Glimmer of hope for windstorm rate relief
Miami Herald Editorial
November 13, 2007

Stung by exorbitantly priced windstorm insurance, Floridians haven't had much hope for relief from Congress in years. Now there is some. Last week the U.S. House passed an innovative national catastrophe-fund bill that would help states at risk of disasters -- and many other U.S. residents, as well. Passage should give impetus to a companion bill recently filed in the Senate.

Approach is sound

This plan would benefit people threatened by hurricanes, earthquakes, tornadoes and other natural disasters. The bill, HR 3355, aims to lower the cost of homeowner insurance by allowing states to pool funds and better manage disaster risk using private-capital markets. Democratic Reps. Ron Klein of Boca Raton and Tim Mahoney of Palm Beach Gardens came up with the idea of a national disaster backstop that does not rely on federal support.

The approach is sound. It would encourage states that have catastrophe funds, like Florida and California, to pool their disaster risk in a consortium. The consortium would sell bonds and buy reinsurance to cover potential disaster losses. The mix of geographical areas and disaster types would spread the collective risk and cut costs. The bill also would also create a federal loan program for state-insurance funds facing shortfalls after a disaster.

Ultimately the bill should stabilize the property-insurance market and pass on savings to consumers in the form of lower rates.

Midwestern critics say they don't want to subsidize at-risk states like Florida. Yet they don't complain when, after the Mississippi River floods, others subsidize their federal flood insurance. The White House threatened a veto because the bill would "create an implicit guarantee" of a "government backstop." These are bogus arguments.

The implicit guarantee exists now. The prime example is the more than $100 billion in aid authorized by the White House and Congress in the wake of Hurricane Katrina. That ad hoc approach encourages abuse and wasteful spending. This plan would create an orderly means of financing disaster losses using the private market, which is far more fiscally responsible.

Nelson-Clinton bill

In fact, the private market just isn't working. Windstorm insurers have long red-lined areas of Florida and are now doing the same along the Eastern Seaboard. Few Californians can afford earthquake policies. The beauty of this proposal is that it does what the market should do: Spread and manage the risk, not avoid it as insurers are doing.

Now the debate moves to the Senate. Sens. Bill Nelson of Florida and Hillary Clinton of New York are sponsoring this version of the bill. Congress should approve the bill and lessen the knee-jerk misspending of money after horrific disasters. All U.S. residents would benefit.

Wildfires boost Florida's case for national catastrophe fund

By WILLIAM E. GIBSON and KATHY BUSHOUSE | South Florida Sun-Sentinel
November 5, 2007

WASHINGTON — The wildfires that ravaged tracts in Southern California are bolstering attempts in Congress to create a national catastrophe fund to help ease the cost of homeowner insurance.

At the least, the blazes have helped Florida members of Congress make the case disaster insurance is not just a concern in hurricane-prone Florida. The fires in California and recent tornadoes in the Midwest give some momentum for their bill to establish a national fund, which is scheduled to come to the House floor this week.

Democratic leaders are pushing the bill along a fast track to show they are addressing homeowner concerns about the cost and limited availability of insurance in storm-prone areas. The Senate, however, is taking a more cautious approach, while the White House and much of the insurance industry firmly oppose the House bill.

"Catastrophic events are not just about hurricanes. It's about fires, tornadoes, earthquakes," said James Lee Witt, former director of the Federal Emergency Management Agency. "The more people we can get insured at lower rates, the faster those communities and individuals will recover. If we can do this on a national level, it will take the burden off taxpayers who have to fund a recovery."

The House bill — sponsored by Democratic Reps. Tim Mahoney of Palm Beach Gardens and Ron Klein of Boca Raton — would create a national insurance pool funded by the federal treasury and by states that choose to participate through the sale of bonds. The fund would cover catastrophic losses from natural disasters.

The idea is to spread the risk across much of the nation and to limit the liability of insurance companies so they can provide affordable rates to homeowners.

