



FEMA



The Watermark

FEDERAL INSURANCE & MITIGATION ADMINISTRATION

Fiscal Year 2020, Second Quarter
Volume 10



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

We started this new decade with a tremendous amount of momentum and a mindset that it would be anything but status quo. Quickly that mindset would be proven correct.

Yet, we have maintained our accountability to policyholders and stakeholders during a global public health crisis that changed everything about our day to day personal and work lives in an instant. We did this by staying grounded in our core values and laboring under a collective determination to increase individual and community resilience that will result in less disaster suffering.

In order to support our policyholders during this difficult time, we have pivoted in the delivery of our programs, which has been key to maintaining the stability of the National Flood Insurance Program’s (NFIPs) financial framework. FEMA has:

- Extended the **grace period to renew flood insurance policies** from 30 days to 120 days (Feb. 15-June 13, 2020) to provide financial relief to policyholders and prevent any lapses,
- Issued guidance to the FEMA Regions on handling **Letters of Final Determination** rescissions in specific cases where there are state or community limitations related directly to the COVID-19 response,
- Encouraged and implemented a **virtual platform** for claims adjusters to continue operations and expedite claims.

As we look towards what the future might demand of our organization – spring floods, hurricane season, and shifts in what our customers need from us – we work to be prepared so we may continue serving the American public in new and different ways. This dynamic operating environment requires us to think creatively with an eye towards innovative solutions.

On December 20, 2019, the President signed legislation passed by Congress to extend the NFIP’s statutory authority to sell and renew flood insurance policies through September 30, 2020. Congress must now reauthorize the NFIP by this date in order to avoid a lapse in authority. Although Congress has appropriately been focused on COVID-19, FEMA continues to advocate for multi-year reauthorization and remains committed to support meaningful reforms that will provide lasting benefits to sustain the NFIP for decades to come. NFIP reauthorization is an opportunity to take bold steps to reduce the complexity of the program and strengthen the NFIP’s financial framework.

For more than 50 years, the National Flood Insurance Program has worked to protect our nation from its #1 disaster risk, flooding. If we have learned anything in those years, it is that we must always be flexible and ready for the unknown. We have risen to the challenge so far and will continue to do so.

NFIP KEY FIGURES

\$1.3 trillion
Insurance in Force

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

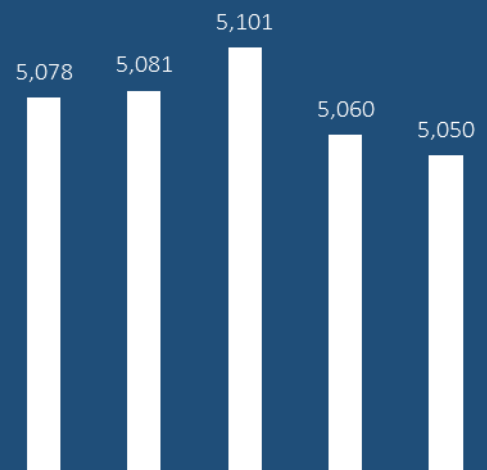
22,486
Participating Communities

\$727
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

\$20.5 billion
Outstanding Debt with Treasury

\$4.8 billion
Interest Paid to Treasury Since
Hurricane Katrina

Policies in Force (in thousands)



