

119TH CONGRESS
1ST SESSION

H. R. 827

To ensure the availability and affordability of homeowners' insurance coverage
for catastrophic events.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 2025

Ms. WILSON of Florida introduced the following bill; which was referred to
the Committee on Financial Services

A BILL

To ensure the availability and affordability of homeowners'
insurance coverage for catastrophic events.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Homeowners’ Defense Act of 2025”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings and purposes.

TITLE I—NATIONAL CATASTROPHE RISK CONSORTIUM

Sec. 101. Establishment; chairperson; membership; bylaws.
Sec. 102. Functions.

Sec. 103. Authorization of appropriations.

TITLE II—CATASTROPHE OBLIGATION GUARANTEES

Sec. 201. Purposes.
 Sec. 202. Establishment of debt guarantee program.
 Sec. 203. Effect of guarantee.
 Sec. 204. Full faith and credit.
 Sec. 205. Fees for guarantees; amount; collection.
 Sec. 206. Payment of losses.
 Sec. 207. Regulations.

TITLE III—REINSURANCE COVERAGE FOR ELIGIBLE STATE PROGRAMS

Sec. 301. Program authority.
 Sec. 302. Contract principles.
 Sec. 303. Terms of reinsurance contracts.
 Sec. 304. Maximum Federal liability.
 Sec. 305. Federal Natural Catastrophe Reinsurance Fund.
 Sec. 306. Consideration of rebuilding.
 Sec. 307. Regulations.

TITLE IV—MITIGATION GRANT PROGRAM

Sec. 401. Mitigation grant program.

TITLE V—GENERAL PROVISIONS

Sec. 501. Eligible State programs.
 Sec. 502. Study and conditional coverage of commercial residential lines of insurance.
 Sec. 503. Study of risk-based pricing and State program rates.
 Sec. 504. Definitions.
 Sec. 505. Regulations.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) the United States has a history of cata-
 4 strophic natural disasters, including hurricanes, tor-
 5 nadoes, flood, fire, earthquakes, and volcanic erup-
 6 tions;

7 (2) although catastrophic natural disasters
 8 occur infrequently, their costs are likely to escalate
 9 in the coming years, in part because of the inten-
 10 sifying impacts of climate change, coastal develop-

1 ment patterns, and increasing property values along
2 the hurricane-prone or earthquake-vulnerable coast-
3 lines of the United States;

4 (3) such disasters present physical risk to as-
5 sets, publicly traded securities, private investments,
6 and companies;

7 (4) as the risk of catastrophe losses grows, so
8 do the risks that any premiums collected by private
9 insurers for extending coverage will be insufficient to
10 cover future catastrophes, and private insurers, to
11 protect their shareholders and policyholders (in the
12 case of mutually owned companies), have thus sig-
13 nificantly raised premiums and curtailed insurance
14 coverage in States exposed to major catastrophes;

15 (5) such effects on the insurance industry have
16 been harmful to economic activity in States exposed
17 to major catastrophes and have placed significant
18 burdens on residents of such States and the Federal
19 Government; and

20 (6) under the current disaster risk management
21 system, the Federal Government and, hence, tax-
22 payers pay for rebuilding through government
23 grants and low-interest loans.

24 (b) PURPOSES.—The purposes of this Act are to es-
25 tablish a program to provide Federal support for State-

1 sponsored insurance programs to help homeowners pre-
 2 pare for and recover from the damages caused by natural
 3 catastrophes, to encourage mitigation and prevention for
 4 such catastrophes, to promote the use of private market
 5 capital as a means to insure against such catastrophes,
 6 to expedite the payment of claims and better assist in the
 7 financial recovery from such catastrophes.

8 **TITLE I—NATIONAL CATAS-**
 9 **TROPHE RISK CONSORTIUM**

10 **SEC. 101. ESTABLISHMENT; CHAIRPERSON; MEMBERSHIP;**
 11 **BYLAWS.**

12 (a) ESTABLISHMENT.—There is established an entity
 13 to be known as the “National Catastrophe Risk Consor-
 14 tium” (in this title referred to as the “Consortium”).

15 (b) CHAIRPERSON.—The Secretary of the Treasury,
 16 or the designee of the Secretary, shall serve as the chair-
 17 person of the Consortium.