The California wildfires highlighted concerns about disaster insurance while focusing the nation's attention on a region thousands of miles from hurricane-vulnerable Florida. Congress already is working on a billion-dollar relief package for Southern California, mostly for firefighting costs and reconstruction.

As the fires die down, residents soon will learn whether their insurance policies provide full replacement costs, and they will see in coming months what impact the wildfires will have on future rates.

"Insurance companies will be taking the position that wildfires are not covered under their policies, which will upset people who lost their homes," Klein said.

Mahoney and Klein argue a national fund would operate more efficiently than a federal bailout.

"Now we just open up the checkbook, and every taxpayer is paying out," Mahoney said. "As time goes on, people are starting to recognize there's a better way to do this. We can plan for it, and do it in a way that is fiscally responsible."

Leaders of several insurance trade groups said the wildfires won't spark much interest in Congress but the presidential campaign might keep the issue alive.

They said insurance companies should easily absorb claims from the fires, and that losses already are built into the price of a policy.

"It shows different geographic regions have different risks," said Nancy Grover, a spokeswoman for the National Association of Mutual Insurance Companies, a trade group that opposes a national fund.

National catastrophe funds are meant to address much larger events, such as Hurricane Katrina, that cost insurers tens of billions of dollars.

"This could be the biggest wildfire loss in history, and you're looking at a loss of maybe $2 billion. It's just not even in the same ballpark with a hurricane loss. If a hurricane hits Florida and results in $2 billion in damage, we'd say we dodged a bullet," said Joseph Annotti, senior vice president of the Property Casualty Insurers Association of America, a trade group more supportive of a national fund.

Industry leaders acknowledge the fires could be a catalyst for a national debate on insurance matters, particularly along the campaign trail.

"I think that in the debate, people will use the image of the wildfires as yet another example of mother nature gone wild," said Robert Hartwig, president and chief economist of the Insurance Information Institute, a nonprofit trade group.

Democratic front-runner Hillary Rodham Clinton has expressed support for a national insurance fund, and Republican candidate Mitt Romney has told Floridians he is open to the idea.

Annotti said Sen. Clinton, D-N.Y., has contacted his property -insurers' group for information about such a fund and about the bill sponsored by Mahoney and Klein. Clinton's campaign spokesman could not be reached for comment.

"I wouldn't be surprised to see (elements of the Mahoney and Klein bill) in a Senate bill before the year is out," Annotti said.

"It doesn't take a genius to figure out that Gov. (Charlie) Crist used that issue to get him elected. You look at all the polls, and insurance is still very high on consumers' lists down there," he said. "Obviously the insurance industry would like to get this resolved, consumers would like to get this resolved. We all want the same thing.

"We just have different ideas of how to get there. I think the importance of Florida both as a primary state and in the general election will keep this issue on the front burner."

Federal catastrophe fund gets a boost
South Florida Sun-Sentinel Editorial Board
November 13, 2007

ISSUE: Federal catastrophe fund progresses.

That glimmer of hope that keeps getting brighter is progress on Capitol Hill on a national catastrophe fund.

The legislation was a tilt at windmills two years ago after a second-straight disastrous storm season down here. Then, earlier this year, it picked up momentum when two newcomers to Congress, Reps. Ron Klein, D-Boca Raton, and Tim Mahoney, D-Palm Beach Gardens, crafted a new bill. The House approved that one last week.

Hallelujah!

Now, a similar measure in the Senate, offered by Sen. Bill Nelson, has picked up a valuable endorsement. None other than Sen. Hillary Clinton, the front-runner for the Democratic presidential nomination co-introduced the legislation.

All this is almost as much good news as the looming end to what has been a quiet hurricane season in South Florida.

A natural catastrophe fund that draws dollars from federal sources and state bonds makes sense. U.S. taxpayers are better served by a standing program to deal with disasters by delineating what portion of the risk will be picked up by insurers, states and the federal government.

That beats the post-Hurricane Katrina experience, which dumped nearly the entire cost on Washington. Moreover, states like Florida, which have enacted reforms that put consumers on the hook for a ton of damage, limiting the federal exposure in the process, ought to be supported for their efforts.

