

# Managing Natural Disaster Risk:



FEMA's Strategic Direction for the  
National Flood Insurance Program (NFIP) and  
National Mitigation Investment Strategy (NMIS)



# Presentation Overview

- **National Flood Insurance Program**
  - Overview
  - 2017 hurricanes
  - Insurance moonshot
  - Reinsurance
  - NFIP reauthorization
- **National Mitigation Investment Strategy**
  - Mitigation moonshot
  - Overview of the draft strategy
  - Seeking feedback

# National Flood Insurance Program

Floods continue to be the most common and costly natural disaster in the United States, affecting every region and state.

Congress created the NFIP in 1968 to reduce the financial and human toll of flooding disasters on the nation.



- **Over 22,300** NFIP-participating communities in all **50 states** and **6 territories**
- **\$1.27 trillion** in coverage for **5.1 million** policyholders
- **\$20.5 billion** debt to the U.S. Treasury

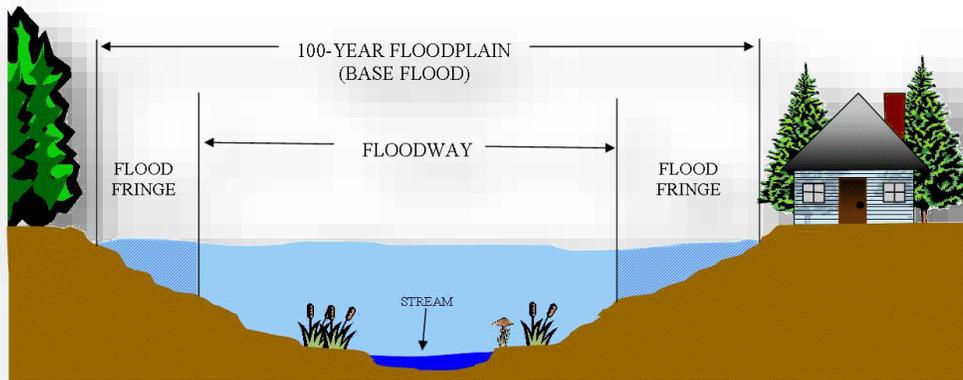
# Elements of the NFIP

## Identify Risk

- FEMA identifies flood hazards through scientific and engineering methods
- FEMA maps hazards on Flood Insurance Rate Maps (FIRMs)
- FIRMs used for floodplain management, flood insurance, and risk communication

## Mitigate Risk

- Participating communities' floodplain management regulations must meet or exceed the NFIP minimum requirements
- Flood Mitigation Assistance (FMA) funds projects and planning that reduce or eliminate long-term risk of flood damage to NFIP-insured structures



## Insure Flood Risk

- For homeowners, renters, and business owners with eligible structures in participating communities
- 65 private insurance companies write NFIP coverage under their own names
- FEMA underwrites all NFIP policies, and also writes some through NFIP Direct

# 2017 Hurricanes

This year, we enhanced the NFIP claims process to help disaster survivors quickly begin their recovery

**91,600**

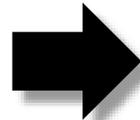
claims submitted from  
Hurricane Harvey

**32,500**

claims submitted from  
Hurricane Irma

**700+**

claims submitted from  
Hurricane Maria



As of February 2018,  
the NFIP has paid  
over

**\$9.1 billion**

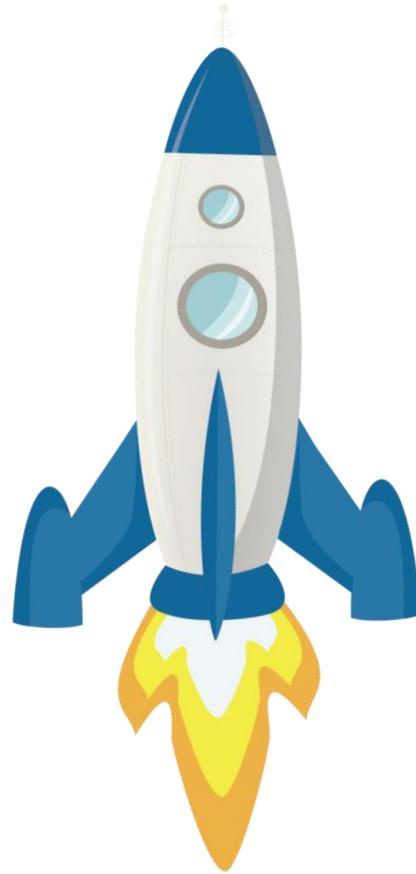
to insured survivors of  
hurricanes Harvey, Irma, and  
Maria



