



FEMA



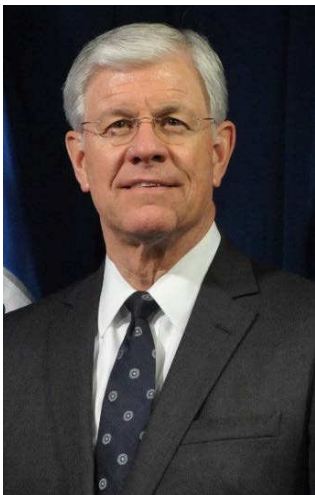
A Message from the Deputy Associate Administrator for Insurance and Mitigation

I have never seen more dedicated interest in achieving resilience through mitigation and insurance than right now – and I’ve been in this business for over 30 years, including working in the private sector and serving in both state and local capacities. We are proud of the work we have done for flood insured survivors across the Nation and we plan to continue delivering for them in the long term. The two moonshot goals we established for the NFIP in early 2017, as discussed in the [Volume 4](#) of the Watermark, are also now the first two objectives of FEMA’s Strategic Plan: to close the insurance gap and incentivize more mitigation investments.

While we have had recent government-wide challenges regarding appropriations, it also brought us sustained reauthorization for the NFIP through May of 2019. Reauthorization is an opportunity for the new Congress to take bold steps to reduce the complexity of the program and to strengthen the NFIP’s financial framework. Working with Congress, we continue to stress our four principles for reauthorization: A multi-year reauthorization; creating a sound financial framework; increasing flood insurance coverage whether from public or private sources; and improving the customer experience.

We will continue highlighting each of these four principles and the accompanying efforts in future efforts of the Watermark. In this issue we have included two vignettes on page four that speak to that customer experience. First among the two, we’re working to make the finances more transparent, and that means showing how premium and fee of each dollar is used. Secondly, the NFIP is striving to modernize our information systems. The new system, Pivot, provides better, near real-time data to help FEMA transform the NFIP.

However, it’s not solely FEMA. I propose a challenge to each of our Watermark readers: our team is creating a movement to close the insurance gap and move mitigation forward – it takes more than just FEMA to achieve these ambitious goals. Each of you in the industry, each of you in other areas of the government – be it local, state, tribal, territorial, or federal – drives resilience and is a critical partner in creating a culture of preparedness. We need your voice and leadership to help us create a whole community of resilience that reduces disaster suffering. Together, I am confident that we can help Americans rebuild their lives more quickly and fully when disaster strikes.



Sincerely,

David I. Maurstad
Deputy Associate Administrator for
Insurance and Mitigation

NFIP KEY FIGURES

\$1.3 trillion
Insurance in Force

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

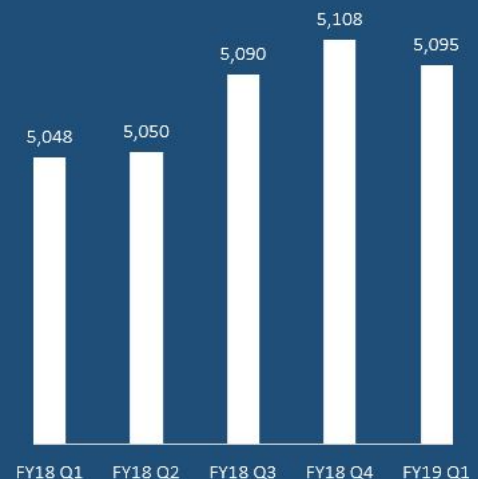
22,353
Participating Communities

\$701
Average Annual Premium
(Incl. Premium & Federal Policy Fee)

