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It's time to stand behind national catastrophe fund

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Florida's homeowners would save about \$4 billion on their annual homeowners' insurance bills if Congress were to enact legislation endorsed by the state's policymakers and embraced by President Barack Obama. Now is the time for those homeowners to show support for the program.

With the 2009 Atlantic hurricane season upon us, the time to act is now. Florida can't wait. America can't wait.

The relief provided by the establishment of a national catastrophe fund that would stand behind the Florida Hurricane Catastrophe Fund would amount to an annual savings of about \$538 for every homeowner in the Sunshine State. These would be annual savings that would, by law, be required to be passed on to consumers.

A national catastrophe backstop would provide financial coverage to state catastrophe funds, like the Florida Hurricane Catastrophe Fund, in the event that a massive storm or other natural disaster was to occur. The national catastrophe fund would replace some, but not all, of the costly and unregulated reinsurance that is the cause of much of the increase in the price of homeowners' insurance.

The House of Representatives took great strides when it passed the Homeowners Defense Act of 2007. Unfortunately, the bill ran into resistance from the Bush administration, primarily out of misunderstanding, and the bill was not considered by the Senate before the session ended. Fortunately, the political and economic landscape has changed dramatically, and the prospects for action on this critical issue are much more hopeful.

Distaste for bailouts

A catastrophic event, be it an earthquake under one of our great cities in America's heartland or on the West Coast, or a massive hurricane making landfall in Florida or near any of the metropolitan areas from New York City to Houston, would cause such enormous damage that our economy would be rocked, private resources would be quickly depleted and a federal bailout of potentially hundreds of billions of dollars would be required.

Needless to say, the American taxpayers have lost their appetite for bailouts. They would be far better served by a program that uses private insurance dollars to pre-fund coverage for the eventuality of a natural catastrophe.

That's just what a national catastrophe fund would do. It would immediately utilize private insurance company deposits from state catastrophe funds to create a backstop that would stand behind the insurance market for the day that the unthinkable, but inevitable, storm or earthquake strikes.

This is a responsible approach that recognizes the threat and sets aside the money to deal with it. The political environment for this issue has never been more favorable. The bipartisan commitment to the cause is extraordinary. Gov. Charlie Crist has made the creation of a national catastrophe backstop a priority and has worked with federal officials from both parties to make it a reality.

State leadership

U.S. Rep. Ron Klein, a Democrat who represents the coastal district from Jupiter to Boca Raton, was principal sponsor of the Homeowners' Defense Act and has been the leading advocate for the program in Congress. He is expected to soon introduce the 2009 version of the bill. Klein's efforts have been assisted by Republican Rep. Ginny Brown-Waite, who has long been a supporter, and sponsor, of legislation to create a national catastrophe fund.

Sen. Bill Nelson, who has brought a deep and thorough understanding of insurance issues to the U.S. Senate, also has been a leader on this issue.

Most importantly, Obama has made a full and public commitment to enacting the Homeowners' Defense Act. While campaigning in Florida, Obama was unequivocal in his support for the program.

He even took the unusual step of writing an opinion piece, where he noted, "I strongly support the Homeowners' Defense Act. It would stabilize skyrocketing insurance rates and provide a common-sense federal backstop in the event of a major natural disaster. I've long been a supporter of a National Catastrophic Insurance plan, and the time to act is now, before another disaster strikes.

"Hurricanes, tornadoes, blizzards, fires and earthquakes can happen anywhere. And when a risk is so large that the insurance market and individual states can't reasonably bear it, it's the role of the federal government to step in, as we've done to insure against acts of terrorism. Because when a catastrophe strikes, we all look out for one another. That's why I am proud to add my name to this bill, and that's why I'll sign it into law as president."

No more powerful or committed political team has ever backed the creation of a national catastrophe fund. Homeowners across America should urge Congress to take the action we need now, before, as the president said, the next catastrophe strikes.

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