# Federal Insurance and Mitigation Administration (FIMA) Moonshots



Double  
the  
Coverage



Quadruple  
the  
Investment in Mitigation

# NFIP Customer Experience

To reach our moonshots, we are working to transform the NFIP into a provider that our policyholders and communities value and trust. FEMA is developing:



# Path Forward

## **We must change the social norm around flood insurance.**

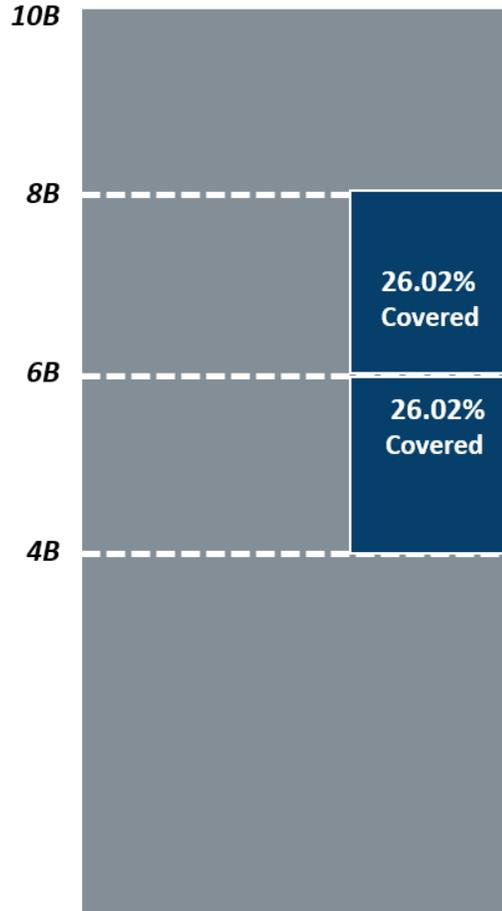
- People pay to insure their cars, their health, their lives, their businesses, and their homes from fire, wind, and hail – why not from flood?
- It's in all of our best interests to build more resiliency in our communities and flood insurance is one sure way to do that.
- We've set an ambitious goal for ourselves and the NFIP in the hopes of changing national thinking around flood insurance.



# NFIP Reinsurance Program

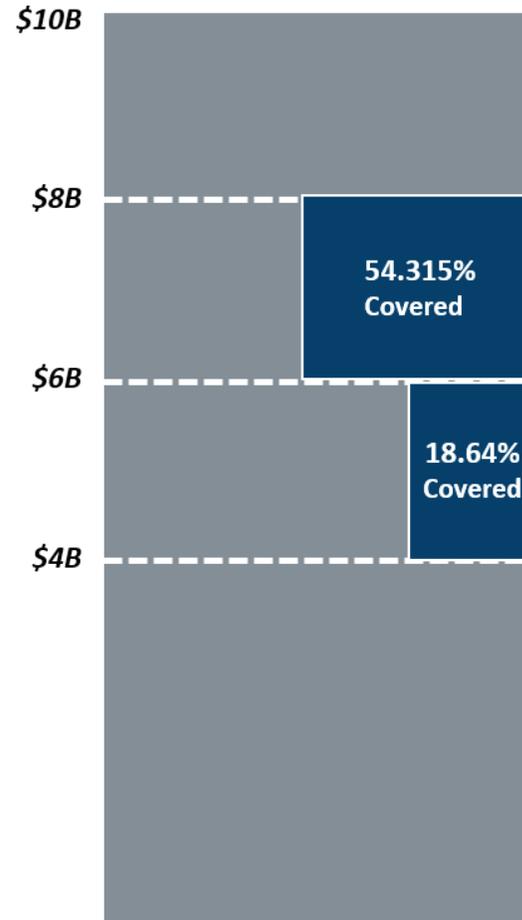
Reinsurance and similar risk transfer mechanisms allow FEMA to diversify the tools it uses to manage the financial consequences of the NFIP's catastrophic flood risk – **strengthening the program's financial framework**

