



FEMA







### *A Message from the Deputy Associate Administrator for Insurance and Mitigation and Senior Executive of the National Flood Insurance Program*

On March 15, 2022, the President signed the Consolidated Appropriations Act, 2022, 117 Pub. L. No. 103, Div. O, Tit. I. passed by Congress to extend the National Flood Insurance Program’s (NFIP) statutory authority to sell and renew flood insurance policies through September 30, 2022. Congress must now reauthorize the NFIP by this date in order to avoid a lapse in authority. A multi-year reauthorization and meaningful reforms will

provide lasting benefits to sustain the NFIP for decades to come. NFIP reauthorization is an opportunity to take bold steps to reduce the complexity of the program and strengthen the NFIP’s financial framework.

We need deliberate and methodical planning and coordination at all levels to successfully identify and execute actions that measurably increase resilience in our homes, communities, states, and Tribal nations. The NFIP’s resilience is also dependent upon creating a sound financial framework. Reinsurance is a key piece to this primary objective. It benefits policyholders and taxpayers and expands the role of the private markets in managing U.S. flood risk. The NFIP continues to build upon this belief. On January 1, 2022, FEMA entered into a traditional reinsurance agreement, transferring \$1.064 billion of the NFIP’s financial risk to the private reinsurance market to cover any qualifying flood losses. This annual reinsurance agreement is effective throughout the calendar year with 28 private reinsurance companies. In addition, FEMA secured \$450 million in insurance linked security reinsurance coverage for three years starting February 22, 2022. In total, FEMA has transferred \$2.364 billion of the NFIP’s flood risk to the private sector ahead of the 2022 hurricane season. This includes the 2022 traditional placement and the three existing three-year capital market bonds (FloodSmart 2020-1, 2021-1, and 2022-1). If a catastrophic flood event triggers the reinsurance coverage, the NFIP will have an additional way to fund payment of flood claims.

The NFIP is still a long way from achieving a sound financial framework. The program currently holds \$20.525 billion in unrepayable debt. Each year, an average of approximately \$400 million is paid annually for interest out of the premium collected by policyholders. That amounts to over \$1 million dollars each day. FEMA remains committed to reinsurance as a risk transfer measure to ensure the NFIP has the capacity to pay claims, especially now with the growing intensity and frequency of weather patterns brought on by climate change. The program’s primary responsibility is to provide policyholders peace of mind in knowing that the NFIP will be there when they need it most. For 54 years, the NFIP has worked to protect our nation from its the greatest disaster risk: flooding. If we have learned anything in those years, it is that we must always be flexible and ready for the unknown. We have risen to the challenge so far and will continue to do so.

## NFIP KEY FIGURES

\$1.3 trillion  
Insurance in Force

Over \$45 billion  
Probable Maximum Annual Loss  
(PML)

22,563  
Participating Communities

\$771  
Average Annual Premium  
(Incl. Premium & Federal Policy Fee)

\$20.5 billion  
Outstanding Debt with Treasury

\$5.55 billion  
Interest Paid to Treasury Since  
Hurricane Katrina

**Policies in Force**  
(in thousands)

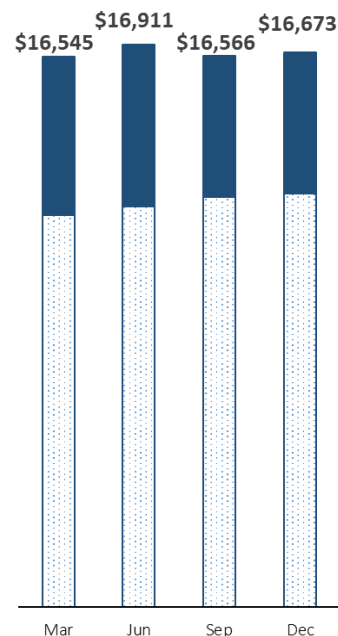


## NFIP AVAILABLE RESOURCES AS OF 12/31/2021

The NFIP's Available Resources provides information similar to a "Balance Sheet" used in the private sector. It is a snapshot of the program's finances, including any prior period carryover for the given period.

