



FEMA



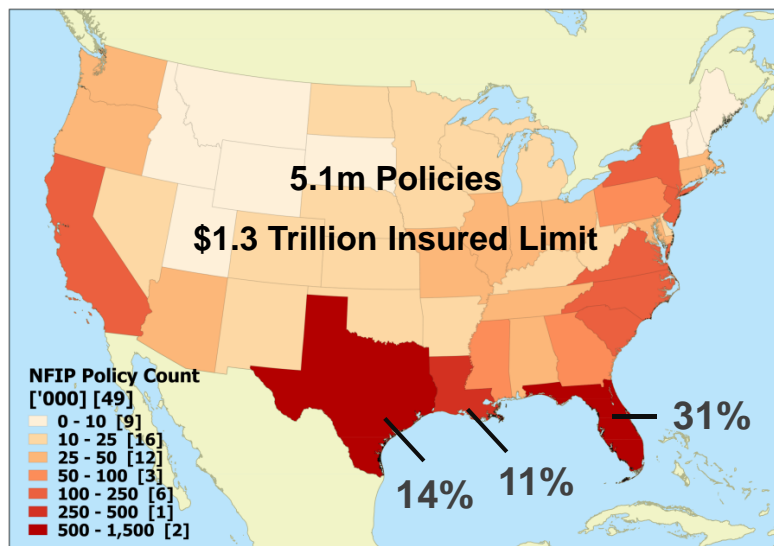
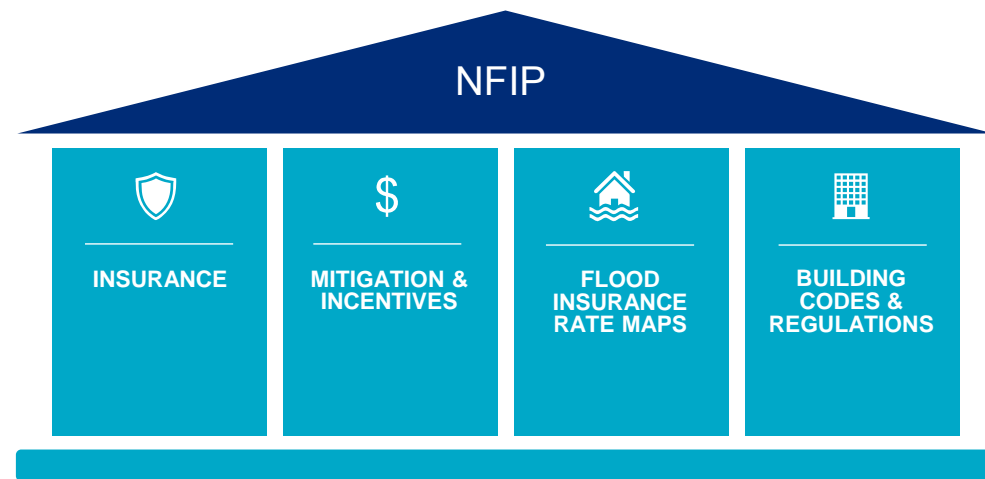
Federal Emergency Management Agency The National Flood Insurance Program

