

April 1988

FLOOD INSURANCE

Statistics on the National Flood Insurance Program



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**Resources, Community, and
Economic Development Division**

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April 29, 1988

The Honorable Walter B. Jones
Chairman, Committee on Merchant
Marine and Fisheries
House of Representatives

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on Housing
and Community Development
Committee on Banking, Finance and
Urban Affairs
House of Representatives

The Honorable Thomas R. Carper
House of Representatives

Your August 4, 1987, letter requested that we study the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency's (FEMA) Federal Insurance Administration. You expressed concern about the inconsistency of the federal government's role in coastal development and protecting coastal resources and the American taxpayer's apparent exposure to undesired levels of liability. As requested in your letter, and subsequently agreed with your offices, we obtained statistical information from FEMA on various aspects of NFIP. On March 1, 1988, we briefed representatives of your offices and agreed to provide a fact sheet on the results of our work. This fact sheet, together with FEMA's written response to certain additional questions you raised, completes our work on this assignment.

The National Flood Insurance Act of 1968 (P.L. 90-448) established NFIP. Under this program, property owners are eligible to purchase federal flood insurance if their flood-prone community adopts and enforces adequate flood plain management regulations, such as elevating new structures, designed to protect lives and property from future floods. Also, under a program begun in fiscal year 1980, FEMA can purchase flood-prone property for subsequent transfer to state or local agencies.

We obtained statistical information from FEMA on (1) NFIP's annual operating income/deficit, (2) number of policies in coastal areas and Great Lakes states,¹ (3) total and repetitive losses,² (4) flood-damaged property purchases by FEMA, (5) damages in excess of the maximum flood insurance available, and (6) the annual average premiums and losses on policies for property in coastal high-hazard areas.

In summary, these statistics show that:

- As of December 31, 1987, NFIP had about 2.1 million flood insurance policies with a face value of about \$162 billion and a cumulative net operating deficit of about \$652 million for the period 1978 through 1987. (See section 1.)
- About 72 percent of the approximately 2.0 million flood insurance policies in force as of August 31, 1987, were for properties in coastal communities and about 10 percent were for properties in the eight Great Lakes states. (See section 2.)
- From January 1, 1978, through October 31, 1987, losses totaled about \$2.4 billion. Repetitive losses accounted for about \$1 billion, or about 43 percent of the total. (See section 3.)
- From when the program began in fiscal year 1980 through January 12, 1988, FEMA purchased 727 flood-damaged properties at a cost of about \$21.4 million. (See section 4.)
- From January 1, 1978, through December 31, 1986, insured property had flood damages of about \$204 million in excess of the maximum flood insurance available. (See section 5.)

¹The eight states bordering the Great Lakes are: Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin.

²A loss is the total claims paid and loss adjustment expense for an insured property from a single flood event. A loss could involve more than one claim; e.g., a claim for building damages and another claim for contents damage. According to FEMA, a repetitive loss occurs when a property has two or more losses of \$1,000 or more each within a 10-year period.

-- Average NFIP premiums for coastal high-hazard policies increased from \$98 in 1978 to \$437 in 1986; the average loss for such policies fluctuated from a low of \$1 in 1981 to a high of \$1,221 in 1979. (See section 6.)

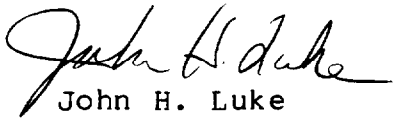
Sections 1 through 6 of this fact sheet present the above information in greater detail.

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As agreed with your offices, we did not independently verify the information provided to us by FEMA. The information presented covers different periods of time because of the various methods that FEMA used in collecting and/or reporting the information. We conducted our work from October 1987 through March 1988.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 3 days from the date of this letter. At that time, we will send copies to interested parties and make copies available to others upon request. If we can be of further assistance, please contact me at (202) 275-6111.

Major contributors are listed in appendix I.


