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THE NATIONAL FLOOD INSURANCE PROGRAM: HISTORY AND OVERVIEW

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The NFIP and U.S. flood losses



Hurricane Florence, September 2018



- **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



Hurricane Irma, Florida Keys, Sept. 2017



- **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



Hurricane Harvey, Texas, August 2017



- **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



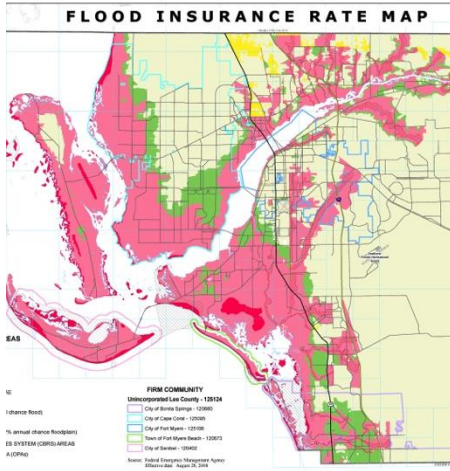
Hurricane Irma, Virgin Islands, Sept. 2017



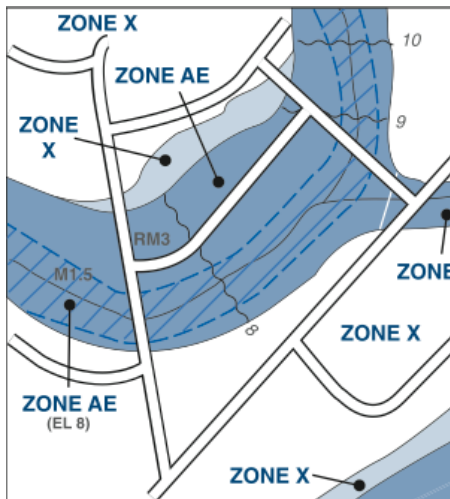
- **Communities volunteer to participate in NFIP to obtain access to flood insurance**
- **FEMA sets minimum standards**
- **Communities adopt and enforce floodplain management standards**
- **Communities can adopt higher standards through Community Rating System**
- **Communities can choose not to participate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



Hurricane Maria, Puerto Rico, Sept. 2017



- **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



Tropical Depression	Tropical Storm	Category 1	Category 2	Category 3	Category 4	Category 5
< 39 mph	39-73 mph	74-95 mph	96-110 mph	111-130 mph	131-155 mph	156+ mph

