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July 11, 2019

The Honorable Greg Steube
United States House of Representatives
521 Cannon House Office Building
Washington, DC 20515

Dear Congressman Steube,

As you know, the House Financial Services Committee recently approved H.R. 3167, a bill that would reauthorize the National Flood Insurance Program (NFIP). While we appreciate several provisions in the bill, we ask that you oppose it due to the absence of meaningful affordability controls in light of the Federal Emergency Management Agency's (FEMA) looming Risk Rating 2.0 initiative.

"Risk Rating 2.0" will dramatically change the way the NFIP prices flood policies, and is expected to be released in April 2020 and go into effect in October 2020. All 5 million NFIP policyholders are expected to have different policy premiums under the new system, although not all will be negative. Among the new changes impacting policy prices will be the cost of rebuilding an insured structure, the potential impact of different types of flooding, and the distance of a property to a coast or river. It will also introduce new sources of flooding, such as intense rainfall, that have not previously been considered in the NFIP rating structure.

H.R. 3167 does not further limit the percentage rate increase that policyholders may face annually beyond current law. Rates could still increase up to 18 percent per year for most homeowners or up to 25 percent per year for commercial or rental properties. It is imperative that Congress significantly limit the annual percentage increase that policyholders can face to preserve program affordability.

Risk Rating 2.0 could create policy premiums that will remind policyholders of increases routinely faced after passage of the so-called Biggert-Waters NFIP reauthorization in 2012. While Congress did restore some affordability provisions with additional legislation in 2014, even that bill left FEMA with too much leeway to raise rates quickly, a reality that will resurface if Congress does not enact meaningful limits to premium increases.

As a bi-partisan group of Senators, including Senator Rubio wrote in May to the Senate Banking Committee, "We saw all too clearly the negative consequences of hiking premiums after the Biggert-Waters Act of 2012 caused costs to skyrocket, hurting policyholders... 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."

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18500 Murdock Circle, Suite 536 | Port Charlotte, FL 33948-1068
Phone: 941.743.1300 | Fax: 941.743.1310

Meanwhile, bi-partisan House members have declared H.R. 3167 to be "insufficient," noting that the bill must have "has affordability safeguards to prevent premiums from being jacked up."

If H.R. 3167 included a real premium increase limitation with an eye towards protecting constituents from the worst impacts of Risk Rating 2.0 – we suggest a maximum of 5 percent per year for all policyholders – we would gladly support H.R. 3167. Unfortunately, without such limits, this bill will only force Congress to readdress the issue again soon in the face of significant constituent outcry.

Thank you for your attention to this critical issue.

Sincerely,

Kenneth W. Doherty, Chairman
Charlotte County

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