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118TH CONGRESS
1ST SESSION

H. R. 1306

To provide for greater transfer of risk under the National Flood Insurance Program to private capital and reinsurance markets, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 2023

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

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A BILL

To provide for greater transfer of risk under the National Flood Insurance Program to private capital and reinsurance markets, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Taxpayer Exposure Mitigation Act''.

SEC. 2. RISK TRANSFER REQUIREMENT.

Subsection (e) of section 1345 of the National Flood Insurance Act of 1968 (42 U.S.C. 4081(e)) is amended—

(1) by striking ''(e) RISK TRANSFER.—The Administrator'' and inserting the following:

"(e) RISK TRANSFER.—

"(1) AUTHORITY.—The Administrator"; and

(2) by adding at the end the following new paragraph:

"(2) REQUIRED RISK TRANSFER COVERAGE.—

"(A) REQUIREMENT.—Not later than the expiration of the 18-month period beginning upon the date of the enactment of this paragraph and at all times thereafter, the Administrator shall annually cede a portion of the risk of the flood insurance program under this title to the private reinsurance or capital markets, or any combination thereof, and at rates and terms that the Administrator determines to be reasonable and appropriate, in an amount that—

"(i) is sufficient to maintain the ability of the program to pay claims; and

"(ii) manages and limits the annual exposure of the flood insurance program to flood losses in accordance with the probable maximum loss target established for such year under subparagraph (B).

"(B) PROBABLE MAXIMUM LOSS TARGET.—The Administrator shall for each fiscal year, establish a probable maximum loss target for the national flood insurance program that shall be the maximum probable loss under the national flood insurance program that is expected to occur in such fiscal year.

"(C) CONSIDERATIONS.—In establishing the probable maximum loss target under subparagraph (B) for each fiscal year and carrying out subparagraph (A), the Administrator shall consider—

"(i) the probable maximum loss targets for other United States public natural catastrophe insurance programs, including as State wind pools and earthquake programs;

"(ii) the probable maximum loss targets of other risk management organizations, including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation;

"(iii) catastrophic, actuarial, and other appropriate data modeling results of the national flood insurance program portfolio;

"(iv) the availability of funds in the National Flood Insurance Fund established under section 1310 (42 U.S.C. 4017);

"(v) the availability of funds in the National Flood Insurance Reserve Fund established under section 1310A (42 U.S.C. 4017a);

"(vi) the availability of borrowing authority under section 1309 (42 U.S.C. 4016);

"(vii) the ability of the Administrator to repay outstanding debt;

"(viii) amounts appropriated to the Administrator to carry out the national flood insurance program;

"(ix) reinsurance, capital markets, catastrophe bonds, collateralized reinsurance, resilience bonds, and other insurance-linked securities, and other risk transfer opportunities; and

"(x) any other factor the Administrator determines appropriate.

"(D) MULTI-YEAR CONTRACTS.—Nothing in this paragraph may be construed to prevent or prohibit the Administrator from complying with the requirement under subparagraph (A) regarding ceding risk through contracts having a duration longer than one year.''.

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