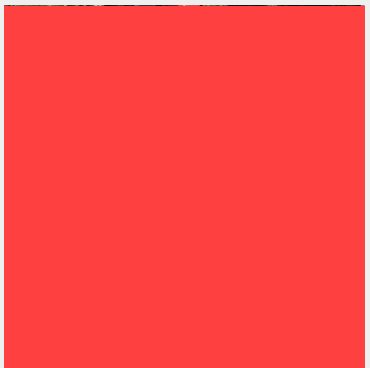
coalition for sustainable flood insurance

# Policy Options for a Natural Catastrophe Insurance Program

A White Paper to Examine Insurance Recommendations for U.S. Homeowners



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# INTRODUCTION

**Private insurers are facing multiple challenges contributing to unaffordable premiums, more restrictive coverage, and declining availability for policyholders.** Issues affecting the insurance market include rising construction costs, rising labor costs, risk concentration, reinsurance shocks, legal abuse, inconsistent regulation, and natural catastrophes that are more frequent, severe, and widespread. In 2025, the United States experienced a billion-dollar disaster every 10 days, totaling $115 billion in damages.[1] Simultaneously, the insurance gap for American policyholders is growing, as 1 in 8 American homeowners have forgone homeowners insurance entirely.[2] In 2026, the Trump Administration has acknowledged a priority of "pricing" and bringing down costs for Americans, including the pursuit of the "most aggressive housing reform plans" in U.S. history.[3]

**Currently, the only federal program that supports natural catastrophe coverage is the National Flood Insurance Program (NFIP)**. NFIP itself is troubled and requires a long-term reauthorization for its own stability. During the 2025 Hurricane Season, NFIP lapsed for 43 days, preventing the program from writing policies. From 2009-2025, NFIP enrollment has dropped by over one million policies. With more uninsured or underinsured Americans, the federal government will be expected to pay more in post-disaster relief through FEMA, HUD, and SBA programs. These programs can be expensive to administer and slow to distribute assistance. Alternatively, governments at all levels could make coordinated, cost-effective pre-disaster mitigation investments that reliably lower insurance premiums and promote insurance uptake for all Americans.

**This paper explores public policy options for national programs intending to: (1) mitigate risk exposure; (2) improve risk distribution; and (3) reduce reinsurance costs.** Specifically, we outline multi-peril program models that would maximize nationwide participation, hypothesizing that mitigation measures are scalable across correlated perils and that market failure is best avoided by addressing uncorrelated perils together. Moreover, expanding the pool of policyholders across the country and across perils could counter adverse selection and allow for smoothing of premium increases.

**Although policy reform may stabilize the insurance market, the true solution to the nation's natural catastrophe risk is risk mitigation.** In order to be successful, any insurance program must be tied to significant and consistent investments in resilience, limiting losses to individual property owners and taxpayers at large, while preventing loss of life for all. These investments should include both individual property-level adaptations (such as FORTIFIED roofs, dry floodproofing, and fire-resistant building materials) and community-level projects (such as armored levees, marsh restoration, and combustible materials clearing).

**Today, every state is subject to natural catastrophe risk, whether from floods, hurricanes, wildfires, severe convective storms, earthquakes, or other perils.** While California, Louisiana, and Florida have received attention from high-profile insurer withdrawals, natural catastrophe risk and insurance availability are significant issues across the country, as evidenced by flooding in Kentucky; hurricanes and wildfires in North Carolina; and wildfires, hurricanes, and winter storms in Texas. The states with the greatest increases in homeowners premiums from 2021-2024 were Utah (59%), Illinois (50%), Arizona (48%), and Pennsylvania (44%).[4] Certain counties in Colorado, Florida, Louisiana, North Carolina, New York, and Wyoming now have average premiums above $5,000.[5]

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1 Climate Central, 2025 in Review: U.S. Billion-Dollar Disasters.

2 NBC News, 1 in 8 U.S. homeowners aren't protected by homeowners insurance.

3 CNN, Trump promised 'aggressive' housing reform next year. Here's what to expect for home prices in 2026.

4 JPMorgan, Insurance: Weathering the storm of inflation, climate change and market-distorting state regulation.

5 National Bureau of Economic Research, Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data.

**Rising insurance premiums have major implications for the stability of the mortgage market, real estate transactions, state and local tax collections, and the broader economy.** When insurance becomes unaffordable or unavailable, homeowners and renters alike may be priced out of their neighborhoods, pushed farther from their employers, and forced to sell their homes at steep discounts. Over the last three months of 2025, home values have fallen by 1.3%, and by 4% in major markets like Houston and Tampa.[6] Already, home values are suppressed by $43,900 in the top 10% of risk-exposed ZIP Codes.[7] Growing risk and associated costs could result in a $1.47 trillion reduction in unadjusted real estate value over the next 30 years.[8] Bankers, agents, elected officials, and employers across all industries will be disadvantaged.

**Natural catastrophe risk creates enormous liability for the federal government, which has historically provided emergency assistance and taxpayer dollars when disasters occur.** Rising mortgage delinquency rates, corresponding with increasing insurance premiums, would also have fiscal implications for the federal government, which backs a large portion of the mortgage market.[9] State and local governments will become more dependent on federal support, as their tax bases erode and property values decline. Industrial facilities, manufacturing hubs, and port complexes will struggle to find employees and may consider offshoring. These exposures will only continue to grow as more working communities and their working-class families are affected.

**Homeowners insurance market volatility raises questions about the greater role of government in ensuring the availability and affordability of coverage for a wider range of natural catastrophes.** Other countries, from Spain to New Zealand, have taken control by creating multi-peril programs that may serve as models for a U.S. program. To recover from 2025's Hurricane Melissa, Jamaica received two payouts – one for wind and one for flood – totaling nearly $100 million from a multi-country, multi-peril risk pool in place since 2007.[10]

**To prevent an insurance market failure and systemic consequences as seen in the 2008 Great Financial Crisis, we urge policymakers to take immediate action in studying potential solutions**. We encourage consideration of new policy options for providing multi-peril coverage, including:

1. **A new federal reinsurance program** for natural catastrophes, structured as a private-public pool or a large-loss backstop, like the Terrorism Risk Insurance Program
2. **A new government-sponsored enterprise** offering natural hazard insurance policies based on a property's exposure to the specific hazards and creating a secondary market for private investment in natural hazard risk transfer securities
3. **A cabinet-level FEMA** administering a substantially reformed and modernized NFIP with expanded mandatory purchase requirements and expanded coverage for additional perils

**At minimum, a study commission involving experts across sectors should be authorized by Congress to evaluate all options and formally recommend an appropriate intervention.** The Government Accountability Office (GAO) can also analyze options by updating their 2007 report on "Natural Disasters: Public Policy Options for Changing the Federal Role in Natural Catastrophe Insurance."[11] Any formal evaluation of multi-peril solutions should build upon a multi-year NFIP reauthorization, providing reliability for existing policyholders and all program stakeholders.

**Any multi-peril program should aspire to provide more than an insurance product and preserve the dual purpose of NFIP, established by Congress in 1968.** Building upon NFIP's proven floodplain management foundation, a multi-peril insurance program could provide the national risk-reduction

6 CNBC, Home prices go negative for the first time in over 2 years - and may stay that way for a while.

7 National Bureau of Economic Research, Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data.

8 First Street, Property Prices in Peril.

9 Federal Reserve Bank of Dallas, Climate Risk, Insurance Premiums, and the Effects on Mortgage and Credit Outcomes.

10 CCRIF, CCRIF Announces 2nd Payout of US$21.1 Million (~J$3.4 billion) to Jamaica Following Hurricane Melissa.

11 Government Accountability Office, Natural Disasters: Public Policy Options For Changing The Federal Role In Natural Catastrophe Insurance.

infrastructure needed to connect mapping, mitigation, and management through consistent standards, community accountability, and sustainable financing. Ultimately, a natural catastrophe insurance program could be the backbone of a market-driven, risk-resistant nation, supporting the financial security of the federal government, private insurers, and the American people.