John H. Luke
Associate Director

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ABBREVIATIONS

AFMD	Accounting and Financial Management Division
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
NFIP	National Flood Insurance Program

SECTION 1

TOTAL POLICIES, ESTIMATED MAXIMUM LOSS,
AND OPERATING INCOME/DEFICIT
1978 TO 1987

Question: What is the total face value of the flood insurance policies in the National Flood Insurance Program (NFIP)?

Response¹

According to the Federal Emergency Management Agency (FEMA), as of December 31, 1987, NFIP had about 2.1 million policies with a total insurance in force of about \$162 billion.²

Question: In the event of a catastrophic year, what is the maximum amount of claims that FEMA estimates NFIP would have to pay?

Response

Using its flood loss simulation model, FEMA estimates that in a catastrophic year the probable maximum loss for 2.1 million policies would be about \$3.5 billion to \$4.0 billion.

Question: How much has been earned in premiums and spent in policy claims on an average annual basis from 1978 to 1987?

Response

Although the program has had a net cumulative operating deficit of about \$652 million over the past 10 years, it has had an operating gain in each of the last 2 years. See table 1.1 for operating income/deficit information for calendar years 1978 to 1987.

¹Responses to questions in sections 1 through 6 are based on information provided by FEMA that was not independently verified by GAO.

²Total insurance in force is the face value of all policies in effect; i.e., the amount for which buildings and/or contents are insured.

Table 1.1: NFIP Operating Income/Deficit for Calendar Years 1978 to 1987

<u>Calendar year</u>	<u>Premium^a</u>	<u>Loss^b</u>	<u>Other operating expense</u>	<u>Operating income (deficit)</u>
----- (dollars in millions) -----				
1978	\$ 84.6	\$ 155.6	\$ 28.9	\$ (99.9)
1979	126.5	505.5	38.8	(417.8)
1980	151.5	243.9	58.0	(150.4)
1981	181.1	133.9	62.2	(15.0)
1982	246.6	208.5	73.2	(35.1)
1983	296.4	456.1	78.2	(237.9)
1984	336.6	260.2	92.1	(15.8)
1985	358.7	376.7	102.7	(120.7)
1986	408.1	133.5	130.3	144.3
1987 ^c	<u>481.3</u>	<u>100.6</u>	<u>84.0</u>	<u>296.7</u>
Total ^d	<u>\$2,671.3</u>	<u>\$2,574.4</u>	<u>\$748.5</u>	<u>(\$651.6)</u>
Annual average	<u>\$267.1</u>	<u>\$257.4</u>	<u>\$74.9</u>	<u>(\$65.2)</u>

^aTotal premiums earned during each calendar year.

^bIncludes claims paid and loss adjustment expense.

^cEstimated from NFIP Monthly Technical Progress Narrative reports.

^dTotals may not add due to rounding.

Source: Compiled by GAO from information provided by FEMA.

SECTION 2

NUMBER OF POLICIES IN COASTAL AREAS AND
GREAT LAKES STATES AS OF AUGUST 31, 1987

Question: What portion of all policies under NFIP is for property in coastal areas?³

Response

About 72 percent of the approximately 2 million policies in force as of August 31, 1987, were for properties located in coastal communities.

Question: What portion of all policies is for property located in coastal high-hazard areas?⁴

Response

Coastal high-hazard areas accounted for about 3 percent of the total number of policies in force as of August 31, 1987.

Question: What portion of all policies is for property in the Great Lakes states?

Response

About 10 percent of the policies were for properties in the eight Great Lakes states.

Question: What portion of all policies is for property in Great Lakes coastal areas?

Response

About 3 percent of all policies, or about one-third of the policies in the Great Lakes states, were for properties in coastal communities.

Question: What are the average premiums paid by property holders in coastal and Great Lakes areas and for all property covered under NFIP?

³FEMA defines a coastal area as a community that has part of its area on the coast, including the Great Lakes.

⁴FEMA defines a coastal high-hazard area as an area in a coastal community that has additional flood hazards due to wind and wave action.