**2017 Reinsurance Placement Program Structure**



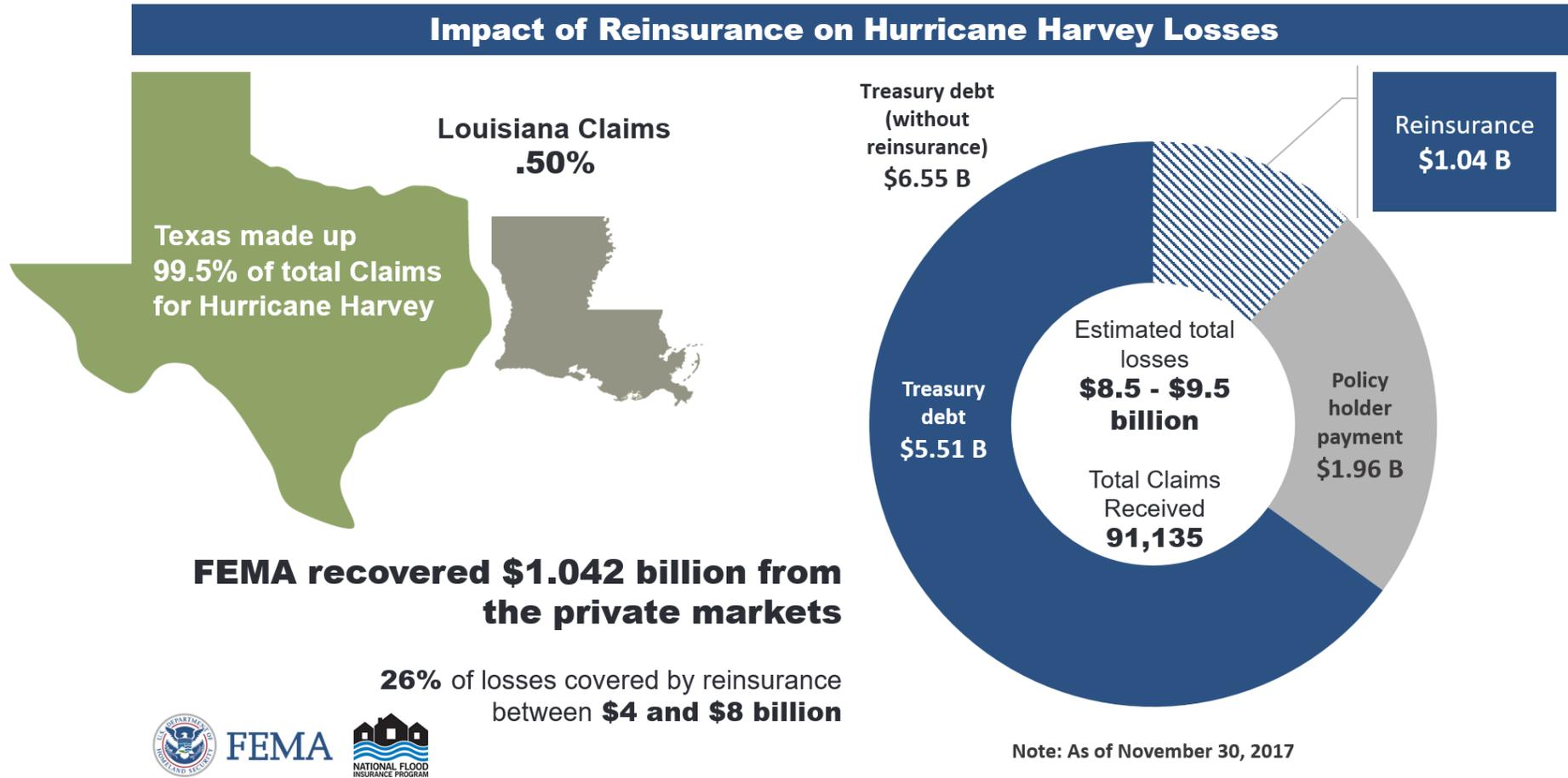
- Transferred \$1.0452B in NFIP flood risk to reinsurers
- Covers qualifying flood losses from a single flood event that occurs in calendar year 2017
- FEMA paid a total premium of \$150 million for coverage