\$20.5 billion
Outstanding Debt with Treasury

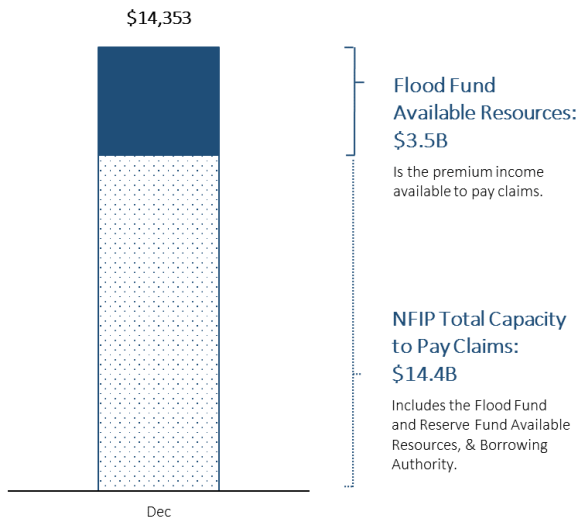
\$4.2 billion
Interest Paid Since Hurricane
Katrina

Policies in Force (in thousands)



NFIP AVAILABLE RESOURCES

Available Resources is representative of a private-sector "Balance Sheet," or a snapshot of the NFIP's finances, including any prior period carryover.



Available Resource (\$ in Thousands)	Sep 30, 2018	Dec 31, 2018
Flood Fund Balance	6,015,134	5,265,288
Unpaid Obligations	(808,522)	(827,447)
Anticipated Loss & Adj. Expenses (Claims)*	N/A	(849,702)
Mandatory Sequestration	(103,155)	(93,434)
Flood Fund Available Resources	5,103,457	3,494,705
Reserve Fund Balance	165,471	206,686
Net Investments	725,677	905,783
Outstanding Obligations	(174,890)	(154,627)
Reserve Fund Available Resources	716,258	957,843
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims**	15,719,715	14,352,548

* Starting in Q1 of FY19, Anticipated Loss & Adjustment Expenses is a new category considered by the NFIP Available Resources. This category consists of future expected claims for storms that have already occurred.

** FEMA's reinsurance placements augment the NFIP's Capacity to Pay Claims. After losses for a single event exceed \$4B, the NFIP may collect up to \$1.82B, meaning the Capacity to Pay Claims would be \$16.2B.

STATEMENT OF OPERATIONS

(\$ in Thousands)

NATIONAL FLOOD INSURANCE FUND

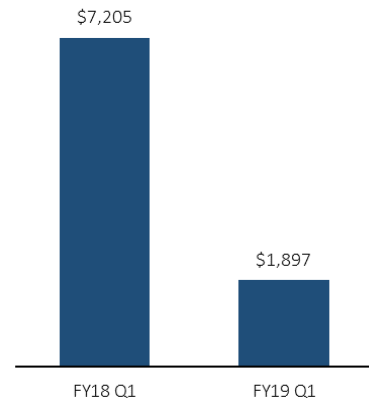
REVENUE	FY 2017	FY 2018	FY 2019 Q1
Premium	3,012,988	3,513,334	649,971
Reinsurance	0	1,042,000	0
Federal Policy Fee	194,653	188,162	41,696
Other Revenue	13,938	19,677	1,968
Total Flood Fund Revenue	3,221,578	4,763,174	693,635
EXPENSES	FY 2017	FY 2018	FY 2019 Q1
Total Loss & Loss Adjustment (Claims)*	3,165,796	9,207,241	1,897,368
Commissions	62,055	55,472	13,714
WriteYourOwn (WYO) Expense Allowance	920,488	953,462	219,315
Interest Paid on Debt	393,761	367,642	5,687
Floodplain Management & Mapping Activities	150,847	225,728	18,491
Flood Related Grant Activities	208,585	104,486	3,164
Other Expenses	345,584	493,875	149,349
Total Flood Fund Expenses	5,247,116	11,407,907	2,307,088
FLOOD FUND NET INCOME (LOSS)**	(2,025,538)	(6,644,733)	(1,613,453)

The NFIP's Statement of Operations is representative of an "Income Statement" usually seen in private-sector organizations. The current report is for the period ending FY 19 Quarter 1 or December 31, 2018.