18 (c) MEMBERSHIP.—Any State shall be eligible to par-
 19 ticipate in the Consortium.

20 (d) CONSIDERATIONS.—In selecting members of the
 21 Consortium, the States shall—

22 (1) select members who have a background and
 23 expertise relevant to the functions of the Consor-
 24 tium; and

1 (2) ensure the participation of one individual or
2 representative of an organization that represents
3 consumers, minorities, and low- and moderate-in-
4 come housing persons by reflecting the communities
5 that are being affected by catastrophic natural disas-
6 ters.

7 (e) BYLAWS.—The Consortium may prescribe,
8 amend, and repeal such bylaws as necessary to carry out
9 the functions of the Consortium.

10 **SEC. 102. FUNCTIONS.**

11 The Consortium shall—

12 (1) work with States to gather and maintain an
13 inventory of catastrophe risk obligations held by pro-
14 viders of natural catastrophe insurance;

15 (2) assess issues or gaps in the insurance sector
16 of the United States financial system and any re-
17 lated effects on insurance affordability for policy-
18 holders;

19 (3) advance consistent, clear, intelligible, com-
20 parable, and accurate disclosure of catastrophic risk;

21 (4) submit annual reports to the Congress de-
22 scribing the activities of the Consortium for the pre-
23 ceding year, and the first such annual report shall
24 include an assessment of the costs to States and the
25 regions associated with catastrophe risk;

1 (5) assess the potential for major disruptions of
 2 private insurance coverage in United States markets
 3 particularly vulnerable to catastrophes;

4 (6) make such other recommendations on how
 5 identified financial risk can be mitigated, including
 6 through new or revised regulatory standards, as ap-
 7 propriate; and

8 (7) account for and identify disparate impacts
 9 of catastrophic risks on disadvantaged communities
 10 and communities of color.

11 **SEC. 103. AUTHORIZATION OF APPROPRIATIONS.**

12 There are authorized to be appropriated to carry out
 13 this title such sums as may be necessary for each of fiscal
 14 years 2026 through 2029.

15 **TITLE II—CATASTROPHE**
 16 **OBLIGATION GUARANTEES**

17 **SEC. 201. PURPOSES.**

18 The purposes of this title are to establish a pro-
 19 gram—

20 (1) to promote the availability of private capital
 21 to provide liquidity and capacity to State catas-
 22 trophe insurance programs; and

23 (2) to expedite the payment of claims under
 24 State catastrophe insurance programs and better as-
 25 sist the financial recovery from significant natural

1 catastrophes by authorizing the Secretary of the
2 Treasury to guarantee debt for such purposes.

3 **SEC. 202. ESTABLISHMENT OF DEBT GUARANTEE PRO-**
4 **GRAM.**

5 (a) **AUTHORITY OF SECRETARY.**—The Secretary of
6 the Treasury is authorized and shall have the powers and
7 authorities necessary to guarantee, and to enter into com-
8 mitments to guarantee, holders of debt against loss of
9 principal or interest, or both, on any such debt issued by
10 eligible State programs for purposes of this title, provided
11 that the total principal amount of debt obligations guaran-
12 teed by the Secretary—

13 (1) for eligible State programs that cover earth-
14 quake peril shall not exceed \$3,500,000,000; and

15 (2) for eligible State programs that cover all
16 other perils shall not exceed \$17,000,000,000.

17 (b) **CONDITIONS FOR GUARANTEE ELIGIBILITY.**—A
18 debt guarantee under this section may be made only if
19 the Secretary has issued a commitment to guarantee to
20 an eligible State program. The commitment to guarantee
21 shall be for a period of 3 years and may be extended by
22 the Secretary for a period of 1 year on each annual anni-
23 versary of the issuance of the commitment to guarantee.
24 The commitment to guarantee and each extension of such

1 commitment may be issued by the Secretary only if the
2 following requirements are satisfied:

3 (1) The eligible State program submits to the
4 Secretary a report setting forth, in such form and
5 including such information as the Secretary shall re-
6 quire, how the eligible State program plans to repay
7 the debt.

8 (2) Based upon the eligible State program's re-
9 port submitted pursuant to paragraph (1), the Sec-
10 retary determines there is reasonable assurance that
11 the eligible State program can meet its repayment
12 obligation under the debt.

