

New bill to create \$50bn federal backstop for catastrophe reinsurance

Intelligent Insurer

Democrat Representative Adam Schiff has proposed legislation in the US House of Representatives that would create a \$50 billion federal backstop for catastrophe reinsurance.

Schiff, a California Congressman who is seeking the Democratic nomination for the US Senate, said the Incorporating National Support for Unprecedented Risks and Emergencies (INSURE) Act is aimed at stabilising the home insurance market while ensuring vulnerable communities are not excluded from coverage.

California has seen a number of national primary insurers cease offering new insurance policies in the state due to a number of factors, including wildfires.

“This legislation would create a federal catastrophic reinsurance programme to insulate consumers from unrestrained cost increases by offering insurers a transparent, fairly priced public reinsurance alternative for the worst climate-driven catastrophes,” Schiff said.

“My INSURE Act addresses the urgent crisis in the home insurance market, particularly in California, where the cost of insurance has gone through the roof and insurers have stopped writing new policies.

“Climate change has significantly increased the risk of natural disasters and insurance companies are shifting the costs to consumers who struggle to purchase disaster coverage,” said Rep. Schiff. “My bill is a critical step forward in the effort to ensure homeowners and communities have access to affordable and accessible coverage. I’ll keep working to get this across the finish line and bring the cost of insurance down.”

The bill would require the Treasury Secretary to set aside \$50 billion in reinsurance programme in the

current financial year.

With a Republican majority in the House of Representatives, the bill would face an uphill challenge to pass.

The legislation has the support of a number of consumer and insurance policyholder organisations.

A Schiff statement said the Act would protect homeowners and communities from increasing coverage costs by:

- Establishing a Federal Catastrophe Reinsurance Program within the Department of the Treasury to cap insurers' liability in the case of a catastrophic event above a threshold developed by the Secretary and an advisory committee of experts.
- Requiring participating insurers to cover all natural disasters, including wildfires, severe storms, wind, hurricanes, floods, and earthquakes.
- Directing significant investments from insurers in loss prevention and risk mitigation partnerships with policyholders.
- Improving market monitoring through the Office of Financial Research and the Federal Insurance Office in collaboration with state insurance regulators.

“With widespread shortages and skyrocketing premiums, it is increasingly clear that the insurance industry is unwilling or unable to serve the needs of consumers and business throughout the country, and for that reason government intervention is necessary,” said Harvey Rosenfield, Founder of Consumer Watchdog and author of CA Proposition 103.

“The INSURE Act will help stabilise the US insurance marketplace, safeguard our economy against further disruptions and incentivize insurance companies to do more to protect policyholders and the public against the effects of climate change.”

Amy Bach, founder and executive director of United Policyholders, added: “The financial safety net that home insurance provides is a necessity to American households and cannot become a luxury that only the wealthy can afford.

“Given how insurance companies are shrinking coverage, raising prices and abandoning entire



communities in reaction to climate change, risk scores and drone imagery, we must build a new safety net option that incorporates risk reduction, risk spreading and pooling best practices and supplements the private system so as to keep US homes insured.”

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Source: <https://uphelp.org/new-bill-to-create-50bn-federal-backstop-for-catastrophe-reinsurance/> Date: July 17, 2024