**For now, CSFI will describe a framework for the aforementioned policy options, while acknowledging their foreseen advantages and disadvantages.** CSFI appreciates all subsequent efforts of academic institutions, research organizations, think tanks, and individuals to assess these options through proposals, projects, or pilots and to answer our enumerated "questions for further exploration."

## PROGRAM OPTIONS

### Option 1: A New Federal Reinsurance Program

### 1A. Federal Reinsurance Pool

A federal reinsurance pool, structured as a private-public partnership, could provide the primary layer of reinsurance for natural catastrophe risk. All insurers offering homeowners coverage would contribute to a "National Catastrophic Reinsurance Pool," funded through risk-based assessments on each policy written. In exchange for federal reinsurance, insurers would be required to provide all-perils coverage as part of standard homeowners policies, and all homeowners with a federally backed mortgage would be required to purchase natural catastrophe insurance. Those who do not satisfy purchase requirements could be barred from receiving any other federal disaster relief.

The federal pool would only provide reinsurance coverage up to a certain level, based on the size and risk profile of individual participating insurers. Individual insurers would have the option to purchase private reinsurance for any losses above that level. The federal pool may invest balances not required for immediate distribution or expenditure in interest-bearing obligations, with earned interest being redistributed to policyholders to undertake mitigation measures.

The Australian Reinsurance Pool Corporation (ARPC) Cyclone Reinsurance Pool, launched in 2022 by the Australian Government, shows early signs of stabilizing insurers' reinsurance costs and policyholders' premiums. Without seeking to make a profit, the cyclone pool is funded by reinsurance premiums charged to insurers, while offering discounts to properties that mitigate cyclone and related flood risks. Shortfalls in the pool's reserves would be paid for through a government guarantee of $10 billion AUD, which is reinstated annually automatically.

### 1B. Federal Reinsurance Backstop

The Terrorism Risk Insurance Act (TRIA), enacted in 2002, created the Terrorism Risk Insurance Program (TRIP) to stabilize the terrorism insurance market and counter a retraction in availability. Overseen by the U.S. Department of the Treasury, TRIP acts as a public-private risk-sharing program that provides a federal backstop for large insured losses resulting from certified acts of terrorism. Although there is no upfront cost for insurers, they are required to offer terrorism coverage to commercial clients.

The federal government could apply the TRIP model to natural catastrophes, thereby providing a backstop only for the most extreme losses. Private insurers, required to offer natural catastrophe coverage as part of standard homeowners insurance, would continue to buy private reinsurance but have assurance of a federal backstop for exceptional events or years with exceptionally high aggregate losses.

Private insurers would be fully responsible for claim payments up to a clearly defined trigger. Thereafter, private insurers would continue to pay claims under whatever terms are in place under existing policies, but the federal government would share 80% of the balance of claims, up to an aggregate cap, via reimbursements. As such, triggers could be set based on the largest individual event or annual aggregates for covered losses (adjusted for inflation). For illustration, the costliest natural catastrophe event in U.S. history was Hurricane Katrina, resulting in $65 billion in insured losses in 2005, which

would be approximately $106 billion when adjusted for inflation. The "peak year" for insured losses was 2017, which included losses from Hurricanes Harvey, Irma, and Maria totaling $131 billion, or approximately $171 billion when adjusted for inflation.

Like TRIP, the federal government would cover 80% of losses once the trigger is reached. Insurers would continue to pay claims to policyholders and then submit these claims to the federal government for partial reimbursement. To limit exposure to taxpayers, the federal government could be required to recoup some or all of the reimbursements to specific insurers by placing a premium surcharge on all the insurers offering covered insurance.

**Framework**

- **Perils:** Coverage for flood, windstorms, wildfires, severe convective storms, and earthquakes would be individually phased in over 10 years
- **Distribution:** All private insurers would offer multi-peril natural catastrophe coverage, including flood, as part of new and existing homeowners insurance policies
- **Participation:** All property owners with federally backed mortgages would be required to maintain natural catastrophe coverage, as enforced by lenders
- **Underwriting:** Private insurers would be allowed to set actuarially sound premiums, applying their own rating methodologies
- **Claims:** Private insurers would be responsible for managing and paying claims
- **Oversight**: The Secretary of the Treasury would administer the program, like TRIP, while analyzing program effectiveness and natural catastrophe insurance affordability
- **Affordability:** Congress could offer a means-tested affordability program, funded by an appropriation equivalent to reduced post-disaster expenditures, or a premium tax credit with an advance payment option
- **Mitigation:** Private insurers would agree to provide actuarially justified discounts for standardized property-level and community-wide mitigation measures; available discounts offered to policyholders would be communicated on declarations pages and through a digital tool; communities would be guided by a comprehensive risk reduction program transitioned from NFIP; interest earned on pooled assets would be distributed for mitigation investments

**Benefits**

- Policyholders would benefit from a single, simplified homeowners insurance policy including multiple perils, rather than separate policies for different perils
- Private insurers would receive stable, reliable reinsurance capacity at consistent, predictable prices
- State regulators could retain their role in overseeing rate filings
- Insurance agents and brokers would have streamlined sales and service processes
- Mandatory purchase for all federally backed mortgages would close the insurance gap, spread risk, and counter adverse selection
- Mitigation would be clearly and consistently incentivized through mandatory premium discounts, and community-wide resilience investments would be incorporated into underwriting
- Programmatic costs related to administration, distribution, and claims-handling would be minimized by leveraging existing private insurers' systems
- NFIP's provision of federal flood insurance would be obviated as homeowners insurance policies would include coverage for flood

- NFIP's mapping activities, floodplain management standards, and Community Rating System (CRS) program could evolve into a more comprehensive multi-peril program

**Challenges**

- TRIP is relatively untested, since the U.S. has not experienced a terroristic event reaching the reinsurance trigger
- TRIP is designed for low-frequency, high-cost events; meanwhile, natural catastrophes occur with high frequency
- Treasury's determination of thresholds could prove highly challenging and could undermine the program's effectiveness
- The reimbursement process would require insurers to increase their reserves and reduce their investment profits; advance payment to insurers or direct claims payment to policyholders may be preferrable
- Federal reinsurance could crowd out private reinsurers
- State regulators would have to promulgate new rules and expand technical capacity to oversee rate filings, unless ceded to a national system
- Insurers' rating methodologies would remain obscure to most stakeholders, unless required to be made public
- Some homeowners, especially those previously refusing flood insurance, could experience significant premium increases
- Recoupment provisions could add fees that are passed on to policyholders, unless prohibited, and make natural catastrophe coverage unaffordable
- Mandatory purchase requirement enforcement could burden lenders
- Transitioning legacy NFIP products, practices, and operations could burden federal employees, participating communities, and additional program stakeholders
- NFIP's mapping activities, floodplain management standards, and CRS program would require significant investments in talent and technology in order to expand to multiple perils; appropriate federal agency ownership of this new program would need to be determined

### Option 2: A New Government-Sponsored Enterprise

Dr. Clifford Rossi, Professor at the University of Maryland's Robert H. Smith School of Business, has proposed the creation of a new government-sponsored enterprise (GSE), the "Natural Hazard Insurance Corporation (NHIC)."[12] The NHIC would carve out natural hazards from other aspects of homeowners policies, offering a separate policy based on a property's exposure to the specific natural hazards in that location. Homeowners would purchase two policies: a standard homeowners policy through the private market and a natural hazard policy through the NHIC. The standard homeowners policy would continue to be underwritten and sold by insurers, and there would be no role for the NHIC in that market.

