

110TH CONGRESS  
1ST SESSION

# H. R. 3355

To ensure the availability and affordability of homeowners' insurance coverage  
for catastrophic events.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 2007

Mr. KLEIN of Florida (for himself and Mr. MAHONEY of Florida) introduced  
the following bill; which was referred to the Committee on Financial Services

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## A BILL

To ensure the availability and affordability of homeowners'  
insurance coverage for catastrophic events.

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 AND TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Homeowners’ Defense Act of 2007”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for  
7 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings and purposes.

### TITLE I—NATIONAL CATASTROPHE RISK CONSORTIUM

- Sec. 101. Establishment; status; principal office.
- Sec. 102. Functions.

- Sec. 103. Powers.  
 Sec. 104. Nonprofit entity; restriction on use of moneys; conflicts of interest; audits.  
 Sec. 105. Federal assistance.  
 Sec. 106. Management.  
 Sec. 107. Staff; experts and consultants.  
 Sec. 108. State matching funds.  
 Sec. 109. Federal liability.  
 Sec. 110. Authorization of appropriations.

TITLE II—NATIONAL HOMEOWNERS' INSURANCE STABILIZATION PROGRAM

- Sec. 201. Establishment.  
 Sec. 202. Liquidity loans and catastrophic loans for State and regional reinsurance programs.  
 Sec. 203. Reports.  
 Sec. 204. Funding.

TITLE III—GENERAL PROVISIONS

- Sec. 301. Qualified reinsurance programs.  
 Sec. 302. Definitions.  
 Sec. 303. Regulations.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) the United States has a history of cata-  
 4 strophic natural disasters, including hurricanes, tor-  
 5 nadoes, flood, fire, earthquakes, and volcanic erup-  
 6 tions;

7 (2) although catastrophic natural disasters  
 8 occur infrequently, they will continue to occur and  
 9 are predictable;

10 (3) such disasters generate large economic  
 11 losses and a major component of those losses comes  
 12 from damage and destruction to homes;

13 (4) for the majority of Americans, their invest-  
 14 ment in their home represents their single biggest

1       asset and the protection of that investment is para-  
2       mount to economic and social stability;

3           (5) historically, when a natural disaster eclipses  
4       the ability of the private industry and a State to  
5       manage the loss, the Federal Government has  
6       stepped in to provide the funding and services need-  
7       ed for recovery;

8           (6) the cost of such Federal “bail-outs” are  
9       borne by all taxpayers equally, as there is no provi-  
10      sion to repay the money and resources provided,  
11      which thereby unfairly burdens citizens who live in  
12      lower risk communities;

13          (7) as the risk of catastrophic losses grows, so  
14      do the risks that any premiums collected by private  
15      insurers for extending coverage will be insufficient to  
16      cover future catastrophes (known as timing risk),  
17      and private insurers, in an effort to protect their  
18      shareholders and policyholders (in the case of mutu-  
19      ally-owned companies), have thus significantly raised  
20      premiums and curtailed insurance coverage in States  
21      exposed to major catastrophes;

22          (8) such effects on the insurance industry have  
23      been harmful to economic activity in States exposed  
24      to major catastrophes and have placed significant  
25      burdens on existing residents of such States;

1           (9) Hurricanes Katrina, Rita, and Wilma  
2 struck the United States in 2005, causing over  
3 \$200,000,000,000 in total economic losses, and in-  
4 sured losses to homeowners in excess of  
5 \$50,000,000,000;

6           (10) since 2004, the Congress has appropriated  
7 more than \$58,000,000,000 in disaster relief to the  
8 States affected by natural catastrophes;

9           (11) the Federal Government has provided and  
10 will continue to provide resources to pay for losses  
11 from future catastrophes;

12           (12) when Federal assistance is provided to the  
13 States, accountability for Federal funds disbursed is  
14 paramount;

15           (13) the Government Accountability Office or  
16 other appropriate agencies must have the means in  
17 place to confirm that Federal funds for catastrophe  
18 relief have reached the appropriate victims and have  
19 contributed to the recovery effort as efficiently as  
20 possible so that taxpayer funds are not wasted and  
21 citizens are enabled to rebuild and resume produc-  
22 tive activities as quickly as possible;

23           (14) States that are recipients of Federal funds  
24 must be responsible to account for and provide an  
25 efficient means for distribution of funds to home-

