

Boucher Gillibrand McGovern Shimkus Tauscher Wasserman
 Boustany Gingrey McHenry Shuler Taylor Schultz
 Boyd (FL) Gohmert McHugh Shuster Terry Waters
 Boyda (KS) Gonzalez McIntyre Simpson Skelton Thompson (CA) Watson
 Brady (PA) Goode McKeon Skelton Thompson (MS) Watt
 Brady (TX) Goodlatte McNeerney Slaughter Thornberry Waxman
 Broun (GA) Gordon McNulty Smith (NE) Tiahrt Weiner
 Brown (SC) Granger Meek (FL) Smith (NJ) Tiberi Welch (VT)
 Brown, Corrine Graves Meeks (NY) Smith (TX) Tierney Weldon (FL)
 Brown-Waite, Green, Al Melancon Smith (WA) Tsongas Weller
 Ginny Green, Gene Mica Snyder Turner Westmoreland
 Buchanan Gutierrez Michaud Solis Udall (CO) Wexler
 Burgess Hall (NY) Miller (MI) Souder Udall (NM) Whitfield
 Burton (IN) Hall (TX) Miller (NC) Space Upton Wicker
 Butterfield Hare Miller, Gary Spratt Van Hollen Wilson (NM)
 Calvert Harman Miller, George Stark Velázquez Wilson (OH)
 Camp (MI) Hastert Mitchell Stearns Visclosky Wilson (SC)
 Campbell (CA) Hastings (FL) Molohan Stupak Walberg Wolf
 Cannon Hastings (WA) Moore (KS) Sullivan Walden (OR) Wu
 Cantor Hayes Moore (WI) Sutton Walsh (NY) Yarmuth
 Capito Heller Moran (KS) Tancredo Walz (MN) Young (AK)
 Capps Hensarling Moran (VA) Tanner Wamp Young (FL)
 Capuano Herger Murphy (CT) NOES—16
 Cardoza Herseth Sandlin Murphy, Patrick Baldwin Jackson-Lee Schakowsky
 Carnahan Higgins Murphy, Tim Clarke (TX) Serrano
 Carney Hill Murtha Kucinich Sires
 Castle Hinchey Musgrave Lee Sires
 Castor Hinojosa Myrick Ellison Grijalva Sánchez, Linda Towns
 Chabot Hirono Nadler Honda T. Woolsey
 Chandler Hobson Napolitano Neal (MA) Wynne
 Clay Hodes Neugebauer Bean Giffords Lungren, Daniel
 Cleaver Hoekstra Nunes Boren Hunter E.
 Clyburn Holden Nunes Braley (IA) Jindal McMorris
 Coble Holt Oliver Buyer Keller Rodgers
 Cohen Hoyer Ortíz LaHood Miller (FL)
 Cole (OK) Hoyer Ortíz LaHood Miller (FL)
 Conaway Hulshof Pascrell Carter Lantos Oberstar
 Conyers Inglis (SC) Pastor Cubin Leantos Rothman
 Cooper Inslee Paul
 Costa Israel Payne
 Costello Issa Pearce
 Courtney Jackson (IL) Pence
 Cramer Jefferson Perlmutter
 Crenshaw Johnson (GA) Peterson (MN)
 Cuellar Johnson (IL) Peterson (PA)
 Culberson Johnson, E. B. Petri
 Cummings Johnson, Sam Pickering
 Davis (AL) Jones (NC) Pitts
 Davis (CA) Jones (OH) Platts
 Davis (IL) Jordan Poe
 Davis (KY) Kagen Pomeroy
 Davis, David Kanjorski Porter
 Davis, Lincoln Kaptur Price (GA)
 Davis, Tom Kennedy Price (NC)
 Deal (GA) Kildee Pryce (OH)
 DeFazio Kilpatrick Putnam
 DeGette Kind Radanovich
 Delahunt King (IA) Rahall
 DeLauro King (NY) Ramstad
 Dent Kingston Rangel
 Diaz-Balart, L. Kirk Regula
 Diaz-Balart, M. Klein (FL) Rehberg
 Dicks Kline (MN) Reichert
 Dingell Knollenberg Renzi
 Doggett Kuhl (NY) Reyes
 Donnelly Lamborn Reynolds
 Doolittle Lampson Richardson
 Doyle Langevin Rodriguez
 Drake Larsen (WA) Rogers (AL)
 Dreier Larson (CT) Rogers (KY)
 Duncan Latham Rogers (MI)
 Edwards LaTourette Rohrbacher
 Ehlers Lewis (CA) Ros-Lehtinen
 Ellsworth Lewis (GA) Roskam
 Emanuel Lewis (KY) Ross
 Emerson Linder Roybal-Allard
 Engel Lipinski Royce
 English (PA) LoBiondo Ruppberger
 Eshoo Loeb sack Rush
 Etheridge Lofgren, Zoe Ryan (OH)
 Everett Lowey Ryan (WI)
 Fallin Lucas Ryan (WI)
 Farr Lynch Salazar
 Fattah Mack Sali
 Feeney Mahoney (FL) Sanchez, Loretta
 Ferguson Maloney (NY) Sarbanes
 Filner Manzullo Saxton
 Flake Marchant Schiff
 Forbes Markey Schmidt
 Fortenberry Marshall Schwartz
 Fossella Matheson Scott (GA)
 Foxx Matsui Scott (VA)
 Frank (MA) McCarthy (CA) Sensenbrenner
 Franks (AZ) McCarthy (NY) Sessions
 Frelinghuysen McCaul (TX) Sestak
 Gallegly McCollum (MN) Shadegg
 Garrett (NJ) McCotter Shays
 Gerlach McCrery Shea-Porter
 Gilchrest McDermott Sherman

Baldwin Jackson-Lee Schakowsky
 Clarke (TX) Serrano
 Crowley Kucinich Sires
 Ellison Lee Towns
 Grijalva Sánchez, Linda Woolsey
 Honda T. Wynne

NOT VOTING—19

Bean Giffords Lungren, Daniel
 Boren Hunter E.
 Braley (IA) Jindal McMorris
 Buyer Keller Rodgers
 Carson LaHood Miller (FL)
 Carter Lantos Oberstar
 Cubin Leantos Rothman

□ 1507

Ms. WATERS changed her vote from “no” to “aye.”

So the motion to instruct was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. BRALEY of Iowa. Mr. Speaker, on rollcall vote No. 1060, had I been present, I would have voted “nay.”

On rollcall vote No. 1061, had I been present, I would have voted “aye.”

On rollcall vote No. 1062, had I been present, I would have voted “aye.”

On rollcall vote No. 1063, had I been present, I would have voted “aye.”

On rollcall vote No. 1064, had I been present, I would have voted “aye.”

On rollcall vote No. 1065, had I been present, I would have voted “aye.”

On rollcall vote No. 1066, had I been present, I would have voted “aye.”

On rollcall vote No. 1067, had I been present, I would have voted “aye.”

The SPEAKER pro tempore (Mr. CARDOZA). Without objection, the Chair appoints the following conferees:

MESSRS. OLVER, PASTOR, RODRIGUEZ, Ms. KAPTUR, Mr. PRICE of North Carolina, Mr. CRAMER, Ms. ROYBAL-ALLARD, Messrs. BERRY, OBEY, KNOLLENBERG, WOLF, ADERHOLT, WALSH of New York, GOODE, and LEWIS of California.

There was no objection.

GENERAL LEAVE

Mr. KLEIN of Florida. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 3355 and to insert extra-ordinary material thereon.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

HOMEOWNERS' DEFENSE ACT OF 2007

The SPEAKER pro tempore. Pursuant to House Resolution 802 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the consideration of the bill, H.R. 3355.

□ 1510

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 3355) to ensure the availability and affordability of homeowners' insurance coverage for catastrophic events, with Mr. ROSS in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered read the first time.

The gentleman from Florida (Mr. KLEIN) and the gentlewoman from West Virginia (Mrs. CAPITO) each will control 30 minutes.

The Chair recognizes the gentleman from Florida.

Mr. KLEIN of Florida. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise today to discuss H.R. 3355, the Homeowners' Defense Act. This bill responds to the growing crisis in the availability and affordability of homeowners insurance and further works to protect the financial solvency of States. This bipartisan legislation represents many months of deliberation and thoughtful input from members of both parties and across each region of the United States. We recognize that disasters will continue to occur across the country and are moving proactively to ensure that a plan is in place before the next one strikes.

Every region of the United States is susceptible to some form of natural disaster, be it earthquakes, hurricanes, blizzards, tornadoes, or wildfires, and we are here to provide relief.

It is important to understand that insurance availability and affordability problems have become a national issue. Hundreds of thousands of homeowners across the country have already had their insurance coverage dropped or are currently slated for nonrenewal by their insurance company. Those who remain insured are confronted with crippling premiums, which in some cases is forcing homeowners to make tough decisions about whether to go with or without property insurance, if they have that choice.

Insurance problems are not isolated to Florida, Mississippi, or Louisiana. Last year property insurers indicated that they plan to stop offering new coverage in Maryland and Virginia's

coastal markets, and property insurers have also stopped writing new policies for residents in Delaware, New Jersey, and Connecticut, no matter where in the State the property is located.

Furthermore, tens of thousands of homeowners in Massachusetts, New York, North Carolina, South Carolina, Alabama, and Texas have also been dropped as well. And adding to that, even with California's known record of seismic activity, over 84 percent of California homeowners currently do not have earthquake policies. It is simply unacceptable for property owners not to be able to get reliable coverage in these markets, and it is precisely this reason that legislation is necessary.

The Homeowners' Defense Act aims to take a twofold approach by establishing a program to help States responsibly manage their risk before disaster strikes while also providing financial assistance to ensure that they can quickly and efficiently respond to homeowners insurance claims following a natural disaster.

Specifically, this bill provides a venue for State-sponsored insurance funds to voluntarily bundle their catastrophic risk with one another and then transfer that risk to the private markets through the use of catastrophic bonds and reinsurance contracts. The legislation also allows for the Federal Government to extend loans to cash-strapped States after a large-scale natural disaster so that they can meet their obligations to homeowners.

By utilizing new strategies and an innovative capital market approach, the bill allows investors to assume some of the risk currently held by the States in return for an interest payment. The voluntary nature of the program, coupled with the use of the capital markets, ensures that homeowners in less disaster-prone States will not be on the hook if a disaster strikes a neighboring State.

I want to emphasize that the opt-in nature of this plan creates no burden or obligation whatsoever on States that do not choose to participate. This is essential.

The total economic impact accompanying natural disasters resonates throughout our entire Nation. The total economic damages from the 2005 hurricanes will likely exceed \$200 billion, with the Federal Government taking responsibility for paying out in excess of \$109 billion for disaster relief.

□ 1515

Although we all agree that it is necessary, this Federal spending is drawn equally from taxpayers across the country, not simply from those in affected regions.

Through this legislation, we are looking to take a proactive approach where States responsibly plan in advance of a disaster, rather than a reactive approach, where the Federal Government and every taxpayer opens up

the Treasury after a catastrophe. It is important to emphasize, however, that the status quo is no longer an option. We must work together to establish a system to make sure that property insurance is both available and affordable for hardworking families and those most in need.

I urge Members to vote in favor of this much-needed legislation.

Mr. Chairman, I reserve the balance of my time.

Mrs. CAPITO. Mr. Chairman, I yield myself such time as I may consume.

First of all, I would like to thank the two gentlemen from Financial Services from Florida for bringing this bill forward.

Mr. Chairman, we are all concerned about insurance rates that are increasing in Florida and other States. Representatives BROWN-WAITE, PUTNAM, BUCHANAN and FEENEY have all been very effective and passionate advocates for their constituencies, and I would like to commend them for their hard work.

We can all agree that many States are facing considerable problems with the affordability of homeowners insurance. However, at this point, there is no consensus that H.R. 3355 is the best solution to the problem. In fact, there is quite a bit of disagreement amongst a broad spectrum as to what is the best manner to address this problem. Instead of granting long-term relief to middle-income coastal homeowners confronted with rising insurance costs, this bill could potentially place taxpayers at risk for bailing out insolvent State insurance companies.

In the past few years, some of the largest hurricanes on record tore through the gulf coast and coastal Florida. Some of the affected States have tried to protect their local markets, to limit rate increases, force coverage, or restrict market freedom. Unfortunately, these efforts have had severe unintended consequences and have done little to lower the cost of insurance for consumers. Competition has been reduced and homeowners have been left with fewer choices. Ironically, State initiatives designed to secure more coverage for their constituents have resulted in less affordability.

Florida created Citizens Property Insurance Corporation in 2002 because private insurers have reservations about insuring risky coastal development. While Citizens was supposed to be an insurer of last resort, it is now Florida's largest insurer, with over 1.3 million policyholders, and a total exposure of \$434 billion, yet only enough funding to pay approximately \$9.4 billion in claims. This undercapitalization means that if a major hurricane hits Florida, Citizens could be bankrupt by hundreds of billions of dollars.

To bring down the cost of insurance even more, Florida created a State reinsurance fund to sell inexpensive reinsurance to private companies to encourage them to write more business in the State. This fund has never had

enough cash on hand to pay claims and has driven out the global reinsurance market, recouping losses through taxpayer assessments. According to a Georgetown University report released last summer, the Florida catastrophe fund offers \$32 billion in coverage and has \$1 billion on hand.

Of the two main titles of the bill, H.R. 3355, the first doesn't add anything new that States cannot already do on their own. The second one makes inexpensive federally subsidized loans available to State insurance companies that are curtailing the private market, resulting in less competition and higher costs to the customer. And I will add here that anytime you're federally subsidizing somebody, that's a cost to every single taxpayer in the country.

The Congressional Budget Office estimates that over the next 5 years implementing this bill would cost \$75 million, but even this number seriously underestimates the true cost to the American taxpayers. CBO concluded that few States would actually be interested in these loans and that they would only be made on rare occasions. Nevertheless, taxpayers could potentially be exposed to billions of dollars, leaving them with an enormous cost of capital for the loan's duration and subjecting leaders here in Congress to the inevitable pressure to later forgive loans at the taxpayers' expense.

Mr. Chairman, the federally headed consortium provided for in this bill, while a novel approach, likely offers nothing but an implicit Federal backing for any insured securities, much like the GSEs; not to mention States already have the ability to engage in these pooling arrangements at this day. Further emphasized in the President's Statement of Administration Policy on this bill: "There is no need for a Federal role because States are currently free to associate to address catastrophic risk."

It is also debatable whether securitization represents any significant advantages over the sophisticated private reinsurance markets. According to the Georgetown Environmental Law and Policy Institute: "The mere creation of this consortium would likely skew insurance premiums and encourage unwise development."

Of concern as well is that the Treasury would make loans to State catastrophe programs. Florida is currently the only State with a reinsurance fund that would qualify for these loans, but there is no doubt that this bill would encourage other States to create these programs, most likely in the Florida mode, further undermining the private market.

The legislation at hand even allows an interim period where other state-run insurers, such as the financially troubled Citizens in Florida, could receive these loans. We should think twice about bankrolling State insurance companies. A Federal loan to an insolvent State catastrophe fund sounds eerily similar to me to the Federal Government's ongoing loan to the

National Flood Insurance Program, which is currently carrying \$18 billion in debt.

Republicans will offer a number of critical amendments today to try to steer this debate towards fiscal responsibility, mitigation, and free market competition. We will consider an amendment by Congressman SHAYS to replace the text of the bill with a bipartisan, blue-ribbon commission to report to Congress specific proposals to improve the affordability and availability of national catastrophe insurance. It would be very prudent of this body to take a step back, allow for further study, and gain a consensus that we do not have on this proposal before us today.

Mr. Chairman, we need to be careful when confronting this very complex issue affecting millions of homeowners that could expose all American taxpayers to huge liabilities, and we shouldn't rush to judgment for an appropriate response.

All of us Members of Congress here know that natural disasters can strike anywhere and everywhere in this country; and by no means are we saying, in opposition to this bill, that we shouldn't have the American response of a helping hand. We just don't feel that this is the right way to do it. We need to work together on bipartisan reforms to address market dysfunction. I think H.R. 3355 falls short on that standard.

There will be many productive ideas put forward this afternoon that will improve the legislation that we're considering; however, if these are not adopted, I would urge my colleagues to vote against this bill.

Mr. Chairman, I reserve the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I yield 6½ minutes to the gentleman from Florida (Mr. MAHONEY).

Mr. MAHONEY of Florida. Mr. Speaker, today is a turning point for how the Federal Government responds to natural catastrophes. Today, the House of Representatives has the ability to ensure that homeowners across the country will have access to affordable property insurance. More importantly, we have the opportunity to protect and preserve the American Dream of home ownership with the passage of H.R. 3355, the Homeowners' Defense Act of 2007.

Before I begin summarizing the national catastrophe insurance crisis affecting the 16th Congressional District of Florida, I want to reiterate that this is a national problem. Let me be clear: Congress has been forced to act because private markets for homeowners insurance have failed. The issue is not the industry's ability to pay claims or write policies. It is the American's ability to purchase affordable homeowners insurance.

This legislation we are considering today, the Homeowners' Defense Act of 2007, is essential, as an individual's home is the single biggest investment

an average American has, and it is vital that we protect it.

North America has the greatest occurrence of natural disasters of any continent. And thanks to global warming, science is forecasting that we are going to see the incidence and severity of disasters increase.

I am proud that the legislation we are considering today preserves the private homeowners insurance industry. H.R. 3355 recognizes that no one got into the insurance business to underwrite a catastrophic event, whether it be an act of war or an act of Mother Nature. The bill gives the insurance industry the ability to operate without fear of insolvency due to a mega-catastrophe we all know will happen. However, because no one can predict when the next earthquake, hurricane or tornado will strike, the industry is forced to plan and incur the expense necessary to cover a 1-in-200 year event every year.

The program established by this legislation is voluntary. Each State will have the opportunity to assess its risk of natural catastrophes. After analyzing its exposure to natural catastrophes, a State can choose to participate or not.

H.R. 3355 is fiscally responsible. The legislation sets a historic precedent. No longer will the American taxpayer have to foot the cost of a natural disaster with an expensive government bailout. As I said earlier, we know that these catastrophic events will happen. The Homeowners' Defense Act ensures that we plan for them in a fiscally responsible manner and does not cost the American taxpayer a dime, while ensuring that homeowners take personal responsibility for their choice to live in areas prone to more frequent natural catastrophes.

