



**NATIONAL FLOOD  
INSURANCE PROGRAM**

# State of the NFIP

*8/20/2015*

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*National Flood Insurance  
Program*



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# By The Numbers

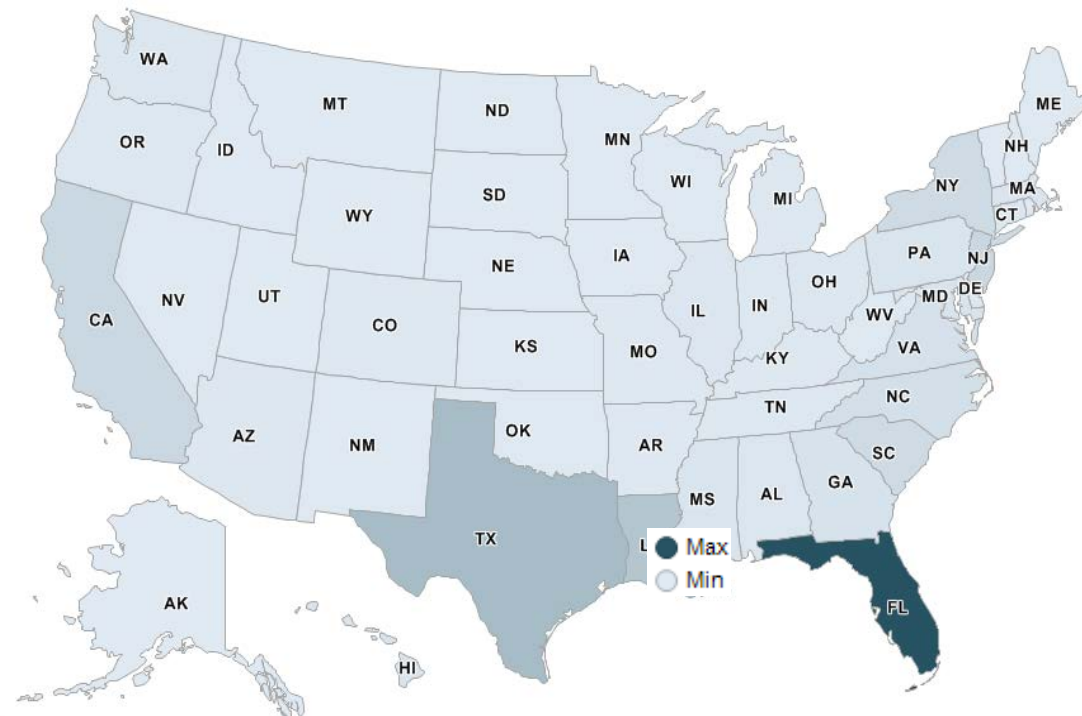
- **Flood policies in Force:** 5,260,438
- **Insurance in Force:** \$1,272,439,439,000
- **Part. Communities:** 22,085
- **Cash On Hand:** ~\$ 1 Billion
- **Available to borrow:** \$ 7.425 Billion
- **Outstanding borrowing:** \$23 Billion



# Policies-in-Force By State

The top five states that account for 66% of total PIF:

- Florida - 37.0% of PIF
- Texas - 11.4% of PIF
- Louisiana - 9.0% of PIF
- New Jersey - 4.5% of PIF
- California - 4.4% of PIF



