

118TH CONGRESS
1ST SESSION

H. R. 3525

To establish a Natural Disaster Risk Reinsurance Program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 2023

Mr. MOSKOWITZ introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To establish a Natural Disaster Risk Reinsurance Program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Natural Disaster Risk
5 Reinsurance Program Act of 2023”.

6 **SEC. 2. NATURAL DISASTER RISK REINSURANCE PROGRAM.**

7 (a) ESTABLISHMENT OF PROGRAM.—

8 (1) IN GENERAL.—There is established in the
9 Department of the Treasury the Natural Disaster
10 Risk Reinsurance Program, which shall apply only

1 to covered events occurring on or after January 1,
2 2024.

3 (2) GOAL.—The goal of the Program shall be
4 to protect insurers from insolvency resulting from
5 covered events of a significant magnitude in a man-
6 ner that provides for affordability of coverage in the
7 marketplace for losses from such covered events.

8 (3) AUTHORITY OF SECRETARY.—Notwith-
9 standing any other provision of State or Federal
10 law, the Secretary shall administer the Program, in
11 consultation with the Director of the Federal Insur-
12 ance Office, and shall make payments to States in
13 accordance with subsection (b) to cover insured
14 losses.

15 (4) VOLUNTARY PARTICIPATION.—

16 (A) IN GENERAL.—Participation in the
17 Program shall be voluntary on the part of a
18 State, subject to the requirements under para-
19 graph (4).

20 (B) ELECTION.—The Secretary shall pro-
21 vide a procedure by which States may elect to
22 participate in the Program.

23 (C) TERMINATION OF PARTICIPATION.—
24 The Secretary shall provide a procedure by
25 which States may elect to terminate participa-

1 tion in the Program, which shall require ad-
2 vance notice to the Secretary of not less than
3 180 days before such termination is effective.

4 (5) REQUIRED STATE PLAN.—To be eligible to
5 participate in the Program a State shall have in ef-
6 fect a plan, approved by the Secretary, that provides
7 such assurances to the Secretary as the Secretary
8 considers necessary—

9 (A) to ensure that insurers will cover
10 claims for insured losses occurring in the State
11 during the participation of the State in the Pro-
12 gram not exceeding the trigger amount for the
13 State under subsection (b)(2);

14 (B) to ensure that insurers submit to the
15 State insurance regulator and the State insur-
16 ance regulator submits to the Secretary, in ac-
17 cordance with such reasonable procedures as
18 the Secretary may establish, information suffi-
19 cient for administration of the Program, includ-
20 ing information regarding claims for insured
21 losses occurring in the State, insured losses in-
22 curred, and direct written premium for covered
23 insurance in the State;

24 (C) to distribute Federal payments under
25 the Program appropriately among insurers

1 based on insured losses suffered by insurers
2 and insurers' market shares;

3 (D) to pledge the State's full faith and
4 credit toward full repayment to the Secretary,
5 within 10 years of receipt, of any Federal pay-
6 ment amounts provided under subsection (b)
7 and to provide a regular payment schedule over
8 such 10-year period; and

9 (E) to provide appropriate treatment under
10 the program for any insurer that is a State re-
11 sidual market insurance entity.

12 (6) TREATMENT OF EXISTING POLICIES.—This
13 Act may not be construed to affect any policy for
14 covered insurance in force on the date of the com-
15 mencement of participation in the Program by the
16 State in which the dwelling covered by such insur-
17 ance is located, but the Program shall apply to poli-
18 cies renewed after such date.

19 (b) FEDERAL PAYMENTS FOR EXCESSIVE INSURED
20 LOSSES.—

21 (1) FEDERAL PAYMENT.—Pursuant to the oc-
22 currence of a covered event, the Secretary shall pay
23 to each participating State an amount equal to the
24 amount by which the aggregate industry-wide in-
25 sured losses within such participating State resulting

1 from such covered event exceed the trigger amount
2 in effect at such time under paragraph (2) for such
3 participating State for the type of covered event that
4 occurred. The Secretary shall provide for payments
5 under this subsection for a participating State for a
6 covered event to be made in installments of approxi-
7 mately 25 percent of the estimated total amount to
8 be provided for such State in connection with such
9 disaster, as best determined by the Secretary after
10 consideration of the information regarding insured
11 losses provided to the Secretary pursuant to para-
12 graph (2)(D).