In 2004 and 2005, natural disasters resulted in approximately \$89 billion in privately insured catastrophic losses. Science tells us that these disasters, their severity and frequency, are going to increase and have caused the insurance industry to adjust their models for insuring these events. As a result, insurers are pulling out or reducing their exposure in disaster-prone areas of the country. In some cases, new companies encouraged to enter the market do not have the financial strength to pay claims following a natural disaster because they are undercapitalized. Likewise, larger insurance companies have created smaller State subsidiaries for the purpose of limiting their liability. This problem has concentrated risk in States, further complicating the problem.

In some situations, like in my home State of Florida, the market has deteriorated so drastically homeowners can't get insurance, regardless of price. In an effort to address this growing problem, Florida has had to step up to avert an economic disaster by creating a State-owned insurance company. Today, unfortunately, the citizens of my State are the owners of the biggest

homeowners insurance company in Florida with over 30 percent of the market.

Lost insurance capacity is not the only issue confronting homeowners today. Families have seen their insurance premiums skyrocket. The toxic cocktail of rising gas prices, health care costs, and homeowners insurance have created a vicious cycle of terror for our seniors living on fixed incomes and our middle-class families struggling to provide for their children.

Just yesterday, I spoke with a single mother in Stuart, Florida, who is making a good income of approximately \$60,000 per year. She told me that, without warning, her monthly payment went up almost \$500 per month. She is struggling to save money to put her daughter through college, and she's fearful she won't be able to pay her bills.

The Financial Services Committee has held numerous hearings this year on this issue. During these hearings, several facts became clear. The risk posed by natural catastrophes is not going away. The damage caused by disasters will keep growing, and insurance premiums are likely to remain high.

As Congressman KLEIN noted, the Homeowners' Defense Act is a two-pronged approach designed to address the property insurance crisis, which I have outlined, and ensures a stable insurance market that will give States impacted by severe natural catastrophes the ability to help their citizens rebuild their homes and their lives.

Title II of the bill, "The National Homeowners Insurance Stabilization Program," extends Federal loans to States impacted by severe natural disasters. These loans, which will be paid back by the States, will allow a State's catastrophe program the ability to cover its liability in the event it is not fully funded at the time of the disaster.

Because the legislation utilizes private capital markets and a loan program that requires repayment in affected States, it eliminates cross-subsidization. Taxpayers will not be asked to subsidize homeowners that choose to live in high-risk communities.

In a letter dated November 6, the National Association of Insurance Commissioners stated that H.R. 3355 provides a viable solution for the State and Federal governments to work together to address this dilemma and address the natural catastrophe threat.

In closing, I would like to thank Chairman FRANK, Congressman KANJORSKI and Congresswoman MAXINE WATERS, as well as their staff, for their continued commitment to America's homeowners. Their support and leadership has been essential to making this legislation a reality. I would also like to thank my colleagues from Florida, Representatives GINNY BROWN-WAITE and ADAM PUTNAM. Their input on this legislation has been invaluable and serves as an example of what Congress can achieve when we work together in a bipartisan manner.

I would ask my colleagues to stand up for the American homeowner and taxpayer by voting "yes" on H.R. 3355.

□ 1530

Mrs. CAPITO. Mr. Chairman, I would like to yield 3 minutes to the gentleman from Illinois (Mr. ROSKAM), a member of the Financial Services Committee.

Mr. ROSKAM. I thank the gentlewoman for yielding.

I want to commend our colleagues on the other side of the aisle from Florida as good advocates for their districts in recognizing that Florida has a serious problem. I think that if everybody had that same confidence that Federal taxpayers weren't going to be involved and that this ultimately was an insurance program that was going to be completely clearly funded, the money was going to come in, it was actuarially sound, and it was going to go out, a lot of us would say "no harm, no foul, great."

But a lot of us have a real sense of concern because what we have done is we have looked at Florida, and my conclusion is that part of the problem of Florida and the difficulty that they are facing is because of governmental intervention in the insurance marketplace. It seems to me that the State of Florida came in and began to manipulate the marketplace insofar as other companies then ultimately made decisions, "look, this is too high maintenance, this is too complicated, we are not able to price this appropriately, we are out of here."

We heard testimony during the Financial Services Committee from folks who said the depth and breadth of building in Florida, in many cases, is simply inappropriate, building in very risky areas. Now, the bill speaks to some to mitigation, but I think we can do much better. And over the course of this afternoon, in a series of amendments that we intend to offer, some of them on the manager's amendment and some of them specific roll calls that we will be seeking, we are going to try and drive the conversation toward market solutions to this problem.

We are told time and again, I have heard both speakers this afternoon on the other side talk about an opt-in, talk as if this is a voluntary program. Well, I will tell you what; it is not a voluntary program for the Federal taxpayers that I represent. Federal taxpayers that I represent, I believe, are ultimately going to be on the hook for the liabilities and the commitments that are made either explicitly or implicitly through the language of this bill.

I urge a great sense of caution not to get caught up in the emotion of this, but to be clear-eyed and clear-thinking in how we debate this, and ultimately to oppose this bill in its current form.

Mr. KLEIN of Florida. Mr. Chairman, I yield 1 minute to the gentlewoman from Florida (Ms. WASSERMAN SCHULTZ).

Ms. WASSERMAN SCHULTZ. Mr. Chairman, I rise today in support of the Homeowners' Defense Act of 2007.

Over the past few years, most Americans have witnessed devastating images of natural catastrophes strike our fellow citizens, from wildfires in California, tornadoes in the Midwest, to the hurricanes hitting the Gulf States in Florida, and wondered if they might be next. Even as the recovery begins after these disasters, for many, a new nightmare of rising insurance rates and dropped policy coverage begins. However, thanks to the sponsor of the Homeowners' Defense Act of 2007, Congressmen RON KLEIN and TIM MAHONEY, many homeowners across America will be spared a similar nightmare. This bipartisan bill, and it is good to see my colleagues on the other side of the aisle from Florida here as well, this bipartisan bill provides a critical tool that will help provide a fair and equitable solution to this crisis.

I cannot think of an issue that is more important to the economic survival of the homeowners of my State of Florida than dealing with the homeowners insurance crisis. Thank you, Congressmen KLEIN and MAHONEY, and thank you to Chairman BARNEY FRANK for bringing this bill to the floor today. It has been a long time in coming.

I urge Members to support it.

Mrs. CAPITO. Mr. Chairman, I would like to yield 3 minutes to the gentleman from Florida (Mr. BUCHANAN).

Mr. BUCHANAN. Mr. Chairman, there is no larger issue in my home State of Florida than the high cost of homeowners insurance. Like many Floridians, my constituents are finding property insurance more expensive and, many times, impossible to get. Skyrocketing insurance is hurting the middle class and it is damaging our real estate market and our economy. Insurance in the State of Florida has gone up 385 percent in last 5 years, 77 percent a year.

This bill is necessary to encourage insurance companies to write policies that will work for families and small businesses that they can afford. One of our businesses, and I don't want to leave them out either, in our community, their insurance went from \$25,000 to \$125,000. They called me and asked me what could they do. I said, "Well, get some other prices." He called back and said there was nobody else that will even write it. One insurance company. They had to have it because they had a mortgage.

I am pleased the House will pass a manager's amendment that includes language authorized by my colleague GINNY BROWN-WAITE. I want to thank her for her leadership on this effort for the last 3 years. She is going to establish a Federal catastrophic fund. This amendment mirrors legislation I introduced with her at the beginning of the year. I also want to thank my Florida colleagues Congressman TIM MAHONEY and Congressman RON KLEIN for introducing this legislation.

Mr. Chairman, I am proud that we have been able to work on a bipartisan basis in Florida.

Mr. KLEIN of Florida. Mr. Chairman, I yield 2 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Chairman, I rise in support and thank Congressmembers KLEIN and MAHONEY for their leadership.

I have long held the belief that we need solutions to the growing crisis of availability and affordability of homeowner insurance. That is why I was the sponsor of the National Catastrophe Insurance Act in previous congresses, which would have established a Federal reinsurance plan following a disaster with more than \$50 billion in insured losses.

Right now we are seeing the consequences of not having these products available. In the wake of a series of devastating hurricanes, large swaths of our country are seeing insurance companies either leaving the market or premiums that are simply too high for homeowners to afford. The legislation before us focuses on stabilizing the catastrophic insurance market by expanding private insurance capacity to cover natural disasters and by helping States better manage risk. This legislation allows States to participate in the plan by allowing their State-sponsored insurance funds to voluntarily pool their catastrophic risk with one another.

The private market, and not taxpayers, will take on the risk through the purchasing of catastrophic bonds and reinsurance contracts. Just as I support other efforts such as TRIA to provide certainty after catastrophic events, I believe it is prudent to put in place a system that insures risk. This allows affected communities and our economy as a whole to respond to each and every disaster in a clear and rational manner while protecting the residents, and I urge my colleagues to support the bill.

Mrs. CAPITO. Mr. Chairman, I yield 3 minutes to the gentlewoman from Florida (Ms. GINNY BROWN-WAITE) who has been very active on this issue.

Ms. GINNY BROWN-WAITE of Florida. I thank the gentlewoman for yielding time.

The bill that we have before us today is one that is not just about Florida. The bill that is before us today is about the availability of any State being able to participate if they form a catastrophic fund in their State. Whether it is hurricanes in Florida or earthquakes or perhaps wildfires in California, whatever the State wants to cover in their catastrophic fund is what would be covered.

Let me point out also that this is purely voluntary. This isn't mandatory. We are not mandating States to participate. We are encouraging States to be responsible. Sometimes we tend to, especially at the Federal level, we tend to wait until something happens

and then we react. Well, we all remember how many hurricanes hit, Hurricane Katrina, but other hurricanes also in 2005.

As a matter of fact, in 2005, the Federal taxpayer alone paid \$89.6 billion in post-disaster assistance. That is post disaster. That is after the fact. Wouldn't it be better to encourage States with some Federal backstop to work to have a plan there to plan and have the availability of a catastrophic fund?

I have served on the Financial Services Committee now, this is my third term. I have spent 5 years on the Financial Services Committee. I want to thank the gentleman who just walked in, Chairman BARNEY FRANK, who has worked in a very bipartisan manner to help get this bill in the form that it is today. Later we will be seeing the manager's amendment. I certainly want to thank Representatives KLEIN and MAHONEY and their great staffs and also Annie Woerber from my staff, who I think lives, eats, drinks and breathes this issue.

Mr. KLEIN of Florida. Mr. Chairman, I yield 2 minutes to the gentleman from Florida (Mr. WEXLER).

Mr. WEXLER. Mr. Chairman, opponents of the Homeowners' Defense Act suggest we should not get caught up in the emotion of the moment. But, Mr. Chairman, our Nation is suffering from a property insurance crisis that desperately demands Federal action.

Millions of American homeowners are enduring the skyrocketing costs of homeowner insurance premiums at the same time that their coverage is reduced. And millions more in Florida and throughout the Nation have had their policies cancelled. Those fortunate enough to still have coverage have experienced 200 and 300 percent increases in premiums, even though they have not filed a single claim. This is a terrible situation. I applaud Congressmen KLEIN and MAHONEY for leading this critical effort.

The insurance crisis is not a Florida-specific crisis, nor is it a coastal only crisis. Homeowners across the Nation are starting to see the same premium increases and cancellations that Floridians have endured for the past several years.

Let me be clear. This is a crisis that affects each and every State in our Nation. As we have tragically seen in recent weeks and months, all Americans are vulnerable to hurricanes, floods, fires and other natural disasters. The economic impact of these catastrophes do not recognize State borders. We must act together as Americans to end this insurance crisis.

This bill brings substantial savings to homeowners without degrading the private insurance market. It would be inexcusable for Congress to waste this golden opportunity to provide relief to millions of Americans suffering from the devastating combination of rising gas prices, health care costs, and homeowners insurance. Again, thank you to

Mr. KLEIN, thank you to Mr. MAHONEY, thank you for the time.

Mrs. CAPITO. Mr. Chairman, I would like to yield 2 minutes to the gentleman from Florida (Mr. BILIRAKIS).

Mr. BILIRAKIS. Mr. Chairman, in the early morning hours of August 29, 2005, a catastrophe obliterated New Orleans. The ocean had breached the city's levees and our Nation looked on while tens of thousands clung to rooftops. Hundreds of thousands of Americans were suddenly homeless and scattered across the country. Many coastal States have been in crisis ever since, including my home State of Florida.

Upon arriving in Congress this year, I introduced two bills to help with this crisis. One bill would strongly encourage homeowners to hurricane-proof their homes by providing a tax credit for the cost of specific home modifications. The second bill I introduced would authorize Gulf Coast States to enter into an interstate compact to pool their resources and spread the risk of disaster.

Today, I am pleased to have an opportunity to vote on H.R. 3355, the Homeowners' Defense Act. This important legislation authorizes loans to States that will have to be repaid to the Treasury. This is a fiscally sound approach to disaster planning. Further, Chairman FRANK, with my colleague, Ms. BROWN-WAITE, who has been working on this issue for 4 years, and the sponsors of this bill, and as a result of genuine bipartisanship, the manager's amendment will implement a critically needed Federal catastrophe fund.

I thank the sponsors of this legislation, and I thank the chairman and Ms. BROWN-WAITE for their efforts in bringing this bill to the floor. I strongly encourage my colleagues to vote for this bill and the manager's amendment and protect Americans from the devastating effects of natural disasters.

Mr. KLEIN of Florida. Mr. Chairman, may I inquire as to the time we have remaining.

The CHAIRMAN. The gentleman from Florida has 14 minutes remaining. The gentlewoman from West Virginia has 15½ minutes remaining.

□ 1545

Mr. KLEIN of Florida. Mr. Chairman, I yield 4 minutes to the gentleman from Louisiana (Mr. MELANCON).

Mr. MELANCON. Mr. Chairman, I want to thank my colleagues from Florida for devising this great program which will be national, voluntary, and fiscally sound for the people that are experiencing problems with insurance throughout the country.

I am proud to speak today on H.R. 3355, the Homeowners' Defense Act. Recovering from the two hurricanes that devastated our State and the gulf coast in 2005 continues to be a challenge to the people of Louisiana. One of the biggest roadblocks to our recovery remains the lack of affordable and available property insurance.

However, as we have seen in the past few weeks with the wildfires that have

ravaged California, affordable insurance isn't just a problem for the residents of the gulf coast. This is a nationwide problem that needs our immediate attention and a practical and effective long-term solution. I believe that this bill offers that long-term solution.

Mr. Chairman, in the wake of Hurricanes Katrina and Rita in 2005, after the victims of these storms suffered two of the worst natural disasters in this country's history, our people were forced through the indignity of another battle, a battle with their insurance companies. All along the coast, insurance companies have packed up and moved out. They have canceled their policies, refused to write new ones, or raised their rates exponentially, with less coverage and higher deductibles.

In Louisiana, more and more people are being forced to turn to Louisiana's State-sponsored insurer of last resort and, again, paying premiums way above the market rates. For those lucky enough to have their policies renewed, they are now being hit with skyrocketing premium increases, often as much as two, three, four, five times what they paid before, and some even higher.

The district in Louisiana that I represent is entirely in the "new" hard-to-insure part of the State. Every day I get calls, e-mails, and letters from constituents begging Congress to do something about the insurance crisis. Here is just a sample:

Roy Barrios of Lafourche Parish wrote to me, saying that Allstate recently canceled his homeowners insurance and he is now having to pay three times as much coverage, which he is thankful to get, but still in all, from Louisiana's insurer of last resort. He is only two months shy of being covered by Louisiana's consumer protection laws that would have kept his policy from being canceled, although he noted that Allstate is happy to renew his more profitable car insurance policy.

Jeanette Tanguis of Houma, Louisiana, said a premium increase of \$200 a month stretches her budget tremendously. In a letter to me she wrote: "Having spent most of my life living in Terrebonne Parish, it never occurred to me that I would ever be forced to move from the place I love and have called home for most of my life. Unfortunately, my family and I are being forced to make this sad decision," because of the insurance situation.

Similarly, Nolan Falgout of Thibodaux wrote to me and said: "In the event we do not get a handle on this issue, this will become the next reason why your constituents who enjoyed growing up in this section of 'Cajun' Louisiana will no longer be able to afford to live here."

These are only a few of the many stories I hear from people forced to leave their homes and their communities. If claimants from the two hurricanes had been awarded the settlements that they were entitled to from their insurance companies, this may not have

been an issue that requires the attention of Congress.

Sadly, this is not the case. It is time we recognize that market failures exist. The victims of these hurricanes, the victims of the wildfires and unforeseen natural disasters all deserve to know that the insurance system will not abandon them when they need it the most.

Mr. Chairman, I believe that H.R. 3355 will provide for this stability and the long-term solution we need to solve this insurance crisis so that America's families will not have to abandon their communities and can return to their homes. I again thank my friends, my colleagues, the chairman of the committee and others that have put so much time and effort into this good legislation.

Mrs. CAPITO. Mr. Chairman, I reserve the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I yield 1 minute to the gentleman from Ohio (Mr. KUCINICH).

Mr. KUCINICH. Mr. Chairman, I am from Cleveland, Ohio; and it would seem from this discussion that while this is all about Florida, it is not. All over this country there are communities that are in coastal areas and flood plains, in hurricane alleys; and they are all looking at this legislation, realizing that the insurance companies are just withdrawing from areas where there's a high number of claims. They don't want to take the risk anymore, even though people, many of whom have been paying premiums, have never filed a claim.

So it is appropriate for this legislation to be passed. I have to say that the occasion of this legislation raises even deeper questions about the insurance industry across this country as to their practices, as to a new form of environmental redlining. And what we are looking at is we also have to see the interplay between environmental and energy policies and weather and climate patterns.

We are at a moment of transition here. Certainly this legislation ought to be supported.

Mrs. CAPITO. Mr. Chairman, I would like to point out a couple of things. I represent the State of West Virginia. In our home State for many, many years we had a state-run workers comp program, which caused businesses to leave, which caused workers comp rates to rise because of the nature of a state-run insurance company. Maybe this is what is going on in Florida to a certain degree with the catastrophic insurance situation and the state-run insurance company.

The solution we went to in West Virginia is to move workers comp to the private sector to incent private markets to come into our State. Starting January 1, we are going to have competitive bidding on our workers comp and workers comp rate. They are beginning to slide now, and our great hope is that it will become more reasonable as time goes on.

