

FEMA Announces Reinsurance Program to Manage Future Flood Risk in 2023

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WASHINGTON -- FEMA has announced its 2023 traditional reinsurance placement for the National Flood Insurance Program, continuing its risk management practice against catastrophic flood losses.

The agency has transferred an additional \$502.5 million of the NFIP's financial risk to the private reinsurance market. This annual reinsurance agreement is effective throughout the calendar year with 18 private reinsurance companies.

The 2023 reinsurance placement covers portions of NFIP losses above \$7 billion arising from a single flooding event. FEMA paid a total premium of \$90.2 million for the coverage.

The agreement is structured to cover:

- 8.5625% of losses between \$7 billion and \$9 billion
- 16.5625% of losses between \$9 billion and \$11 billion

By engaging reinsurance markets, the NFIP can reduce risk transfer costs, access greater market capacity and further diversify its reinsurance partners. Reinsurance reduces the NFIP'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.

"FEMA remains committed to reinsurance as a risk transfer measure to ensure the NFIP has the capacity to pay claims, especially now with the growing intensity and frequency of weather patterns brought on by climate change," said David Maurstad, FEMA's senior executive of the National Flood Insurance Program. "Our No. 1 job is to provide policyholders peace of mind in knowing that the NFIP will be there when they need it most."



Reinsurance is a financial risk management tool used by private insurance companies and public entities to protect themselves from large financial losses. FEMA began its traditional reinsurance program in January 2017. If a qualifying catastrophic flood event occurs, reinsurance companies cover a portion of the NFIP's losses to enhance FEMA's ability to pay flood insurance claims without borrowing from the U.S. Treasury.

Combined with the three capital markets reinsurance placements in 2020-22, FEMA has transferred \$1.9275 billion of the NFIP's flood risk to the private sector.

If a named storm flood event is large enough to trigger all reinsurance agreements, FEMA will receive qualifying payments. For named storms resulting in NFIP claims exceeding \$11 billion, FEMA will receive the full \$1.9275 billion of reinsurance coverage from the private markets.

FEMA contracted with Guy Carpenter and Company, a subsidiary of Marsh & McLennan Companies, to provide broker services to assist in securing the reinsurance placement.

FEMA received authority to secure reinsurance through the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014. FEMA's 2023 reinsurance placement builds upon its previous reinsurance placements as further development toward a stronger financial framework.

For more information, visit the NFIP Reinsurance Program webpage on [FEMA.gov](https://www.fema.gov).