13 (2) STATE TRIGGER AMOUNTS.—

14 (A) NAS AUTHORITY.—The Secretary
15 shall enter into an agreement with the National
16 Academy of Sciences (in this paragraph re-
17 ferred to as the “Academy”) under which the
18 Academy shall propose to the Secretary, for
19 each participating State and for each different
20 type of covered event, a trigger amount under
21 this paragraph. A trigger amount proposed for
22 a State shall be effective for purposes of the
23 Program only upon review, adjustment if nec-
24 essary, and approval by the Secretary.

1 (B) CONSIDERATIONS.—The trigger
2 amount proposed by the Academy for a partici-
3 pating State for a type of covered event shall be
4 the lesser of—

5 (i) the total direct written premiums
6 for covered insurance in the participating
7 State; and

8 (ii) the amount, as determined by the
9 Academy, that when applied under the
10 Program, protects insurers from insolvency
11 in the case of covered event of such type
12 of a severity equal to or exceeding that of
13 a covered event of such type having a two
14 percent chance of occurring in any given
15 year.

16 (C) REVISION.—The agreement pursuant
17 to subparagraph (A) shall provide for the Acad-
18 emy to review and revise the proposed trigger
19 amounts for each participating State not less
20 frequently than once every 24 months, and
21 more frequently at the request of the Secretary.
22 Any revised trigger amount may not take effect
23 under the Program before the expiration of the
24 180-day period beginning upon the provision by
25 the Secretary to such participating State of

1 written notification of such revised trigger
2 amount.

3 (D) ASSESSMENT OF INSURED LOSSES.—

4 The agreement pursuant to subparagraph (A)
5 shall provide that following the occurrence of a
6 covered event, the Academy shall, for each par-
7 ticipating State affected, make assessments of
8 the insured losses for each such State and pro-
9 vide such information to the Secretary. Such
10 assessments shall be made on an ongoing basis
11 as necessary to make an accurate determination
12 of such insured losses.

13 (E) EXPERTS.—

14 (i) AUTHORITY.—The agreement pur-
15 suant to subparagraph (A) shall provide
16 that, in establishing proposed trigger
17 amounts under this paragraph and assess-
18 ing insured losses pursuant to subpara-
19 graph (D), the Academy may contract with
20 such experts and consultants, including ex-
21 perts in disaster modeling, as it considers
22 appropriate.

23 (ii) AUTHORIZATION OF APPROPRIA-
24 TIONS.—There is authorized to be appro-
25 priated to the National Academy of

1 Sciences such sums as may be necessary
2 for costs of hiring experts and consultants
3 pursuant to clause (i).

4 (3) AUTHORITY TO ISSUE BONDS TO FUND
5 FEDERAL PAYMENTS.—

6 (A) ISSUANCE.—In connection with a cov-
7 ered event for which the Secretary is required
8 to make a payment under paragraph (1) to a
9 participating State, the Secretary shall issue
10 bonds under this paragraph, the proceeds of
11 which shall be used for making such payment.

12 (B) TERMS.—Bonds issued under this
13 paragraph shall be in such form and denomina-
14 tions, and shall be subject to such terms and
15 conditions of issue, conversion, redemption,
16 maturation, and payment as the Secretary may
17 prescribe and shall be fully and unconditionally
18 guaranteed both as to interest and principal by
19 the United States, and such guaranty shall be
20 expressed on the face of each bond.

21 (C) INTEREST.—Bonds issued under this
22 paragraph shall bear interest at a rate not less
23 than the current average yield on outstanding
24 market obligations of the United States of com-
25 parable maturity during the month preceding

1 the issuance of the obligation as determined by
2 the Secretary.

3 (D) AMOUNT.—The aggregate amount of
4 bonds issued under this paragraph in connec-
5 tion with a covered event shall be equal to the
6 aggregate amount of payments made by the
7 Secretary pursuant to paragraph (1) in connec-
8 tion with such covered event and such addi-
9 tional amount as the Secretary considers appro-
10 priate to cover any administrative costs in-
11 curred by the State in connection with bor-
12 rowing under this paragraph in connection with
13 such covered event.

14 (E) TREATMENT.—All bonds issued under
15 this paragraph, and the interest on or credits
16 with respect to such obligations, shall not be
17 subject to taxation by any State, county, mu-
18 nicipality, or local taxing authority.

