



FEMA



The Watermark

FEDERAL INSURANCE & MITIGATION ADMINISTRATION

Fiscal Year 2020, Third Quarter
Volume 11



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

While the nation continues to fight back against the catastrophic impacts of the COVID-19, it is also the height of hurricane season. In late August, Hurricane Laura officially made landfall in Louisiana as a strong Category 4 hurricane with winds of 150 mph. Laura is now one of 10 hurricanes on record to make landfall in the U.S. with winds of 150 mph or higher and the second

of this strength to hit Louisiana since records began in 1851.

Although this hurricane was primarily a wind event, many communities experienced flooding. More intense and frequent weather is our new norm. As floodplain managers, insurance professionals, and emergency managers, we know that flooding is the most common and frequent disaster we face.

This reminds us of the critical role the National Flood Insurance Program (NFIP) plays in disaster recovery and why a fiscally sound NFIP is needed. However, the NFIP, in its current structure, lacks the adequate tools required to manage the immense risk exposure taken on for the policyholders. Based on actuarial models, the NFIP currently has a less than 2% chance of finishing a 10-year period net positive. This jarring statistic exposes the reality that change is necessary for the program to fulfill its mission. The NFIP currently has approximately \$16 billion dollars in capacity to pay flood insurance claims. However, \$9.9 billion of this capacity is obtained through financing additional debt, which is in addition to the program’s outstanding \$20.5 billion of debt. The NFIP already pays over \$1 million per day in interest servicing its current debt.

These are the reasons the agency is pushing so passionately for reform. We are pursuing initiatives such as reinsurance, mitigation, Risk Rating 2.0, long-term reauthorization, and many others that can greatly improve the financial soundness of the program. In this edition of the Watermark we delve into the Future of Flood Risk Data and the launching of a new mitigation grant program. We believe, with Congressional support, we can bring about the reforms required to manage flood risk exposure to a one in twenty-year event.

We have a responsibility to help protect people and the lives they built because flood disasters and hurricanes are always a threat. Across the Federal Insurance and Mitigation Administration, we have been working to bring a practical mindset to the NFIP and our mitigation programs. This includes the National Mitigation Investment Strategy, the new Building Resilient Infrastructure and Communities mitigation grant program, and our work with our partners to strengthen building codes and reinforce floodplain management standards and practices. Individually, all these pieces are important, but together they can change the landscape in our collective mission to reduce disaster suffering.

NFIP KEY FIGURES

\$1.3 trillion
Insurance in Force

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

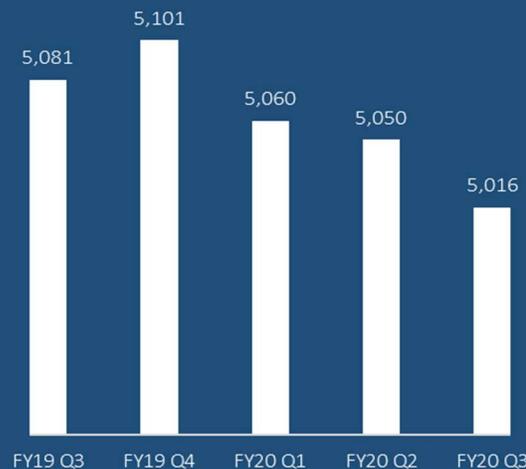
22,493
Participating Communities

\$728
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

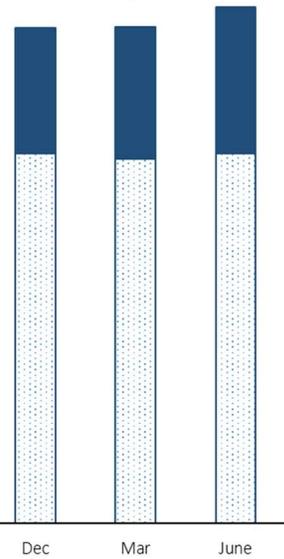
\$20.5 billion
Outstanding Debt with Treasury

\$4.8 billion
Interest Paid to Treasury Since
Hurricane Katrina

Policies in Force
(in thousands)



\$3,885 \$4,079 \$4,531



Flood Fund Available Resources: \$4.5B

Is the premium income available to pay claims.

