

FEMA Expands its Reinsurance Program by Transferring \$575 Million in Flood Risk to Capital Markets

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WASHINGTON -- FEMA continues to engage reinsurance markets to help strengthen the financial framework of the National Flood Insurance Program and promote private sector participation in flood-risk management.

On March 7, 2024, FEMA obtained reinsurance coverage through Insurance-Linked Securities reinsurance for a seventh time. FEMA entered into three-year reinsurance agreements with its transformer reinsurer, Hannover Re (Ireland) Designated Activity Company. In turn, Hannover, transferred \$575 million of the program's financial flood risk to qualified capital market investors through a special purpose insurer, FloodSmart Re Ltd, for sponsoring catastrophe bonds.

As part of these agreements, FEMA will pay about \$85.7 million in premiums, excluding initial expenses, for the first year of reinsurance coverage. Additionally, the agreements will cover the following losses for any single flood event:

- 10% of losses between \$8 billion and \$9 billion
- 23.75% of losses between \$9 billion and \$11 billion

"I'm pleased that FEMA has successfully secured favorable terms for this year's capital market reinsurance and retained our current level of reinsurance coverage at acceptable rates," said David Maurstad, FEMA's Assistant Administrator for the Federal Insurance Directorate and senior executive of the National Flood Insurance Program. "This latest investment in our reinsurance program reinforces FEMA's objectives to expand financial tools to achieve a sound financial framework and bolster the programs' claims paying capacity following extreme flooding events."

This coverage builds on FEMA's NFIP Reinsurance Program transferring the program's flood risk to qualified capital market investors since 2018. Each



placement is a three-year term:

- \$275 million in March 2023
- \$450 million in February 2022

Combined with FEMA's existing reinsurance coverage -- FloodSmart 2022-1 bonds, FloodSmart 2023-1 bonds and the January 2024 traditional reinsurance placement -- FEMA has transferred \$1.92 billion of the NFIP's flood risk to the private sector ahead of the 2024 hurricane season.

Congress authorized FEMA to secure reinsurance through the [Biggert-Waters Flood Insurance Reform Act of 2012](#), and the [Homeowner Flood Insurance Affordability Act of 2014](#) .

Visit [FEMA.gov](https://www.fema.gov) for more information about the reinsurance programs for the National Flood Insurance Program.