One concern I think that I ought to also raise and that has been raised to me, the Wildlife Federation opposes this bill because of the concerns the gentleman from Ohio alluded to in his statements in terms of the environmental aspects of this bill. Are we encouraging redevelopment in areas, particularly in our very fragile coastal areas, that are in dangerous kinds of environmental situations but also maybe were developed under less stringent rules and regulations?

What kind of protections do we have for our fragile coastal regions in this bill? I think it's a logical question to ask and one that has been brought forth to all of us in the Committee on Financial Services.

Mr. Chairman, I reserve the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. INSLEE).

(Mr. INSLEE asked and was given permission to revise and extend his remarks.)

Mr. INSLEE. Mr. Chairman, before I comment on this bill, I want to comment on two leaders who helped to get it here, Mr. KLEIN and Mr. MAHONEY. Usually, when freshmen Congressmen have bills in the House, it is something like naming a post office or something. These two fellows have worked a very well-crafted bill that I hope has broad consensus, and they have my admiration for their great work.

I think it is a very important bill for all of us because it responds to the need for a stable insurance market in these areas. Some have suggested somehow this displaces the private insurance industry. In fact, it just allows that market to work. It is preferable to have catastrophe bonds and some reinsurance contracts in advance, rather than trying to deal with catastrophe afterwards through Federal Government bailouts. This is a market-driven way to do it. It makes the market stronger. It spreads the risk in a way that is consistent with our economic system, and we need to pass this bill.

Mrs. CAPITO. Mr. Chairman, as I have said in my opening statement and some of my comments, I think that this bill presents an implicit Federal backstop for catastrophe insurance to spread the risk. It has potential to cost the taxpayers of this country enormous amounts of money.

Let's just do a scenario where, say in Florida, hopefully this never happens, there is a catastrophe of a hurricane of very large proportions, and Florida goes through all the insurance that is available to them and comes to the Federal Government and asks for a loan. Let's say this catastrophe is of such proportions that Florida looks to their lawmakers and looks to their taxpayers and realizes they can't pay this loan back. What are we going to do here in the United States Congress? We know what we are going to do: we are going to forgive the loan.

I think therein lies one of the big problems in this bill, that it does go to

every taxpayer in this country, it does have a formal liability to every taxpayer. Whether it says it explicitly in the bill, it is going to result in that.

My suggestion and some of the suggestions coming from my side of the aisle are going to be, let's step back. Let's do a study. Let's look at this. Let's make sure we have mitigation and let's make sure we are doing this responsibly.

I don't happen to live in Florida, and there are many times during the year when I really wish I did. Although I love living in West Virginia, many West Virginians do live in Florida, by the way, during certain parts of the year, and I know how difficult some of the catastrophes that Floridians suffer are, as well as across the coastline and across the Nation.

This is not about shutting them out or making them not have the ability to be able to insure their properties and live a good, wonderful life in the State of Florida. This is about finding the best solution, not only for Floridians but for the rest of the Nation.

Mr. Chairman, I yield back the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, with the indulgence of the gentleman from West Virginia, I yield such time as he may consume to my cosponsor, the gentleman from Florida (Mr. MAHONEY).

Mr. MAHONEY of Florida. Mr. Chairman, I want to thank everybody for having this open debate today and discussing something that is very important to people across this country. This is all about the dream of homeownership. This is about markets working. This is about stabilizing the insurance market so that people who go to work every day can fulfill their dream of homeownership.

What we have today is a situation that is understandable. We have a situation where as a result of an increase in the severity and the frequency of natural disasters, insurance companies are prudently increasing premiums. What they are seeing is, as a result of this, an unfunded liability in the billions that they have no other recourse but to either leave markets or raise rates so high that working families can't afford their homeowners insurance.

Today, we have the ability to help those people; and we have a very special opportunity, because we can do something here in Washington, DC that we can all be proud of when we go back home, and that is we can fix a problem and do it responsibly. We can end the bailout. We can end the cycle of writing checks and expecting nobody to pay them back, which is exactly what has happened over the years with Katrina and Wilma and other major storms across the Nation.

I hope that everybody takes a very close look at this. Many people have described this as a payoff or a bailout for Florida. This is not. This is responsible legislation. It not only expands

the market for private insurance; it makes sure that States have the ability to get money to people after a disaster so they can get in their homes and so they can keep their communities alive. Finally, it is responsible because it encourages mitigation and it encourages building codes. It supports the idea of responsible development.

In conclusion, I want to thank my dear friend Congressman KLEIN and the journey over the last year to the week when we both got elected to Congress and came here with the hope of trying to solve this problem and being here today.

I want to thank my staff. I want to thank Patrick Givens for all the work that he has done. I want to thank Garrett Donovan, who has done an amazing job, and the complete staff of the Financial Services Committee.

In closing, I want to thank BARNEY FRANK and the leadership for understanding that this is about people. This is not about companies.

NATIONAL ASSOCIATION
OF INSURANCE COMMISSIONERS,
Kansas City, MO, November 6, 2007.

Re H.R. 3355, the Homeowner's Defense Act.

Hon. RON KLEIN,
Cannon House Building,
Washington, DC.

Hon. TIMOTHY MAHONEY,
Longworth House Building,
Washington, DC.

DEAR CONGRESSMEN KLEIN AND MAHONEY: The NAIC congratulates you for putting forth legislation intended to help States better manage the threat of natural catastrophes. We appreciate your willingness to consider our perspective during the bill's development. States have developed a variety of tools to fill insurance gaps in areas where the private market is either unwilling to provide property coverage, or where consumers are unable to afford it. Your legislation provides another tool for States to consider, without handing down a federal mandate to participate.

H.R. 3355 provides a strong correlation to guiding principles the NAIC adopted when evaluating federal catastrophe proposals. For example, the bill is voluntary; it does not impede State functions; it encourages availability; it recognizes the States' important role in insurance regulation; it forms a State-federal partnership approach to address availability; it follows actuarial principles; and it allows States to pool risk and utilizes the capital markets.

The insurance and reinsurance markets have a significant amount of capacity, and access to that capacity for events that are small yet frequent is generally affordable. But for those that live in areas where events can be infrequent yet catastrophic, access to insurance capacity after a significant event is either unavailable or unaffordable. This is the dilemma that regulators and legislators must face together.

H.R. 3355 provides a viable solution for the State and federal government to work together to address this dilemma and address the natural catastrophe threat. We encourage our members to strongly consider this program for their needs.

We thank you for your leadership on this critical, national issue, and we look forward to continuing to work with you to enhance the bill through passage.

Sincerely,

WALTER BELL,

Alabama Insurance
Commissioner, NAIC
President.
CATHERINE J.
WEATHERFORD,
NAIC Executive Vice
President and CEO.

Mr. KLEIN of Florida. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I would also like to acknowledge Chairman BARNEY FRANK, who, without his guidance and leadership and thoughtfulness and process of good ideas, we wouldn't be here today, as well as Tom Glassic, Kathleen Melody, Lawranne Stewart, Peter Roberson, Patrick Givens from Congressman MAHONEY's office, and Garrett Donovan from my office, and all the staff and experts from around the country who have participated in this very carefully thought out piece of innovative legislation.

We are very honored to be here today, because the bill that we have before us is a comprehensive step in the right direction. As a Member of Congress from south Florida, I have lived under the threat of natural disasters for some time. It was only when I came to Washington, however, that I began to discuss this issue with Members from other parts of country who also shared stories about disasters that their constituents faced, earthquakes, hurricanes, wildfires, tornadoes. It was then that I began to realize that this is not a regional problem; it is a national one.

I further reflected on the fact that the Federal response following a major disaster is very predictable. We open up the Treasury and start spending. This spending is entirely necessary, but often is delivered with only few restraints and comes equally from taxpayers in every corner of our country. So even if you are not in a high-risk region, you are still impacted by the event.

Under this bill, participating States would be better protected, again, States that only opt in on their own if they choose; and they would be increasingly able to provide services for those who are not able to find insurance on their own. The State-Federal partnership would present States with the tools necessary to responsibly, fiscally responsibly, manage their risk before disaster strikes, while also ensuring that States can quickly and efficiently respond to homeowners' insurance claims following a natural catastrophe.

□ 1600

This legislation employs several new ideas to help States address the property insurance crisis, such as the transfer of States' insurance risk through the use of catastrophe bonds. By utilizing an innovative capital market approach, the bill allows investors to assume some of the risk, while at the same time putting the burden on local homeowners to do all the necessary mitigation responsibility they have to

reduce risk to their own home, to the State, and to the Federal Government.

This is a fundamental rethinking of disaster planning and response, and it is long overdue. Our bill works because it's voluntary, actuarially sound, and stabilizes the market by ensuring that homeowners will always get their claim paid while capping the State liability.

In addition, our bill is fiscally responsible. The Homeowners' Defense Act will end the policy of Federal bailouts following natural disasters.

The steps taken in this bill provide us with a blueprint of how States can responsibly plan for catastrophes ahead while also providing them with a path to recovery.

As I have said time and time again, the status quo is no longer an option. I urge Members of this body to vote "yes" on this bill.

Ms. CORRINE BROWN of Florida. Mr. Chairman, as a Member from Florida, I rise in strong support of the Homeowners' Defense Act, H.R. 3355.

The terribly high cost for homeowners paying property insurance in my State of Florida, as well as for those on the Gulf Coast, and as we saw just recently, in California, has become a growing concern for homeowners. We saw what happened after hurricane Katrina and Rita and the four hurricanes that hit my district in Florida back in 2004.

These hurricanes, and other recent natural disasters, have led the insurance companies to limit their exposure to such disasters by outright pulling out, or reducing their risk. And this back peddling on their obligations on the part of the insurance industry has resulted in homeowner insurance rates rising by 100 percent to over 600 percent in higher-risk areas. This is entirely unacceptable. How can homeowners possibly afford this? This is just outrageous. We need to take action and step in. Just last week we saw the insurance companies out in California saying they will not provide insurance to hundreds of thousands of people that lost their homes in the terrible wildfires that hit the coast, all the way from LA to the Mexican border.

This is why people buy insurance: to protect themselves. How is it then that after disaster after disaster can we just sit back and allow these companies to pull out of the market.

Rising insurance rates are affecting homeowners across the country, not just in Florida. Clearly, the insurance market is not working, and it is time to put through a plan to stabilize the market and lower insurance rates for consumers.

Mr. BACHUS. Mr. Chairman, many of us are sympathetic to the insurance rate increases coastal catastrophe-prone areas have experienced recently, but there is no consensus that H.R. 3355 would offer any long-term help. Instead of granting long-term relief for middle-income coastal homeowners confronted with rising insurance costs, this bill would stick taxpayers with the tab of bailing out insolvent State insurance companies. In the past few years since some of the largest hurricanes on record tore through the gulf coast and coastal Florida, affected States have tried to protect their local markets, to limit rates increases, force coverage, or restrict market freedom. Competition is reduced

and homeowners are left with fewer choices—State efforts to secure more coverage for their constituents have ironically resulted in less affordability.

The Florida members on the minority side of the Financial Services Committee—GINNY BROWN-WAITE, TOM FEENEY, and ADAM PUTNAM—have been very attentive to the needs of their constituents and have constantly kept us updated on the problems there. We commend them for their service.

Of the two primary titles, the first does nothing that States can't already do under current law. The second is nothing more creative than giving cheap federally-subsidized loans to State insurance companies that are driving out the private market. The Congressional Budget Office estimates that over the next 5 years, implementing this bill would cost \$75 million. But even this number grossly underestimates the true cost for American taxpayers. CBO apparently finds little value in Title II of this bill, finding that the federally subsidized loans would be made "very rarely," as CBO does not expect any states would even bother applying for a loan following a disaster. In essence, they agreed this provision is of little value. However, taxpayers could potentially be on the hook for tens of billions of dollars, stuck with an enormous cost of capital for the loan's duration, and subject to the inevitable pressure to forgive the loans on the taxpayers' dime. This is the old two step "ask for" by people borrowing from government—ask for the money now and then ask for debt forgiveness later.

Because private insurers don't want to provide underpriced, risky coastal insurance, Florida created Citizens Property Insurance Corporation in 2002. While Citizens was supposed to be an insurer of last resort, it is now Florida's largest insurer with over 1.3 million policyholders and total exposure of more than \$434 billion, yet only enough funding to pay approximately \$9.4 billion in claims. This undercapitalization means that if a major hurricane hits Florida, Citizens could be bankrupt by hundreds of billions of dollars. To bring down the cost of insurance even more, Florida created a state reinsurance fund to sell cheap reinsurance to private companies to encourage them to write business in the state. This fund is chronically undercapitalized and has driven out the global reinsurance market, recouping losses through taxpayer assessments. According to a Georgetown University report released last summer, the Florida cat fund offers \$32 billion in coverage despite having only \$1 billion in hand [or, according to the Florida Cat Fund staff, around \$28 billion in liabilities and \$2.2 billion in non-debt cash assets].

Mr. Chairman, the federally-headed consortium, while novel, likely offers nothing but an implicit federal backing for any issued securities, much like a GSE. According to the President's Statement of Administration Policy for this bill, "there is no need for a federal role because states are currently free to associate to address catastrophe risk." It is also questionable whether such securitization represents any significant advantages over the sophisticated private reinsurance markets. According to the Georgetown Environmental Law & Policy Institute, "the mere creation of the consortium would likely skew insurance premiums and encourage unwise development." Masking the true cost of insurance puts home-

owners in harm's way while subsidizing state cat funds and developers.

Perhaps most troubling are the provisions of the bill that would mandate cheap Treasury loans to state catastrophe programs. Today, Florida is the only state with a reinsurance fund that would qualify for these loans, but there is no doubt this bill would spur the creation of other state programs based on the Florida "model." One property and casualty insurance trade association stated that that these loans would "impede private markets and would send the wrong signals to states." H.R. 3355 even allows an interim period where other state-run insurers—such as the bankrupt Citizens in Florida—could receive these loans. We should question the wisdom of bankrolling state insurance companies like Citizens. Congress should also consider whether a Federal loan to an insolvent state catastrophe fund would be like the Federal Government's ongoing "loan" to the National Flood Insurance Program, which is currently carrying \$18 billion in debt to the U.S. Treasury that is unlikely to ever be repaid.

Republicans will offer a number of important amendments today to steer this debate towards fiscal responsibility, taxpayer protection, and free market competition. We will also consider an amendment by Congressman SHAYS to replace the text of this bill with a bipartisan, blue-ribbon commission to report to Congress specific proposals to improve the affordability and availability of natural catastrophe insurance. We need to look more closely at the various solutions proposed by members on both sides of the aisle that could help homeowners access more coverage through the private market.

Mr. Chairman, we have an obligation to be thoughtful and deliberate when confronting this complex issue affecting millions of homeowners. The problem has many root causes, namely overregulation, overbuilding, and overreaching by state insurance entities. This bill, nor any one proposal, is the silver bullet. Congress should craft meaningful bipartisan reforms that address market dysfunction and the growing threat excessive coastal development poses. The Nation's homeowners and taxpayers deserve better than a scramble to rush a partisan bill through Congress. If the amendments are not accepted, we should vote it down but keep working.

Mr. HASTING of Florida. Mr. Chairman, I rise today in strong support of the Homeowners' Defense Act of 2007. I can think of no other bill which has the ability to help the people in my district rebuild following a natural disaster.

I applaud the leadership of my good friends and congressional neighbors, Representatives RON KLEIN and TIM MAHONEY. In championing this vital legislation, they are providing the leadership that we all knew they both would show when elected last November. Indeed, they are leaders not only in Florida, but as evidenced today, in this great institution and the entire country.

In the aftermath of the wildfires in California, tornadoes and floods in the Midwest and Northeast, and the hurricanes in the Gulf Coast and Florida, insurance companies are abandoning homeowners in need. In many vulnerable states, including my own, insurance companies have stopped offering coverage or increased rates exponentially where their services are most needed. These companies have

protected their own pocketbooks at the expense of the American people for far too long.

The bill before us today establishes the necessary safety net which is needed in the absence of a stable insurance market. The legislation gives states a choice on whether or not they wish to participate in this safety net. In investing a little today, states will effectively stabilize their own insurance markets and ensure access to necessary homeowners' insurance at affordable rates. Importantly, these funds will then be used to rebuild our communities quickly and cost efficiently.

I have said for years that our approach toward natural disasters is too response-oriented. We wait and we wait for something bad to happen. Then we react. Time and time again, Congress passes emergency appropriations to rebuild but never makes the necessary investments to plan for the future. This legislation changes the way we go about doing business around here.

This legislation establishes a mechanism for states to acquire necessary funds for recovery after a natural disaster in an orderly and equitable manner. Frankly, it is high time that we proactively address disaster mitigation by stabilizing the insurance market and establishing a reliable funding mechanism for recovery.

In Florida, my constituents are being put out of their homes because they cannot afford their insurance rates. With the instability of the housing market leaving so many homeowners on the verge of foreclosure, we cannot afford to allow skyrocketing insurance rates to push them over the edge. In the event of a natural disaster, homeowners should never be forced to risk everything because they can not afford the necessary coverage.

My two colleagues from Florida have drafted balanced legislation which incorporates the bipartisan contributions and expertise of many stakeholders. By passing this legislation, the House can once again demonstrate its solidarity and compassion for those Americans who find themselves victims of natural disasters.

I have seen with my very own eyes what happens to people when a hurricane barrels through their neighborhood. I have seen the damage, and I have seen the emotional pain.

Americans should no longer be forced to place their livelihoods at risk in the event that a natural disaster strikes their home, and states should not be forced to participate in a program of which they do not wish to be a part. To both of these ends, this legislation is a success.

Rest assured, when this bill becomes law, Florida will participate. Unfortunately, many states will not. Though I hope that every state ultimately participates, under this bill, the choice is rightfully theirs.

Not one of the 50 states nor any of the territories is immune to natural disasters. Whether today, tomorrow, next year, or sometime in the future, we will all be affected by a natural disaster first-hand. States which participate in this disaster insurance program will have a much easier time recovering and they will do so by placing a smaller burden on the American taxpayer. This is a common sense solution to an unfortunately all too common problem.

Mr. KLEIN of Florida. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the amendment in the nature of a substitute printed in the bill shall be considered as an original bill for the purpose of amendment under the 5-minute rule and shall be considered read.

