



FEMA





## A Message from the Deputy Associate Administrator of Resilience

June 30 marked the end of the third quarter, which ushered in a relatively calm start to the 2022 Atlantic hurricane season. However, let's remember we don't need a hurricane to trigger destructive flooding. Where it can rain, it can flood. And we've seen just that occurring somewhere around the country, week after week, over the last several months including Kentucky, Mississippi, St. Louis, and Dallas. Storms of greater frequency, intensity, and complexity, as well as coastal erosion from rising sea levels, are not predictions but our reality.

The good news—from the White House to the federal, state, local, tribal, and territorial level—there is a historic alignment of individuals, groups and organizations recognizing the need to bring problem solvers and resources together in what is clearly an epic confrontation with the forces of nature. In the last year, FEMA has taken concrete steps to increase equitable resilience for all. FEMA's programs are uniquely positioned to be a major catalyst for this change and operate to support the intent and design directly behind the Biden Administration's goals to address climate change and equity as top priorities.

With the Bipartisan Infrastructure Law, FEMA and the White House have partnered to ensure more resources are made available before flooding occurs so communities have stronger infrastructure and are better able to respond to the disasters that we know will come. Just one example is the \$3.5 billion committed to the Flood Mitigation Assistance grant program over the next five years, which quadruples the amount of funding that historically has been available for future flood mitigation. For the Fiscal Year 2021 application cycle, FEMA selected 53 projects for flood mitigation assistance. We will continue, with each new round of funding, to provide more and more resources to communities, enabling them to be more resilient to the impacts of climate change.

Mitigation and insurance remain the best defense against the life-altering peril of flooding. As of Q3, the NFIP had \$18.1 billion in resources to pay claims: \$5.4 billion in the National Flood Insurance Fund, \$2.8 billion in the National Flood Insurance Reserve Fund, and \$9.9 billion in available borrowing authority. Additionally, FIMA's reinsurance program provides \$2.48 billion in coverage for losses ranging from \$4 billion to \$10 billion for named storms. The program's \$20.5 billion Treasury debt remains a risk to solvency and how we address the NFIP's debt is part of a package of legislative proposals FEMA delivered to Congress to help secure the long-term viability of the program and the trust of millions of Americans who rely on the NFIP.

To that end, FEMA believes that a 10-year reauthorization coupled with comprehensive program reforms are imperative. We continue to work with Congress as the Sept. 30 deadline for reauthorization approaches. As of Q3, the program has experienced 21 short-term extensions and three brief lapses since 2017.

If FEMA is to achieve its mission to help people before, during and after disasters and build a more resilient nation, it is critical to understand and improve every community's ability to cope with and rapidly recover from the relentless nature of flooding.

We must act swiftly. Climate change is not waiting for us.

# NATIONAL FLOOD INSURANCE PROGRAM KEY FIGURES

\$1.3 trillion  
Insurance in Force

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

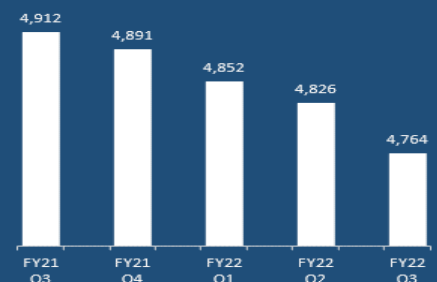
22,582  
Participating Communities

\$946  
Average Annual Premium  
(Includes Premium and Federal Policy Fee)

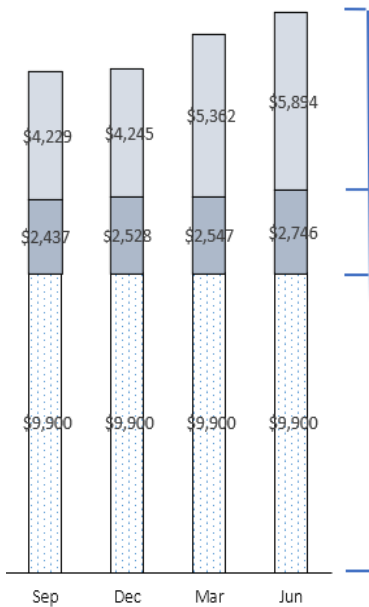
\$20.5 billion  
Outstanding Debt with Treasury

\$5.62 billion  
Interest Paid to Treasury Since Hurricane Katrina

Policies in Force (in thousands)



