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# Highlights

Highlights of [GAO-04-401T](#), a testimony before the Subcommittee on Economic Policy, Senate Committee on Banking, Housing, and Urban Affairs, U.S. Senate

## Why GAO Did This Study

Floods have been, and continue to be, the most destructive natural hazard in terms of damage and economic loss to the nation. From fiscal year 1992 through fiscal year 2002, about 900 lives were lost due to flooding and flood damages totaled about \$55 billion. Some properties have been repeatedly flooded and the subject of federal flood insurance claims. The Federal Emergency Management Agency (FEMA) within the Department of Homeland Security is responsible for assisting state and local governments, private entities, and individuals to prepare for, mitigate, respond to, and recover from natural disasters, including floods. The National Flood Insurance Program (NFIP) is the primary vehicle for FEMA's efforts to mitigate the impact of floods.

The Senate Subcommittee on Economic Policy, Committee on Banking, Housing, and Urban Affairs, asked GAO to discuss (1) FEMA's approach to flood mitigation, (2) the effect of repetitive loss properties on the NFIP, and (3) recent actions taken or proposed to address the impact of repetitive loss properties on the NFIP.

[www.gao.gov/cgi-bin/getrpt?GAO-04-401T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-401T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William O. Jenkins at (202) 512-8777 or [jenkinsw@gao.gov](mailto:jenkinsw@gao.gov).

# NATIONAL FLOOD INSURANCE PROGRAM

## Actions to Address Repetitive Loss Properties

### What GAO Found

FEMA has taken a multifaceted approach to mitigating, or minimizing the life and property losses and disaster assistance costs that result from flooding. Through the National Flood Insurance Program, FEMA develops and updates flood maps that identify flood prone areas and makes insurance available for communities that agree to adopt and enforce building standards based upon these maps. Since its inception in 1968, the National Flood Insurance Program has paid \$12 billion in insurance claims to owners of flood-damage properties that have been funded primarily by policyholders' premiums that otherwise would have been paid through taxpayer-funded disaster relief or borne by home and business owners themselves. Through a variety of grant programs, FEMA also provides funding for mitigation planning activities and projects before and after floods occur.

Repetitive loss properties represent a significant portion of annual flood insurance program claims. About 1 percent of the 4.4 million properties currently insured by the program are considered to be repetitive loss properties—properties for which policyholders have made two or more \$1,000 flood claims. However, about 38 percent of all program claim costs have been the result of repetitive loss properties, at a cost of about \$4.6 billion since 1978.

Recent federal actions to reduce program losses related to repetitive loss properties include FEMA's strategy to target severe repetitive loss properties for mitigation and congressional proposals to phase out coverage or begin charging full and actuarially based rates for repetitive loss property owners who refuse to accept FEMA's offer to purchase or mitigate the effect of floods on these buildings. FEMA's strategy and the congressional proposals appear to have the potential to reduce the number and vulnerability of repetitive loss properties and, thereby, the potential to help reduce the number of flood insurance claims.

