February 17, 2026

TAXPAYERS for COMMON SENSE

Acting Administrator Karen Evans
Federal Emergency Management Agency
500 C Street, S.W.
Washington, D.C. 20472

Dear Acting Administrator Evans,

Taxpayers for Common Sense (TCS) writes regarding FEMA's implementation of Risk Rating 2.0 under the National Flood Insurance Program and the February 3, 2026 letter you received from several U.S. Senators.[1] We share the senators' concern that steep and sustained premium increases are contributing to declining NFIP participation.

Where we differ is on the remedy. If affordability is the concern, the answer is targeted assistance, not structural underpricing that shifts long-term costs onto taxpayers.

NFIP is losing participants, and that is a serious problem, particularly in lower-income and inland communities where coverage has historically lagged. Risk Rating 2.0 has intensified those pressures by making prices more reflective of risk in places where premiums were previously suppressed, but it did not create the underlying participation gap. Rolling it back would weaken the program's finances and shift more costs to federal taxpayers without resolving the affordability challenges the senators describe.

The central problem is not risk-based pricing. It is that, after decades of premiums that hid the true cost of flood risk, policymakers did not pair FEMA's move to more accurate pricing with real help for households that cannot afford higher premiums. As rates begin to reflect actual risk, participation falls in places where families cannot absorb the increases. That is the gap lawmakers should address.

This is not a choice between fairness and solvency. FEMA should preserve risk-based pricing within its existing authority while taking steps to limit participation losses. Congress, in turn, should provide targeted, means-tested assistance to help low- and moderate-income households keep coverage without suppressing risk-based rates. That approach strengthens the program over time. Returning to broad underpricing would once again hide risk, weaken the program's finances, and leave taxpayers paying more after disasters instead of before them.

---

[1] Letter from Sens. Bill Cassidy et al. to Acting Administrator Karen Evans, Federal Emergency Management Agency (Feb. 3, 2026) Accessed: 85F45A0BA9DBE10F03BA8B163DB5BA1436386CF2F3C1DD3C8A1CE4203FC76BC8.2026-fema-letter.pdf

The December 2025 *Journal of Catastrophe Risk and Resilience* study referenced by the senators estimates that the new pricing methodology reduced new NFIP policies by 11–39 percent and renewals by 5–13 percent, with the largest declines occurring where premiums rose the most. [2] The losses were substantially larger in lower-income zip codes, and the study finds no statistically significant difference between Special Flood Hazard Areas and other zones. In short, higher premiums are narrowing the insurance base, particularly in economically constrained communities. But that same research does not argue for abandoning risk-based pricing. The authors conclude that to mitigate the adverse effects of rising premiums and declining coverage, policymakers should consider a means-tested program to help low-income households maintain flood insurance.

CBO's July 2024 analysis shows that the participation gap is far larger than the recent pricing change alone. [3] As of May 2023, after Risk Rating 2.0 had been fully implemented, roughly 92 percent of properties facing at least a 1 percent annual flood risk were uninsured through the NFIP. That scale of underinsurance cannot plausibly be attributed to a pricing reform that had only recently taken full effect. Coverage was lowest in lower-income communities and in communities with larger shares of renters, while at-risk properties in coastal communities and in communities dominated by secondary residences were far more likely to carry coverage. These patterns reflect long-standing structural features of the program, including who is required to purchase insurance, who can afford it, and how risk is mapped and enforced. Rolling back Risk Rating 2.0 would not correct those structural weaknesses. It would return the program to a system that masked risk and the financial instability that required repeated barrowing from Treasury.

Both the academic literature and FEMA's own documentation show that the pre–Risk Rating 2.0 system persistently charged premiums that were lower than the underlying flood risk. Over time, the NFIP accumulated roughly $20 billion in debt to the U.S. Treasury, even after Congress forgave $16 billion, leaving taxpayers responsible for the shortfall. Rates fell below actuarially sound levels not only because some properties received explicit subsidies, but because broad flood zones and outdated maps often understated inland and rainfall-driven risk. Many higher-risk properties were not paying premiums that matched their expected losses.