13 (3) The eligible State program enters into an
14 agreement with the Secretary, as the Secretary shall
15 require, that the eligible State program will not use
16 Federal funds of any kind or from any Federal
17 source (including any disaster or other financial as-
18 sistance, loan proceeds, and any other assistance or
19 subsidy) to repay the debt.

20 (4) The commitment to guarantee shall specify
21 the fees for debt guarantee coverage.

22 (5) The maximum term of the debt that shall
23 be specified in a commitment issued under this sec-
24 tion may not exceed 30 years.

1 (6) The Secretary determines that the eligible
2 State program does not cover losses arising from
3 floods to properties that are required to be covered
4 by flood insurance, covered by flood insurance, or lo-
5 cated in areas having special flood hazards (as such
6 term is defined for purposes of the National Flood
7 Insurance Act of 1968 and the Flood Disaster Pro-
8 tection Act of 1973).

9 (c) MANDATORY ASSISTANCE FOR ELIGIBLE STATE
10 PROGRAMS.—The Secretary shall upon the request of an
11 eligible State program and pursuant to a commitment to
12 guarantee issued under subsection (b), provide a guar-
13 antee under subsection (d) for such eligible State program
14 in the amount requested by such eligible State program,
15 subject to the limitation under subsection (d)(2).

16 (d) CATASTROPHIC DEBT GUARANTEE.—A debt
17 guarantee under this subsection for an eligible State pro-
18 gram shall be subject to the following requirements:

19 (1) PRECONDITIONS.—The eligible State pro-
20 gram shows to the satisfaction of the Secretary that
21 insured losses in the State to the eligible State pro-
22 gram arising from the event or events covered by the
23 commitment to guarantee are likely to exceed the eli-
24 gible State program’s available cash resources, as of
25 immediately before the date of the event.

1 (2) AMOUNT.—The aggregate principal amount
2 of the debt guaranteed following an event or events
3 referred to in paragraph (1) may not exceed the
4 amount by which the insured losses expected to be
5 sustained by the State program as a result of such
6 event or events exceed 80 percent of the qualifying
7 assets of the eligible State program as stated in the
8 most recent quarterly financial statement filed with
9 the domiciliary regulator of the program prior to the
10 event or events, except that, for eligible State pro-
11 grams that are not required to file such quarterly fi-
12 nancial statements, the aggregate principal amount
13 of the debt guaranteed may not exceed the amount
14 by which insured losses sustained by the State pro-
15 gram as a result of such event or events exceed 80
16 percent of the unrestricted net assets as stated in
17 the annual financial statement for the program’s fis-
18 cal year ending immediately prior to the event or
19 events.

20 (3) USE OF FUNDS.—Amounts of debt guaran-
21 teed under this section shall be used only to pay the
22 costs of issuing debt and to pay the insured losses
23 and loss adjustment expenses incurred by an eligible
24 State program. Such amounts shall not be used for
25 any other purpose.

1 (e) FUNDING.—There are authorized to be appro-
2 priated such sums as may be necessary to carry out this
3 section.

4 **SEC. 203. EFFECT OF GUARANTEE.**

5 The issuance of any guarantee by the Secretary
6 under this title shall be conclusive evidence that—

7 (1) the guarantee has been properly obtained;

8 (2) the underlying debt qualified for such guar-
9 antee; and

10 (3) the guarantee is valid, legal, and enforce-
11 able.

12 **SEC. 204. FULL FAITH AND CREDIT.**

13 The full faith and credit of the United States is
14 pledged to the payment of all guarantees issued under this
15 title with respect to principal and interest.

16 **SEC. 205. FEES FOR GUARANTEES; AMOUNT; COLLECTION.**

17 The Secretary shall charge and collect fees for each
18 guarantee in amounts specified in the commitment to
19 guarantee, which shall be in amounts sufficient in the
20 judgment of the Secretary at the time of issuance of the
21 commitment to guarantee to cover applicable administra-
22 tive costs and probable losses on the guaranteed obliga-
23 tions covered by the commitment to guarantee, but in any
24 event not to exceed one-half of 1 percent per annum of
25 the outstanding indebtedness covered by each guarantee.