**2018 Reinsurance Placement Program Structure**



- Transfers \$1.4591 billion in NFIP flood risk to reinsurers (40 percent increase from 2017)
- Covers qualifying flood losses from a single flood event that occurs in calendar year 2018
- FEMA paid a total premium of \$235 million for coverage

# Hurricane Harvey Triggered the 2017 Placement



# NFIP Reauthorization

- Congress must reauthorize the NFIP by no later than **March 23, 2018**
- If the authorization lapses, FEMA must stop selling and renewing policies for millions of properties in communities across the nation
- FEMA has provided extensive support to Congressional deliberations

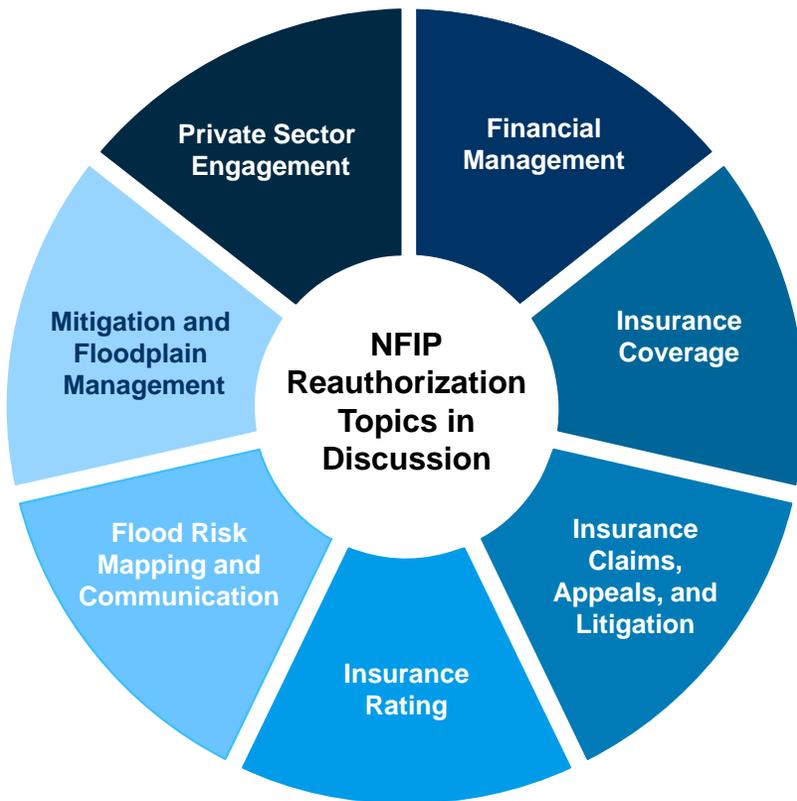


**“Through a timely, multi-year reauthorization, Congress would enable FEMA to continue supporting those who take steps to protect their homes and businesses.”**

-- Roy Wright, Deputy Associate Administrator; testimony before the Senate Banking Committee on March 14, 2017.

# NFIP Reauthorization Topics and Principles

## Principles Guiding FEMA's Engagement on NFIP Reauthorization



### Timely, Multi-Year Reauthorization

Promote stability in the real estate and mortgage markets and allow FEMA to continue improving the program.

### Create a Sound Financial Framework

NFIP reauthorization is an opportunity for Congress to take bold steps to transition the NFIP to a more sound financial framework.

### Increase Flood Coverage

Flood insurance – whether purchased from the NFIP or private carriers – enables insured survivors to recover more quickly and more fully after flood events.

