



FEMA



*The Watermark*

FEDERAL INSURANCE & MITIGATION ADMINISTRATION

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



FEMA is conscious of the far-reaching economic impacts COVID-19 has had on the nation as well as existing policyholders and is taking a phased approach to rolling out the new Risk Rating 2.0 (RR2.0) rates. The rollout of these new rates will allow for an easier financial transition for policyholders. On Oct. 1, the NFIP made a groundbreaking update after 40 years and delivered Risk Rating 2.0, Equity in Action. The new pricing methodology is fair, equitable, easy to understand, and designed to adapt to the perils of climate change.

The new risk rating methodology leverages industry best practices, cutting-edge technology to correct longstanding inequities in the current pricing scheme, and now delivers more equitable rates based on risk. In the spirit of our commitment to helping people before, during, and after disasters, Risk Rating 2.0 is a major step forward in closing the insurance gap and increasing the investment in mitigation. For the first time, premiums are reduced for policyholders who for decades have paid more than they should subsidizing high-risk properties—a milestone that intrinsically changes the flood insurance landscape for generations to come.

After years of listening to stakeholders and working with experts outside of FEMA, we invested in high-quality mapping data and incorporated more flood risk variables to factor each home's unique flood exposure culminating in Risk Rating 2.0. This program further mitigates injustices and aligns with the Biden Administration's call to action to deliver equitable programs for all, as well as improving the financial solvency of the NFIP. Currently, the NFIP holds \$4.9 billion in the National Flood Insurance Fund (NFIF) and \$2.1 billion in the Reserve Fund. In addition, \$9.9 billion of borrowing authority remains for a combined total of \$16.9 billion available to support flood claims. FEMA has an additional \$2.43 billion in reinsurance coverage beginning at \$4 billion in claims for named storms. The future is promising as the program continuously pushes for change and advances equity initiatives.

Risk Rating 2.0, Equity in Action, is only the beginning of our work to transform the NFIP into a sustainable program our customers value and trust. This transformation will affect over 1 million policyholders – or a quarter of the NFIP's full book of business, who will see decreases in their premiums. Looking forward, the NFIP will continue to work closely with Congress as it considers a multi-year reauthorization and push for changes and advancements towards achieving a more fiscally sound program. When we stay the course with optimism, we advance our strategy and our mission to reduce disaster suffering for all.

## NFIP KEY FIGURES

\$1.3 trillion

Insurance in Force

Over \$40 billion

Probable Maximum Annual Loss  
(PML)

22,545

Participating Communities

\$759

Average Annual Premium  
(Incl. Premium & Federal Policy Fee)

\$20.5 billion

Outstanding Debt with Treasury

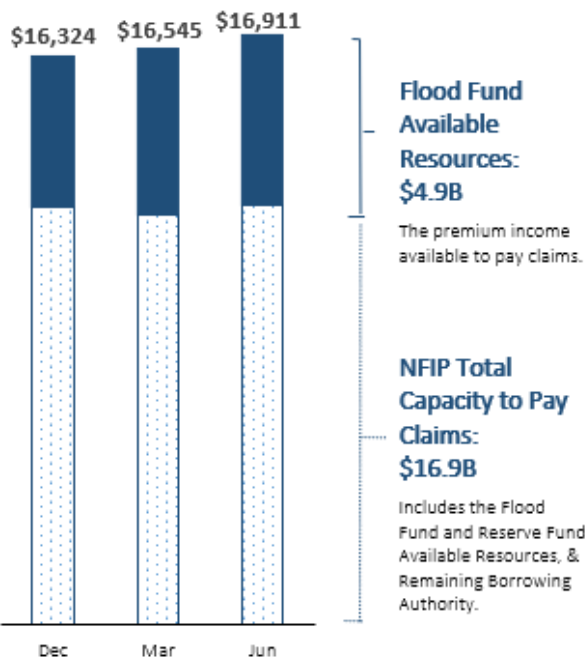
\$5.41 billion

Interest Paid to Treasury Since  
Hurricane Katrina

### Policies in Force

(in thousands)





