



FEMA

February 10, 2022

The Honorable Robert Menendez
United States Senate
Washington, DC 20510

Dear Senator Menendez:

Thank you for your September 22, 2021 letter to FEMA regarding the implementation of the Risk Rating 2.0: Equity in Action (Risk Rating 2.0) initiative.

On October 1, 2021, FEMA launched its new risk rating methodology to address longstanding inequities in flood insurance pricing and to establish a system that is better equipped for the reality of frequent flooding caused by climate change. With the previous rating system, some National Flood Insurance Program (NFIP) policyholders with lower-value homes paid more than they should for their actual risk profile, and some policyholders with higher-value homes paid less than they should. Risk Rating 2.0 addresses this inequity.

Since the beginning of October, NFIP insurers used the new methodology to write thousands of new policies and worked with hundreds of policyholders to renew their policies and see decreases in their premiums. For most policyholders who will see rate increases, in line with previous years, FEMA will transition their Risk Rating 2.0 policy premium gradually and within the 18% annual cap imposed by Congress.

If FEMA further delayed implementation of Risk Rating 2.0, hundreds of thousands of single-family homeowners would continue to pay more than they should, equating to collective overpayments of \$237 million for a six-month delay and \$500 million for a year delay. Without the transition, approximately 600,000 single-family homeowners would have never received premium decreases and would have continued to unjustly overpay for their flood insurance premiums every year. Under the old rating plan, no policyholders would see any reduction in rates, and instead would be subject to rate increases for an indefinite time.

FEMA provided a forthright and transparent look into the time, resources, and rigor applied to the development of the new pricing methodology. In an ongoing effort to inform the public, FEMA has delivered hundreds of Risk Rating 2.0 briefings allowing for thousands of individual touchpoints with key stakeholders including congressional offices, Write Your Own (WYO) companies, and associations working in the insurance and mitigation mission space, and others. In addition, to date, FEMA trained over 31,700 agents with additional trainings scheduled.

Lastly, the referenced internal study was a pre-decisional financial model that was produced using pessimistic assumptions. FEMA anticipates participation in the NFIP to increase because of Risk

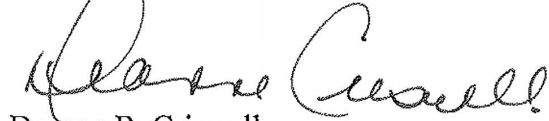
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Rating 2.0. We are committed to closing the insurance gap and reducing disaster suffering by increasing the number of disaster survivors that are insured.

Thank you again for your letter. If you need additional information, please have a member of your staff contact the Office of External Affairs, Congressional Affairs Division, at (202) 646-4500.

Sincerely,

A handwritten signature in black ink, appearing to read "Deanne Criswell". The signature is written in a cursive style with a large initial "D".

Deanne B. Criswell
Administrator