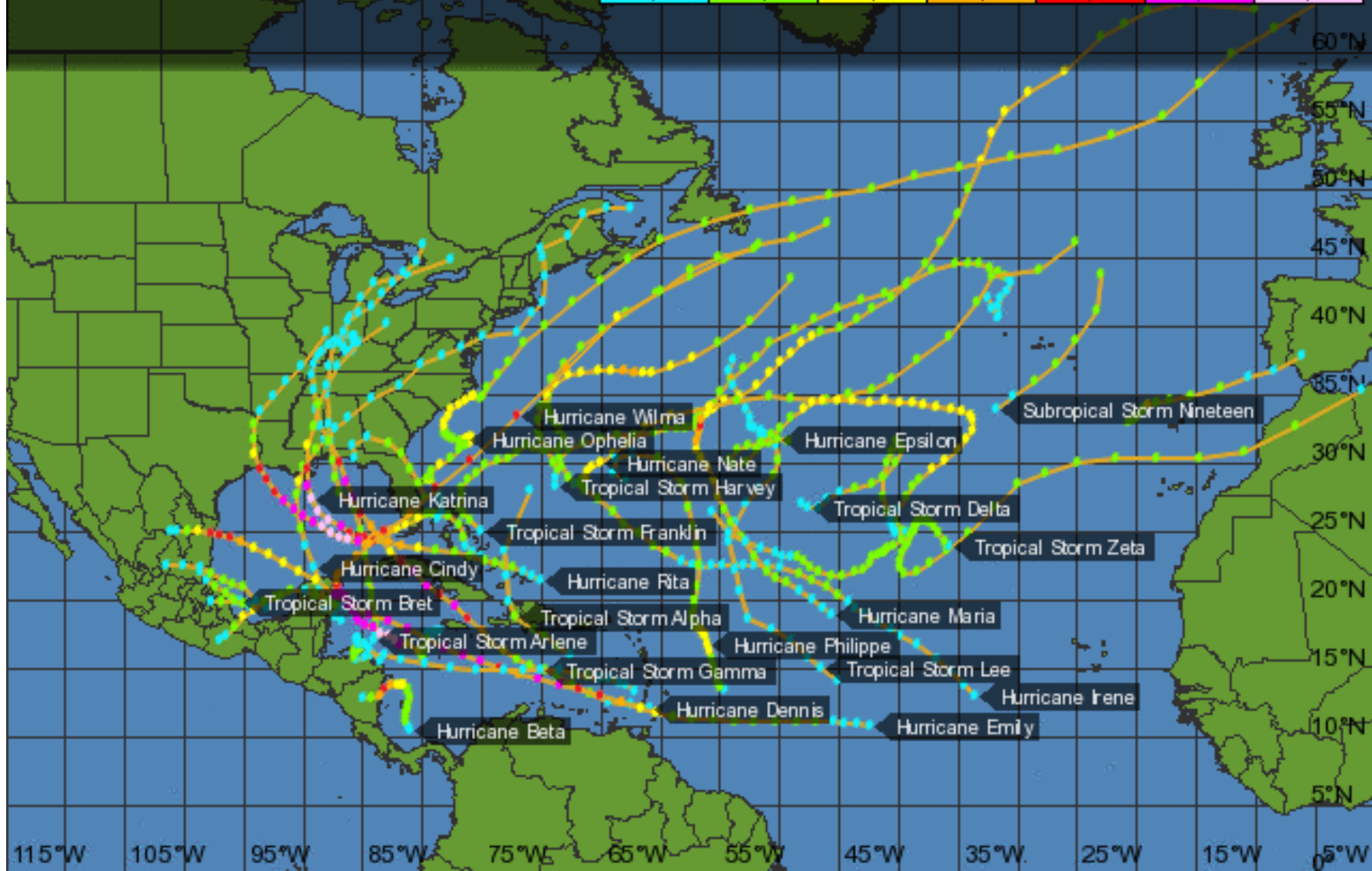
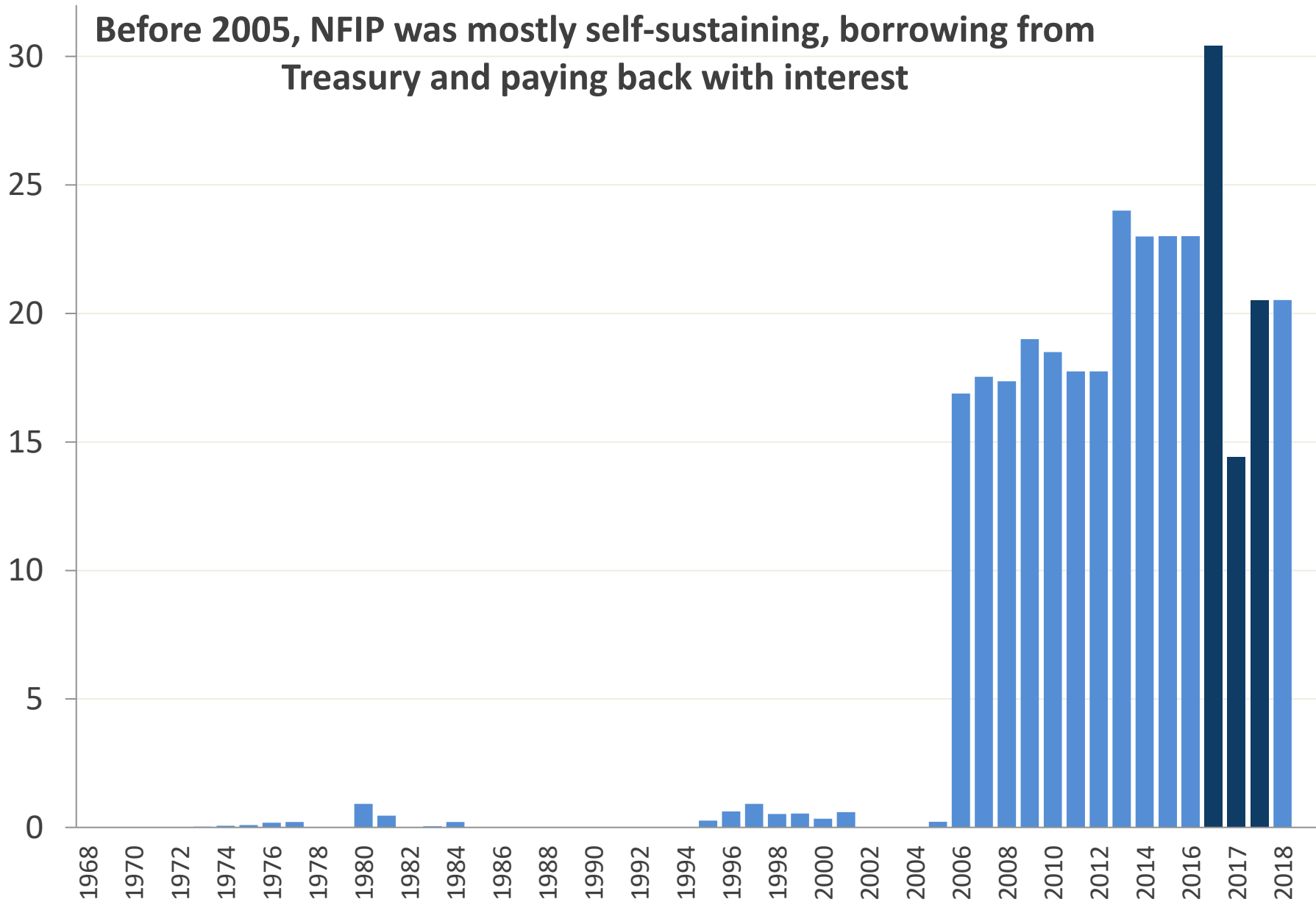