The NFIP would be transferred from FEMA to the NHIC, which would operate as a public-private partnership, with private insurers distributing and underwriting the natural hazard policies, like current Write-Your-Own (WYO) participating private insurers. Similar to NFIP's mandatory purchase requirements applying to federally backed mortgages in Special Flood Hazard Areas (SFHAs), homeowners would face mandatory purchase requirements based on their exposure to the NHIC's covered perils. Developing maps to determine Special Hazard Areas (SHAs) and models to assess and price risk would require a

[12] National Mortgage Professional, A Blueprint For Solving The Homeowners Insurance Crisis.

significant investment in technology and staff expertise at the NHIC, including actuaries and scientists beyond those who are currently in-house at the NFIP. These resources could also be applied to guide mitigation investment and future development, stemming from NFIP's role in flood risk management.

In addition to the creation of the NHIC, a primary feature of the proposal is the development of a secondary market for natural hazard risk transfer securities (NHRTs) that would allow insurers, reinsurers, and other private investors to purchase tranches of natural disaster risk consistent with their risk appetite. NHRTs are modeled after Fannie Mae and Freddie Mac's credit risk transfers (CRTs). Similar to CRTs, NHRTs would feature a sequential loss payout structure with multiple tranches, with the NHIC providing a catastrophic backstop. Monthly policy cash flows would provide ample liquidity given the NHIC's scale, making NHRTs attractive to investors. Such structures would also provide insurance and reinsurance companies with greater cash flow stability. The loss of market share to the NHIC would be ameliorated by allowing companies to participate in the backside of the market.

Policymakers would need to wrestle with the question of whether the NHIC's debt would receive explicit or implicit backing from the federal government (i.e., taxpayers). Alternatively, policymakers could consider establishing a cooperative-style, private model inspired by Federal Home Loan Banks (FHLBs). That model, where insurers and reinsurers capitalize the NHIC, would require significant industry buy-in to provide adequate coverage at the scale needed.

**Framework**

- **Perils:** Coverage for flood would be offered within 3-5 years, then windstorms, wildfires, severe convective storms, and earthquakes would be phased in individually over 10 years
- **Distribution:** Private insurers would distribute natural hazard policies on behalf of NHIC, separate from standard homeowners insurance policies
- **Participation:** All property owners in SHAs would be required to maintain natural catastrophe coverage, as enforced by lenders
- **Underwriting:** NHIC would set actuarially sound premiums, applying a consistent federal rating methodology based on geographic, property, and contract features
- **Claims:** Insurance agents would intake claims; NHIC would adjust and pay claims
- **Oversight**: Treasury's Federal Insurance Office (FIO) or the Federal Housing Finance Agency (FHFA), given its experience overseeing Fannie Mae, Freddie Mac, and FHLBs, could administer the program
- **Affordability:** Congress could offer a means-tested affordability program, funded by an appropriation equivalent to reduced post-disaster expenditures, or a premium tax credit with an advance payment option
- **Mitigation:** NHIC would provide actuarially justified discounts for standardized property-level and community-wide mitigation measures; available discounts offered to policyholders would be communicated on declarations pages and through a digital tool; communities would be guided by a comprehensive risk reduction program transitioned from NFIP to NHIC

**Benefits**

- Policyholders would receive a standalone signal of natural hazard risk, with natural hazard premiums deconstructed from their standard homeowners policies
- Policyholders would have more affordable standard homeowners policies, with natural hazard policies paid separately
- Private insurers would benefit through the elimination of their natural catastrophe claims and a reduction in their reinsurance costs
- Private insurers and reinsurers could accept natural hazard risk commensurate with their risk

appetite via the NHRT secondary market

- The federal government's exposure to natural hazards would be limited by transferring risk into the capital markets via NHRTs
- Private investors, including institutional investors, would gain access to a natural hazard risk market via NHRTs
- Private insurers would benefit from a simplified regulatory regime, removing natural hazard risk from state regulators' approval processes for rate increases
- State regulators would retain oversight of standard homeowners insurance rate filings, with less burden on their actuaries having natural hazard portions of filings removed
- Insurance agents and brokers would earn commission on two types of policies
- Mitigation would be clearly and consistently incentivized through mandatory premium discounts, and community-wide resilience investments would be incorporated into underwriting
- NFIP's provision of federal flood insurance would be obviated as natural hazard policies would include coverage for flood; however, WYO participants could transition to the NHIC
- NFIP's mapping activities, floodplain management standards, and CRS program could evolve into a more comprehensive multi-peril program within NHIC

**Challenges**

- Critics of existing GSEs may be hesitant to support a new GSE
- NHIC would require an initial capitalization of hundreds of billions of dollars; however, a cooperative model based on FHLBs, wherein insurers and insurers provide capital as members of the NHIC, would significantly defray the upfront cost
- NHIC's determination of tranche thresholds could prove highly challenging and could undermine investors' appetite
- Investors could be hesitant to invest in NHRTs if NHIC does not receive an explicit guarantee from the federal government
- Policyholders would have to purchase and renew two separate policies, which perpetuates existing misunderstandings about homeowners insurance and barriers in purchasing a second policy
- SFA mapping, involving data collection, product development, community review, appeals, and resolution, could take decades to finalize, even with new technologies
- SHA determination, depending on accuracy and efficiency, could be beneficial or detrimental to NHIC by affecting the program's participation and perception of risk
- Some homeowners, especially those newly mapped into SHAs or previously lacking certain coverages, may experience significant premium increases
- Without subsidization or an affordability program, policyholders in high-risk regions could experience evolving affordability challenges or become noncompliant with purchase requirements
- SHA-specific mandatory purchase requirement enforcement could burden lenders
- SHA-specific mandatory purchase requirements, unless extended to include all federally backed mortgages, would not maximally spread risk nor entirely eliminate adverse selection
- Transitioning legacy NFIP products, practices, and operations could burden federal employees, participating communities, and additional program stakeholders

- NFIP's mapping activities, floodplain management standards, and CRS program would require significant investments in talent and technology in order to expand to multiple perils
- Critics of NFIP's Risk Rating 2.0 could express concerns about a federal rating methodology for multiple perils without significant improvements in transparency, community engagement, and a peer review process

**Option 3: A Cabinet-Level FEMA**

Another option to address natural catastrophe insurance would be to revamp the NFIP and expand it into a broader "National Catastrophe Insurance Program (NCIP)." The NFIP could be transferred from FEMA to a different federal agency with more capacity, or the NCIP could exist within a reorganized FEMA that is properly elevated and empowered to meet its mission of "helping people before, during and after disasters." Congress could enact the model offered in the Fixing Emergency Management for Americans (FEMA) Act, passing out of the House Committee on Transportation and Infrastructure in September 2025, which would move FEMA out of the Department of Homeland Security and establish it as a standalone cabinet-level agency.[13] NCIP would thus have to navigate a smaller bureaucracy and be positioned closer to the secretary level, benefitting its priority in prudent administration.

Building off of NFIP could result in efficiencies by maintaining a base of policyholders, external relationships with insurers, and internal institutional knowledge. Housing the new NCIP within the standalone FEMA could address the program's challenges without the significant undertaking required to move to a new agency or phase out NFIP entirely. Longstanding concerns about NFIP's burdensome administrative costs, Risk Rating 2.0's inaccuracies, and rapidly declining participation could be countered concertedly. By incorporating additional perils, the program would broaden its risk profile, collect more premiums, and potentially address its long-standing debt. NCIP could be mandatory for all properties in SHAs, mapping risk from multiple perils, rather than the limited SFHAs. Mandatory purchase, now scaled, could be easier for lenders to enforce. Mirroring the American Society of Civil Engineers (ASCE)'s new standard for flood-resistant design and construction, purchase requirements could be expanded to 500-year hazard areas, rather than the current 100-year floodplain. To maximally distribute risk, purchase requirements could instead include all properties with federally backed mortgages, agnostic of hazard areas.