### Improve the Customer Experience

Transform the NFIP into a simple experience that customers value and trust.

# Recognizing the NFIP's 50<sup>th</sup> Anniversary



“Insurance is the first line of defense for disaster recovery.”

**Brock Long**  
FEMA Administrator

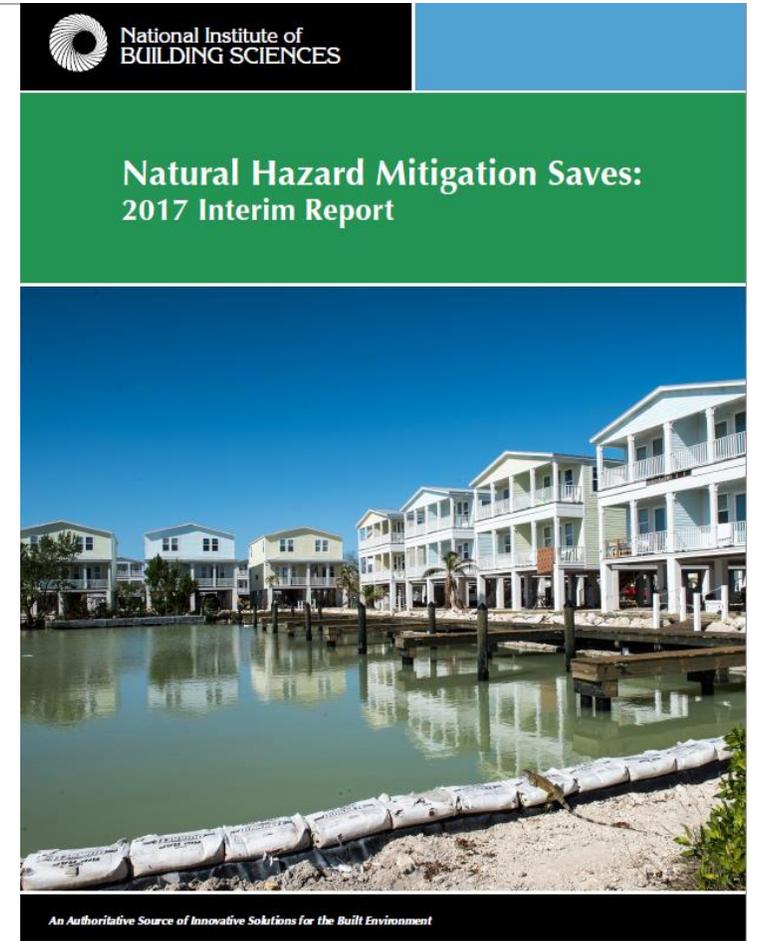
# Federal Insurance and Mitigation Administration (FIMA) Moonshots



# Mitigation Saves 2.0 – 2017 Interim Report Released 1/11/18



National Benefit-Cost Ratio (BCR) Per Peril <i>*BCR numbers in this study have been rounded</i>		Beyond Code Requirements	Federally Funded
<b>Overall Hazard Benefit-Cost Ratio</b>		<b>\$4:1</b>	<b>\$6:1</b>
<b>Riverine Flood</b>		\$5:1	\$7:1
<b>Hurricane Surge</b>		\$7:1	Too few grants
<b>Wind</b>		\$5:1	\$5:1
<b>Earthquake</b>		\$4:1	\$3:1
<b>Wildland-Urban Interface Fire</b>		\$4:1	\$3:1