Response

The average premium per flood insurance policy for property in coastal areas was about \$262 and the average for property in the Great Lakes States was about \$258. The U.S. average for all policies was about \$259 (see table 2.1).

Question: What is the total insurance in force for these areas and for the total program?

Response

About \$121 billion of the \$157 billion insurance in force as of August 31, 1987, or about 77 percent, was for policies in coastal communities and about \$11 million, or about 7 percent, was for property in the Great Lakes states (see table 2.1).

Question: What is the average insurance in force per policy for these areas and for the total program?⁵

Response

The average insurance in force per flood insurance policy in the United States was \$77,277, the average in coastal areas was \$82,986, the average in coastal high-hazard areas was \$81,793, and the average in the eight Great Lakes states was \$55,330 (see table 2.1).

⁵Average insurance in force per policy is the total insurance in force divided by the number of policies.

Table 2.1: NFIP Policies, Premiums, and Insurance in Force as of August 31, 1987

	<u>Number of policies</u>	<u>Total premiums^a</u>	<u>Average premium^b</u>	<u>Insurance in force</u>	<u>Average insurance in force^c</u>
	(000)	(000)		(000)	
Program total	2,031	\$525,134	\$ 259	\$156,941,202	\$77,277
Percent of total	100.0	100.0		100.0	
Coastal	1,454	381,502	262	120,673,721	82,986
Percent of total	71.6	72.6		76.9	
Coastal high hazard	64	29,796	469	5,200,729	81,793
Percent of total	3.1	5.7		3.3	
Great Lakes states	197	50,827	258	10,899,118	55,330
Percent of total	9.7	9.7		6.9	
Great Lakes coastal	65	18,552	285	4,868,312	74,681
Percent of total	3.2	3.5		3.1	

^aWritten premiums, or the total premiums for policies in effect on August 31, 1987.

^bThe average premium was determined by dividing the written premiums by the number of policies. Dividing the amounts shown may result in a variance due to rounding.

^cThe average insurance in force was determined by dividing the insurance in force by the number of policies. Dividing the amounts shown may result in a variance due to rounding.

Source: Compiled by GAO from policy information provided by FEMA.

SECTION 3

NUMBER AND AMOUNT OF LOSSES AND REPETITIVE LOSSES
1978 TO 1987

Question: What were the number and amount of losses since 1978 in the coastal areas and Great Lakes states described in section 2 and overall?

Response

From January 1, 1978, through October 31, 1987, of about \$2.4 billion in losses, about \$1.3 billion, or 53 percent, were in coastal communities and about \$315 million, or 13 percent, were in Great Lakes states (see table 3.1).

Question: What was the average loss for each of the geographical areas and overall?

Response

The average loss was about \$6,907 in coastal areas, about \$8,260 in coastal high-hazard areas, about \$4,246 in Great Lakes states, and about \$3,589 in Great Lakes coastal areas. The overall average loss was about \$7,069 (see table 3.1).

Question: During this time, what percentage of the total losses involved repetitive losses?

Response

Repetitive losses accounted for about \$1 billion, or about 43 percent, of the \$2.4 billion in losses since January 1978 (see table 3.1).

Question: For each area and overall, how many repetitive losses occurred since 1978 and what percent of the total losses did the repetitive losses represent?

Response

About \$555 million, or about 53 percent of the repetitive losses, were for properties in coastal communities. Table 3.2 shows the repetitive losses for the coastal areas and Great Lakes states and overall.

Question: During this time frame, what were the number and amount of repetitive losses that were nonhurricane-related and hurricane-related?

Response

Most of the repetitive losses resulted from nonhurricane floods.⁶ Table 3.3 shows the repetitive losses resulting from nonhurricanes and from hurricanes.