19 (4) RECOUPMENT OF FEDERAL AMOUNTS.—
20 Each participating State that receives a payment
21 pursuant to paragraph (1) shall repay the Secretary,
22 pursuant to its pledge made in accordance with sub-
23 section (a)(4)(D) and within 10 years of such re-
24 ceipt, an amount equal to such payment, together
25 with interest on such amount sufficient to cover the

1 costs to the Secretary of borrowing such amounts
2 pursuant to this paragraph. The Secretary shall
3 cover any amounts repaid pursuant to this para-
4 graph into the general fund of the Treasury.

5 **SEC. 3. REPORTING.**

6 (a) BY STATES.—

7 (1) ANNUAL REPORTS.—The Secretary shall re-
8 quire the State insurance regulator for each partici-
9 pating State to submit a report annually to the Sec-
10 retary regarding each covered event resulting in pay-
11 ment under section 2(b)(1), during the period that
12 any payment amounts for such event have not been
13 fully repaid in accordance with section 2(b)(4), re-
14 garding insured losses in the State resulting from
15 such covered event, additional such insured losses
16 expected to be incurred, including the timing of such
17 losses, and any progress in repayment to the Sec-
18 retary for the Federal payments made.

19 (2) FINAL REPORT.—The Secretary shall re-
20 quire the State insurance regulator for each partici-
21 pating State receiving a payment under section
22 2(b)(1) in connection with a covered event to submit
23 to the Secretary, upon full repayment of all such
24 payments made in connection with such covered

1 event, a final report containing such information as
2 the Secretary shall require.

3 **SEC. 4. GENERAL AUTHORITY.**

4 (a) GENERAL AUTHORITY.—The Secretary shall have
5 the powers and authorities necessary to carry out the Pro-
6 gram, including authority—

7 (1) to investigate and audit all claims for a cov-
8 ered event in a State for which payments have been
9 made by the Secretary under the Program; and

10 (2) to prescribe regulations and procedures to
11 effectively administer and implement the Program.

12 (b) CONSULTATION.—The Secretary shall consult
13 with the National Association of Insurance Commis-
14 sioners, as the Secretary determines appropriate, con-
15 cerning the Program.

16 (c) CONTRACTS FOR SERVICES.—The Secretary may
17 employ persons or contract for services as may be nec-
18 essary to implement the Program.

19 (d) SUBMISSION OF PREMIUM INFORMATION.—

20 (1) IN GENERAL.—The Secretary shall annually
21 compile information on the premium rates of insur-
22 ers for covered insurance for the preceding year.

23 (2) ACCESS TO INFORMATION.—To the extent
24 that such information is not otherwise available to
25 the Secretary, the Secretary may require each in-

1 surer to submit to the National Association of Insur-
2 ance Commissioners premium rates for covered in-
3 surance, as necessary to carry out paragraph (1),
4 and the National Association of Insurance Commis-
5 sioners shall make such information available to the
6 Secretary.

7 (3) AVAILABILITY TO CONGRESS.—The Sec-
8 retary shall make information compiled under this
9 subsection available to the Congress, upon request.

10 (e) ADMINISTRATIVE EXPENSES.—There are hereby
11 appropriated, out of funds in the Treasury not otherwise
12 appropriated, such sums as may be necessary to pay rea-
13 sonable costs of administering the Program.

14 **SEC. 5. DEFINITIONS.**

15 In this Act, the following definitions shall apply:

16 (1) AFFILIATE.—The term “affiliate” means,
17 with respect to a participating insurer, any entity
18 that controls, is controlled by, or is under common
19 control with the insurer.

20 (2) CONTROL.—

21 (A) IN GENERAL.—An entity has “control”
22 over another entity, if—

23 (i) the entity directly or indirectly or
24 acting through 1 or more other persons
25 owns, controls, or has power to vote 25

1 percent or more of any class of voting se-
2 curities of the other entity;

3 (ii) the entity controls in any manner
4 the election of a majority of the directors
5 or trustees of the other entity; or

6 (iii) the Secretary determines, after
7 notice and opportunity for hearing, that
8 the entity directly or indirectly exercises a
9 controlling influence over the management
10 or policies of the other entity.

