

113TH CONGRESS  
1ST SESSION

# H. R. 1101

To strengthen America's financial infrastructure, by requiring pre-funding for catastrophe losses using private insurance premium dollars to better prepare and protect homeowners from natural catastrophes and to protect taxpayers from massive bailouts, and to provide dedicated funding from insurance premiums to improve catastrophe preparedness, loss prevention and mitigation, and to improve the availability and affordability of private market homeowners insurance coverage for catastrophic events, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2013

Mr. SIREs introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To strengthen America's financial infrastructure, by requiring pre-funding for catastrophe losses using private insurance premium dollars to better prepare and protect homeowners from natural catastrophes and to protect taxpayers from massive bailouts, and to provide dedicated funding from insurance premiums to improve catastrophe preparedness, loss prevention and mitigation, and to improve the availability and affordability of private market homeowners insurance coverage for catastrophic events, and for other purposes.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
 5 “Homeowners and Taxpayers Protection Act of 2013”.

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

Sec. 1. Short title and table of contents.

Sec. 2. Findings and purpose.

Sec. 3. Definitions.

TITLE I—TAXPAYER PROTECTION, PRE-FUNDED CATASTROPHE  
 RECOVERY, AND MARKET STABILIZATION

Sec. 101. National Commission on Natural Catastrophe Preparation and Pro-  
 tection.

Sec. 102. Pre-funded and privately financed catastrophe recovery program.

Sec. 103. Post-catastrophe market stabilization program for liquidity loans.

Sec. 104. Termination.

TITLE II—CATASTROPHE READINESS, CITIZEN AND COMMUNITY  
 PREPAREDNESS, AND MITIGATION

Sec. 201. National Readiness, Preparedness, and Mitigation Committee.

8 **SEC. 2. FINDINGS AND PURPOSE.**

9 (a) FINDINGS.—The Congress finds the following:

10 (1) The economy of the United States, the  
 11 American taxpayers, and all homeowners need to be  
 12 better prepared for, and more protected from, major  
 13 natural catastrophes.

14 (2) Taking into consideration the current eco-  
 15 nomic and fiscal challenges facing the United States,  
 16 it is more important than ever to fortify our Na-  
 17 tion’s financial infrastructure to be fully prepared

1 for major natural catastrophes and to mitigate the  
2 risk of catastrophe as much as possible.

3 (3) When major catastrophes hit, the Federal  
4 Government is called upon to provide significant  
5 funding and services to support recovery.

6 (4) The costs of post-catastrophe Federal “bail-  
7 outs” are borne by all taxpayers and can create a  
8 disincentive to fully prepare for catastrophes.

9 (5) Historically, the budget for Federal Govern-  
10 ment has assumed there will be no natural catas-  
11 trophes, and this lack of pre-funding for catas-  
12 trophes contributed substantially to annual budget  
13 deficits and growing national debt.

14 (6) The Budget Control Act of 2011 ends an  
15 era of unbudgeted recovery assistance and author-  
16 izes a fixed level of annual funding for catastrophes  
17 relief.

18 (7) The amount of future catastrophe relief  
19 funding is capped at the average amount spent on  
20 natural catastrophes during the previous 10 years  
21 with the high and low years removed.

22 (8) By removing the high and low years, the  
23 law now caps catastrophes spending at a level that  
24 is less than 60 percent of the amount spent on ca-  
25 tastrophe relief during the previous 10 years.

1           (9) Responsibly managing Government spend-  
2           ing is a top congressional priority, especially in light  
3           of the unprecedented fiscal challenges facing the Na-  
4           tion.

5           (10) Natural catastrophes will continue to  
6           occur, and the exposure to catastrophe risk is grow-  
7           ing. Scientists warn that future catastrophes will in-  
8           evitably cause losses far in excess of prior events,  
9           and these losses could exceed the limited capacity in  
10          the private market to cover claims and remain viable  
11          to insure properties after massive catastrophic  
12          events.

13          (11) In 2011, the earthquake centered in Vir-  
14          ginia that shook the East Coast and the extreme  
15          weather and deadly super tornadoes that ripped  
16          across the country provided powerful reminders that  
17          natural catastrophes can strike unexpectedly, se-  
18          verely damaging areas not thought to be at high  
19          risk, and no region is immune from the threat of  
20          natural catastrophe.

21          (12) In 2012, the devastation caused by  
22          Superstorm Sandy demonstrated yet again the need  
23          for a mechanism to ensure that privately funded  
24          monies will be available if needed following mega-ca-  
25          tastrophes.

1           (13) To successfully transition to a more lim-  
2       ited and targeted Federal role in post-event catas-  
3       trophe funding, communities must be better pre-  
4       pared for future catastrophes, the risk of damage  
5       must be mitigated, and individuals must have great-  
6       er access to private market protection against catas-  
7       trophe risk.

8           (14) The private insurance market alone does  
9       not have sufficient capacity to efficiently address the  
10      timing risk presented by major natural catastrophes,  
11      and there is no guarantee that the level of capacity  
12      that does exist will continue to be available from one  
13      year to the next or that consumers have the re-  
14      sources to adjust to significant price swings in the  
15      cost of the capital for available capacity.

16          (15) Disruptions in insurance availability and  
17      affordability will continue to harm economic activity  
18      in States exposed to major catastrophes and place  
19      significant burdens on residents of these States.

20          (16) Consumers in many areas around the  
21      country cannot find homeowners insurance in the  
22      private market, and affordability and availability  
23      challenges will grow dramatically when future major  
24      catastrophes strike.

1           (17) Hurricane Katrina, Superstorm Sandy,  
2           and other recent catastrophes confirm that the eco-  
3           nomic harm from natural catastrophes has a dis-  
4           proportionate impact upon the poor and middle class  
5           because areas most frequently and adversely im-  
6           pacted by catastrophic hurricanes have dispropor-  
7           tionately high rates of poverty and housing stock  
8           valued well below State averages.

9           (18) A new public-private partnership approach  
10          to deal more effectively with major natural catas-  
11          trophes would more efficiently leverage the public  
12          sector and establish a limited, less expensive, more  
13          focused role for government while also maximizing  
14          the capabilities of the private sector.

15          (19) A privately funded backstop can provide  
16          more protection at lower cost for consumers while  
17          also strengthening America's financial infrastructure  
18          to deal with natural catastrophes by increasing ca-  
19          pacity and providing more market stability after a  
20          catastrophe.

21          (20) Cost savings can lower premiums for con-  
22          sumers and be used to encourage better prevention  
23          and mitigation in lieu of post-event bailouts.

24          (21) A financial backstop can be structured to  
25          be fully funded to protect taxpayers from bailouts

1 and insurance policyholders from subsidies upon  
2 which the current system relies.

3 (22) A public-private partnership model, with  
4 an appropriately structured backstop, can protect  
5 against the timing risk presented by major natural  
6 catastrophes, spread risk more broadly, and enable  
7 private direct insurers to underwrite and price insur-  
8 ance for large-scale catastrophes more efficiently and  
9 with less risk of insolvency or financial distress while  
10 making insurance more available and affordable for  
11 consumers.

12 (23) A public-private partnership model can be  
13 structured to include and encourage participation by  
14 private market reinsurers.

15 (24) Incentives and requirements can be cre-  
16 ated to improve prevention and mitigation measures  
17 at the State and local levels, including strong build-  
18 ing codes, effective retrofits for existing homes, and  
19 sensible land use policies to prohibit further develop-  
20 ment in environmentally sensitive areas that are  
21 highly exposed to catastrophe.

22 (25) For the majority of Americans, their home  
23 is their single biggest asset and protecting that in-  
24 vestment is important to the economic health of mil-

1 lions of Americans, to social stability; and to the  
2 health of the banking system and broader economy.