\$16,566 \$16,673 \$17,809 \$18,540



**Flood Fund Available Resources: \$5.9B**

**Reserve Fund Available Resources: \$2.7B**

**Remaining Borrowing Authority: \$9.9B**

**FY2022 Q3 Total Available Resources: \$18.5B**

## NFIP AVAILABLE RESOURCES AS OF 06/30/2022

The NFIP's Available Resources provides information like 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)       | Mar 31, 2022     | Jun 30, 2022      |
|--|------------------|-------------------|
| <b>Flood Fund Balance</b>                  | 6,517,524        | <b>7,077,574</b>  |
| Unpaid Obligations                         | (786,591)        | <b>(864,556)</b>  |
| Unpaid Loss & Loss Adjustment (Claims)     | (295,049)        | <b>(244,722)</b>  |
| <u>Mandatory Sequestration</u>             | <u>(74,000)</u>  | <u>(74,499)</u>   |
| <b>Flood Fund Available Resources</b>      | 5,361,885        | <b>5,893,796</b>  |
| Reserve Fund Balance                       | 1,124,005        | <b>740,560</b>    |
| Net Investments                            | 1,911,685        | <b>2,415,671</b>  |
| <u>Outstanding Obligations</u>             | <u>(487,793)</u> | <u>(410,271)</u>  |
| <b>Reserve Fund Available Resources</b>    | 2,547,898        | <b>2,745,960</b>  |
| <b>Remaining Borrowing Authority</b>       | 9,900,000        | <b>9,900,000</b>  |
| <b>NFIP Total Capacity to Pay Claims *</b> | 17,809,782       | <b>18,539,756</b> |

\* FEMA's reinsurance placements augment the NFIP's Available Resources. After qualifying losses for a single event exceed \$4 billion, 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

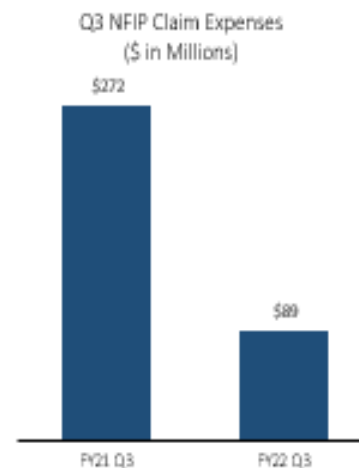
| REVENUE                                    | FY 2021          | FY 2022 Q3       | FY 2022 YTD      |
|--|------------------|------------------|------------------|
| Premium                                    | 3,521,288        | 964,556          | 2,381,710        |
| Reinsurance                                | 0                | 0                | 0                |
| Federal Policy Fee                         | 187,760          | 59,544           | 136,291          |
| <u>Other Revenue</u>                       | <u>13,693</u>    | <u>2,634</u>     | <u>8,567</u>     |
| <b>Total Flood Fund Revenue</b>            | <b>3,722,741</b> | <b>1,026,734</b> | <b>2,526,568</b> |
| EXPENSES                                   | FY 2021          | FY 2022 Q3       | FY 2022 YTD      |
| Total Loss & Loss Adjustment (Claims)      | 1,369,003        | 88,747           | 1,464,518        |
| Incurred But Not Reported Claims*          | 525,545          | (86,149)         | (1,032,369)      |
| Commissions                                | 59,330           | 15,703           | 40,001           |
| WriteYourOwn (WYO) Expense Allowance       | 938,959          | 255,151          | 651,059          |
| Interest on Debt                           | 356,813          | 78,118           | 221,461          |
| Floodplain Management & Mapping Activities | 223,427          | 46,420           | 117,273          |
| Flood Related Grant Activities             | 239,305          | 26,968           | 50,796           |
| <u>Other Expenses</u>                      | <u>246,315</u>   | <u>135,072</u>   | <u>175,449</u>   |
| <b>Total Flood Fund Expenses</b>           | <b>3,958,697</b> | <b>560,030</b>   | <b>1,688,188</b> |
| <b>FLOOD FUND NET INCOME (LOSS)*</b>       | <b>(235,956)</b> | <b>466,704</b>   | <b>838,380</b>   |

### NATIONAL FLOOD INSURANCE RESERVE FUND

| REVENUE                               | FY 2021        | FY 2022 Q3      | FY 2022 YTD    |
|---------------------------------------|----------------|-----------------|----------------|
| Assessment                            | 613,150        | 135,277         | 432,050        |
| Surcharge                             | 307,965        | 70,144          | 220,144        |
| <u>Return on Investment</u>           | <u>77,332</u>  | <u>1,952</u>    | <u>10,923</u>  |
| <b>Total Reserve Fund Revenue</b>     | <b>998,447</b> | <b>207,373</b>  | <b>663,117</b> |
| EXPENSES                              | FY 2021        | FY 2022 Q3      | FY 2022 YTD    |
| Total Loss & Loss Adjustment (Claims) | 0              | 0               | 0              |
| Reinsurance-Traditional               | 198,193        | 42,979          | 134,920        |
| Reinsurance-ILS                       | 193,523        | 47,930          | 139,495        |
| <u>Obligated But Not Expended</u>     | <u>51,990</u>  | <u>(77,522)</u> | <u>82,689</u>  |
| <b>Total Reserve Fund Expenses</b>    | <b>443,706</b> | <b>13,387</b>   | <b>357,104</b> |
| <b>RESERVE FUND NET INCOME (LOSS)</b> | <b>554,741</b> | <b>193,986</b>  | <b>306,013</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.