1 owners to enable the rapid rebuilding of local econo-  
2 mies after a catastrophic event without unduly bur-  
3 dening taxpayers who live in areas seldom affected  
4 by natural disasters;

5 (15) State insurance and reinsurance programs  
6 can provide a mechanism for States to exercise that  
7 responsibility if they appropriately underwrite and  
8 price risk, and if they pay claims quickly and within  
9 established contractual terms; and

10 (16) State insurers and reinsurers, if appro-  
11 priately backstopped themselves, can absorb cata-  
12 strophic risk borne by private insurers without bear-  
13 ing timing risk, and thus enable all insurers (wheth-  
14 er State-operated or privately owned) to underwrite  
15 and price insurance without timing risk and in such  
16 a way to encourage property owners to pay for the  
17 appropriate insurance to protect themselves and to  
18 take steps to mitigate against the risks of disaster  
19 by locally appropriate methods.

20 (b) PURPOSES.—The purposes of this Act are to es-  
21 tablish a program to provide a Federal backstop for State-  
22 sponsored insurance programs to help homeowners pre-  
23 pare for and recover from the damages caused by natural  
24 catastrophes, to encourage mitigation and prevention for  
25 such catastrophes, to promote the use of private market

1 capital as a means to insure against such catastrophes,  
2 to expedite the payment of claims and better assist in the  
3 financial recovery from such catastrophes.

4 **TITLE I—NATIONAL CATAS-**  
5 **TROPHE RISK CONSORTIUM**

6 **SEC. 101. ESTABLISHMENT; STATUS; PRINCIPAL OFFICE.**

7 (a) **ESTABLISHMENT.**—There is established a body  
8 corporate to be known as the “National Catastrophe Risk  
9 Consortium” (in this title referred to as the “Consortium”).  
10

11 (b) **STATUS.**—The Consortium is not a department,  
12 agency, or instrumentality of the United States Govern-  
13 ment.

14 (c) **PRINCIPAL OFFICE.**—The principal office and  
15 place of business of the Consortium shall be in the District  
16 of Columbia.

17 **SEC. 102. FUNCTIONS.**

18 The Consortium shall—

19 (1) work with all States participating in the  
20 Consortium to gather and maintain an inventory of  
21 catastrophe risk obligations held by participating  
22 States’ reinsurance funds, risk pools, or primary in-  
23 surance corporations;

1           (2) issue securities and other financial instru-  
2           ments linked to the catastrophe risk in the capital  
3           markets;

4           (3) enter into reinsurance contracts with pri-  
5           vate parties, on a conduit basis;

6           (4) act as a centralized repository of State risk  
7           information that can be accessed by private-market  
8           participants interested in underwriting risk-linked  
9           securities or entering into reinsurance contracts;

10          (5) use an acquired catastrophe risk database  
11          to perform research and analysis that encourages  
12          standardization of the risk-linked securities market;

13          (6) perform any other functions that are  
14          deemed necessary to aid in the economic transfer of  
15          catastrophe risk from participating States to private  
16          parties; and

17          (7) not later than February 15 of each year,  
18          submit to Congress a report describing the activities  
19          of the Consortium for the preceding year.

20 **SEC. 103. POWERS.**

21          The Consortium—

22               (1) may sue and be sued, complain and defend,  
23               in its corporate name, in any court of competent ju-  
24               risdiction;

1           (2) may adopt, alter, and use a seal, which shall  
2 be judicially noticed;

3           (3) may prescribe, amend, and repeal such rules  
4 and regulations as may be necessary for carrying out  
5 the functions of the Consortium;

6           (4) may make and perform such contracts and  
7 other agreements with any individual or other pri-  
8 vate or public entity however designated and wher-  
9 ever situated, as may be necessary for carrying out  
10 the functions of the Consortium;

11           (5) may determine and prescribe the manner in  
12 which its obligations shall be incurred and its ex-  
13 penses allowed and paid;

14           (6) may, as necessary for carrying out the func-  
15 tions of the Consortium, employ and fix the com-  
16 pensation of employees and officers;

17           (7) may lease, purchase, or otherwise acquire,  
18 own, hold, improve, use, or otherwise deal in and  
19 with such property (real, personal, or mixed) or any  
20 interest therein, wherever situated, as may be nec-  
21 essary for carrying out the functions of the Consor-  
22 tium;

23           (8) may accept gifts or donations of services or  
24 of property (real, personal, or mixed), tangible or in-



1       tangible, in furtherance of the purposes of this Act;  
2       and

3               (9) shall have such other powers as may be nec-  
4       essary and incident to carrying out this Act.

