THE NATIONAL FLOOD INSURANCE PROGRAM: HISTORY AND OVERVIEW

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The NFIP and U.S. flood losses

- 5.1 million NFIP policies
- $1.3 trillion NFIP coverage
- $4.76 billion annual revenue
- 22,381 communities
- FEMA estimates that NFIP floodplain management saves $1.87 billion annually in avoided flood losses

Total U.S. flood losses
- 2016: $28 billion
- 2017: $276.3 billion
- 2018: $49.4 billion
Purpose of the NFIP

- Reduce flood losses through insurance and mitigation
- Provide access to primary flood insurance to properties with significant flood risk who might not otherwise be able to obtain insurance
- Reduce flood risk through adoption of floodplain management standards
- Reduce federal expenditure on disaster assistance after floods
Expiration of certain NFIP authorities on May 31, 2019

- 10 short-term reauthorizations since September 30, 2017
- Authority for NFIP to borrow funds from Treasury reduced from $30.425 billion to $1 billion
- Authority to issue new flood insurance contracts
Homes in high-risk flood zones must have flood insurance to get a federally-backed mortgage.
Structure of the NFIP

- Communities volunteer to participate in NFIP to obtain access to flood insurance
- FEMA sets minimum standards
- Communities adopt and enforce floodplain management standards
- Communities can adopt higher standards through Community Rating System
- Communities can choose not to participate in NFIP
Floodplain mapping

- **Flood Insurance Rate Map (FIRM)**
- **Special Flood Hazard Area (SFHA): 1% annual chance of flooding**
- **Flood insurance is also available outside SFHA; lower cost Preferred Risk Policy**
- **Over 20% of NFIP claims are for properties outside SFHA**
- **Flood losses outside SFHA are increasing**
Mandatory purchase requirement

- Owners of properties in a SFHA are required to purchase flood insurance as a condition of receiving a federally backed mortgage
- Enforced by lenders, not FEMA
- Private flood insurance can satisfy mandatory purchase requirement under certain conditions
NFIP not designed to deal with truly extreme events

Hurricane Katrina, New Orleans, August 2005
Photo credit: National Weather Service, Lt. Mark Moran, NOAA
Atlantic 2005 Storms

Storm Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Speed Range</th>
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<tbody>
<tr>
<td>Depression</td>
<td>&lt; 39 mph</td>
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<tr>
<td>Tropical</td>
<td>39-73 mph</td>
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<tr>
<td>Category 1</td>
<td>74-95 mph</td>
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<tr>
<td>Category 2</td>
<td>96-110 mph</td>
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<tr>
<td>Category 3</td>
<td>111-130 mph</td>
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<td>Category 4</td>
<td>131-155 mph</td>
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<tr>
<td>Category 5</td>
<td>156+ mph</td>
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Diagram credit: Weather Underground
Before 2005, NFIP was mostly self-sustaining, borrowing from Treasury and paying back with interest.

Diagram: CRS analysis of data from FEMA and Comptroller General reports

- Missing data for 1978, 1979; Congress appropriated funds 1980-1985 to pay NFIP debt
- Dark blue bars represent borrowing and cancellation of NFIP debt in 2017
NFIP claims for Harvey, Irma and Maria: $10.1 billion as of March 31, 2019
NFIP borrowing

- Borrowed $1.6 billion in January 2017; debt at $24.6 billion
- Borrowed $5.825 billion on September 22, 2017
- Reached borrowing limit of $30.425 billion on September 22, 2017
- Congress cancelled $16 billion debt on October 26, 2017
- Borrowed $6.1 billion on November 9, 2017; debt now $20.525 billion
Amount owed by NFIP to Treasury

$Billions FY Year End Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Owed</th>
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<tbody>
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<td>2000</td>
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<td>2018</td>
<td>20.0b</td>
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</tbody>
</table>

NFIP borrowing associated with major hurricane seasons

Katrina, Rita, Wilma $16.8b
Ike $1.64b
Sandy $6.25b
Louisiana, Matthew $1.6b
Harvey, Irma, Maria $5.825b, $6.1b

Dark blue bars represent borrowing and cancellation of NFIP debt in 2017

Diagram: CRS analysis of data from FEMA, November 8, 2017
The financial standing of the NFIP

- $5.551 billion available: $4.622 billion in National Flood Insurance Fund and $929 million in reserve fund
- $9.9 billion left in borrowing authority
- Since Katrina, NFIP has paid $4.2 billion in interest and $2.82 billion in repayments on principal

Photo credits:
- Hurricane Irma, Florida Keys, September 2017: Getty, Mark Wilson
Potential issues for reauthorization

- Outstanding debt
- Premium rates
- Affordability
- Barriers to private sector involvement
- NFIP resilience efforts
- Consumer participation