(Original Signature of Member)

118TH CONGRESS
2D SESSION

H. R. ______

To require the Secretary of the Treasury to establish a catastrophic property loss reinsurance program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. SCHIFF introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To require the Secretary of the Treasury to establish a catastrophic property loss reinsurance program, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘Incorporating National Support for Unprecedented Risks and Emergencies Act’’ or the ‘‘INSURE Act’’.

SEC. 2. CATASTROPHIC PROPERTY LOSS REINSURANCE PROGRAM.

(a) IN GENERAL.—The Secretary of the Treasury shall, not later than 4 years after the date of the enactment of this section, establish a catastrophic property loss reinsurance program (in this Act referred to as the ‘‘Program’’) to provide reinsurance for qualifying primary insurance companies.

(b) ELIGIBILITY.—An insurer is qualified to participate in the Program established by the Secretary under this section if such insurer—

(1) offers an all-perils property insurance policy for—

(A) residential property insurance policies; or

(B) commercial property insurance policies; and

(2) offers a loss prevention partnership with the policyholder to encourage investments and activities that reduce insured and economic losses from a catastrophe peril.

(c) CONSULTATION.—The Secretary may contract with reinsurance brokers and consultants to assist the Secretary in the design and management of the Program.

(d) PROGRAM PHASE-IN TIMELINE.—The Secretary shall—

(1) not later than January 1 of the year beginning 4 years after the date of the enactment of this section, operate the Program for the peril of flood;

(2) not later than January 1 of the year beginning 5 years after the date of the enactment of this section, operate the Program for the perils of wind and hurricane;

(3) not later than January 1 of the year beginning 6 years after the date of the enactment of this section, operate the Program for the perils of severe convective storm and wildfire; and

(4) not later than the earlier of January 1 of the year beginning 8 years after the date of the enactment of this section or the date on which the feasibility report described in paragraph (2) of section 4 is submitted, operate the Program for the peril of earthquake.

(e) NATIONAL FLOOD INSURANCE PROGRAM DISCONTINUATION.—On the date that the Secretary begins operating the Program with respect to the peril of flood, the Administrator of the Federal Emergency Management Agency shall—

(1) discontinue the issuance and renewal of policies under the national flood insurance program; and

(2) continue to operate the national flood insurance program until—

(A) policies under such program issued prior to the discontinuation date under paragraph (1) have expired; and

(B) all claims on policies under such program issued prior to the discontinuation date have been closed.

(f) THRESHOLD FOR PAYMENT.—

(1) IN GENERAL.—The Secretary shall, after consulting with the advisory committee established under subsection (i), establish a financial threshold at which a participating insurer may receive amounts from the fund established under subsection (j).

(2) THRESHOLD CALCULATION.—The threshold established under paragraph (1) shall be an amount not greater than 40 percent of the probable maximum loss of an individual participating insurer for each catastrophe peril included in the Program.

(3) CONSIDERATIONS.—In establishing the threshold described in paragraph (1), the Secretary shall consider—

(A) the amount of reinsurance necessary to meaningfully reduce the cost to the participating insurer to—

(i) provide coverage for catastrophe perils covered by the Program; and

(ii) encourage States to require participating insurers to offer an all-perils property insurance policy;

(B) the levels of primary insurer retention and private reinsurance market capacity necessary to—

(i) promote stable and competitive markets for catastrophe reinsurance; and

(ii) incentivize the establishment by private parties of capital market alternatives to reinsurance, for example the creation of a market for catastrophe bonds; and

(C) the role of the Program in promoting investments by participating insurers that would be aimed at decreasing losses.

(g) PREMIUMS.—

(1) IN GENERAL.—The Secretary shall require participating insurers to pay a premium to the Secretary each quarter.

(2) PREMIUM AMOUNT CONSIDERATIONS.—The amount of the premium required under paragraph (1) shall reflect only the following considerations:

(A) The expected average annual losses for the participating insurer, as calculated by the Secretary based on the exposure of such participating insurer.

(B) The administrative costs to administer and manage the Program.

(3) CONSULTATION.—The Secretary shall consult with the advisory committee established under subsection (i) when establishing premium amounts and may contract for services to assist in the establishment of premium amounts.