5 **SEC. 104. NONPROFIT ENTITY; RESTRICTION ON USE OF**  
6                       **MONEYS; CONFLICTS OF INTEREST; AUDITS.**

7       (a) NONPROFIT ENTITY.—The Consortium shall be  
8 a nonprofit Consortium and shall have no capital stock.

9       (b) RESTRICTION.—No part of the Consortium’s rev-  
10 enue, earnings, or other income or property shall inure  
11 to the benefit of any of its directors, officers, or employees,  
12 and such revenue, earnings, or other income or property  
13 shall only be used for carrying out the purposes and func-  
14 tions of this Act.

15       (c) CONFLICTS OF INTEREST.—No director, officer,  
16 or employee of the Consortium shall in any manner, di-  
17 rectly or indirectly, participate in the deliberation upon or  
18 the determination of any question affecting his or her per-  
19 sonal interests or the interests of any Consortium, part-  
20 nership, or organization in which he or she is directly or  
21 indirectly interested.

22       (d) AUDITS.—

23               (1) AUDITS BY INDEPENDENT CERTIFIED PUB-  
24 LIC ACCOUNTANTS.—

1 (A) IN GENERAL.—The Consortium’s fi-  
2 nancial statements shall be audited annually in  
3 accordance with generally accepted auditing  
4 standards by independent certified public ac-  
5 countants that are certified by a regulatory au-  
6 thority of a State or other political subdivision  
7 of the United States. The audits shall be con-  
8 ducted at the place or places where the ac-  
9 counts of the Consortium are normally kept. All  
10 books, accounts, financial records, reports, files,  
11 and all other papers, things, or property belong-  
12 ing to or in use by the Consortium and nec-  
13 essary to facilitate the audit shall be made  
14 available to the person or persons conducting  
15 the audits, and full facilities for verifying trans-  
16 actions with the balances or securities held by  
17 depositories, fiscal agents, and custodians shall  
18 be afforded to such person or persons.

19 (B) REPORTING REQUIREMENTS.—The re-  
20 port of each annual audit described in subpara-  
21 graph (A) shall be included in the annual report  
22 submitted in accordance with section 102(7).

23 (2) AUDIT AND EXAMINATION OF BOOKS.—The  
24 Consortium shall ensure that the Consortium, or any  
25 duly authorized representative of the Consortium,

1 has access for the purpose of audit and examination  
2 to any books, documents, papers, and records of any  
3 recipient of assistance from the Consortium that are  
4 pertinent to such assistance.

5 **SEC. 105. FEDERAL ASSISTANCE.**

6 (a) IN GENERAL.—In order to carry out the func-  
7 tions described in section 102, the Consortium shall be  
8 eligible to receive discretionary grants, contracts, gifts,  
9 contributions, or technical assistance from any Federal de-  
10 partment or agency, to the extent permitted by law.

11 (b) AGREEMENT.—In order to receive any assistance  
12 described in this section, the Consortium shall enter into  
13 an agreement with the Federal department or agency pro-  
14 viding such assistance, under which the Consortium agrees  
15 to use such assistance to provide funding and technical  
16 assistance only for activities which the Board of Directors  
17 of the Consortium determines are consistent with the func-  
18 tions described in section 102.

19 **SEC. 106. MANAGEMENT.**

20 (a) BOARD OF DIRECTORS; MEMBERSHIP; DESIGNA-  
21 TION OF CHAIR.—

22 (1) BOARD OF DIRECTORS.—The management  
23 of the Consortium shall be vested in a board of di-  
24 rectors (referred to in this title as the “Board”)  
25 composed of not less than 3 members.

1           (2) CHAIR.—The Secretary of Treasury, or his  
2           designee, shall serve as the Chair of the Board.

3           (3) MEMBERSHIP.—The members of the Board  
4           shall include—

5                   (A) the Secretaries of Homeland Security  
6                   and Commerce, or their designees; and

7                   (B) a member from each State partici-  
8                   pating in the Consortium, who shall be ap-  
9                   pointed by such State.

