



FEMA



A Message from the Deputy Associate Administrator for Insurance and Mitigation and chief executive of the National Flood Insurance Program (NFIP)

Did you know, for more than 50 years, the National Flood Insurance Program (NFIP) grew to be the largest single-peril insurer in the world? The NFIP is integral in building flood resilient communities and advancing flood mitigation actions throughout the country. However, the nation's flood loss experience over the past 15 years tells us *there is still more work to do*. The truth is we are not seeing the outcomes we strive for year after year. We need to fundamentally rethink our approach to continue achieving our mission.

Since 2016, FEMA has been working hard to transform the NFIP and evolve our thinking around how we approach all aspects of the program, starting with our emphasis on customers. The Federal Insurance and Mitigation Administration is focused on meaningful increases in mitigation investment and closing the insurance gap through programs such as: Future of Flood Risk Data and Floodplain Management; Risk Rating 2.0; Policy Form Redesign; the National Mitigation Investment Strategy (NMIS); Building Resilient Infrastructure and Communities (BRIC) Program; and building codes. These initiatives are a priority to FEMA in the effort to Build a Culture of Preparedness, highlighted in the Administrator's 2020 Annual Planning Guidance.

We will proceed with advances across all these areas under the agency's current authorities as FEMA continues to work with the Administration and Congress to pursue continuous improvement of the NFIP during the reauthorization process.

A movement is building, inspiring community resilience and a culture of preparedness across the nation. Such a movement demands stepping up our actions in new, collaborative and innovative ways. It calls for a paradigm shift in the design and operation of the NFIP to ensure we keep up with more intense and frequent weather conditions, population migration, technology and public attitudes. In doing so, we can effectively communicate risk and associated actions propelling our ultimate goal: a shared responsibility to reduce disaster survivor suffering now and for generations to come.



Sincerely,

A handwritten signature in blue ink that reads "David I. Maurstad".

David I. Maurstad
Deputy Associate Administrator for
Insurance and Mitigation

NFIP KEY FIGURES

\$1.3 trillion
Insurance in Force

Over \$40 billion
Probable Maximum Annual Loss
(PML)

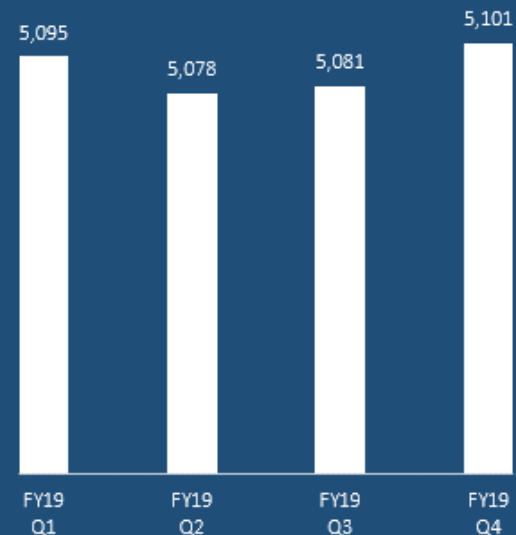
22,403
Participating Communities

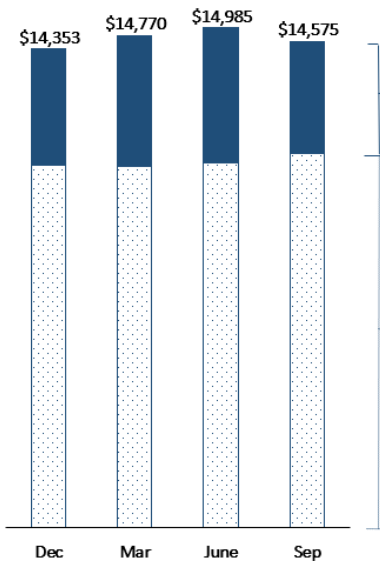
\$714
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

\$20.5 billion
Outstanding Debt with Treasury

\$4.6 billion
Interest Paid to Treasury Since
Hurricane Katrina

Policies in Force
(in thousands)





Flood Fund Available Resources Q4: \$3.4B

Is the premium income available to pay claims.