11 (B) RULE OF CONSTRUCTION.—An entity,
12 including any affiliate thereof, does not have
13 “control” over another entity, if, as of January
14 1, 2024, the entity is acting as an attorney-in-
15 fact, as defined by the Secretary, for the other
16 entity and such other entity is a reciprocal in-
17 surer, provided that the entity is not, for rea-
18 sons other than the attorney-in-fact relation-
19 ship, defined as having “control” under sub-
20 paragraph (A).

21 (3) COVERED EVENT.—

22 (A) IN GENERAL.—The term “covered
23 event” means volcanic eruption, severe storm,
24 tropical storm, hurricane, earthquake, tsunami,
25 fire, tornado, hail, or any other natural disaster

1 not eligible for coverage under the National
2 Flood Insurance Program under the National
3 Flood Insurance Act of 1968 (42 U.S.C. 4001
4 et seq.), that is certified by the Secretary as a
5 covered event for purposes of this Act.

6 (B) NONDELEGATION.—The Secretary
7 may not delegate or designate to any other offi-
8 cer, employee, or person, any certification under
9 subparagraph (A) of whether, during the effec-
10 tive period of the Program, a covered event oc-
11 curs.

12 (4) COVERED INSURANCE.—The term “covered
13 insurance” means property and casualty insurance
14 coverage for a single-family or multifamily residence,
15 including homeowners insurance, condominium in-
16 surance, cooperative insurance, and residential rent-
17 al insurance. Such term does not include private
18 mortgage insurance (as such term is defined in sec-
19 tion 2 of the Homeowners Protection Act of 1998
20 (12 U.S.C. 4901)) or title insurance.

21 (5) INSURED LOSS.—

22 (A) IN GENERAL.—The term “insured
23 loss” means any loss that—

24 (i) results from a covered event;

1 (ii) is covered by covered insurance
2 issued by an insurer, regardless of whether
3 the insurer is solvent; and

4 (iii) occurs within a State.

5 (B) INCLUDED AMOUNTS.—Such term in-
6 cludes the costs of claims investigation, adjust-
7 ment, litigation, and all other usual costs paid
8 by the insurer in connection with coverage for
9 covered event.

10 (6) INSURER.—The term insurer means any en-
11 tity, including any affiliate thereof—

12 (A) that is—

13 (i) licensed or admitted to engage in
14 the business of providing primary or excess
15 insurance in any State;

16 (ii) not licensed or admitted as de-
17 scribed in clause (i), if it is an eligible sur-
18 plus line carrier listed on the Quarterly
19 Listing of Alien Insurers of the National
20 Association of Insurance Commissioners,
21 or any successor thereto;

22 (iii) approved for the purpose of offer-
23 ing property and casualty insurance by a
24 Federal agency in connection with mari-
25 time, energy, or aviation activity; or

1 (iv) a State residual market insurance
2 entity;

3 (B) that receives direct earned premiums
4 for covered insurance coverage; and

5 (C) that meets any other criteria that the
6 Secretary may reasonably prescribe.

7 (7) PARTICIPATING STATE.—The term “partici-
8 pating State” means a State that has elected pursu-
9 ant to section 2(a)(3) to participate in the Program
10 and has not terminated such participation.

11 (8) PERSON.—The term “person” means any
12 individual, business or nonprofit entity (including
13 those organized in the form of a partnership, limited
14 liability company, corporation, or association), trust
15 or estate, or a State or political subdivision of a
16 State or other governmental unit.

17 (9) PROGRAM.—The term “Program” means
18 the Natural Disaster Risk Reinsurance Program es-
19 tablished by this Act.

20 (10) SECRETARY.—The term “Secretary”
21 means the Secretary of the Treasury.

22 (11) STATE.—The term “State” means any
23 State of the United States, the District of Columbia,
24 the Commonwealth of Puerto Rico, the Common-
25 wealth of the Northern Mariana Islands, American

1 Samoa, Guam, the United States Virgin Islands, and
2 any other territory or possession of the United
3 States.

4 (12) STATE INSURANCE REGULATOR.—The
5 term “State insurance regulator” means, with re-
6 spect to a State, the regulatory authority responsible
7 for the supervision of insurers.

8 (13) RULE OF CONSTRUCTION FOR DATES.—
9 With respect to any reference to a date in this Act,
10 such day shall be construed—

11 (A) to begin at 12:01 a.m. on that date;

12 and

13 (B) to end at midnight on that date.

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