June 9, 2017 – Presentation to Advisory Committee
on Risk Sharing Mechanisms



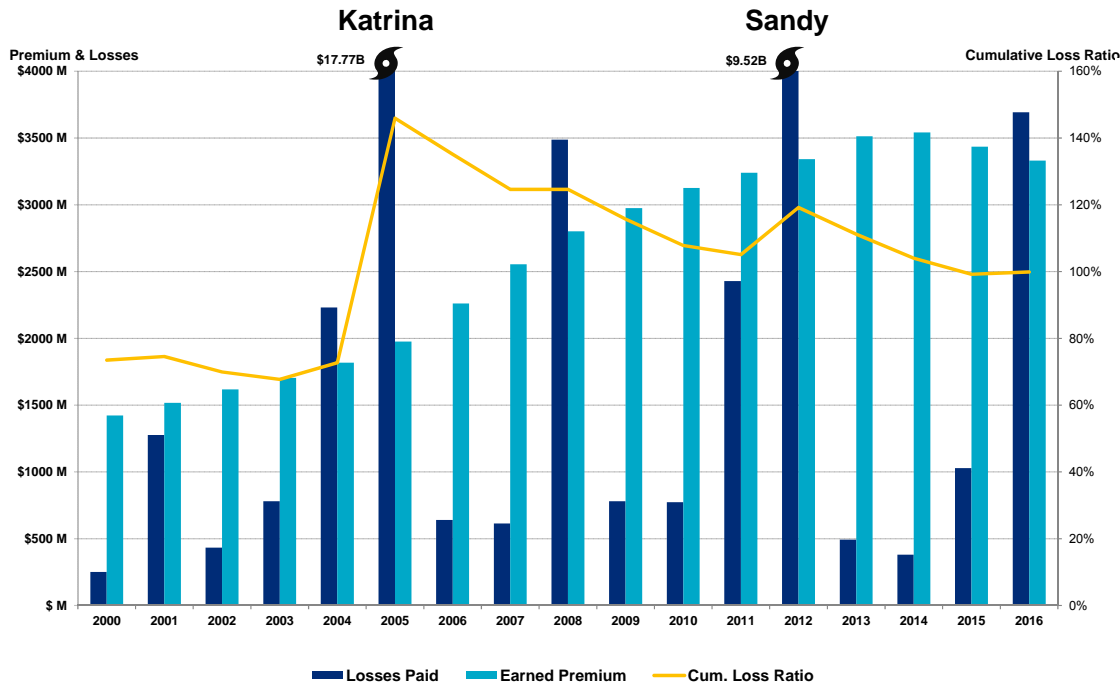
National Flood Insurance Program...it is not all about flood insurance

2016 Flood policies in Force	5.1 Million
Insurance in Force	\$1.25 Trillion
Communities	22,235
Cash On Hand	\$1.08 Billion
Reserve Fund	\$160 Million
Available to borrow	\$5.8 Billion
Outstanding borrowing	\$24.6 Billion

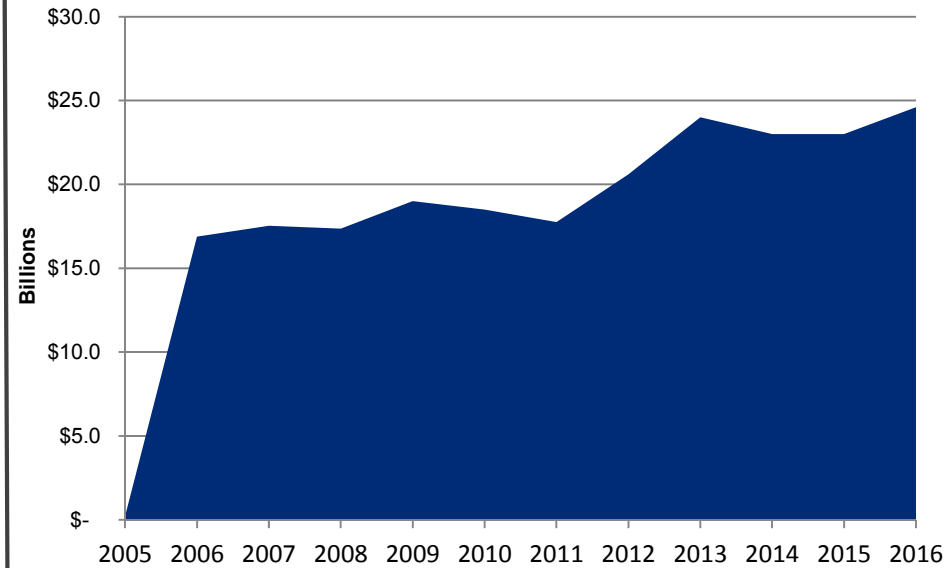


The 21st Century has brought a new landscape.....

