

119TH CONGRESS  
1ST SESSION

# H. R. 827

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

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 2025

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

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## A BILL

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

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

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

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

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

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

### TITLE I—NATIONAL CATASTROPHE RISK CONSORTIUM

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

Sec. 103. Authorization of appropriations.

#### TITLE II—CATASTROPHE OBLIGATION GUARANTEES

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

#### TITLE III—REINSURANCE COVERAGE FOR ELIGIBLE STATE PROGRAMS

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

#### TITLE IV—MITIGATION GRANT PROGRAM

Sec. 401. Mitigation grant program.

#### TITLE V—GENERAL PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 **SEC. 102. FUNCTIONS.**

11           The Consortium shall—

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

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

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

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

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

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

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

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

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

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

17 **SEC. 201. PURPOSES.**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 7 (1) the guarantee has been properly obtained;  
8 (2) the underlying debt qualified for such guar-  
9 antee; and  
10 (3) the guarantee is valid, legal, and enforce-  
11 able.

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

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

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

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

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

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

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

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

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

6 **SEC. 207. REGULATIONS.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 contracts for reinsurance coverage under this title;  
2 and

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

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

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

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

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

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

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

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

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

8 **SEC. 307. REGULATIONS.**

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

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

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

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

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

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

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

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

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

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

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

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

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

25                 (2) homebuilders;

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

5           (e) ELIGIBLE ENTITY DEFINED.—In this section, the

6 term “eligible entity” means a State or local government,

7 a part or program of a State or local government, or a

8 nationally recognized, congressionally chartered disaster

9 response non-profit organization.

10          (f) GRANT MANDATE.—The Secretary shall, to the

11 extent provided in advance in appropriation Acts, use not

12 less than 35 percent of the net investment income from

13 the Federal Natural Catastrophe Reinsurance Fund

14 earned in each fiscal year pursuant to section 305(d) for

15 grants under this section.

## 16 **TITLE V—GENERAL PROVISIONS**

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

18          (a) ELIGIBLE STATE PROGRAMS.—A State program

19 shall be considered an “eligible State program” for pur-

20 poses of this Act if the Secretary certifies, in accordance

21 with the procedures established under subsection (c), that

22 the State program complies with the following require-

23 ments:

24           (1) STATE PROGRAM DESIGN.—The State pro-

25           gram is established and authorized by State law as

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

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

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

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

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

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

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

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

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

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

12 (5) PREVENTION AND MITIGATION.—

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

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

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

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

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

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

14 (6) REQUIREMENTS REGARDING COVERAGE.—

15 The State program—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 **SEC. 504. DEFINITIONS.**

8           In this Act:

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

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

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

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

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

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

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

12 **SEC. 505. REGULATIONS.**

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

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