NFIP's floodplain management requirements, guiding communities' construction and land use practices, could be broadened to address additional perils. Building and zoning code development, adoption, and enforcement nationally could be bolstered by NCIP activities. However, NCIP would have to balance perils that conflict, like higher winds at higher elevations. NFIP's legacy practices in risk mapping and managing the CRS program could be significantly modernized, creating a comprehensive program that allows communities to evaluate, communicate, and mitigate their multi-peril risk. NCIP could be tasked with developing a public-facing national catastrophe model for advanced risk awareness, leveraging extant contributions of other federal agencies, like the National Oceanic and Atmospheric Administration (NOAA) and the United States Geological Survey (USGS). Complementary FEMA programs, like pre-disaster Flood Mitigation Assistance (FMA) and post-disaster Public Assistance (PA), could be more clearly integrated into NCIP premiums, creating a systemic approach to disaster recovery, risk mitigation, and insurance affordability.

**Framework**

- **Perils:** Flood coverage would be immediately offered, then windstorms, wildfires, severe convective storms, and earthquakes would be phased in individually over 10 years
- **Distribution:** Like NFIP's WYO program, private insurers would distribute natural hazards policies on behalf of NCIP, separate from standard homeowners insurance policies

[13] Congress.gov, H.R.4669 - FEMA Act of 2025.

- **Participation:** Like NFIP's SFHAs, all property owners in SHAs would be required to maintain natural catastrophe coverage, as enforced by lenders
- **Underwriting:** Like NFIP, NCIP would set actuarially sound premiums, applying a consistent federal rating methodology based on geographic, property, and contract features; unlike Risk Rating 2.0, this methodology would be peer-reviewed and accept state and local data
- **Claims:** Like NFIP, insurance agents would intake claims; NCIP would adjust and pay claims
- **Oversight**: A cabinet-level FEMA, with an independent insurance advocate and a technical methodology advisory council, would administer the program
- **Affordability:** As proposed by NFIP, Congress could offer a means-tested affordability program, funded by an appropriation equivalent to reduced post-disaster expenditures, or a premium tax credit with an advance payment option
- **Mitigation:** NCIP would provide actuarially justified discounts for standardized property-level and community-wide mitigation measures, with an expanded CRS program; available discounts offered by NCIP would be communicated on declarations pages and through a digital tool; NCIP would have multi-peril management requirements for participating communities

**Benefits**

- The federal government would not need to stand up a new program, benefiting from efficiencies by expanding an existing one
- NFIP would benefit from a broader risk profile, more diversification, and elevated priority
- NCIP would benefit from an established legal framework, institutional knowledge, and back-end infrastructure
- Policyholders would receive a clear signal of natural hazard risk, with natural hazard premiums deconstructed from their standard homeowners policies.
- Policyholders would have more affordable standard homeowners policies, with natural hazard policies paid separately
- Policyholders with active coverage through NFIP could transition to the NCIP
- WYO participants could transition to the NCIP
- Private insurers would benefit through the elimination of their natural catastrophe claims and a reduction in their reinsurance costs
- Private insurers could continue to offer private natural catastrophe coverage, offering alternatives to NCIP's product, while benefiting from expanded mandatory purchase requirements
- Reinsurers who currently have contracts with NFIP could gain larger contracts under NCIP
- Insurance agents and brokers would earn commission on two types of policies
- Mitigation would be clearly and consistently incentivized through mandatory premium discounts, and community-wide resilience investments would be incorporated into underwriting
- NFIP's mapping activities, floodplain management standards, and CRS program could evolve into a more comprehensive multi-peril program within NCIP, without major changes in program oversight
- NFIP's Increased Cost of Compliance (ICC) coverage could be preserved, with coverage limits increased, as a resource to mitigate against future losses from multiple perils
- The FMA grant program could be preserved, with eligibility expanded to address multiple perils

**Challenges**

- NFIP's debt, unless forgiven by Congress or paid down by NCIP stakeholders, would continue to burden NCIP
- Congress could be hesitant to expand NFIP without first passing a long-term NFIP reauthorization and reform bill that stabilizes the existing program
- Ratemaking and programmatic decisions would not be immune from politicization or legislative intervention
- Policyholders would have to purchase and renew two separate policies, which perpetuates existing misunderstandings about homeowners insurance and barriers in purchasing a second policy
- SFA mapping, involving data collection, product development, community review, appeals, and resolution, could take decades to finalize, even with new technologies
- SHA determination, depending on accuracy and efficiency, could be beneficial or detrimental to NCIP by affecting the program's participation and perception of risk
- SHA-specific mandatory purchase requirement enforcement could burden lenders
- SHA-specific mandatory purchase requirements, unless extended to include all federally backed mortgages, would not maximally spread risk nor entirely eliminate adverse selection
- Some homeowners, especially those newly mapped into SHAs or previously lacking certain coverages, could experience significant premium increases
- Expanding legacy NFIP products, practices, and operations could burden federal employees, participating communities, and additional program stakeholders
- NFIP's mapping activities, floodplain management standards, and CRS program would require significant investments in talent and technology in order to expand to multiple perils
- Critics of NFIP's Risk Rating 2.0 could express concerns about a federal rating methodology for multiple perils without significant improvements in transparency, community engagement, and a peer review process

### Option 4: A New Congressional Commission

If Congress is unable to reach an agreement on a solution to natural catastrophe risk and insurance in the near term, an alternative option would be to create a nonpartisan commission to advise on challenges facing the insurance market and analyze natural catastrophe insurance policy options. Congressional commissions have historically been used to address complex issues, convene experts, create interparty consensus, and draft legislative recommendations. Membership of the commission should include stakeholders from both the public and private sectors, state insurance commissioners, floodplain managers, modelers, actuaries, insurance companies, reinsurers, think tanks, and consumer advocates. Secretaries, administrators, and directors overseeing FEMA, Treasury, HUD, FHFA, and other relevant federal decision makers should be involved to serve on or inform the commission.

In 2007, following Hurricanes Katrina, Rita, and Wilma, Sen. Chris Dodd (D-CT) introduced legislation to create a "Commission on Natural Catastrophe Risk Management and Insurance."[14] The bill affirmed that "an efficient and effective approach to assessing natural catastrophe risk management and insurance is to establish a nonpartisan commission to study the management of natural catastrophe risk, and to require such commission to timely report to Congress on its findings." The proposed commission would have consisted of 16 members with expertise in insurance, reinsurance, insurance regulation, policyholder concerns, emergency management, risk management, public finance, financial markets, actuarial analysis, flood mapping and planning, structural engineering, building standards, land

[14] Congress.gov, S. 2286, Commission on Natural Catastrophe Risk Management and Insurance Act of 2007.

use planning, natural catastrophes, meteorology, seismology, environmental issues, or other pertinent qualifications or experience.

A new congressional commission should be tasked with formalizing recommendations on potential mechanisms to enhance natural catastrophe risk coverage nationwide and related issues such as modeling and mitigation. The Commission would examine how the three options described above – and additional options listed below – affect each stakeholder group, including costs and benefits to the federal government, state governments, and local governments, the insurance sector, the financial sector, the housing market, property owners, and renters.