NFIP Total Capacity to Pay Claims: \$16B

Includes the Flood Fund and Reserve Fund Available Resources, & Borrowing Authority.

NFIP AVAILABLE RESOURCES AS OF 6/30/2020

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)	Mar 31, 2020	Jun 30, 2020
Flood Fund Balance	5,174,231	5,683,887
Unpaid Obligations	(660,019)	(726,112)
Unpaid Loss & Loss Adjustment (Claims)	(345,259)	(336,437)
<u>Mandatory Sequestration</u>	(90,093)	(90,093)
Flood Fund Available Resources	4,078,860	4,531,245
Reserve Fund Balance	628,540	160,567
Net Investments	1,199,546	1,739,066
<u>Outstanding Obligations</u>	<u>(450,236)</u>	<u>(364,810)</u>
Reserve Fund Available Resources	1,377,850	1,534,823
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	15,356,710	15,966,068

* 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 Q3	FY 2020 YTD
Premium	3,386,176	1,046,658	2,499,751
Reinsurance	0	0	0
Federal Policy Fee	193,114	55,559	137,373
Other Revenue	9,039	2,163	7,002
Total Flood Fund Revenue	3,588,329	1,104,380	2,644,126
EXPENSES	FY 2019	FY 2020 Q3	FY 2020 YTD
Total Loss & Loss Adjustment (Claims)	1,884,347	191,726	1,179,192
Unpaid Loss & Loss Adjustment (Claims)*	1,351,335	(39,331)	(1,045,238)
Commissions	64,575	17,296	41,772
WriteYourOwn (WYO) Expense Allowance	913,995	244,357	703,503
Interest Paid on Debt	415,341	0	216,818
Floodplain Management & Mapping Activities	147,204	5,682	86,570
Flood Related Grant Activities	90,354	17,419	59,418
Other Expenses	496,613	207,481	237,781
Total Flood Fund Expenses	5,363,764	644,630	1,479,816
FLOOD FUND NET INCOME (LOSS)**	(1,775,435)	459,750	1,164,310

NATIONAL FLOOD INSURANCE RESERVE FUND

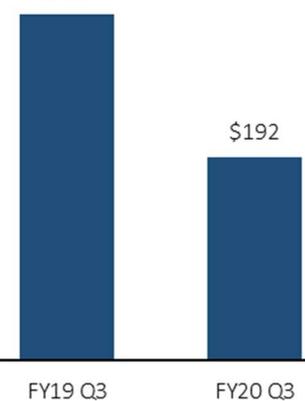
REVENUE	FY 2019	FY 2020 Q3	FY 2020 YTD
Assessment	503,585	139,890	390,119
Surcharge	361,596	63,600	228,666
Return on Investment	17,453	682	7,554
Total Reserve Fund Revenue	882,634	204,172	626,339
EXPENSES	FY 2019	FY 2020 Q3	FY 2020 YTD
Total Loss & Loss Adjustment (Claims)	0	0	0
Reinsurance-Traditional	185,880	51,308	102,616
Reinsurance-ILS	80,260	36,969	93,869
Obligated But Not Expended	27,074	(85,427)	162,844
Total Reserve Fund Expenses	293,214	2,850	359,329
RESERVE FUND NET INCOME (LOSS)	589,420	201,323	267,010

* 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 June 30, 2020, FY 20 Quarter 3.

Q3 NFIP Claim Expenses (\$ in Millions)



The Future of Flood Risk Data (FFRD)