Reasonable as it is, the legislation still faces a long slog on Capitol Hill. The Senate is likely to postpone a decision pending a commission study on the matter. It's Washington, folks, so there's always got to be a task force study.

Even if both chambers were to approve the measure, President Bush has indicated he'd veto a bill. With an election year looming, it's likely this is a fight Congress might put off until 2009.

That would be a mistake. A national catastrophe fund is overdue, and there's no sense in waiting.

BOTTOM LINE: Get it done now.

Opposing view: Spread the risk *(Response to Negative Editorial)*
National program would lower insurance rates, recognize reality
USA Today
November 13, 2007
By Sen. Bill Nelson

It suddenly appears Congress may create a national catastrophe-assistance program to brace millions of homeowners against natural disasters — and disastrous insurance rates.
The House, by a 258-155 vote, has passed a plan by Reps. Ron Klein and Tim Mahoney, both of Florida. Now the Senate has a companion bill by Sen. Hillary Clinton and me. The bill would allow multiple states to join to help pay for each others' disaster costs and would provide them with low-interest federal loans when damages exceed the resources of state-run catastrophe funds.

Even though both bills keep the federal government out of the insurance business, President Bush is threatening a veto because, he says, it might take business away from private insurers. Other critics claim it would be a taxpayer bailout of Floridians who build where hurricanes can blow them away or Californians whose houses have been burned to cinders.

But these critics fail to see that taxpayers nationwide already are paying the staggering costs of recovery and rebuilding after natural disasters. Consider: For hurricanes Katrina, Rita and Wilma, taxpayers have put up some $94.8 billion. And there's already a federal backstop for terrorist events.

Wouldn't it be better if we also spread the risk from wind, water, wildfire and earthquake among those states facing enormous loss and, thus, lowered the cost of insuring against such calamities?

Florida and California aren't alone, after all. Recent disasters have hammered half-a-dozen states: Katrina in Louisiana, Mississippi and Alabama; hurricanes Andrew and Hugo in Florida and South Carolina; and the Northridge earthquake in California.

I can't say it much better than did Florida Gov. Charlie Crist in a recent letter to The Wall Street Journal: "While individuals must do all they can to provide for themselves, in the end, rebuilding and repairing lives and property in the wake of a major natural disaster or terrorist strike is and should be a collective American effort ... A national catastrophe fund would establish a disciplined, structured plan for what, as a simple matter of reality, will be substantial federal assistance following a major natural disaster."

Sen. Bill Nelson, D-Fla., is his state's former insurance commissioner.

House Passes Disaster Insurance Bill
By JIM ABRAMS – ASSOCIATED PRESS
November 9, 2007

WASHINGTON (AP) — Disaster-prone states would get help confronting the crisis in available and affordable homeowner insurance under legislation passed Thursday by the House.

The bill, passed 258-155, was primarily the work of Florida lawmakers from both parties who said they are hearing an outcry from constituents who have lost access to insurance as private insurance companies, following disastrous hurricanes, pull out of the market or dramatically raise premiums.

"In some situations, like in my home state of Florida, the market has deteriorated so drastically, homeowners can't get insurance, regardless of price," said Rep. Tim Mahoney, D-Fla., a bill sponsor with Rep. Ron Klein, D-Fla.

"Those fortunate enough to still have coverage have experienced 200 and 300 percent increases in premiums even though they have not filed a single claim. This is a terrible situation," said Rep. Robert Wexler, another Florida Democrat.

But the White House said a main premise of the bill, the creation of a federally backed consortium of states to pool catastrophe risk, was unacceptable, and that the president would be advised to veto the bill if it reaches his desk. The legislation must still be considered by the Senate.

The White House, in a statement, said states can already join for catastrophe risk and the consortium would create an implicit guarantee that the federal government would backstop its financial obligations.

Mahoney and Klein said their bill would allow state-sponsored insurance funds to voluntarily bundle their catastrophe risk. Private markets would take on the risk through catastrophe bonds and reinsurance contracts.