1 **SEC. 206. PAYMENT OF LOSSES.**

2 (a) IN GENERAL.—The Secretary agrees to pay to
3 the duly appointed paying agent or trustee (in this section
4 referred to as the “Fiscal Agent”) for the eligible State
5 program that portion of the principal and interest on any
6 debt guaranteed under this title that shall become due for
7 payment but shall be unpaid by the eligible State program
8 as a result of such program having provided insufficient
9 funds to the Fiscal Agent to make such payments. The
10 Secretary shall make such payments on the date such
11 principal or interest becomes due for payment or on the
12 business day next following the day on which the Secretary
13 shall receive notice of failure on the part of the eligible
14 State program to provide sufficient funds to the Fiscal
15 Agent to make such payments, whichever is later. Upon
16 making such payment, the Secretary shall be subrogated
17 to all the rights of the ultimate recipient of the payment.
18 The Secretary shall be entitled to recover from the eligible
19 State program the amount of any payments made pursu-
20 ant to any guarantee entered into under this title.

21 (b) ROLE OF THE ATTORNEY GENERAL.—The Attor-
22 ney General shall take such action as may be appropriate
23 to enforce any right accruing to the United States as a
24 result of the issuance of any guarantee under this title.

25 (c) RIGHT OF THE SECRETARY.—Notwithstanding
26 any other provision of law relating to the acquisition, han-

1 dling, or disposal of property by the United States, the
 2 Secretary shall have the right in the discretion of the Sec-
 3 retary to complete, recondition, reconstruct, renovate, re-
 4 pair, maintain, operate, or sell any property acquired by
 5 the Secretary pursuant to the provisions of this title.

6 **SEC. 207. REGULATIONS.**

7 The Secretary shall issue any regulations necessary
 8 to carry out the debt-guarantee program established under
 9 this title.

10 **TITLE III—REINSURANCE COV-**
 11 **ERAGE FOR ELIGIBLE STATE**
 12 **PROGRAMS**

13 **SEC. 301. PROGRAM AUTHORITY.**

14 The Secretary of the Treasury, shall make available
 15 for purchase, only by eligible State programs, contracts
 16 for reinsurance coverage under this title.

17 **SEC. 302. CONTRACT PRINCIPLES.**

18 Contracts for reinsurance coverage made available
 19 under this title—

20 (1) shall be priced on an actuarially sound
 21 basis;

22 (2) shall minimize the administrative costs of
 23 the Federal Government; and

1 (3) shall provide coverage based solely on in-
2 sured losses covered by the eligible State program
3 purchasing the contract.

4 **SEC. 303. TERMS OF REINSURANCE CONTRACTS.**

5 (a) MINIMUM ATTACHMENT POINT AND LEVELS OF
6 COVERAGE.—The Secretary shall establish attachment
7 points at which reinsurance coverage under this title is
8 provided to eligible State programs. In setting attachment
9 points and in determining the levels of reinsurance cov-
10 erage provided, the Secretary shall take into consider-
11 ation—

12 (1) the coverage available through eligible State
13 programs;

14 (2) the availability and accessibility of reinsur-
15 ance in the private market; and

16 (3) other factors as deemed appropriate by the
17 Secretary.

18 (b) EIGHTY TO NINETY PERCENT COVERAGE OF IN-
19 SURED LOSSES IN EXCESS OF RETAINED LOSSES.—Each
20 contract for reinsurance coverage under this title shall
21 provide that the amount paid out under the contract shall
22 be equal to at least 80 percent, but not more than 90 per-
23 cent, of the amount of insured losses of the eligible State
24 program in excess of the amount of retained losses that

1 the contract requires, pursuant to subsection (a), to be
2 incurred by such program.

3 (c) MATURITY.—The term of each contract for rein-
4 surance coverage under this title shall not exceed 1 year
5 or such other term as the Secretary may determine.

6 (d) PAYMENT CONDITION.—Each contract for rein-
7 surance coverage under this title shall authorize claims
8 payments to the eligible State program purchasing the
9 coverage only for insured losses provided under the con-
10 tract.