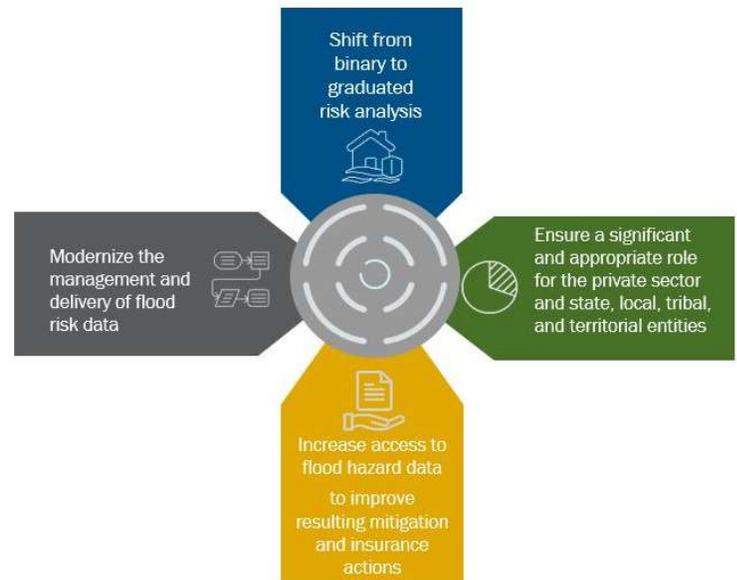
Science and technology for flood hazard identification and flood risk assessments has advanced throughout the 50-year history of the National Flood Insurance Program (NFIP). Although FEMA has made progress modernizing the flood mapping process, there are ample opportunities for continued improvement. The Flood Insurance Rate Maps (FIRMs) are the most prevalent cartographic tool used to help communities understand their flooding risks and provide the backbone of effective floodplain management. However, FIRMs are primarily representative of a single flood hazard, the one-percent-annual-chance of flooding, rather than a more comprehensive picture of flood risk.

FEMA's Future of Flood Risk Data (FFRD) initiative provides a more comprehensive picture of the country's flood hazards and risk by leveraging new technologies to include more efficient, accurate, and consistent flood risk information across the nation.

FFRD is an agile series of exploratory projects designed to help define the future direction of the mapping program. Providing more comprehensive hazard and risk information complements the improvements in flood risk communication being advanced through Risk Rating 2.0 and offers a basis for a range of outcome-oriented regulatory and non-regulatory products.

The FFRD initiative includes four major elements:

- Shift from binary to graduated risk analysis;
- Ensure a significant and appropriate role for the private sector and state, local, tribal and territorial entities;
- Increase access to flood hazard data to improve resulting mitigation and insurance actions, and
- Modernize the management and delivery of flood hazard mapping.



Updated flood risk data effectively informs stakeholder decision-making, drives crucial actions to mitigate flood risk, and improves FEMA's understanding of stakeholder needs.

FEMA Launches Building Resilient Infrastructure and Communities



On August 4, 2020, FEMA published the Fiscal Year 2020 (FY20) Notice of Funding Opportunity (NOFO) for the new Building Resilient Infrastructure and Communities (BRIC) program. This grant cycle implements Section 1234 of the Disaster Recovery Reform Act of 2018. BRIC will make \$500 million available to states, local governments, tribes and territories for mitigation activities designed to strengthen the nation's efforts to build a culture of preparedness. The application period runs from Sept. 30, 2020 through Jan. 29, 2021 at 3 p.m. ET, and includes funding under a state/territory allocation, a tribal set-aside, and a national competition.

To inform interested stakeholders about BRIC, FEMA hosted a Summer Engagement Series which had more than 7,000 registrants. Additionally, throughout August and September, FEMA offered recorded webinars and live question and answer sessions to help stakeholders navigate the application process. These recorded sessions are available on [FEMA.gov/BRIC](https://www.fema.gov/BRIC).

FEMA developed BRIC Program Support Materials (PSMs) to cover topics such as capability- and capacity-building, direct technical assistance, and the national competition criteria, which place an emphasis on projects that mitigate risk to infrastructure and community lifelines. As an additional resource, the new Mitigation Action Portfolio (MAP) highlights a variety of mitigation efforts across the country to show stakeholders what is possible under BRIC. The MAP, along with BRIC program support materials, can be found on FEMA's [website](https://www.fema.gov/BRIC).

BRIC's launch coincides with the roll-out of the new FEMA Grants Outcomes (FEMA GO) system, streamlining processes to apply for, track, and manage grants. FEMA GO is the culmination of a multi-year effort to modernize and transform the way FEMA conducts grants management.

FEMA is excited about BRIC's potential to help communities proactively reduce their vulnerability to natural hazard events, and in turn, make the nation more resilient.