3 (26) The financial crisis of 2008 and recent fis-  
4 cal challenges confirm the value of taking action in  
5 advance to strengthen America's financial infra-  
6 structure through a privately funded backstop rather  
7 than waiting for a future crisis or collapse to take  
8 emergency action in the form of bailouts.

9 (27) It is in the best interests of the Nation to  
10 take responsible action now to begin to build a fi-  
11 nancial backstop that will help protect a recovering  
12 American economy and mitigate the economic or fi-  
13 nancial shock that could result from a major cata-  
14 strophic event.

15 (b) PURPOSES.—The purposes of this Act are—

16 (1) to better prepare and protect homeowners  
17 and taxpayers from major natural catastrophe;

18 (2) to establish a fully funded program for ca-  
19 tastrophe losses to strengthen the financial infra-  
20 structure of the United States;

21 (3) to protect taxpayers from bailouts and sub-  
22 sidies related to the financing of post-catastrophe ca-  
23 tastrophe relief;

24 (4) to develop a public-private partnership that  
25 maximizes and supplements private market capacity,



1 increases the spread of risk, and increases market  
2 stability;

3 (5) to reduce the size of State government in-  
4 surance exposure;

5 (6) to make private market homeowners insur-  
6 ance more available and affordable;

7 (7) to improve emergency preparedness;

8 (8) to encourage individuals and communities to  
9 adopt mitigation and prevention measures that re-  
10 duce losses from such catastrophes; and

11 (9) to fortify the Nation's capacity to assist in  
12 the financial recovery from major catastrophes.

13 **SEC. 3. DEFINITIONS.**

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

16 (1) **ACTUARIALLY SOUND.**—The term “actuari-  
17 ally sound” means, with respect to premiums, that  
18 premiums are determined according to principles of  
19 actuarial science to be adequate, but not excessive,  
20 in the aggregate to pay current and future obliga-  
21 tions, including the expected annualized cost of all  
22 claims, loss adjustment expenses, and all administra-  
23 tive costs.

24 (2) **COVERED EVENT.**—The term “covered  
25 event” means the occurrence of one or more of the

1 events specified in section 102(c) that causes a loss  
2 or series of losses.

3 (3) COVERED STATE.—The term “covered  
4 States” means, with respect to a State plan, a State  
5 covered by the plan.

6 (4) ELIGIBLE STATE PLAN.—The term “eligible  
7 State plan” means a State plan or multi-State plan  
8 that meets the requirements of section 102(d).

9 (5) EMERGENCY RESPONSE PROVIDERS.—The  
10 term “emergency response providers” has the mean-  
11 ing given such term in section 2 of the Homeland  
12 Security Act of 2002 (6 U.S.C. 101).

13 (6) FUND.—The term “Fund” means the Ca-  
14 tastrophe Preparedness Fund established under sec-  
15 tion 102(g).

16 (7) INSURED LOSS.—The term “insured loss”  
17 means any loss and associated loss adjustment ex-  
18 pense insured or reinsured by an eligible State plan.

19 (8) LIQUIDITY LOAN.—The term “liquidity  
20 loan” means a loan to an eligible State plan made  
21 under section 103.

22 (9) MULTI-STATE PLAN.—The term “multi-  
23 State plan” means a State plan described in para-  
24 graph (13)(A)(ii) of this section.

1           (10) QUALIFIED ENTITY.—The term “qualified  
2           entity” means a private market reinsurer or other  
3           private sector entity that has satisfied the criteria  
4           established by the Secretary to be treated as a quali-  
5           fied entity for the purposes of section 102(e).

6           (11) SECRETARY.—The term “Secretary”  
7           means the Secretary of the Treasury except as spe-  
8           cifically provided otherwise.

9           (12) STATE.—The term “State” includes the  
10          several States of the United States, the District of  
11          Columbia, the Commonwealth of Puerto Rico,  
12          Guam, the Commonwealth of the Northern Mariana  
13          Islands, the United States Virgin Islands, and Amer-  
14          ican Samoa, and any other territory or possession of  
15          the United States.

16          (13) STATE PLAN.—The term “State plan”  
17          means a plan that—

18                 (A) is created or administered by—

19                         (i) a single State; or

20                         (ii) two or more States; and

21                 (B) provides insurance or reinsurance pro-  
22                 tection to address natural catastrophe prepared-  
23                 ness and protection, and in the case of a plan  
24                 described in subparagraph (A)(ii), provides such

1 protection as part of a program covering mul-  
2 tiple States.

3 **TITLE I—TAXPAYER PROTEC-**  
4 **TION, PRE-FUNDED CATAS-**  
5 **TROPHE RECOVERY, AND**  
6 **MARKET STABILIZATION**

7 **SEC. 101. NATIONAL COMMISSION ON NATURAL CATAS-**  
8 **TROPHE PREPARATION AND PROTECTION.**

9 (a) ESTABLISHMENT.—To effectuate a stronger pub-  
10 lic-private partnership at the local, State, and national lev-  
11 els regarding natural catastrophe preparation and protec-  
12 tion, the Secretary of the Treasury, in consultation with  
13 the Secretary of Homeland Security, shall establish a com-  
14 mission to be known as the National Commission on Nat-  
15 ural Catastrophe Preparation and Protection (in this title  
16 referred to as the “Commission”).

17 (b) DUTIES.—The Commission shall meet for the  
18 purpose of advising the Secretary regarding the estimated  
19 loss costs associated with the contracts for reinsurance  
20 protection made available under this title and carrying out  
21 the functions specified in this Act, including—

22 (1) the development and implementation of  
23 public education concerning the risks posed by nat-  
24 ural catastrophes;

1           (2) the establishment of a research priority for  
2           the development and implementation of prevention,  
3           mitigation, recovery, and rebuilding strategies, that  
4           better prepare and protect the United States from  
5           natural catastrophes;

6           (3) the establishment of a process for members  
7           of the Commission to deploy following every major  
8           catastrophe to inspect and evaluate the handling of  
9           such catastrophes;

10          (4) conducting continuous analysis of the effec-  
11          tiveness of this Act and recommending improve-  
12          ments to the Congress so that the costs of providing  
13          natural catastrophe protection are decreased and so  
14          that the United States is better prepared; and

15          (5) ensuring that the programs under this title  
16          are operated in a financially prudent manner and on  
17          an actuarially sound basis consistent with the provi-  
18          sions of this title and is not dependent on subsidy  
19          from taxpayers or consumers in areas that do not  
20          reside in areas that have a high-risk to natural ca-  
21          tastrophe loss, including by monitoring the expendi-  
22          ture of funds for administrative purposes to promote  
23          efficiency and economy in the operation and admin-  
24          istration of the program and to minimize the cost  
25          for participating States.

1       (c) MEMBERS.—The Commission shall consist of 14  
2 members, as follows:

3           (1) HOMELAND SECURITY MEMBER.—The Sec-  
4 retary of Homeland Security or the Secretary's des-  
5 ignee.

6           (2) APPOINTED MEMBERS.—13 members ap-  
7 pointed by the Secretary of the Treasury, who shall  
8 consist of—

9           (A) the Director of the Federal Insurance  
10 Office of the Department of the Treasury, or  
11 the Director's designee;

12           (B) a member of a State legislature who  
13 can provide the perspective of State govern-  
14 ment;

15           (C) one individual who is an actuary;

16           (D) one individual who is employed in en-  
17 gineering;

18           (E) one individual representing the sci-  
19 entific community;

20           (F) one individual representing property  
21 and casualty insurers;

22           (G) one individual representing reinsurers;

23           (H) one individual who is a member or  
24 former member of the National Association of  
25 Insurance Commissioners;

1 (I) two individuals who are consumers, in-  
2 cluding one consumer who is a homeowner who  
3 resides in an area with relatively high exposure  
4 to natural catastrophe risk and one consumer  
5 who resides in an area with relatively low expo-  
6 sure to natural catastrophe risk;

7 (J) one individual who is an emergency re-  
8 sponse expert;

9 (K) one individual with expertise regarding  
10 capital markets; and

11 (L) one individual representing the resi-  
12 dential construction community.