Table 3.1: NFIP Losses^a (Jan. 1, 1978, through Oct. 31, 1987)

	<u>Number of losses</u>	<u>Percent of number</u>	<u>Losses amounts</u>	<u>Percent of amount</u>	<u>Average</u>
			---(000)--		
Program total	342,616	100.0	\$2,421,944	100.0	\$7,069
Coastal	185,873	54.3	1,283,753	53.0	6,907
Coastal high hazard	11,253	3.3	92,948	3.8	8,260
Great Lakes coastal	30,045	8.8	107,844	4.5	3,589
Great Lakes states	74,302	21.7	315,459	13.0	4,246
Repetitive losses ^b	147,245	43.0	1,044,774	43.1	7,095

^aLosses include claims paid and loss adjustment expenses.

^bA repetitive loss occurs when a property has two or more losses of \$1,000 or more each within a 10-year period.

Source: Compiled by GAO from information provided by FEMA.

⁶A nonhurricane flood is a general and temporary condition of partial or complete inundation of normally dry land areas from overflow of inland or tidal waters or from the unusual and rapid accumulation or runoff of surface waters from any source other than a hurricane.

Table 3.2: NFIP Repetitive Losses (Jan. 1, 1978, through Oct. 31, 1987)

	<u>Number of losses</u>	<u>Percent of number</u>	<u>Losses amounts</u>	<u>Percent of amount</u>	<u>Average</u>
			---(000)---		
Program total	147,245	100.0	\$1,044,774	100.0	\$7,095
Coastal	77,918	52.9	555,205	53.1	7,126
Coastal high hazard	3,002	2.0	24,435	2.3	8,140
Great Lakes coastal	15,126	10.3	55,648	5.3	3,679
Great Lakes states	34,153	23.2	152,001	14.5	4,451

Source: Compiled by GAO from information provided by FEMA.

Table 3.3: NFIP Repetitive Losses Due to Nonhurricanes and Hurricanes (Jan. 1, 1978, through Oct. 31, 1987)

<u>Type of flood</u>	<u>Number of losses</u>	<u>Losses amounts</u>
Nonhurricane ^a	126,757	\$836,577,650
Hurricane ^a	4,310	62,657,575

^aThese losses do not account for all repetitive losses because those resulting from a combination of hurricane- and nonhurricane-related floods are not included.

Source: Compiled by GAO from information provided by FEMA.

SECTION 4

FLOODED PROPERTY PURCHASES⁷
FISCAL YEARS 1980 TO 1987

Question: How much money has been available for purchases under Section 1362 of the National Flood Insurance Act of 1968, as amended (P.L. 90-448)?

Response

For fiscal years 1980 through 1988, the Congress appropriated a total of \$42.5 million for the purchase of properties under section 1362. Table 4.1 shows, by fiscal year, the total amount of funds available for purchases under the program.

Question: On an annual basis since 1980, how many properties have communities applied to have FEMA purchase?

Response

Through fiscal year 1987, communities applied for FEMA to purchase a total of 1,727 properties, ranging from 52 properties in 1982 to 797 properties in 1984 (see table 4.2).

Question: What was the estimated cost of purchasing those properties?

Response

The total estimated cost to purchase these properties was about \$58.5 million, ranging from about \$2.9 million in 1982 to \$16.4 million in 1984 (see table 4.2).

Question: How many of the purchases applied for did FEMA approve and at what estimated purchase price?

Response

FEMA approved 1,257 properties for purchase at a total estimated cost of \$36 million (see table 4.2).

⁷Section 1362 authorizes FEMA to purchase flood-insured properties that are subject to heavy and/or repetitive flood damages. Under this program, FEMA may purchase flood-prone property for subsequent transfer to state or local agencies. The communities where the properties are located must agree to accept title to the land and manage the land for open space or nondevelopment purposes. FEMA began making purchases under this program after the Congress initially appropriated funds in fiscal year 1980.

Question: How many properties did FEMA acquire and at what purchase price?

Response

As of January 1988, FEMA purchased 727 properties at a cost of \$21.4 million (see table 4.2).

Question: What justifying criteria were used for purchases made during fiscal years 1985 through 1987?

