



FEMA





A Message from the Deputy Associate Administrator for Insurance and Mitigation/Senior Executive of the National Flood Insurance Program (NFIP)

The Atlantic hurricane season, from June through November, is fast approaching. Recent climate studies indicate that hurricanes are, increasingly, more frequent and intense each year. Besides disastrous hurricanes, climate change also contributes to flash floods, coastal erosion, and inundated rivers. Fortunately, flood damage can be significantly minimized through coordinated resilience planning.

Insurance policies that reflect a property's true risk, implemented in conjunction with mitigation actions are the two keys to building flood resilience. Our new insurance rating methodology: Risk Rating 2.0: Equity in Action, took effect for all new and renewing policies on April 1. Risk Rating 2.0 fundamentally changed the NFIP's ability to assess a property's flood risk by using modern data mapping tools and other relevant factors to precisely consider flood risk. Under the legacy rating system, a large share of NFIP policyholders either paid too much or too little for their coverage. Now, the NFIP uses Risk Rating 2.0 to accurately assess risk and flood insurance rates using a modern risk-based, property specific and actuarially sound rating system.

Presently, the NFIP has \$17.8 billion available to pay claims: \$5.4 billion in the National Flood Insurance Fund; \$2.5 billion in the National Flood Insurance Reserve Fund; and has \$9.9 billion in available borrowing authority. In addition, our strategic partnership with the private sector through the reinsurance program provides \$2.34 billion in reinsurance coverage for claim losses ranging from \$4 billion to \$10 billion for named storms. Despite these resources, the NFIP remains at risk of insolvency due in part to \$20.5 billion in Treasury debt, unless Congress approves a multi-year reauthorization with comprehensive reforms.

The NFIP is on the cusp of a multi-year reauthorization. Recently, NFIP leadership submitted 17 bold legislative proposals to the 117th Congress that would make the NFIP financially sustainable, while also increasing community resilience to floods. These proposals represent the Administration's priorities and are guided by four major principles. The first principle is to expand coverage to more Americans by making insurance more affordable to low-and-moderate income policyholders, which will help close the insurance gap. The next principle guiding our resilience proposals includes improved communication of flood risks, along with providing more tools to mitigate these risks. Third, we must strengthen local floodplain management minimum standards and address extreme repetitive loss properties. Our fourth and final principle entails the necessity of a sound and transparent financial framework that allows the NFIP to balance affordability and fiscal soundness.

By incorporating these guiding resilience proposals into a multi-year reauthorization, which simultaneously promotes equitable affordability, we strive to mitigate suffering Americans face from the disastrous risks of climate change.

NFIP KEY FIGURES

\$1.26 trillion
Insurance in Force

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

22,568
Participating Communities

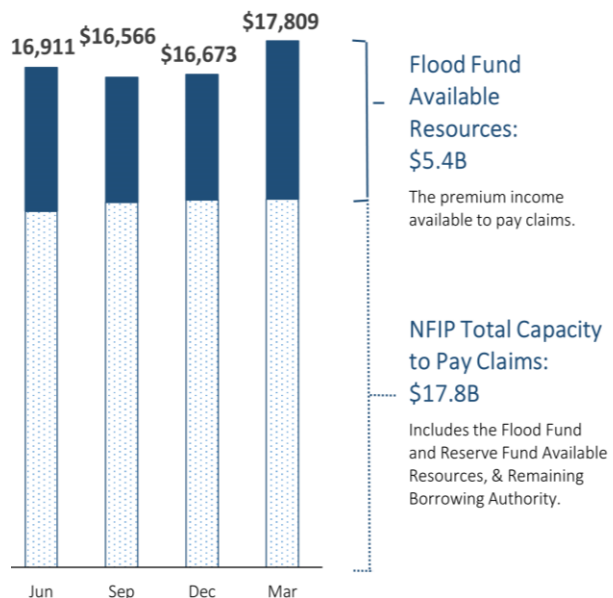
\$766
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

\$20.5 billion
Outstanding Debt with Treasury

\$5.62 billion
Interest Paid to Treasury Since
Hurricane Katrina

NFIP AVAILABLE RESOURCES AS OF 03/31/2022

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)	Dec 31, 2021	Mar 31, 2022
Flood Fund Balance	5,735,064	6,517,524
Unpaid Obligations	(878,473)	(786,591)
Unpaid Loss & Loss Adjustment (Claims)	(537,495)	(295,049)
<u>Mandatory Sequestration</u>	<u>(74,000)</u>	<u>(74,000)</u>
Flood Fund Available Resources	4,245,096	5,361,885
Reserve Fund Balance	1,596,905	1,124,005
Net Investments	1,334,991	1,911,685
<u>Outstanding Obligations</u>	<u>(404,266)</u>	<u>(487,793)</u>
Reserve Fund Available Resources	2,527,629	2,547,898
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	16,672,725	17,809,782

* 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.

