

114TH CONGRESS
1ST SESSION

H. R. 1351

To establish a State-sponsored national catastrophic risk consortium to ensure the availability and affordability of homeowners' insurance coverage for catastrophic events.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 2015

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

A BILL

To establish a State-sponsored national catastrophic risk consortium 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 2015”.

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 purpose.
- Sec. 3. Establishment; status; principal office; membership.
- Sec. 4. Functions.

Sec. 5. Powers.

Sec. 6. Nonprofit entity; conflicts of interest; audits.

Sec. 7. Management.

Sec. 8. Staff; experts and consultants.

Sec. 9. Federal liability.

Sec. 10. Authorization of appropriations.

1 **SEC. 2. FINDINGS AND PURPOSE.**

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 weather-re-
10 lated exposure, coastal development patterns, and in-
11 creasing property values along the hurricane-prone
12 or earthquake-vulnerable coastlines of the United
13 States;

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

17 (4) for the majority of Americans, their invest-
18 ment in their home represents their single biggest
19 asset and the protection of that investment is para-
20 mount to economic and social stability;

1 (5) the United States needs to take and support
2 State actions to be better prepared for and better
3 protected from catastrophes;

4 (6) as the risk of catastrophic losses grows, so
5 do the risks that any premiums collected by private
6 insurers for extending coverage will be insufficient to
7 cover future catastrophes, and private insurers, in
8 an effort to protect their shareholders and policy-
9 holders (in the case of mutually owned companies),
10 have thus significantly raised premiums and cur-
11 tailed insurance coverage in States exposed to major
12 catastrophes;

13 (7) such effects on the insurance industry have
14 been harmful to economic activity in States exposed
15 to major catastrophes and have placed significant
16 burdens on residents of such States;

17 (8) Hurricanes Katrina, Rita, and Wilma
18 struck the United States in 2005, causing over
19 \$200,000,000,000 in total economic losses, and in-
20 sured losses to homeowners in excess of
21 \$50,000,000,000;

22 (9) Hurricane Sandy struck in 2012 along the
23 Northeastern region of the United States, causing
24 over \$40,000,000,000 in property damages over a
25 wide area;

1 (10) under the current disaster risk manage-
2 ment system, the Federal Government and, hence,
3 taxpayers pay for rebuilding through government
4 grants and low-interest loans, and the Federal Gov-
5 ernment will likely continue to provide significant
6 levels of financial resources to pay for recovery from
7 future catastrophes;

8 (11) an alternative catastrophe risk-manage-
9 ment approach, one that has continued to grow and
10 is now perceived in the marketplace as a viable
11 method of financing mega-catastrophes, would have
12 the Federal Government support State-based efforts
13 aimed at combining disaster risks into diversified
14 portfolios, and developing a common documentation,
15 legal, and operational framework for issuing catas-
16 trophe bonds that are transferred to the private sec-
17 tor; and

18 (12) a number of entities in the public sector
19 have already sought protection through catastrophe
20 bonds, and other alternative risk transfer instru-
21 ments, which package catastrophe risk as securities
22 that are actively bought and sold in the capital mar-
23 kets.

24 (b) PURPOSE.—The purpose of this Act is to estab-
25 lish a State-sponsored national catastrophic risk consor-

1 tium to ensure the availability and affordability of home-
2 owners' insurance coverage for catastrophic events.

3 **SEC. 3. ESTABLISHMENT; STATUS; PRINCIPAL OFFICE;**
4 **MEMBERSHIP.**

5 (a) ESTABLISHMENT.—There is established an entity
6 to be known as the “National Catastrophe Risk Consor-
7 tium” (in this Act referred to as the “Consortium”).

8 (b) STATUS.—The Consortium is not a department,
9 agency, or instrumentality of the United States Govern-
10 ment.

11 (c) PRINCIPAL OFFICE.—The principal office and
12 place of business of the Consortium shall be such location
13 within the United States determined by the Board of Di-
14 rectors to be the most advantageous for carrying out the
15 purpose and functions of the Consortium.

16 (d) MEMBERSHIP.—Any State that has established a
17 reinsurance fund or has authorized the operation of a
18 State residual insurance market entity, or State-sponsored
19 provider of natural catastrophe insurance, shall be eligible
20 to participate in the Consortium.

21 **SEC. 4. FUNCTIONS.**

22 The Consortium shall—

23 (1) work with all States, particularly those par-
24 ticipating in the Consortium, to gather and maintain
25 an inventory of catastrophe risk obligations held by

1 State reinsurance funds, State residual insurance
2 market entities, and State-sponsored providers of
3 natural catastrophe insurance;

4 (2) at the discretion of the affected members
5 and on a conduit basis, issue securities and other fi-
6 nancial instruments linked to the catastrophe risks
7 insured or reinsured through members of the Con-
8 sortium in the capital markets;

9 (3) coordinate reinsurance contracts between
10 participating, qualified reinsurance funds and pri-
11 vate parties;

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

17 (5) establish a catastrophe risk database to per-
18 form research and analysis that encourages stand-
19 ardization of the risk-linked securities market;

20 (6) perform any other functions, other than as-
21 suming risk or incurring debt, that are deemed nec-
22 essary to aid in the transfer of catastrophe risk from
23 participating States to private parties; and

24 (7) submit annual reports to Congress describ-
25 ing the activities of the Consortium for the pre-

1 ceding year, and the first such annual report shall
2 include an assessment of the costs to States and re-
3 gions associated with catastrophe risk and an anal-
4 ysis of the costs and benefits, for States not partici-
5 pating in the Consortium, of such nonparticipation.