10          (b) COMPENSATION, ACTUAL, NECESSARY, AND  
11          TRANSPORTATION EXPENSES.—

12                   (1) NONGOVERNMENT EMPLOYEES.—Each  
13                   member of the Board who is not otherwise employed  
14                   by the Federal Government shall be entitled to re-  
15                   ceive the daily equivalent of the annual rate of basic  
16                   pay payable for level IV of the Executive Schedule  
17                   under section 5315 of title 5, United States Code,  
18                   as in effect from time to time, for each day (includ-  
19                   ing travel time) during which such member is en-  
20                   gaged in the actual performance of duties of the  
21                   Consortium.

22                   (2) GOVERNMENT EMPLOYEES.—A member of  
23                   the Consortium who is an officer or employee of the  
24                   Federal Government shall serve without additional

1 pay (or benefits in the nature of compensation) for  
2 service as a member of the Consortium.

3 (3) TRAVEL EXPENSES.—Members of the Con-  
4 sortium shall receive travel expenses, including per  
5 diem in lieu of subsistence, in accordance with sub-  
6 chapter I of chapter 57 of title 5, United States  
7 Code.

8 (c) QUORUM.—A majority of the Board shall con-  
9 stitute a quorum.

10 (d) EXECUTIVE DIRECTION.—The Board shall ap-  
11 point an executive director of the Consortium on such  
12 terms as the Board may determine.

13 **SEC. 107. STAFF; EXPERTS AND CONSULTANTS.**

14 (a) STAFF.—

15 (1) APPOINTMENT.—The Chair of the Consor-  
16 tium may appoint and terminate such other staff as  
17 are necessary to enable the Consortium to perform  
18 its duties.

19 (2) COMPENSATION.—The Chair of the Consor-  
20 tium may fix the compensation of the executive di-  
21 rector and other staff.

22 (b) EXPERTS AND CONSULTANTS.—The Board shall  
23 procure the services of experts and consultants as the  
24 Board considers appropriate.

1 **SEC. 108. STATE MATCHING FUNDS.**

2 (a) STATE PARTICIPATION IN THE CONSORTIUM.—  
3 States participating in the Consortium shall provide an  
4 aggregate amount of \$10,000,000 toward the Consor-  
5 tium's operations per year.

6 (b) INDIVIDUAL STATE SHARE.—The Board shall es-  
7 tablish the contribution of individual participating States  
8 at a level that represents the comparable amount of risk  
9 that they are seeking to cede to the capital markets or  
10 by means of reinsurance contracts.

11 **SEC. 109. FEDERAL LIABILITY.**

12 The Federal Government shall bear no liabilities aris-  
13 ing from the actions of the Consortium.

14 **SEC. 110. AUTHORIZATION OF APPROPRIATIONS.**

15 There are authorized to be appropriated to carry out  
16 this section \$10,000,000 for each of fiscal years 2008  
17 through 2012.

18 **TITLE II—NATIONAL HOME-**  
19 **OWNERS' INSURANCE STA-**  
20 **BILIZATION PROGRAM**

21 **SEC. 201. ESTABLISHMENT.**

22 The Secretary of the Treasury shall carry out a pro-  
23 gram under this title to make liquidity loans and cata-  
24 strophic loans under section 202 to State and regional re-  
25 insurance programs to ensure the solvency of such pro-  
26 grams, to improve the availability and affordability of

1 homeowners' insurance, and to spread the risk of cata-  
2 strophic financial loss resulting from natural disasters and  
3 catastrophic events.

4 **SEC. 202. LIQUIDITY LOANS AND CATASTROPHIC LOANS**  
5 **FOR STATE AND REGIONAL REINSURANCE**  
6 **PROGRAMS.**

7 (a) **CONTRACTS.**—The Secretary may enter into a  
8 contract with a qualified reinsurance plan to carry out the  
9 purposes of this Act as the Secretary may deem appro-  
10 priate. The contract shall include, at a minimum, the con-  
11 ditions for loan eligibility set forth in this section.