Response

FEMA can offer to purchase currently damaged properties if they are covered by flood insurance and at least one other criterion is met. These criteria include: (1) the building has suffered damages equal to 25 percent or more of its value on at least three occasions over a 5-year period, (2) a single flood caused damage to the building equal to 50 percent or more of its value, or beyond repair to its preflood condition, or (3) a single casualty has left the building irreparable because a statute, ordinance, or regulation either precludes its repair or permits repair only at significantly increased building costs. The qualifying criterion most frequently used for the purchases was that three or more losses occurred in a 5-year period. Table 4.3 shows the frequency that the justifying criterion was used for purchases made during fiscal years 1985 through 1987.

Question: What portion of the section 1362 funds has been spent in coastal areas and Great Lakes states?

Response

Of the 727 properties purchased, 94, or about 13 percent, were in Great Lakes states, and 195, or about 27 percent, were in coastal communities. Table 4.4 compares, by fiscal year, total purchases with those in Great Lakes states and coastal communities.

Table 4.1: Section 1362 Funds - 1980 to 1988

<u>Fiscal year</u>	<u>Amount appropriated</u>	<u>Obligation authority brought forward</u>	<u>Funds available</u>
1980	\$ 5,400,000	a	\$5,400,000
1981	5,400,000	a	5,400,000
1982	1,600,000	a	1,600,000
1983	4,778,000	a	4,778,000
1984 ^b	6,778,000	a	6,778,000
1985	4,778,000	\$5,698,236	10,476,236
1986	4,522,248	6,778,000	11,300,248
1987	4,720,000	4,522,248	9,242,248
1988	<u>4,531,000</u>	4,720,000	9,251,000

Total
 appropriated \$42,507,248

^aInitially, funds were appropriated for 1 year, and any funds that remained unobligated at the end of the year expired. Beginning in fiscal year 1984, appropriations were made available for a 2-year period.

^bIncludes a supplemental appropriation of \$2 million for the purchase of structures in Tulsa, Oklahoma. These funds were made available through the end of fiscal year 1986.

Source: Compiled by GAO from data provided by FEMA.

Table 4.2: Section 1362 Applications, Approvals, and Purchases for Fiscal Years 1980 to 1987 (as of Jan. 12, 1988)

Fiscal year	Applied		Approved		Purchased	
	Number ^a	Estimated cost (millions)	Number ^a	Estimated cost (millions)	Number ^a	Cost (millions)
1980	101	\$ 5.9	101	\$ 5.9	101	\$ 5.9 ^b
1981	71	3.6	69	3.4	69	3.4
1982	52	2.9	36	1.5	33	1.3
1983	174	7.9	120	4.3	128	4.3
1984	797	16.4	454	5.2	323	4.1
1985	135	5.4	116	4.6	54	1.7
1986	224	7.7	216	5.4	3	0.2
1987	<u>173</u>	<u>8.7</u>	<u>145</u>	<u>5.6</u>	<u>16</u>	<u>0.5</u>
Total ^c	<u>1,727</u>	<u>\$58.5</u>	<u>1,257</u>	<u>\$36.0</u>	<u>727</u>	<u>\$21.4</u>
Percent	<u>100.0</u>	<u>100.0</u>	<u>72.8</u>	<u>61.5</u>	<u>42.1</u>	<u>36.5</u>

^aNumber of structures.

^bWe could not reconcile the \$5.9 million spent with the \$5.4 million appropriated for fiscal year 1980 (see table 4.1). Throughout fiscal year 1980, FEMA did not maintain accounting control over the flood insurance program. For more information on this problem, see our report entitled Terminating the Audit of the National Flood Insurance Program's Fiscal 1980 Financial Statements, (AFMD-81-93, Sept. 21, 1981).

^cTotals may not add due to rounding.

Source: Compiled by GAO from data provided by FEMA.

Table 4.3: Justifying Criteria Used for Property Purchased - Fiscal Years 1985 to 1987

<u>Justifying criteria</u>	<u>Number^a</u>	<u>Cost^a</u> (millions)
3 losses in 5 years	47	\$1.7
Substantial damage of 50 percent or more	21	0.8
Repair precluded by statute, ordinance, or regulation	14	0.4

^aAmounts would add to more than the total purchases for the period because more than one criterion was used for some of the property.