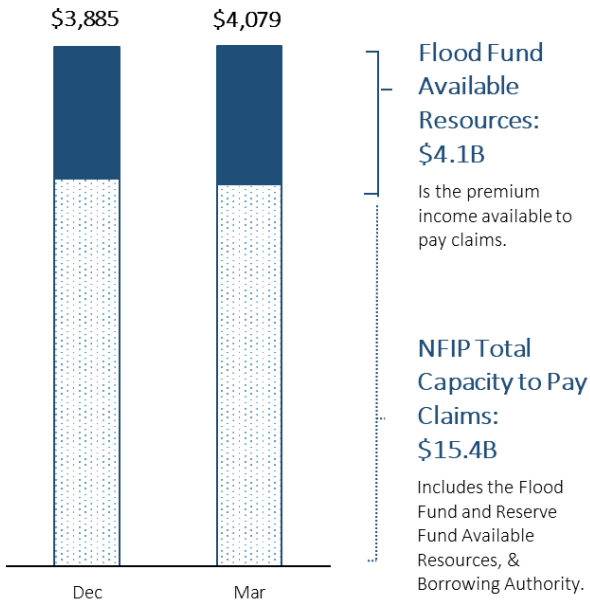
FY19 Q2 FY19 Q3 FY19 Q4 FY20 Q1 FY20 Q2

NFIP AVAILABLE RESOURCES AS OF 3/31/2020

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)	Dec 31, 2019	Mar 31, 2020
Flood Fund Balance	5,027,557	5,174,231
Unpaid Obligations	(723,968)	(660,019)
Unpaid Loss & Loss Adjustment (Claims)	(328,389)	(345,259)
<u>Mandatory Sequestration</u>	(90,093)	(90,093)
Flood Fund Available Resources	3,885,107	4,078,860
Reserve Fund Balance	280,444	628,540
Net Investments	1,452,722	1,199,546
<u>Outstanding Obligations</u>	(177,567)	(450,236)
Reserve Fund Available Resources	1,555,599	1,377,850
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	15,340,706	15,356,710

* 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 Q2	FY 2020 YTD
Premium	3,386,176	763,262	1,453,093
Reinsurance	0	0	0
Federal Policy Fee	193,114	41,354	81,814
Other Revenue	9,039	2,300	4,839
Total Flood Fund Revenue	3,588,329	806,916	1,539,746
EXPENSES	FY 2019	FY 2020 Q2	FY 2020 YTD
Total Loss & Loss Adjustment (Claims)	1,884,347	122,985	987,466
Unpaid Loss & Loss Adjustment (Claims)*	1,351,335	(23,821)	(1,005,907)
Commissions	64,575	7,713	24,476
WriteYourOwn (WYO) Expense Allowance	913,995	227,387	459,146
Interest Paid on Debt	415,341	202,804	216,818
Floodplain Management & Mapping Activities	147,204	38,456	80,888
Flood Related Grant Activities	90,354	25,523	41,999
Other Expenses	496,613	8,255	30,300
Total Flood Fund Expenses	5,363,764	609,302	835,186
FLOOD FUND NET INCOME (LOSS)**	(1,775,435)	197,614	704,560

NATIONAL FLOOD INSURANCE RESERVE FUND

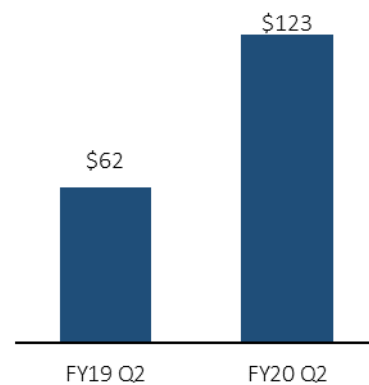
REVENUE	FY 2019	FY 2020 Q2	FY 2020 YTD
Assessment	496,820	112,156	250,229
Surcharge	382,707	69,432	165,066
Return on Investment	(892)	5,091	6,872
Total Reserve Fund Revenue	878,635	186,679	422,167
EXPENSES	FY 2018	FY 2020 Q2	FY 2020 YTD
Total Loss & Loss Adjustment (Claims)	495,979	0	0
Reinsurance-Traditional	234,629	51,308	51,308
Reinsurance-ILS	188,882	32,502	56,900
Obligated But Not Expended		272,669	248,271
Total Reserve Fund Expenses	919,490	356,479	356,479
RESERVE FUND NET INCOME (LOSS)	(40,855)	(169,800)	65,688

* 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 FY 20 Quarter 2 or March 31, 2020.