STATEMENT OF OPERATIONS

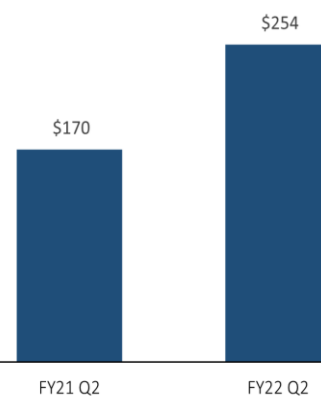
(\$ in Thousands)

NATIONAL FLOOD INSURANCE FUND

REVENUE	FY 2021	FY 2022 Q2	FY 2022 YTD
Premium	3,521,288	729,853	1,417,154
Reinsurance	0	0	0
Federal Policy Fee	187,760	37,782	76,747
<u>Other Revenue</u>	<u>13,693</u>	<u>151</u>	<u>5,933</u>
Total Flood Fund Revenue	3,722,741	767,786	1,499,834
EXPENSES	FY 2021	FY 2022 Q2	FY 2022
Total Loss & Loss Adjustment (Claims)	1,369,003	253,872	1,375,771
Incurred But Not Reported Claims*	525,545	(255,429)	(946,220)
Commissions	59,330	11,986	24,298
WriteYourOwn (WYO) Expense Allowance	938,959	191,561	395,908
Interest on Debt	356,813	70,884	143,343
Floodplain Management & Mapping Activities	223,427	28,198	70,853
Flood Related Grant Activities	239,305	21,602	23,828
<u>Other Expenses</u>	<u>246,315</u>	<u>44,225</u>	<u>40,377</u>
Total Flood Fund Expenses	3,958,697	366,899	1,128,158
FLOOD FUND NET INCOME (LOSS)*	(235,956)	400,887	371,676

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 March 31, 2022, FY 2022 Quarter 2.

Q2 NFIP Claim Expenses (\$ in Millions)



NATIONAL FLOOD INSURANCE RESERVE FUND

REVENUE	FY 2021	FY 2022 Q2	FY 2022 YTD
Assessment	613,150	126,426	296,773
Surcharge	307,965	63,404	150,000
<u>Return on Investment</u>	<u>77,332</u>	<u>7,407</u>	<u>8,971</u>
Total Reserve Fund Revenue	998,447	197,237	455,744
EXPENSES	FY 2021	FY 2022 Q2	FY 2022 YTD
Total Loss & Loss Adjustment (Claims)	0	0	0
Reinsurance-Traditional	198,193	42,979	91,941
Reinsurance-ILS	193,523	48,622	91,565
<u>Obligated But Not Expended</u>	<u>51,990</u>	<u>83,526</u>	<u>160,211</u>
Total Reserve Fund Expenses	443,706	175,127	343,717
RESERVE FUND NET INCOME (LOSS)	554,741	22,110	112,027

* 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.

FEMA Swift Current Initiative Supports Increased Nationwide Resilience and Equity

In March 2022, FEMA launched the Flood Mitigation Assistance (FMA) program [Swift Current](#) initiative that seeks to substantially speed up the delivery of funding following a flood event. Swift Current aims to better align the delivery of flood mitigation funding to better support disaster survivors by expediting FMA awards following a disaster, rather than through an annual grant application cycle.

Swift Current is the first FEMA initiative to be funded through the Infrastructure Investment and Jobs Act. A total of \$60 million has been allocated to Louisiana, Mississippi, New Jersey and Pennsylvania, states affected by Hurricane Ida. The storm was one of the most powerful and rapidly intensifying storms to hit the United States in years.

FEMA remains committed to using comprehensive risk and community data to ensure underserved communities are prioritized. To that end, these four states were selected because they have the highest number of unmitigated severe repetitive loss and repetitive loss properties insured under the National Flood Insurance Program and total flood insurance claims within their respective FEMA regions.

The initiative's goal is to fund mitigation projects for repetitively and substantially flood damaged properties as quickly and equitably as possible after a disaster event. The use of this funding also allows FEMA to offer a higher-cost share for buildings that are substantially damaged and located within socially vulnerable communities. Swift Current aims to promote equity as a foundation of emergency management and in alignment with the Administrations' [Justice40 Initiative](#).

Office of the Flood Insurance Advocate Annual Report

[The Office of the Flood Insurance Advocate \(OFIA\)](#) mission is to advocate for policyholders and property owners with compassion and fairness. OFIA's goal is to reduce complexity of FEMA's National Flood Insurance Program (NFIP) to ensure policyholders are treated fairly.

The OFIA accomplishes this by fielding inquiries from customers, identifying trends in the issues these customers face and making recommendations for program improvement based on these findings. The trends and recommendations are published yearly in OFIA's annual reports.

While the OFIA receives inquiries spanning a range of topics, there is an underlying theme that affects many inquirers – affordability.

The OFIA 2021 Annual Report: *The Voice of the Customer* uses real quotes and stories from inquirers to highlight the issue of affordability across the NFIP. This year's topic areas include:

- Insurance – OFIA inquirers are worried about the rising cost of flood insurance.
- Mandatory Purchase Requirements – OFIA inquirers find mandatory purchase requirements confusing and unjust.
- Mapping and Risk Communication – Property owners are often faced with expensive choices based on Flood insurance Rate Maps' depiction of risk.
- Hazard Mitigation Assistance – The grants process can be difficult to traverse and not geared toward the individual property owner or underserved communities.
- Floodplain Management and Mitigation – Mitigating structures can be costly and floodplain management requirements are confusing for the average homeowner and their community.

You can read the full [OFIA 2021 Annual Report: The Voice of the Customer](#) on the OFIA's webpage.

