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- **Treatment of levees** – There are concerns about inadequate and insufficient information on how levees are treated under Risk Rating 2.0; also will FEMA Administrator alone be responsible for accreditation of levees

We urge Congress to take appropriate measures to protect households and businesses by keeping NFIP coverage as affordable as possible to help them protect their most valuable assets.

*About CSFI: Since April 2013, GNO, Inc. has led the Coalition for Sustainable Flood Insurance (CSFI), a national coalition of approximately 250 organizations across 35 states, formed during the implementation of the Biggert-Waters Act. CSFI was a driving force behind the passage of the Homeowner Flood Insurance Affordability Act (HFIAA), compromise legislation that was cosponsored by more than 235 Members of the House and supported by 306 Members, representing the overwhelming support of both caucuses, and passed the Senate with the support of 72 Senators. Since the passage of HFIAA, our coalition has focused on advocating for a stronger policy framework for the NFIP. There are four primary policy areas CSFI has focused on that will provide for this stronger framework – risk assessment, affordability, mitigation, and program participation.*