13 (d) TREATMENT OF NON-FEDERAL MEMBERS.—  
14 Each member of the Commission who is not otherwise em-  
15 ployed by the Federal Government shall be considered a  
16 special Government employee for purposes of sections 202  
17 and 208 of title 18, United States Code.

18 (e) EXPERTS AND CONSULTANTS.—The Commission  
19 may procure temporary and intermittent services from in-  
20 dividuals or groups recognized as experts in the fields of  
21 actuarial science, meteorology, seismology, vulcanology,  
22 geology, structural engineering, wind engineering, seismic  
23 engineering and hydrology, emergency response, and other  
24 fields, under section 3109(b) of title 5, United States  
25 Code, but at rates not in excess of the daily equivalent

1 of the annual rate of basic pay payable for level V of the  
2 Executive Schedule, for each day during which the indi-  
3 vidual procured is performing such services for the Com-  
4 mission. The Commission may also procure, and the Con-  
5 gress encourages the Commission to procure, experts from  
6 universities, research centers, foundations, and other ap-  
7 propriate organizations that could study, research, and de-  
8 velop methods and mechanisms that could be utilized to  
9 strengthen structures to better withstand the events cov-  
10 ered by this Act.

11 (f) COMPENSATION.—Each member of the Commis-  
12 sion who is not an officer or employee of the Federal Gov-  
13 ernment shall be compensated at a rate of basic pay pay-  
14 able for level V of the Executive Schedule, for each day  
15 (including travel time) during which such member is en-  
16 gaged in the performance of the duties of the Commission.  
17 All members of the Commission who are officers or em-  
18 ployees of the United States shall serve without compensa-  
19 tion in addition to that received for their services as offi-  
20 cers or employees of the United States.

21 (g) OBTAINING DATA.—

22 (1) AUTHORITY.—The Commission and the  
23 Secretary may solicit loss and exposure data and  
24 such other information that they deem necessary to  
25 carry out their responsibilities under this Act from



1 eligible State plans, other governmental agencies,  
2 and bodies and organizations that act as statistical  
3 agents for the insurance industry. The Commission  
4 and the Secretary shall take such actions as are nec-  
5 essary to ensure that confidential or proprietary in-  
6 formation is disclosed only to authorized individuals  
7 working for the Commission or the Secretary.

8 (2) CONFIDENTIALITY.—

9 (A) IN GENERAL.—Information obtained  
10 by the Commission and the Secretary pursuant  
11 to this Act with reference to which a request for  
12 confidential treatment is made by the person  
13 furnishing such information—

14 (i) shall be exempt from disclosure  
15 under section 552 of title 5, United States  
16 Code; and

17 (ii) shall not be published or disclosed.

18 (B) EXCEPTION.—Subparagraph (A) shall  
19 not apply with respect to the publication or dis-  
20 closure of any data aggregated in a manner  
21 that ensures protection of the identity of the  
22 person furnishing such data.

23 (h) AUTHORIZATION OF APPROPRIATIONS.—There is  
24 authorized to be appropriated—

1           (1) \$10,000,000 for fiscal year 2013 for the ini-  
 2           tial expenses in establishing the Commission and the  
 3           initial activities of the Commission during such fiscal  
 4           year that cannot timely be covered by amounts that  
 5           are deposited in the Fund pursuant to section  
 6           102(e)(5)(D); and

7           (2) for fiscal year 2014 and each fiscal year  
 8           thereafter, such sums as may be necessary to carry  
 9           out the activities of the Commission during each  
 10          such fiscal year that cannot timely be covered by  
 11          amounts that are deposited in the Fund pursuant to  
 12          section 102(e)(5)(D).

13          (i) TERMINATION.—The Commission shall terminate  
 14          upon the date specified in section 104(c).

15   **SEC. 102. PRE-FUNDED AND PRIVATELY FINANCED CATAS-**  
 16                           **TROPHE RECOVERY PROGRAM.**

17          (a) PROGRAM AUTHORITY.—

18           (1) IN GENERAL.—The Secretary of the Treas-  
 19           ury, in consultation with the Secretary of Homeland  
 20           Security, shall carry out a program under this sec-  
 21           tion that utilizes premiums from eligible State plans  
 22           to provide additional capacity and stability in the  
 23           homeowners insurance market and improve the  
 24           availability and affordability of homeowners protec-  
 25           tion coverage to pre-fund future natural catastrophe

1 recovery by making available for purchase, only by  
2 eligible State plans, contracts for reinsurance cov-  
3 erage under this section.

4 (2) PURPOSE.—The program shall make avail-  
5 able privately funded reinsurance coverage under  
6 this section—

7 (A) to diversify and spread risk more effi-  
8 ciently and leverage the economies of pooling  
9 reinsurance arrangements from different geo-  
10 graphical areas of the country covering the  
11 events specified in subsection (c);

12 (B) to generate additional capacity and  
13 provide stability to the homeowners insurance  
14 market by encouraging States to develop or ex-  
15 pand plans that address current market chal-  
16 lenges and assist homeowners in securing need-  
17 ed protection;

18 (C) to improve the availability and afford-  
19 ability of homeowners insurance for the purpose  
20 of privately financing post-catastrophe recovery  
21 by facilitating the pooling and spreading the  
22 risk of catastrophic financial losses from nat-  
23 ural catastrophes;

24 (D) to improve the solvency, capacity, and  
25 stability of homeowners insurance markets, sup-

plement private market reinsurance, and increase the spread of risk;

(E) to encourage the development and implementation of mitigation, prevention, recovery, and rebuilding strategies to reduce future catastrophe losses; and

(F) to recommend methods to continuously improve the way the United States prepares for, reacts to, and responds to catastrophes, including improvements to the Catastrophe Preparedness Fund established under section 102(g).

(3) CONTRACT PRINCIPLES.—Under the program under this section, the Secretary shall offer reinsurance coverage through contracts with eligible State plans, which contracts shall—

(A) be priced on an actuarially sound basis as specified in this section; and

(B) provide coverage based solely on insured losses within the State or States participating in the eligible State plan purchasing the contract.

(b) QUALIFIED LINES OF COVERAGE.—Each contract for reinsurance coverage made available under this section shall provide coverage for insured property losses

1 covered under primary insurance contracts to home-  
2 owners, mobile home owners, renters, and condominium  
3 owners for covered events. Nothing in this Act shall be  
4 interpreted to expand the terms, conditions, or scope of  
5 coverage or events covered under insurance policies issued  
6 by insurers or eligible State plans.

7 (c) COVERED EVENTS.—

8 (1) IN GENERAL.—Each contract for reinsur-  
9 ance coverage made available under this section shall  
10 cover losses insured or reinsured by the eligible  
11 State plan purchasing the contract that are proxi-  
12 mately caused by—

13 (A) earthquakes;

14 (B) events ensuing from earthquakes, in-  
15 cluding fire and tsunami-related flood;

16 (C) catastrophic wildfires unrelated to  
17 earthquakes;

18 (D) tropical cyclones having maximum sus-  
19 tained winds of at least 74 miles per hour, in-  
20 cluding hurricanes and typhoons;

21 (E) tornadoes;

22 (F) volcanic eruptions;

23 (G) catastrophic winter storms; and

1 (H) any other natural catastrophe insured  
2 or reinsured under the eligible State plan pur-  
3 chasing the contract.

