coalition for sustainable flood insurance

December 12, 2025

Submitted via email to SB254Input@calquake.com

Re: Responding to Natural Catastrophes – New Models and Approaches

Dear California Catastrophe Response Council and Wildfire Fund Administrator,

Since April 2013, Greater New Orleans, Inc. (GNO, Inc.) has organized the Coalition for Sustainable Flood Insurance (CSFI), a national group of over 900 active contacts, including many California-based parties. We appreciate the opportunity to provide materials for the Natural Catastrophe Resiliency Study. Moreover, we appreciate this effort to evaluate new models that equitably socialize risk, while stabilizing the insurance markets to protect both insurance access and affordability. While CSFI encourages a "whole-of-government response" beyond California's boundaries, we encourage California to consider opportunities to collaborate across states and across perils.

CSFI brings together policymakers and policyholders, alongside insurance agents, real estate agents, bankers, lenders, homebuilders, and many other interest groups. Formed during the implementation of the Biggert-Waters Act, CSFI was a driving force behind the passage of the Homeowner Flood Insurance Affordability Act (HFIAA) compromise legislation in 2014 that was cosponsored by more than 235 Members of the House, representing overwhelming support of both caucuses, and passed the Senate with the support of 72 Senators.

Since HFIAA's passage, CSFI has advocated for a reformed and reauthorized National Flood Insurance Program (NFIP) that provides affordable insurance coverage, minimizes the flood insurance gap, and incentivizes risk mitigation. In the National Flood Insurance Act of 1968, Congress declared the purpose of NFIP: "a reasonable method of sharing the risk of flood losses is through a program of flood insurance which can complement and encourage preventive and protective measure." Nearly 60 years later, NFIP is the only federal program that supports natural catastrophe coverage. This year, NFIP experienced a record-breaking 43-day lapse, concurrent with the federal shutdown.

CSFI remains concerned about NFIP's sustainability, as evidenced by falling NFIP participation across the country and in California specifically. In coverage of the 2024 "Pineapple Express" atmospheric rivers, Politico reported that "less than 2 percent of Californians have flood insurance." According to the Public Policy Institute of California, "more than seven million Californians – one in five residents – live in areas at risk of flooding." Even in Special Flood Hazard Areas (SFHAs), where flood insurance coverage is required for properties with federally backed mortgages, less than one quarter of Californians carry flood insurance.

The implementation of Risk Rating 2.0 in October 2021 added affordability pressures to flood insurance policyholders, which widens the flood insurance gap. Under Risk Rating 2.0, the average NFIP policy nationally will cost $1,808 annually, representing a 103.6% increase over legacy rates. In California, the average NFIP premium will increase by 87.5% from $901 to $1,689. Nationally, NFIP participation peaked around 5.7 million policies in force in 2009. By September 2021, participation was down to 4,899,114. Now, participation has fallen by another 6% to 4,607,601 policies in force nationally. During this timeframe, from September 2021 to October 2025, California has bled the third highest count of NFIP policies in force of any state. California now only has 176,753 policies in force, down by 25,358 (or -12.55%) since Risk Rating 2.0's implementation.

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Therefore, CSFI uplifts considerations and consultations around California's flood risk exposure, in hand with its wildfire and earthquake risks. CSFI offers ambitious multi-peril interventions that could be implemented as a multi-state compact or at the national level. While these ideas could be championed by Congress, enacted through federal legislation, or formally reviewed via a nonpartisan federal study commission, California may advance any of these ideas independently, or in partnership with states that offer complementary risk profiles and geographic diversity.

Potential multi-state, multi-peril options for further evaluation include:

- A reinsurance pool
- A reinsurance backstop
- A new government-sponsored enterprise
- An expansion of NFIP to include additional perils
- An industry multi-peril insurance pool, like the industry flood insurance pool authorized through Part A of the National Flood Insurance Act of 1968
- Lending to private insurers for the purpose of claims payment
- A reinsurance pool for State catastrophe funds
- Lending to State catastrophe funds
- Favorable tax treatment for catastrophe bonds
- Insurance company catastrophe reserving
- Favorable tax treatment of, or otherwise incentivizing, private investment in risk mitigation
- Homeowner catastrophe savings accounts
- Pre-disaster mitigation incentives for communities and individual properties
- Other options as determined appropriate by the California Earthquake Authority and the California Catastrophe Response Council

CSFI believes that the aforementioned models may serve to: 1. mitigate risk exposure; 2. improve the spread of risk; and 3. reduce reinsurance costs. Importantly, we foresee that multi-peril program models would maximize participation and reduce the natural catastrophe insurance gap. We also hypothesize that an insurance market failure is best avoided by addressing uncorrelated perils, in uncorrelated places, together. This should be verified by catastrophe modeling and economic modeling that quantifies the costs and benefits – to governments, private insurers, public insurance programs, and policyholders – of each option. For any of these options to be successful, input and expertise from a variety of participants and stakeholders (insurers, reinsurers, regulators, floodplain managers, lenders, etc.) would be required in assessing feasibility, program design, and program implementation.

Again, we appreciate the opportunity to provide comment, and we appreciate this study's motivation. For more information, please visit us at www.csfi.info, and please contact us at pwaggonner@gnoinc.org to further discuss. To continue the conversation, we expect to release a white paper in 2026 elaborating upon listed options.

Respectfully,

Peter Waggonner

Peter Waggonner
Senior Policy Advisor