The bill also creates the National Homeowners Insurance Stabilization Program under which the Treasury secretary can extend loans to states impacted by severe natural disasters.

Several lawmakers offered amendments to assure that the program would not end up subsidizing insurance rates for homes in overdeveloped or high-risk areas and would not result in taxpayers carrying the burden of defaulted loans.

The National Wildlife Federation and the Florida Coalition for Preservation, in a letter to Congress, said they opposed the bill out of concerns the "subsidies could inadvertently result in continued encouragement of risky development in our nation's coastal areas and floodplains."

House Approves Creation of a Federal Disaster Insurance Program
By JOSEPH B. TREASTER/NY TIMES
November 9, 2007

The House of Representatives approved legislation yesterday that would put the federal government into the home insurance business to deal with natural disasters like hurricanes and the recent wildfires in California.

The legislation, which passed on a vote of 258 to 155, would require the federal government to lend billions of dollars to states to help pay for damage to homes and businesses. The measure now goes to the Senate, where it has the backing of Senators Hillary Rodham Clinton of New York and Bill Nelson in Florida.

The Bush administration has said it would veto the plan because it takes potential business away from private insurers and potentially exposes the government "to steep losses in certain years."

But support in the Senate is growing to help people whose homes are vulnerable to natural disasters. Senator Chris Dodd, Democrat of Connecticut, who has signaled that he backs the bill approved by the House, introduced two other bills yesterday to help homeowners cope with hurricanes. One would provide a tax credit to offset the rising cost of coverage. The other would provide federal money for people to strengthen their homes against storms and floods.

In the last month, the House has voted to extend the insurance subsidy program that was created after Sept. 11, 2001, to pay for up to $100 billion in damage in a terrorist attack. The bill is now before the Senate. The administration dropped its opposition to the terrorism insurance bill after legislators required insurance companies to pay a larger share of the losses from an attack.

In opposing the home insurance bill, the Office of Management and Budget said federal subsidies would reduce the pressure on homeowners to pay to fortify their homes and would take tax money from people all over the country to pay for losses by others living in risky areas.

The bill does not establish a specific threshold for when government loans would begin to flow. It would make individual states eligible for assistance once they were facing disaster costs that exceed 1.5 times the amount of premiums collected from homeowners and businesses in the previous year. In 2006, the insurers collected $13 billion in premiums in Florida. So damage would have to be about $20 billion to activate the federal loans. Hurricane Andrew, in 1992, caused more than $20 billion in damage in today's dollars. Insured losses in Hurricane Katrina ran to more than $41 billion.

"When a state is overwhelmed by a mega-event, it seems fair that there's a line of credit," said Ben McKay, the head of the Washington office for the Property Casualty Insurers Association of America. But many insurers opposed the legislation. Marc Racicot, the president of the American Insurance Association, said the legislation would "interfere with the private market."

The legislation also lays out a plan for states to create insurance funds, as Florida and some other states have already done. It also would allow them to collectively sell bonds, widely known as catastrophe bonds, that would provide more capital to pay disaster losses and thus, in theory, make home insurance more widely available and less costly. There is no direct cost to the government in the bond program, but the Office of Management and Budget contended that the legislation would create an implicit guarantee of federal backing for the bonds.

Representatives Ron Klein and Tim Mahoney, Democrats of Florida who are authors of the legislation, have argued that government backing would be required for only the worst disasters. They also argue that a reduction in the potential losses for private insurance companies would lead the companies to offer more coverage at lower prices.

Support for the bill has picked up as people in Florida struggle with insurance prices that routinely run into the thousands of dollars for an average house.

Some Congressional reluctance evaporated as the fires in California destroyed 2,000 homes and underscored the argument of proponents that home insurance was not only a coastal issue.

The National Association of Realtors is among the strong supporters of the legislation. It says “the inability to obtain affordable insurance is a serious threat to the real estate market.”

J. Robert Hunter, the director of insurance at the Consumer Federation of America, said he favored creation of a group of state insurance funds that would help spread the risk of paying for natural disasters.

