



FEMA



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



FEMA is committed to providing a National Flood Insurance Program (NFIP) that people value, trust, and best serves the nation. As the nation progresses through the new year, the agency looks forward to working with the new administration to advance the NFIP's transformation efforts grounded in our mission to reduce disaster suffering.

FIMA's Fiscal Year (FY) 21-23 strategy includes a cross cutting principle to deliver our programs with equity to increase resilience for all, especially in underserved communities that most often suffer

disproportionally after a disaster. In the face of more intense and frequent weather conditions and lingering inequities in many of the communities we serve, this principle is imperative now and for future generations. The cross-cutting principle is a foundational element of our strategy and is one that we believe aligns with President Biden's executive order defining "equity" and "underserved communities" and requiring federal agencies to do an "assessment of equity" and "allocate resources to advance fairness and opportunity." As we vigorously pursue these efforts, we also continue to support the new administration in its goals addressing the COVID-19 pandemic.

Equity is one of the driving principles behind FEMA's update of the NFIP's pricing methodology called Risk Rating 2.0. This new methodology leverages industry best practices and technology, enabling FEMA to deliver rates that are actuarially sound, more equitable, easier to understand, and better reflect an individual property's unique flood risk. Knowing the true risk of one's property is critical to ensure adequate insurance coverage and claim payments after a flood. It also informs property owners and communities on mitigation measures they can take to reduce flood risk. Risk Rating 2.0 also aims to put the NFIP on a path toward becoming a financially sustainable program that is accountable to taxpayers, more accurately reflects flood risk, and helps disaster survivors recover more quickly after floods.

Reinsurance is another tool in FIMA's toolbox geared towards strengthening the financial framework of the NFIP and promoting private sector participation in flood-risk management. Most recently, FIMA placed new Insurance Linked Securities (ILS) and traditional reinsurance coverage for 2021. The new ILS placement provides \$575 million in potential capacity, and the 2021 traditional reinsurance coverage is for \$1.153 billion. Combined with the existing capacity of the 2018, 2019, and 2020 ILS bonds still in effect, FIMA currently has \$2.928 billion in risk transferred to the capital markets. This coverage attaches earliest at \$4 billion and exhausts latest at \$10 billion.

As our important work progresses, the NFIP is driven by the fact that insurance is the first line of defense against the perils of flooding. FEMA remains laser-focused on advancing all its efforts to deliver a 21st century NFIP that is sustainable and equitable for every American.

NFIP KEY FIGURES

\$1.3 trillion
Insurance in Force

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

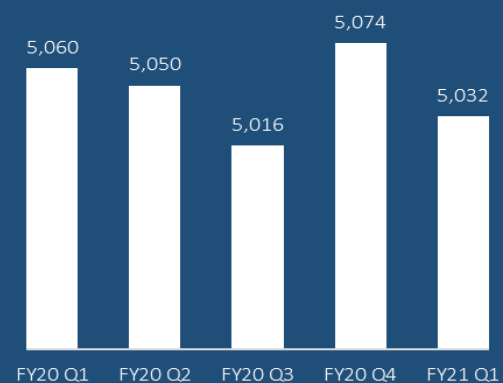
22,515
Participating Communities

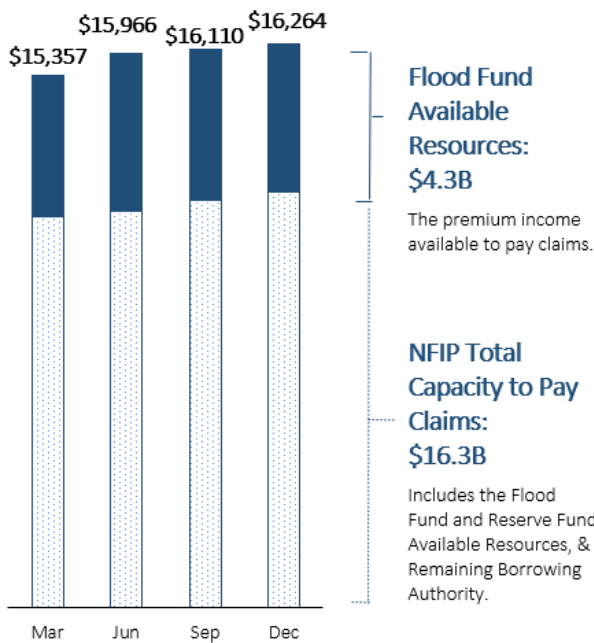
\$735
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

\$20.5 billion
Outstanding Debt with Treasury

\$5.06 billion
Interest Paid to Treasury Since
Hurricane Katrina

Policies in Force (in thousands)





NFIP AVAILABLE RESOURCES AS OF 12/31/2020

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, 2020	Dec 31, 2020
Flood Fund Available Resources		
Flood Fund Balance	5,870,295	5,769,587
Unpaid Obligations	(698,057)	(804,945)
Unpaid Loss & Loss Adjustment (Claims)	(707,677)	(549,823)
Mandatory Sequestration	(90,093)	(88,806)
Flood Fund Available Resources	4,374,468	4,326,012
Reserve Fund Available Resources		
Reserve Fund Balance	531,138	770,709
Net Investments	1,579,834	1,513,828
Outstanding Obligations	(275,590)	(186,009)
Reserve Fund Available Resources	1,835,382	2,098,528
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	16,109,850	16,324,541

* 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 \$2.53B should the event reach \$10B in losses.