Earned Premium & Loss Paid by Year

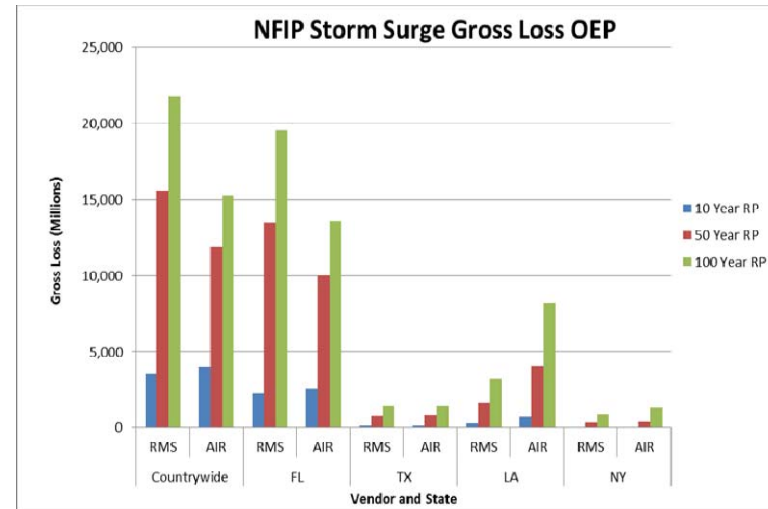
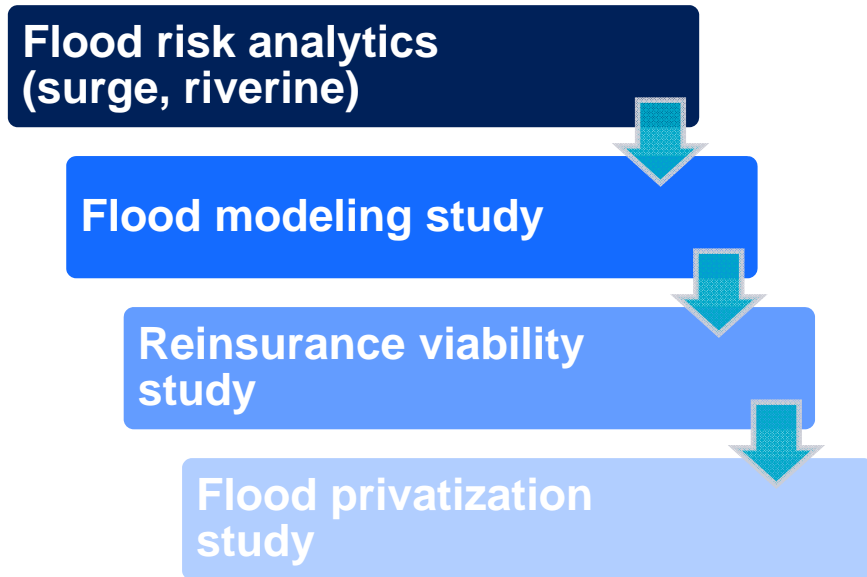


NFIP's obligation to the US Treasury

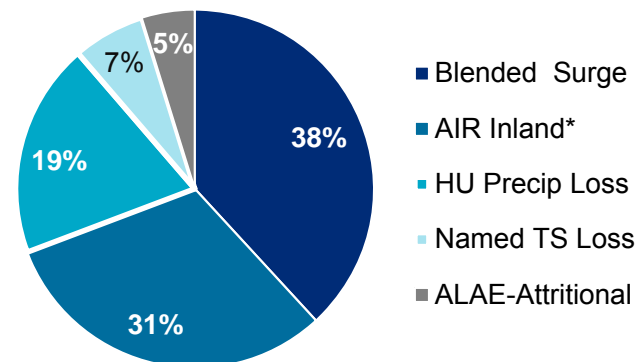


Source: FEMA website

2012 NFIP Reauthorization and The Flood Insurance Risk Study (FIRS)



Annual Average Loss



* Scaled to reflect NFIP experience

2016 FEMA becomes first Federal Agency to secure reinsurance

Phase 1 – Administrative Reinsurance Test (ART):



