

117TH CONGRESS
1ST SESSION

H. R. 3417

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

MAY 20, 2021

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

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.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Taxpayer Exposure
5 Mitigation Act”.

6 **SEC. 2. RISK TRANSFER REQUIREMENT.**

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

9 (1) by striking “(e) RISK TRANSFER.—The Ad-
10 ministrator” and inserting the following:

1 “(e) RISK TRANSFER.—

2 “(1) AUTHORITY.—The Administrator”; and

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

5 “(2) REQUIRED RISK TRANSFER COVERAGE.—

6 “(A) REQUIREMENT.—Not later than the
7 expiration of the 18-month period beginning
8 upon the date of the enactment of this para-
9 graph and at all times thereafter, the Adminis-
10 trator shall annually cede a portion of the risk
11 of the flood insurance program under this title
12 to the private reinsurance or capital markets, or
13 any combination thereof, and at rates and
14 terms that the Administrator determines to be
15 reasonable and appropriate, in an amount
16 that—

17 “(i) is sufficient to maintain the abil-
18 ity of the program to pay claims; and

19 “(ii) manages and limits the annual
20 exposure of the flood insurance program to
21 flood losses in accordance with the prob-
22 able maximum loss target established for
23 such year under subparagraph (B).

24 “(B) PROBABLE MAXIMUM LOSS TAR-
25 GET.—The Administrator shall for each fiscal

1 year, establish a probable maximum loss target
2 for the national flood insurance program that
3 shall be the maximum probable loss under the
4 national flood insurance program that is ex-
5 pected to occur in such fiscal year.

6 “(C) CONSIDERATIONS.—In establishing
7 the probable maximum loss target under sub-
8 paragraph (B) for each fiscal year and carrying
9 out subparagraph (A), the Administrator shall
10 consider—

11 “(i) the probable maximum loss tar-
12 gets for other United States public natural
13 catastrophe insurance programs, including
14 as State wind pools and earthquake pro-
15 grams;

16 “(ii) the probable maximum loss tar-
17 gets of other risk management organiza-
18 tions, including the Federal National Mort-
19 gage Association and the Federal Home
20 Loan Mortgage Corporation;

21 “(iii) catastrophic, actuarial, and
22 other appropriate data modeling results of
23 the national flood insurance program port-
24 folio;

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

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

8 “(vi) the availability of borrowing au-
9 thority under section 1309 (42 U.S.C.
10 4016);

11 “(vii) the ability of the Administrator
12 to repay outstanding debt;

13 “(viii) amounts appropriated to the
14 Administrator to carry out the national
15 flood insurance program;

16 “(ix) reinsurance, capital markets, ca-
17 tastrophe bonds, collateralized reinsurance,
18 resilience bonds, and other insurance-
19 linked securities, and other risk transfer
20 opportunities; and

21 “(x) any other factor the Adminis-
22 trator determines appropriate.

23 “(D) MULTI-YEAR CONTRACTS.—Nothing
24 in this paragraph may be construed to prevent
25 or prohibit the Administrator from complying

1 with the requirement under subparagraph (A)
2 regarding ceding risk through contracts having
3 a duration longer than one year.”.

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