But he said he was concerned that the legislation neither required homeowners to take measures to protect their homes nor required states and companies to set rates that accurately reflect the risk of damage. “If rates are too low, people will build on barrier islands,” he said.

Tallahassee Democrat Editorial
Shared risk: Federal plan moves forward
November 10, 2007

With the approval Thursday of a federal disaster insurance bill by the U.S. House of Representatives, the persistent efforts of elected Florida leaders from both parties are making important political headway.

Which is not to say that the battle is won. The legislation will now be considered by the U.S. Senate, where support is said to be growing, although approval is not assured.

But the White House opposes the heart of the bill - creation of a consortium of states to pool catastrophe risk - and a veto by President Bush is likely, especially if that feature remains intact.

There is indeed reason for caution, both financial and environmental.

Whenever government intervenes in private markets, caution is always warranted. But the bill's co-sponsors in the House, Florida U.S. Reps. Ron Klein and Tim Mahoney, say government backing would be needed in only the worst disasters. A reduction of potential losses by insurance companies would be an incentive for them to offer more coverage at less cost, they say.

Warnings that the bill could, in effect, subsidize development in high-risk regions also must be taken into account. The national flood insurance program has faced similar warranted criticism. It's important that any final bill include amendments to prevent that unintended consequence.

A national fund has had strong bipartisan support in Florida for obvious reasons. Our state has suffered significantly at the hands of Mother Nature in the past few years, and we remain in the midst of an insurance crisis as a result. The California wildfires have helped fuel support for the concept.

Sharing the risk only makes sense. No state is immune from natural disaster, and when a catastrophe overwhelms one, all should help with the recovery.

Even if this legislation doesn't become law, support is clearly growing in Washington. A new administration may well look more kindly on the plan after the 44th president takes office in 2009.

Amie Parnes: It would be a catastrophe if Congress failed to pass insurance legislation
By Amie Parnes
Naples News

Friday, November 9, 2007

WASHINGTON — A month ago, the chances of Congress passing a bill that would make homeowners insurance available and affordable appeared uncertain.

The legislation's prospects were looking good in the House, but grim in the Senate.

Now, things may have changed — for the better.

Earlier this week, Sens. Bill Nelson, D-Fla., and Hillary Clinton, D-N.Y., introduced the insurance measure in their chamber with great fanfare. Coincidentally, Sen. Chris Dodd, D-Conn., the chairman of the banking committee who had expressed his skepticism about the House's insurance bill, introduced his own proposals to deal with the insurance crisis.

Then, on Thursday, the House passed their insurance legislation, improving the chances of success in the Senate, aides say.

The House bill aims to set up a federal program to assist state-sponsored insurance programs on covering losses from natural disasters. The legislation would allow multiple states to join together to help pay for each other's disaster costs and then transfer the cost to the private markets through catastrophe bonds and reinsurance contracts.

"The outcome (in the House) definitely gives a stronger hand in the Senate," said Ken Lundberg, a spokesman for Sen. Mel Martinez.

Martinez is "very positive" on the House legislation introduced by Reps. Tim Mahoney, D-Palm Beach Gardens, and Ron Klein, D-Boca Raton, Lundberg said.

Bryan Gulley, a spokesman for Nelson, said "it's a good sign" that the Senate is finally tackling the insurance issue.

"There are at least 10 proposals dealing with insurance relief on the table in the Senate and that's good news," Gulley said.

Introducing the legislation with Clinton, the Democratic front-runner for president, "certainly doesn't hurt," Gulley said because it puts the issue in the national spotlight during the campaign.

And so far, Clinton is really pushing for it.

"The current insurance market isn't responding fast enough to the new and heightened risks that many homeowners are facing," Clinton said this week. "We need a fresh and innovative approach to the current insurance problem that will help homeowners get access to effective and affordable disaster insurance."

Both Nelson and Clinton sent a letter to Senate Majority Leader Harry Reid on Friday asking him to bring the legislation to the floor for a full vote, bypassing the normal committee process.