GOALS

- Execute reinsurance placement per authority granted to FEMA
- Test internal processes to ensure smooth reinsurance build-out
- Keep it simple, but achieve robust system check



PROGRAM PARAMETERS

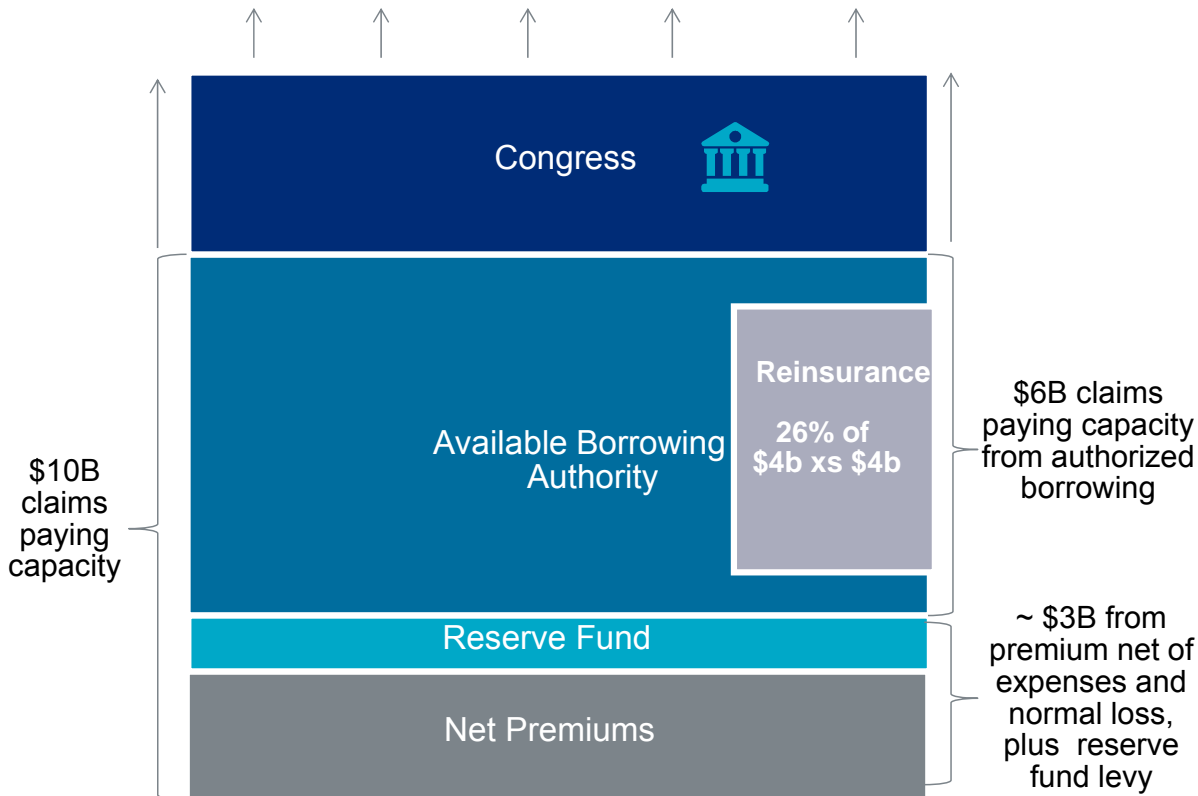
- Term: 9/19/16 – 3/19/17
- Reinsured Limit: \$1,000,000 with 1 reinstatement
 - Limit 1: Aggregate Coverage xs \$5.0 Million
 - Limit 2: Occurrence Coverage xs \$5.5 Billion



MECHANICS

- Premium mechanics designed to tested billing processes
- Program designed to experience loss and test claim reporting and collection processes

2017 NFIP expand reinsurance with its “Cornerstone” Placement



Summary

- Occurrence based coverage
- \$150M premium spend
- 25 reinsurers on the panel
- Very good response in challenging circumstance