The text of the amendment in the nature of a substitute is as follows:

H.R. 3355

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Homeowners’ Defense Act of 2007”.

(b) **TABLE OF CONTENTS.**—The table of contents for 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; status; principal office; membership.
Sec. 102. Functions.
Sec. 103. Powers.
Sec. 104. Nonprofit entity; conflicts of interest; audits.
Sec. 105. Management.
Sec. 106. Staff; experts and consultants.
Sec. 107. Federal liability.
Sec. 108. Authorization of appropriations.

TITLE II—NATIONAL HOMEOWNERS’ INSURANCE STABILIZATION PROGRAM

- Sec. 201. Establishment.
Sec. 202. Liquidity loans and catastrophic loans for state and regional reinsurance programs.
Sec. 203. Reports and audits.
Sec. 204. Funding.

TITLE III—GENERAL PROVISIONS

- Sec. 301. Qualified reinsurance programs.
Sec. 302. Definitions.
Sec. 303. Regulations.

SEC. 2. FINDINGS AND PURPOSES.

(a) **FINDINGS.**—The Congress finds that—
(1) the United States has a history of catastrophic natural disasters, including hurricanes, tornadoes, flood, fire, earthquakes, and volcanic eruptions;

(2) although catastrophic natural disasters occur infrequently, they will continue to occur and are predictable;

(3) such disasters generate large economic losses and a major component of those losses comes from damage and destruction to homes;

(4) for the majority of Americans, their investment in their home represents their single biggest asset and the protection of that investment is paramount to economic and social stability;

(5) historically, when a natural disaster eclipses the ability of the private industry and a State to manage the loss, the Federal Government has stepped in to provide the funding and services needed for recovery;

(6) the cost of such Federal “bail-outs” are borne by all taxpayers equally, as there is no provision to repay the money and resources provided, which thereby unfairly burdens citizens who live in lower risk communities;

(7) as the risk of catastrophic losses grows, so do the risks that any premiums collected by private insurers for extending coverage will be insufficient to cover future catastrophes (known as timing risk), and private insurers, in an effort to protect their shareholders and policyholders (in the case of mutually-owned companies), have thus significantly raised premiums and curtailed insurance coverage in States exposed to major catastrophes;

(8) such effects on the insurance industry have been harmful to economic activity in States exposed to major catastrophes and have placed significant burdens on existing residents of such States;

(9) Hurricanes Katrina, Rita, and Wilma struck the United States in 2005, causing over \$200,000,000,000 in total economic losses, and insured losses to homeowners in excess of \$50,000,000,000;

(10) since 2004, the Congress has appropriated more than \$58,000,000,000 in disaster relief to the States affected by natural catastrophes;

(11) the Federal Government has provided and will continue to provide resources to pay for losses from future catastrophes;

(12) when Federal assistance is provided to the States, accountability for Federal funds disbursed is paramount;

(13) the Government Accountability Office or other appropriate agencies must have the means in place to confirm that Federal funds for catastrophe relief have reached the appropriate victims and have contributed to the recovery effort as efficiently as possible so that taxpayer funds are not wasted and citizens are enabled to rebuild and resume productive activities as quickly as possible;

(14) States that are recipients of Federal funds must be responsible to account for and provide an efficient means for distribution of funds to homeowners to enable the rapid rebuilding of local economies after a catastrophic event without unduly burdening taxpayers who live in areas seldom affected by natural disasters;

(15) State insurance and reinsurance programs can provide a mechanism for States to exercise that responsibility if they appropriately underwrite and price risk, and if they pay claims quickly and within established contractual terms; and

(16) State insurers and reinsurers, if appropriately backstopped themselves, can absorb catastrophic risk borne by private insurers without bearing timing risk, and thus enable all insurers (whether State-operated or privately owned) to underwrite and price insurance without timing risk and in such a way to encourage property owners to pay for the appropriate insurance to protect themselves and to take steps to mitigate against the risks of disaster by locally appropriate methods.

(b) **PURPOSES.**—The purposes of this Act are to establish a program to provide a Federal backstop for State-sponsored insurance programs to help homeowners prepare for and recover from the damages caused by natural catastrophes, to encourage mitigation and prevention for such catastrophes, to promote the use of private market capital as a means to insure against such catastrophes, to expedite the payment of claims and better assist in the financial recovery from such catastrophes.

TITLE I—NATIONAL CATASTROPHE RISK CONSORTIUM

SEC. 101. ESTABLISHMENT; STATUS; PRINCIPAL OFFICE; MEMBERSHIP.

(a) **ESTABLISHMENT.**—There is established an entity to be known as the “National Catastrophe Risk Consortium” (in this title referred to as the “Consortium”).

(b) **STATUS.**—The Consortium is not a department, agency, or instrumentality of the United States Government.

(c) **PRINCIPAL OFFICE.**—The principal office and place of business of the Consortium shall be such location within the United States determined by the Board of Directors to be the most advantageous for carrying out the purpose and functions of the Consortium.

(d) **MEMBERSHIP.**—Any State that has established a reinsurance fund or has authorized the operation of a State residual insurance market entity shall be eligible to participate in the Consortium.

SEC. 102. FUNCTIONS.

The Consortium shall—

(1) work with all States, particularly those participating in the Consortium, to gather and maintain an inventory of catastrophe risk obligations held by State reinsurance funds and State residual insurance market entities;

(2) at the discretion of the affected members and on a conduit basis, issue securities and other financial instruments linked to the catastrophe risks insured or reinsured through members of the Consortium in the capital markets;

(3) coordinate reinsurance contracts between participating, qualified reinsurance funds and private parties;

(4) act as a centralized repository of State risk information that can be accessed by private-market participants seeking to participate in the transactions described in paragraphs (2) and (3) of this section;

(5) use a catastrophe risk database to perform research and analysis that encourages standardization of the risk-linked securities market;

(6) perform any other functions, other than assuming risk or incurring debt, that are deemed necessary to aid in the transfer of catastrophe risk from participating States to private parties; and

(7) submit annual reports to Congress describing the activities of the Consortium for the preceding year.

SEC. 103. POWERS.

The Consortium—

(1) may make and perform such contracts and other agreements with any individual or other private or public entity however designated and wherever situated, as may be necessary for carrying out the functions of the Consortium; and

(2) shall have such other powers, other than the power to assume risk or incur debt, as may be necessary and incident to carrying out this Act.

SEC. 104. NONPROFIT ENTITY; CONFLICTS OF INTEREST; AUDITS.

(a) **NONPROFIT ENTITY.**—The Consortium shall be a nonprofit entity and no part of the net earnings of the Consortium shall inure to the benefit of any member, founder, contributor, or individual.

(b) **CONFLICTS OF INTEREST.**—No director, officer, or employee of the Consortium shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his or her personal interests or the interests of any Consortium, partnership, or organization in which he or she is directly or indirectly interested.

(c) **AUDITS.**—

(1) **ANNUAL AUDIT.**—The financial statements of the Consortium shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants.

(2) **REPORTS.**—The report of each annual audit pursuant to paragraph (1) shall be included in the annual report submitted in accordance with section 102(7).

SEC. 105. MANAGEMENT.

(a) **BOARD OF DIRECTORS; MEMBERSHIP; DESIGNATION OF CHAIRPERSON.**—

(1) **BOARD OF DIRECTORS.**—The management of the Consortium shall be vested in a board of directors (referred to in this title as the “Board”) composed of not less than 3 members.

(2) **CHAIRPERSON.**—The Secretary of Treasury, or the designee of the Secretary, shall serve as the chairperson of the Board.

(3) **MEMBERSHIP.**—The members of the Board shall include—

(A) the Secretary of Homeland Security and the Secretary of Commerce, or the designees of such Secretaries, respectively, but only during such times as there are fewer than two States participating in the Consortium; and

(B) a member from each State participating in the Consortium, who shall be appointed by such State.

(b) **BYLAWS.**—The Board may prescribe, amend, and repeal such bylaws as may be necessary for carrying out the functions of the Consortium.

(c) **COMPENSATION, ACTUAL, NECESSARY, AND TRANSPORTATION EXPENSES.**—

(1) **NON-FEDERAL EMPLOYEES.**—A member of the Board who is not otherwise employed by the

Federal Government shall be entitled to receive the daily equivalent of the annual rate of basic pay payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code, as in effect from time to time, for each day (including travel time) during which such member is engaged in the actual performance of duties of the Consortium.

(2) **FEDERAL EMPLOYEES.**—A member of the Board who is an officer or employee of the Federal Government shall serve without additional pay (or benefits in the nature of compensation) for service as a member of the Consortium.

(3) **TRAVEL EXPENSES.**—Members of the Consortium shall be entitled to receive travel expenses, including per diem in lieu of subsistence, equivalent to those set forth in subchapter I of chapter 57 of title 5, United States Code.

(d) **QUORUM.**—A majority of the Board shall constitute a quorum.

(e) **EXECUTIVE DIRECTOR.**—The Board shall appoint an executive director of the Consortium on such terms as the Board may determine.

SEC. 106. STAFF; EXPERTS AND CONSULTANTS.

(a) **STAFF.**—

(1) **APPOINTMENT.**—The Board of the Consortium may appoint and terminate such other staff as are necessary to enable the Consortium to perform its duties.

(2) **COMPENSATION.**—The Board of the Consortium may fix the compensation of the executive director and other staff.

(b) **EXPERTS AND CONSULTANTS.**—The Board shall procure the services of experts and consultants as the Board considers appropriate.

SEC. 107. FEDERAL LIABILITY.

The Federal Government and the Consortium shall not bear any liabilities arising from the actions of the Consortium. Participating States shall retain all catastrophe risk until the completion of a transaction described in paragraphs (2) and (3) of section 102.

SEC. 108. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this title \$20,000,000 for each of fiscal years 2008 through 2013.

TITLE II—NATIONAL HOMEOWNERS' INSURANCE STABILIZATION PROGRAM

SEC. 201. ESTABLISHMENT.

The Secretary of the Treasury shall carry out a program under this title to make liquidity loans and catastrophic loans under section 202 to qualified reinsurance programs to ensure the solvency of such programs, to improve the availability and affordability of homeowners' insurance, to incent risk transfer to the private capital and reinsurance markets, and to spread the risk of catastrophic financial loss resulting from natural disasters and catastrophic events.

SEC. 202. LIQUIDITY LOANS AND CATASTROPHIC LOANS FOR STATE AND REGIONAL REINSURANCE PROGRAMS.

(a) **CONTRACTS.**—The Secretary may enter into a contract with a qualified reinsurance program to carry out the purposes of this Act as the Secretary may deem appropriate. The contract shall include, at a minimum, the conditions for loan eligibility set forth in this section.

(b) **CONDITIONS FOR LOAN ELIGIBILITY.**—A loan under this section may be made only to a qualified reinsurance program and only if—

(1) before the loan is made—

(A) the State or regional reinsurance program submits to the Secretary a report setting forth, in such form and including such information as the Secretary shall require, how the program plans to repay the loan; and

(B) based upon the report of the program, the Secretary determines that the program can meet its repayment obligation under the loan and certifies that the program can meet such obligation;

(2) the program cannot access capital in the private market, including through catastrophe bonds and other securities sold through the facility created in title I of this Act, as determined by the Secretary, and a loan may be made to

such a qualified reinsurance program only to the extent that such program cannot access capital in the private market;

(3) the Secretary determines that an event has resulted in insured losses in a State with a qualified reinsurance program;

(4) the loan complies with the requirements under subsection (d) and or (e), as applicable; and

(5) the loan is afforded the full faith and credit of the State and the State demonstrates to the Secretary that it has the ability to repay the loans.

(c) **MANDATORY ASSISTANCE FOR QUALIFIED REINSURANCE PROGRAMS.**—The Secretary shall upon the request of a qualified reinsurance program and subject to subsection (b), make a loan under subsection (d) or (e) for such program in the amount requested by such program (subject to the limitations under subsections (d)(2) and (e)(2), respectively).

(d) **LIQUIDITY LOANS.**—A loan under this subsection for a qualified reinsurance program shall be subject to the following requirements:

(1) **PRECONDITIONS.**—The Secretary shall have determined that the qualified reinsurance program—

(A) has a capital liquidity shortage, in accordance with regulations that the Secretary shall establish; and

(B) cannot access capital markets at effective rates of interest lower than those provided in paragraph (3).

(2) **AMOUNT.**—The principal amount of the loan may not exceed the ceiling coverage level for the qualified reinsurance program.

(3) **RATE OF INTEREST.**—The loan shall bear interest at an annual rate 3 percentage points higher than marketable obligations of the Treasury having the same term to maturity as the loan and issued during the most recently completed month, as determined by the Secretary, or such higher rate as may be necessary to ensure that the amounts of interest paid under such loans exceed the sum of the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of such loans, the administrative costs involved in carrying out a program under this title for such loans, and any incidental effects on governmental receipts and outlays.

(4) **TERM.**—The loan shall have a term to maturity of not less than 5 years and not more than 10 years.

(e) **CATASTROPHIC LOANS.**—A loan under this subsection for a qualified reinsurance program shall be subject to the following requirements:

(1) **PRECONDITIONS.**—The Secretary shall have determined that an event has resulted in insured losses in a State with a qualified reinsurance program and that such insured losses in such State are in excess of 150 percent of the aggregate amount of direct written premium for privately issued property and casualty insurance, for risks located in that State, over the calendar year preceding such event, in accordance with regulations that the Secretary shall establish.

(2) **AMOUNT.**—The principal amount of the loan made pursuant to an event referred to in paragraph (1) may not exceed the amount by which the insured losses sustained as a result of such event exceed the ceiling coverage level for the qualified reinsurance program.

(3) **RATE OF INTEREST.**—The loan shall bear interest at an annual rate 0.20 percentage points higher than marketable obligations of the Treasury having a term to maturity of not less than 10 years and issued during the most recently completed month, as determined by the Secretary, or such higher rate as may be necessary to ensure that the amounts of interest paid under such loans exceed the sum of the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of such loans, the administrative costs involved in carrying out a program under this title for such loans, and any incidental effects on governmental receipts and outlays.

(4) **TERM.**—The loan shall have a term to maturity of not less than 10 years.

(f) **USE OF FUNDS.**—Amounts from a loan under this section shall only be used to provide reinsurance or retrocessional coverage to underlying primary insurers or reinsurers for losses arising from all personal real property or homeowners' lines of insurance, as defined in the Uniform Property & Casualty Product Coding Matrix published and maintained by the National Association of Insurance Commissioners. Such amounts shall not be used for any other purpose.

SEC. 203. REPORTS AND AUDITS.

The Secretary shall submit a report to the President and the Congress annually that identifies and describes any loans made under this title during such year and any repayments during such year of loans made under this title, and describes actions taken to ensure accountability of loan funds. The Secretary shall provide for regular audits to be conducted for each loan made under this title and shall make the results of such audits publicly available.

SEC. 204. FUNDING.

(a) **PROGRAM FEE.**—

(1) **IN GENERAL.**—The Secretary may establish and collect, from qualified reinsurance programs that are precertified pursuant to section 301(c), a reasonable fee, as may be necessary to offset the expenses of the Secretary in connection with carrying out the responsibilities of the Secretary under this title, including—

(A) costs of developing, implementing, and carrying out the program under this title; and

(B) costs of providing for precertification pursuant to section 301(c) of State and regional reinsurance programs as qualified reinsurance programs.

(2) **ADJUSTMENT.**—The Secretary may, from time to time, adjust the fee under paragraph (1) as appropriate based on expenses of the Secretary referred to in such paragraph.

(3) **USE.**—Any fees collected pursuant to this subsection shall be credited as offsetting collections of the Department of the Treasury and shall be available to the Secretary only for expenses referred to in paragraph (1).

(b) **COSTS OF LOANS; ADMINISTRATIVE COSTS.**—To the extent that amounts of negative credit subsidy are received by the Secretary in any fiscal year pursuant to loans made under this title, such amounts shall be available for costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of such loans and for costs of carrying out the program under this title for such loans.

(c) **FULL TAXPAYER REPAYMENT.**—The Secretary shall require the full repayment of all loans made under this title. If the Secretary determines at any time that such full repayment will not be made, or is likely not to be made, the Secretary shall promptly submit a report to the Congress explaining why such full repayment will not be made or is likely not to be made.

TITLE III—GENERAL PROVISIONS

SEC. 301. QUALIFIED REINSURANCE PROGRAMS.

(a) **IN GENERAL.**—For purposes of this Act only, a program shall be considered to be a qualified reinsurance program if the program—

(1) is authorized by State law for the purposes described in this section;

(2) is an entity in which the authorizing State maintains a material, financial interest;

(3) provides reinsurance or retrocessional coverage to underlying primary insurers or reinsurers for losses arising from all personal residential lines of insurance, as defined in the Uniform Property & Casualty Product Coding Matrix published and maintained by the National Association of Insurance Commissioners;

(4) has a governing body, a majority of whose members are public officials;

(5) provides reinsurance or retrocessional coverage to underlying primary insurers or reinsurers for losses in excess of such amount that the Secretary has determined represents a catastrophic event in that particular State;

(6) is authorized by a State that has in effect such laws, regulations, or other requirements, as the Secretary shall by regulation provide, that—

(A) ensure, to the extent that reinsurance coverage made available under the qualified reinsurance program results in any cost savings in providing insurance coverage for risks in such State, such cost savings are reflected in premium rates charged to consumers for such coverage;

(B) require that any new construction, substantial rehabilitation, and renovation insured or reinsured by the program complies with applicable State or local government building, fire, and safety codes;

(C) require State authorized insurance entities within that State to establish an insurance rate structure that takes into account measures to mitigate insurance losses;

(D) require State authorized insurance and reinsurance entities within that State to establish rates at a level that annually produces expected premiums that shall be sufficient to pay the expected annualized cost of all claims, loss adjustment expenses, and all administrative costs of reinsurance coverage offered; and

(E) encourage State authorized insurance and reinsurance entities within that State to establish rates that do not involve cross-subsidization between any separate property and casualty lines covered under the State authorized insurance or reinsurance entity; and

(7) complies with such additional organizational, underwriting, and financial requirements as the Secretary shall, by regulation, provide to carry out the purposes of this Act.

