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,

David I. Maurstad
Deputy Maurstad
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**

<table>
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<th>(in thousands)</th>
<th>FY19 Q1</th>
<th>FY19 Q2</th>
<th>FY19 Q3</th>
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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 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.

**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.