Issues & Challenges

- Creating Stakeholder Buy-In & Related Risk Metrics
- Federal Regs v. Market Practice
- Handling Data & Completing Analytics
- Establishing Reinsurer Selection Process
- Determining Appropriate Structure given competing priorities
- Establishing communication protocols as initiative moved through the execution phase

Flooding is a significant challenge that requires more respect

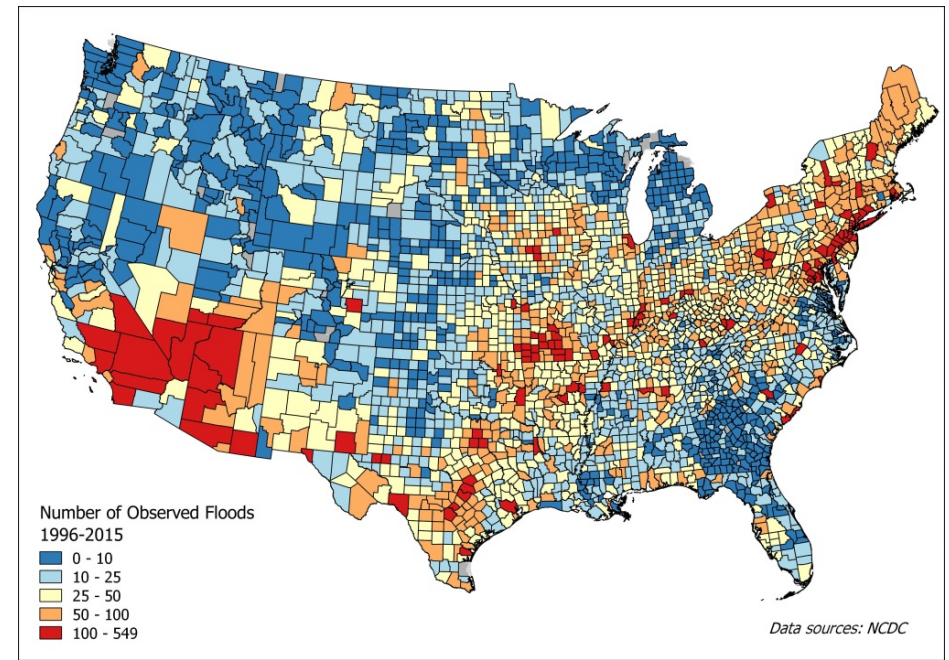
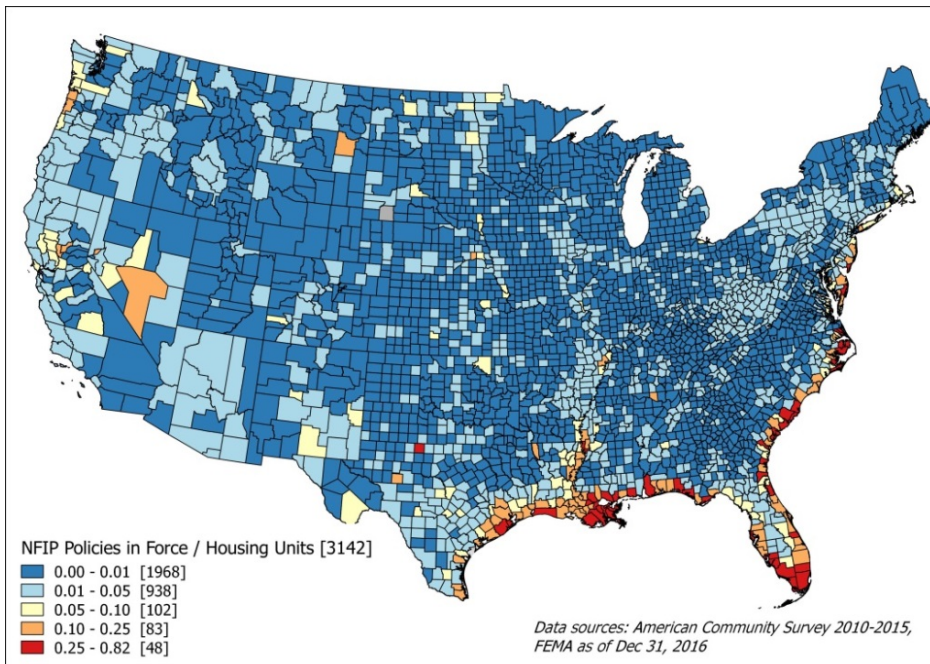
The risk goes well beyond the Special Flood Hazard Areas

