

On 3rd Anniversary Of Katrina, Mahoney Calls for Action on Homeowners' Insurance Legislation

(Port St. Lucie, FL) - On the third anniversary of Hurricane Katrina, Congressman Mahoney is calling on the Senate to take action on The Homeowner's Defense Act of 2007 that has been sitting for over 9 months with no action. The Bill passed the House November 9, 2007 and Senators Nelson and Clinton sponsored and introduced the bill in the Senate that very same week.

Florida Recovers from Fay and Nation Braces for Storms Gustav, Hanna

(August 29, 2008)

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"Today, on the anniversary of Katrina, Floridians are hard at work putting their lives back together now that Tropical Fay's flood waters have receded. Fellow Americans on the Gulf Coast and Florida are glued to their TV's watching the storm tracks of Gustav and Hanna in the Gulf and Atlantic Ocean. Once again, I again call on my colleagues in the Senate to take action and pass my national catastrophic insurance bill, the Homeowner's Defense Act," said Congressman Mahoney. Now is the time to act; Americans can not wait another day for skyrocketing insurance rates to come down."

The Homeowners Defense Act of 2007

Passed by the House of Representatives in November 2007, by a vote of 258-135, this legislation comes in response to a growing crisis in the availability and affordability of homeowners' insurance. Thirty-two states across the nation have set up some form of residual market insurance plan to address availability and affordability. As a result, states across the country are increasingly assuming the burden of insuring homeowners who have been dropped by their insurers.

This proactive approach focuses on providing an opportunity for states to responsibly plan for disasters ahead of time, while also offering emergency relief for those states that may be lower-risk regions. By planning ahead of time, states can reduce their catastrophe losses and get homeowners back on their feet as quickly as possible following a disaster.

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.

- **Harnessing the Private Markets**

The bill sets up a consortium 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.

- **Guarding Against the Next Catastrophe**

The legislation further provides for loans that could be extended to any state facing a significant financial shortfall after a natural catastrophe. These common-sense provisions will ensure that states are able to provide for their citizens in the wake of a devastating event.

- **Emphasizing Personal Responsibility**

Acknowledging that homeowners are the first line of defense against a catastrophe, the bill encourages sound mitigation efforts and stresses the impact that homeowners can take to protect their own homes.

Hurricanes Katrina and Rita are a challenge to the conscience of the American people and the New Direction Congress is rising to that challenge. The common-sense provisions included in the Homeowner's Defense Act will ensure that states are able to provide for their citizens in the wake of a devastating event.

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