Diagram credit: Weather Underground

Before 2005, NFIP was mostly self-sustaining, borrowing from Treasury and paying back with interest

\$ Billions FY Year End Debt



NFIP claims for Harvey, Irma and Maria: \$10.1 billion as of March 31, 2019



NFIP borrowing



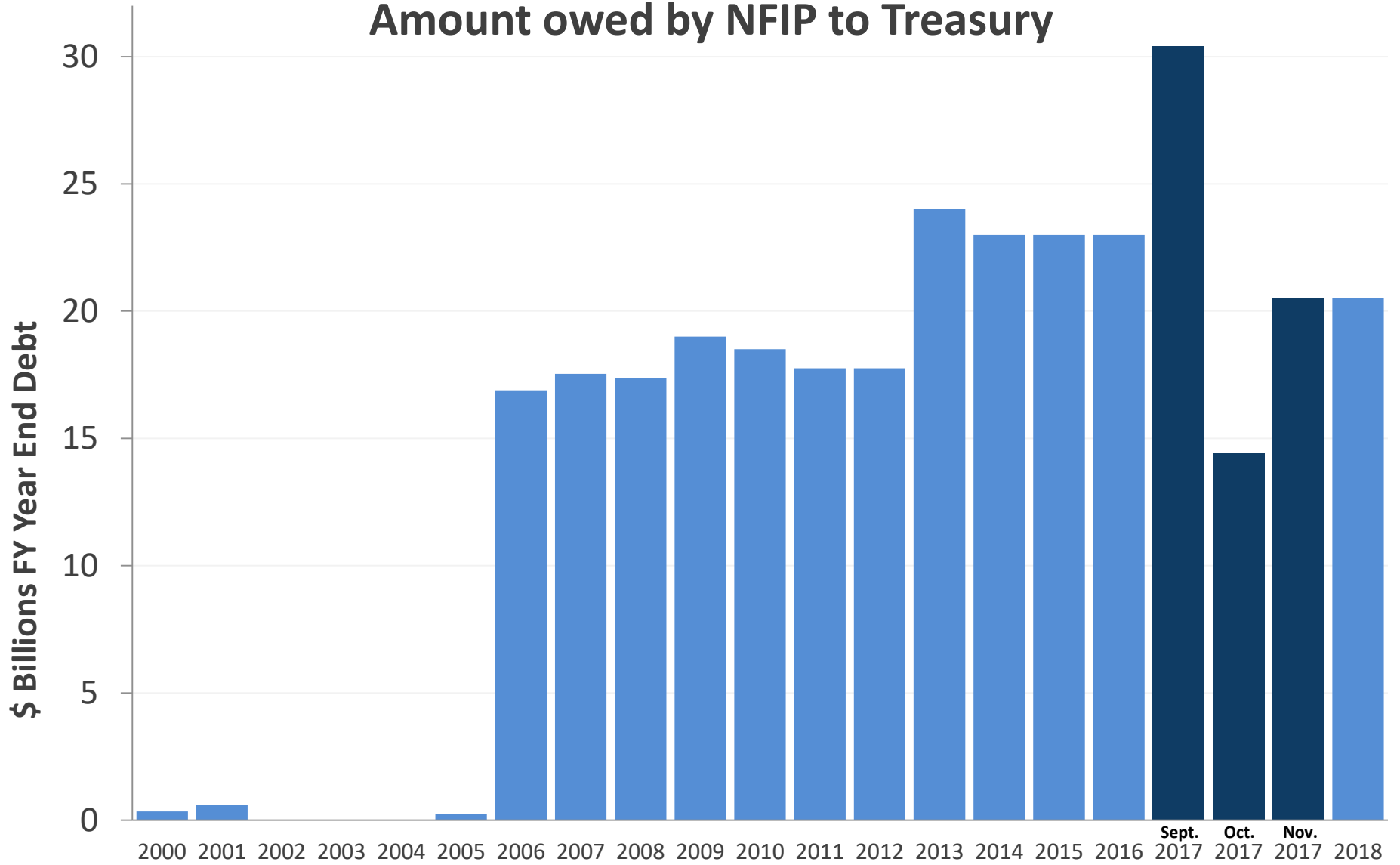
Hurricane Harvey, Houston, August 2017



- **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



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**



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**



Potential issues for reauthorization

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

GAO, Flood Insurance: *Comprehensive Reform Could Improve Solvency and Enhance Resilience*, GAO-17-245, April 2017.



Midwest floods, March 2019

