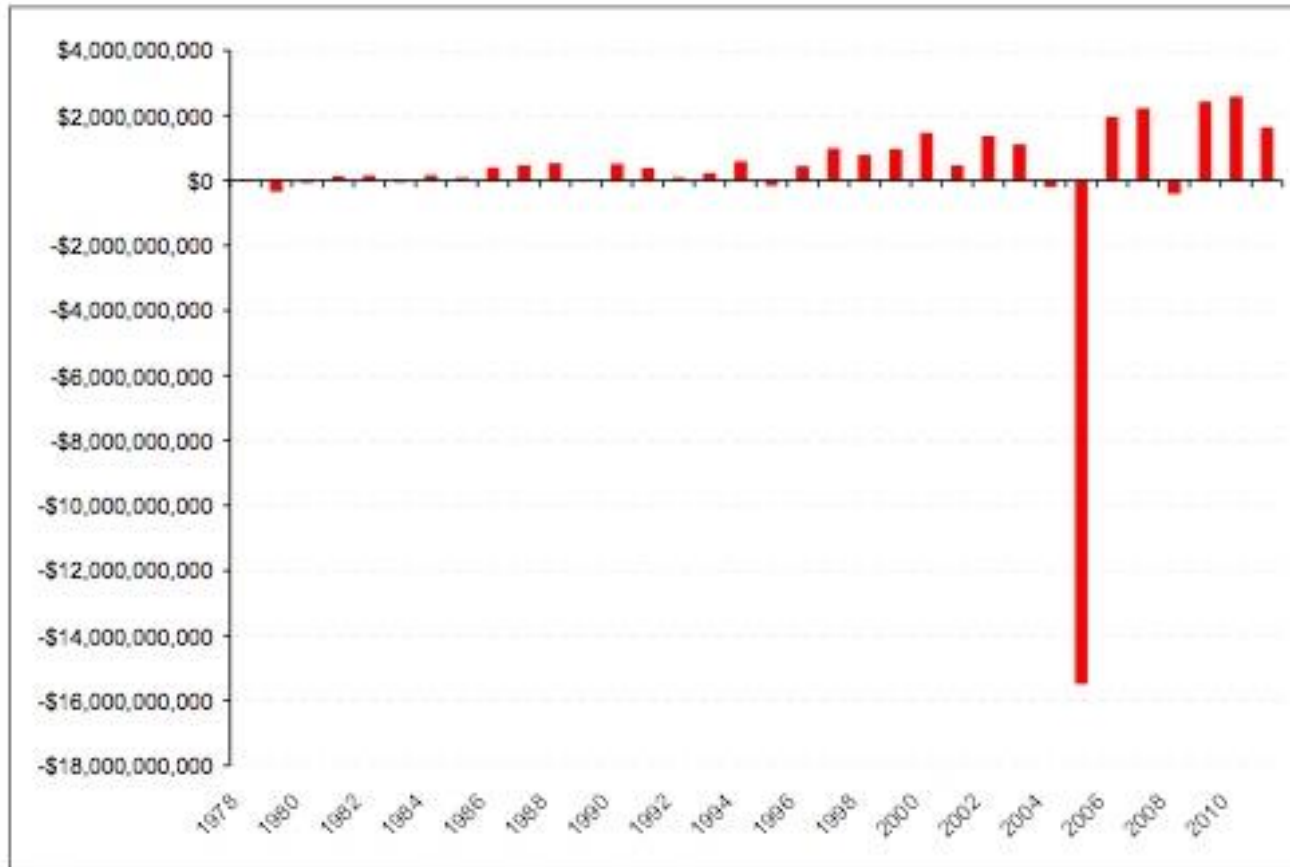


Is the Flood Program really extremely underfunded?

Figure 1. Difference Between Total Premiums Written and Total Payments Made to Policyholders Under the National Flood Insurance Programs: 1978-2011

(\$ nominal)



Source: CRS presentation based on data from the Federal Emergency Management Agency.

\$41 billion
paid in
claims over
the life of
the program

Remove Katrina from this graph and the flood program appears to be taking in more than it's paying out in losses. While Katrina must be accounted for, the fact that it is a 1-100 year event and a significant amount of the losses were due to failed or inadequate levies suggests that it's possible to develop economically sound solutions that are less dramatic than those imposed by the Biggert-Waters Act.

Table 5. Total Repetitive Flood Loss Properties in the NFIP: 1978-2011

(as of December 31, 2011: \$ nominal)

Building Payments	\$9,332,087,006
Contents Payments	\$2,768,293,788
Total payments	\$12,100,980,774
Average payment	\$24,388
Number of Losses	496,178
Number of Properties	166,368

Source: U.S. Department of Homeland Security, Federal Emergency Management Agency.

\$12 billion paid in repetitive claims

Thirty percent of the payments made during the life of the flood program are repetitive. Sensible mitigation and levy work can mitigate costs.



First, under the current flood risk management regulatory framework, residents who have a federally backed mortgage and live in a floodplain are required to have insurance against flood. However, these individuals often do not purchase the mandatory insurance coverage. Estimates are that only 15% to 25% of at-risk properties in Special Flood Hazard Areas (SFHA) in the Northeast were insured for flood losses.⁸ Only 38,785 residential and business policies were in force in New York City, out of an estimated 7.2 million households (2010 census), as of August 31, 2012; and only 8,129 households (out of about 39,000 households) and businesses in Atlantic City, NJ, had federal flood insurance coverage.⁹ Nationally, recent reports suggested that only 18% of Americans in flood zone areas have flood insurance, which raised the possibility of high uninsured flood-related losses.¹⁰ The transition toward full-actuarial rates could create an increasing financial burden on federal taxpayers who often fund emergency supplemental appropriations for disaster relief assistance.

“Nationally, recent reports suggested that only 18% of Americans in flood zone areas have flood insurance, which raised the possibility of high uninsured flood-related losses. . . an increasing financial burden on federal taxpayers who often fund emergency supplemental appropriations.

Coastal Residents
want
all-peril (flood & wind) policies
so that they're not trapped
in gamesmanship over
flood vs wind losses