## NFIP AVAILABLE RESOURCES AS OF 06/30/2021

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)	Mar 31, 2021	Jun 30, 2021
Flood Fund Balance	5,910,818	6,340,328
Unpaid Obligations	(760,242)	(860,621)
Unpaid Loss & Loss Adjustment (Claims)	(292,556)	(524,033)
Mandatory Sequestration	(88,806)	(88,806)
<b>Flood Fund Available Resources</b>	<b>4,769,214</b>	<b>4,866,868</b>
Reserve Fund Balance	277,976	1,064,308
Net Investments	2,102,246	1,503,975
Outstanding Obligations	(504,445)	(424,121)
<b>Reserve Fund Available Resources</b>	<b>1,875,778</b>	<b>2,144,161</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>16,544,992</b>	<b>16,911,029</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 \$2.9 billion should the event reach \$10 billion in losses.

## STATEMENT OF OPERATIONS

(\$ in Thousands)

### NATIONAL FLOOD INSURANCE FUND

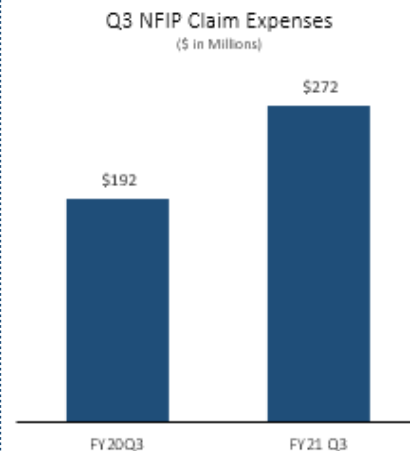
REVENUE	FY 2020	FY 2021 Q3	FY 2021 YTD
Premium	3,510,140	1,036,498	2,482,835
Reinsurance	0	0	0
Federal Policy Fee	191,199	54,269	135,358
Other Revenue	10,213	2,228	9,687
<b>Total Flood Fund Revenue</b>	<b>3,711,552</b>	<b>1,092,995</b>	<b>2,627,880</b>
EXPENSES	FY 2020	FY 2021 Q3	FY 2021 YTD
Total Loss & Loss Adjustment (Claims)	1,447,313	271,647	945,245
Unpaid Loss & Loss Adjustment (Claims)	(670,576)	204,583	(210,538)
Commissions	57,662	17,084	41,354
WriteYourOwn (WYO) Expense Allowance	901,715	262,953	659,236
Interest on Debt	438,412	71,280	284,749
Floodplain Management & Mapping Activities	174,295	50,716	122,641
Flood Related Grant Activities	121,291	72,924	206,763
Other Expenses	266,833	90,114	164,979
<b>Total Flood Fund Expenses</b>	<b>2,736,945</b>	<b>1,041,301</b>	<b>2,214,429</b>
<b>FLOOD FUND NET INCOME (LOSS)*</b>	<b>974,607</b>	<b>51,694</b>	<b>413,451</b>

### NATIONAL FLOOD INSURANCE RESERVE FUND

REVENUE	FY 2020	FY 2021 Q3	FY 2021 YTD
Assessment	583,703	117,725	422,216
Surcharge	338,458	51,002	205,730
Return on Investment	13,743	65,885	72,476
<b>Total Reserve Fund Revenue</b>	<b>935,904</b>	<b>234,612</b>	<b>700,422</b>
EXPENSES	FY 2020	FY 2021 Q3	FY 2021 YTD
Total Loss & Loss Adjustment (Claims)	0	0	0
Reinsurance-Traditional	153,924	47,328	149,231
Reinsurance-ILS	131,781	58,582	145,943
Obligated But Not Expended	73,624	(105,910)	148,532
<b>Total Reserve Fund Expenses</b>	<b>359,329</b>	<b>0</b>	<b>443,706</b>
<b>RESERVE FUND NET INCOME (LOSS)</b>	<b>576,575</b>	<b>234,612</b>	<b>256,716</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 similar to an "Income Statement" used in the private sector. The current report is for the period ending on June 30, 2021, FY 2021 Quarter 3.