**Additional Policy Options**

- Federally authorized industry natural catastrophe insurance pools, like the pool authorized through the National Flood Insurance Act of 1968
- Federal lending to private insurers for the purpose of claims payment
- Federal reinsurance for state catastrophe funds
- Federal lending to state catastrophe funds
- Insurance company catastrophe reserving
- Homeowner catastrophe savings accounts
- Favorable tax treatment for catastrophe bonds
- Favorable tax treatment of, or otherwise incentivizing, private investment in risk mitigation
- Other options as determined appropriate by the commission

The commission would be created legislatively, setting a clear deadline for delivery of its report to Congress. In the interim, the GAO could also be tasked with studying these options through an update to their 2008 precedent, entitled "Natural Disasters: Public Policy Options for Changing the Federal Role in Natural Catastrophe Insurance." In this report, GAO examined: "(1) the rationale for and resources of federal and state programs that provide natural catastrophe insurance; (2) the extent to which Americans living in catastrophe-prone areas of the United States are uninsured and underinsured, and the types and amounts of federal payments to such individuals since the 2005 hurricanes; and (3) public policy options for revising the federal role in natural catastrophe insurance markets."[15]

## CONCLUSION

CSFI continues to prioritize the long-term reauthorization of the NFIP and commends all efforts of Congress, including the Senate Banking Committee Working Group, to advance this priority with urgency. As a part of a multi-year NFIP extension, CSFI believes that multi-peril insurance program models – inspired by legislative precedents, leading academics, and active international models – should be formally evaluated. A natural catastrophe program should strive to ameliorate private insurers' and policyholders' cost burdens simultaneously.

The options articulated above may serve to: (1) mitigate risk exposure; (2) improve risk distribution; and (3) reduce reinsurance costs. Importantly, we foresee that multi-peril approaches would maximize participation and reduce the insurance gap. These hypotheses should be verified by actuarial, economic, and predictive modeling, and benefit-cost analyses should be conducted on all options. For any option to be successful, input and expertise from a variety of stakeholders (insurers, reinsurers, regulators, floodplain managers, insurance agents, real estate agents, lenders, bankers, and more) would be required in assessing program feasibility, determining program design, and delivering program

[15] Government Accountability Office. Natural Disasters: Public Policy Options for Changing the Federal Role in Natural Catastrophe Insurance.

implementation.

A natural catastrophe insurance program should clearly incentivize risk mitigation through premium reduction. Moreover, NFIP's precedent of comprehensive risk management could be preserved or even expanded. For example, the CRS program for communities could be elevated to cover multiple perils, and the proposed Disaster Resiliency and Coverage Act could enact tax credits and award multi-peril mitigation grants for households.[16] If connected with complementary management and mitigation programs, a natural catastrophe insurance program could catalyze unprecedented, concerted investments that make our nation resistant to risk and affordably insurable for generations ahead.

16 Congress.gov, H.R.1105 - Disaster Resiliency and Coverage Act of 2025.

## APPENDIX I

### Questions for Further Examination

#### Perils

- What perils should be covered by each proposed natural catastrophe insurance program option, both at the onset and once the program is fully implemented?
- How would these perils be defined, and how would loss events for each peril be certified?
- How and when should additional perils be phased into the program?
- How would perils already incorporated into homeowners policies be handled?
- What data should be collected or obtained for each peril, before and after phase-in?
- How would inclusion of each peril affect premium charges or assessments for policyholders?
- How would inclusion of each peril affect the capital, operating, and claims costs of the program?
- How would inclusion of each peril affect projected federal savings?
- How would hazard mapping be handled for each peril, considering governance needs and technical capacity to address complexity and promote transparency?
- How would hazard mapping determinations for each peril be evaluated, communicated, certified, appealed, and corrected?
- Should any perils (i.e., earthquakes) be explicitly excluded from a federal program?

#### Distribution

- How would insurers responsible for distributing policies be recruited and retained?
- How would commissions be structured for private insurers and insurance agents?
- How could the additional workload from new policyholders be reduced for insurance agents?
- How could costs be minimized while maximizing existing distribution channels?
- What technologies or systems would be required to expand distribution?

#### Participation

- Could participation be mandated for all homeowners with a federally backed mortgage?
- Should hazard mapping or another trigger determine mandatory purchase?
- Should existing 1-in-100-year special hazard areas for mandatory purchase be expanded?
- How would mandatory purchase requirements be set for perils that are difficult to predict and map, like severe convective storms?
- If mandatory purchase is based on hazard mapping, how could time- and technology-intensive mapping and adoption processes be accelerated without sacrificing accuracy?
- How could enforcement by lenders be more effective and less burdensome?
- Should enforcement be handled by lenders or another stakeholder?

**Underwriting**

- Would the program have a single rating methodology to determine premiums, or would private insurers set premiums independently?
- Would premiums be calculated based on a national pricing model, or would there be state-specific calculations, like NFIP's current state base rates?
- How could collaboration be encouraged and transparency ensured in the development of a rating methodology?
- How would the rating methodology be reviewed, certified, and continuously improved?
- Would the program rely on a public catastrophe model or on third-party models?
- How would catastrophe models be developed, used, and maintained transparently, without infringing on proprietary information?
- Are there gaps in model accuracy or data availability that would benefit from a Grand Challenge?
- Are there gaps that would require a federally led development effort with ongoing management?
- What data sources would be needed, and who would ensure the accuracy of these sources?
- What assumptions would be required, and how would these assumptions be agreed upon?
- How would communities inform models and provide relevant community-wide data inputs?
- How would property and geographic risk factors be communicated to policyholders?
- How would policyholders ensure accuracy of their property and geographic risk factors?
- How would pricing for contents coverage be calculated, compared to building coverage?
- What other consumer protections should be in place to ensure fairness and accuracy in pricing?

**Claims**

- Would claims be paid to policyholders by the federal program or by participating insurers?
- Who would intake claims and handle claimant communications?
- Would the federal program or participating insurers deploy adjusters and process claims?
- What technologies could be integrated to improve claims-handling efficiency for policyholders and insurers respectively?
- How would the federal government support insurers in minimizing the impact of a national program and its potential claims payouts on required reserves?
- How would the program enable fair, timely, and efficient claims payouts to policyholders?
- What other consumer protections should be in place to ensure fairness and accuracy in claims management?

**Oversight**

- What agency would be best suited to oversee the federal program?
- What internal processes, structures, and personnel would be required for initial program

implementation and ongoing operations?

- How would recent staffing and programmatic changes at federal agencies affect their ability to oversee a program?
- What should be done to avoid rulemaking process delays as a program is implemented?
- How would premiums under a national risk-based pricing model compare to state-regulated rates?
- How would the NAIC be engaged to improve oversight and avoid overstep?

**Affordability**

- Should affordability benefits be funded by congressional appropriations or other sources?
- Would eligibility for affordability benefits be based on Area Median Income, Federal Poverty Level, or other criteria?
- Could housing burden be considered in benefit eligibility and benefit amount?
- Would policyholders self-certify their financial status and other eligibility criteria?
- How would personally identifiable information be collected and protected?
- Would data-share agreements between federal agencies be required?
- Would a premium tax credit be preferable to policyholders and insurers?
- Could premium tax credit advance payments be administered, while minimizing taxpayer exposure, to enable the purchase and renewal of policies?
- How would households at different income levels be affected differently by affordability options?
- Would premiums increase annually as property-level, community-level, and national risk increases?
- How would potential multi-year policies affect the ability of the program or insurer to change rates?
- Could a portion of net income earned by the program, or by participating insurers, be collected and redistributed for affordability benefits?
- Could other savings earned by the program, or by participating insurers, be collected and redistributed for affordability benefits?

**Mitigation**

- How have other countries integrated and incentivized risk reduction in their natural catastrophe insurance programs?
- Has an existing natural catastrophe insurance program collected funding into a general pool of risk reduction and then distributed funding for mitigation investments?
- Would the program provide specific eligibility criteria for mitigation assistance?
- Would the program, insurers, or a third party determine eligible types of mitigation measures and actuarily justify the appropriate size of discounts?
- How would mitigation measures and associated discounts be standardized and certified?
- Could the Insurance Institute for Business & Home Safety (IBHS) FORTIFIED Home standards for wind and fire be expanded to encompass flood mitigation interventions?

