United States Senate

WASHINGTON, DC 20510

May 23, 2019

The Honorable Michael Crapo
Chairman
Senate Banking Committee
534 Dirksen Senate Office Building
Washington, D.C 20510

The Honorable Sherrod Brown
Ranking Member
Senate Banking Committee
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown,

Within two years, the National Flood Insurance Program (NFIP) has been subjected to 10 short-term extensions. This ridiculous process has created significant uncertainty and anxiety for homeowners, renters, and small business owners in our states. The NFIP is critical to our constituents and there is a bipartisan path to expedite a long-term reauthorization with commonsense reforms that will enhance the affordability, efficiency, fairness, accountability, and sustainability of the program. Structural reforms to the program must address the affordability of flood insurance premiums for low and middle-income policyholders, fund mitigation, improve flood risk assessment, reform the claims process and bolster NFIP solvency by addressing its unsustainable debt burden. We must address these outstanding issues as part of a long-term NFIP reauthorization and we stand ready to work with you to resolve them.

Specifically, we encourage the following:

1. **Ensure the implementation of FEMA's Risk Rating 2.0 accurately reflects a property's unique flood risk while not compromising affordability and access to the NFIP.** 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 statistically estimates the risk for water inundation, and historical claims data, along with the replacement cost to rebuild the structure. While FEMA's stated intent is to provide more accurate and transparent flood insurance pricing, there are significant concerns such a new approach could lead to increased premiums, forcing homeowners to drop coverage, or even worse, lose their home. We saw all too clearly the negative consequences of hiking premiums after the Biggert-Waters Act of 2012 caused costs to skyrocket, hurting policyholders and sending a chill through the real estate market. In addition, there are questions surrounding how FEMA will adjust risk in areas behind levee systems associated with the implementation of Risk Rating 2.0. For these reasons, the statutory cap on premium increases must be significantly lower than current law to ensure price shocks do not occur with implementation of Risk Rating 2.0.

2. **Affordability for low and middle-income policyholders and funding for mitigation.** Even with a lower annual cap on premium increases, flood insurance will still be out of reach for millions of low and middle-income homeowners and renters. Rather than make the program more solvent and accountable to taxpayers, unaffordable premiums threaten to undermine the NFIP and expose taxpayers to additional federal disaster assistance grants for uninsured losses after a disaster. That is why an NFIP reauthorization bill must include a means-tested affordability program for low and middle-income households as well as a robust federal investment in mitigation funding. In addition, providing higher caps for the Increased Cost of Compliance program will help all policyholders lower their premium rates and reduce the collective exposure to flood-related losses.

3. **Ensure repetitive loss properties have a legitimate opportunity to mitigate prior to flood insurance premium adjustments.** According to FEMA, repetitive loss properties account for 1 percent of policies but over 25 percent of flood claims[1]. Mitigating repetitive loss properties through buyouts, elevations or flood proofing will save money for NFIP policyholders and the Federal taxpayer by reducing the number of properties affected by flood damage and disaster assistance needed for repairs. Congress should build upon the 6 percent in Disaster Relief Fund dollars set aside for the Building Resilient Infrastructure and Communities (BRIC) program, as established by the Disaster Recovery and Reform Act, by allocating an additional significant percent toward property-specific mitigation for repetitive loss and Pre-FIRM properties. Every dollar in mitigation yields at least six dollars in reduced future damages, making proactive investments an effort the government cannot afford to neglect.

4. **Reform the NFIP "Write Your Own" program and claims process to address lessons learned from Superstorm Sandy, the 2016 flooding in Louisiana, and other disasters.** The Senate bill should include provisions from Title VI of S. 1313 and Titles III and IV of S. 1368 (115th Congress), which injects fiscal responsibility in the Write Your Own Program, reforms the claims and appeals process and protects policyholders from fraud and other unethical practices by some insurance companies and their contractors. Policyholders have paid premiums for years, many even for decades. They deserve to be treated fairly and have their claims processed quickly so they can recover and get back in their home as soon as possible.

5. **Improving NFIP solvency by forbearing interest on NFIP's debt.** We appreciate that Congress included $16 billion in debt-forgiveness for the NFIP in 2017 disaster supplemental legislation signed into law by President Trump (P.L. 115-72). However, that did not cover the nearly $25 billion in debt that existed prior to the 2017 hurricanes, of which $10 billion to $13 billion[2] was brought by the failure of federal flood protection structures[3] after Hurricane Katrina. Rather than siphon $400 million from the program every year, which puts the program even further into a hole, Congress should forbear interest on NFIP's debt, and reallocate that funding toward mitigation, affordability and other efforts to make the NFIP more solvent. We need to ensure that claims are paid with existing resources without the need to further increase already rising premiums on policyholders.

The NFIP has more than five million flood insurance policies providing $1.28 trillion in coverage, with approximately 23,000 communities in 56 states and jurisdictions participating. It is critical that we address these priorities as part of the Senate effort to reauthorize the NFIP. Thank you for your attention to our concerns, and we look forward to continuing to work with you on this important issue.

Sincerely,

Bill Cassidy

Bill Cassidy, M.D.
United States Senator

Robert Menendez

Robert Menendez
United States Senator

---

[1] Federal Emergency Management Agency, "Severe Repetitive Loss Property Locations in FEMA Region IV and VI," last updated May 1, 2014, http://www.fema.gov/media-library/assets/documents/16114

[2] IPET Technical Appendix; Volume VII - The Consequences, Page 22, Table 1-13; (May 2006).

[3] Interagency Performance Evaluation Task Force (IPET), *Draft Final Investigation of the Performance of the New Orleans Flood Protection Systems in Hurricane Katrina on August 29, 2005* (Washington, DC: May 22, 2006).

Shelley Moore Capito
United States Senator

Kirsten Gillibrand
United States Senator

Marco Rubio
United States Senator

Sheldon Whitehouse
United States Senator

Cindy Hyde-Smith
United States Senator

John Kennedy
United States Senator