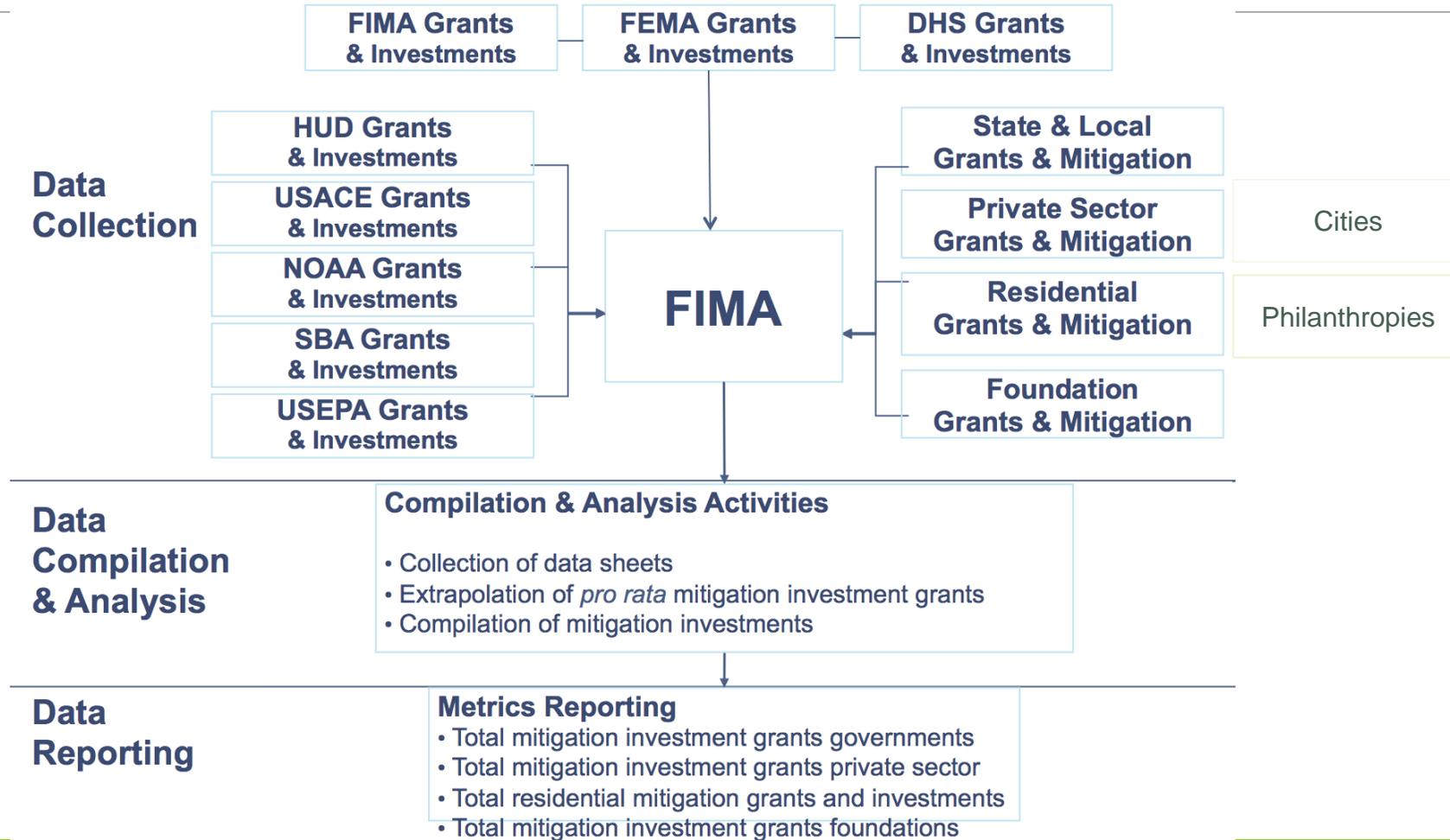
Accessible via: <https://www.fema.gov/media-library/assets/documents/156979>