Risk Rating 2.0 moved away from that structure by using catastrophe modeling and property-level characteristics to better align premiums with expected annual losses. Reversing that shift would again weaken the link between price and risk. It would blur

[2] Gourevitch, J. D, et al., 2025. Effects of Risk-based Pricing Reform on Flood Insurance Uptake, Journal of Catastrophe Risk and Resilience, (2025). https://journalofcrr.com/research/03-07-gourevitch-et-al/

[3] Congressional Budget Office, Flood Insurance in Communities at Risk of Flooding (Washington, DC July 2024), https://www.cbo.gov/publication/60042

signals about where and how we build, and it would increase the likelihood that shortfalls are covered after disasters through Treasury borrowing and disaster aid rather than through adequate premiums collected in advance.

Realistic, risk-based rates are central to the NFIP's fiscal sustainability, and Congress should not block risk-based rate increases or unwind Risk Rating 2.0. Chronic underpricing combined with limited take-up has left the program financially fragile and has encouraged an overreliance on post-disaster aid, expanding federal liabilities while still leaving many households underinsured. The choice is not between affordability and sound pricing. It is between confronting risk transparently or continuing to shift costs to taxpayers after the fact.

Rather than terminating Risk Rating 2.0, FEMA should pursue targeted steps that respond directly to the senators' affordability concerns while preserving the integrity of risk-based pricing.

First, FEMA should **reaffirm its commitment to risk-based pricing while working with Congress to establish a transparent, means-tested affordability plan**. Premiums should continue to reflect property-level risk. If policymakers are concerned about declining enrollment among low- and moderate-income households, the solution is not to suppress rates but to provide targeted assistance. FEMA should supply Congress with the data needed to design a program that helps vulnerable households maintain coverage without distorting price signals.

Second, FEMA should **treat participation losses as a program-management and statutory design issue, not as evidence that risk-based pricing is inherently flawed**. Even before recent declines, NFIP coverage was lowest in places that fall outside or at the margins of existing mapping and mandatory purchase requirements. FEMA should provide regular, zip-code-level reporting on changes in policies in force and propose statutory tools to strengthen participation. Those tools could include targeted premium assistance, more consistent enforcement of mandatory purchase requirements in Special Flood Hazard Areas, and meaningful penalties for lenders who fail to enforce them. Congress should also examine coverage requirements for residual-risk communities that remain vulnerable despite structural flood protections, with rates that account for those protections.

Third, FEMA should **increase transparency around how Risk Rating 2.0 operates**. Without clearer information about model inputs and assumptions, it is difficult for outside researchers or lawmakers to assess whether the system is functioning as intended. FEMA should release more aggregated data on rating factors and modeled losses so that coverage patterns and distributional effects can be independently evaluated. Greater transparency would strengthen oversight and public trust.

Finally, FEMA should **integrate pricing reform with mitigation, mapping modernization, and market development**. Flood risk is widespread and often poorly captured by legacy maps, particularly for inland and rainfall-driven flooding. Accurate premiums must be paired with robust mitigation funding, updated maps, and a Community Rating System that rewards meaningful risk reduction. As pricing becomes more aligned with risk, FEMA should also support a larger role for private flood insurance that meets continuous coverage standards and can be bundled with other policies. That approach can expand coverage while reducing long-term taxpayer exposure.

We agree with the senators that NFIP cannot sustain a trajectory of declining participation, especially among households least able to recover from floods, without increasing the risk of long-term fiscal instability. But the solution is not to abandon risk-based pricing and return to a system that underprices risk and encourages unsafe development. That path would deepen NFIP's reliance on Treasury borrowing. The solution is to pair Risk Rating 2.0's actuarial rigor with congressional action on affordability, participation, and risk communication so that the National Flood Insurance Program reflects real, property-level flood risk while maintaining a broad, sustainable insurance base.

We appreciate your attention to these issues and would welcome the opportunity to discuss ways to reduce long-term disaster costs and ensure that at-risk households and communities retain access to meaningful flood coverage.

Sincerely,

Steve Ellis
President, Taxpayers for Common Sense