Source: Compiled by GAO from data provided by FEMA.

Table 4.4: Section 1362 Purchases - Fiscal Years 1980 to 1987 (as of Jan. 12, 1988)

<u>Fiscal year</u>	<u>Total purchased</u>		<u>Great Lakes</u>		<u>Coastal^a</u>	
	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>
		(millions)		(millions)		(millions)
1980	101	\$ 5.9	6	\$0.6	15	\$1.6
1981	69	3.4	9	0.4	3	0.1
1982	33	1.3	8	0.2	0	0
1983	128	4.3	14	0.5	0	0
1984	323	4.1	13	0.3	177	0.6
1985	54	1.7	30	0.7	0	0
1986	3	0.2	0	0	0	0
1987	<u>16</u>	<u>0.5</u>	<u>14</u>	<u>0.4</u>	<u>0</u>	<u>0</u>
Total	<u>727</u>	<u>\$21.4</u>	<u>94</u>	<u>\$3.1</u>	<u>195</u>	<u>\$2.2</u>
Percent	<u>100</u>	<u>100</u>	<u>13</u>	<u>14</u>	<u>27</u>	<u>10</u>

^aThese coastal properties were located in coastal high-hazard areas.

Source: Compiled by GAO from data provided by FEMA.

SECTION 5

DAMAGES IN EXCESS OF INSURANCE AVAILABLE
1978 THROUGH 1986

Question: What is the maximum amount of flood insurance available?

Response

The maximum coverage available depends on the type of building and whether a community is in the emergency or regular program.⁸ For example, for a single-family residence, the maximum building coverage available under the emergency program is \$35,000 and \$185,000 under the regular program. Table 5.1 shows the maximum amounts of insurance available for the various types of buildings and their contents.

Question: From January 1, 1978, through December 31, 1986, how many claims involved damages in excess of the maximum flood insurance available, and what was the amount of damages in excess of the insurance available?

Response

From January 1, 1978, through December 31, 1986, flood insurance claims involved about \$88 million in damages in excess of the insurance available for buildings and about \$116 million in damages in excess of the insurance available for contents. Table 5.2 shows damages in excess of the insurance available for buildings and contents.

⁸A community initially enters the "emergency" program by adopting adequate flood plain management regulations to guide new construction in flood-prone areas. The community enters the "regular" program after a detailed flood insurance rate map is completed by FEMA and local officials enact regulations that require all new or substantially improved structures to be built in accordance with federal flood plain management criteria. A flood insurance rate map is an official map of a community on which the Administrator, Federal Insurance Administration, has delineated the applicable special flood hazard areas and risk premium zones.

Table 5.1: Maximum Flood Insurance Available

<u>Program and building type</u>	<u>Amount available</u>	
	<u>Building^a</u>	<u>Contents^{ab}</u>
Emergency program:		
Single-family residence ^c	\$ 35,000	\$ 10,000
Other residential ^{c,d}	100,000	10,000
Nonresidential ^e	100,000	100,000
Regular program:		
Single-family residence	185,000	60,000
2-4 family residence	250,000	60,000
Other residential ^f	250,000	60,000
Small business ^g	250,000	300,000
Other nonresidential ^h	200,000	200,000

^aThe maximum flood insurance available is set forth by the National Flood Insurance Act of 1968 (P.L. 90-448), as amended by the Disaster Assistance Act of 1973 (P.L. 93-234).

^bLimit per unit.

^cHigher maximum amounts are available in Alaska, Guam, Hawaii, and the U.S. Virgin Islands.

^dA residential building, excluding hotels and motels with normal room rentals for less than 6 months, that contains 2 or more dwelling units.

^eA nonresidential building includes, but is not limited to: small businesses, churches, schools, nursing homes, farm buildings, government buildings, mercantile structures, industrial plants, and warehouses.

^fA residential building, excluding hotels and motels with normal room rentals for less than 6 months, containing more than 4 dwelling units.