12 (b) **CONDITIONS FOR LOAN ELIGIBILITY.**—A loan  
13 under this section may be made only to a State or regional  
14 reinsurance program and only if—

15 (1) the program cannot access capital at a cost  
16 lower than that provided in the private market, in-  
17 cluding, catastrophe bonds and other securities sold  
18 through the facility created in title I of this Act, as  
19 determined by the Secretary, and a loan may be  
20 made to such a reinsurance program only to the ex-  
21 tent that such program cannot access capital at such  
22 lower cost;

23 (2) if the occurrence of a covered event has re-  
24 sulted in insured losses in the geographic area cov-  
25 ered by the program in excess of 150 percent of the

1 aggregate amount of direct written premium for  
2 homeowners' insurance, for risks located in such ge-  
3 ographic area, over the calendar year preceding such  
4 event; and

5 (3)(A) the State or regional reinsurance pro-  
6 gram is a qualified reinsurance program; or

7 (B) the loan complies with the requirements  
8 under subsection (g).

9 (c) MANDATORY ASSISTANCE FOR QUALIFIED REIN-  
10 SURANCE PROGRAMS.—The Secretary shall—

11 (1) upon the request of a qualified reinsurance  
12 program and subject to paragraphs (1) and (2) of  
13 subsection (b), make a loan under subsection (d) or  
14 (e) for such program in the amount requested by  
15 such program (subject to the limitations under sub-  
16 sections (d)(2) and (e)(2), respectively); and

17 (2) upon the request of a Plan described in sub-  
18 section (g)(1) and subject to paragraphs (1) and (2)  
19 of subsection (b), make a loan under subsection (g)  
20 for such Plan in the amount requested by such Plan  
21 (subject to the limitations under subsection (e)(2)).

22 (d) LIQUIDITY LOANS.—A loan under this subsection  
23 for a State or regional reinsurance program shall be sub-  
24 ject to the following requirements:



1           (1) PRECONDITIONS.—The Secretary shall have  
2 determined that the reinsurance program—

3           (A) has a capital liquidity shortage, in ac-  
4 cordance with regulations that the Secretary  
5 shall establish; and

6           (B) cannot access capital markets at effec-  
7 tive rates of interest lower than those provided  
8 in paragraph (3).

9           (2) AMOUNT.—The principal amount of the  
10 loan may not exceed the ceiling coverage level for the  
11 reinsurance program.

12           (3) RATE OF INTEREST.—Except as provided in  
13 subsection (f), the loan shall bear interest at an an-  
14 nual rate 3 percentage points higher than market-  
15 able obligations of the Treasury having the same  
16 term to maturity as the loan and issued during the  
17 most recently completed month, as determined by  
18 the Secretary, or such higher rate as may be nec-  
19 essary to ensure that the amounts of interest paid  
20 under such loans exceed the sum of the costs (as  
21 such term is defined in section 502 of the Federal  
22 Credit Reform Act of 1990 (2 U.S.C. 661a) of such  
23 loans, the administrative costs involved in carrying  
24 out a program under this title for such loans, and

1 any incidental effects on governmental receipts and  
2 outlays.

3 (4) USE.—Amounts from a loan under this title  
4 may be used only for the purposes that amounts  
5 made available, by a State, to the reinsurance pro-  
6 gram may be used for under the program.

7 (5) TERM.—Except as provided in subsections  
8 (e) and (f), the loan shall have a term to maturity  
9 of not less than 5 years and not more than 10 years.

10 (e) CATASTROPHIC LOANS.—A loan under this sub-  
11 section for a State or regional reinsurance program shall  
12 be subject to the following requirements:

13 (1) PRECONDITIONS.—The Secretary shall have  
14 determined that the reinsurance program has sus-  
15 tained losses as a result of a covered event that ex-  
16 ceed the ceiling coverage level for the qualified rein-  
17 surance program, in accordance with regulations  
18 that the Secretary shall establish.

19 (2) AMOUNT.—The principal amount of the  
20 loan made pursuant to a covered event referred to  
21 in paragraph (1) may not exceed the amount by  
22 which the losses sustained by the reinsurance pro-  
23 gram as a result of such event exceed the ceiling  
24 coverage level for the program.

1           (3) RATE OF INTEREST.—Except as provided in  
2 subsection (e), the loan shall bear interest at an an-  
3 nual rate 0.20 percentage points higher than mar-  
4 ketable obligations of the Treasury having a term to  
5 maturity of not less than 10 years and issued during  
6 the most recently completed month, as determined  
7 by the Secretary, or such higher rate as may be nec-  
8 essary to ensure that the amounts of interest paid  
9 under such loans exceed the sum of the costs (as  
10 such term is defined in section 502 of the Federal  
11 Credit Reform Act of 1990 (2 U.S.C. 661a) of such  
12 loans, the administrative costs involved in carrying  
13 out a program under this title for such loans, and  
14 any incidental effects on governmental receipts and  
15 outlays.