Available Resource (\$ in Thousands)	Sep 30, 2021	Dec 31, 2021
Flood Fund Balance	6,405,748	5,735,064
Unpaid Obligations	(846,510)	(878,473)
Unpaid Loss & Loss Adjustment (Claims)	(1,241,268)	(537,495)
Mandatory Sequestration	(88,806)	(74,000)
<b>Flood Fund Available Resources</b>	<b>4,229,164</b>	<b>4,245,096</b>
Reserve Fund Balance	1,430,303	1,596,905
Net Investments	1,334,031	1,334,991
Outstanding Obligations	(327,580)	(404,266)
<b>Reserve Fund Available Resources</b>	<b>2,436,753</b>	<b>2,527,629</b>
<b>Remaining Borrowing Authority</b>	<b>9,900,000</b>	<b>9,900,000</b>
<b>NFIP Total Capacity to Pay Claims *</b>	<b>16,565,917</b>	<b>16,672,725</b>

\* 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 \$2.3 billion should the event reach \$10 billion in losses.



Flood Fund Available Resources: \$4.2B

The premium income available to pay claims.

NFIP Total Capacity to Pay Claims: \$16.7B

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

## STATEMENT OF OPERATIONS

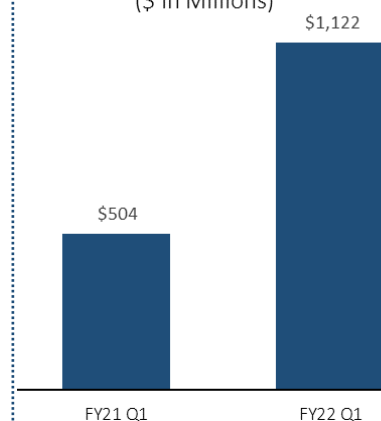
(\$ in Thousands)

### NATIONAL FLOOD INSURANCE FUND

REVENUE	FY 2021	FY 2022 Q1	FY 2022
Premium	3,521,288	687,301	687,301
Reinsurance	0	0	0
Federal Policy Fee	187,760	42,401	42,401
Other Revenue	13,693	2,346	2,346
<b>Total Flood Fund Revenue</b>	<b>3,722,741</b>	<b>732,048</b>	<b>732,048</b>
EXPENSES	FY 2021	FY 2022 Q1	FY 2022
Total Loss & Loss Adjustment (Claims)	1,369,003	1,121,899	1,121,899
Unpaid Loss & Loss Adjustment (Claims)	525,545	(1,868,040)	(1,868,040)
Commissions	59,330	12,312	12,312
WriteYourOwn (WYO) Expense Allowance	938,959	204,347	204,347
Interest on Debt	356,813	72,459	72,459
Floodplain Management & Mapping Activities	223,427	42,655	42,655
Flood Related Grant Activities	239,305	2,226	2,226
Other Expenses	246,315	1,173,401	1,173,401
<b>Total Flood Fund Expenses</b>	<b>3,958,697</b>	<b>761,259</b>	<b>761,259</b>
<b>FLOOD FUND NET INCOME (LOSS)*</b>	<b>(235,956)</b>	<b>(29,211)</b>	<b>(29,211)</b>

The NFIP's Statement of Operations provides information similar to an "Income Statement" used in the private sector. The current report is for the period ending on December 31, 2021, FY 2022 Quarter 1.

Q1 NFIP Claim Expenses (\$ in Millions)



### NATIONAL FLOOD INSURANCE RESERVE FUND

REVENUE	FY 2021	FY 2022 Q1	FY 2022
Assessment	613,150	144,531	144,531
Surcharge	307,965	112,412	112,412
Return on Investment	77,332	1,564	1,564
<b>Total Reserve Fund Revenue</b>	<b>998,447</b>	<b>258,507</b>	<b>258,507</b>
EXPENSES	FY 2021	FY 2022 Q1	FY 2022
Total Loss & Loss Adjustment (Claims)	0	0	0
Reinsurance-Traditional	198,193	48,962	48,962
Reinsurance-ILS	193,523	42,943	42,943
Obligated But Not Expended	51,990	76,685	76,685
<b>Total Reserve Fund Expenses</b>	<b>443,706</b>	<b>168,590</b>	<b>168,590</b>
<b>RESERVE FUND NET INCOME (LOSS)</b>	<b>554,741</b>	<b>89,917</b>	<b>89,917</b>

\* 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.