# Mitigation Investment Moonshot

## Baselining Mitigation Spending



### Methodology



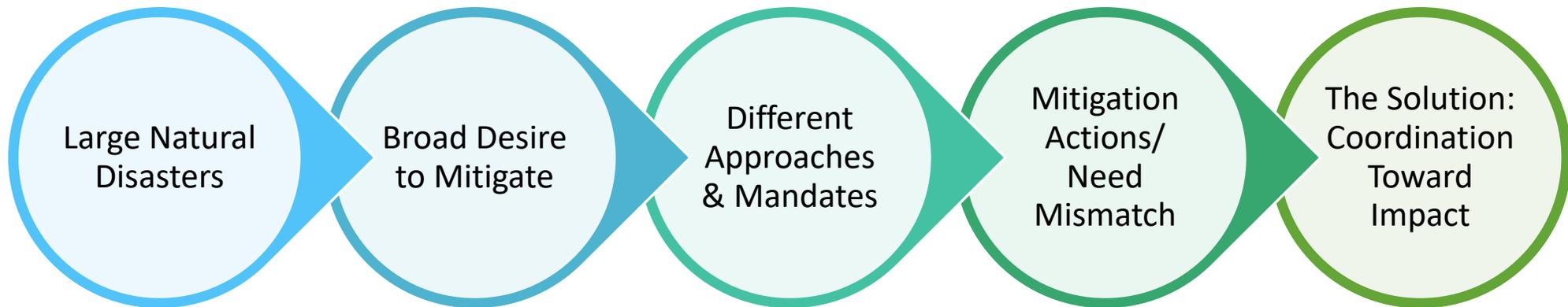
# Draft National Mitigation Investment Strategy



A REQUEST FOR FEEDBACK

JANUARY 11-MARCH 11 2018

# Why a National Mitigation Investment Strategy (NMIS)?



**In order for our nation to become more resilient, we must develop more effective approaches to closing the hazard mitigation and insurance gap.**

# Development of the NMIS



**Original Tasking:** Establish an investment strategy to identify, prioritize, and implement federal investments in disaster resilience that will limit the nation’s fiscal exposure to disaster losses

**Shifting Perspective:** Stakeholders challenged the value of a “federal-only” mitigation strategy, articulating that the challenge for mitigation is to align efforts across all levels of government



# Goals for the NMIS Recommendations



Increase the effectiveness of existing federal programs in reducing disaster losses and increasing resilience



Incentivize significantly greater state, local, tribal, territorial and private sector responsibility and contributions to long-term risk reduction



Provide guidance to federal agencies and departments, as well as state, local, tribal, territorial entities and the private sector, to consider in making resource allocation decisions

# NMIS Outcomes

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**Outcome 1 (Improved Coordination)**: Coordination of risk mitigation and management improves between and among federal, public, private, and non-profit sector entities.

**Outcome 2 (Innovative Financing)**: Private and non-profit sector entities increase their investments in mitigation and provide more innovative financing approaches.

**Outcome 3 (Shared Accountability)**: State, local, tribal, and territorial governments increasingly empowered to lead risk reduction activities and share responsibility and accountability with the federal government.

**Outcome 4 (Access to Data)**: Public, private and non-profit sector entities develop and share more of the data and tools needed to make risk-informed mitigation investments.

**Outcome 5 (Risk-Informed Communication)**: Public, private, and non-profit sector entities improve risk communication, leading to more risk-informed mitigation investments by individuals and communities.

**Outcome 6 (Resilient Built Environment)**: The built environment — whether grey or nature-based infrastructure, and including lifeline infrastructure, buildings and homes — becomes more resilient and promotes community resilience.



# The Need for Feedback

## The Goal

Get as much input as possible to make the NMIS a relevant and helpful document for all national mitigation stakeholders.

## The Ask

Review the NMIS outcomes and recommendations and provide feedback:

- What works?
- What doesn't?
- Where has this worked?
- What is missing?

## The Format

Drafted NMIS outcomes, recommendations, & feedback questions

# Providing Your Input



Please provide your input about mitigation and resilience issues, gaps, and opportunities. Opportunities to engage →

- **Comment period:** January 11 – March 11, 2018
- Draft National Mitigation Investment Strategy & fact sheet accessible at: <https://www.fema.gov/media-library/assets/documents/116787>
- **Email:** Share your ideas directly by e-mail the NMIS team at [fema-nmis@fema.dhs.gov](mailto:fema-nmis@fema.dhs.gov)
- **IdeaScale:** You can also submit comments to the FEMA IdeaScale forum titled **“Mitigation Investment for the Nation”** at <http://fema.ideascale.com>.
- **Other Opportunities:** Publish information in a newsletter, invite the NMIS team to address your meeting or conference, and participate in an NMIS webinar (opportunities to be announced).