11 (e) MULTIPLE EVENTS.—The contract shall cover
12 any insured losses from one or more events that may occur
13 during the term of the contract and shall provide that if
14 multiple events occur, the retained losses requirement
15 under subsection (a) shall apply on a calendar year basis,
16 in the aggregate and not separately to each individual
17 event.

18 (f) TIMING OF CLAIMS.—Claims under a contract for
19 reinsurance coverage under this title shall include only in-
20 surance claims that are reported to the eligible State pro-
21 gram within the 3-year period beginning upon the event
22 or events for which payment under the contract is pro-
23 vided.

24 (g) ACTUARIAL PRICING.—The price of coverage
25 under a reinsurance contract under this title shall be an

1 amount, established by the Secretary at a level that annu-
2 ally produces expected premiums that shall be sufficient
3 to pay the reasonably anticipated cost of all claims (which
4 may not be equal only to average annual costs), loss ad-
5 justment expenses, all administrative costs of reinsurance
6 coverage offered under this title, and any such outwards
7 reinsurance, as described in section 305(c)(3), as the Sec-
8 retary considers prudent taking into consideration the de-
9 mand for reinsurance coverage under this title. The antici-
10 pated cost of all claims shall be comparable to amounts
11 being included in the price for similar layers of coverage
12 in the private sector, taking into account the savings asso-
13 ciated with non-profit and tax-exempt status of the Fund
14 established under section 305.

15 (h) INFORMATION.—Each contract for reinsurance
16 coverage under this title shall contain a condition pro-
17 viding that the Secretary may require the eligible State
18 program that is covered under the contract to submit to
19 the Secretary all information on the eligible State program
20 relevant to the duties of the Secretary under this title.

21 (i) OTHERS.—Contracts for reinsurance coverage
22 under this title shall contain such other terms as the Sec-
23 retary considers necessary to carry out this title and to
24 ensure the long-term financial integrity of the program
25 under this title.

1 **SEC. 304. MAXIMUM FEDERAL LIABILITY.**

2 (a) IN GENERAL.—Subject to subsection (b) and not-
3 withstanding any other provision of law, the aggregate po-
4 tential liability for payment of claims under all contracts
5 for reinsurance coverage under this title sold in any single
6 year shall be determined by the Secretary based on review
7 of the market for reinsurance coverage under this title.

8 (b) LIMITATION.—The authority of the Secretary to
9 enter into contracts for reinsurance coverage under this
10 title shall be effective for any fiscal year only to such ex-
11 tent or in such amounts as are or have been provided in
12 appropriation Acts for such fiscal year for the aggregate
13 potential liability for payment of claims under all contracts
14 for reinsurance coverage under this title.

15 **SEC. 305. FEDERAL NATURAL CATASTROPHE REINSUR-**
16 **ANCE FUND.**

17 (a) ESTABLISHMENT.—There is established within
18 the Treasury of the United States a fund to be known
19 as the Federal Natural Catastrophe Reinsurance Fund (in
20 this section referred to as the “Fund”).

21 (b) CREDITS.—The Fund shall be credited with—

22 (1) amounts received annually from the sale of
23 contracts for reinsurance coverage under this title;

24 (2) any amounts appropriated for the aggregate
25 potential liability for payment of claims under all

1 contracts for reinsurance coverage under this title;
2 and

3 (3) any amounts earned on investments of the
4 Fund pursuant to subsection (d).

5 (c) USES.—Amounts in the Fund shall be available
6 to the Secretary only for the following purposes:

7 (1) CONTRACT PAYMENTS.—For payments to
8 purchasers covered under contracts for reinsurance
9 coverage for eligible losses under such contracts.

10 (2) ADMINISTRATIVE EXPENSES.—To pay for
11 the administrative expenses incurred by the Sec-
12 retary in carrying out the reinsurance program
13 under this title.

14 (3) OUTWARDS REINSURANCE.—To obtain
15 retrocessional or other reinsurance coverage of any
16 kind to cover risk reinsured under contracts for rein-
17 surance coverage made available under this title.

18 (d) INVESTMENT.—The Secretary shall invest such
19 amounts in the Fund as the Secretary considers advisable
20 in obligations issued or guaranteed by the United States.
21 For purposes of the grant mandate in section 401(f) for
22 a fiscal year, the Secretary shall disclose the annual net
23 investment income available not later than 60 days after
24 the conclusion of such fiscal year and disperse appropriate

1 funds not later than 90 days after the conclusion of such
2 fiscal year.

