Klein, Mahoney Introduce Groundbreaking Homeowners Insurance Bill

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(WASHINGTON, D.C.) - U.S. Reps. Ron Klein (FL-22) and Tim Mahoney (FL-16) introduced the Homeowners Defense Act of 2007 to address the growing crisis in the availability and affordability of homeowners insurance. The legislation focuses on stabilizing the catastrophe insurance market by expanding private industries capacity to cover a natural disaster and helping states to better manage risk. As of today, the Homeowners Defense Act of 2007 has the support of 35 Members representing 20 states.

"I promised Florida families that if they sent me to Congress, I would make it a top priority to develop legislation that will ultimately reduce the high-cost of homeowners insurance. That is why I am proud to stand here today with Congressman Tim Mahoney and introduce a bill that provides a common-sense approach to address the rising cost of homeowners insurance to Congress," said Klein. "Our innovative plan gives states the option to participate in the plan by allowing their state-sponsored insurance funds to voluntarily pool their catastrophic risk with one another. Private markets - not your tax dollars - would take on the risk through catastrophe bonds and reinsurance contracts. Through our legislation, homeowners throughout Florida and the United States will have more access to insurance, which we believe will ultimately result in lower insurance rates."

"I want to thank Chairman Frank for his support for this important legislation. The bill recognizes that the single biggest investment for most Americans is their home. I have been proud to work with Congressman Klein to develop legislation that protects homeowners by making sure they have access to affordable insurance. This legislation would encourage responsible development and risk mitigation while ensuring that the American taxpayer will never have to fund a bail-out in the event of a natural catastrophe," said Congressman Tim Mahoney.

The Homeowners Defense Act of 2007

Title I of the Klein-Mahoney legislation would allow states to responsibly plan for disasters ahead of time, while providing emergency relief for states located in lower-risk regions. The bill provides a venue for state-sponsored insurance funds to voluntarily pool their catastrophe risk with one another, and then transfer that risk to the private markets through the use of catastrophe bonds and reinsurance contracts. Following the risk transfer, state-sponsored insurance funds will be better protected and increasingly able to provide services for those who are not able to find insurance on their own.

Title II of the bill creates a National Homeowners Insurance Stabilization Program to provide low interest federal loans to states impacted by severe natural disasters. By doing so, the federal government will be providing the capital needed to begin the rebuilding process. Specifically, the Program makes available two types of loans: liquidity loans and catastrophic loans. Liquidity loans would allow a state's catastrophe fund to cover its liability in the event that it is not fully funded. Catastrophic loans would allow state catastrophes fund to cover damages that exceed its liability.

These common-sense provisions will ensure that states are able to provide for their citizens in the wake of a devastating event.

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