4 (2) DEFINITIONS.—The Secretary shall, by reg-  
5 ulation, define the natural catastrophe events identi-  
6 fied under this subsection.

7 (d) ELIGIBLE STATE PLANS.—A State plan shall be  
8 an eligible State plan for purposes of this section only if  
9 the State plan meets all of the following requirements:

10 (1) PROGRAM DESIGN.—The entity for the cov-  
11 ered State or States that is authorized to make such  
12 determinations certifies to the Secretary that the  
13 State plan is a program, established by the covered  
14 State or States, that provides—

15 (A) insurance coverage for insured prop-  
16 erty losses covered under primary insurance  
17 contracts for residential property located in any  
18 covered State; or

19 (B) reinsurance coverage that is designed  
20 to improve availability or affordability, or both,  
21 in the private insurance markets that offers  
22 coverage for insured property losses covered  
23 under primary insurance contracts for residen-  
24 tial property located in any covered State.

1           (2) OPERATION.—The entity for the covered  
2       State or States that is authorized to make such de-  
3       terminations certifies to the Secretary that the State  
4       plan complies with the following requirements:

5           (A) ESTABLISHMENT; GOVERNING BODY.—

6       The State plan shall be established by the cov-  
7       ered State or States and a majority of the  
8       members of the governing body of the State  
9       plan shall be public officials or appointed by  
10      public officials.

11          (B) REPAYMENT.—If any covered State  
12      has at any time appropriated amounts from the  
13      fund of the State plan for any purpose other  
14      than payments made in connection with the ac-  
15      tivities authorized under the State plan, the  
16      State shall have repaid such amounts to the  
17      State fund, together with interest on such  
18      amounts.

19          (C) NONDISCRIMINATION IN COVERAGE.—

20      Insurance or reinsurance coverage, as applica-  
21      ble, provided under the eligible State plan shall  
22      be made available on a nondiscriminatory basis  
23      to all qualifying residents of any covered State.

24          (D) PROHIBITION OF CROSS-SUBSIDIZA-  
25      TION.—The State plan may not, except for

1 charges or assessments related to post-event fi-  
2 nancing or bonding, involve cross-subsidization  
3 between any separate property and casualty  
4 lines covered under the plan.

5 (E) REINSURANCE PREMIUMS.—In the  
6 case of State plans providing reinsurance cov-  
7 erage, the plan or the law in effect in each cov-  
8 ered State shall require that to the extent that  
9 reinsurance coverage made available under the  
10 program under this section results in cost sav-  
11 ings in providing insurance coverage for risks in  
12 such State, such cost savings be reflected in  
13 premium rates charged to consumers for such  
14 coverage.

15 (F) TERMINATION.—The State plan shall  
16 include provisions that authorize the entity for  
17 the covered State or States that is authorized  
18 to make such a determination to terminate the  
19 State plan or, in the case of a multi-State plan,  
20 membership in such Plan, if such entity deter-  
21 mines that the State plan is no longer necessary  
22 to ensure the availability or affordability of resi-  
23 dential property insurance for all residents of  
24 any covered State.



1 (G) ACTUARIAL SOUNDNESS.—The State  
2 plan shall have actuarially sound rates.

3 (3) TREATMENT OF EARNINGS.—The entity for  
4 the covered State or States that is authorized to  
5 make such determinations certifies to the Secretary  
6 that the State plan does not provide for redistribu-  
7 tion of any part of any net profits under the State  
8 plan to any insurer that participates in the State  
9 plan.

10 (4) SUPPORT FOR MITIGATION AND PREVEN-  
11 TION.—

12 (A) REQUIREMENTS.—Except as provided  
13 in subparagraph (B), the Secretary determines  
14 that, for any year for which the coverage is in  
15 effect, the provision of reinsurance coverage  
16 under the program under this section to the  
17 State plan supports mitigation and prevention  
18 of risk associated with covered events and that  
19 the State plan meets all of the following re-  
20 quirements:

21 (i) BUILDING CODES.—Each covered  
22 State has in effect, or appropriate local  
23 governments within each covered State  
24 have in effect, and enforce building codes

1 and standards that offer risk responsive  
2 resistance to earthquakes or high winds.

3 (ii) MITIGATION.—Each covered State  
4 has taken actions to mitigate losses caused  
5 by natural catastrophes.

6 (iii) PROHIBITION OF PRICE  
7 GOUGING.—Each covered State has in ef-  
8 fect laws or regulations sufficient to pro-  
9 hibit price gouging, during the term of re-  
10 insurance coverage provided under the pro-  
11 gram under this section for the State plan  
12 in any catastrophe area located within the  
13 covered State.

14 (iv) HOMEOWNERS INSURANCE  
15 RATES.—For any covered State that has in  
16 effect laws that require insurers providing  
17 homeowners insurance to file their rates  
18 for review or regulatory approval, the cov-  
19 ered State has confirmed that homeowners  
20 insurance rates associated with catastrophe  
21 coverage for covered events are actuarially  
22 sound.

23 (v) LAND USE AND ZONING PLANS.—  
24 Each covered State, to the extent feasible,  
25 shall encourage State and local government

1 units to develop, comprehensive land use  
2 and zoning plans that are designed to limit  
3 additional natural hazard exposure and  
4 promote natural hazard mitigation.

5 (vi) EMERGENCY PREPAREDNESS AC-  
6 TIONS.—Each covered State, in consulta-  
7 tion and cooperation with localities in the  
8 State, the Administrator of the Federal  
9 Emergency Management Agency, and  
10 other appropriate agencies and organiza-  
11 tions, shall have taken actions to continu-  
12 ously improve emergency preparedness.

13 (B) TRANSITION PERIOD.—To provide suf-  
14 ficient time for adoption of the provisions of  
15 this subsection and to support implementation  
16 of prevention and mitigation measures set forth  
17 in subparagraph (A) of this paragraph, during  
18 the 5-year period that begins on the date of the  
19 enactment of this Act, a State plan shall not be  
20 precluded from qualifying as an eligible State  
21 plan because the Secretary is unable to make  
22 any of the determinations required under sub-  
23 paragraph (A).

1       (e) TERMS OF REINSURANCE CONTRACTS.—Each  
2 contract for reinsurance coverage under this section shall  
3 be subject to the following terms and conditions:

4           (1) MATURITY.—The contract shall have a min-  
5 imum term of 1 year or such longer duration as the  
6 Secretary may determine.

7           (2) PAYMENT CONDITION.—The contract shall  
8 authorize claims payments only for eligible losses to  
9 the eligible State plan purchasing the coverage.

10          (3) RETAINED LOSSES REQUIREMENT.—For  
11 each covered event, the contract shall not reimburse  
12 any losses until the total incurred covered losses ex-  
13 ceeds the applicable attachment point established  
14 pursuant to subsection (f)(2).

15          (4) MULTIPLE EVENTS.—The contract shall  
16 cover any eligible losses from one or more covered  
17 events that may occur during the term of the con-  
18 tract and shall provide that if multiple events occur,  
19 the retained losses requirement under paragraph (f)  
20 shall apply in the aggregate and not separately to  
21 each individual event.

22          (5) PRICING.—The price of reinsurance cov-  
23 erage under the contract shall be an amount estab-  
24 lished by the Secretary as follows:

1           (A) RECOMMENDATIONS.—The Secretary  
2 shall take into consideration the recommenda-  
3 tions of the Commission in establishing the  
4 price, but the price may not be less than the  
5 amount recommended by the Commission.