3 **SEC. 306. CONSIDERATION OF REBUILDING.**

4 Nothing in this title may be construed to prevent
5 counties, municipalities, and other localities from under-
6 taking land and environmental assessments to determine
7 the efficacy of rebuilding.

8 **SEC. 307. REGULATIONS.**

9 The Secretary shall issue any regulations necessary
10 to carry out the program for reinsurance coverage under
11 this title.

12 **TITLE IV—MITIGATION GRANT**
13 **PROGRAM**

14 **SEC. 401. MITIGATION GRANT PROGRAM.**

15 (a) ESTABLISHMENT.—The Secretary of Housing
16 and Urban Development shall establish and carry out a
17 program to provide grants to eligible entities to develop,
18 enhance, or maintain programs to prevent and mitigate
19 losses from natural catastrophes.

20 (b) GRANTS.—A grant provided under subsection (a)
21 shall be used to reduce loss of life and property by—

22 (1) encouraging awareness of risk factors and
23 what steps can be taken to eliminate or reduce them,
24 including public education campaigns to promote cit-
25 izen and community preparedness;

1 (2) assisting in the determination of the loca-
2 tion of risk by giving careful consideration to the
3 natural risks for the location of a property;

4 (3) providing inspections of homes to identify
5 areas to strengthen such homes and reduce exposure
6 to natural catastrophes;

7 (4) providing financial assistance to home-
8 owners to retrofit homes to reduce exposure to nat-
9 ural catastrophes; or

10 (5) supporting disaster response readiness pro-
11 grams, including initiatives that develop, enhance ,or
12 maintain the capacity of a public safety organization
13 to be better prepared, equipped, and trained to re-
14 spond to natural catastrophes.

15 (c) PRIORITY.—In making grants under the program
16 under subsection (a), the Secretary shall give priority to
17 applicants demonstrating greater financial need, including
18 applicants serving lower income individuals and areas.

19 (d) CONSULTATION WITH EXPERTS.—In carrying
20 out the program established under subsection (a), the Sec-
21 retary of Housing and Urban Development shall consult
22 with—

23 (1) disaster preparedness and response organi-
24 zations;

25 (2) homebuilders;

- 1 (3) real estate professionals;
- 2 (4) building code enforcement agencies; and
- 3 (5) any other person that the Secretary con-
- 4 siders appropriate.

5 (e) ELIGIBLE ENTITY DEFINED.—In this section, the
 6 term “eligible entity” means a State or local government,
 7 a part or program of a State or local government, or a
 8 nationally recognized, congressionally chartered disaster
 9 response non-profit organization.

10 (f) GRANT MANDATE.—The Secretary shall, to the
 11 extent provided in advance in appropriation Acts, use not
 12 less than 35 percent of the net investment income from
 13 the Federal Natural Catastrophe Reinsurance Fund
 14 earned in each fiscal year pursuant to section 305(d) for
 15 grants under this section.

16 **TITLE V—GENERAL PROVISIONS**

17 **SEC. 501. ELIGIBLE STATE PROGRAMS.**

18 (a) ELIGIBLE STATE PROGRAMS.—A State program
 19 shall be considered an “eligible State program” for pur-
 20 poses of this Act if the Secretary certifies, in accordance
 21 with the procedures established under subsection (c), that
 22 the State program complies with the following require-
 23 ments:

- 24 (1) STATE PROGRAM DESIGN.—The State pro-
- 25 gram is established and authorized by State law as

1 an insurance program or a reinsurance program that
2 is designed to improve private insurance markets
3 and that offers residential property insurance cov-
4 erage for losses arising from any personal residential
5 line of insurance, as defined in the Uniform Prop-
6 erty and Casualty Product Coding Matrix of the Na-
7 tional Association of Insurance Commissioners.

8 (2) OPERATION.—The State program shall
9 meet the following requirements:

10 (A) A majority of the members of the gov-
11 erning body of the State program shall be pub-
12 lic officials or appointed by public officials.

13 (B) The State shall have a financial inter-
14 est in the State program.

