



The "Four Pillars" Coastal Hurricane Wind Zone Plan

Insuring homes along the Atlantic and Gulf coasts is a serious economic challenge for consumers, policymakers and the insurance industry that needs to be addressed. With more than half of all Americans living within 50 miles of the nation's coasts, and the value of coastal properties from Texas to Maine nearing \$7 trillion, financial vulnerability to violent storms has increased dramatically.

The "Four Pillars" Coastal Hurricane Wind Zone Plan is a comprehensive set of legislative principles that, adopted together, would create a stable, market-based insurance system to make named storm wind coverage available and affordable for residents in harm's way, and would do so without relying on taxpayer subsidy.

The "Four Pillars" include:

Regulatory Stability

- Creation of four coastal zones: Gulf, Florida, Southeast & Northeast
- Independent federal oversight of homeowners insurance market for "named storm" coverage
- Continued state regulation of all other perils

Benefits

- Zone approach results in a greater ability to spread risk
- Improved insurance availability due to stable and consistent regulatory environment
- Reduced reliance on residual markets

Rating Transparency

- Approved standards for use in setting risk-based, actuarially sound rates and certification of wind risk models
- Competitive market through individual company rating plans filed with an independent federal board
- Prospective premium credits would apply if models and actual experience become misaligned over time

Benefits

- Better public awareness of risks faced and how rates are developed
- Properly capitalized companies to ensure payment of losses
- Avoids the sense that insurers are "winning" and customers are "losing"

Federal Reinsurance Mechanism for Extreme Events

- Reinsurance funded by actuarially-based rates paid by insurers with savings passed on to customers
- No taxpayer subsidy
- Ability for federal board to adjust reinsurance level up or down based on storm activity and market need

Benefits

- Improved affordability for consumers by reducing costs of reinsurance for extreme events that are included in premiums
- Improved availability for consumers since insurers with access to stable reinsurance coverage for extreme events will be willing to insure more coastal homes
- Eliminates subsidization of coastal losses by non-coastal customers

Stronger Homes to Withstand Severe Wind

- Federal guidelines for enforced building codes and land use planning with adoption incentives
- Meaningful premium credits to homeowners for taking steps to fortify property
- Consideration of state and local property tax incentives for retrofitting houses

Benefits

- Rewards homeowners for protecting property from wind damage
- Enforcement of stronger building codes and retrofits resulting in safer homes and lower losses, reducing the overall cost of insurance
- Provides incentive to build or retrofit homes to withstand severe weather