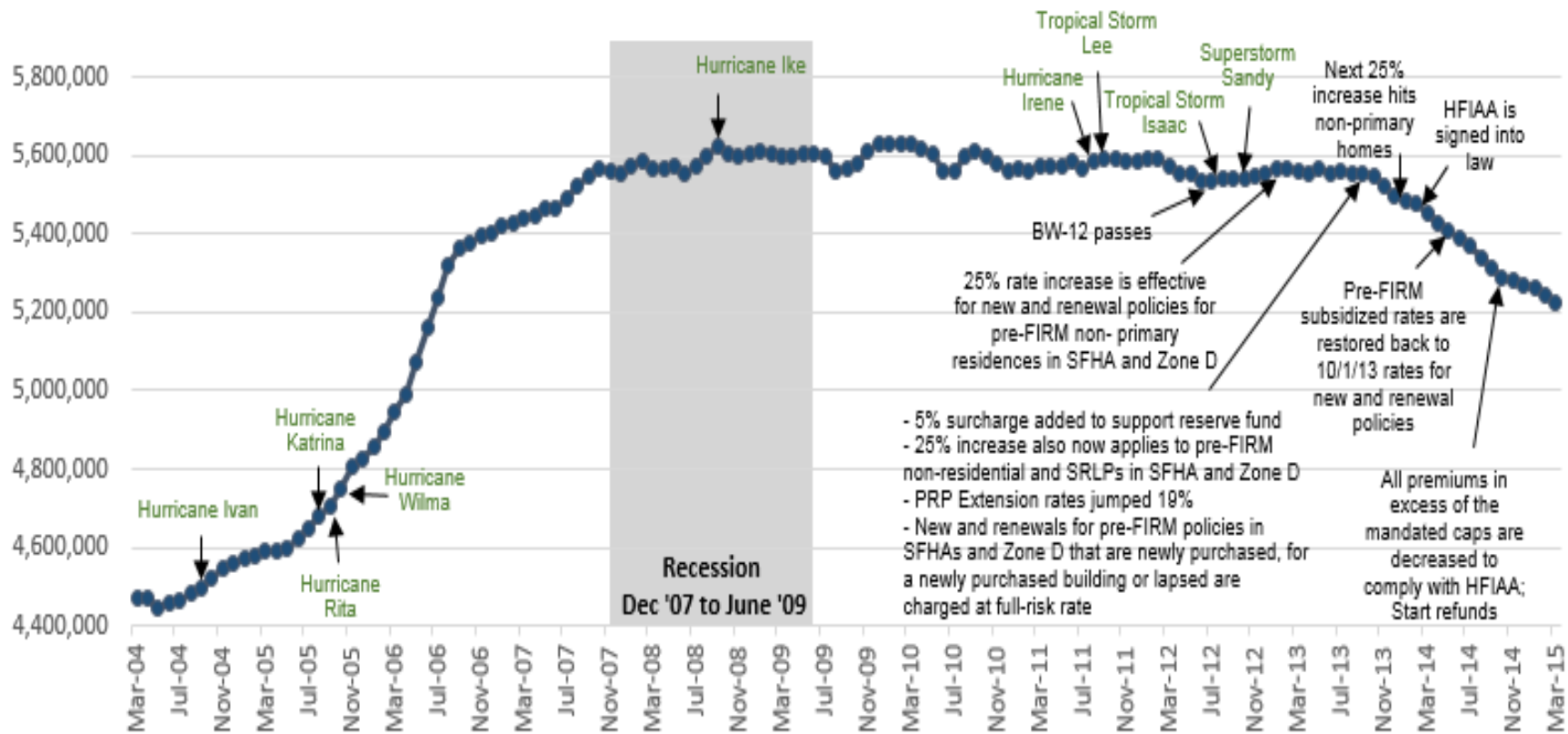
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# Decline in Policies in Force

- Cost increases
- Complicated rules
- Mandatory purchase enforcement
- Fewer mortgages
- Private markets
- Force Placed
- Lack of floods
- Brand Issues



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Unemployment Rate

Number of Foreclosures

New Home Sales



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# SFHA Policy Penetration

- Significant amount not in compliance - **only 53% have policies.**
  - 1.5MM residential structures are required to have flood insurance, but only 783K structures are insured.

Top 10 Compliant States

State	Total Structures with Policy Coverage	Total Structures	Mandatory Purchase Requirement Penetration Rate
LA - Louisiana	39,793	49,278	80.75%
SC - South Carolina	27,387	37,979	72.11%
NY - New York	23,336	39,169	59.58%
FL - Florida	403,652	702,758	57.44%
TX - Texas	58,763	102,607	57.27%
DE - Delaware	1,753	3,107	56.42%
NJ - New Jersey	33,131	61,710	53.69%
CA - California	63,862	119,728	53.34%
NV - Nevada	3,080	5,796	53.14%
AL - Alabama	3,186	6,184	51.52%

Bottom 10 Compliant States

State	Total Structures with Policy Coverage	Total Structures	Mandatory Purchase Requirement Penetration Rate
MN - Minnesota	830	8,358	9.93%
ME - Maine	262	2,260	11.59%
UT - Utah	230	1,893	12.15%
KS - Kansas	16	96	16.67%
MT - Montana	15	88	17.05%
NH - New Hampshire	844	4,656	18.13%
ID - Idaho	32	149	21.48%
HI - Hawaii	1,910	8,173	23.37%
MO - Missouri	2,208	9,052	24.39%
WI - Wisconsin	1,555	6,340	24.53%



# BW-12 & HFIAA Chronology

- JULY 6, 2012. Biggert-Waters Reform Act of 2012 (BW-12) signed into law.
- JANUARY 1, 2013. Non-primary Single Family residences see 25% increase for new/renewing policies.
- APRIL 1, 2013. Reserve Fund Assessment introduced; 5% for most policies.
- **OCTOBER 1, 2013**.
  - New/renewing pre-FIRM policies in the SFHA policyholders needed an Elevation Certificate to be actuarially rated. If no EC provided, policyholders could be offered a policy using Tentative Rate Tables, thus allowing them up to a year to acquire an EC, or policy could be force placed by lender.
  - Pre-FIRM SRL and pre-FIRM SD/SI policies see 25% increase.
- MARCH 21, 2014. HFIAA passed by Congress. Pre-FIRM subsidized policies reinstated with premium caps set at 18%. (The 25% categories remain unchanged).
- OCTOBER 1, 2014. Flood insurance manual became baseline for HFIAA mandated premiums.
- DECEMBER 22, 2014. Flood Insurance Advocate office, mandated by HFIAA, stood up.
- DECEMBER 31, 2014. Refunds for some BW-12 impacted policies completed. BW-12 impacted policies written between October 1, 2013 and September 30, 2014.
- **APRIL 1, 2015**. Premium cap of 18% and HFIAA surcharges added; Reserve Fund Assessment and Federal Policy Fee amended.
- NOVEMBER 1, 2015. Non-residential occupancy “business” defined.