(4) MINIMUM PREMIUM REQUIRED.—The Secretary may not establish any premium that is less than 50 percent of the amount equal to the sum of the—

(A) expected average annual losses for the participating insurer, as calculated by the Secretary based on the exposure of such participating insurer; and

(B) administrative costs to administer and manage the Program.

(5) PREMIUM ADJUSTMENTS.—The Secretary shall adjust premiums each quarter for each participating insurer to reflect material changes in the exposure of such insurer.

(6) PREMIUM INCREASES.—Excluding any adjustment made under paragraph (5), the Secretary may increase premiums for a participating insurer not more than 7 percent annually.

(h) LOSS PREVENTION PARTNERSHIPS.—

(1) IN GENERAL.—The Secretary, in coordination with the advisory committee established under subsection (i), State insurance agencies, and State and Federal emergency management agencies, shall develop a list of activities that qualify as loss prevention partnerships for purposes of this section. The list may include the following activities:

(A) Participating insurers providing amounts to insured parties to cover the cost, in whole or in part, of activities aimed at reducing losses to the insured party.

(B) Participating insurers making coverage contingent upon the implementation of a loss prevention activity by a potential insured party.

(2) ACTIVITIES EXCLUDED FROM LOSS PREVENTION PARTNERSHIPS.—The Secretary, State in-

surance agencies, and State and Federal emergency management may not include the following activities as loss prevention partnerships for purposes of this section:

(A) The provision of an insurance premium discount for an investment by an insured party or potential insured party in an activity designed to reduce the losses of the participating insurer, absent an investment by the participating insurer.

(B) The provision of general information about loss prevention.

(i) ADVISORY COMMITTEE.—

(1) IN GENERAL.—The Secretary shall establish an advisory committee to advise the Secretary with respect to the Program.

(2) MEMBERSHIP.—The committee established in paragraph (1) shall include the following members:

(A) 5 members representing consumer organizations engaged in fair housing, insurance, environmental, climate, and technology advocacy.

(B) 3 members selected from individual primary insurance companies selling property insurance policies, including one large national insurer, one medium sized regional insurer, and one small insurer.

(C) 1 global reinsurer active in United States property insurance markets.

(D) 1 domestic-focused reinsurer active in United States property insurance markets.

(E) 2 insurance regulators from a State, Territory, or the District of Colombia.

(F) 2 State legislators who serve on State legislative committees with oversight over insurance matters and who are not employed directly or indirectly by any person or organization engaged in the business of insurance.

(G) 2 members selected from independent insurance agents who serve traditionally underserved areas.

(H) 1 representative from a mortgage lender.

(I) 1 representative from a bank.

(J) 1 representative from each of the following agencies:

(i) The Department of Housing and Urban Development.

(ii) The Department of Health and Human Services.

(iii) The Federal Housing Finance Agency.

(iv) The Department of Veterans Affairs.

(v) The Department of Agriculture.

(vi) The Federal Emergency Management Agency.

(vii) The Office of Management and Budget.

(viii) The Environmental Protection Agency.

(K) 1 representative from the Financial Stability Oversight Council.

(j) FEDERAL CATASTROPHE REINSURANCE FUND.—

(1) IN GENERAL.—The Secretary shall establish the Federal Catastrophe Reinsurance Fund (in this section referred to as the "Fund") to hold and invest premiums paid by participating insurers.

(2) ISSUANCE OF NOTES AND BONDS.—

(A) IN GENERAL.—If amounts in the Fund are insufficient to pay obligations to participating insurers, the Secretary shall issue notes and bonds under this paragraph, the proceeds of which shall be used for payment obligations to participating insurers.

(B) TERMS.—Notes and bonds issued under this paragraph shall be in such form and denominations, and shall be subject to such terms and conditions of issue, conversion, redemption, maturation, and payment as the Secretary may prescribe and shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face of each bond.

(C) INTEREST.—Notes and bonds issued under this paragraph shall bear interest at a rate not less than the current average yield on outstanding market obligations of the United States of comparable maturity during the month preceding the issuance of the obligation as determined by the Secretary.

(D) TREATMENT.—All notes and bonds issued under this paragraph, and the interest on credits with respect to such obligations, shall not be subject to taxation by any State, county, municipality, or local taxing authority.

