

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 Feb. 23, 2021 FEMA entered into the agency's fourth, three-year reinsurance agreement with Hannover Re (Ireland) Designated Activity Company. In turn, Hannover transferred \$575 million of the program's financial flood risk to qualified investors of capital markets by sponsoring catastrophe bonds.

As part of the agreement, FEMA will pay \$79.44 million in premiums for the first year of reinsurance coverage. Additionally, the agreement will cover 12.5% of losses for any single flood event with losses between \$6 billion and \$7 billion, and 22.5% if that same flood event has losses that rise to \$7 billion to \$9 billion.

"FEMA continues to view reinsurance as an integral tool in helping strengthen the fiscal structure of the NFIP," said FEMA's Deputy Associate Administrator for Insurance and Mitigation David Maurstad, the senior executive in charge of the National Flood Insurance Program.

"Accessing reinsurance from the capital and traditional markets spreads risk and thereby provides a more stable means to supplement the claims-paying capacity of the NFIP in the event of a devastating flood. Utilizing all facets of the risk-transfer market also ensures that FEMA is positioned to manage cost as efficiently as possible across different phases of the financial and insurance markets so that we continue to be good stewards of taxpayer dollars."

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



- \$500 million in August 2018
- \$300 million in April 2019
- \$400 million in February 2020

Combined with the previous three capital market placements and January 2021 traditional reinsurance placement, FEMA has transferred \$2.928 billion of the program's flood risk to the private sector ahead of the 2021 hurricane season, with \$500 million in coverage expiring in August 2021.

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



FEMA

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