6 **SEC. 5. POWERS.**

7 The Consortium—

8 (1) may make and perform such contracts and
9 other agreements with any individual or other pri-
10 vate or public entity however designated and wher-
11 ever situated, as may be necessary for carrying out
12 the functions of the Consortium; and

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

16 **SEC. 6. NONPROFIT ENTITY; CONFLICTS OF INTEREST; AU-**
17 **DITS.**

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

22 (b) CONFLICTS OF INTEREST.—No director, officer,
23 or employee of the Consortium shall in any manner, di-
24 rectly or indirectly, participate in the deliberation upon or
25 the determination of any question affecting his or her per-

1 sonal interests or the interests of any Consortium, part-
2 nership, or organization in which he or she is directly or
3 indirectly interested.

4 (c) AUDITS.—

5 (1) ANNUAL AUDIT.—The financial statements
6 of the Consortium shall be audited annually in ac-
7 cordance with generally accepted auditing standards
8 by independent certified public accountants.

9 (2) REPORTS.—The report of each annual audit
10 pursuant to paragraph (1) shall be included in the
11 annual report submitted in accordance with section
12 4(7).

13 (d) PROHIBITION ON ELECTION AND LOBBYING AC-
14 TIVITIES.—

15 (1) FEDERAL.—The Consortium may not—

16 (A) make any contribution to a candidate
17 for election for Federal office or to a political
18 committee;

19 (B) employ or retain—

20 (i) a registered lobbyist under the
21 Lobbying Disclosure Act of 1995 (2 U.S.C.
22 1601 et seq.); or

23 (ii) an organization that employs one
24 or more lobbyists and is registered under

1 section 4(a)(2) of such Act (2 U.S.C.
2 1603(a)(2)); or

3 (C) provide any thing of value, other than
4 educational materials or information, to any
5 elected official of the Federal Government.

6 For purposes of this paragraph, the terms “con-
7 tribution”, “candidate”, “Federal office”, and “po-
8 litical committee” have the meanings given such
9 terms in section 301 of the Federal Election Cam-
10 paign Act of 1971 (2 U.S.C. 431).

11 (2) CONSORTIUM.—The Consortium may not—

12 (A) make any contribution to a candidate
13 for election for any State or local office or to
14 any committee, club, association, or other group
15 that receives contributions or makes expendi-
16 tures for the purpose of influencing any such
17 election;

18 (B) employ or retain any person who en-
19 gages in influencing legislating (as such term is
20 defined in section 4911(d) of the Internal Rev-
21 enue Code of 1986 (26 U.S.C. 4911(d))) of any
22 State or local legislative body; or

23 (C) provide any thing of value, other than
24 educational materials or information, to any
25 elected official of any State or local government.

1 **SEC. 7. MANAGEMENT.**

2 (a) BOARD OF DIRECTORS; MEMBERSHIP; DESIGNA-
3 TION OF CHAIRPERSON.—

4 (1) BOARD OF DIRECTORS.—The management
5 of the Consortium shall be vested in a board of di-
6 rectors (referred to in this Act as the “Board”) com-
7 posed of not less than 3 members.

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

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

13 (A) the Secretary of Homeland Security
14 and the Secretary of Commerce, or the des-
15 ignees of such Secretaries, respectively, but only
16 during such times as there are fewer than two
17 States participating in the Consortium; and

18 (B) a member from each State partici-
19 pating in the Consortium, who shall be ap-
20 pointed by such State.

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

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

1 (1) NON-FEDERAL EMPLOYEES.—A member of
2 the Board who is not otherwise employed by the
3 Federal Government shall be entitled to receive the
4 daily equivalent of the annual rate of basic pay pay-
5 able for level IV of the Executive Schedule under
6 section 5315 of title 5, United States Code, as in ef-
7 fect from time to time, for each day (including travel
8 time) during which such member is engaged in the
9 actual performance of duties of the Consortium.

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

15 (3) TRAVEL EXPENSES.—Members of the Con-
16 sortium shall be entitled to receive travel expenses,
17 including per diem in lieu of subsistence, equivalent
18 to those set forth in subchapter I of chapter 57 of
19 title 5, United States Code.

20 (d) QUORUM.—A majority of the Board shall con-
21 stitute a quorum.

22 (e) EXECUTIVE DIRECTOR.—The Board shall ap-
23 point an executive director of the Consortium on such
24 terms as the Board may determine.

1 **SEC. 8. STAFF; EXPERTS AND CONSULTANTS.**

2 (a) STAFF.—

3 (1) APPOINTMENT.—The Board of the Consor-
4 tium may appoint and terminate such other staff as
5 are necessary to enable the Consortium to perform
6 its duties.

7 (2) COMPENSATION.—The Board of the Con-
8 sortium may fix the compensation of the executive
9 director and other staff.

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

13 **SEC. 9. FEDERAL LIABILITY.**

14 The Federal Government and the Consortium shall
15 not bear any liabilities arising from the actions of the Con-
16 sortium. Participating States shall retain all catastrophe
17 risk until the completion of a transaction described in
18 paragraphs (2) and (3) of section 4.

19 **SEC. 10. AUTHORIZATION OF APPROPRIATIONS.**

20 There are authorized to be appropriated to carry out
21 this Act \$20,000,000 for each of fiscal years 2016 through
22 2020.

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