16           (4) USE.—Amounts from a loan under this title  
17 may be used only for the purposes that amounts  
18 made available, by a State, to the reinsurance pro-  
19 gram may be used for under the program.

20           (5) TERM.—Except as provided in subsections  
21 (d) and (e), the loan shall have a term to maturity  
22 of not less than 10 years.

23           (f) AUTHORITY TO EXTEND TERM TO MATURITY.—  
24 The Secretary may extend the term to maturity of any  
25 liquidity loan made under subsection (d) or any cata-

1 catastrophic loan made under subsection (e) (including any  
2 such loan made pursuant to subsection (g)) upon a deter-  
3 mination that circumstances or conditions, meeting such  
4 requirements as the Secretary shall establish, are such  
5 that an extension is necessary. The requirements of the  
6 Secretary under this subsection shall set forth the cir-  
7 cumstances and conditions under which such an extension  
8 shall be considered necessary in the cases of—

9           (1) the occurrence of multiple covered events af-  
10       fecting the area in which a reinsurance program is  
11       operating during a specific period of time; and

12           (2) the area in which a reinsurance program is  
13       operating has suffered economic hardship or reces-  
14       sion, resulting in decreased revenues available to the  
15       program.

16       (g) ELIGIBILITY OF STATES WITHOUT QUALIFIED  
17 REINSURANCE PROGRAMS FOR CATASTROPHIC LOANS.—

18           (1) AUTHORITY.—Subject to subsection (b), the  
19       Secretary may make a catastrophic loan under sub-  
20       section (e) to State residual insurance market entity  
21       or to a State or regional reinsurance plan that is not  
22       a qualified reinsurance plan, but only if a public offi-  
23       cial of the State, having legal authority to cosign a  
24       loan, cosigns for the loan along with the officers of

1 the State residual insurance market entity or State  
2 or regional reinsurance program, as applicable.

3 (2) INTEREST RATE.—The loan shall bear in-  
4 terest at an annual rate that exceeds the rate for a  
5 loan under subsection (c)(3) or (d)(3), as applicable,  
6 made to a qualified reinsurance plan. Such rate shall  
7 be determined in accordance with a schedule of in-  
8 terest rates, which shall be established by the Sec-  
9 retary and shall provide lower rates for loans to pro-  
10 grams that comply with more of the requirements  
11 under section 301 for qualified reinsurance pro-  
12 grams and higher rates for loans to programs that  
13 comply with fewer of such requirements.

14 (3) TERM TO MATURITY.—The loan shall have  
15 a term to maturity that is shorter in duration than  
16 allowable for a loan under subsection (c)(5) or  
17 (d)(5), as applicable, made to a qualified reinsurance  
18 plan. Such term to maturity shall be determined in  
19 accordance with a schedule of such terms, which  
20 shall be established by the Secretary and shall pro-  
21 vide longer terms to maturity for loans to programs  
22 that comply with more of the requirements under  
23 section 301(a) for qualified reinsurance programs  
24 and shorter terms to maturity for loans to programs  
25 that comply with fewer of such requirements.

1           (4) TERMINATION OF LENDING AUTHORITY.—  
2           The Secretary may not make any loan under this  
3           subsection after the expiration of the 5-year period  
4           that begins on the date of the enactment of this Act.

5 **SEC. 203. REPORTS.**

6           The Secretary shall submit a report to the President  
7           and the Congress annually that identifies and describes  
8           any loans made under this title during such year and any  
9           repayments during such year of loans made under this  
10          title, and describes actions taken to ensure accountability  
11          of loan funds. The Secretary shall provide for regular au-  
12          dits to be conducted for each loan made under this title  
13          and shall make the reports on such audits publicly avail-  
14          able.

15 **SEC. 204. FUNDING.**

16          (a) PROGRAM FEE.—

17               (1) IN GENERAL.—The Secretary may establish  
18               and collect, from qualified reinsurance programs  
19               that are so precertified pursuant to section 301(b),  
20               a reasonable fee, as may be necessary to offset the  
21               expenses of the Secretary in connection with car-  
22               rying out the responsibilities of the Secretary under  
23               this title, including—

24                       (A) costs of developing, implementing, and  
25                       carrying out the program under this title; and

1           (B) costs of providing for precertification  
2           pursuant to section 301(b) of State and re-  
3           gional reinsurance programs as a qualified rein-  
4           surance program.