The NFIP's Statement of Operations provides information like an "Income Statement" used in the private sector. The current report is for the period ending on June 30, 2022, FY 2022 Quarter 3.



## NFIP Debt

Since Hurricane Katrina devastated the Gulf Coast in 2005, the National Flood Insurance Program's (NFIP) debt to the U.S. Treasury has remained steep; it currently is \$20.5 billion. In 2022 alone, the program will pay over \$280 million in interest on that debt. It is critical to explain how the program came to amass such a burdensome debt so that stakeholders can put this crucial program on a sound financial footing.

In recent decades, weather patterns have increased flood risk to an extent that was unimaginable at the NFIP's inception, over fifty years ago. From the outset, the program was never intended to generate a profit. It was established because due to the nature of flood risks, commercial insurance was not generally available.

In response, Congress formed the NFIP in 1968 to provide a public sector option designed to deliver a cost-effective outcome combined with a risk identification and floodplain management programs to encourage communities to take action to minimize risk from flooding. The NFIP also was intended to provide an alternative to providing post-disaster assistance to property owners after a major flooding event. The NFIP now covers millions of structures and their contents, but since 2005 the program has been in the red after years of major flooding events.

Over the last decade, the NFIP's annual losses fluctuated widely, ranging from \$380 million in 2014 to greater than \$10 billion in 2017 after Hurricanes Harvey, Maria, and Irma. Additional major flood events included Hurricane Sandy in 2012, which affected several states and caused \$11.1 billion in damage. Far from coastlines, inland flooding, such as the August 2016 Louisiana flood which caused \$3 billion in damage, can be just as perilous.

Frequent high-cost flooding will prevent the NFIP from paying its debt. The program currently uses only premiums to cover the interest on debt from prior losses, which is a practice that needs to change to improve the sound financial framework of the program. The program must institute a sound financial framework that allows it to balance affordability and fiscal soundness. Without this, the NFIP's longevity and sustainability are at risk.

In May 2022, FEMA submitted 17 legislative proposals to Congress outlining multiple reforms and actions to consider for the reauthorization for the NFIP. One of those 17 proposals would eliminate the future debt of the NFIP and implement several reforms relating to borrowing authorities and future interest. These reforms address fundamental structural challenges and are crucial to building a viable NFIP focused on mitigating suffering before, during and after a flood disaster.

### *Flood Grant Program Helps Reduce High Risk Flood Properties and Increases Resilience*

FEMA's Flood Mitigation Assistance program is an annual competitive grant program that provides funding to states, local communities, tribes, and territories to reduce or eliminate the risk of repetitive flood damage to buildings insured by the NFIP.

For the FY 2021 FMA grant cycle, FEMA made \$160 million available in funding to prioritize the mitigation of the most flood-prone buildings insured by the NFIP. On average, these flood insurance properties have had at least five or more claims. This is an historic amount in total project costs and a 34% increase over the last grant cycle, which demonstrates the need for flood mitigation investments nationwide. FEMA received grant applications from 25 states requesting more than three times the funding available during this grant cycle.

FEMA selected projects in 72 different communities across 19 states, with most of the funding – \$93 million – going toward the elevation, acquisition, and mitigation reconstruction of repetitively flood-damaged buildings insured by the NFIP. As the number of natural disasters and severity of the impacts continues to increase, there is a need to help communities, families and businesses build climate resilience prior to the next event.

As of Q3, the number of repetitively flood-damaged buildings is approximately 28,000 and increasing every year. FEMA estimates it would take \$500 million annually to mitigate these properties. With the passage of the Infrastructure Investment and Jobs Act (IIJA), FEMA received \$700 million over the next five years in Flood Mitigation Assistance funding. The IIJA also allows FEMA to increase the federal cost share from 75% to 90% for activities benefitting socially vulnerable areas, in addition to the 90-100% federal cost share already offered for repetitively flood-damaged buildings.

For the FY 2022 grant cycle, FEMA [published a funding opportunity](#) making \$800 million available for future flood mitigation. The application period to apply for this funding opened on Sept. 30, 2022 and remains open until January 27, 2023.

