

Congressmen Mahoney and Klein Commend Senator Obama for His Support of Homeowners' Defense Act

Urge Other Senators to Pass Needed Legislation

(September 10, 2008)(Washington, DC) — Today, Congressman Tim Mahoney (FL-16) and Congressman Ron Klein (FL-22) commended Senator Barack Obama for his public support of the Homeowners' Defense Act, which would create a national program to stabilize the catastrophe insurance market by expanding private industries capacity to cover a natural disaster and helping states to better manage risk.

In a recent St. Petersburg Times op-ed, Senator Obama said, "I strongly support the Homeowners' Defense Act. It would stabilize skyrocketing insurance rates and provide a common-sense federal backstop in the event of a major natural disaster. I've long been a supporter of a National Catastrophic Insurance plan, and the time to act is now, before another disaster strikes." The Homeowners' Defense Act, which was authored by Congressmen Mahoney and Klein, would eliminate federal bailouts and provide property owners with relief by increasing access to insurance and lowering insurance rates. Marking the first time national catastrophe insurance has ever passed a house of Congress, the Homeowners' Defense Act passed the U.S. House last year. It is currently awaiting action by the Senate. "As we reach the peak of hurricane season, we must act now to protect homeowners from skyrocketing insurance rates," said Congressman Mahoney. "Florida and the Gulf Coast have already been hit hard it looks like there are more hurricanes coming our way. I applaud Barack Obama for taking a stand and supporting my national catastrophic insurance bill, the Homeowners' Defense Act. I can only hope that the rest of the Senate follows Senator Obama's lead and moves quickly to pass this critical legislation." "Floridians of both parties should applaud Barack Obama for taking such a strong stance in support of this bill, which will provide relief to homeowners struggling with ever-increasing insurance premium," said Congressman Klein. "Although John McCain is all of the sudden claiming to be some agent of change, he's long stood shoulder to shoulder with President Bush in opposing solutions for Florida homeowners. And Floridians shouldn't let John McCain tell them FEMA or some regional plan are the answers — as Obama clearly understands, we need a national plan and we need it now." 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.