6           (B) FAIRNESS TO TAXPAYERS.—The price  
7 shall be established at an actuarially sound level  
8 that protects taxpayers from liability and takes  
9 into consideration models that estimate losses  
10 from covered events.

11          (C) SELF-SUFFICIENCY.—The rates for re-  
12 insurance coverage for an eligible State plan  
13 shall be established at an actuarially sound level  
14 that produces expected premiums sufficient to  
15 pay—

16           (i) the expected annualized cost of all  
17 claims;

18           (ii) loss adjustment expenses;

19           (iii) the cost of funding emergency  
20 preparedness and mitigation efforts; and

21           (iv) the costs of operating the Com-  
22 mission and all administrative costs of re-  
23 insurance coverage offered under this sub-  
24 section.

1           The expected annualized cost of all claims shall  
2           be comparable to amounts being included in the  
3           price for similar layers of coverage in the pri-  
4           vate sector, taking into account the savings as-  
5           sociated with the funding mechanisms and the  
6           non-profit and tax-exempt status of the Fund.

7           (D) OFFSET.—The Secretary shall ensure,  
8           to the maximum extent practicable, that in each  
9           fiscal year an amount equal to any amount ap-  
10          propriated pursuant to section 101(h) for such  
11          fiscal year is obtained from purchasers of rein-  
12          surance coverage under this section by incor-  
13          porating the costs described in subparagraph  
14          (C)(iv) of this paragraph into the pricing of the  
15          contracts for such coverage.

16          (6) TAXPAYER PROTECTION, RAPID CASH  
17          BUILD-UP, AND POST-EVENT PRICING ADJUST-  
18          MENTS.—

19               (A) FIRST 5 YEARS.—Notwithstanding any  
20               other provision of this section, during the first  
21               five years of the program under this section,  
22               the Secretary shall increase the price that is  
23               charged for reinsurance coverage provided  
24               under the program under this section by at  
25               least five percent, or such higher amount as the

1 Secretary deems, above the actuarially sound  
2 price calculated under paragraph (5), to facili-  
3 tate and accelerate the accumulation of reserves  
4 and to support the creation of the readiness,  
5 preparedness, and mitigation grant program  
6 under section 201.

7 (B) POST-EVENT.—Notwithstanding any  
8 other provision of this section, after any covered  
9 event triggering any payment under a contract  
10 for reinsurance coverage that requires the Fund  
11 to issue obligations under subsection (g)(4) to  
12 make such payment and to provide additional  
13 taxpayer protection and ensure that the pro-  
14 gram under this section is fully funded on an  
15 ongoing basis, the Secretary shall require the  
16 inclusion of an additional amount in the price  
17 that is charged for reinsurance coverage pro-  
18 vided under the program equal to at least five  
19 percent of the actuarially sound price calculated  
20 under paragraph (5) to ensure that the pro-  
21 gram collects all revenue necessary—

22 (i) to provide the reinsurance coverage  
23 authorized under this section;

24 (ii) to administer the program under  
25 this section, and

1 (iii) to account for any losses paid  
2 with funds acquired from obligations  
3 issued under subsection (g)(4) during a pe-  
4 riod having a duration not longer than five  
5 years, if feasible.

6 Any such obligations issued under subsection  
7 (g)(4) shall be repaid in full from the sur-  
8 charges assessed under this paragraph.

9 (7) INFORMATION.—The contract shall contain  
10 a condition providing that the Commission may re-  
11 quire the eligible State plan that is covered under  
12 the contract to submit to the Commission all infor-  
13 mation regarding the eligible State plan relevant to  
14 the duties of the Commission, as determined by the  
15 Secretary.

16 (8) ADDITIONAL CONTRACT OPTION.—The con-  
17 tract shall provide that the purchaser of the contract  
18 may, during the term of such original contract, pur-  
19 chase additional contracts from among those offered  
20 by the Secretary at the beginning of the term, sub-  
21 ject to the limitations under subsection (f), at the  
22 prices at which such contracts were offered at the  
23 beginning of the term, prorated based upon the re-  
24 maining term as determined by the Secretary. Such  
25 additional contracts shall provide coverage beginning



1 on a date 15 days after the date of purchase, but  
2 shall not provide coverage for losses for an event  
3 that has already occurred. Eligible State plans may  
4 arrange for prospective contracts for planning pur-  
5 poses and to enhance stability and predictability in  
6 managing risk and accounting for costs associated  
7 with risk transfer.

8 (9) OTHER TERMS.—The contract shall contain  
9 such other terms as the Secretary considers nec-  
10 essary to carry out this Act and to ensure the long-  
11 term financial integrity of the program under this  
12 section. The contract shall also specify how payouts  
13 shall be administered if multiple events occur that  
14 affect more than one eligible State plan.

15 (10) ENCOURAGEMENT FOR PRIVATE SECTOR  
16 TO PARTICIPATE.—

17 (A) ESTABLISHMENT OF COMPETITIVE  
18 PROCEDURE.—The Congress encourages private  
19 market reinsurers and other private sector enti-  
20 ties to participate in the program under this  
21 section. Accordingly, the Secretary shall estab-  
22 lish, by regulation, a competitive procedure  
23 under this paragraph that provides qualified en-  
24 tities an opportunity, on a basis consistent with  
25 the contract cycle established under this section

1 by the Secretary, to offer to provide, in lieu of  
2 reinsurance coverage under this section, rein-  
3 surance coverage that is substantially similar to  
4 coverage otherwise made available under this  
5 section.

6 (B) COMPETITIVE PROCEDURE.—Under  
7 the procedure established under this para-  
8 graph—

9 (i) the Secretary shall establish cri-  
10 teria for private insurers, reinsurers, and  
11 capital market companies, and consortia of  
12 such entities to be treated as qualified en-  
13 tities for purposes of this paragraph, which  
14 criteria shall require such an entity to have  
15 at all times capital sufficient to satisfy the  
16 terms of the reinsurance contracts and  
17 shall include such other industry and cred-  
18 it rating standards as the Secretary con-  
19 siders appropriate;

20 (ii) not less than 30 days before the  
21 beginning of each contract cycle during  
22 which any reinsurance coverage under this  
23 section is to be made available, the Sec-  
24 retary may request proposals and shall  
25 publish in the Federal Register the rates

1 and terms for contracts for coverage under  
2 this section that are to be made available  
3 during such contract cycle;

4 (iii) the Secretary shall provide quali-  
5 fied entities a period of not less than 10  
6 days (which shall terminate not less than  
7 20 days before the beginning of the con-  
8 tract cycle) to submit to the Secretary a  
9 written expression of interest in providing  
10 reinsurance coverage in lieu of the cov-  
11 erage otherwise to be made available under  
12 this section;

13 (iv) the Secretary shall provide any  
14 qualified entity submitting an expression of  
15 interest during the period referred to in  
16 clause (iii) a period of not less than 20  
17 days (which shall terminate before the be-  
18 ginning of the contract cycle) to submit to  
19 the Secretary an offer to provide, in lieu of  
20 the reinsurance coverage otherwise to be  
21 made available under this section, coverage  
22 that is substantially similar to such cov-  
23 erage;

24 (v) if the Secretary determines that  
25 an offer submitted during the period re-

ferred to in clause (iii) is a bona fide offer to provide reinsurance coverage during the contract cycle at rates and terms that are substantially similar to the rates and terms for reinsurance coverage otherwise to be provided under this section by the Secretary, the Secretary shall accept the offer (if still outstanding) and, notwithstanding any other provision of this Act, provide for such entity to make reinsurance coverage available in accordance with the offer; and

(vi) if the Secretary accepts an offer pursuant to clause (v) to make reinsurance coverage available, notwithstanding any other provision of this Act, the Secretary shall reduce, to an equivalent extent, the amount of reinsurance coverage available under this section during the contract cycle to which the offer relates, unless and until the Secretary determines that the entity is not complying with the terms of the accepted offer.