- How would other systems, like the American National Standards Institute (ANSI) and FM Approvals 2510 certifications or ASCE standards, be integrated into the program?
- How could NFIP's FMA grant program and ICC coverage be expanded to align with a multi-peril insurance program?
- How would the program incentivize collective risk reduction via community-wide projects and resilient infrastructure efforts?
- How should the federal government balance mitigation investments between individual properties and community-wide projects?
- How would available discounts be communicated to policyholders and communities respectively?
- How would individual property-level risk and community-wide collective risks be decoupled, communicated, and mitigated in accordance with their respective contribution to risk profiles?
- What complementary federal, state, and local programs further advance mitigation implementation?
- How would changes in insurance affordability affect mitigation implementation?
- How could costs of mitigation measures be made accessible for low-income individuals without means for upfront payments?
- How would mitigation be incentivized for renters and rental properties?
- Could the program facilitate mitigation measure financing through low-interest loans?
- How could financial institutions and private capital invest in mitigation measures incentivized by the program?
- How could assets under management of a program be used to finance mitigation investments?
- How could the insurance program, and its premiums, capture mitigation activities in an ongoing manner, as projects are completed?
- How would multi-jurisdictional mitigation (i.e., Louisiana's Coastal Master Plan) be integrated?
- Could participating insurers or the program at large enter into loss-mitigation partnerships with individual policyholders?
- How could the CRS program be expanded to effectively incentivize multi-peril mitigation?
- How much post-disaster costs could be saved through mitigation, and could these savings be reinvested into additional mitigation measures?
- Could a portion of net income earned by the program, or by participating insurers, be collected and redistributed for mitigation investments?
- Could other savings earned by the program, or by participating insurers, be collected and redistributed for mitigation investments?

**Assorted Questions**

- Are any national catastrophe insurance program options complementary, and could two or more program be implemented concurrently?
- For each program and their various design options, how would insurance affordability and the insurance gap be affected at the national, state, and local level?
- Should natural catastrophe coverage be incorporated within standard homeowners insurance

policies, offered as an endorsement, or offered as a separate policy?

- How would insurance uptake and underinsurance be affected by offering natural catastrophe coverage within a standard homeowners policy or as a second policy?
- How much coverage should be offered for buildings and contents, and should these limits be indexed with inflation?
- Would the program only be available for single-family homes, or would manufactured housing, multi-family buildings, or commercial buildings also be offered coverage?
- Would the program offer coverage for new construction in addition to existing structures?
- Would the program offer coverage for severe repetitive loss properties, and how would repetitive losses be defined?
- Would the program operate a buyout or relocation subprogram for severe repetitive loss properties?
- Could the program address the limited one-year term of insurance policies, possibly by conducting pilot programs for multi-year policies?
- For reinsurance programs, what would be the appropriate attachment points, limits, and premiums?
- For reinsurance programs, how would the individual insurer loss threshold, aggregate loss threshold, and deductibles be determined?
- For reinsurance programs, how would recoupment undermine the affordability of policies and effectiveness of the program?
- Would any additional fees and surcharges be required for policyholders or participating insurers?
- How should existing bodies of experts, like NFIP's Technical Mapping Advisory Committee, and ongoing federal initiatives, like FEMA's Future of Flood Risk Data Initiative, be leveraged to guide a new program?
- What additional stakeholders and interest groups should be considered to administratively or financially support the program?
- Who would manage a program's fund balance, and how would earned interest be distributed?
- How would a program affect the prevalence and risk of homelessness, particularly for uninsured populations whose homes are damaged from natural catastrophes?
- What charts, graphics, and illustrations could be developed to communicate the operations of program options and their processes (e.g., claims payment) for policyholders and all stakeholders?
- What lessons from relevant state legislative efforts, like the proposed Colorado wildfire catastrophe reinsurance enterprise, could be applied to a federal parallel?
- Is there a role for parametric policies and community-based insurance schemes in the program?
- How could a program be supported by catastrophe bonds and other emerging insurance-linked financial products?
- How could artificial intelligence and insurtech improve the program's overall efficiency and the effectiveness of risk mitigation?

# APPENDIX II

## Natural Catastrophe Programs in Other Jurisdictions

As the U.S. considers the future of its natural catastrophe risk insurance market, the experiences of international counterparts can provide valuable insights. As detailed below, other nations have developed a wide range of natural catastrophe insurance schemes with varying degrees of success.

### United Kingdom - Flood Re

To ensure the availability of flood insurance at affordable rates, the United Kingdom (UK) has created the Flood Re reinsurance program. The program, established in 2016, is intended to remain in place for 25 years and serve as a stopgap to facilitate the development of the private market. Flood Re is a not-for-profit fund owned by the insurance industry.

Under Flood Re, all insurers providing homeowners coverage in the UK are required to pay levies into the Flood Re Scheme, raising £135 million (approximately US$185 million) each year.

Similar to the NFIP, customers obtain their coverage directly from an insurer, and any claims are processed by the insurer, which then goes to Flood Re for reimbursement. However, Flood Re differs from the NFIP in that homeowners purchase a comprehensive policy, including flood coverage, rather than purchasing two separate policies.

Participating insurers can determine whether to cede the flood risk portion of policies to Flood Re and are charged a premium based on the property's Council Tax band if they do so.

Flood Re only provides coverage for residential properties and does not cover commercial properties. Notably, the program does not provide coverage for any structure built after January 1, 2009, to avoid incentivizing building in flood-prone areas.

The program is intended to provide coverage for properties at a significant risk of flooding. Per the Association of British Insurers, the program is expected to cover around 350,000 properties, representing about 2% of UK households.[17] Flood Re subsequently transfers risks to the private reinsurance market.[18]

In 2022, Flood Re launched its Build Back Better initiative, which allows policyholders with participating insurers to claim an additional reimbursement of up to £10,000 for resilience measures following flood damage.[19]

A study published in the Journal of Risk and Insurance found that the UK's Floor Re program successfully prevented declines in property values in high-risk or flooded areas.[20] The study found that before the introduction of Flood Re, flood events reduced property values by 1.6%. However, it noted that after the introduction of Flood Re, they did not observe a reduction in the values of flooded properties. Ultimately, the study found that on average, the introduction of Flood Re increased the value of flooded properties by £4083 (approximately US$5,400).

Similarly, the study found that before the introduction of Flood Re at-risk properties sold at a discount of 0.4%, but this discount vanishes after the introduction of Flood Re. The study notes that "The mitigating effects of Flood Re on prices of properties exposed to flood risk are stronger in areas with higher average income, education level, and age."

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17 Association of British Insurers, Flood Re Explained.

18 Swiss Re, Enabling available and affordable flood insurance for homeowners, United Kingdom: National flood insurance scheme.

19 Insurance Times, Flood Re reveals 'Build Back Better' scheme.

20 Journal of Risk and Insurance, The effect of subsidized flood insurance on real estate markets.

### Spain - Insurance Compensation Consortium/Consorcio de Compensacion de Seguros (CCS)

Spain's CCS was established in 1941 to address damages resulting from the Spanish Civil War. The program has been repeatedly expanded and reformed and currently provides coverage for damages resulting from extraordinary risks: natural disasters, terrorism, and actions of the armed forces.

The CCS is a Public Business Entity under the Ministry of Economy, Trade, and Enterprises. The CCS serves as a state-backed reinsurer, with the goal of mitigating the impact of severe natural and human-caused disasters on insurers, thereby ensuring the availability of coverage.

The program is financed through mandatory surcharges (1.5 per mille) on insurance policies.[21] Policyholders, with assistance from their insurer, can obtain reimbursement from the CCS for losses related to extraordinary risks. Policyholders must have an active insurance policy to be eligible for CCS reimbursement.

