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## An Agenda to Prepare for and Protect America from Catastrophe

America can do a better job preparing and protecting her citizens from natural catastrophes. ProtectingAmerica.org supports a comprehensive, integrated approach that will provide more protection at lower cost to consumers, improve preparedness, mitigate the impact of a catastrophe on our economy and reduce the financial burden on consumers and taxpayers. The solution should include five key elements:

### Financial Protection for Consumers

- ◆ Strengthen financial protection for consumers by establishing catastrophe funds (CAT Funds) at the state and national level. CAT Funds would provide a backstop to the insurance protection provided by private insurers and help pay claims arising from major disasters once a threshold is exceeded.
- ◆ At the state level, create CAT Funds based on the model bill adopted by the National Conference of Insurance Legislators (NCOIL). The NCOIL bill is based on the Florida CAT Fund. State CAT Funds would sell reinsurance to all property and casualty insurers doing business in the state. The money paid by insurers into the Fund stays in the state and grows tax-free. Once an insurance company has paid a specified amount in claims, the Fund pays a percentage of the claims above that amount.
- ◆ At the federal level, Congress should pass H.R. 4366, which provides a backstop for state catastrophe funds through a national catastrophe fund. The national backstop would be administered by the Treasury Department to provide an added layer of protection for state catastrophe funds in the event a major catastrophe exhausts the state fund's financial capacity. State CAT Funds could not tap into the national catastrophe fund until both private insurers and the state CAT Fund meet their financial obligations.

### Recovery and Rebuilding

- ◆ Improve the process of relief, recovery and rebuilding by developing new processes to stage and deploy essential relief materials and to make sure there are adequate building materials, supplies and licensed contractors available in the aftermath of a catastrophe.
- ◆ The federal and state catastrophe funds would establish new programs and processes that aid in the relief, recovery and rebuilding process.
- ◆ These efforts could include:
  - Better and more coordination among FEMA, state and local governments.
  - Better and more coordination among private relief agencies, insurance companies and policyholders.
  - Creation of staging areas so that adjustors, contractors, suppliers, FEMA, law enforcement, charities can all be centrally located so consumers can "one stop shop" for all their recovery needs.

- FEMA waiver of rules or guidelines that hinder the expedited processing of claims.
- State waiver of or temporary suspension of licensing requirements to allow out-of-state contractors into the state.
- FEMA creation of a national contractor license to facilitate contractor access to damaged areas.
- Better coordination among insurers, local officials and FEMA to facilitate quicker access to damaged areas.
- Consider development of Alternative Dispute Resolutions programs to promptly settle disputes that may arise.

### **Prevention and Mitigation**

- ◆ Strengthen prevention and mitigation programs through stronger building codes and better enforcement to require new construction to better meet the challenges of catastrophic events. Prevention and mitigation programs save lives and protect property.
- ◆ Under the state CAT Fund laws the Legislature would:
  - Appropriate from the investment income of the fund an amount to be determined by the state (e.g., 10 percent of the investment income earned by the fund) for the purpose of providing funding for first responders, local governments, state agencies, public and private educational institutions, and nonprofit organizations and charities to develop and/or support programs intended to:
    - Improve catastrophe preparedness.
    - Prevent and reduce potential losses from a covered loss.
    - Provide research into means to prevent and reduce such losses.
    - Educate or inform the public as to means to reduce losses from covered events.
    - Assist the public in determining the appropriateness of particular upgrades to structures or in the financing of such upgrades.
    - Providing funding for the enforcement of catastrophe appropriate building codes.
    - Protect local infrastructure from potential damage from a covered loss.
- ◆ State and federal legislation should include the following provisions for prevention and mitigation:
  - Creation of an advisory council specifically charged with the creation, implementation and enforcement of prevention and mitigation programs and guidelines. These include:
    - The development and implementation of modern state building codes appropriate for the risk with no allowance for weaker codes to be adopted by local communities.
    - Adequate enforcement of risk appropriate building codes.
    - Building materials that prevent or significantly reduce potential damage.
    - Focus on prevention and mitigation for any substantially damaged structure.
    - Innovation to retrofit existing homes.

### **Consumer Protecting and Education**

- ◆ Improve consumer education and consumer protections to make sure people are better prepared for catastrophes before they strike and to empower them to guard against scam artists who take advantage of families at their deepest time of need.
- ◆ The federal bill conditions participation by the states on the state enacting and enforcing tough anti-gouging laws so that consumers are protected against predators.
- ◆ Both the federal and state bills stress the need for consumer education. The Advisory Council shall develop and implement consumer education standards.

### **Continuous Improvement**

- ◆ Create a rigorous process of continuous improvement by establishing a commission of local, state and federal officials along with the private sector to review and assess recovery efforts after every disaster to identify ways to continually improve our ability to recover from catastrophes.
- ◆ Both the federal and state bills contain continuous improvement provisions. The federal bill creates a high level Commission to deal with this issue and gives the Secretary of the Treasury the authority to promulgate regulations. Furthermore, the bill states:
  - The Commission shall meet for the purposes of advising the Secretary regarding the estimated loss costs associated with the contracts for reinsurance coverage and developing and implementing prevention, mitigation, recovery and rebuilding standards. The Commission will be charged with continuous analysis of the effectiveness of the Act and recommending improvements to Congress.
  - The Secretary of the Treasury shall conduct an annual study on the cost and availability of homeowners' insurance for losses resulting from catastrophic natural disasters covered by the reinsurance program as well as reporting on the efforts of the participating states in enacting prevention, mitigation, recovery and rebuilding standards.
  - State Advisory Councils should report their findings to their legislatures on an annual basis.