Q2 NFIP Claim Expenses (\$ in Millions)



Office of the Flood Insurance Advocate Annual Report

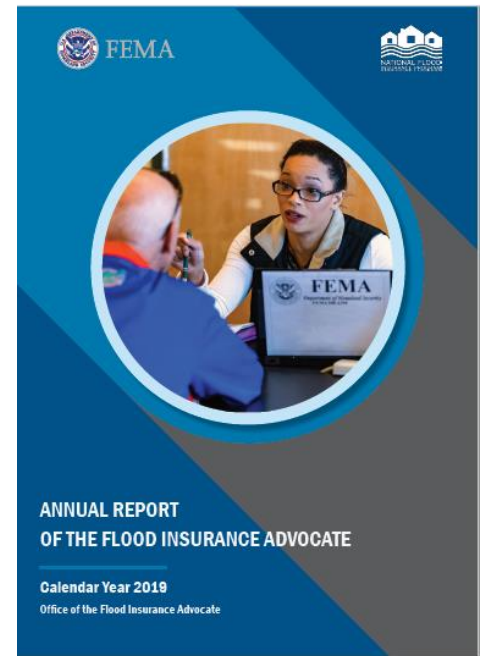
FEMA's Office of the Flood Insurance Advocate (OFIA) is an independent office within the Federal Insurance and Mitigation Administration. The OFIA's role is to advocate for National Flood Insurance Program (NFIP) policyholders with compassion and fairness. It serves as a resource for NFIP policyholders who are frustrated and confused by the program or feel they have not been treated fairly.

Every year the Office of the Flood Insurance Advocate (OFIA) releases an Annual Report, which identifies complex issues NFIP policyholders and property owners face. These complex issues present opportunities to improve the program's overall customer experience. As a voice for the customer, the OFIA develops recommendations to resolve these issues. The NFIP reviews OFIA's recommendations for potential action by the program to ultimately improve the interactions and experiences for current and future policyholders.

In its 2019 Report, the OFIA identified five areas of customer frustration related to the NFIP:

- 1) Improper application of elevation rating using an Elevation Certificate (EC).
- 2) Loss of rating discounts following a lapse in Coverage.
- 3) Confusion regarding group flood insurance.
- 4) Limited refunds after receiving a letter of map amendment, out as shown.
- 5) Denial of Increased Cost of Compliance (ICC) funds when permits are issued before Substantial Damage Letters.

The OFIA 2019 Annual Report and previous reports can be found [here](#).



The New FMIX: Making Connections and Building Customer Advocates

Last November, FEMA consolidated the National Flood Insurance Program (NFIP) General Information Call Center and the FEMA Map Information eXchange (FMIX) into a singular point of contact for stakeholders to discuss both mapping and insurance topics. The combined center, known as the [FEMA Mapping and Insurance eXchange](#) (FMIX), reduces program complexity, allowing customers to enjoy a streamlined contact center experience and receive the help they need.

On average, FMIX specialists assist over 13,000 customers per month. Being on the front line with our customers, the FMIX has a distinct vantage point that helps us understand what drives our customers' experience.

The example below highlights a recent customer interaction and shows how the FMIX supports our stakeholders holistically – connecting mapping, insurance, and floodplain management.

A property owner in New York City called to discuss the flood zone for a property where they intended to build. The FMIX specialist explained how communities can adopt higher building code standards in and around the floodplain and provided the local flood plain administrator's contact information to discuss the permit process. The FMIX specialist referred the customer to the Map Service Center website to review the flood data for their area and discussed the Letter of Map Change (LOMC) process as an option to get a flood zone determination or FEMA's comment on proposed conditions. The FMIX specialist discussed the importance of insuring the property regardless of zone and provided referrals to Write Your Own companies. After the call, the specialist sent a follow-up email with several other agent referrals and the online LOMC application. The property owner was thankful for the resources and information so they could continue with their building plan and make an informed decision about flood insurance.