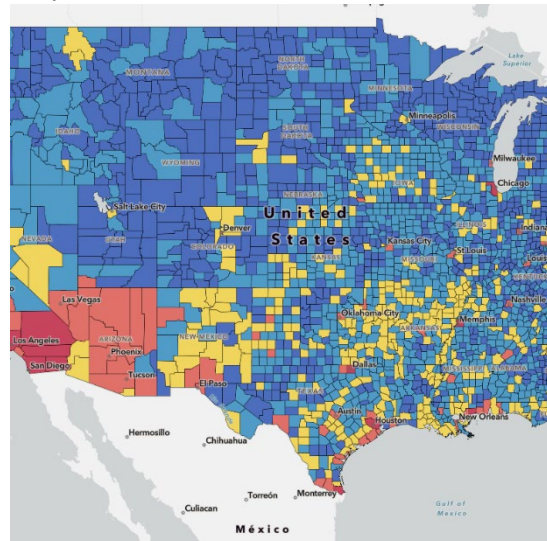
## National Risk Index Full Applications Released with More Customization and Reporting and Data Updates

In August, FEMA announced the full application launch of the National Risk Index, an online resource that visually identifies traits of the communities most at risk from natural hazards. This online mapping application provides a holistic view of community risk by providing baseline relative risk scores. It measures a community's risk for 18 natural hazards, in addition to resilience, social vulnerability and expected annual loss.

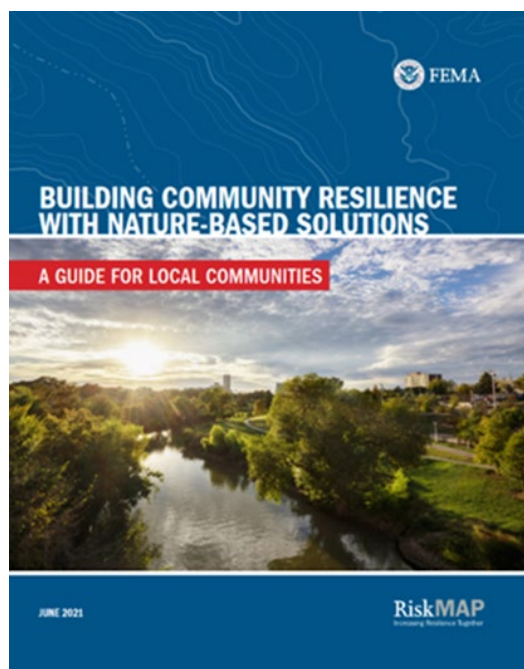
The Index helps users understand natural hazard risk and supports risk-informed decisions for mitigation planning and emergency management. By providing standardized risk data and an overview of multiple risk factors, this interactive mapping and analysis tool can help communities, especially those with limited flood mapping and risk assessment capabilities, prepare for natural hazards.

The Index helps to advance the conversation on climate change and emergency response strategies by helping communities enhance disaster resiliency. In November 2020, the tool was originally released at a limited capacity. Now, in its full capacity, the Index includes the ability to generate more customized analyses and reports, including community risk profiles and risk comparison reports for any county or U.S. Census tract.

The tool is free and easy to use, and data from the site can be downloaded. Visit [FEMA's National Risk Index webpage](#) to learn more about the data and the natural hazards that may affect your community.



## FEMA Updates Building Community Resilience with Nature-Based Solutions



In June, the Risk Management Directorate updated its Building Community Resilience with Nature-Based Solutions: A Guide for Local Communities publication to emphasize using nature-based solutions to combat the risk posed by the changing climate.

A new foreword stresses the urgency of taking a new approach to climate change adaptation and resilience, including using nature-based solutions. While these solutions have many hazard mitigation benefits, they can also help a community meet its climate change, social, environmental, and economic goals.

In addition, the updated guide includes new information on environmental and historic preservation considerations and the Building Resilient Infrastructure and Communities (BRIC) and Public Assistance programs.

The ultimate goal of the guide remains unchanged: to help communities identify and engage the staff and resources that can be used to implement nature-based solutions to build resilience to natural hazards, which may be exacerbated by climate change. The guide provides background information

on nature-based solutions, presents the business case, and gives practical advice for planning and implementation.