



National Flood Insurance Program

1. THE NATIONAL FLOOD INSURANCE PROGRAM (NFIP) IS THE PRIMARY SOURCE OF FLOOD INSURANCE IN THE U.S. AND WILL LIKELY REMAIN SO.

In over 22,000 communities nationwide, nearly 4.6 million NFIP insurance policies provide nearly \$1.3 trillion in coverage that extends beyond traditional home insurance. The NFIP is likely to maintain “market” dominance because it charges below-market rates. With rising seas and more frequent natural disasters, flooding has become an imminent threat to coastal communities. Most private insurance are not willing to offer flood insurance policies because of the high financial risk in regions like Southeast Florida and along the California coastline. Additionally, private, market-rate insurance cannot compete with government-subsidized, below-market-rate insurance.

2. THE NFIP LOSES MONEY VIRTUALLY EVERY YEAR DUE TO PAYOUTS EXCEEDING REVENUE FROM PREMIUMS.

As of 2025, the NFIP has “borrowed” over \$45 billion from the U.S. Treasury and currently holds a cumulative debt of just over \$22 billion. Repeated intense storms have placed a growing financial burden on the NFIP. In 2017, policymakers forgave \$16 billion in the NFIP’s debt, but as the Government Accountability Office (GAO) reported in its 2025 list of “High Risk” federal programs that “without congressional action to address the debt, it is likely NFIP’s existing debt will continue to grow, actuarial soundness will be delayed, and affordability concerns will increase.”

3. FEDERAL POLICY CAN ENCOURAGE REBUILDING IN HIGH-RISK AREAS—DRIVING REPEATED LOSSES

By offering subsidized insurance and supporting rebuilding after disasters, the NFIP enables continued development in flood-prone areas. A small share of properties with repeated flood damage account for a disproportionate share of claims, driving long-term costs. A 2023 study found that roughly one percent of insured properties accounted for nearly 30 percent of all payouts.



4. OVER 78 PERCENT OF SUBSIDIZED PROPERTIES IN NFIP ARE IN COUNTIES WITH THE HIGHEST HOME VALUES.

According to a 2023 GAO report, the NFIP has significant cross-subsidies, with over 78 percent of subsidized properties located in counties with the highest home values, while only five percent are in counties with the lowest home values. The NFIP primarily benefits higher-value properties rather than financially distressed individuals. FEMA can improve uptake in lower-income communities by updating rates to increase financial solvency and better serve vulnerable populations.

5. NFIP PRICING IS SHIFTING TOWARD PROPERTY-LEVEL RISK—BUT THE TRANSITION IS ONGOING

FEMA's Risk Rating 2.0, fully implemented in 2022, represents the most significant overhaul of NFIP pricing since the 1970s by using property-specific factors—such as flood frequency, distance to water, and replacement cost—to better reflect individual flood risk. However, statutory limits on annual premium increases mean many properties are still transitioning toward full risk-based rates.