



History of NFIP Reinsurance Program

2012
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2018

2012 - 2014: Congressional Acts

Congress granted FEMA authority to secure reinsurance from the private reinsurance and capital markets.

[2012: Biggert-Waters Flood Insurance Reform Act](#)

[2014: Homeowner Flood Insurance Affordability Act](#)

2015 – early 2016: Flood Insurance Risk Study (FIRS)

FEMA completed this study to determine the feasibility and benefits of a Reinsurance Program for the National Flood Insurance Program (NFIP).

2016: Reinsurance Test Placement

FEMA transferred \$1 million of the NFIP’s financial risk to three reinsurance companies to test the implementation of the agency’s authorities and systems.

2017: Traditional Reinsurance Secured

FEMA secured \$1.042 billion in traditional reinsurance from 25 reinsurance companies. Effective from January 1, 2017 to January 1, 2018. FEMA paid a reinsurance premium of \$150 million for this coverage. The agreement was structured to cover, for a given flood event, 26 percent of losses between \$4 billion and \$8 billion.

2017: Hurricane Harvey

On December 15, 2017, the losses associated with Hurricane Harvey triggered the 2017 NFIP reinsurance placement. FEMA recovered the entire \$1.042 billion in reinsurance coverage from its reinsurers.

2018: Traditional Reinsurance Secured

FEMA secured \$1.46 billion in traditional reinsurance coverage from 28 reinsurance companies. Effective January 1, 2018 to January 1, 2019, FEMA paid a reinsurance premium of \$235 million for this coverage. The agreement is structured to cover, for a given flood event, 18.6 percent of losses between \$4 billion and \$6 billion, and 54.3 percent of losses between \$6 billion and \$8 billion.

2018: Capital Markets Reinsurance

For the first time, FEMA announced a reinsurance placement for the NFIP engaged the capital markets and complements the NFIP’s existing traditional reinsurance coverage. Effective on August 1, 2018, FEMA entered into a three-year reinsurance agreement with reinsurance company, Hannover Re (Ireland) Designated Activity Company (DAC). Hannover Re acted as a “transformer,” transferring \$500 million of the NFIP’s financial risk to capital markets investors by sponsoring the issuance of a catastrophe bond through a special purpose reinsurer.