NFIP Total Capacity to Pay Claims Q4: \$14.6B

Includes the Flood Fund and Reserve Fund Available Resources, & Borrowing Authority.

NFIP CURRENT AVAILABLE RESOURCES

Available Resources is representative of a private-sector "Balance Sheet," or a snapshot of the NFIP's finances, including any prior period carryover for the given period.

Available Resource (\$ in Thousands)	Jun 30, 2019	Sep 30, 2019
Flood Fund Balance	5,549,966	5,519,781
Unpaid Obligations	(686,057)	(713,191)
Unpaid Loss & Loss Adjustment (Claims)	(730,976)	(1,351,335)
<u>Mandatory Sequestration</u>	(93,434)	(93,434)
Flood Fund Available Resources	4,039,499	3,361,821
Reserve Fund Balance	74,552	11,853
Net Investments	1,197,648	1,503,307
<u>Outstanding Obligations</u>	<u>(226,362)</u>	<u>(201,965)</u>
Reserve Fund Available Resources	1,045,838	1,313,195
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	14,985,337	14,575,016

* FEMA's reinsurance placements augment the NFIP's Available Resources. After qualifying losses for a single event exceed \$4B, the NFIP may collect up to \$2.12B should the event reach \$10B in losses.

STATEMENT OF OPERATIONS

(\$ in Thousands)

NATIONAL FLOOD INSURANCE FUND

REVENUE	FY 2018	FY 2019 Q4	FY 2019
Premium	3,513,334	995,394	3,386,176
Reinsurance	1,042,000	0	0
Federal Policy Fee	188,162	53,985	193,114
Other Revenue	19,677	2,129	9,039
Total Flood Fund Revenue	4,763,174	1,051,508	3,588,329
EXPENSES	FY 2018	FY 2019 Q4	FY 2019
Total Loss & Loss Adjustment (Claims)	9,207,241	452,529	1,884,347
Unpaid Loss & Loss Adjustment (Claims)*		620,359	1,351,335
Commissions	55,472	21,163	64,575
WriteYourOwn (WYO) Expense Allowance	953,462	250,650	913,995
Interest Paid on Debt	367,642	212,094	415,341
Floodplain Management & Mapping Activities	225,728	54,673	147,204
Flood Related Grant Activities	104,486	40,882	90,354
Other Expenses	493,875	90,513	496,613
Total Flood Fund Expenses	11,407,907	1,742,863	5,363,764
FLOOD FUND NET INCOME (LOSS)**	(6,644,733)	(691,355)	(1,775,435)

NATIONAL FLOOD INSURANCE RESERVE FUND

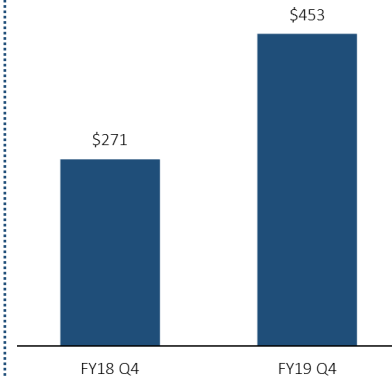
REVENUE	FY 2018	FY 2019 Q4	FY 2019
Assessment	496,820	151,748	503,585
Surcharge	382,707	109,360	361,596
Premium Redemption & Interest	(892)	1,752	17,453
Total Reserve Fund Revenue	878,635	262,861	882,634
EXPENSES	FY 2018	FY 2019 Q4	FY 2019
Total Loss & Loss Adjustment (Claims)	495,979	0	0
Reinsurance-Traditional	234,629	0	185,880
Reinsurance-ILS	188,882	54,962	80,260
Obligated But Not Expended		27,074	27,074
Total Reserve Fund Expenses	919,490	82,036	293,214
RESERVE FUND NET INCOME (LOSS)	(40,855)	180,825	589,420

* In FY 2019, a new Federal Accounting Standard, Statement of Federal Financial Accounting Standards (SFFAS) 51 was issued that made changes to how claims are reported. SFFAS 51 gives guidance that claims must be reported at the time of occurrence. Unpaid Claims in this Q4 *Watermark* report show claims pursuant to SFFAS 51 and have been separated from Total Loss & Loss Adjustment. Unpaid claims include projections of claims reported, and projections of claims Incurred But Not Reported (IBNR), which is an estimate of claims not yet reported to insurance companies.