(b) **TRANSITIONAL MECHANISMS.**—For the five-year period beginning on the date of the enactment of this Act, in the case of a State that does not have a qualified reinsurance program for the State, a State residual insurance market entity for such State shall be considered to be a qualified reinsurance program, but only if such State residual insurance market entity was in existence before such date of enactment.

(c) **PRECERTIFICATION.**—The Secretary shall establish procedures and standards for State and regional reinsurance programs and the State residual insurance market entities described in section (b) to apply to the Secretary at any time for certification (and recertification) as qualified reinsurance programs.

(d) **REINSURANCE TO COVER EXPOSURE.**—This section may not be construed to limit or prevent any insurer from obtaining reinsurance coverage for insured losses retained by insurers pursuant to this section, nor shall the obtaining of such coverage affect the calculation of the amount of any loan under this title.

SEC. 302. DEFINITIONS.

For purposes of this Act, the following definitions shall apply:

(1) **CEILING COVERAGE LEVEL.**—The term “ceiling coverage level” means, with respect to a qualified reinsurance program, the maximum liability, under law, that could be incurred at any time by the qualified reinsurance program.

(2) **INSURED LOSS.**—The term “insured loss” means any loss insured by a qualified reinsurance program.

(3) **QUALIFIED REINSURANCE PROGRAM.**—The term “qualified reinsurance program” means a State or regional program that meets the requirements under section 301.

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

(5) **STATE.**—The term “State” includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the United States Virgin Islands, and American Samoa.

SEC. 303. REGULATIONS.

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

The CHAIRMAN. No amendment to that amendment shall be in order except those printed in the portion of the

CONGRESSIONAL RECORD designated for that purpose and pro forma amendments for the purpose of debate. Amendments printed in the RECORD may be offered only by the Member who caused it to be printed or a designee and shall be considered read.

AMENDMENT NO. 17 OFFERED BY MR. KLEIN OF FLORIDA

Mr. KLEIN of Florida. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 17 offered by Mr. KLEIN of Florida:

Page 2, after line 7, in the item in the table of contents relating to section 202, strike “STATE AND REGIONAL” and insert “QUALIFIED”.

Page 4, line 6, strike “(known as timing risk)”.

Page 4, line 15, strike “existing”.

Page 6, strike lines 3 through 12, and insert the following new paragraph:

(16) State catastrophe reinsurance programs, if appropriately structured and regulated, assume catastrophic risk borne by private insurers without incurring many of the additional costs imposed on private insurers, and thus enable all insurers within the State to underwrite and price coverage at rates designed to encourage property owners to acquire levels of insurance appropriate to their individual risks.

Page 6, line 14, strike “a Federal backstop” and insert “Federal support”.

Page 7, line 18, after “entity” insert “, or State-sponsored provider of natural catastrophe insurance,”.

Page 8, line 1, strike “and” and insert a comma.

Page 8, line 2, before the semicolon insert “, and State-sponsored providers of natural catastrophe insurance”.

Page 13, line 19, strike “state and regional” and insert “qualified”.

Page 14, line 5, strike “State or regional” and insert “qualified”.

Page 14, line 16, before the comma insert “at a commercially reasonable rate”.

Page 14, line 21, before the semicolon insert “at a commercially reasonable rate”.

Page 15, line 2, strike “and” the first place such term appears.

Page 15, lines 3 and 4, strike “the loan is afforded the full faith and credit of the State and”.

Page 15, strike lines 21 through 23 and insert the following new subparagraph:

(B) cannot access capital in the private markets at a commercially reasonable rate.

Page 17, line 4, strike “privately issued”.

Page 18, lines 9 and 10, strike “real property or homeowners” and insert “residential”.

Page 19, strike “section 301(c)” each place such term appears in lines 3 and 11 and insert “section 401(d)”.

Page 20, line 9, after “not” insert “be”.

Page 20, after line 12, insert the following new title:

TITLE III—REINSURANCE COVERAGE FOR QUALIFIED REINSURANCE PROGRAMS

SEC. 301. PROGRAM AUTHORITY.

Subject to section 304(c), the Secretary of the Treasury, shall make available for purchase, only by qualified reinsurance programs (as such term is defined in section 401), contracts for reinsurance coverage under this title.

SEC. 302. CONTRACT PRINCIPLES.

Contracts for reinsurance coverage made available under this title—

(1) shall not displace or compete with the private insurance or reinsurance markets or the capital market;

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

(3) shall provide coverage based solely on insured losses covered by the qualified reinsurance program purchasing the contract.

SEC. 303. TERMS OF REINSURANCE CONTRACTS.

(a) **MINIMUM ATTACHMENT POINT.**—Notwithstanding any other provision of this title, a contract for reinsurance coverage under this title for a qualified reinsurance program may not be made available or sold unless the contract requires that the qualified reinsurance program sustain an amount of retained losses from events in an amount, as determined by the Secretary, that is equal to the amount of losses projected to be incurred from a single event of such magnitude that it has a 0.5 percent chance of being equaled or exceeded in any year.

(b) **90 PERCENT COVERAGE OF INSURED LOSSES IN EXCESS OF RETAINED LOSSES.**—Each contract for reinsurance coverage under this title shall provide that the amount paid out under the contract shall, subject to section 304, be equal to 90 percent of the amount of insured losses of the qualified reinsurance program in excess of the amount of retained losses that the contract requires, pursuant to subsection (a), to be incurred by such program.

(c) **MATURITY.**—The term of each contract for reinsurance coverage under this title shall not exceed 1 year or such other term as the Secretary may determine.

(d) **PAYMENT CONDITION.**—Each contract for reinsurance coverage under this title shall authorize claims payments to the qualified reinsurance program purchasing the coverage only for insured losses provided under the contract.

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

(f) **TIMING OF CLAIMS.**—Claims under a contract for reinsurance coverage under this title shall include only insurance claims that are reported to the qualified reinsurance program within the 3-year period beginning upon the event or events for which payment under the contract is provided.

(g) **ACTUARIAL PRICING.**—The price of coverage under a reinsurance contract under this title shall be an amount, established by the Secretary at a level that annually produces expected premiums that shall be sufficient to pay the reasonably anticipated cost of all claims, loss adjustment expenses, all administrative costs of reinsurance coverage offered under this title, and any such outwards reinsurance, as described in section 305(c)(3), as the Secretary considers prudent taking into consideration the demand for reinsurance coverage under this title and the limits specified in section 304.

(h) **INFORMATION.**—Each contract for reinsurance coverage under this title shall contain a condition providing that the Secretary may require the qualified reinsurance program that is covered under the contract to submit to the Secretary all information on the qualified reinsurance program relevant to the duties of the Secretary under this title.

(i) **OTHERS.**—Contracts for reinsurance coverage under this title shall contain such other terms as the Secretary considers necessary to carry out this title and to ensure the long-term financial integrity of the program under this title.

SEC. 304. MAXIMUM FEDERAL LIABILITY.

(a) IN GENERAL.—Subject to subsection (b) and notwithstanding any other provision of law, the aggregate potential liability for payment of claims under all contracts for reinsurance coverage under this title sold in any single year by the Secretary shall not exceed \$200,000,000,000 or such lesser amount as is determined by the Secretary based on review of the market for reinsurance coverage under this title.

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

SEC. 305. FEDERAL NATURAL CATASTROPHE REINSURANCE FUND.

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

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

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

(2) any amounts appropriated under section 304; and

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

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

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

(2) ADMINISTRATIVE EXPENSES.—To pay for the administrative expenses incurred by the Secretary in carrying out the reinsurance program under this title.

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

(d) INVESTMENT.—If the Secretary determines that the amounts in the Fund are in excess of current needs, the Secretary may invest such amounts as the Secretary considers advisable in obligations issued or guaranteed by the United States.

SEC. 306. REGULATIONS.

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

Page 20, line 13, strike "**TITLE III**" and insert "**TITLE IV**".

Page 20, line 15, strike "**SEC. 301.**" and insert "**SEC. 401.**".

Page 22, line 4, after the semicolon insert "and".

Page 22, line 17, strike "and".

Page 22, strike lines 9 through 11 and insert the following: "the reasonably anticipated cost of all claims, loss adjustment expenses, and all administrative costs of the insurance or reinsurance coverage offered by such entities, and any such outwards reinsurance as the program administrator deems prudent;".

Page 22, strike lines 12 through 17 and insert the following new paragraphs:

(7) to the extent possible, seeks to avoid cross-subsidization between any separate property and casualty lines covered under the State authorized insurance or reinsurance entity;

(8) complies with the risk-based capital requirements under subsection (b); and

Page 22, line 18, strike "(7)" and insert "(9)".

Page 22, after line 21, insert the following new subsection:

(b) RISK-BASED CAPITAL REQUIREMENTS.—

(1) IN GENERAL.—Except for programs deemed to be qualified reinsurance programs pursuant to section 401(c), each qualified reinsurance program shall maintain risk-based capital in accordance with requirements established by the Secretary, in consultation with the National Association of Insurance Commissioners and consistent with the Risk-Based Capital Model Act of the National Association of Insurance Commissioners, and take into consideration asset risk, credit risk, underwriting risk, and such other relevant risk as determined by the Secretary.

(2) TREATMENT OF ACCESS TO LIQUIDITY LOANS.—

(A) IN GENERAL.—To the extent that a qualified reinsurance program is deficient in complying with any aspect of the risk-based capital requirements established pursuant to this subsection, the Secretary shall recognize and give credit for the ability of such qualified reinsurance program to access capital through the liquidity loan program established under section 202(d).

(B) ANNUAL DIMINUTION.—The extent of credit recognized and given for a qualified reinsurance program pursuant to subparagraph (A) shall diminish annually in a proportion equal to the earned premium for the program for the prior calendar year.

(C) RESET UPON OCCURRENCE OF CATASTROPHE.—To the extent that a qualified reinsurance program is obligated to pay losses as a result of the occurrence of a catastrophe, the Secretary shall increase the credit recognized and given for the program pursuant to subparagraph (A) by an amount equal to the losses paid by the program as a result of the catastrophe.

(D) RESUMPTION AFTER CATASTROPHE.—After a reset occurs pursuant to subparagraph (C) for a qualified reinsurance program, the diminution described in subparagraph (B) shall resume and continue until the program has accumulated capital sufficient to satisfy the risk-based capital requirement determined by the Secretary to be appropriate given the ceiling coverage level of that particular qualified reinsurance program.

(3) REPORT.—For each calendar year, each qualified reinsurance program shall prepare and submit to the Secretary a report identifying its risk based capital, at such time after the conclusion of such year, and containing such information and in such form, as the Secretary shall require.

Page 22, line 22, strike "(b)" and insert "(c)".

Page 23, line 1, after "entity" insert ", or State-sponsored provider of natural catastrophe insurance,".

Page 23, line 3, after "entity" insert ", or State-sponsored provider of natural catastrophe insurance,".

Page 23, line 5, strike "(c)" and insert "(d)".

Page 23, line 11, strike "(d)" and insert "(e)".

Page 23, after line 16, insert the following new section:

SEC. 402. STUDY AND CONDITIONAL COVERAGE OF COMMERCIAL RESIDENTIAL LINES OF INSURANCE.

(a) STUDY.—The Secretary shall study, on an expedited basis, the need for and impact of expanding the programs established by this Act to apply to insured losses of qualified reinsurance programs for losses arising from all commercial insurance policies which provide coverage for properties that are composed predominantly of residential rental units. The Secretary shall consider the catastrophic insurance and reinsurance market for commercial residential prop-

erties, and specifically the availability of adequate private insurance coverage when an insured event occurs, the impact any such capacity restrictions has on housing affordability for renters, and the likelihood that such an expansion of the program would increase insurance capacity for this market segment.

(b) CONDITIONAL COVERAGE.—To the extent that the Secretary determines that there is such a need to expand such programs and such expansion will be effective in increasing insurance capacity for the commercial residential insurance market, the Secretary shall, in consultation with the National Association of Insurance Commissioners—

(1) apply the provisions of this Act, as appropriate, to insured losses of a qualified reinsurance program for losses arising from commercial insurance policies which provide coverage for properties that are composed predominantly of residential rental units, as described in paragraph (a); and

(2) provide such restrictions, limitations, or conditions with respect to the programs under this Act that the Secretary deems appropriate, based on the study under subsection (a).

Page 23, line 17, strike "sec. 302." and insert "sec. 403.".

Page 23, lines 22 and 23, strike ", under law,".

Page 24, line 7, strike "section 301" and insert "section 401".

Page 24, line 15, strike "**SEC. 303.**" and insert "**SEC. 404.**".

The CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. Mr. Chairman, the amendment before us is testament to the fact that this legislation is truly a work of bipartisanship. Democrats and Republicans came together as this legislation began to work its way through the process. A number of interested Members reached out to us with well-thought suggestions on how to improve the underlying bill. I am pleased to say we were able to incorporate many suggestions into this amendment, including the adoption of a provision that the gentlewoman from Florida (Ms. GINNY BROWN-WAITE) has been developing over the last couple of years.

This amendment would establish a high-level natural catastrophe reinsurance fund which would be authorized to write reinsurance contracts to cover catastrophic natural disasters. The addition of such a fund would add a third layer of protection to the legislation, which could further help to increase availability and stabilize rates for homeowners. The fund would provide reinsurance contracts for coverage that is available after the qualified reinsurance program has sustained losses resulting from a 1-in-200-year event.

Coverage would be provided on an actuarially sound basis and would not displace or compete with the private market. This provision will go a long way with providing high-level protection for States coping with natural disasters.

The amendment also provides for a study and conditional authorization for the inclusion of commercial residential lines of coverage. It is important for us to make sure that renters are not left behind following a disaster, and this

provision takes us in the right step of determining how capacity restrictions impact housing affordability for renters. I know this was a concern brought up, and I am glad to include it in this amendment.

I am also pleased that we were able to include a provision suggested by the gentleman from Florida (Mr. PUTNAM) which ensures that qualified reinsurance programs will engage in responsible reserving. This provision would use an NAIC-developed formula to ensure that participating States will be operating in a sound fashion.

We also wanted to make sure that States would not become overly reliant on programs established under the legislation, and this addition will add a safeguard against that concern.

Again, I would like to thank those Members who have come forward with suggestions on how to improve the bill. I urge a "yes" vote on the amendment.

I yield back the balance of my time. Mr. ROSKAM. Mr. Chairman, I rise in opposition to the amendment and to engage in a colloquy.

The Acting CHAIRMAN (Mr. CARDOZA). The gentleman from Illinois is recognized for 5 minutes.

Mr. ROSKAM. Mr. Chairman, I had previously presented or put at the desk 11 amendments to the manager's amendment that I am not going to be offering this afternoon. Instead, and in the interest of time, since I wasn't seeking roll calls on them, anyway, I just raise a series of questions that I am putting forward in good faith. They have been brought to my attention by our staff. Some you may have answers for; some you may have contemplated. Others you may say, let's think through that a little further, because my sense is, while the House is about to act, this is still very much a work in progress on Capitol Hill when it goes to the other Chamber.

The first question I had is the term "capital liquidity shortage." It is a term that is used exclusively in the text of the bill itself, but it is not defined anywhere else. It is not a legal term of art that I am aware of. We have done some Google searches on the Internet, and it is a phrase that is unique to this bill. It is not defined.

My concern is that it could create, really, the maximum liability that could be incurred at any time. I am wondering if the gentleman from Florida is open to further defining "capital liquidity shortage"?

And I will be happy to yield.

Mr. KLEIN of Florida. I thank the gentleman from Illinois, and I do appreciate the fact in our committee, the Committee on Financial Services, you had a number of interesting inquiries, some of which were incorporated and some are still a work in progress.

I will be more than happy to sit down, as this bill goes through the process. Obviously the Senate is going to begin to consider this bill. There will be opportunity through the conference, and I think there should be an

opportunity to take a closer look at this issue.

Mr. ROSKAM. I yield to the chairman.

Mr. FRANK of Massachusetts. I appreciate it and I appreciate the gentleman's cooperation.

I would just say, to move this along, as the gentleman from Florida responds, he will be speaking for the committee leadership. These are matters on which we have some general agreement that work needs to be done. I won't have to say this every time, but when the gentleman from Florida gives you that assurance, it comes from the committee leadership as well.

Mr. ROSKAM. I thank the gentleman.

Another term is the term "commercially reasonable rate." It is also not defined anywhere, and I would just submit that is another area that we ought to be looking at.

The other notion is that State programs should be required to charge actuarially sound rates and build up reserves based on a 1-in-200 year standard used elsewhere in the manager's amendment. My concern is we run into a situation like we have with the flood insurance program. We should learn from that mistake.

The weakness of the flood insurance program was that it contemplated simply anticipating the actual output, as it were, the actual claims, rather than thinking from an actuarial point of view where you contemplate the unanticipated. The way we have to do this, the way this process has to be set up, is it has to literally anticipate the unanticipated. And the way the manager's amendment is currently crafted, it doesn't do that. In other words, it doesn't allow the building up of reserves over a period of time so that the fund itself is actuarially sound and that it can sustain an unexpected loss, the massive storm, the unbelievable event that is literally not contemplated.

There are two things that are inconsistent within the bill, it seems to me. There is this lower view of contemplation of what you can build up. But it also says you have to pass on the savings to the consumer. So, literally, the fund is not able to build up the reserves that are necessary in anticipation of what can't be anticipated.

With that, I yield to the gentleman.

Mr. KLEIN of Florida. I thank the gentleman from Illinois. And just to respond to a couple of points there, the building up of reserves and the passing of savings to consumers are not necessarily inconsistent points. One of the goals of this bill is not to make more money for insurance companies, many of them are doing just fine, it is to try to create stability in the market at an actuarially sound rate. I take your points, and they are well taken in terms of making sure we learn from mistakes. I commit to the fact that we will continue to work through this and make sure that it is based on sound ac-

tuarial principles by which definition usually sound actuarial estimations do take into account future anticipated events. I commit to that point.

Mr. ROSKAM. Reclaiming my time, I thank you. I just submit that the language, as I understand it in the manager's amendment, doesn't achieve the goal that you and I are seeking.

The Acting CHAIRMAN. The time of the gentleman from Illinois has expired.

(On request of Mr. FRANK of Massachusetts, and by unanimous consent, Mr. ROSKAM was allowed to proceed for 5 additional minutes.)

Mr. ROSKAM. Finally, I would also like to draw attention to the notion of, sort of what I am characterizing in my fear as that repayment is a myth fear.