NATIONAL FLOOD INSURANCE RESERVE FUND

REVENUE	FY 2017	FY 2018	FY 2019 Q1
Assessment	484,726	496,820	133,934
Surcharge	395,596	382,707	102,195
Premium Redemption & Interest	132,157	(892)	4,620
Total Reserve Fund Revenue	1,012,480	878,635	240,749
EXPENSES	FY 2017	FY 2018	FY 2019 Q1
Loss & Loss Adjustment (Claims)	1,502,359	495,979	0
Reinsurance	150,048	423,511	0
Total Reserve Fund Expenses	1,652,407	919,490	0
RESERVE FUND NET INCOME (LOSS)	(639,927)	(40,855)	240,749

Q1 NFIP Claim Expenses (\$ in Millions)



* 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 considered. SFFAS 51 gives guidance that claims must be counted as a liability at the time of occurrence. Total Loss & Loss Adjustment (Claims) in this Q1 *Watermark* show claims pursuant to SFFAS 51.

** 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.

Where Do Policyholder Dollars Go?

This section of the Watermark is dedicated to policyholders and shows to which primary NFIP activity their dollar(s) are paid. Each donut chart represents \$1 received from a policyholder. Categories in the first chart represent **premium dollars**, while categories in the second chart represent the **Federal Policy Fee (FPF)**. As of December 31, 2018, the average premium, including FPF, is \$701.

Premium



For FY19 FEMA projects the NFIP to collect about \$3.8 billion of premium from flood insurance policyholders. This \$1 of premium assumes that borrowing is not required in FY19.

49¢
Claims & Adjustment Expenses: Of each dollar paid to the NFIP, the largest amount goes to paying claims to survivors impacted by floods, who have recognized and bought down their risk.

30¢
WYO Expense Allowance: WYO companies receive an expense allowance for policies written and claims processed. The WYO Program improves servicing and distribution of policies.

11¢
Interest on the Debt: The NFIP is paying over \$400 million of interest each year on debt associated with past disasters. This is roughly 11¢ of each dollar paid.

5¢
FMA Grants: Flood Mitigation Assistance (FMA) Grants provide funding to local communities, States, Tribes, and Territories for planning that reduces long-term risk of flood damage.

5¢
Operating Expenses: 5¢ of each dollar goes to the salaries & expenses for flood insurance operations, including analysis of risk, oversight of policy, WYO oversight, & Pivot funding.

0.1¢ (Not visible in chart)
Flood Insurance Advocate: Advocates for fair treatment of policyholders & property owners thru guidance on all aspects of the NFIP and by program improvement recommendations.

Federal Policy Fee (FPF)



For standard policies, the FPF is \$50 for each new or renewed policy. For Preferred Risk Policies a lower \$25 fee is charged.

79¢
Mapping: Part of the Flood Hazard Mapping & Risk Analysis Program (Risk MAP) is paid by NFIP policyholders. This program is critical to identifying and reducing the Nation's flood vulnerability.

14¢
Floodplain Mgt: ensures the Nation's communities adopt and enforce minimum NFIP floodplain mgt. criteria. Staff in all Regions provide direct implementation support to communities.

7¢
Mission Support: funds activities essential to FIMA incl. federal staff salaries & expenses, IT, acquisition mgt., & support activities necessary to implement & manage the NFIP.

Modernizing NFIP Information Systems with Pivot

The NFIP is modernizing daily operations and improving the customer experience by replacing its 30+ year old legacy system. The new system, known as Pivot, is transforming how FEMA stores and processes NFIP information, and will play a role in updating how flood risk is priced (see our update on Risk Rating and Policy Forms Redesign in Volume 3). In addition, Pivot hosts the NFIP website (floodsmart.gov) and enhances the NFIP's data analytic and reporting capabilities. Pivot leverages "agile" development and releases new functionality and information on nearly a weekly basis.

Industry has been testing the claims and policies application, where all NFIP policy data is stored, since the summer of 2018. The NFIP is on the verge of a significant milestone, as Pivot is slated to become the NFIP's System of Record in 2019, well ahead of the initial schedule approved by the Department of Homeland Security. The tools and applications being built and delivered by Pivot will support our goals to close the insurance gap, simplify the program, and support a world-class operation for the NFIP.