# RESERVE FUND & HFIAA SURCHARGE

- RESERVE FUND
  - Authorized under BW-12 to build a catastrophic reserve fund for future events
  - First implemented April 1, 2013
- HFIAA SURCHARGE
  - To maintain affordability for subsidized policies, HFIAA slowed elimination of subsidy.
  - To support financial stability, Congress mandated surcharge to offset slowdown of subsidy elimination.
  - Surcharge will continue until subsidy is eliminated.
  - Surcharge revenue will go into Reserve Fund to help cover cost of future claims and pack back debt.





# 18% Cap on Premium Increases

The October 1, 2014 Flood Insurance Manual aligns rates with a 18% annual cap (rating tables) on most individual policyholders.

- Established the baseline rates from which the 18% cap will be based.

## EXCEPTIONS to 18% cap

1. **Pre-FIRM non-primary residences (25%)**
  - Implemented starting January 1, 2013
2. **Pre-FIRM Severe Repetitive Loss properties (25%)**
  - Implemented starting October 1, 2013
3. **Pre-FIRM Substantially Damaged & Substantially Improved properties (25%)**
  - Implemented starting October 1, 2013
4. **Pre-FIRM non-residential “businesses” (25%)**
  - Currently capped at 18%. FEMA must develop definition of “business” (November 1, 2015 FIM); NON-residential policies can include businesses, warehouses, barns, etc. Implementation of PRE-FIRM business rating November 2016 or later.



# November 1, 2015

## Flood Insurance Manual

- Procedure to identify business properties to implement the 25% annual increase on pre-FIRM subsidized business properties.
  - Non-Residential building use questionnaire
- Rate tables modified with additional rates for buildings with the lowest floor below BFE.



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# Flood Insurance Advocate

## (HFIAA)

- Assists in understanding how to appeal preliminary rate maps and implementing measures to mitigate evolving flood risks;
- Coordinates outreach and education with local officials and community leaders in areas impacted by map amendments and revisions;
- Aids potential policy holders in obtaining and verifying accurate rate information when purchasing or renewing a policy.
- Effective December 22<sup>nd</sup>, 2014
- [insurance-advocate@FEMA.dhs.gov](mailto:insurance-advocate@FEMA.dhs.gov)
- <http://www.fema.gov/national-flood-insurance-program-flood-insurance-advocate>



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# AFFORDABILITY STUDY

- HFIAA required a affordability study to be conducted by the National Research Council of the National Academy of Sciences.
- HFIAA requires the submission of the Affordability Study by the FEMA Administrator in 18 months from enactment of the Act.
- Two reports to be submitted:
  - February 2015
  - September 2015



# *Affordability of National Flood Insurance Program Premiums: Report 1*

- Is the first part of a two-part study to provide input as FEMA prepares their draft affordability framework.
- Discusses the underlying definitions for an affordability framework and describes the affordability concept and applications and program policy options.
- Gives an overview of the demand for insurance and the history of the NFIP premium setting.
- Describes alternatives for determining when the premium increases resulting from Biggert-Waters 2012 would make flood insurance unaffordable.
- <http://www.nap.edu/catalog/21709/affordability-of-national-flood-insurance-program-premiums-report-1>



# *Affordability of National Flood Insurance Program Premiums: Report 2*

- Study coming out November 2015.
- Study will NOT be the results of an affordability cost/benefit analysis.
- Study will be the design of a nationwide affordability study, with a proof of concept for the study from North Carolina.
- Why isn't it delivering results?
  - Data needed to know the full risk premiums for subsidized and grandfathered structures is not available and cannot be easily obtained. The NAS study is recommending ways to address lack of data.



# AFFORDABILITY FRAMEWORK

- FEMA's recommendation to Congress on how to deliver an affordability program.
- NAS gave FEMA the questions that need to be asked (reports 1 & 2) that framework.
- Not funded.
- New team.
- To be delivered to Congress Spring 2017.



# COMMUNITY BASED INSURANCE

A single insurance policy for an entire community--which may be more effective and less expensive than administering separate policies for each property within a given community.

A community-based flood insurance option may create new opportunities to reduce flood losses, but is unlikely to provide the single solution to the nation's pressing flood insurance problems.

Either as a stand-alone policy option or as part of a suite of policies, a community-based flood insurance option will need to address specific challenges like increasing policy takeup rates, reducing administrative costs, and enhancing floodplain management.

<http://dels.nas.edu/Report/Community-Based-Flood-Insurance-Option/21758>



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