(11) PARTICIPATION BY MULTI-STATE PLANS.—

The Congress hereby explicitly encourages States to create and maintain catastrophe funds for their

1 States or with other States, and nothing in this Act  
2 may be interpreted to prohibit or discourage the cre-  
3 ation of multi-State plans, or the participation by  
4 such plans in the program established pursuant to  
5 subsection (a). The Secretary shall, by regulation,  
6 provide for the application of the provisions of this  
7 Act to multi-State catastrophe insurance and rein-  
8 surance plans. The Commission shall develop a proc-  
9 ess to evaluate and encourage the creation of re-  
10 gional programs and approaches to advance the pur-  
11 poses of this Act through the establishment of multi-  
12 State plans.

13 (f) TREATMENT OF INSURED LOSSES AND MAXIMUM  
14 FEDERAL LIABILITY.—

15 (1) AVAILABLE LEVELS OF RETAINED  
16 LOSSES.—In making reinsurance coverage available  
17 under this section, the Secretary shall make avail-  
18 able for purchase contracts for such coverage that  
19 require the sustainment of retained losses from cov-  
20 ered events (as required under subsection (e)(3) for  
21 payment of eligible losses) in various amounts, as  
22 the Secretary, in consultation with the Commission,  
23 determines appropriate and subject to the require-  
24 ments under paragraph (2).

25 (2) STANDARD ATTACHMENT POINT.—

1           (A) ESTABLISHMENT.—The Secretary, in  
2           consultation with the Commission, shall estab-  
3           lish a standard attachment point at which cov-  
4           erage is provided to eligible State plans for all  
5           contracts.

6           (B) CONSIDERATIONS.—In setting a stand-  
7           ard attachment point, the Secretary and the  
8           Commission shall take into consideration—

9                   (i) how many and which eligible State  
10                  plans are seeking contracts for reinsurance  
11                  coverage under this section;

12                  (ii) the capital and surplus positions  
13                  of the eligible State plans;

14                  (iii) the coverage preferences of eligi-  
15                  ble State plans;

16                  (iv) the availability and price of rein-  
17                  surance in the private market;

18                  (v) that pooling reinsurance from dif-  
19                  ferent geographic locations and covering  
20                  different events is more efficient than  
21                  stand-alone programs;

22                  (vi) affordability of homeowners insur-  
23                  ance; and

1 (vii) other factors deemed appropriate  
2 to operating a long-term national reinsur-  
3 ance backstop program.

4 (C) USE.—The standard attachment point  
5 established pursuant to this paragraph shall be  
6 used in establishing reinsurance contracts for  
7 each eligible State plan, unless the Secretary, in  
8 consultation with the Commission, determines  
9 that market conditions or the financial position  
10 of an eligible State plan warrants a lower at-  
11 tachment point in a contract for such eligible  
12 State plan in a given year.

13 (D) LOWER ATTACHMENT POINTS.—If a  
14 reinsurance contract is contemplated for an eli-  
15 gible State plan having an attachment point  
16 lower than the standard attachment point, the  
17 cost of such contract shall include or otherwise  
18 take into account the additional costs associated  
19 with such additional layer of protection.

20 (3) MINIMUM LEVEL OF RETAINED LOSSES.—  
21 For each covered event, the minimum level of re-  
22 tained losses shall be the amount of cash available  
23 to the eligible State plan to pay covered losses.

24 (4) CEILING COVERAGE LEVEL.—Notwith-  
25 standing any other provision of law and subject to

1 any limitations in future appropriations Acts, the  
2 aggregate potential liability for payment of claims  
3 under all contracts for reinsurance coverage sold  
4 under this title to any single eligible State plan dur-  
5 ing a 12-month period shall not exceed the dif-  
6 ference between—

7 (A) the amount equal to the covered loss  
8 projected to be incurred once every 600 years  
9 from a single event by the eligible State plan;  
10 and

11 (B) the amount equal to the cash available  
12 in the eligible State plan to pay covered losses.

13 (g) CATASTROPHE PREPAREDNESS FUND FOR PRE-  
14 FUNDING PREPAREDNESS AND RECOVERY.—

15 (1) ESTABLISHMENT.—There is established  
16 within the Treasury of the United States a fund to  
17 be known as the “Catastrophe Preparedness Fund”.

18 (2) CREDITS.—The Fund shall be credited  
19 with—

20 (A) amounts received from the sale of con-  
21 tracts for reinsurance coverage under this sec-  
22 tion;

23 (B) any amounts borrowed under para-  
24 graph (4);



1 (C) any amounts earned on investments of  
2 the Fund pursuant to paragraph (5); and

3 (D) such other amounts as may be cred-  
4 ited to the Fund.

5 (3) USES.—Amounts in the Fund shall be  
6 available to the Secretary only for the following pur-  
7 poses:

8 (A) CONTRACT PAYMENTS.—For payments  
9 to covered purchasers under contracts for rein-  
10 surance coverage under this section for eligible  
11 losses under such contracts.

12 (B) COMMISSION COSTS.—For the oper-  
13 ating costs of the Commission.

14 (C) ADMINISTRATIVE EXPENSES.—For the  
15 administrative expenses incurred by the Sec-  
16 retary in carrying out the reinsurance program  
17 under this Act.

18 (D) COST OF NATIONAL READINESS, PRE-  
19 PAREDNESS, AND MITIGATION COMMITTEE.—  
20 For the operating costs of the National Readi-  
21 ness, Preparedness, and Mitigation Committee  
22 established under section 201 and for disburse-  
23 ments under section 201(f)(2) for catastrophe  
24 readiness, preparedness, prevention, and mitiga-  
25 tion.

1           (E) TERMINATION.—Upon termination  
2           under section 104, as provided in such section.

3           (4) LIQUIDITY.—

4           (A) AUTHORITY.—To the extent that the  
5           amounts in the Fund are insufficient to pay  
6           claims and expenses under paragraph (3), the  
7           Secretary may issue such obligations of the  
8           Fund as may be necessary to cover the insuffi-  
9           ciency and shall purchase any such obligations  
10          issued.

11          (B) PUBLIC DEBT TRANSACTION.—For the  
12          purpose of purchasing any such obligations, the  
13          Secretary may use as a public debt transaction  
14          the proceeds from the sale of any securities  
15          issued under chapter 31 of title 31, United  
16          States Code, and the purposes for which securi-  
17          ties are issued under such chapter are hereby  
18          extended to include any purchase by the Sec-  
19          retary of such obligations under this paragraph.

20          (C) CHARACTERISTICS OF OBLIGATIONS.—  
21          Obligations issued under this paragraph shall  
22          be in such forms and denominations, bear such  
23          maturities, bear interest at such rate and be  
24          subject to such other terms and conditions as  
25          the Secretary shall determine.

1 (D) TREATMENT.—All redemptions, pur-  
 2 chases, and sales by the Secretary of obligations  
 3 under this paragraph shall be treated as public  
 4 debt transactions of the United States.

5 (E) REPAYMENT.—Any obligations issued  
 6 under this paragraph shall be repaid, including  
 7 interest, from the Fund and shall be recouped  
 8 from surcharges under subsection (e)(6)(B) on  
 9 premiums for reinsurance coverage provided  
 10 under this section.

11 (5) INVESTMENT.—The Secretary shall invest  
 12 accumulated amounts in the Fund as the Secretary  
 13 considers advisable in obligations issued or guaran-  
 14 teed by the United States.