(E) SATISFACTION.—The Secretary shall utilize investment revenue from the Fund to satisfy any notes or bonds issued under this paragraph.

(k) DATA COLLECTION.—

(1) IN GENERAL.—The Secretary shall—

(A) establish a statistical plan for quarterly reporting by participating insurers of policy-level claim transaction data;

(B) consult with the advisory committee established under subsection (i) and the National Association of Insurance Commissioners with respect to—

(i) the contents of the statistical plan; and

(ii) the method of data collection;

(C) collect quarterly reports from each participating insurer that include—

(i) a description of all exposures covered by the Program at the time of the submission of the report; and

(ii) a list of the type and amount of all claims made in the previous quarter;

(D) in a manner that does not risk public disclosure of personally identifiable information of policyholders, provide the quarterly reports received under subparagraph (C) to—

(i) the Director of the Office of Financial Research to assess risk to—

(I) the financial stability of the United States; and

(II) international financial systems arising from United States property insurance markets, including lack of available property insurance or inadequate coverage from property insurance;

(ii) the Director of the Federal Insurance Office to assess the risks to the financial stability arising from under-insurance of property insurance policies covering catastrophe perils, including in traditionally underserved insurance markets;

(iii) the head of the department of insurance in each State; and

(iv) any other Federal, State, or local government entity that, as determined by the Secretary, is related to—

(I) catastrophe loss prevention, mitigation, or recovery; or

(II) the promotion of competitive property insurance markets; and

(E) make the data collected under this paragraph available online in a manner that does not risk public disclosure of personally identifiable information of policyholders.

(2) CONTRACTING WITH A STATISTICAL AGENT.—

(A) IN GENERAL.—The Secretary shall contract with a statistical agent via a competitive bidding process to collect and review the data under this subsection for accuracy and completeness.

(B) OFFICE OF FINANCIAL RESEARCH AS THE STATISTICAL AGENT.—If the Secretary is unable to identify a qualified statistical agent for collection of data under this subsection, the Director of the Office of Financial Research shall establish a data collection infrastructure for collection of such data.

SEC. 3. GRANT PROGRAM TO PROMOTE LOSS PREVENTION INVESTMENTS.

(a) IN GENERAL.—The Secretary shall establish a grant program to provide grants to States to—

(1) incentivize participating insurers, policyholders, and State and local governments to provide funding for investments in activities aimed at reducing losses to insurance providers; and

(2) encourage States to mandate that insurers offer an all-perils property insurance policy.

(b) AMOUNT OF GRANTS.—When providing amounts to States under the grant program established under subsection (a), the Secretary shall—

(1) solicit proposals from States describing the ways in which States will use any amounts provided to improve the availability and affordability of all-perils property insurance policies through investments in loss mitigation and risk management;

(2) prioritize grants that yield the greatest return on investment for loss prevention and risk mitigation which benefit or target low and moderate income consumers and small businesses; and

(3) prioritize the awarding of grants to States with the strongest building codes and which require property insurance policies that provide coverage for the catastrophe perils covered by the Program without excessively large deductibles as determined by the Secretary.

(c) LOW AND MODERATE INCOME CONSUMERS DEFINED.—In this section, the term ‘‘low and moderate income consumers’’ means a consumer with an income of less than 120 percent of the median household income for the community.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section—

(1) $50,000,000,000 in 2026;

(2) $55,000,000,000 in 2027;

(3) $60,000,000,000 in 2028;

(4) $65,000,000,000 in 2029; and

(5) $70,000,000,000 in 2030.

SEC. 4. REPORTS ON RELOCATION FUND AND EARTHQUAKE COVERAGE.

The Secretary shall not later than—

(1) 2 years after the date of the enactment of this Act, submit to Congress a report on the feasibility of establishing a fund to relocate homes and businesses that have become uninsurable due to catastrophe perils; and

(2) 3 years after the date of the enactment of this Act, submit to Congress a report on the feasibility of including earthquakes as a peril covered under the all-perils property insurance policy.

SEC. 5. ASSISTANCE FOR LOW-INCOME CONSUMERS.

(a) In General.—The Secretary shall, as amounts appropriated under this section allow, establish a grant program for States to provide financial assistance to low-income consumers for whom residential property insurance—

(1) is required; and

(2) represents a significant portion of the household income of such consumers.

