

# FEMA Expands its Reinsurance Program by Transferring \$275 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, the agency transferred \$275 million of the program's financial risk to qualified investors of capital markets by sponsoring catastrophe bonds. This is the sixth time FEMA has entered into three-year reinsurance agreements with Hannover Re (Ireland) Designated Activity Company.

Reinsurance reduces the program's need to take on additional debt in order to pay claims and creates a more financially sound program that benefits policyholders and taxpayers alike. Additionally, the financial risk transfer helps to further stabilize the program.

Combined with FEMA's existing bond reinsurance coverage from 2021, 2022 and the [2023 traditional reinsurance placement](#), FEMA has transferred \$1.8 billion of the flood insurance program's risk to the private sector ahead of the 2023 hurricane season.

As part of the capital markets agreements, FEMA will pay approximately \$50.4 million in premiums for the first year of reinsurance coverage. Additionally, the agreements will cover the following losses for any single flood event:

- 5% of losses between \$7 billion and \$8 billion.
- 11.25% of losses between \$8 billion and \$10 billion.

"I'm pleased that FEMA has successfully secured favorable terms for this year's capital market reinsurance despite the tough market conditions of 2022," said David Maurstad, FEMA's Acting Associate Administrator for Resilience and senior



**FEMA**

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executive of the National Flood Insurance Program. “The investment is vital to FEMA’s ability to transfer risk in order to stabilize the program’s claims paying capacity as the country continues to adjust to more intense and frequent flooding events.”

This coverage builds on FEMA’s transfer of the program’s flood risk to capital markets investors since 2018. Each placement is a three-year term:

- \$450 million in February 2022.
- \$575 million in February 2021.
- \$400 million in February 2020.

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 program.

