

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

The Honorable Peter T. Gaynor  
Acting Administrator  
Federal Emergency Management Agency  
500 C Street SW  
Washington, DC 20472

August 22, 2019

Dear Acting Administrator Gaynor:

We write to express our concern regarding Risk Rating 2.0, FEMA's plan to redesign the National Flood Insurance Program (NFIP). The communities we serve rely on the NFIP to provide fair and affordable insurance to protect their homes and businesses in the event of a natural disaster. While we welcome ideas to reform the NFIP to improve the financial stability of the program, we fear that our constituents could face an affordability crisis as a result of this new risk rating system. Therefore, it is imperative that FEMA moves thoughtfully, judiciously and with care to ensure that Risk Rating 2.0 does not result in financial upheaval for millions of Americans.

Floods are the most common natural disaster in the United States and homeowners in coastal communities often live in perpetual fear that the next storm will destroy everything they have worked so hard to build. Since the program's inception in 1968, the NFIP has become the principal provider of flood insurance coverage across the country. In fact, in most areas, NFIP coverage is the only insurance option available to protect vulnerable communities that face the threat of property damage due to flooding. By filling this crucial need, the NFIP has served as a safeguard for homeownership, a pillar of the American Dream and gateway to the middle class.

On March 18, 2019, FEMA announced the Risk Rating 2.0 proposal, claiming it will "fundamentally change the way FEMA rates a property's flood risk and prices insurance" by "delivering rates that are fair, easy to understand, and better reflect a property's unique flood risk." However, to date, scant information has been provided regarding the methodology that will underpin the new risk rating system, the new data and technology that will be utilized, or the economic impact this change will have on homeowners. Furthermore, because flood risk has heretofore been assessed by zone, homeowners may have little information regarding the total flood risk of their properties and may be exposed to significant premium hikes based on their "unique" risk. A decision of this magnitude, which will have a dramatic effect on the lives and livelihoods of our constituents, deserves thoughtful study, stakeholder input, and extensive community engagement and education.

FEMA has further stated that new insurance rates will be announced on April 1, 2020, and will go into effect on October 1, 2020. Given that the new proposal could result in premiums increasing year-over-year, subject only to current statutory caps, life-changing financial

decisions will need to be made within six short months. The greatest uncertainty and financial distress will likely be felt by individuals whose homes are currently 'grandfathered' into lower risk classes, but rate hikes could impact a broad swath of homes in flood-prone areas, creating hard choices for families who wish to remain in their homes and communities. At the very least, homeowners should have adequate time to adjust to any substantial increases in premiums. Communities and their representatives should also be provided with sufficient information to understand the potentially wide-reaching economic impact that the proposed changes to flood insurance could have.

Due to the potentially devastating financial consequences for our constituents and insufficient information currently available, we respectfully request that FEMA not move forward with implementation of the Risk Rating 2.0 until the following questions are answered and issues addressed:

- 1) What is the methodology and what are the specific "rating characteristics" that will be used to price and sell flood insurance policies?
  - a. How will building typology, construction materials, and regional costs to rebuild be considered when developing risk ratings?
  - b. What considerations will be made for mitigation projects other than elevating structures?
  - c. How will FEMA address flood insurance for multi-family and commercial buildings?
- 2) What private sector data and technology will be used to evaluate flood risk under Risk Rating 2.0?
  - a. What has research been conducted to ensure the accuracy of the new information to be utilized?
- 3) How will Risk Rating 2.0 address potential rate increases for properties that are currently "grandfathered" into lower risk classes under existing law, as well as pre-FIRM structures?
- 4) When will FEMA be able to provide modeling on expected enrollment rates?
  - a. How will FEMA respond if Risk Rating 2.0 implementation results in reduced enrollment rates?
- 5) How will policyholders be able to appeal their risk classification once Risk Rating 2.0 takes effect?
- 6) What economic impact analyses will be done to inform the public of how Risk Rating 2.0 will affect insurance premium rates, property values, rates of dislocation, flood insurance enrollment rates, and the housing economy as a whole?
  - a. How will these analyses consider regional impacts?
  - b. When will these analyses be complete?
- 7) What outreach, including comprehensive written materials, will be done to inform policyholders of the projected impacts, estimated new insurance premium, total risk of their properties and other anticipated changes due to Risk Rating 2.0?
  - a. Does FEMA intend to visit, or increase personnel in, the communities most affected by Risk Rating 2.0?
  - b. What is the timeline of this public engagement plan?

The development of Risk Rating 2.0 is a process that is deserving of congressional and community input. We look forward to working together with you to ensure that any policy changes made benefit the communities we serve and the country as a whole.

Sincerely,

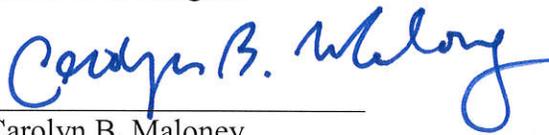
  
Max Rose  
Member of Congress

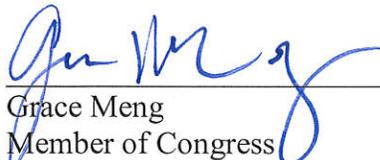
  
Christopher H. Smith  
Member of Congress

  
Charlie Crist  
Member of Congress

  
Nydia Velazquez  
Member of Congress

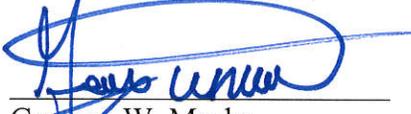
  
Bill Pascrell, Jr.  
Member of Congress

  
Carolyn B. Maloney  
Member of Congress

  
Grace Meng  
Member of Congress

  
Jeff Van Drew  
Member of Congress

  
Debbie Mucarsel-Powell  
Member of Congress

  
Gregory W. Meeks  
Member of Congress

  
Alcee L. Hastings  
Member of Congress

  
Andy Kim  
Member of Congress

  
Frank Pallone, Jr.  
Member of Congress