of NFIP Policies / Housing Units

- 92% of counties see take-up \leq 5%
- 62% of counties see take-up \leq 1%
- NFIP's portfolio is large but marked by peak concentrations

of Flood Event by County 1996-2015

- Over past 2 decades,
 - 80% of counties have seen \geq 10 floods
 - 97% have seen at least 2
- >50% of US GDP originates in Gulf-East Coast
- > 50% of population in water-born counties

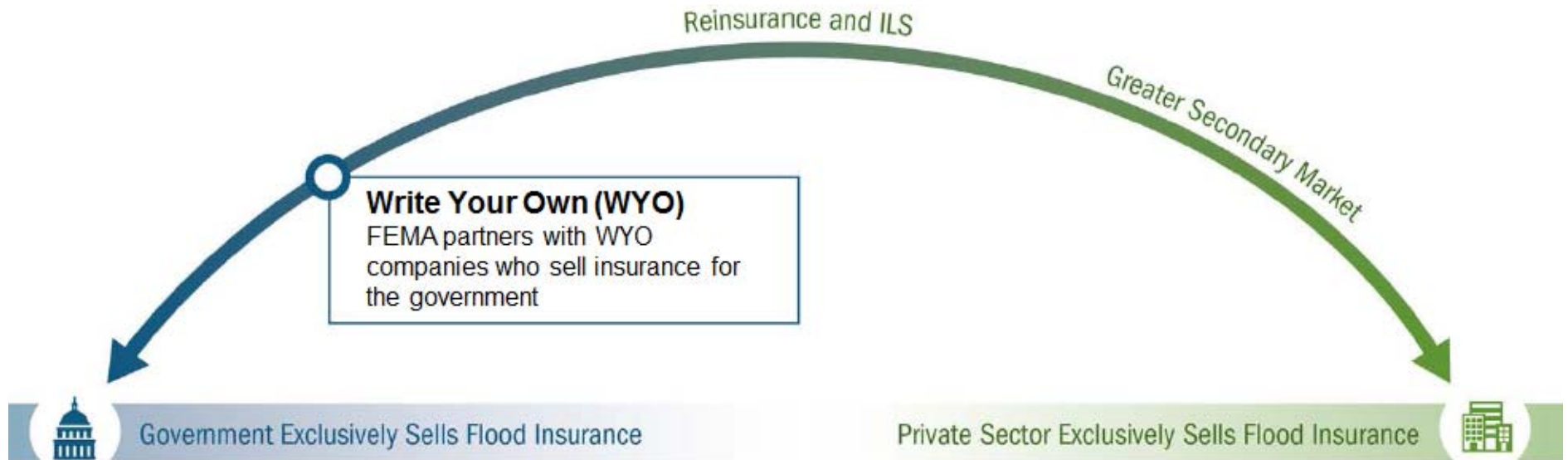


NFIP Moonshots



FEMA and the NFIP can not do it alone...all Stakeholders must step-up

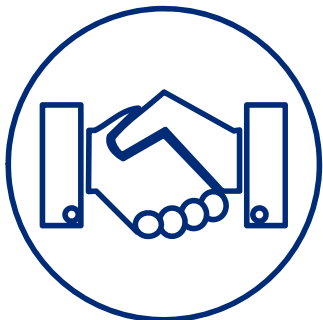
Flood Insurance Privatization Spectrum



Sound Financial Framework



PIVOT



Customer experience

noun cus·tom·er ex·pe·ri·ence\ 'kəs-tə-mər\ 'lik-'spir-ē-ən(t)s\

A customer's perception of their interactions with an organization across multiple touchpoints and channels throughout the duration of that relationship.



FEMA