A Fitch report found that the CCS paid out the equivalent of €10.6 billion (approximately US$14.2 billion) in compensation for extraordinary risks from 1987 to 2022, with floods accounting for approximately 70% of payouts.

### France - Natural Catastrophe Compensation Scheme (NATCAT)

France's NATCAT Scheme provides for a national reinsurance program, under which the Caisse Centrale de Réassurance (CCR) provides unlimited reinsurance guarantees for losses above a certain threshold. The CCR covers multiple natural perils, including flood, drought, ground movements, earthquakes, strong winds, avalanches, volcanoes, and tsunamis, as well as terrorism risk.

NATCAT is funded through additional premiums applied to all insurance policies. In December 2023, the French government increased the additional premiums charged under NATCAT, effective January 1, 2025, to ensure the solvency of the program in the face of rising natural disaster costs.[22]

Unlike the NFIP and many other natural catastrophe programs, the NATCAT requires participation from all policyholders regardless of their risk exposure. Insurers are required to provide natural catastrophe coverage and can obtain reinsurance through the CCR.

### Australia - Australian Reinsurance Pool Corporation (ARPC)

Terrorism Reinsurance Pool

Following the 9/11 attacks, the Australian government established its own program similar to TRIP. The Terrorism Insurance Act established the ARPC to administer the Terrorism Reinsurance Pool. The pool provides a backstop in the event of a declared terrorist incident (DTI).

The Act gave insurers three options for addressing terrorism losses: carry the risk on their books, obtain commercial reinsurance, or reinsure the risk with the ARPC. Insurers obtaining reinsurance through the ARPC are required to pay premiums.

Similar to TRIP, insurers and industry deductibles must be met before claims can be made against the pool. The Australian Government offers the following summary of the loss mechanisms in the program:

> "ARPC's pool of retained earnings is used to pay claims up to the agreed private retrocession deductible ($225 million for the 2022 calendar year). Above this point, an additional $3.5 billion of claims are funded by the retrocession program with global reinsurers.
>
> Once retrocession is exhausted, claims are paid by the Commonwealth guarantee. A reduction percentage may be applied if this layer exceeds the $10 billion limit of the Commonwealth guarantee in the TCI Act." [23]

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21 Fitch Ratings, Spanish Floods Show How State-Backed Reinsurance Can Help Insurers Face Climate Risk.

22 Verlingue, Evolution of the CATNAT in France.

23 Australian Government, How ARPC's Terrorism Reinsurance Pool Operates.

Cyclone Pool

In 2022, the Australian Parliament amended the Terrorism Insurance Act to create a separate Cyclone Pool operated by the ARPC. The Cyclone Pool is intended to ensure the availability of coverage for cyclones and cyclone-related flood damage, particularly in the northern part of the country.

While the Terrorism Pool was focused primarily on commercial property, the Cyclone Pool covers household, strata, and small business property insurance. Covered insurers were required to join the cyclone pool. Policyholders choose their insurer, and the insurer manages claims.

The Cyclone Pool is funded by premiums imposed on insurers based on expected claims and operating expenses. The Cyclone Pool is supported by a $10 billion government guarantee. The Cyclone Pool provides discounts for home policies that have undertaken mitigation activities.[24]

**Caribbean and Central America – Caribbean Catastrophe Risk Insurance Facility (CCRIF)**

CCRIF was the first multi-country risk pool established in 2007, motivated by damage from 2004's Hurricane Ivan and a subsequent meeting between the Caribbean Community (CARICOM) Heads of Government. In 2014, the facility became a segregated portfolio company (SPC) to facilitate expansion into new products and geographic areas. CCRIF now has 35 members: 19 Caribbean governments, 4 Central American governments, 4 Caribbean electric utility companies; 7 Caribbean water utilities, and 1 tourist attraction.[25]

CCRIF is proven, having made 82 payouts totaling $483 million. About $277 million of these payouts have been for hurricanes. CCRIF only offers parametric insurance products for quick payouts and short-term liquidity. Each member can purchase coverage up to a limit of $100 million for each insured hazard. Payouts occur within 14 days. Each member selects their own attachment point, which affects their premium, and a payout is triggered when modeled loss for a hazard event equals or exceeds this attachment point.

CCRIF's value was highlighted in response to 2025's Hurricane Melissa. Jamaica, a member since CCRIF's founding, received two separate payouts – one payout of $70.8 million on the country's tropical cyclone policy and one payout of $21.1 million on the country's excess rainfall parametric insurance policy.[26]

CCRIF coverage is just one strategy in Jamaica's National Natural Disaster Risk Financing (NNDRF) Policy. Jamaica also has a Contingent Credit Facility (CCF) with the Inter-American Development Bank (IDB) for about $400 million. CCFs are contingent loans that are prepared in advance but are disbursed after the lender has verified the disaster and its intensity. Jamaica will have 25 years to pay this loan back.

Finally, Jamaica has a $150 million catastrophe bond from the capital markets, issued by the World Bank. 15 global investors backed this catastrophe bond. The parametric trigger for the bond is based on storm location and minimum central pressure, using data from the National Hurricane Center (NHC)'s forecasting system. Hurricane Melissa also triggered this payout.[27]

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24 Australian Government, Reinsurance Pools, The Cyclone Pool.

25 CCRIF SPC, About Us.

26 CCRIF SPC, CCRIF Announces 2nd Payout of US$21.1 Million (~J$3.4 billion) to Jamaica Following Hurricane Melissa – Bringing Total Payouts to US$91.9 Million (J$14.8 billion).

27 Artemis, Jamaica's PM credits disaster risk financing with reducing debt burden after Hurricane Melissa.

# APPENDIX III

## Select U.S. Legislation

### Homeowners' Defense Act

In January 2025, Rep. Frederica Wilson (D-FL) reintroduced the Homeowners' Defense Act (H.R. 827), which has been introduced in multiple Congresses going back to 2007.[28] The legislation was initially drafted in the aftermath of Hurricane Katrina.

The Homeowners' Defense Act would allow states to voluntarily participate in a federal program to provide reinsurance guarantees for eligible catastrophe programs. The legislation does not specify particular perils that must be covered or excluded but does provide differing coverage levels for earthquake coverage.

The bill would create the National Catastrophe Risk Consortium (NCRC) as a not-for-profit corporation, which would facilitate the pooling of natural catastrophe risk by states. The Secretary of the Treasury would chair the NCRC. The NCRC would be tasked with:

1. Working with States to gather and maintain an inventory of catastrophe risk obligations held by providers of natural catastrophe insurance;
2. Assessing issues or gaps in the insurance sector of the United States financial system and any related effects on insurance affordability for policyholders;
3. Advancing consistent, clear, intelligible, comparable, and accurate disclosure of catastrophic risk;
4. Submitting annual reports to Congress describing the activities of the Consortium for the preceding year, and the first such annual report shall include an assessment of the costs to States and the regions associated with catastrophe risk;
5. Assessing the potential for major disruptions of private insurance coverage in United States markets particularly vulnerable to catastrophes;
6. Making such other recommendations on how identified financial risk can be mitigated, including through new or revised regulatory standards, as appropriate; and
7. Accounting for and identifying disparate impacts of catastrophic risks on disadvantaged communities and communities of color.

Notably, recent versions of the bill do not contain a previously included provision allowing the NCRC to "issue securities and other financial instruments linked to the catastrophe risks insured or reinsured through members of the Consortium in the capital markets."[29] This would have allowed the NCRC to transfer risk to the private capital markets through insurance-linked securities and catastrophe bonds.

The bill would create a federal debt guarantee program for eligible state catastrophe programs. The Secretary of the Treasury would be authorized to enter into commitments to guarantee any debts issued by eligible state programs, provided the total principal amount of debt obligations guaranteed by the Secretary does not exceed:

- $3.5 billion for eligible state programs that cover earthquake peril; and
- $17 billion for eligible state programs that cover any other peril.