STATEMENT OF OPERATIONS

(\$ in Thousands)

NATIONAL FLOOD INSURANCE FUND

REVENUE	FY 2019	FY 2020	FY 2021 Q1
Premium	3,386,176	3,510,140	663,536
Reinsurance	0	0	0
Federal Policy Fee	193,114	191,199	40,185
Other Revenue	9,039	10,213	2,764
Total Flood Fund Revenue	3,588,329	3,711,552	706,485
EXPENSES	FY 2019	FY 2020	FY 2021 Q1
Total Loss & Loss Adjustment (Claims)	1,884,347	1,447,313	503,860
Unpaid Loss & Loss Adjustment (Claims)*	1,351,335	(670,576)	(211,784)
Commissions	64,575	57,662	11,962
WriteYourOwn (WYO) Expense Allowance	913,995	901,715	194,288
Interest on Debt	415,341	438,412	111,925
Floodplain Management & Mapping Activities	147,204	174,295	43,329
Flood Related Grant Activities	90,354	121,291	33,183
Other Expenses	496,613	266,833	76,565
Total Flood Fund Expenses	5,363,764	2,736,945	763,328
FLOOD FUND NET INCOME (LOSS)**	(1,775,435)	974,607	(56,843)

NATIONAL FLOOD INSURANCE RESERVE FUND

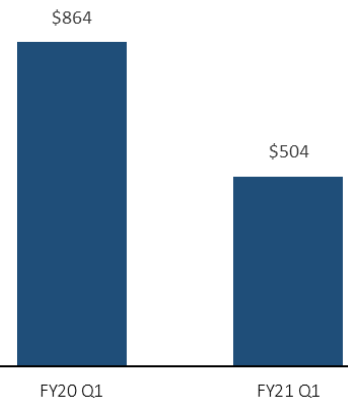
REVENUE	FY 2019	FY 2020	FY 2021 Q1
Assessment	503,585	583,703	175,916
Surcharge	361,596	338,458	89,003
Return on Investment	17,453	13,743	1,093
Total Reserve Fund Revenue	882,634	935,904	266,012
EXPENSES	FY 2019	FY 2020	FY 2021 Q1
Total Loss & Loss Adjustment (Claims)	0	0	0
Reinsurance-Traditional	185,880	153,924	51,308
Reinsurance-ILS	80,260	131,781	38,273
Obligated But Not Expended	27,074	73,624	(89,581)
Total Reserve Fund Expenses	293,214	359,329	0
RESERVE FUND NET INCOME (LOSS)	589,420	576,575	266,012

* 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 provides information similar to an "Income Statement" used in the private sector. The current report is for the period ending on Dec. 31, 2020, FY 2021 Quarter 1.

Q1 NFIP Claim Expenses (\$ in Millions)



Flood Insurance Advocate Video Project

[The Office of the Flood Insurance Advocate \(OFIA\)](#) embarked on a video production project to help NFIP customers with frequently misunderstood concepts. Existing material targeting insurance agents, adjusters, Write Your Own stakeholders or other technical audiences require an advanced level of familiarity with NFIP concepts. Confusion around certain flood insurance terminology was identified through OFIA's casework and research. OFIA is seeking to address these common issues with straightforward and informative videos. The following five videos will be released in the coming months:

1. **Basements:** Helps the viewer understand how the NFIP defines a basement and describes limitations to coverage under the flood insurance policy in basements.

2. **Understanding Flood Risk:** Shows how the Flood Insurance Rate Maps can be used to assess the risk of flooding in an area.

3. **When Flood Insurance is Required vs. Recommended:** Explains when flood insurance is required under Mandatory Purchase mandates.

4. **The Claims Process:** Provides information on what to expect when the insured files a flood insurance claim and directs them to review their policy and claims handbook. A high-level overview of the claims process, including a discussion of the policyholder's and adjuster's role in the flood claim process.

5. **Map Changes:** Describes why maps change, impacts of map changes on mandatory flood insurance purchase requirements and how map changes affect the premium of new and existing flood policies.



Appeals Branch Continually Improves Customer Experience and Efficiency

For the last four years, the Federal Insurance Directorate (FID) has approached policyholder claim appeals through the lens of the customer experience work started in 2017. During this time, the team recruited and trained talented staff, implemented iterative improvements to the appeals process, and used data to inform future areas of concern and opportunity. With a fully-staffed appeals branch to start 2021, we continue to refine our process and software to generate more efficient interactions with Write Your Own companies and policyholders.

In Fiscal Year (FY) 20, FID completed a total of 930 appeals and closed 518 more appeals than it received, ending with an average of 18.24 appeals completed per week. For FY20, 14.3% of policyholders with eligible appeals received a different claim outcome on appeal. To date for FY21 (as of Feb. 1, 2021), the branch has completed 176 cases while receiving 152 cases, and 16.8% of policyholders have achieved a different outcome on appeal.

Of note, the appeals branch received 82 ineligible appeals in FY20 and 26 so far in FY21. We conservatively estimate that every ineligible appeal takes an average of 45 minutes of combined staff time, between determining eligibility, data entry, populating response templates, requesting missing documents from policyholders when applicable, and ultimately finalizing and mailing the ineligibility letter. That means for FY20 and FY21, the branch spent over 80 hours of staff time on ineligible appeals. FID intends to reduce this number through an Appeal Form, included in the next package of National Flood Insurance Program Claims Forms (OMB Control No. 1660-005). The form uses date formulas and check boxes to confirm the eligibility of the appeal, prompt for missing information, and return an immediate result to the policyholder. This small improvement will help the policyholder and allow the staff more time to focus on eligible appeals.

