



FEMA



The Watermark

FEDERAL INSURANCE & MITIGATION ADMINISTRATION

Fiscal Year 2020, Fourth Quarter
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A Message from the Deputy Associate Administrator for Insurance and Mitigation and senior executive of the National Flood Insurance Program



The fight against COVID-19 continues throughout the United States and across the world as infection numbers climb every day and the vaccine rollout begins. In the midst of the pandemic, a record-setting 30 named storms swept over the Atlantic, leaving paths of destruction and flooding in their wake. Hurricane Laura's maximum sustained winds were the strongest to make landfall in Louisiana history.

In response to the dual threat of the pandemic and hurricane season, FEMA's National Flood Insurance Program implemented remote claims adjusting to ensure the safety of policyholders and FEMA's workforce. This innovation provides the option for policyholders who are comfortable using technology to directly participate in their claim adjustment to reduce claims handling timeframes and enable quicker payments. Additionally, with Pivot in its first full year of service in 2020 as the NFIP's new system of record, the claims data reporting lifecycle was reduced from 30 days to 24 hours. The NFIP also issued its first ever national grace period extension for premiums, allowing policyholders 120 days to pay premiums and maintain coverage.

The volatility has not been confined to just hurricane season this year. 2020 was filled with significant financial events, including COVID-19 financial impacts, and the United States' elections, among many others. The Federal Reserve's intervention and stimulus has led to record lows in interest rates. The 3-year Treasury yield began 2020 around 1.6%, fell to as low as 0.1% and currently sits near 0.2%. The NFIP generates interest revenue on the capital held awaiting a significant event to pay out policyholders. With yields for Treasury bills, notes and bonds at record lows, the NFIP will generate less interest revenue through its investments for the foreseeable future.

Facing new and developing complex challenges every day, the NFIP evolves by pursuing a financially sound program. Recently, Congress made the crucial decision to reauthorize the NFIP for a full year, until Sept. 30, 2021. The NFIP transferred \$2.53 billion of risk to the private sector for 2020 and we are preparing for new reinsurance placements for 2021. Progress continues to be made in mitigation as we look for new opportunities to protect policyholders before, during and after disasters.

While COVID-19 has impacted many areas of our work, it has not altered the delivery of rates under Risk Rating 2.0. Last year, we adjusted the implementation of Risk Rating 2.0 by one year. Since that time, our Risk Rating 2.0 team has worked tirelessly to finalize the NFIP's new rating methodology. We are on track with the delivery of the rates to our WYO partners on April 1, 2021 – and for rates to go into effect on Oct. 1, 2021.

In the face of these unprecedented and ever-changing conditions, the NFIP is undeterred and continues to act with versatility focused on delivering world class customer service in order to reduce disaster suffering.

NFIP KEY FIGURES

\$1.3 trillion
Insurance in Force

Over \$40 billion
Probable Maximum Annual Loss

22,500
Participating Communities

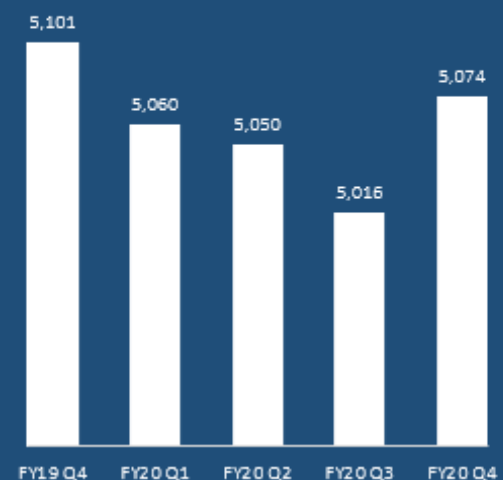
\$730
Average Annual Premium

\$20.5 billion
Outstanding Debt with Treasury

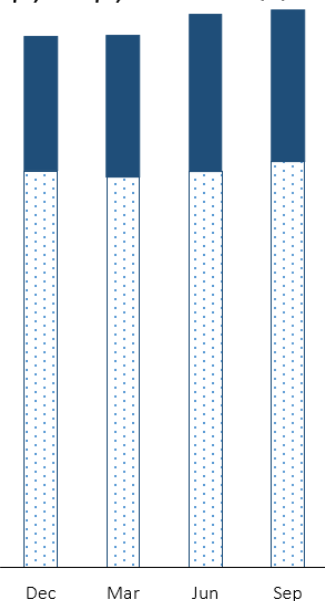
\$5.05 billion
Interest Paid to Treasury Since

Policies in Force

(in thousands)



\$3,885 \$4,079 \$4,531 \$4,374



Flood Fund Available Resources: \$4.4B

Is the premium income available to pay claims.

NFIP Total Capacity to Pay Claims: \$16.1B

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

NFIP AVAILABLE RESOURCES AS OF 9/30/2020

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)	Jun 30, 2020	Sep 30, 2020
Flood Fund Balance	5,683,887	5,870,295
Unpaid Obligations	(726,112)	(698,057)
Unpaid Loss & Loss Adjustment (Claims)	(336,437)	(707,677)
<u>Mandatory Sequestration</u>	<u>(90,093)</u>	<u>(90,093)</u>
Flood Fund Available Resources	4,531,245	4,374,468
Reserve Fund Balance	160,567	531,138
Net Investments	1,739,066	1,579,834
<u>Outstanding Obligations</u>	<u>(364,810)</u>	<u>(275,590)</u>
Reserve Fund Available Resources	1,534,823	1,835,382
Remaining Borrowing Authority	9,900,000	9,900,000
NFIP Total Capacity to Pay Claims *	15,966,068	16,109,850