15 (6) PROHIBITION ON FEDERAL APPROPRIA-  
 16 TIONS.—Except for amounts made available pursu-  
 17 ant to paragraph (4)(A) of this subsection and sec-  
 18 tion 101(h), no Federal funds shall be authorized or  
 19 appropriated for the Fund or for carrying out the  
 20 reinsurance liquidity protection program under this  
 21 section.

22 **SEC. 103. POST-CATASTROPHE MARKET STABILIZATION**  
 23 **PROGRAM FOR LIQUIDITY LOANS.**

24 (a) PURPOSES.—The purposes of this section are to  
 25 establish a program—

1           (1) to expedite the payment of claims under  
2       State catastrophe insurance programs and better as-  
3       sist the financial recovery from significant natural  
4       catastrophes by authorizing the Secretary to issue  
5       loans for such purposes; and

6           (2) to promote the availability of private capital  
7       to provide liquidity and capacity to State catas-  
8       trophe insurance programs and to augment the ef-  
9       forts of such programs.

10       (b) LIQUIDITY LOANS.—The Secretary may make li-  
11      quidity loans under this section to State plans for the pur-  
12      poses of this section, and shall have the powers and au-  
13      thorities necessary to make such loans, subject to the re-  
14      quirements of this section.

15       (c) CONDITIONS FOR LOAN ELIGIBILITY.—A loan  
16      under this section may be made to a State plan only if—

17           (1) the plan has a capital liquidity shortage, in  
18       accordance with regulations that the Secretary shall  
19       establish, such that the obligations of the plan re-  
20       sulting from a covered event exceed the amount of  
21       cash available to the plan to pay covered losses;

22           (2) the plan cannot access capital in the private  
23       market at a cost lower and for similar duration than  
24       that provided under a loan under this section, as de-  
25       termined by the Secretary; and

1           (3)(A) the plan is an eligible State plan; and  
2           (B) the loan complies with the requirements  
3       under subsection (e).

4       The Secretary may not require an eligible State plan to  
5       purchase reinsurance coverage made available under the  
6       program under section 102 to be eligible for a liquidity  
7       loan under this section.

8       (d) STATES WITH ELIGIBLE STATE PLANS.—

9           (1) CONTRACTS.—The Secretary may enter into  
10       contracts with eligible State plans to carry out the  
11       purposes of this section by providing for liquidity  
12       loans for such plans, as the Secretary may deem ap-  
13       propriate.

14          (2) ELIGIBLE STATE PLAN PRE-CERTIFI-  
15       CATION.—The Secretary shall establish procedures  
16       and standards for State plans to apply to the Sec-  
17       retary at any time for pre-certification (and recertifi-  
18       cation) as eligible State plans, which procedures and  
19       standards shall provide as follows:

20           (A) The Secretary shall administer the  
21       pre-certification (and recertification) of State  
22       plans as eligible State plans.

23           (B) State plans that are pre-certified as el-  
24       igible State plans may enter into contracts de-  
25       scribed in paragraph (1).

1           (3) INTEREST RATE.—Subject to subsection  
2           (h), a liquidity loan made under this section to an  
3           eligible State plan shall bear interest at an annual  
4           rate to be established by the Secretary, in consulta-  
5           tion with the Commission, which shall be equal to  
6           the rate of interest on State and local government  
7           series securities have the same duration as the li-  
8           quidity loan outstanding as of the date the loan is  
9           made.

10          (4) MANDATORY ASSISTANCE FOR ELIGIBLE  
11          STATE PLANS.—The Secretary shall, upon the re-  
12          quest of an eligible State plan and subject to para-  
13          graphs (1) and (2) of subsection (c), make a loan for  
14          such plan in the amount requested by such plan  
15          (subject to the limitations under subsection (f)).

16          (e) STATES WITHOUT ELIGIBLE STATE PLANS.—

17               (1) AUTHORITY.—Subject to subsection (c), the  
18               Secretary may make a liquidity loan under this sec-  
19               tion to a State plan that is not an eligible State  
20               plan, but only if the Secretary determines that—

21                     (A) the loan is necessary to avoid a capital  
22                     shortfall; and

23                     (B) the provisions providing for repayment  
24                     of the loan are comparable in providing protec-  
25                     tion to taxpayers as provisions providing for re-

1           payment of liquidity loans under this section by  
2           eligible State plans.

3           (2) INTEREST RATE.—Subject to subsection  
4           (h), a liquidity loan made under this section to a  
5           State plan that is not an eligible State plan shall  
6           bear interest at an annual rate that exceeds the rate  
7           required under subsection (d)(3) for a loan made to  
8           an eligible State plan. Such rate shall be determined  
9           in accordance with a schedule of interest rates,  
10          which shall be established by the Secretary and shall  
11          provide lower rates for loans to State plans that  
12          comply with more of the requirements for eligible  
13          State plans under section 102(d) and higher rates  
14          for loans to State plans that comply with fewer of  
15          such requirements.

16          (f) AMOUNT.—The principal amount of a liquidity  
17          loan under this subsection may not exceed the difference  
18          between the applicable attachment point as determined by  
19          the Secretary in section 102(f)(2) and the amount of  
20          funds the eligible State plan had to pay losses at the time  
21          of the covered event for which the loan is made.

22          (g) USE.—Amounts from a liquidity loan under this  
23          section may be used only to pay losses covered by the State  
24          plan to which the loan is made.

1 (h) EXCEPTION TO INTEREST RATE LIMITATION.—

2 In the case of liquidity loan under this section made pur-  
 3 suant to a large covered event that occurs early in the  
 4 existence of a State plan, the Secretary may charge an  
 5 interest rate for the loan that allows the State plan to  
 6 repay the loan and interest without causing significant in-  
 7 creases in the cost of insurance for covered events in the  
 8 covered State or States.

9 (i) PREMIUMS UNDER STATE PLAN.—

10 (1) DETERMINATION OF ACTUARIALLY SOUND  
 11 PREMIUMS.—In making a request for a liquidity  
 12 loan under this section, a State plan shall determine,  
 13 and the Secretary, in consultation with the Commis-  
 14 sion, shall approve, a premium amount for the cov-  
 15 erage layer under the State plan for which the li-  
 16 quidity loan is sought that is actuarially sound.

17 (2) CHARGEABLE PREMIUMS.—Unless other-  
 18 wise provided by the Secretary, a State plan shall  
 19 charge, for the coverage layer under the State plan  
 20 for which the liquidity loan is made an annual pre-  
 21 mium, for coverage during the period that begins  
 22 upon the making of the liquidity loan and ends upon  
 23 full repayment of the loan, in an amount that is not  
 24 less than 150 percent of the actuarially sound pre-  
 25 mium determined pursuant to paragraph (1).



1 (j) REPAYMENT OF LOANS.—

2 (1) IN GENERAL.—Any liquidity loan made  
3 under this section to a State plan shall be repaid  
4 solely through premiums charged by such plan in ac-  
5 cordance with subsection (i)(2), unless alternative  
6 arrangements have been made pursuant to para-  
7 graph (3). The Secretary, in consultation with the  
8 Commission, shall determine the expected duration  
9 of each loan and monitor repayment of such loans.

10 (2) AMOUNT OF PAYMENT.—To repay a liquid-  
11 ity loan under this section, the State plan shall pay  
12 to the Fund, from all amounts collected for the cov-  
13 erage layer referred to in subsection (i)(2) during  
14 the period referred to in such subsection, an amount  
15 equal to a minimum of 100 percent of the actuari-  
16 ally sound premium determined under subsection  
17 (j)(1) for such coverage layer, and shall retain the  
18 remainder of such amount collected to build reserves  
19 for future events, or such other amount or percent-  
20 age of such amounts as the Secretary, in consulta-  
21 tion with the Commission and State plans, deter-  
22 mines is appropriate.