"These catastrophes have left insurance markets in many states in disarray, unable to provide consumers with the coverage they must have to protect their homes and businesses," the senators wrote in the letter. "Americans deserve quick action on this issue, and need this reform."

But even if the legislation does pass the Senate sometime next year, it faces another obstacle: the White House.

Bush administration officials have already threatened to veto the legislation because they believe the bill makes the federal government responsible for guaranteeing private catastrophe bonds that would assist the states in controlling the insurance market.

U.S. House OKs national fund to insure against major disasters

By William E. Gibson | Washington Bureau Chief /Sun Sentinel
November 9, 2007

Attempts by Florida legislators to contain the cost of homeowner insurance took a long step forward Thursday when the House passed a bill to create a national fund to cover mega-disasters.

The 258-155 vote gave momentum to the long-running cause of pooling resources and spreading risk across the country to keep insurance affordable. Action now shifts to the Senate, where Democrats Hillary Rodham Clinton of New York and Bill Nelson of Florida have introduced a companion bill.

"It sends a very strong bipartisan message to the Senate that we want them to pick up our bill and do what they need to do to pass it," Rep. Ron Klein said minutes after the House vote.

The legislation faces strong opposition from President Bush and many Republicans in Congress who say a national fund would crowd the private insurance market. Critics say the bill could force American taxpayers to bail out Florida and other risky states when they get hit with hurricanes, earthquakes and tornadoes.

House sponsors of the bill, freshman Democrats Tim Mahoney of Palm Beach Gardens and Klein of Boca Raton, said they want to create an orderly way to cover disasters partly to avoid massive federal bailouts, such the billions of dollars spent to help the Gulf Coast recover from Hurricane Katrina.

Their bill would create a fund mostly paid for by states that choose to participate through the sale of bonds. The bill authorizes up to $120 million in federal contributions over six years to manage the fund and provide technical expertise.

Sponsors say the fund would cover the most costly catastrophes so private insurers, facing limited liability, could provide more affordable rates to homeowners. The bill would establish a federal loan program for states unable to absorb the costs of a catastrophe.

After suffering through a wave of hurricanes in 2004 and 2005, many Floridians wanted relief when their insurance policies were canceled or their premiums doubled or tripled. Some said they could no longer afford to live in Florida.

"If there was a national way of handling tragedies, a fund of this kind might be able to sort things out on a more even basis," said Mary Rochester, a retired teacher in Coral Springs, whose policy was canceled last year though she never filed a claim.

For Klein and Mahoney, House passage was a personal victory in their first attempt to pass major legislation. They exhorted the House to help their strapped constituents and noted that disaster can strike any state.

The Senate so far has taken a more cautious approach. The Senate Banking Committee is considering a bill to establish a commission to study insurance needs and recommend solutions.

House approves creation of federal disaster program
By LARRY LIPMAN
Palm Beach Post Washington Bureau
Friday, November 09, 2007

WASHINGTON — Responding to a bipartisan clamor from Florida lawmakers over the skyrocketing cost of homeowners' insurance, the House on Thursday approved a sweeping plan to create a federal natural disaster program.

"Today is a turning point for how the federal government responds to natural catastrophes," said Rep. Tim Mahoney, D-Palm Beach Gardens, who sponsored the bill with Rep. Ron Klein, D-Boca Raton. "Today the House of Representatives has the ability to ensure that homeowners across the country will have access to affordable property insurance."

Klein, who managed the floor debate for the Democrats, said the bill would change the way the federal government pays for disasters such as Hurricane Katrina.

"Every time there is a large natural disaster, and the insurance companies can't handle it and the states can't handle it, the federal government comes in with a big check," Klein said.

"Every taxpayer is part of a bailout," he said.

The 258-155 vote came in the face of a threatened veto by President Bush, and does not meet the two-thirds threshold required for an override.

The Bush administration says the bill implies the federal government would guarantee private catastrophe bonds aimed at helping states stabilize the homeowners' insurance market.

