



RAA POSITION ON KEY CONGRESSIONAL LEGISLATION

NATURAL DISASTER FINANCING

Homeowner's Defense Act of 2009 (H.R. 2555)

Summary: Would create a federally-facilitated “consortium” of states that would pool their natural catastrophe risk and lay it off to the capital markets or reinsurance; provide a federal guarantee of tax exempt bond issued by state cat funds; and create a federal reinsurance program in the Department of the Treasury to sell cheap reinsurance to state cat funds.

RAA Position: The RAA vigorously opposes this legislation. It has joined forces with the SmarterSafer.org coalition to focus on natural hazard mitigation as a better long term solution. A federally-backed consortium is unnecessary and would inevitably lead to the federal government assuming the risk of loss. A federal reinsurer would force states with lower risks to subsidize a few states, namely Florida, with extensive catastrophe risks. Private reinsurance and capital markets better serve to provide this capacity. This legislation unnecessarily makes U.S. taxpayers the reinsurer of state catastrophe funds. A federal guarantee of debt for state catastrophe bonds results in under-priced bond issuance and greater taxpayer exposure.

Status: Pending before the House Financial Services Committee.

Homeowners Insurance Protection Act of 2009 (H.R. 83)

Summary: Would create a federal reinsurance program in the Department of the Treasury to sell reinsurance to qualifying state catastrophe funds.

RAA Position: RAA opposes this legislation because it creates a federal reinsurance entity that would unnecessarily compete with the private reinsurance marketplace.

Status: Pending.

Homeowner's Defense Act of 2009 (S. 505)

Summary: Would establish a National Catastrophe Risks Consortium and a National Homeowner's Insurance Stabilization Program. The federal consortium would assist states in pooling their natural catastrophe risks. The stabilization program would provide low interest federal loans to state catastrophe funds.

RAA Position: The RAA opposes this legislation. Nothing prevents states from pooling their natural catastrophe risks. Low interest federal loans to state catastrophe funds would bail out poorly run state funds at the expense of the U.S. taxpayer.

Status: Pending

The Catastrophe Obligation Act of 2009 (S. 886)

Summary: Would provide a federal guarantee of tax exempt bonds issued by state catastrophe funds. Credit markets provide price discipline. Federal guarantees, by contrast, result in under-priced bond issuance and greater exposure. The legislation asks taxpayers in states with low risks to subsidize those states with high risks.

RAA Position: The RAA actively opposes.

Status: Pending.

Multiple Peril Insurance Act of 2009 (H.R. 1264)

Summary: Would amend the National Flood Insurance Program (NFIP) to include wind as a covered peril.

RAA Position: The RAA opposes this legislation. It has joined forces with SmarterSafer.org to defeat the legislation. All of the insurance trade advocacy groups oppose the legislation.

Status: Congress must reauthorize the NFIP by September 30, 2009. During the last Congress, similar legislation was passed in the House, defeated in the Senate, and because no agreement regarding wind could be reached between the two chambers, the NFIP was temporarily extended through March 31, 2009, and then through September 31, 2009. Before the August recess, the House extended it again through March 31, 2010.

Extend the Authorization of the National Flood Insurance Program (H.R. 3139)

Summary: Would extend the National Flood Insurance Program through March 31, 2010.

RAA Position: The RAA endorses this legislation which is simply a straightforward extension of the NFIP without adding windstorm coverage.

Status: Barney Frank, Chairman of the House Financial Services Committee, introduced this legislation on July 9, 2009, with endorsement from the insurance and reinsurance industries. H.R. 3139 was passed by the House prior to the August recess.

Hazard Mitigation for All Act of 2009 (H.R. 3026)

Pre-disaster Hazard Mitigation Enhancement Program Act of 2009 (H.R. 3027)

First Responder Innovation and Support Act of 2009 (H.R. 3028)

Summary: Each of the bills would provide federal grants to assist homeowners, businesses, public officials, and first responders to better prepare for catastrophic events. The bills encourage mitigation efforts—such as increasing the structural integrity of homes and commercial buildings, creating water barriers to prevent property flooding, coordinating the use of natural and man-made storm barriers, and providing incentives for states to improve state mitigation programs and identify and implement innovative first responder programs.

RAA Position: The RAA and SmarterSafer.org support this legislation.

Status: Pending.

Property Mitigation Assistance Act of 2009 (H.R.1239)

Summary: Establishes a homeowner mitigation loan program within the Federal Emergency Management Agency to promote pre-disaster property mitigation measures.

RAA Position: The RAA supports this legislation.

Status: Pending.

Hurricane and Tornado Mitigation Investment Act (S. 1364)

Summary: Senate companion to a House bill introduced by Rep. Gus Bilirakis (R-Palm Harbor)—H.R. 308. The measure provides a tax credit, equal to 25 percent, of mitigation expenditures. This preventative measure would lessen the impact disasters have on lives and property.

RAA Position: The RAA and SmarterSafer.org support this legislation.

Status: Referred to Senate Finance Committee.

REGULATORY REFORM

Nonadmitted and Reinsurance Reform Act of 2009 (H.R. 2571)

Summary: Would streamline conflicting state regulation of surplus lines and reinsurance. The legislation attempts to eliminate extraterritorial application of state laws and promote more efficient solvency regulation of reinsurers by providing for a single regulator (domicile state) for financial solvency.

RAA Position: The RAA supports this legislation because it streamlines the state-based system of solvency regulation for reinsurers. However, the RAA would like further improvements to the bill and has a strong preference for a single national regulator for reinsurers.

Status: The House is expected to consider and approve this measure this fall.

The Nonadmitted and Reinsurance Reform Act of 2009 (S. 1363)

Summary: Identical in substance to the House bill.

RAA Position: Same as House position.

Status: Christopher Dodd, Chairman of the Senate Banking Committee, has expressed support for the bill. Observers speculate this bill could move as part of the more comprehensive financial services regulatory reform.

The National Insurance Consumer Protection Act (H.R. 1880)

Summary: Establishes a federal system of regulation and supervision of insurance companies. Provides for a federal regulator of reinsurance companies and establishes a system of mutual recognition for foreign reinsurers doing business in the United States.

RAA Position: RAA supports this legislation because it provides for an optional state or federal system of regulation for the reinsurance industry.

Status: Pending.

Insurance Information Act of 2009 (H.R. 2609)

Summary: Would establish an Office of Insurance Information in the Department of the Treasury provide limited preemption of state insurance laws that conflict with international trade agreements.

RAA Position: The RAA supports the concepts of the legislation but would like stronger preemption language included in the bill.

Status: Pending. Action on the bill may occur this fall.

TAXATION

Amend the Internal Revenue Code of 1986 (H.R. 3424)

Summary: Would amend the IRS Code of 198 to disallow the deduction for excess non-taxed reinsurance premiums with respect to U.S. risks paid to affiliates. Introduced by Richard Neal (D-MA) who argues foreign insurance groups use “excessive” reinsurance to strip their U.S. income into tax havens to avoid tax and gain competitive advantage over American companies.

RAA Position: Neutral

Status: Referred to House Ways and Means Committee.

To review the above legislation, go to [Thomas, the Library of Congress](#). Simply type in the bill number to get the information.