23 (3) OTHER OPTIONS.—A State plan may peti-  
24 tion the Secretary for other repayment terms, in-  
25 cluding repayment from sources such as dedicated

1 State sales taxes or other means, and the Secretary  
2 may, in consultation with the Commission, agree to  
3 such other terms.

4 (k) REGULATIONS.—The Secretary shall issue any  
5 regulations necessary to carry out the program under this  
6 section.

7 **SEC. 104. TERMINATION.**

8 (a) IN GENERAL.—Except as provided in subsection  
9 (b), the Secretary may not—

10 (1) provide any new reinsurance coverage under  
11 section 102 that covers any period after the expira-  
12 tion of the 20-year period beginning on the date of  
13 the enactment of this Act; or

14 (2) make any new liquidity loan under section  
15 103 having a term to maturity that concludes after  
16 the expiration of such 20-year period.

17 (b) EXTENSION.—If upon the expiration of the period  
18 under subsection (a) the Secretary, in consultation with  
19 the Commission, determines that continuation of the pro-  
20 gram for reinsurance coverage under section 102 or for  
21 liquidity loans under section 103 is necessary or appro-  
22 priate to carry out the purposes this Act because of insuf-  
23 ficient growth of capacity in the private homeowners in-  
24 surance market, the Secretary shall continue to make such  
25 coverage and loans available and subsection (a) shall be

1 applied by substituting “25-year period” for “20-year pe-  
 2 riod” each place such term appears.

3 (c) REPEAL.—Effective upon the first date that rein-  
 4 surance coverage under section 102 is no longer available  
 5 or in force and that liquidity loans under section 103 are  
 6 no longer available or outstanding, pursuant to subsection  
 7 (a) or (b), this Act (except for this section) is repealed.

8 (d) DEFICIT REDUCTION.—The Secretary shall pay  
 9 into the General Fund of the Treasury any amounts re-  
 10 maining in the Fund upon the repeal of this Act under  
 11 subsection (c).

## 12 **TITLE II—CATASTROPHE READI-** 13 **NESS, CITIZEN AND COMMU-** 14 **NITY PREPAREDNESS, AND** 15 **MITIGATION**

### 16 **SEC. 201. NATIONAL READINESS, PREPAREDNESS, AND** 17 **MITIGATION COMMITTEE.**

18 (a) ESTABLISHMENT.—There is established a Na-  
 19 tional Readiness, Preparedness and Mitigation Committee  
 20 (in this section referred to as the “Committee”).

21 (b) MEMBERS.—The Committee shall consist of 9  
 22 members appointed by the Secretary of Housing and  
 23 Urban Development or the Secretary’s designee, as fol-  
 24 lows:

1           (1) Three individuals from nationally recognized  
2 organizations representing State or local catastrophe  
3 response providers or catastrophe management pro-  
4 fessionals.

5           (2) Three individuals representing nationally  
6 recognized non-profits active in catastrophe pre-  
7 paredness and response.

8           (3) Three individuals representing nationally  
9 recognized organizations with expertise in contin-  
10 gency planning, residential construction, building  
11 code development and implementation, and land use  
12 policy.

13       (c) TERMS.—

14           (1) IN GENERAL.—Except as provided in para-  
15 graphs (2) and (3), each member of the Committee  
16 shall be appointed for a term of 3 years.

17           (2) INITIAL MEMBERS.—Of the members ini-  
18 tially appointed to the Committee—

19               (A) one member appointed under each of  
20 paragraphs (1), (2), and (3) of subsection (b)  
21 shall be appointed for a term of 1 year;

22               (B) one member appointed under each of  
23 paragraphs (1), (2), and (3) of subsection (b)  
24 shall be appointed for a term of 2 years; and

1 (C) one member appointed under each of  
2 paragraphs (1), (2), and (3) of subsection (b)  
3 shall be appointed for a term of 3 years.

4 (3) VACANCIES.—A member appointed to fill an  
5 unexpired term shall serve the remainder of that  
6 term.

7 (4) TERMINATION.—In the event that the Com-  
8 mittee terminates, all appointments shall terminate.

9 (d) PROHIBITION OF COMPENSATION; REIMBURSE-  
10 MENT.—Members of the Committee shall receive no com-  
11 pensation by reason of their service on the Committee, but  
12 shall be reimbursed as provided by rules and by-laws es-  
13 tablished by the National Commission on Natural Catas-  
14 trophe Preparation and Protection established under sec-  
15 tion 101.

16 (e) DUTIES.—The members of the Committee shall  
17 administer the program under subsection (f) and conduct  
18 oversight of the program and activities under such pro-  
19 gram.

20 (f) READINESS, PREPAREDNESS, AND MITIGATION  
21 GRANT PROGRAM.—

22 (1) ALLOCATION OF AMOUNT.—Beginning upon  
23 the expiration of the 12-month period that begins on  
24 the date of the enactment of this Act, the Secretary  
25 shall ensure that, to the extent provided in appro-

1        priation Acts, approximately 35 percent of the an-  
2        nual net investment income of the Fund under sec.  
3        102(g), but not less than \$15,000,000, and not  
4        more than 20 percent of the premium charged for  
5        reinsurance coverage under section 102 in any given  
6        year, shall be used for grants to States, units of  
7        local government, nonprofit organizations, and other  
8        appropriate public and private entities to develop,  
9        enhance, or maintain programs and initiatives to im-  
10       prove and maintain catastrophe response, citizen  
11       preparedness and protection, and prevention and  
12       mitigation of losses from natural catastrophes.

13            (2) PROGRAM ELEMENTS.—The amounts made  
14        available under paragraph (1) shall be allocated for  
15        each of the following purposes in equal amounts:

16            (A) CATASTROPHE RESPONSE READI-  
17        NESS.—For catastrophe response readiness pro-  
18        grams, which shall include national initiatives  
19        that develop, enhance, or maintain the capacity  
20        of a public safety agency or other organization  
21        to be better prepared, equipped, and trained to  
22        respond to natural catastrophes.

23            (B) CITIZEN AND COMMUNITY PREPARED-  
24        NESS.—For citizen and community prepared-  
25        ness, which shall include programs and initia-

1           tives, such as those offered by the American  
2           Red Cross, to improve education and training  
3           to ensure that citizens and organizations in  
4           their community are better prepared for natural  
5           catastrophes.

6           (C) PREVENTION AND MITIGATION.—For  
7           prevention and mitigation of loss from natural  
8           catastrophes, which shall include methods to re-  
9           duce loss of life and property, including appro-  
10          priate measures to—

11               (i) encourage awareness of the risk  
12               factors and what steps can be taken to  
13               eliminate or reduce them;

14               (ii) identify location of risks, by giving  
15               careful consideration to the natural risks  
16               for the location of the property and pro-  
17               viding that information to the builder, de-  
18               veloper and homeowner; and

19               (iii) provide for construction relative  
20               to the risk and hazards, including—

21                       (I) establishment and adoption of  
22                       State, or locally mandated building  
23                       codes, as amended by the governing  
24                       body;

1 (II) adequate enforcement of the  
2 building codes; and

3 (III) focusing on prevention and  
4 mitigation for existing homes, with an  
5 emphasis on how structures can be  
6 retrofitted cost-effectively to make  
7 them compliant with building codes.

8 (g) CONTINUOUS IMPROVEMENT, COORDINATION  
9 AND INTEGRATION.—The National Commission on Nat-  
10 ural Catastrophe Preparation and Protection established  
11 under section 101 shall work with eligible State plans and  
12 the Committee to continuously improve, coordinate, and  
13 integrate catastrophe readiness, citizen and community  
14 preparedness, and loss prevention and mitigation at the  
15 local, State, regional, and national levels.

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