15 (C) If the State has at any time appro-
16 priated amounts from the State program's
17 funds for any purpose other than payments for
18 losses insured under the State program, or pay-
19 ments made in connection with any of the State
20 program's authorized activities, the State shall
21 have returned such amounts to the State fund,
22 together with interest as determined by the in-
23 dividual State on such amounts.

24 (3) TAX STATUS.—The State program shall
25 have received from the Secretary (or the Secretary's

1 designee) a written determination, within the mean-
2 ing of section 6110(b) of the Internal Revenue Code
3 of 1986, that the program either—

4 (A) constitutes an “integral part” of the
5 State that has created it; or

6 (B) is otherwise exempt from Federal in-
7 come taxation.

8 (4) EARNINGS.—The State program may not
9 provide for any distribution of any part of any net
10 profits of the State program to any insurer that par-
11 ticipates in the State program.

12 (5) PREVENTION AND MITIGATION.—

13 (A) MITIGATION OF LOSSES.—The State
14 program shall include provisions designed to en-
15 courage and support programs to mitigate
16 losses from natural catastrophes for which the
17 State insurance or reinsurance program was es-
18 tablished to provide insurance coverage.

19 (B) OPERATIONAL REQUIREMENTS.—The
20 State program shall operate in a State that—

21 (i) requires that an appropriate public
22 body within the State shall have adopted
23 adequate mitigation measures with effec-
24 tive enforcement provisions which the Sec-
25 retary finds are consistent with the criteria

1 for construction described in the Inter-
2 national Code Council building codes;

3 (ii) has taken actions to establish an
4 insurance rate structure that takes into ac-
5 count measures to mitigate insured losses;
6 and

7 (iii) ensures, to the extent that rein-
8 surance coverage made available under the
9 eligible State program results in any cost
10 savings in providing insurance coverage for
11 risks in such State, such cost savings are
12 reflected in premium rates charged to con-
13 sumers for such coverage.

14 (6) REQUIREMENTS REGARDING COVERAGE.—

15 The State program—

16 (A) may not, except for charges or assess-
17 ments related to post-event financing or bond-
18 ing, involve cross-subsidization between any
19 separate property and casualty insurance lines
20 covered under the State program pursuant to
21 paragraph (1);

22 (B) shall be subject to a requirement
23 under State law that for any insurance coverage
24 made available under the State insurance pro-
25 gram or for any reinsurance coverage for such

1 insurance coverage made available under the
2 State reinsurance program, the premium rates
3 charged shall cover the expected value of all fu-
4 ture costs associated with insurance policies or
5 reinsurance contracts written by such program,
6 in accordance with the principles under section
7 303(g);

8 (C) shall make available to all qualifying
9 policyholders insurance or reinsurance coverage,
10 as applicable, and mitigation services on a basis
11 that is not unfairly discriminatory; and

12 (D) publishes, and displays in a prominent
13 location on a website for the State insurance
14 program, information for the State insurance
15 program of estimated assessments and sur-
16 charges on policyholders, in accordance with
17 State laws, regulations, or other requirements,
18 for a range of natural disaster or catastrophic
19 events having a varying magnitude of losses, in-
20 cluding an event projected to result in losses of
21 such magnitude that they have a 1 percent
22 chance of being equaled or exceeded in any sin-
23 gle year, based on the current year estimated
24 aggregate funding capacity of the State insur-
25 ance program and State reinsurance program.

1 (7) LAND USE AND ZONING.—The State pro-
2 gram, to the extent possible, seeks to encourage ap-
3 propriate State and local government units to de-
4 velop comprehensive land use and zoning plans that
5 include natural hazard mitigation.

6 (8) RISK-BASED CAPITAL REQUIREMENTS.—
7 The State program—

8 (A) complies with such risk-based capital
9 requirements as applicable State law may im-
10 pose and shall take into consideration asset
11 risk, credit risk, underwriting risk, and such
12 other relevant risk as determined by the Sec-
13 retary; and

14 (B) for each calendar year, prepares and
15 submits to the Secretary a report identifying its
16 claim-paying capacity at such time after the
17 conclusion of such year, and containing such in-
18 formation and in such form, as the Secretary
19 shall require.

20 (9) OTHER REQUIREMENTS.—The State pro-
21 gram complies with such additional organizational,
22 underwriting, and financial requirements as the Sec-
23 retary shall, by regulation, provide to carry out the
24 purposes of this Act.