* 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)

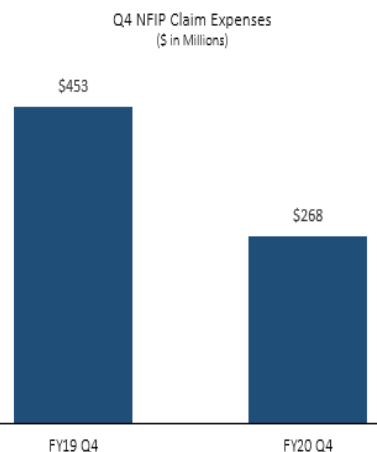
NATIONAL FLOOD INSURANCE FUND

REVENUE	FY 2019	FY 2020 Q4	FY 2020
Premium	3,386,176	1,010,389	3,510,140
Reinsurance	0	0	0
Federal Policy Fee	193,114	53,826	191,199
<u>Other Revenue</u>	<u>9,039</u>	<u>3,211</u>	<u>10,213</u>
Total Flood Fund Revenue	3,588,329	1,067,426	3,711,552
EXPENSES	FY 2019	FY 2020 Q4	FY 2020
Total Loss & Loss Adjustment (Claims)	1,884,347	268,121	1,447,313
Unpaid Loss & Loss Adjustment (Claims)*	1,351,335	374,662	(670,576)
Commissions	64,575	15,890	57,662
WriteYourOwn (WYO) Expense Allowance	913,995	198,212	901,715
Interest Paid on Debt	415,341	221,594	438,412
Floodplain Management & Mapping Activities	147,204	87,725	174,295
Flood Related Grant Activities	90,354	61,873	121,291
<u>Other Expenses</u>	<u>496,613</u>	<u>29,052</u>	<u>266,833</u>
Total Flood Fund Expenses	5,363,764	1,257,129	2,736,945
FLOOD FUND NET INCOME (LOSS)**	(1,775,435)	(189,703)	974,607

NATIONAL FLOOD INSURANCE RESERVE FUND

REVENUE	FY 2019	FY 2020 Q4	FY 2020
Assessment	503,585	193,584	583,703
Surcharge	361,596	109,792	338,458
<u>Return on Investment</u>	<u>17,453</u>	<u>6,189</u>	<u>13,743</u>
Total Reserve Fund Revenue	882,634	309,565	935,904
EXPENSES	FY 2019	FY 2020 Q4	FY 2020
Total Loss & Loss Adjustment (Claims)	0	0	0
Reinsurance-Traditional	185,880	51,308	153,924
Reinsurance-ILS	80,260	37,912	131,781
<u>Obligated But Not Expended</u>	<u>27,074</u>	<u>(89,220)</u>	<u>73,624</u>
Total Reserve Fund Expenses	293,214	0	359,329
RESERVE FUND NET INCOME (LOSS)	589,420	309,565	576,575

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 Sept. 30, 2020, FY 2020 Quarter 4.



* 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 Heritage Emergency National Task Force (HENTF)



The losses that result from disasters are usually counted in dollars. But following a disaster, the losses disaster survivors most feel are often items they cherish the most – photographs, a wedding video, an antique quilt, Grandma’s recipe cards. In the aftermath of a disaster, these treasured keepsakes may be salvaged instead of reluctantly discarded.

The [Heritage Emergency National Task Force](#) (HENTF) is a partnership between the Office of Environmental Planning & Historic Preservation (OEHP) and the [Smithsonian Cultural Rescue Initiative](#) (SCRI). It strives to protect cultural and historic resources in our nation’s states, tribes, territories and local communities from the damaging effects of disasters. In addition to assisting museums and other cultural institutions when their collections are damaged by an event, HENTF helps reduce disaster suffering by assisting the public.

In collaboration with Individual Assistance, Smithsonian preservation experts can be deployed to Disaster Recovery Centers (DRCs) to conduct SCRI’s Saving Your Family Treasures program. They offer advice and guidance to individuals, demonstrating

how to safely handle, dry and clean damaged objects using materials available at local hardware stores. They also offer [fact sheets](#) and share tips on protecting items.

Since 2016, SCRI teams have deployed to Louisiana, Texas, South Carolina, Nebraska and Iowa. HENTF is helping disaster survivors literally pick up the pieces of their lives so they can move forward in recovery. Disaster survivors are grateful to learn a few techniques to salvage cherished items. HENTF staff also gain an understanding of the trauma of disaster and come away with respect for the resilience of disaster survivors.

Landmark Nationwide Losses Avoided Study Finds That *Building Codes Save*

Using big data, FEMA’s modeling of the 18.1 million buildings constructed in the United States since 2000 has found the nation has saved \$1.6 billion every year. These savings represent the cumulative losses avoided when structures follow International Codes or similar building codes that mitigate flood, hurricane and earthquake damage. FEMA projects that by 2040, the nation will save around \$3.2 billion per year. This adds up to almost \$133 billion in total losses avoided from 2000 to 2040.

Those dollar values represent considerable financial reasons for why communities should be proactive in adopting and enforcing hazard-resistant building codes. Hazard-resistant building codes also support FEMA’s mission to help people prepare for, mitigate, respond to and recover from natural hazards.

FEMA is developing outreach materials to help programs across the agency convey the study’s results to our state, local, tribal and territorial partners. Additional information and materials are available in the Building Codes Saves Study on FEMA’s [website](#).

If you are interested in learning more about Building Codes Save and how you can integrate the study’s findings into your program, please [email](#) the Building Science Helpline.

