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Spread risk with national disaster fund

By Barack Obama
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In times of great tragedy, Americans look out for one another. It's that core value that says, "I am my brother's keeper; I am my sister's keeper." We saw it last week in the aftermath of Hurricane Gustav. And because future hurricanes and other natural disasters will challenge us again, it's time to come together as Americans and create a common-sense national catastrophe insurance system, so that no family, neighborhood, city or state is left to bear the full burden of these events alone.

Floridians know as well as anyone that the current property insurance market isn't working. In some cases, property insurance rates have spiked by as much as 600 percent. As gas prices skyrocket and the economy weakens, that's more than working families in Florida can bear.

The Florida Hurricane Catastrophe Fund, which provides reinsurance to insurance companies in the case of a natural disaster, is dangerously overexposed. To shore it up, Floridians — already facing a budget shortfall — are paying Warren Buffett a quarter of a billion dollars just for the option to borrow money if disaster strikes. And even then, the Cat Fund wouldn't have enough to cover its estimated \$28-billion in exposure should a major hurricane hit.

But disaster insurance isn't just an issue facing Floridians: It's an issue facing Americans across the country. This time, it was Hurricane Gustav hitting Louisiana. Next time, it could be a wildfire raging in Colorado or tornadoes tearing across Missouri. California residents saw the same type of premium increases after the Northridge earthquake of 1994 that Floridians saw in the wake of Hurricane Andrew and the brutal 2004 and 2005 hurricane seasons. Hurricane Katrina recovery cost each American taxpayer more than \$800 in part because we lacked an efficient national solution. Natural disasters are a national problem.

That's why 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. Earlier this year, the House passed a version of this bill which was supported by all 25 members of

Florida's congressional delegation — Democrats and Republicans alike. Yet John McCain and President Bush still oppose it.

The bill would do two things. First, it would allow states to opt in to a national consortium with other states to pool their risk and transfer that risk to the private market in the form of catastrophe bonds. Second, it would create direct loan programs within the Department of the Treasury to provide funds to states suffering from certain levels of disaster-incurred losses. The consortium would be run by an independent entity, chaired by appointees from the secretary of Treasury, secretary of Commerce and secretary of Homeland Security.

I'll also fight to add sufficient provisions encouraging states and homeowners to take steps to mitigate the effects of natural disasters, including compliance with appropriate building codes and development of comprehensive land use and zoning plans so we're not subsidizing irresponsible construction. The effect would be to spread disaster risk, offering relief to homeowners struggling to afford ever-increasing premiums.

Sen. McCain's opposition to the national Cat fund shows that he just doesn't understand how to offer relief to Florida homeowners. Earlier this year, he boasted about his opposition, saying that an "insurance policy is there, and it's called FEMA," even though underwriting and paying insurance claims aren't part of FEMA's mission. Later, he claimed he was opposed to the bill because he was "not in favor of spending \$200-billion a year simply for the state of Florida," even though the nonpartisan Congressional Budget Office estimated the full cost as a fraction of that and the fund would benefit any state facing a catastrophic loss. Most recently, he suggested instead creating a regional compact in which only the gulf states pool their risk. But that gets the fundamental principle completely backward — the idea is to spread the risk, not concentrate it.

Katrina showed us the consequences of an administration that doesn't understand disaster relief, and we can't afford four more years of the same. 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.

Illinois Sen. Barack Obama is the Democratic nominee for president.