

The Homeowners Defense Act of 2007

Representative Tim Mahoney

Homeowners Defense Act

- Problem:
 - Insurance companies believe they are overexposed and are unable to cover their liability
 - Raise rates
 - Cancel policies
- Solution:
 - Support expansion of private capital markets for affordable catastrophe insurance
 - Enough capital to cover all claims in worst case disaster
 - Limit the liability of insurance industry to manage “normal” risk
 - Manage timing risk - Manage pricing post catastrophe

Homeowners Defense Act

Policy Objectives

- Insure affordability and availability of homeowners' insurance policies for Americans living in disaster-prone areas
- Eliminate federal bailouts after large scale natural disasters
- Strengthen homeowners insurance industry by capping liability and managing timing risk for all natural catastrophes

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Policy Objectives

- Voluntary program - Works within current state regulatory system
- Provide states with maximum flexibility to manage disasters based on local requirements
- Encourage responsible development and homeowner mitigation
- Consumer protection for “pup” companies and anti-concurrency clauses
- Efficient execution/oversight - Program must adhere to PAYGO rule

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Title I: National Catastrophe Risk Consortium

- Voluntary federal-state partnership
- States benefit from a pooling of catastrophic risk
- Creates industry standards for the cat bond and risk transference markets

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Title II: National Homeowners Insurance Stabilization Program

- Establish actuarially sound state/regional cat programs
- 3 Tier system that caps industry and state liability
- Extends low interest federal loans to state reinsurance plans:
 - ❑ Liquidity Loans - Available to states with liquidity shortages in their cat programs
 - ❑ Catastrophic Loans – Available to states that have sustained losses above their ceiling coverage level

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We need NAIC support

- HR3355 in Markup this week, will be on floor in October
- Support from:
 - National Association of Realtors
 - National Association Mortgage Brokers
 - Florida Association of Realtors
- Identifying Senate sponsor
- Threatened Presidential veto
- Critical NAIC formally endorses bill and helps lobby