



FEMA



A Message from the Deputy Associate Administrator for Insurance and Mitigation and senior executive of the National Flood Insurance Program

While we closed out 2019 with a good deal of far-reaching accomplishments for which we are grateful, we are keenly aware of the significant finish lines yet to be crossed. I believe our team and its mission are inextricably tied to a defining moment in the history of FEMA's efforts to reshape what it means to build a culture of preparedness across the nation in an age of more intense and frequent weather events and other types of disasters.

A recent [study](#) from the University of Copenhagen found that the largest and most powerful hurricanes are striking the U.S. three times more often than they were a century ago, and the most widespread and damaging storms have happened just in the last 16 years. This reinforces our purpose, along with our partners at all levels, as continue to gain new ground on our *movement to reduce disaster suffering* by:

- **Securing** more insured survivors,
- **Increasing** the investment in mitigation,
- **Promoting** stronger building codes and,
- **Reinforcing** flood plain management standards and practices.

At FEMA, we are on the cusp of doing even more for our customers as 2020 unfolds. The Building Resilient Infrastructure and Communities grant program later this year will launch, a game-changer in the pre-disaster mitigation space. The future of flood risk data promises to shift public thinking, behaviors and actions away from a line on the map to "where it can rain, it can flood," which supports the efforts to close the insurance gap. As the stewards of this program, we are going to continue to support decisions made by Congress to provide the tools needed to create a program that is financially sound and sustainable throughout this decade and for generations to come. To do this, it will take 20/20 vision. To our policyholders as well as federal, state, local and industry partners – together we can do it.



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)

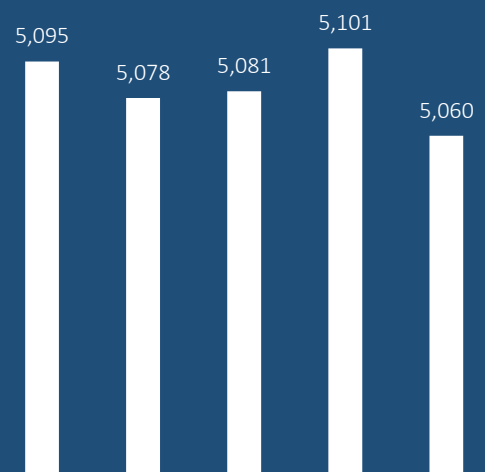
22,463
Participating Communities

\$720
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

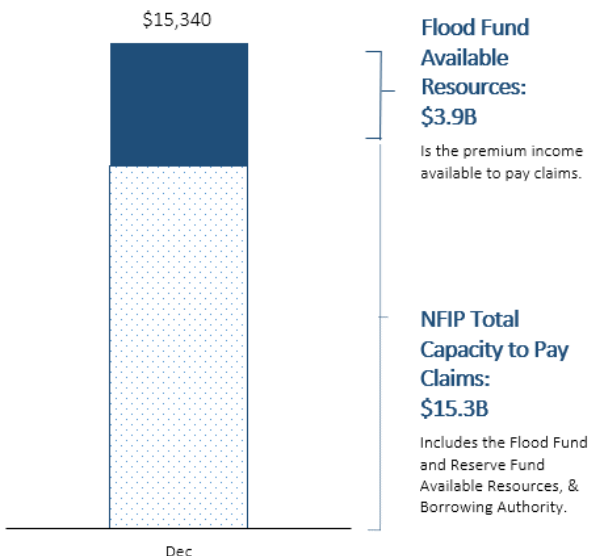
\$20.5 billion
Outstanding Debt with Treasury

\$4.6 billion
Interest Paid to Treasury Since
Hurricane Katrina

Policies in Force
(in thousands)