Under the manager's amendment, if a State program is somehow going to incur losses that exceeds its maximum liabilities, shouldn't it have to show how it is going to prevent that in the future? And there is no point in the manager's amendment where there is that reporting requirement. Again, I don't think that is onerous. I don't think it is difficult, but I think it would be a good idea to require a State before they make a claim or before they default to come forward and say, look, this is how we are going to avoid this in the future. I think it is a de minimis reporting requirement.

I yield to the gentleman from Florida.

Mr. KLEIN of Florida. I thank the gentleman from Illinois. The notion of the terms of repayment are to be negotiated with the Treasury. Each State may have a slightly different scenario in terms of terms and conditions.

What I would expect to be negotiated would be, just like any other private sector contract with a set of covenants and defaults in terms of understanding what the expectations are. So I would expect the Treasury, and if we need to get that clarified in the future, I would be happy to, but I expect the terms to be very clear regarding notification and things like that.

Mr. ROSKAM. I thank the gentleman.

Another observation is that States should pay the cost of the consortium. Now, as drafted, the cost of the consortium is by Federal taxpayers. There is no payment mechanism in the manager's amendment for the consortium to be funded by the States. I think that is an oversight and it should be revisited.

The manager's amendment sets up \$120 million over 6 years, I think, but I think there should be a way for the States to pony up. At least theoretically you can contemplate where the Federal Government would create this consortium, and maybe nobody's in. At that point it would be a foolish enterprise. I think there has to be a way.

I yield to the gentleman.

Mr. KLEIN of Florida. I thank the gentleman from Illinois.

I think the thinking is this is an authorization. It is not an appropriation.

The general notion is in the early stage of this thing, it is a relatively small amount of dollars. It creates authorization if necessary.

If you have a number of States that do participate, which we anticipate, I think the language of the bill talks about the fact that they will pay for that. The notion is there is an authorization. And to get more States involved to pay for it, there is this limited amount of Federal responsibility. I think the thinking is that the States will take responsibility.

Mr. ROSKAM. Finally, on the basis of time, and I will be happy to continue the conversation with you and the chairman, in my view, I think the grace period for States is too long for their mitigation efforts. For those States currently with a program in place, the manager's amendment says all of these mitigation components are excellent, but we are going to give you 5 years to get your act together.

My suggestion would be let's shorten that up. Let's make it 2 years, and I think that is still very gracious, to follow on the word of grace. But 5 years is almost the length of the entire program that is being proposed. That is a suggestion regarding a way that I think the bill can be improve.

I yield to the gentleman.

Mr. KLEIN of Florida. I am a true believer, if you give somebody 5 years to do it, it will take 5 years. At the same time I realize from the experience we have had in Florida and many other States that have tried to move forward with building codes and other things, it does take some time. But I am all for encouraging as strong as possible to move as quickly as possible.

Mr. ROSKAM. I yield to the chairman.

Mr. FRANK of Massachusetts. I want to express my appreciation to the gentleman, both for the cogency of the points he raised, because we want this to work well, and he has helped us both previously and today in refining this. I also appreciate his courtesy in helping us move this. I thank the gentleman from Illinois.

Mr. ROSKAM. Mr. Chairman, I yield back the balance of my time.

□ 1615

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Florida (Mr. KLEIN).

The question was taken; and the Acting Chairman announced that the ayes appeared to have it.

Mrs. CAPITO. Mr. Chairman, I demand a recorded vote.

The Acting CHAIRMAN. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Florida will be postponed.

AMENDMENT NO. 6 OFFERED BY MR. ROSKAM

Mr. ROSKAM. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 6 offered by Mr. ROSKAM:

Page 21, strike lines 21 through 25.

Page 22, line 1, strike "(C)" and insert "(B)".

Page 22, line 5, strike "(D)" and insert "(C)".

Page 22, line 12, strike "(E)" and insert "(D)".

Page 22, line 17, strike "and".

Page 22, after line 17, insert the following new paragraph:

(7) develops, maintains, and enforces best practices in building codes that the Secretary deems adequate to address the natural disaster exposures of the State, taking into consideration the geography, catastrophe risk, and building patterns in the State; and

Page 22, line 18, strike "(7)" and insert "(8)".

The Acting CHAIRMAN. The gentleman from Illinois is recognized for 5 minutes.

Mr. ROSKAM. Thank you, Mr. Chairman.

Today I offer an amendment essential to stopping this Congress from running down a road that I've expressed caution about earlier today, and that is causing further government involvement in self-sufficient, available, and reliable private markets.

Congress recently passed the National Flood Insurance Reform; and while I didn't agree with the wind provision inclusion, it made crucial strides in reducing damage from flooding and storms, especially in areas suffering repeat events. However, H.R. 3355 does not specifically prescribe mitigation guidelines. In title II, it merely alludes to Treasury providing a general directive; and, in my view, that's not good enough.

Currently, H.R. 3355 only requires the reinsurance fund receiving the loan to provide coverage for properties that adhere to applicable State building codes, leaving open the possibility that States with substandard codes, or even lacking codes, can still access the loans.

Instead, Treasury should be required to certify that the State has implemented best practices building codes for the applicable exposures, taking into account the State's geography, catastrophe risk and building patterns, which is what my amendment does here today.

This would not be a national building code, but rather, a regionally specific criteria for program participation.

The language in my amendment also gives broad flexibility to the Treasury to certify whether State building codes are appropriate for the types of risks they face. It doesn't apply specific, bureaucratic and unreachable one-size-fits-all standards for the Treasury to abide by.

The language is necessary because the current language in the bill would create an implicit guarantee that would result in an inequitable Federal subsidy for certain State insurance programs and policyholders, thus creating no need for local municipalities and developers to stop development in

risk-prone areas. This was made very clear during the testimony that we heard in the hearings several weeks ago.

The further subsidization of rates would undermine economic incentives to mitigate risks. Individuals facing subsidized rates would be encouraged to take on risks that are inappropriate, specifically putting themselves in harm's way because they don't bear the full weight of the potential damages.

Now, I represent citizens from Illinois, and we would never choose to participate in this program. And let me tell you, the view from Lombard, Illinois, is very different from Key West, and God bless the folks that live in Key West, but I don't think that the residents I represent should be in a position to subsidize someone else's view.

Why should Illinois bail out States that can't address their own problems? While I'm sensitive and I admire my colleagues from Florida, I do believe that some of this is simply an exacerbation of government programs that have completely failed. Many other States have taken into account and addressed market issues based on increasing private market participation.

South Carolina introduced policyholder or catastrophe savings accounts to assist consumers and address cost issues. Louisiana and South Carolina addressed rating and regulatory matters by encouraging greater competition among insurers rather than rate controls that discourage private market competition. Louisiana has committed financial incentives for insurers to underwrite or take policies from the residual market and write-in coastal areas. Several States have also improved building codes and their enforcement as part of the long-term solution to catastrophic risk.

Floods are the majority of disasters that my congressional district faces, and we haven't sat by and waited for the government to help. The State of Illinois has one of the strongest floodplain management programs in the country. Illinois leads all Midwest States for the number of NFIP-participating communities, flood insurance policies, and flood insurance claims. Illinois outpaces the other States in local floodplain assistance, mitigation activities, and flood control projects.

Specifically, two cities in my district, Des Plaines and Mt. Prospect, were badly hurt by floods in August of this year. But they didn't suffer as much as they could have, because they are moving forward on major flood mitigation efforts by building levees on the Des Plaines River. This project will move hundreds of homes and businesses out of the floodplain, thus reducing the amount of damage during flood season and lowering insurance rates for homeowners.

There's been an unprecedented population growth and significant development in coastal and disaster-prone areas in recent decades, and total property exposures have increased dramatically.

We certainly cannot anticipate what storms will be like in the future, but we can and should take steps to reduce and lessen these risks.

I urge my colleagues to support this important amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. Mr. Chairman, with all due respect to my friend, and all of us are freshmen here, Mr. MAHONEY and Mr. ROSKAM, we're all new to this process, but with all due respect to his approach here, the problem with the amendment is that this takes the Federal Government and puts its stamp of approval on local building codes.

And from my perspective, I don't think we want the U.S. Treasury or FEMA or anybody else to be responsible for making decisions on local building codes. These are very localized functions, certainly will encourage mitigation, and we've got some standards in place and our colleague from Connecticut (Mr. MURPHY) in a few minutes I understand is going to be offering a very good amendment which deals with some Federal standards that are outside the Federal Government's role, but some trade industry standards on building code which relate to mitigation and reducing the hazard and reducing the potential exposure.

So while I do appreciate the fact that Illinois may have different issues than Iowa, that has different issues than California, there's different issues in Florida, we certainly, in my view, don't want to federalize, if you will, the building code process. And it's something that I believe that we should allow local governments, within the confines of standards that are adopted by the industry, to reduce exposure to natural disasters. I think that's a better way to do it.

So I would suggest that this amendment be opposed and that the Members of the House vote against it.

Mr. Chairman, I yield back my time.

Mr. BAKER. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman from Louisiana is recognized for 5 minutes.

Mr. BAKER. Mr. Chairman, I want to make clear my motivations here for the purposes of debate.

I certainly am in support of the Roskam amendment, but with or without its adoption, even the underlying bill, without the manager's amendment, is problematic. However, the manager's amendment presents an additional level of concern above those raised at the committee consideration.

Insurance is in the business of pricing risk, and I can honestly say as a Louisianan we are really adjusting in a significant way to the new risk now identified for our exposure along our coastal area.

Our legislature has responded with the adoption of a building code that really is leading the class in the United States, and to suggest that free markets should not price the risk and provide insurance where they know they will lose money is not a policy that makes a great deal of sense.

Hence, the underlying bill will provide a mechanism for the United States Treasury to provide a security backstop to the consortium that now is issuing insurance to Florida residents at a below-market rate.

I can recall in great detail the criticisms by many in this House by those of us in Louisiana who are the beneficiaries of a flood insurance program that provides coverage at a governmentally subsidized rate. For the record, I'm for raising those premiums on Louisiana citizens to get that program in actuarial soundness because I know without that the program is eventually doomed.

The underlying manager's amendment, although requiring risk-based capital, goes to great steps to avert the requirement, first by exempting companies who now exist from the consortium for the next 5 years. Secondly, there is no full faith and credit of the beneficiary State on the loan that's made by the United States taxpayer and virtually no guarantee of repayment.

Let's call this what it is. It is a way to provide stability in the Florida insurance market by accessing taxpayer money without guarantees of repayment. What can we do to improve this?

Well, the Roskam amendment now pending is at least the most meager step one should take who is concerned about proprietary action in the insurance world. It does not say the Treasury Secretary will establish the building codes. It merely says the Treasury will examine whether there are even codes in place that are reasonable for the risks that are presented to the occupants of low-lying coastal areas before you extend taxpayer assistance.

It's sort of like making sure that you've taken appropriate action to protect your family and that there's not a likelihood of probable loss, and then you're going to sell insurance on the assumption that the risk is low. In this case, rebuilding is taking place in low-lying areas at a rapid pace, and there is an absolute certainty there will be a repeat of significant storms and unquestioned amounts of loss.

At least we should say that those who are building in exposures of great risk should exercise the highest level of construction standards before having access to taxpayer money to pay off the loss.

Think about your constituents. How many times are we going to ask them to pay for the decisions of others to build in low-lying coastal areas when the coastal area residents themselves are not paying actuarial rates for coverage they are provided.

I wish I could say it more clearly, but this is not a balanced approach; and

certainly without the Roskam amendment we are opening this Congress and the American taxpayer to enormous financial risk without taking the first meager steps for rational self-protection.

I urge the adoption of the Roskam amendment.

Mr. Chairman, I yield back my time.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. ROSKAM).

The question was taken; and the Acting Chairman announced that the noes appeared to have it.

Mr. ROSKAM. Mr. Chairman, I demand a recorded vote.

The Acting CHAIRMAN. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Illinois will be postponed.

AMENDMENT NO. 14 OFFERED BY MR. MURPHY OF CONNECTICUT

Mr. MURPHY of Connecticut. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 14 offered by Mr. MURPHY of Connecticut:

Page 21, strike lines 21 through 25 and insert the following new subparagraph:

(B) require that an appropriate public body within the State shall have adopted adequate mitigation measures (with effective enforcement provisions) which the Secretary finds are consistent with the criteria for construction described in the International Code Council building codes.

Page 22, line 12, insert:

(7) to the extent possible, seeks to encourage appropriate state and local government units to develop comprehensive land use and zoning plans that include natural hazard mitigation.

Page 22, after line 21, insert the following new paragraph:

(8) has been certified by the Secretary, for such year, in accordance with an annual certification process established by the Secretary for such purpose, as being in compliance with the requirements under paragraphs (1) through (7).

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. MURPHY of Connecticut. Mr. Chairman, I'd like to applaud my colleagues, Representative KLEIN, Representative MAHONEY and Representative GINNY BROWN-WAITE, for bringing this measure before us today.

The rising premiums in the insurance world, the instability that this recent rash of natural catastrophes have brought to the insurance industry mandate a response from this Congress; and it's time, as Mr. KLEIN and Mr. MAHONEY have said, to stop closing our eyes and pretend that the solution is to just continue to have a policy of crisis reaction, where we put Federal dollars after Federal dollars on top of these disasters.

This measure before us, very carefully considered and brought to the floor on a bipartisan basis, is a planful and market-based approach to the

issue of crisis mediation, especially on the eastern seaboard.

But to the extent that we are setting up a new Federal role, to the extent that we're contemplating potentially committing Federal dollars through loans, frankly as Mr. KLEIN has said in a much more responsible way than we have done in previous situations, we need to make sure that these dollars are being used wisely.

Now, the manager's amendment before us right now goes a very long way towards that goal in making sure that the programs themselves at the State level are fiscally sound or actuarially sound.

The amendment before us, brought to the floor today by myself, Representative MATSUI, Representative BEAN and Representative LARSON, seeks to build on that duty of fiscal responsibility that we have as we potentially commit, in a planful way, Federal dollars through loans to coastal areas.

Therefore, this amendment that we're offering today would require that before a State insurance program qualifies to borrow from the Federal Government, the Treasury Department will ensure that the State has taken adequate steps to mitigate future losses. It's a pretty common sense measure.

To do this, the amendment simply requires that the Secretary of the Treasury certify that participating States, entities, these State insurance funds, have implemented internationally recognized building codes to ensure that the new homes that are being built in these States can withstand severe natural catastrophes like earthquakes and floods and hurricanes.

□ 1630

These State programs have also developed land use plans to further mitigate the risk and losses stemming from natural disasters. This amendment doesn't provide for new Federal building codes. It doesn't provide for new Federal land use requirements or Federal risk mitigation regulations. It just merely seeks to assure that before we are putting Federal tax dollars in State programs that these States have done everything that they can to reduce future risks from natural catastrophe.

I would like to thank my colleagues, Mr. MAHONEY and Mr. KLEIN, for working with me and the staffs for working with my staff on this issue. I think it addresses many of the issues that Mr. ROSKAM and others on the other side of the aisle have and will raise today. I think it assures that this very positive step forward that has been introduced by Mr. MAHONEY and Mr. KLEIN will be made even safer and sounder if it comes to the point of using Federal taxpayer dollars in these programs.

Mr. Chairman, I yield back the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. I would like to thank the gentleman from Connecticut for coming up to a response to what I think the gentleman from Illinois was raising; that is, we want to encourage mitigation. We want to encourage reduction of the scope of the hazard.

I think all of us understand that the more you can do to protect your home in terms of the roof, if it's an earthquake zone, the foundation, lots of different kinds of risks out there, but the more we can do to solidify that, the less deductible you are going to pay as a homeowner, which is good for you as a homeowner, the less risk you are creating for the insurance underwriter, the less payout, the less the State is going to have to take responsibility if there is a State risk catastrophe fund. With a Federal system to back it up, beyond that, in terms of the State catastrophe bonds, it reduces that as well.

The whole purpose of this is to reduce that. What the gentleman from Connecticut has come up with in a broad-based way is to bring in the international code, council building codes, which is an organized effort, well thought out, well designed. Instead of having the secretary of the Treasury, which I am not quite sure who or what qualifications he or she would have to make an independent judgment of whether a building code makes sense or not, let's put professionals, the experts, the people who understand building codes, let's put them in the middle of this thing and say this is the standard by which we will judge whether a State is doing what it is supposed to do to reduce that risk.

I think that's a very sound, logical way of solving the problem, encouraging the mitigation, reducing the hazard. I think it's something that deserves to be supported.

I would like to thank the gentleman from Connecticut. Hopefully the gentlewoman from West Virginia and the gentleman from Illinois will join us in what I think is something that addresses their concern, and probably we can all come together and say this is a solid way of doing it.

Mr. Chairman, I yield back the balance of my time.

Ms. MATSUI. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman from California is recognized for 5 minutes.

Ms. MATSUI. Mr. Chairman, I rise today to ask my colleagues to support the Murphy, Matsui, Bean and Larson amendment.

I am sponsoring this amendment because it carries forward important public policy initiatives. It encourages local governments to develop comprehensive land use and zoning plans that include natural hazard mitigation. It also requires participating States to adopt internationally recognized building code standards.

I applaud the overall goal of this bill to provide access to insurance coverage

for homeowners and disaster-prone communities. Our amendment today is about public safety.

As a representative from Sacramento, the Nation's most at-risk river city for catastrophic flooding, I am all too familiar with risk and vulnerability. Preparedness is a first step toward public safety. Strong building codes are key to being prepared and to reducing the damage caused by catastrophic events. This amendment ensures that States take steps to minimize risk.

Last week, I introduced the Safe Building Code Incentive Act of 2007 to encourage States to adopt stronger building codes. Our communities and homeowners should be better prepared, and Congress should be setting high standards for public safety.

Over the last few weeks, residents of my home State of California experienced devastating wildfires and an earthquake. We know that another event will occur and that it is only a matter of time.

To rapidly growing regions around the country such as Sacramento, the building standards we adopt now will ensure a safer future for our communities and property owners.

In January 2006, a Louisiana State University Hurricane Center study concluded that wind-related damage to homes by Katrina could have been reduced by 65 percent if current building code standards had been used. In short, we should be elevating public policy standards before disaster impacts our communities, not after.