## Information about the Community Rating System

Since 1990, the Community Rating System (CRS) has been a voluntary program for recognizing and encouraging community floodplain management activities exceeding the minimum NFIP standards. Flood insurance premiums for policyholders in a CRS-participating community are reduced to reflect the added flood risk protection that results from community activities supporting the following three goals:

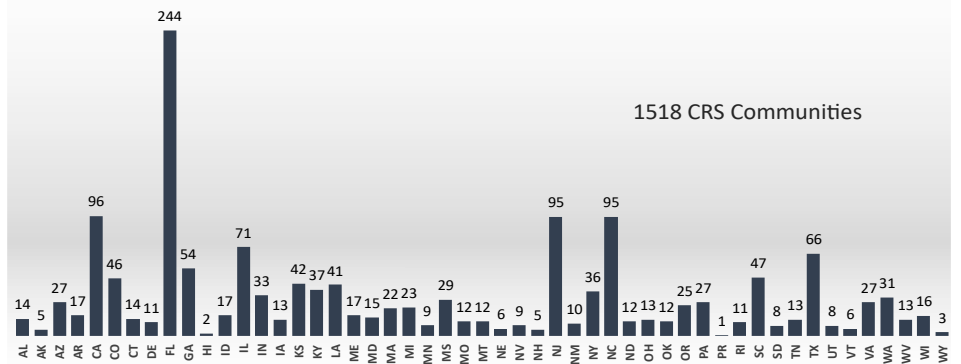
- (1) reduce and avoid flood damage to insurable property;
- (2) strengthen and support the insurance aspects of the flood insurance programs; and
- (3) encourage a comprehensive approach to floodplain management.

The implementation of these goals includes activities such as: ensuring newly built structures are elevated above minimum levels required by the NFIP to reduce potential flood damage; providing premium lowering CRS credit to communities that promote the purchase of flood insurance; and protecting portions of the floodplain from development. These credited activities are practical community-based floodplain management practices which recognize resilience investments that reduce risk and increase pre-disaster mitigation.

Thirty years after its creation, the CRS program continues to evolve to integrate continuous learning, improvement, and innovative resilience practices.

### CRS Communities by State

as of October 1, 2021



## Where Do Policyholder Dollars Go?

This section of the Watermark is dedicated to policyholders. It shows how their money funds NFIP activities. Each donut chart represents \$1 received from a policyholder. Categories in the first chart represent **premium dollars**, while categories in the second chart represent the **Federal Policy Fee (FPF)**. As of December 31, 2021, the average premium, including FPF, is \$771.



**Premium**

For FY22 FEMA projects the NFIP to collect about \$3.4 billion of premium from flood insurance policyholders. This \$1 of premium assumes that borrowing is not required in FY22.

<b>49¢</b> <u>Claims &amp; Adjustment Expenses:</u> Of each dollar paid to the NFIP, the largest amount goes to paying claims to survivors impacted by floods, who have recognized and bought down their risk.	<b>30¢</b> <u>WYO Expense Allowance:</u> WYO companies receive an expense allowance for policies written and claims processed. The WYO program improves servicing and distribution of policies.	<b>11¢</b> <u>Interest on the Debt:</u> The NFIP is paying over \$400 million of interest each year on debt associated with past disasters. This is roughly 11¢ of each dollar paid.
<b>5¢</b> <u>FMA Grants:</u> Flood Mitigation Assistance (FMA) Grants provide funding to local communities, states, tribes, and territories for planning that reduces long-term risk of flood damage.	<b>5¢</b> <u>Operating Expenses:</u> 5¢ of each dollar goes to the salaries & expenses for flood insurance operations, including analysis of risk, oversight of policy, WYO oversight, & Pivot funding.	<b>0.1¢</b> (Not visible in chart) <u>Flood Insurance Advocate:</u> Advocates for fair treatment of policyholders & property owners thru guidance on all aspects of the NFIP and by program improvement recommendations.
<b>79¢</b> <u>Mapping:</u> Part of the Flood Hazard Mapping & Risk Analysis Program (Risk MAP) is paid by NFIP policyholders. This program is critical to identifying and reducing the nation's flood vulnerability.	<b>14¢</b> <u>Floodplain Mgt:</u> ensures the Nation's communities adopt and enforce minimum NFIP floodplain mgt. criteria. Staff in all regions provide direct implementation support to communities.	<b>7¢</b> <u>Mission Support:</u> funds essential FIMA activities such as federal salaries & expenses, IT, acquisition mgt., & support activities necessary to implement & manage the NFIP.

## Federal Policy Fee (FPF)



For standard policies, the FPF is \$47 for each new or renewed policy.