FY19 Q1 FY19 Q2 FY19 Q3 FY19 Q4 FY20 Q1



NFIP AVAILABLE RESOURCES AS OF 12/31/2019

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

Available Resource (\$ in Thousands)	Sep 30, 2019	Dec 31, 2019
Flood Fund Balance	5,519,781	5,027,557
Unpaid Obligations	(713,191)	(723,968)
Unpaid Loss & Loss Adjustment (Claims)	(1,351,335)	(328,389)
<u>Mandatory Sequestration</u>	(93,434)	(90,093)
Flood Fund Available Resources	3,361,821	3,885,107
Reserve Fund Balance	11,853	280,444
Net Investments	1,503,307	1,452,722
<u>Outstanding Obligations</u>	<u>(201,965)</u>	<u>(177,567)</u>
Reserve Fund Available Resources	1,313,195	1,555,599
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	14,575,016	15,340,706

* 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	FY 2020 Q1
Premium	3,513,334	3,386,176	689,831
Reinsurance	1,042,000	0	0
Federal Policy Fee	188,162	193,114	40,460
Other Revenue	19,677	9,039	2,539
Total Flood Fund Revenue	4,743,174	3,588,329	732,830
EXPENSES	FY 2018	FY 2019	FY 2020 Q1
Total Loss & Loss Adjustment (Claims)	9,207,241	1,884,347	864,481
Unpaid Loss & Loss Adjustment (Claims)*		1,351,335	(982,086)
Commissions	55,472	64,575	16,763
WriteYourOwn (WYO) Expense Allowance	953,462	913,995	231,759
Interest Paid on Debt	367,642	415,341	14,014
Floodplain Management & Mapping Activities	225,728	147,204	42,432
Flood Related Grant Activities	104,486	90,354	16,476
Other Expenses	493,875	496,613	22,045
Total Flood Fund Expenses	11,407,907	5,363,764	225,884
FLOOD FUND NET INCOME (LOSS)**	(6,644,733)	(1,775,435)	506,947

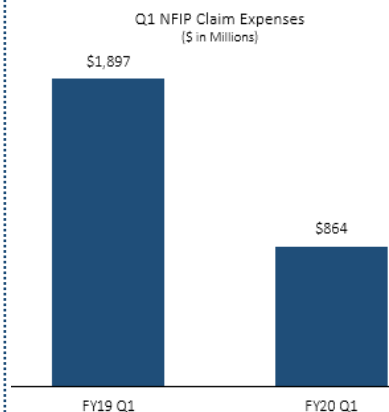
NATIONAL FLOOD INSURANCE RESERVE FUND

REVENUE	FY 2018	FY 2019	FY 2020 Q1
Assessment	496,820	503,585	138,073
Surcharge	382,707	361,596	95,634
Return on Investment	(892)	17,453	1,781
Total Reserve Fund Revenue	878,635	882,634	235,488
EXPENSES	FY 2018	FY 2019	FY 2020 Q1
Total Loss & Loss Adjustment (Claims)	495,979	0	0
Reinsurance-Traditional	234,629	185,880	0
Reinsurance-ILS	188,882	80,260	24,398
Obligated But Not Expended		27,074	(24,398)
Total Reserve Fund Expenses	919,490	293,214	0
RESERVE FUND NET INCOME (LOSS)	(40,855)	589,420	235,488

* 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 *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 20 Quarter 1 or December 31, 2019.



Information about the Community Rating System

The Community Rating System is a voluntary insurance rating program. Implemented in 1990, this program provides incentives for local jurisdictions to carry out floodplain management techniques exceeding the minimum floodplain management standards of the National Flood Insurance Program. Flood insurance premiums for policyholders in a Community Rating System-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