Our amendment today raises the standard for public safety and encourages smarter planning to mitigate risk. I ask my colleagues to support this amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. LARSON of Connecticut. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. LARSON of Connecticut. Mr. Chairman, let me associate myself with the remarks earlier today of Mr. INSLEE and commend two of our colleagues for an extraordinary job they have done in putting together this thoughtful piece of legislation, one that I think we all understand and recognize is much needed throughout the country because of the natural catastrophes we are bound to face.

I also want to commend them for being willing to work with everyone on both sides of the aisle and reach out on what are some thoughtful questions that have been posed to them and the continued manner in which they embrace a solid piece of legislation and make it stronger. To those ends I rise in strong support of the Murphy, Matsui, Bean and Larson amendment that I think goes a long way towards doing that.

I commend Mr. KLEIN and, again, Mr. MAHONEY for working to make sure that a good bill becomes even stronger.

Mr. Chairman, I yield back the balance of my time.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Connecticut (Mr. MURPHY).

The amendment was agreed to.

AMENDMENT NO. 13 OFFERED BY MR. ROSKAM

Mr. ROSKAM. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 13 offered by Mr. ROSKAM:
Page 17, line 2, strike "and" and insert a comma.

Page 17, line 8, before the period insert the following: ", and that the qualified reinsurance program has retained losses in excess of the amount of losses that would result from a single event of a catastrophic peril covered by the program of such magnitude that it has a one percent chance of being equaled or exceeded in any year, as determined by the Secretary".

The Acting CHAIRMAN. The gentleman from Illinois is recognized for 5 minutes.

Mr. ROSKAM. Mr. Chairman, this is what I characterize as the skin-in-the-game amendment.

The bill currently has no retained loss requirement for participating State reinsurance funds before they can get a catastrophic loan from the Treasury. Once the trigger is met, a fund may qualify for a loan without having any skin in the game.

To improve fiscal accountability, States should be required to first sustain a loss before receiving a loan from Treasury, similar to paying deductible in an insurance policy. The loans could be better put to use helping States manage their losses above the retained loss requirement.

This amendment says that before a State insurance fund can access one of the loans created in the bill, it must first retain sufficient losses amounting to a 1-in-100-year event with respect to State catastrophe perils. This amendment will encourage State funds to handle a predictable level of loss before putting Federal taxpayers on the hook for billions of dollars in catastrophic loans.

With no retained loss requirements, State insurance funds will have no incentives to price their risk with a catastrophe factor but, instead, rely on post-event debt financing from the Federal Government and Federal taxpayers. Adding the retained loss requirement in this bill will also encourage States to utilize the global reinsurance market instead of turning directly to the Federal Government to capitalize their funds.

Currently, Florida is the only State with a reinsurance fund that would qualify under this bill. The bill would undoubtedly spur the creation of other State funds, and requiring States to have skin in the game will encourage these new funds to properly capitalize instead of taking out a huge loan from the Feds after every natural catastrophe.

Without loss requirements, State insurance funds will have no incentives to actuarially price their risk since they will be getting cheap loans to assist them in paying their claims.

I urge the adoption of the amendment and yield to the gentleman from Louisiana.

Mr. BAKER. I thank the gentleman for yielding.

Mr. Chairman, I just want to make sure I am understanding the effect of the gentleman's amendment properly. If I am a homeowner and I am paying a premium for my coverage and I have a loss, there generally is some sort of deductible, maybe \$500 or \$1,000, depends on what kind of policy I will have to buy. But I am going to have to put my premium money up, and then I am going to have to have a personal loss to get the benefit of the insurance coverage that I bought for my home.

What you are suggesting with this amendment is that the States who are going to avail themselves of the advantage of the Treasury extended loan are going to have to have their own money in the game. They can't just call up and say, Mr. Secretary, send me a few billion dollars. I am kind of short right now. They are going to have to have their own State losses in their own insurance pool before they can get access to the United States Treasury extension of credit; is that correct?

Mr. ROSKAM. The gentleman has an incredible gift of clarity and insight, and that is exactly it.

Mr. BAKER. My point here is in speaking, in asking the gentleman the question, is it is absolutely essential, no matter what the government program or service, did you know, that whoever is the beneficiary always makes some contribution to his own well-being or else the program will run amok. There will be no reason to exercise constraint.

You are absolutely correct. Premiums charged will never be actuarially sound. The gentleman's amendment, which in my opinion is, by the way, insightful and articulate, has drafted a constructive amendment which I hope others will find beneficial.

Mr. ROSKAM. Reclaiming my time, I think part of the reason we are in this state today and one of the reasons we are having this conversation is because of, really, a lack of some of those commonsense approaches towards their problem in the past, which is now why Representative KLEIN and Representative MAHONEY feel in good faith that they have got to come here on behalf of their constituents, and I understand that.

I would submit that this amendment brings some clarity, brings a little bit of pause, brings some reality to this so that over a period of time a future Congress doesn't have to come in and request an abundance from the Federal Treasury due to mismanagement and squander.

Mrs. CAPITO. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman from West Virginia is recognized for 5 minutes.

Mrs. CAPITO. Mr. Chairman, I rise in support of Mr. ROSKAM's very thoughtful amendment. I feel that it helps to work this bill, which I have obviously voiced some questions about, because it would simply require States to pay their fair share before tapping into a Federal line of credit. This will encourage State funds to handle a predictable level of loss before putting Federal dollars and Federal taxpayers on the hook for what could be billions of dollars in catastrophic loans.

Very briefly, I would like to say, without loss requirements, State reinsurance funds will have no incentive to actuarially price their risk since they will be getting cheap loans to assist them in paying their claims. I would like to voice support for the Roskam amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. Mr. Chairman, let's get down to the bottom of what we are trying to accomplish here. There is a problem in the United States, in certain parts of the United States, where the insurance market, unfortunately, cannot deal with a very large disaster.

Now, some of our colleagues may not have been exposed to this problem because in their markets they haven't had any large-scale natural disasters, but the more time that passes, the more communities are affected by large-scale natural disasters.

The impact of a very large-scale natural disaster is that the insurance industry in these areas retrenches, pulls back, cancels policies or they call them nonrenewal.

I have to tell you, one of the most frustrating things after living through some hurricanes in Florida was members of my communities calling me up, as a State Senator, saying, I paid my premium for 15 years straight, and now I am afraid to make a claim because I have had some damage, never made a claim before, but I am afraid to make a claim because the insurance company is going to cancel me.

Something is wrong with the market, free market, as we like to think of it, if that is happening. People want to know the bargain is if I have paid my premium my insurance company is going to be there and there is some stability behind it.

What we have tried to do is recognize that in some cases, not many, but in some cases, and the very high scale of large-scale natural disasters, there is some reaction that has to be provided. What we have done, instead of putting the government in the middle of it, which is exactly where it is right now, no matter how you slice it, every time there is a large-scale natural disaster that the insurance company can't

deal with, the States can't deal with, then the Federal Government comes rushing in, from Washington, with a big check.

What we have been trying to do is something proactive, up front. We have come up with some plans from experts in the insurance industry and the consumer side and everything else to balance this out.

What this amendment does is it arbitrarily limits the ability of programs to meet the reinsurance needs of the respective States not provided for by the private sector. The limit shows, and it is a 100-year event. Why 100? Why 1 in 100? Why not 1 in 50? Why not 1 in 250? As you can imagine, a 1-in-250-year event really changes the dynamics of the equation of what will have to be paid in reserves and make sure that the money is there.

They have chosen 100 years. That is consistent with the way we have very carefully, with a lot of input, chosen to work on this formula. We have chosen events where the losses have exceeded 150 percent of the aggregate amount of direct premium over the prior year.

□ 1645

That is a direct reflection of what's going on in that local market, how much premium's been paid. It's a 1.5 factor over and above that. It's very well thought out. It may not be perfect. It may be over time there's a better way to do it, but this is a very consistent approach we've taken throughout the bill.

If you adopt this amendment, we are now creating two inconsistent measures which I don't think will ever work together. So I would suggest that this amendment not be adopted.

I believe that we have come up with something that is logical, it's common sense, it reacts to the fact that there is a need here.

And again, for those folks who live in parts of the country that don't have natural disasters up to this point, let's all continue to pray and hope that we don't have many natural disasters.

But we're a country that's in this together. Certainly our insurance is something that we want to make sure everyone has the ability to have private homeowners insurance. But more importantly, every taxpayer is part of a bail out. We're trying to avoid that for the future.

So I would suggest the amendment should not be supported.

I yield back my time, Mr. Chairman.

Mr. MAHONEY of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. MAHONEY of Florida. I'd like to join in support of my friend here from Florida (Mr. KLEIN) in opposing this amendment.

The point I'd like to make is very simple, and that is, the whole purpose of the bill is to stabilize the private homeowners insurance marketplace. And the goal of the bill is to work with

the industry to continually find ways to expand the market so that the market takes the responsibility.

Right now, the problem that we're facing in the homeowners insurance market is unfunded liability, where we have the opportunity or the specter of a disaster, where the combination of States and the insurance industry do not have the financial wherewithal to pay claims.

The purpose of this bill in the first title is to try to work with States to consolidate risk in order to expand the private market's activity so that it can handle these claims.

So when the gentleman from Illinois proposes to arbitrarily set a 1-in-100-year mark, what it's doing is it's running counter to the goal of the legislation, which is to get the private insurance companies to take on more and more of the responsibility.

So with that, I think that the bill that we have right now recognizes that there needs to be some variability in some cases. One in 100 years, depending on States, might be too little; and in some cases it might be too much.

So, therefore, I would urge that this amendment be defeated.

I yield back the balance of my time. Mr. BAKER. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman from Louisiana is recognized for 5 minutes.

Mr. BAKER. Mr. Chairman, I wish to make clear that my interest in this matter is based on my representation of a portion of coastal Louisiana, so I get the problem. And we are struggling, even today, 2 years after Katrina, in trying to restore our State to what it once used to be. So I do not come to the floor in opposition to this matter in a cavalier manner.

The statement that this bill is intended to keep the American taxpayers from being responsible financially for future natural disasters is in direct contravention with the effect of the bill, if it ever does become law.

Let's start with the basics. People didn't like the fact that some Louisianans built at the water's edge. How can we be more responsible and elevate structures and build them to a certain code?

I support Mr. ROSKAM's amendment, which provides that the Secretary of the Treasury, before making such a loan, shall certify that the recipient entity in question has such safe and sound building codes. Sounds logical to most taxpayers. I would think.

The pending amendment simply says that the recipient entity getting the benefit of the Treasury loan shall have its own money at risk, and shall have suffered some monetary loss.

One-in-100 event. Some have suggested this is just a number pulled out of the air. It is a typical actuarial number of risk used by the insurance industry in rating the likelihood of recovery of loss in policies nationwide. It's not something that one can say was simply grabbed out of the air.

The risk-based capital provisions in the manager's amendment are completely obliterated for the first 5 years for companies now in existence in the program who would qualify for such loans. And in the event a loan would be made, there's a specific prohibition that the full faith and credit of the State getting the benefit of the credit would not be placed on that note. Translation: they don't have to pay this back.

Now, the bigger point is that when you look at the applicability of where NATCAT, national catastrophe funds, would likely be made operational, Florida, yes, California, maybe, and ladies and gentlemen of the Congress, not anywhere else.

Our insurance commissioner in our State has carefully evaluated the advantages and possibility of a NATCAT structure being utilized in Louisiana. It will not work. The applicability of this program will be for a narrow, narrow slice of the insurance market at risk on coastal Louisiana.

There are much better ways to do this. But do not support this measure on the assumption that the American taxpayer will not be put at risk.

In fact, if you really dig into the bill, you find a little provision that says commercial residential may be covered if the Secretary of the Treasury determines that the benefits are appropriate, without any conditions as to the requirement, style, nature or manner of repayment. We're going to be taking care of Hilton and their golf courses.

Really, really take a careful look at this. I am troubled to be opposed to a bill that could potentially be beneficial to my own State and my own constituents. But I have arrived at the conclusion that this is not the right way to perform this task. And not enough careful thought from varied interests has been taken into consideration in this matter.

I urge you, please adopt the Roskam amendment.

I yield back the balance of my time.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. ROSKAM).

The question was taken; and the Acting Chairman announced that the noes appeared to have it.

Mr. ROSKAM. Mr. Chairman, I demand a recorded vote.

The Acting CHAIRMAN. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Illinois will be postponed.

AMENDMENT NO. 2 OFFERED BY MS. CASTOR

Ms. CASTOR. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 2 offered by Ms. CASTOR:
Page 21, after line 25, insert the following new subparagraphs:

(C) limit new development and increases in density, intensity, or range of use allowances in zoning and planning programs in coastal and other areas subject to a higher risk of catastrophic financial loss from natural disasters and catastrophic events, as such areas are determined in accordance with standards established by the Secretary, in consultation with the Administrator of the Federal Emergency Management Agency and other appropriate agency heads;

(D) limit rebuilding of substantially demolished structures after catastrophic events to current density, intensity, use, and structural limits;

Page 22, line 1, strike "(C)" and insert "(E)".

Page 22, line 5, strike "(D)" and insert "(F)".

Page 22, line 12, strike "(E)" and insert "(G)".

The Acting CHAIRMAN. The gentlewoman from Florida is recognized for 5 minutes.

Ms. CASTOR. Mr. Chairman, I rise to offer an amendment that, over time, will keep insurance rates down by directing that State and local governments not approve intensified development in high-risk areas like our coastal high-hazard areas.

Insurance premiums are on the rise for many reasons, but one of the most significant reasons for skyrocketing costs of insurance is developer overbuilding in high-risk areas.

Developers and homebuilders have crowded on to the coasts and into the flood plains, fire zones, and other high-risk areas, without considering the consequences. The subsequent consequences to the folks that we represent have been very expensive.

These developers set up homeowners and businesses for financial ruin and personal tragedy when they locate in areas that are at high risk of natural disasters, and the developers are profiting at the expense of every policyholder whose premiums continue to rise without relief once another disaster hits.

Unfortunately, State and local governments have been too often complicit in this irresponsible behavior.

The amendment I offer today requires that States that participate in this innovative risk pool adopt policies to limit development in high-risk areas. It would also end the practice of rebuilding properties after a catastrophe with development that is of a greater size or a greater density or intensity, because the right to rebuild in high-risk areas is not the right to expand.

Now, this bill, carefully crafted by my thoughtful colleagues from Florida, provides States with an innovative tool to tackle the property insurance crisis. And my amendment improves the bill by preventing any greater problems down the road. The amendment aims to stop developer overbuilding that will lead to even greater disasters in the future and higher property insurance rates.

Now, I do appreciate the suggestion from the chairman of the Financial

Services Committee that this amendment can be improved still, and I'll yield to the gentleman, because I am interested in your advice and assurance that maybe down the road, if I happen to withdraw the amendment, that we can work to improve.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentlewoman yield?

Ms. CASTOR. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. I thank the gentlewoman. I appreciate the initiative, and she's clearly right in concept.

We would say that this bill, we hope, will pass today, but it's not going to pass the Senate until we come back early next year. We do obviously hope to get this bill in place before the next hurricane season so we could get started. But that would give us time to work on this before our final passage was done.

And as the gentlewoman understands, because she's been involved herself, the State-Federal issue can become complicated. So while we very much agree on the substance, we don't want to engender a kind of State-Federal issue which could go beyond Florida. This is obviously something for all the States.

So with that in mind, it's a common objective, indeed. We think the gentleman from Connecticut's amendment goes in that general direction. But we really want to be very careful about the State-Federal-local interactions here.

So if the gentlewoman is agreeable, we would be working with her between now and some time in March or April when we finally hope to get this bill done so we can improve these kinds of requirements, but in a way that isn't going to jeopardize the whole thing by a big Federal-State dispute.

Ms. CASTOR. I greatly appreciate the assurances by the chairman; and with those assurances, I'd like to thank my colleagues again from Florida for this very innovative, thoughtful tool to reduce property insurance rates. And at this time I will withdraw my amendment.

Mr. FRANK of Massachusetts. I appreciate that. I also appreciate the fact that today no Republicans object to you withdrawing the amendment.

The Acting CHAIRMAN. Without objection, the amendment is withdrawn.

There was no objection.

AMENDMENT NO. 1 OFFERED BY MR. MANZULLO

Mr. MANZULLO. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 1 offered by Mr. MANZULLO:

Page 15, line 2, strike "and".

Page 15, line 5, strike the period and insert "; and".

Page 15, after line 5, insert the following new paragraph:

(6) the qualified reinsurance program and the State authorizing the program are not

delinquent, as determined by the Secretary, with respect to any payment due under any loan previously made under this Act or under any other loan provided by any agency or establishment of the Federal Government to the program or the State for assistance in connection with a natural or other major disaster.

The Acting CHAIRMAN. The gentleman from Illinois is recognized for 5 minutes.

Mr. MANZULLO. Mr. Chairman, H.R. 3355 requires the Treasury Department to offer low-cost subsidized Federal loans to State reinsurance funds. This bill employs the lesser used loan approach for States, rather than block grants or emergency funding, the usual methods of Federal assistance.

The concept of the loan is unique from a block grant, as a loan implies a temporary extension of funds with agreed-upon terms of repayment. The concept of a loan also implies that there are consequences for those who do not abide by the terms of the loan, such as ineligibility to receive additional loans should one become delinquent on a current loan. It is not in the lender's interest to lend money to someone who has proven that he or she will not pay it back according to the contracted terms.

This bill contains no prohibition on continued lending to States that are delinquent on loans authorized under this bill or extended through other Federal entities as found in other Federal loan programs. This consequence free-lending program will also allow States that choose to ignore the repayment responsibility to treat the loans as being in a state of eternal deferral, and expose the taxpayer to a tremendous amount of risk.

My amendment seeks to protect the taxpayer by insuring that Federal loans go only to States with a proven track record of fiscal responsibility. Specifically, this fiscally responsible amendment will disqualify States that are delinquent on any Federal disaster loans from receiving additional loans under this program.

H.R. 3355 already entitles these States to subsidized loans at below-market rates from the Federal Government. It only makes sense that they should be held to the same responsible standard that applies in the private market and elsewhere in the Federal Government. Without this standard, the loan program becomes no different than a block grant or a taxpayer-financed giveaway.

□ 1700

H.R. 3355 requires very little of the States in the way of mitigation to reduce the cost to taxpayers. By ensuring that States act responsibly before receiving another subsidized loan, my amendment is a small but important step towards protecting the interest of the tax-paying Americans that will be funding this bill.