Klein and Mahoney argued that the bill would not guarantee federal coverage of such private bonds and that participation would be voluntary among the states.

A similar bill was introduced Tuesday in the Senate by Sens. Bill Nelson, D-Fla., and Hillary Rodham Clinton, D-N.Y., but the chamber is not expected to consider the matter until next year.

House Financial Services Chairman Barney Frank, D-Mass., said he hoped Congress would complete action on the legislation before the 2008 hurricane season begins.

The bill would create a two-pronged federal approach to major natural disasters:
It would establish a quasi-governmental consortium, similar to Fannie Mae, that would sell long-term catastrophe bonds on the private market to help finance state catastrophe insurance funds. States that did not have such a fund would not be able to participate in the bond consortium.

It would allow the federal government to issue long-term, low-interest loans directly to the states in the event of a major catastrophe that exceeded the ability of state insurance funds to handle the loss.

An amendment offered by Rep. Ginny Brown-Waite, R-Brooksville, would add another layer in which state insurance funds could purchase reinsurance from the federal government. Under her plan, the reinsurance would be financed by government bonds.

Klein and Mahoney said the catastrophe program is especially important in Florida, where insurance companies battered by a series of hurricanes have either stopped writing homeowners policies or have doubled or tripled premiums.

But they argued that all parts of the United States have become increasingly vulnerable to expensive natural disasters.

House OK's bill creating national catastrophe fund
BY LESLEY CLARK/Miami Herald
November 9, 2007

A bill aimed at cutting property insurance rates by creating a voluntary risk pool among states prone to natural disasters cleared the House Thursday -- the most success Florida lawmakers have had here battling insurance woes since Hurricane Andrew raked through Homestead in 1992.

The legislation, though, faces stiff opposition from members of Congress who represent inland states, and a potential White House veto. But Florida lawmakers celebrated as the measure passed in the House late Thursday with a 258 to 155 vote.

"Today is a truly historic day in the House of Representatives, and a tremendous victory for homeowners throughout Florida and the United States," said Rep. Ron Klein, D-Boca Raton, who along with fellow freshman Rep. Tim Mahoney, D-Palm Beach Gardens, has pushed the measure.

The bill -- and its companion in the Senate -- would create a voluntary, market-driven catastrophe fund aimed at lowering the cost of insuring homes in states where the threat of hurricanes, earthquakes and other perils can send premiums skyrocketing. It also would make federal loans available to assist in the rebuilding of states hit by natural disasters.

The proposals have been a tough sell among lawmakers from interior states who say their constituents should not have to subsidize people who live in risky areas, such as near the beach. And the White House this week threatened to veto the legislation, saying the bill would crowd out private insurers and ``clearly result in a subsidy for insurers, state insurance programs and their policyholders."

The administration has also suggested the bill would encourage ``overdevelopment in hurricane- and earthquake-prone areas, putting more people in harm's way."
Congressional critics said they fear taxpayers across the country would end up footing the bill to bail out insolvent state insurance programs. Several suggested Florida's problems were exacerbated by the state's creation of an insurance pool.

'If everybody had the same confidence that federal taxpayers weren't going to be involved, a lot would say, `No harm, no foul,' but a lot of us have a real sense of concern," said Rep. Peter Roskam, R-Ill. 'Part of the problem Florida is facing is because of government intervention in the marketplace. Florida began to manipulate the marketplace and other companies made the decision, `It's too high maintenance, too complicated, we're out of here.' "

But Florida lawmakers said the private market isn't working, and Klein said the problems aren't confined to Florida, or beachfront properties. He said insurers have said they plan to stop offering new policies in coastal areas in Maryland and Virginia and have stopped writing new policies in Delaware, New Jersey and Connecticut. He said "tens of thousands" of homeowners in Massachusetts, New York, North Carolina, South Carolina, Alabama, and Texas have been dropped by their insurers.

"It is important to understand that insurance availability and affordability problems have become a national issue," he said.