** The combination of Total Revenue and Total Expenses contribute to the Net Income or Net Losses for the NFIP. Because of the NFIP's current structure of premium discounts, interest expenses on debt, and loss concentrations, Net Losses are anticipated.

The NFIP's Statement of Operations is representative of an "Income Statement" usually seen in private-sector organizations. The current report is for the period ending FY 19 Quarter 4 or September 30, 2019.

Q4 NFIP Claim Expenses (\$ in Millions)



Risk Rating 2.0 – Changing the Customer Experience

FEMA is transforming the National Flood Insurance Program into one people value, trust and reduces the nation's flood risk. A key part of this transformation is Risk Rating 2.0, which will change the way FEMA views and communicates flood risk and prices flood insurance.

Knowing a property's true flood risk is critical for property owners to secure sufficient insurance coverage and to better understand which mitigation measures will help further reduce their risk. When flood policies reflect a property's unique flood risk, the bottom line is a more financially sound NFIP.



FEMA has a statutory responsibility to clearly communicate flood risk, and the current rating methodology has not changed over the last 50 years. As technology evolves, so has our understanding of flood risk. Risk Rating 2.0 will allow FEMA to provide individuals with information to make more informed decisions on purchasing flood insurance and mitigation options. FEMA aims to deliver rates that are **fair, easy to understand, and better reflect a property's unique flood risk.**

Risk Rating 2.0 will put FEMA on the right path towards transforming the NFIP into a sustainable program that is more accountable to both policyholders and taxpayers. It will also better inform individuals and communities about flood risk, set premiums to strongly signal those risks, and promote acting to mitigate against risk.

In early 2019, FEMA announced the implementation of Risk Rating 2.0 for single-family homes would go into effect nationwide in October 2020. However, additional time is required to communicate with policyholders and prepare them for the changes. This also allows FEMA to better prepare the NFIP partners for the changes and provide ample training for agents to become familiar with the updated methodology. Therefore, FEMA is revising the implementation of Risk Rating 2.0 by one year, to October 1, 2021. This extension allows for all NFIP policies – including, single-family homes, multi-unit and commercial properties, and those protected by levees – to change over to the new rating system at one time instead of a staggered approach, as originally proposed.

Throughout 2020, FEMA plans to actively engage with policyholders, Congress and other key stakeholders about Risk Rating 2.0 and the overall transformation of the NFIP to ensure a clear view and understanding of the implementation process.

“I Don't Have Flood Insurance – Why Do I Need It?” – A Case for Flood Insurance

If you or your family members are still unsure as to whether flood insurance is necessary, please consider these facts:

FACT: Floods are the nation's most common and costly natural disaster and cause millions of dollars in damage every year.

FACT: Homeowners and renters' insurance does not typically cover flood damage.

FACT: Floods can happen anywhere--More than 20 percent of flood claims come from properties outside the Special Flood Hazard Area (SFHA).

FACT: Flood insurance can pay regardless of whether or not there is a [Presidential Disaster Declaration](#).

FACT: Most federal disaster assistance comes in the form of low-interest disaster loans from U.S. Small Business Administration (SBA) and must be paid back. FEMA offers disaster assistance that doesn't need to be paid back, but this amount is often much less than the full amount needed to recover.

Flood insurance helps more: Check out your state's flood history with FEMA's interactive data [visualization tool](#). Roll your cursor over each county to see how many flooding events have happened. The tool allows you to compare how much the NFIP and FEMA's Individuals and Households Program (IHP) have provided in terms of federal disaster aid after [Presidential Disaster Declarations](#) to the amount the National Flood Insurance program has paid to its policyholders. The data is clear: having flood insurance provides much more help for recovery.