(b) Application.—In applying for a grant under this section, a State shall demonstrate how the State will use grant amounts in the order of priority under subsection (c).

(c) Order of Priority for Grant Amounts.—A State receiving grant amounts under this section shall prioritize the use of such amounts in the following manner:

(1) The use of grant amounts for risk reduction as the means to reduce the primary insurance premium for the consumer.

(2) The use of grant amounts to relocate the homeowner from an uninsurable property.

(3) The use of grant amounts as cash assistance to pay a portion of the insurance premium.

(d) CONSULTATION.—When establishing the grant program under subsection (a), the Secretary shall consult with the—

(1) Secretary of Housing and Urban Development;

(2) Director of the Federal Housing Finance Agency;

(3) Secretary of Veterans Affairs;

(4) Assistant Secretary for Housing and Federal Housing Commissioner for the Federal Housing Administration; and

(5) Secretary of Agriculture.

(e) REPORT.—The Secretary shall, not later than 2 years after the date of the enactment of this section and each year thereafter, publish a report that analyzes which risk reduction investments under subsection (c)(1) are most cost-effective, broken down by State and by type of catastrophe peril.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary $50,000,000,000 annually to carry out this section.

SEC. 6. LONG-TERM POLICY PILOT PROGRAM.

(a) IN GENERAL.—The Secretary shall, in consultation with States and the National Association of Insurance Commissioners, establish a pilot program for all-perils property insurance policies with a policy term of at least 5 years (in this section referred to as a ''multi-year policy'').

(b) PREMIUM AND POLICY CONDITIONS.—An insurer who participates in the pilot program established under this section may—

(1) increase premiums based on—

(A) price indexes of construction costs;

(B) changes in home value; and

(C) optional coverages selected by the policyholder;

(2) not increase premiums based on a change in the assessment by the insurer of the catastrophe peril risks associated with the insured property;

(3) require property maintenance consistent with the condition of the property at time of initial policy issuance; and

(4) require loss mitigation investment partnerships as a condition for the multi-year policy.

(c) ACTIONS BY THE POLICYHOLDER.—

(1) POLICY CONTINUATION.—With the agreement of the insurer, a consumer purchasing the property during the term of the multi-year policy may continue the policy for the remainder of the term.

(2) ELECTION TO NEW INSURER.—If the policyholder elects to move to a new insurer during the term of the multi-year policy, the new insurer may pay the pro-rata share of the loss mitigation investment for the policyholder.

(3) CANCELLATION BY POLICYHOLDER.—If the policyholder is the recipient of any funds for loss prevention property improvements from the insurer, Federal, State, local government, or other source and the policyholder cancels the policy before the end of the multi-year policy term, the policyholder shall return a pro-rata share of such improvement to the source of the funds.

SEC. 7. DEFINITIONS.

In this Act:

(1) ALL-PERILS PROPERTY INSURANCE POLICY.—The term ''all-perils property insurance policy'' means a property insurance policy approved by a State which includes coverage for catastrophe perils as such perils are added to the Program.

(2) CATASTROPHE PERIL.—The term ''catastrophe peril'' means the damage caused by—

(A) wind, hurricane, wildfire, severe convective storm, and flood as they are added to the Program under section 2(d);

(B) earthquake, conditioned on the report under section 4(2); and

(C) any other peril as determined by the Secretary and added to the Program.

(3) ENGAGED IN THE BUSINESS OF INSURANCE.—The term "engaged in the business of insurance" means a person or entity that is subject to oversight by a State insurance department.

(4) INSURER.—The term "insurer"—

(A) means an admitted or non-admitted insurance company licensed or authorized to sell primary property insurance by State insurance regulators; and

(B) does not include a reinsurance company or a captive insurance company.

(5) PARTICIPATING INSURER.—The term "participating insurer" means an insurer that is participating in the Program.

(6) PROPERTY INSURANCE POLICY.—The term "property insurance policy" means a contract of insurance, through a policy form approved by a State insurance department, that provides, among other coverages, coverage for physical damage to residential or commercial property.

(7) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(8) STATISTICAL PLAN.—The term ''statistical plan'' means—

(A) a description of the data elements to be reported; and

(B) the instructions and procedures for accurately reporting data.