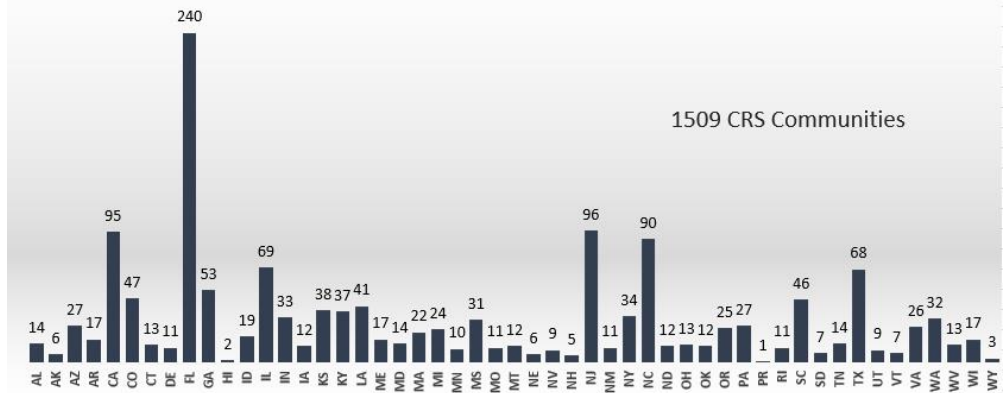
(3) encourage a comprehensive approach to floodplain management.

The implementation of these goals includes activities such as: ensuring newly built structures are elevated above minimum levels required by the National Flood Insurance Program to reduce potential flood damage; providing premium lowering Community Rating System 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.

As of October 2019, there are 1,509 communities receiving flood insurance premium discounts through this program, based on their implementation of efforts toward local flood risk reduction, education, outreach, and protection of natural floodplain functions. Thirty years after its creation, the Community Rating System continues to evolve as an insurance rating program that integrates continuous learning, improvement, and innovative resiliency practices.

Participating Communities by State

as of Oct 1, 2019



1509 CRS Communities

Determination of Ratings

The Community Rating System premium discounts provided to policyholders can range from 5 percent to 45 percent. This is based on the number of Community Rating System credit points awarded to a community. There is a total of nine rating classes.

There are 19 Community Rating System activities, each recognizing a group of floodplain management practices that reduce flood risk. Credit points are assigned to each activity. The activities are organized under four main categories:

- Public Information
- Mapping and Regulation
- Flood Damage Reduction
- Flood Preparedness

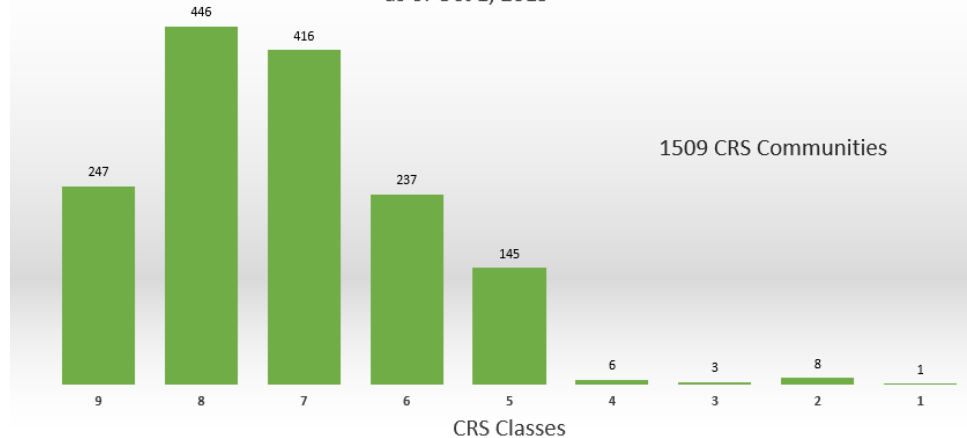
Once a community applies to the appropriate FEMA Region to participate in the program and the implementation of credited activity is verified, FEMA sets the classification based upon the total credit points. This classification determines the premium discount rating class for policyholders. Premium discounts are applied to eligible policies written in a community as recognition of the implemented floodplain management activities.

The CRS recognizes local efforts that can protect lives; enhance public health, safety, and welfare; minimize damage and disruption to infrastructure and critical facilities; and preserve and restore the natural functions and resources of floodplains and coastal areas.

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Participating Communities by Class

as of Oct 1, 2019



1509 CRS Communities

CRS Classes

*Class 9 (500 points) is an introductory level for a new community participating in the Community Rating System.
Class 1 (max 4500) gives the most point credits for a community.*