^gA business having assets not in excess of \$5 million, net worth not in excess of \$2.5 million, and an average net income, after federal income taxes, for the preceding 2 years not in excess of \$250,000.

^hA nonresidential building other than a small business.

Source: FEMA.

Table 5.2: Damages in Excess of NFIP Insurance Available for Buildings and Contents (Jan. 1, 1978 to Dec. 31, 1986)

<u>Program and building type</u>	<u>Buildings</u>		<u>Contents</u>	
	<u>Number of claims</u>	<u>Amount of damages^a</u>	<u>Number of claims</u>	<u>Amount of damages^a</u>
		(000)		(000)
Emergency program:				
Single family	879	\$15,020	2,788	\$ 14,473
Other residential	30	5,678	665	27,944
Nonresidential	<u>55</u>	<u>24,012</u>	<u>62</u>	<u>7,263</u>
Total	<u>964</u>	<u>44,710</u>	<u>3,515</u>	<u>49,680</u>
Regular program:				
Single family	61	22,180	178	12,219
2-4 family	2	660	2	36
Other residential	24	3,892	330	40,335
Small business	20	7,238	43	13,171
Other nonresidential	<u>27</u>	<u>9,802</u>	<u>3</u>	<u>787</u>
Total ^b	<u>134</u>	<u>43,772</u>	<u>556</u>	<u>66,549</u>
NFIP total ^b	<u>1,098</u>	<u>\$88,483</u>	<u>4,071</u>	<u>\$116,228</u>

^aAmount of flood damages in excess of the respective insurance available shown in table 5.1.

^bAmounts may not add due to rounding.

Source: FEMA.

SECTION 6

NFIP RATE REVISIONS AND
PREMIUMS AND LOSSES FOR COASTAL HIGH-HAZARD AREAS
1978 TO 1986

Question: What flood insurance rate revisions have been made since 1974?

Response

Since January 1, 1981, flood insurance rates have doubled. Table 6.1 shows the rate revisions since January 1, 1974. The rate revisions apply to structures on which construction was started after December 31, 1974, or after completion of the rate map.

Question: From January 1, 1978, through December 31, 1986, what were the annual average premiums and losses for policies in coastal high-hazard areas with a flood insurance rate map?

Response

As table 6.2 shows, for 1978 through 1986, the average premiums and losses for coastal high-hazard policies issued after rate maps were prepared ranged from a low of \$1 in 1981 to a high of \$1,221 in 1979.

Table 6.1: NFIP Rate Revisions Since January 1, 1974

<u>Effective date</u>	<u>Percent change</u>	<u>Index</u>
1973		1.00
January 1, 1974	-44	0.56
July 1, 1974	-4	0.54
January 1, 1981	34	0.72
October 1, 1981	28	0.92
June 1, 1982	20	1.10
October 1, 1983	11	1.22
March 1, 1986	6	1.29
October 1, 1986	6	1.37
June 1, 1987	5	1.44 ^a

^aFEMA has proposed a 10-percent rate increase, effective September 1, 1988.

Source: FEMA.

Table 6.2: NFIP Average Premiums and Losses for Coastal High-Hazard Policies with Rate Maps (Jan. 1, 1978 to Dec. 31, 1986)

<u>Calendar year</u>	<u>Average premium^a</u>	<u>Average loss per policy^b</u>
1978 ^C	\$ 98	\$ 11
1979 ^C	103	1,221
1980 ^C	106	45
1981 ^C	149	1
1982 ^C	290	17
1983 ^C	313	421
1984 ^C	389	54
1985	425	220
1986	437	2

^aAverage premiums earned during each calendar year.

^bAmount of claims paid and loss adjustment expense, divided by the number of coastal high-hazard policies with rate maps in effect.

^cDuring 1985 and 1986 FEMA's contractor, Computer Sciences Corporation, recompiled all loss experience. Corrections and changes made are reflected in 1985 and 1986 amounts but not for 1978 through 1984.

Source: Compiled by GAO from data provided by FEMA.

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