I urge support for this amendment and would cite as precedent TANF

funds, for example, under title 42, chapter 7, a failure to timely repay a Federal loan fund for State welfare programs, if the Secretary determines that a State has failed to repay any amounts borrowed from the Federal loan program, then they become ineligible or that the amounts they receive in the future are deducted to pay the prior amounts that are due.

I would urge support of this amendment. This makes sure that this is a loan program and not a grant program.

Mr. Chairman, I yield back the balance of my time.

Mr. KLEIN of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. Mr. Chairman, I appreciate the gentleman from Illinois' proposition that if you are in default, you probably shouldn't be able to get anything further because maybe you haven't acted responsibly. But there are two faults that make this amendment unnecessary.

Number one, if a State is a recipient of a loan and it has defaulted or hasn't made the terms of payback, that has nothing to do with a State risk catastrophe fund, which is independent of the State. Most State risk catastrophe funds are not backed by the full faith and credit of the State. They're separate, independent organizations. So one has really nothing to do with the other. The fact that the State of Illinois may not have paid back something that it had received from the Federal Government should have nothing to do with an Illinois risk catastrophe fund if it has been doing whatever it's supposed to do. So I think that's number one.

Number two, the notion of the one disaster and then the Illinois risk catastrophe fund defaulting or not paying back, we have already taken care of that problem in terms of a future disaster that hits Chicago. And that is the Treasury who would be responsible for authorizing the second loan would not grant that. It is already provided in the content of our bill.

So I do support the proposition that if you are in default, you probably shouldn't be a continued further drag. And I think that we have taken care of that in the bill, and I think it's not necessary to pass this amendment.

Mr. MANZULLO. Mr. Chairman, will the gentleman yield?

Mr. KLEIN of Florida. I yield to the gentleman from Illinois.

Mr. MANZULLO. It's obvious that the gentleman agrees with me on the absolute necessity of making sure that this is a loan program and not a grant program. This amendment simply gives more teeth to the assurance that the gentleman gave us as to the language that is in the bill. Therefore, I would suggest that he agree with the amendment.

Mr. KLEIN of Florida. Reclaiming my time, Mr. Chairman, I don't agree with the amendment because what it does is it creates an unnecessary regu-

latory burden. You already have in place the Treasury. Our Treasury Department in Washington would look at it. There's a default. Under the current language of the bill. Take a look at the language of the bill. It specifically says they would not be entitled to another loan, so we've already taken care of that problem.

As it relates to the State itself being in default, the State is independent of a State risk catastrophe fund. So the fact that the State of Illinois doesn't repay something to the Federal Government doesn't necessarily or should not necessarily put a burden on an independent organization that has a State risk catastrophe fund that does not operate under the full faith and credit of the State of Illinois.

So, again, I support the notion that a deadbeat should not receive more. But, again, we are dealing with States and organizations where we've already taken care of the problem or that we are looking to solve a problem that really isn't there.

So I would suggest that this amendment should be opposed. It's unnecessary and duplicative, and I think we've already addressed the problem very clearly in the legislation.

Mr. MAHONEY of Florida. Mr. Chairman, will the gentleman yield?

Mr. KLEIN of Florida. I yield to the gentleman from Florida.

Mr. MAHONEY of Florida. I would just like to also point out, too, that after an event of a natural catastrophe, I don't think it's in anybody's best interest in terms of getting people back in their homes and preserving communities to get into an administrative argument as to whether or not a particular loan has been paid or repaid based on what's going on between the State and a particular community that's in need of funding.

So although I appreciate the gentleman's point, I think that the danger here is that there could be a lot of ways that people could look at this issue and determine that there is a conflict between the way a State looks at a particular loan.

And it's not just catastrophe loans, as the gentleman's amendment talks about. It's any loan where there might be a conflict between the State and the Federal Government. And all I can tell you is that I don't think you would want to put your citizens in a bureaucratic mess when they are out of their homes and they need to get back in and that we need to save their communities.

Mrs. CAPITO. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman from West Virginia is recognized for 5 minutes.

Mrs. CAPITO. Thank you, Mr. Chairman.

I yield to the gentleman from Illinois.

Mr. MANZULLO. Thank you.

I actually concur with what the gentleman from Florida said. But what he

was talking about was in terms of the traditional FEMA emergency funds. That's not the topic of this bill. Those funds are totally separate and independent of the topic that we have here.

What we are talking about is making loans to the reinsurance fund of the State. We're not talking about emergency grants under FEMA, nor are we talking about emergency loans under the Small Business Administration for purpose of reconstruction or for loss of business, et cetera. This is an entirely separate program to make sure that the reinsurance fund of each State remains solvent.

What we are saying here is that we want to make this as ironclad as possible that this not become a grant program but that it is a loan program. And the only way to make sure that that is the case is that those States that are delinquent as to repayment on these funds simply do not qualify to accept any more funds. What that does is it places the responsibility upon the States to come up with a plan themselves in order to make sure that their reinsurance fund would remain solvent.

Mr. KLEIN of Florida. Mr. Chairman, will the gentleman yield?

Mrs. CAPITO. I yield to the gentleman from Florida.

Mr. KLEIN of Florida. I'm looking back at the amendment. And the point I was trying to make, which I think is pretty clear here, is that it says "under any loan previously made under this Act or any loan provided by any agency or establishment of the Federal Government to the program," that's the risk catastrophe fund, "or the State for assistance in connection with a natural or other major disaster."

First of all, a question for you is the money that goes to a State, are you talking about FEMA money?

Mr. MANZULLO. Is it FEMA money?

Mr. KLEIN of Florida. You're saying "the State for assistance in connection with a natural or other major disaster." To the State. You're saying if there's a default in money that went to the State.

Mr. MANZULLO. Right. FEMA doesn't lend money to the States.

Mr. KLEIN of Florida. Then what are you referring to? What is the default you're speaking of, then?

Mr. MANZULLO. Under this program. If you are in default under this program, then you are not eligible to receive further moneys.

Mr. KLEIN of Florida. There is no money that under this program goes to the State. It goes to the participants of the risk catastrophe funds. Those are independent.

Mr. MANZULLO. But it is set up under the State. What reassurance can you give that these loans will be paid and paid on time? That's what I am trying to get at.

Mr. KLEIN of Florida. The way this is designed is that the loans are structured between the risk catastrophe fund and the Treasury under terms and conditions that are acceptable to the

Treasury. Now, if there is a default under those terms and conditions, it's already clear in our bill that the Treasury will not lend under any future natural disaster, if that's what you are concerned about, and I think it says here. It's already part of the bill, and I think that answers the question.

Mr. MANZULLO. I think the gentleman and I agree on the fact that the loan should be repaid and not be a grant, but I think we disagree fundamentally on how it would be administered. That's why this amendment is a backup amendment to make sure that the loans are repaid.

Mrs. CAPITO. Reclaiming my time, Mr. Chairman, I would like to ask the gentleman if he could show us where in the bill it states that the Treasury has that kind of discretion in this particular case.

Mr. KLEIN of Florida. The good news is that we are in agreement that we certainly want to make sure this is fiscally sound and responsible. I think we all agree on that.

The only thing I'm suggesting, as we pull up this language, is that it's already in the bill. The intention is that the Treasury have this authority. If it isn't clear, we would be glad to fix it. But I think it is crystal clear and we'll just pull it up.

The Acting CHAIRMAN. The time of the gentlewoman from West Virginia has expired.

(By unanimous consent, Mrs. CAPITO was allowed to proceed for 1 additional minute.)

Mrs. CAPITO. I yield to the gentleman from Florida.

Mr. KLEIN of Florida. I thank the gentlewoman for yielding.

The Full Taxpayer Repayment section of the bill, page 20, line 6: "The Secretary shall require the full repayment of all loans made under this title. If the Secretary determines at any time that such full repayment will not be made, or is likely not to be made, the Secretary shall promptly submit a report to the Congress explaining why such full repayment will not be made or is likely not to be made."

Mrs. CAPITO. Did you say page 20, section c?

Mr. KLEIN of Florida. Line 6, section c.

Mrs. CAPITO. Thank you.

The Acting CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. MANZULLO).

The question was taken; and the Acting Chairman announced that the noes appeared to have it.

Mr. MANZULLO. Mr. Chairman, I demand a recorded vote.

The Acting CHAIRMAN. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Illinois will be postponed.

AMENDMENT NO. 4 OFFERED BY MR. MATHESON

Mr. MATHESON. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 4 offered by Mr. MATHESON:

Page 8, line 24, before the period insert the following: ", and the first such annual report shall include an assessment of the costs to States and regions associated with catastrophe risk and an analysis of the costs and benefits, for States not participating in the Consortium, of such nonparticipation."

The Acting CHAIRMAN. The gentleman from Utah is recognized for 5 minutes.

Mr. MATHESON. Mr. Chairman I rise today, first of all, in strong support of H.R. 3355, the Homeowners' Defense Act, and I offer an amendment that I believe will further support the intent of this legislation, namely to better enable State-sponsored reinsurance programs to protect themselves by transferring catastrophic risk into capital markets.

I should first commend Congressman KLEIN and Congressman MAHONEY for their proactive approach in this legislation, which allows States to responsibly plan for disasters ahead of time by pooling risk. By accessing capital markets to transfer risk, State-sponsored insurance funds will be better protected in the event of future disaster and will be increasingly able to provide affordable services for homeowners.

This legislation will provide an important backstop for many of the larger State-sponsored insurance plans but will also provide States like my home State of Utah with an opportunity to prepare for future catastrophes. The State of Utah does not currently have a State-sponsored catastrophic insurance plan but is considering developing one.

Utah has been ranked as one of the top ten U.S. earthquake States in the United States, and in some areas of the State, catastrophe risks also include wildfires, flooding, and mudslides. Of course many of these risks are unique to Utah, but many of these risks, things like fault lines or forest ranges, are spread over many States. I believe that States should be assessing many of these risks on a regional basis given the nature of those risks.

Very simply, Mr. Chairman, my amendment would require that the first annual report of the consortium that's established by this legislation should include an assessment of the costs associated with catastrophic risk for States and regions and an analysis of the costs and benefits of participation in the program for States that are not part of the consortium.

It is my hope that in providing States with an assessment of the catastrophic risks posed to their respective State and region and the costs associated with trying to address those risks, those States could evaluate and consider developing a State-sponsored catastrophic insurance plan if they do not already have one. I believe this legislation provides an important mechanism for States to protect themselves in the

event of catastrophe, and I urge support of this amendment so that States can make a more informed decision going forward.

Mr. Chairman, I yield back the balance of my time.

Mrs. CAPITO. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentlewoman from West Virginia is recognized for 5 minutes.

Mrs. CAPITO. Mr. Chairman, I have no opposition to Mr. MATHESON's amendment.

I just want to go back to the last point we were taking about with Mr. MANZULLO, the gentleman from Illinois. His amendment was putting forth the fact that if there is a loan to the State under these provisions that if they were in default or were not repaying their loan that there shouldn't be any further loans.

□ 1715

And the gentleman offered me a clarification by reading me some text.

On further looking at the text, yes, the text does say that the Secretary of the Treasury requires full payment of the loan; but it also says that the Secretary can then determine that if full repayment is not made or is unlikely to be made, that the only punishment or the only enforcement mechanism is the Secretary will then submit a report to the Congress explaining why repayment is not being made. It does not state in here, at least to my mind in the way I read it, that that State would be precluded from being able to attain another or further loan under the provisions of this bill.

I appreciate the opportunity to make that clarification. I think it strengthens Mr. MANZULLO's amendment, which I fully support. And, again, I thank the gentleman for his indulgence.

Mr. KLEIN of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. I want to thank the gentleman from Utah for an excellent amendment which really adds some good value to the bill. And basically what it does is it creates a metric by which States can determine whether joining the consortium in the future would provide a benefit. It's information. The more information the States have, the better, the more consumers will benefit. I think that's the kind of ongoing accountability, both to the taxpayers and to the States themselves, in terms of whether this is something that a particular State should join.

So I appreciate the suggestion. We didn't think of it. It's another good example of us all coming together and trying to put something together that makes some sense. So I would like to support the amendment, and I thank the gentleman.

Mr. Chairman, I yield back the balance of my time.

The Acting CHAIRMAN. The question is on the amendment offered by

the gentleman from Utah (Mr. MATHE-SON).

The amendment was agreed to.

The Acting CHAIRMAN. The Committee will rise informally.

The Speaker pro tempore (Mr. MAHONEY of Florida) assumed the chair.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the House by Ms. Evans, one of his secretaries.

The SPEAKER pro tempore. The Committee will resume its sitting.

HOMEOWNERS DEFENSE ACT OF 2007

The Committee resumed its sitting.

AMENDMENT NO. 12 OFFERED BY MS. GINNY BROWN-WAITE OF FLORIDA

Ms. GINNY BROWN-WAITE of Florida. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 12 Offered by Ms. GINNY BROWN-WAITE of Florida:

Page 22, line 11, strike "and".

Page 22, after line 17 insert the following new subparagraph:

(F) prohibit price gouging in any disaster area located within the State; and

Page 24, after line 3 insert the following new paragraph:

(3) PRICE GOUGING.—The term "price gouging" means the providing of any consumer good or service by a supplier related to repair or restoration of property damaged from a catastrophe for a price that the supplier knows or has reason to know is greater, by at least the percentage set forth in a State law or regulation prohibiting such act (not withstanding any real cost increase due to any attendant business risk and other reasonable expenses that result from the major catastrophe involved), than the price charged by the supplier for such consumer good or service immediately before the disaster.

Page 24, line 4, redesignate paragraph (3) as paragraph (4).

Page 24, line 8, redesignate paragraph (4) as paragraph (5).

Page 24, line 10, redesignate paragraph (5) as paragraph (6).

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Ms. GINNY BROWN-WAITE of Florida. Mr. Chairman, for too long, Congress has taken a reserved and reactionary approach to helping victims of disasters. For too long, Members have fallen back on a naive notion that a national plan would only put taxpayers at risk. We have refused to admit that in the event of a natural disaster, we either pay now or we pay later, and paying later is a whole lot more expensive.

Please consider this: in 2005 the insurance industry, not the taxpayers, paid out \$61.2 billion for the 24 disasters that occurred that year; \$40 billion of that went to the insured losses of

Hurricane Katrina. That same year, Congress, using taxpayer dollars, awarded over \$89 billion in post-disaster assistance, \$89 billion that will never be recouped, that came from hardworking constituents from Illinois, for example, from my colleague who offered the amendment before, from West Virginia, from the State of the lady who is handling the bill on this side. Unless these constituents were directly affected by these events, they will never see a return of those dollars that the Federal Government provided. What is the lesson here? When Congress pays later, it's with taxpayer money that's never paid back.

For the first time, this bill and the manager's amendment provide a national plan to protect against losses. H.R. 3355 provides incentives to States to join a national consortium to issue catastrophic bonds. These bonds act as an alternative to costly reinsurance. It also provides some loans to the States that take the time to plan for their insured needs.

The amendment that we have at the desk today also relates to when a natural disaster strikes. How many natural disasters have we heard about, whether it's a tremendous snowstorm in the Northeast, whether it's a hurricane, whether it's an earthquake in California, where price gouging takes effect?

My amendment says, in order to qualify for the loans and Federal catastrophe fund under the bill, the various States would have to establish anti-price gouging laws for post-event materials, that's goods and materials that people need after a catastrophe. The amendment defines price-gouging as a supplier charging a price he knows is greater post-event than he charged pre-event, notwithstanding any reasonable business increases.

Certainly, this kind of an amendment would help stem the double-whammy of a natural disaster. You might, for example, have your home damaged, and then when someone comes in to put a blue tarp on the roof, the price is outrageous, or even the delivery of goods and services after such a disaster. We need to protect homeowners from people who would rip them off, people who are simply trying to rebuild their lives after such an event.

I urge the Members to support the anti-price gouging amendment that is before us today.

Mr. Chairman, I yield back the balance of my time.

AMENDMENT OFFERED BY MR. KLEIN OF FLORIDA TO THE AMENDMENT OFFERED BY MS. GINNY BROWN-WAITE OF FLORIDA

Mr. KLEIN of Florida. Mr. Chairman, I offer an amendment to the amendment.

The Acting CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. KLEIN of Florida to the amendment offered by Ms. GINNY BROWN-WAITE of Florida:

In the matter proposed to be inserted at page 22, after line 17, strike "prohibit" and insert "discourage".

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. KLEIN of Florida. Thank you, Mr. Chairman, and I would like to thank the gentlelady from Florida on this work on price-gouging. She and I served in the legislature in Florida and worked together with many others on price-gouging legislation. I don't think anybody can condone any kind of price-gouging in a natural disaster or at any other time, but certainly in a time of a natural disaster.

What the amendment to the amendment does is it provides some flexible language in the implementation of this. It certainly is something that we want to encourage States to move forward on as part of their eligibility, but recognizing we also want to make sure we're not creating impediments in terms of many States getting involved in the natural disaster consortium as quickly as possible.

So I am in full support of this flexibility language, and that's exactly what the amendment does.

Ms. GINNY BROWN-WAITE of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Ms. GINNY BROWN-WAITE of Florida. The gentleman from Florida, with whom I have worked so closely on this issue, and I obviously disagree. We disagree because I would like to have this as absolutely a mandatory part of participation, and he would prefer to have it as a suggestion.

I still believe that we need to make this mandatory. It's like, you know, somebody once said, the Ten Commandments are now a suggestion, they're not commandments. I don't want to just suggest it; I want to make sure that the price-gouging language is strong so that we do protect people at that time of a natural disaster.

Most States do have good price-gouging laws already on the books. I'm not very happy with the term "encourage." I think we need to mandate this as part of the process.

Mr. Chairman, I yield back the balance of my time.

Mr. MAHONEY of Florida. Mr. Chairman, I move to strike the last word.

The Acting CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. MAHONEY of Florida. I appreciate the work the gentlelady from Florida has done on helping us do this bill. And I agree with her that I am also concerned, and we are concerned in this legislation about price-gouging.

Again, the issue is what's the role of the Federal Government with regard to this legislation? And the problem that we have with her amendment is that what she is proposing is to define for each State the definition of price-gouging. And while we accept and support the idea of encouraging legislation, the problem is when you take the next step and you start defining what price-gouging is, it's a relative standard that may or may not fit the circumstance; and, so, therefore, it may