1 (b) CERTIFICATION.—The Secretary shall establish
2 procedures for initial certification and recertification as an
3 eligible State program.

4 (c) TRANSITIONAL MECHANISMS.—For the 5-year
5 period beginning on the date of the enactment of this Act,
6 in the case of a State that does not have an eligible State
7 program for the State, a State residual insurance market
8 entity, or State-sponsored provider of natural catastrophe
9 insurance, for such State shall be considered to be an eligi-
10 ble State program, but only if such State residual insur-
11 ance market entity, or State-sponsored provider of natural
12 catastrophe insurance, was in existence before such date
13 of enactment.

14 (d) REINSURANCE TO COVER EXPOSURE.—This sec-
15 tion may not be construed to limit or prevent any eligible
16 State program from obtaining reinsurance coverage for in-
17 sured losses retained by insurers pursuant to this section.

18 **SEC. 502. STUDY AND CONDITIONAL COVERAGE OF COM-**
19 **MERCIAL RESIDENTIAL LINES OF INSUR-**
20 **ANCE.**

21 The Secretary shall study, on an expedited basis, the
22 need for and impact of expanding the programs estab-
23 lished by this Act to apply to insured losses of eligible
24 State programs for losses arising from all commercial in-
25 surance policies which provide coverage for properties that

1 are composed predominantly of residential rental units.
2 The Secretary shall consider the catastrophic insurance
3 and reinsurance market for commercial residential prop-
4 erties, and specifically the availability of adequate private
5 insurance coverage when an insured event occurs, the im-
6 pact any such capacity restrictions have on housing afford-
7 ability for renters, and the likelihood that such an expan-
8 sion of the program would increase insurance capacity for
9 this market segment.

10 **SEC. 503. STUDY OF RISK-BASED PRICING AND STATE PRO-**
11 **GRAM RATES.**

12 The Comptroller General of the United States shall
13 conduct a study to analyze—

14 (1) risk-based rate pricing, to determine the use
15 of actuarially sound pricing for State insurance, re-
16 insurance, or residual market programs, including
17 what measures States are taking to implement actu-
18 arially sound rates;

19 (2) rates for State insurance, reinsurance, or
20 residual market programs that fail to cover the ex-
21 pected value of all future costs, including the cost of
22 capital, associated with insurance policies or reinsur-
23 ance contracts written by such programs or fail to
24 have sufficient assets above their indebtedness to
25 meet their obligations; and

1 (3) any financial complications arising for pol-
2 icyholders resulting from increased policy costs.

3 Not later than 6 months after the date of the enactment
4 of this Act, the Comptroller General shall submit a report
5 to the Congress on the results of the study under this sec-
6 tion.

7 **SEC. 504. DEFINITIONS.**

8 In this Act:

9 (1) COMMITMENT TO GUARANTEE.—The term
10 “commitment to guarantee” means a commitment to
11 make debt guarantees to an eligible State program
12 pursuant to section 202(c).

13 (2) ELIGIBLE STATE PROGRAM.—The term “eli-
14 gible State program” means a State program that
15 the Secretary certifies as an eligible State program
16 under section 501.

17 (3) INSURED LOSS.—The term “insured loss”
18 means any loss that is determined by an eligible
19 State program as being covered by insurance or re-
20 insurance made available under that eligible State
21 program.

22 (4) QUALIFYING ASSETS.—The term “quali-
23 fying assets” means the policyholder surplus of the
24 eligible State program as stated in the most recent
25 quarterly financial statement filed by the program

1 with the domiciliary regulator of the program in the
2 last quarter ending prior to the event or events.

3 (5) SECRETARY.—The term “Secretary” means
4 the Secretary of the Treasury.

5 (6) STATE.—The term “State” includes the
6 several States, the District of Columbia, the Com-
7 monwealth of Puerto Rico, Guam, the Common-
8 wealth of the Northern Mariana Islands, the United
9 States Virgin Islands, and American Samoa, and
10 any other territory or possession of the United
11 States.

12 **SEC. 505. REGULATIONS.**

13 The Secretary shall issue such regulations as may be
14 necessary to carry out this Act.

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