5           (2) ADJUSTMENT.—The Secretary may, from  
6           time to time, adjust the fee under paragraph (1) as  
7           appropriate based on expenses of the Secretary re-  
8           ferred to in such paragraph.

9           (3) USE.—Any fees collected pursuant to this  
10          subsection shall be credited as offsetting collections  
11          of the Department of the Treasury and shall be  
12          available to the Secretary only for expenses referred  
13          to in paragraph (1).

14          (b) STARTUP COSTS.—There is authorized to be ap-  
15          propriated to the Secretary of the Treasury for each of  
16          fiscal years 2008 through 2012 \$5,000,000 for adminis-  
17          trative costs of carrying out this title.

18          (c) COSTS OF LOANS; ADMINISTRATIVE COSTS.—To  
19          the extent that amounts of negative credit subsidy are re-  
20          ceived by the Secretary in any fiscal year pursuant to  
21          loans made under this title, such amounts shall be avail-  
22          able for costs (as such term is defined in section 502 of  
23          the Federal Credit Reform Act of 1990 (2 U.S.C. 661a))  
24          of such loans and for costs of carrying out the program  
25          under this title for such loans.

1                   **TITLE III—GENERAL**  
2                   **PROVISIONS**

3 **SEC. 301. QUALIFIED REINSURANCE PROGRAMS.**

4           (a) IN GENERAL.—For purposes of this Act only, a  
5 program shall be considered to be a qualified reinsurance  
6 program if the program—

7               (1) is authorized by State law for the purposes  
8 described within this section;

9               (2) is an entity in which the authorizing State  
10 maintains a material, financial interest;

11              (3) provides reinsurance or retrocessional cov-  
12 erage to underlying primary insurers or reinsurers  
13 for losses arising from all personal real property and  
14 homeowners lines of insurance, as defined in the  
15 Uniform Property & Casualty Product Coding Ma-  
16 trix published and maintained by the National Asso-  
17 ciation of Insurance Commissioners;

18              (4) has a governing body, a majority of whose  
19 members are public officials; and

20              (5) complies with such additional organiza-  
21 tional, underwriting, and financial requirements, in-  
22 cluding mitigation (building codes), insurance com-  
23 pany State subsidiaries, anti-concurrent clauses, and  
24 cost saving for consumers, as the Secretary shall, by



1 regulation, provide to carry out the purposes of this  
2 Act.

3 (b) **PRECERTIFICATION.**—The Secretary shall pro-  
4 vide establish procedures and standards for State and re-  
5 gional reinsurance programs to apply to the Secretary at  
6 any time for certification (and recertification) as qualified  
7 reinsurance programs.

8 (c) **REINSURANCE TO COVER EXPOSURE.**—This sec-  
9 tion may not be construed to limit or prevent any insurer  
10 from obtaining reinsurance coverage for insured losses re-  
11 tained by insurers pursuant to this section, nor shall the  
12 obtaining of such coverage affect the calculation of the  
13 amount of any loan under this title.

14 **SEC. 302. DEFINITIONS.**

15 For purposes of this Act, the following definitions  
16 shall apply:

17 (1) **CEILING COVERAGE LEVEL.**—The term  
18 “ceiling coverage level” means, with respect to a  
19 qualified reinsurance program, the maximum aggreg-  
20 ate amount of coverage allowed, under law, to be  
21 provided at any time by the program.

22 (2) **HOMEOWNERS INSURANCE.**—The term  
23 “homeowners’ insurance” means homeowners’ insur-  
24 ance as defined in the Uniform Property & Casualty  
25 Product Coding Matrix published and maintained by

1 the National Association of Insurance Commis-  
2 sioners.

3 (3) INSURED LOSS.—The term “insured loss”  
4 means any loss insured by a qualified reinsurance  
5 program.

6 (4) QUALIFIED REINSURANCE PROGRAM.—The  
7 term “qualified reinsurance program” means a State  
8 or regional program that meets the requirements  
9 under section 301.

10 (5) SECRETARY.—The term “Secretary” means  
11 the Secretary of the Treasury.

12 **SEC. 303. REGULATIONS.**

13 The Secretary shall issue such regulations as may be  
14 necessary to carry out this title.

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