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28 Congress.gov, H.R. 827 - The Homeowners' Defense Act.

29 Congress.gov, H.R. 3355 - Homeowners' Defense Act.

The bill establishes eligibility criteria for state catastrophe programs around program design, operation, tax status, earnings, mitigation, coverage requirements, land use and zoning, and risk-based capital requirements.

The Treasury Department would establish reinsurance attachment thresholds for covered state insurance programs. Each contract for reinsurance coverage under this title shall provide that the amount paid out under the contract shall be equal to at least 80%, but not more than 90%, of the amount of insured losses of the eligible State program in excess of the amount of retained losses that the contract requires. The bill would establish a Federal Natural Catastrophe Reinsurance Fund, which would be credited with the amounts received annually from the sale of contracts for reinsurance coverage.

The legislation would also create a Mitigation Grant Program administered by the Department of Housing and Urban Development.

### Incorporating National Support for Unprecedented Risks and Emergencies (INSURE) Act

In January 2024, then-Rep. Adam Schiff (D-CA) introduced the Incorporating National Support for Unprecedented Risks and Emergencies (INSURE) Act (H.R. 6944).[30]

The bill would direct the Secretary of the Treasury to create a catastrophic property loss reinsurance program within four years of the bill's enactment. To be eligible to participate, an insurer must: (1) offer all-perils property insurance for residential or commercial properties; and (2) offer a loss prevention partnership with the policyholder to encourage investments and activities that reduce insured and economic losses from a catastrophe peril.

The legislation would phase in different perils, with flood coverage required within 4 years, wind and hurricane coverage within 5 years, severe convective storm and wildfire coverage within 6 years, and earthquake coverage within 8 years.

The bill would require the Treasury Department to establish a threshold for payment, which would be "an amount not greater than 40% of the probable maximum loss of an individual participating insurer for each catastrophe peril included in the Program." Participating insurers would be required to pay a premium based on expected average annual losses. The legislation would direct the Secretary of the Treasury to establish a plan for quarterly reporting of policy-level claim transaction data by participating insurers.

The Secretary would be required to establish a grant program to states to incentivize mitigation, for which the bill initially authorizes $50 billion in the first year and incrementally increases to $70 billion in the fifth year. The Secretary would also be required to establish a grant program for states to provide financial assistance to low-income consumers, for which the bill authorizes $50 billion annually.

The bill would also establish a pilot program for all-perils property insurance policies with a policy term of at least 5 years.

### Natural Disaster Risk Reinsurance Program Act of 2023

In 2023, Rep. Jared Moskovitz (D-FL) introduced the Natural Disaster Risk Reinsurance Program Act (H.R. 3525)[31], which directs the Treasury Department to create a Natural Disaster Risk Reinsurance Program.

The bill would allow, but not require, states to participate in a program that provides payments to states for damages from a natural disaster not covered by the National Flood Insurance Program for amounts in excess of trigger amounts. The National Academy of Sciences would calculate the trigger amounts.

30 Congress.gov, H.R. 6944 - INSURE Act.

31 Congress.gov, H.R. 3525 - The Natural Disaster Risk Reinsurance Program Act.

The Treasury Secretary would be authorized to issue bonds to cover the cost of any payments.

At the time, Rep. Moskovitz highlighted that the program is intended to "only apply to truly exceptional natural disasters, not for daily claims."[32]

### Disaster Learning and Life Saving Act of 2023

In 2023, Sens. Cassidy (R-LA) and Schatz (D-HI) introduced the bipartisan Disaster Learning and Life Saving Act (S. 3338), which would establish the National Disaster Safety Board (NDSB). NDSB would study the underlying causes of disaster-related fatalities and property damage and make recommendations to all levels of government on how communities can become more resilient to the impacts of disasters.[33] The bill would authorize appropriations of $25 million in year one, rising to $60 million in year four. Companion legislation (H.R. 6450) was introduced by Reps. Porter (D-CA) and Mace (R-SC).[34]

### Natural Disaster Reinsurance Act of 2016

In 2016, Rep. Jolly (R-FL) introduced the Natural Disaster Reinsurance Act of 2016 (H.R. 4947), which directs the Treasury Department to provide reinsurance contracts for eligible state natural catastrophe insurance programs.[35] The perils covered by the reinsurance program would include floods, earthquakes, perils ensuing from earthquakes (fire and tsunamis), hurricanes, tornadoes, volcanic eruptions, and catastrophic winter storms.

The legislation would require state insurance programs to meet minimum standards for mitigation investments to obtain eligibility. The reinsurance contracts under the program would have retained losses requirements. The legislation also included provisions intended to ensure that the federal reinsurance program does not compete with or displace private sector reinsurance.

The legislation would authorize the program to operate for ten years and would allow the Secretary of the Treasury to extend the program for an additional five years if deemed necessary.

The bill would also establish the National Commission on Catastrophe Preparation and Protection, which would be tasked with aiding the Treasury Secretary with (1) the development and implementation of public education concerning the risks posed by natural catastrophes; (2) the development and implementation of prevention, mitigation, recovery, and rebuilding standards that better prepare and protect the United States from catastrophes; (3) the establishment of requirements to ensure that cost savings resulting from this Act inure to the benefit of consumers; and (4) conducting continuous analysis of the effectiveness of this Act and recommending improvements to the Congress so that the costs of providing catastrophe protection are decreased and so that the United States is better prepared.

### Multiple Peril Insurance Act

In 2010, the House Financial Services Committee advanced Rep. Gene Taylor's (D-MS) Multiple Peril Insurance Act (H.R. 1264), but the bill was ultimately not voted on by the full House.[36]

The Multiple Peril Insurance Act would have expanded the NFIP to allow it to offer: (1) optional multiple peril coverage for both flooding and wind damage; and (2) optional separate coverage solely for wind

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32 Rep. Jared Moskovitz, Moskowitz Reintroduces Bill to Reduce Cost of Homeowners Insurance.

33 Congress.gov, S. 3338 - the Disaster Learning and Life Saving Act of 2023.

34 Congress.gov, H.R. 6450 - the National Disaster Safety Board Act of 2023.

35 Congress.gov, H.R. 4947 - the Natural Disaster Reinsurance Act of 2016.

36 Congress.gov, H.R. 1264 - The Multiple Peril Insurance Act.

damage. Windstorm coverage would only be available for properties with flood insurance coverage. The legislation required that windstorm insurance be provided at actuarially sound rates.

### Homeowners' Insurance Availability Act of 1998

Rep. Rick Lazio (R-NY) introduced the Homeowners' Insurance Availability Act of 1998 (H.R. 219), which would direct the Secretary of the Treasury to offer reinsurance coverage contracts to eligible State-operated insurance programs as well as private insurers.[37]

Reinsurance would be provided for covered perils – earthquakes, perils ensuing from earthquakes, tropical cyclones, and volcanic eruptions – under the condition that this coverage minimizes the administrative costs of the federal government and does not displace private insurance, reinsurance, or capital markets. The annual amount paid by the Secretary would be capped at $25 billion, as adjusted for inflation. To be eligible, State programs would have to apply at least 10% of net investment income to mitigate disaster losses.

A National Commission on Catastrophe Risks and Insurance Loss Costs would advise the Secretary on estimated loss costs associated with the contracts. The Secretary would be responsible for delivering a public report on the cost and availability of homeowners' insurance for losses resulting from catastrophic natural disasters covered by the reinsurance program.

The House Banking and Financial Services Committee advanced the 1998 bill by a 33-12 vote. The bill was reintroduced in 2000, 2002, 2003, 2005, and 2007.

[37] Congress.gov, H.R.219 - Homeowners' Insurance Availability Act of 1998.