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New Analysis of NFIP Data Illustrates Unsustainable Rates, More Trouble for Taxpayers
In a report released today ahead of House Financial Services Subcommittee hearing, Poulton Associates quantifies NFIP rate inadequacies and their consequences.

Salt Lake City – May 23, 2022 – Craig Poulton, CEO of Poulton Associates, LLC, owner of CATcoverage.com, distributed a new report today with the assistance of Guidewire HazardHub demonstrating that the National Flood Insurance Program (NFIP) has not raised rates in line with Congressional directives. The analysis illustrates the NFIP’s failure to raise rates and quantifies just how far rates are from where they should be relative to NFIP historical claims costs.

Poulton distributed the report, “[Drowning Under Artificially Low Rates: Analysis of NFIP Data Demonstrates Unsustainable Rates and Increasing Taxpayer Burden](#),” to lawmakers ahead of the House Financial Services Subcommittee on Housing, Community Development and Insurance hearing on the reauthorization of the NFIP. The comprehensive research and analysis was conducted by Poulton Associates with the assistance of HazardHub, part of Guidewire Software and recognized for its application of dissecting and simplifying geospatial digital data.

“Our analysis reveals that the NFIP began lowering their average annual rate at the very point in time when Congress instructed them to raise rates in 2014,” said Poulton. “Had the NFIP increased rates as intended by Congress over the last eight years, the private flood insurance industry would have removed billions of dollars of risk from the federal balance sheet, enhanced consumer choice and saved untold thousands of acres of water sensitive habitat from destruction.”

The Poulton-HazardHub analysis illustrates that year-over-year rates for the NFIP have largely decreased – slipping from 27.8 cents per hundred in 2014 to 25.3 cents in 2019, a 9% decrease. But what may be most disturbing, is that not only have average rates never reached the 5% minimum increase instructed by Congress, they account for just half of what would be needed to cover claims costs over the same period.

In creating this report, Poulton Associates hope to clarify for lawmakers the immediate need for reform to accompany NFIP reauthorization. The NFIP’s new risk assessment system, Risk Rating 2.0, will not come close to achieving solvency for the NFIP in the near term. In fact, the analysis of NFIP data disclosed that, after 5 years, Risk Rating 2.0 will achieve an actuarially defensible rate applicable to only about half of its policyholders. Specifically, Poulton recommends that Congress:

- Make the existing NFIP maximum rate increases as already prescribed by Congress mandatory.
- Drop the mid-term cancellation rule that denies policyholders the ability to cancel an NFIP policy for a private market policy at the time of their choosing.
- Require the NFIP to improve flood maps to encompass all affected geography which will discourage people from moving into flood-prone areas and facilitate more accurate risk rating methods.
- Mandate that the NFIP release property-level loss data to help buyers make informed decisions and help insurers correctly rate flood risk.

"Analysis like this of NFIP data are critical to the future of flood insurance in America," said Bob Frady, former CEO and co-founder of HazardHub, which was acquired by Guidewire Software in 2021. "Our analysis clearly shows this is a program in need of reform. Key to reforming our flood insurance system is the NFIP releasing property level loss data to provide transparency for homeowners and critical risk rating information for insurers."

For the study, Poulton and HazardHub reviewed NFIP policy and claims data going back to 2003 made available through the Federal Emergency Management Administration and the Department of Homeland Security.

Poulton Associates administers the Natural Catastrophe Insurance Program (NCIP) at [CATcoverage.com](https://www.catcoverage.com), where insurance professionals may access the country's largest private alternative to the NFIP.

"By ignoring multiple Congressional requests and continuing to charge artificially low rates, the NFIP has cost taxpayers nearly \$38 billion," said Poulton. "Now is the time for Congress to bring NFIP rates in line with risk, to stop the tacit denial of climate change, to stop creating disincentives for the private market to compete in ways that would encourage consumer choice, and to stop placing this unnecessary and costly burden on the taxpayer."

For the full report, visit <https://www.catcoverage.com/fairflood>.

About Poulton Associates, LLC

[Poulton Associates, LLC](https://www.catcoverage.com) is a Utah-based managing general agent and insurance brokerage with expertise in property and casualty insurance. As administrator of the Natural Catastrophe Insurance Program, the program is available to insurance professionals in all 50 states at www.CATcoverage.com.

About HazardHub

[HazardHub](https://www.guidewire.com/products/hazardhub/), part of Guidewire Software, has emerged as a leading provider of property hazard data and risk scores in the U.S. HazardHub delivers an innovative offering that models complex natural and manmade phenomena to drive decisions that benefit insurers and insureds. HazardHub powers decisions for 110+ customers, spanning insurers, reinsurers, brokers, MGAs, and insurtechs. For more information, please visit <https://www.guidewire.com/products/hazardhub/>.