

Key House Committee Passes Reps Mahoney and Klein's Homeowners Defense Act

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Klein and Mahoney Applaud Bill's Passage, Bringing Relief to Homeowners Nearer

WASHINGTON, D.C.) - Homeowners throughout Florida and the United States are one step closer to getting the relief they need when it comes to the high-cost of their homeowners insurance, following the House Financial Services Committee's passage of Reps. Ron Klein and Tim Mahoney's groundbreaking bill, The Homeowners' Defense Act of 2007 by a vote of 36 to 27. A bipartisan majority on the committee passed Klein and Mahoney's bill, which offers a unique and innovative approach to addressing the growing crisis in the availability and affordability of homeowners insurance.

"Today is truly a historic victory for Florida families in that the House Financial Services Committee passed our Homeowners Defense Act," said Klein. "I am incredibly grateful to Chairman Frank and to the Members of the Committee - both Democrats and Republicans - who truly understand the magnitude of the homeowners' insurance crisis and the need to tackle this issue in a straightforward, innovative way. This is not just a Florida issue. With the rising number of catastrophes throughout the United States, ranging from states like New York and California to the Midwest, more and more people are realizing this is an issue that cannot be ignored. I look forward to working with my colleagues in Congress as we move forward toward passing this bill in the House of Representatives."

"Residents in Florida are facing an economic crisis in large part due to homeowners' inability to find affordable homeowners insurance. This bipartisan solution to the homeowners' insurance crises will put an end to government bailouts which unfairly tax all Americans. The Klein - Mahoney bill is a responsible approach to this crisis that expands coverage and stabilizes the market. This bill restores reliability and predictability to the homeowners' insurance industry so residents can afford to stay in their homes knowing that if a catastrophe destroys their home they will be able to rebuild. I will continue working with Congressman Klein and our colleagues from across the country to pass this important bill," said Congressman Tim Mahoney.

Klein and Mahoney 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. Under the Klein-Mahoney bill, states have the option to participate in the plan by allowing their state-sponsored insurance funds to voluntarily bundle their catastrophic risk with one another. Private markets - not tax dollars - would take on the risk through catastrophe bonds and reinsurance contracts. The bill also provides for federal loans to states impacted by severe natural disasters. Through this bill, homeowners throughout Florida and the United States will have more access to insurance, which may ultimately result in lower insurance rates.

The Homeowners Defense Act of 2007 currently has the support of Members representing over 20 states, and that

number is growing by the day.

The Homeowners Defense Act of 2007

Title I of the Klein-Mahoney legislation would allow states to responsibly plan for disasters before a catastrophe event occurs. The bill provides a venue for state-sponsored insurance funds to voluntarily bundle 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 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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