The bill calls for the creation of a "risk consortium," which states voluntarily could join to pool the risk from state-sponsored insurance funds. The consortium would transfer the risk to private markets through the use of bonds or reinsurance contracts. Any savings realized from spreading the risk would have to be passed along to consumers in the form of lower premiums.

Klein said there is increasing evidence that the capital markets are interested in the concept.

The Florida lawmakers fended off efforts to scale the proposal back to a commission that would study the problem.

"How much longer do people have to believe Congress is going to do nothing more than create another bound study that's going to sit on someone's bookshelf somewhere and isn't going to accomplish a darn thing?" said Rep. Ginny Brown-Waite, R-Brooksville, who amended the bill to require participating states to adopt anti-gouging laws.

Florida Sen. Bill Nelson and Sen. Hillary Clinton, D-N.Y., have filed a similar measure in the Senate and the House's passage gives the effort in that chamber added momentum, Sen. Mel Martinez, R-Fla., said.

"I don't want to sound overly optimistic, but passing the bill in the House gives us a much stronger hand to play here in the Senate," Martinez said.

Clinton, Nelson introduce catastrophe fund bill in Senate

Sun-Sentinel
By William E. Gibson | Washington Bureau Chief
November 7, 2007

WASHINGTON - Sen. Hillary Rodham Clinton gave a major boost on Tuesday to the cause of creating a national catastrophe fund to help homeowners in South Florida and other disaster-prone areas find affordable insurance.

The Democratic front-runner for president introduced a bill along with Florida Sen. Bill Nelson that would pool federal and state resources to spread the risk of disaster and cover massive damages. The Senate bill copies legislation crafted by South Florida Reps. Tim Mahoney and Ron Klein, which the House is expected to pass this week.

Clinton's support breathes new life into their cause by giving the issue a higher profile in the Senate and drawing national attention. Her action instantly turned homeowner insurance into a presidential campaign issue, at least in Florida.

"The current insurance market isn't responding fast enough to the new and heightened risks that many homeowners face," Clinton said on Tuesday. "We need a fresh and innovative approach to the current insurance problem that will help homeowners get access to effective and affordable disaster insurance."

The New York senator expressed interest in a national fund long before she and other Democratic candidates pledged not to campaign in Florida. They were compelled to avoid the state because its early primary election violates party rules and offends voters in Iowa and New Hampshire. By promoting the disaster fund, she can make political points in Florida.

"Smart move. It will help her in Florida," said Robert Watson, director of American studies at Lynn University in Boca Raton and author of several books on presidential politics. "It's one of those issues that resonates with folks because it hits them in the pocketbook."

After avoiding Florida during the primary campaign, "she is going to need a home run in the state when she gets back down here," Watson said. "This is precisely that home run."

The fund — drawing money from the federal treasury and participating states through the sale of bonds — would cover the most costly disasters. Sponsors say private insurers, facing limited liability, could offer homeowners more affordable rates.

Prospects once appeared dim in this session of Congress because of firm opposition from President Bush and the insurance industry, who say a government-run fund would interfere with the private marketplace and force taxpayers to subsidize risky development.

House Democratic leaders have gotten behind the Mahoney-Klein bill, but the Senate has taken a more cautious approach, considering creation of a commission to study the matter.

The bill still faces daunting obstacles. It may well pass the House and get bogged down in the Senate. Even if it passes both chambers, Bush is likely to veto it, and odds are very long that supporters could muster two-thirds majorities in both chambers to override a veto.

It may take a new president to bring about a national fund, and if it is Clinton, Klein and Mahoney will have a friend in the White House. Mitt Romney, a Republican contender for president, also has expressed interest in a national insurance pool.

"Part of the advantage of moving up the primary to Jan. 29 is to elevate Florida issues to the forefront of presidential races," Klein said. "The fact that any one of the candidates talks about this issue, in Florida or not, will have an impact; it will bring a new level of interest."

Klein, D-Boca Raton, and Mahoney, D-Palm Beach Gardens, hope to build momentum with a strong vote in the House this week to encourage support in the Senate. And they hope the Bush administration comes around to accept their bill.

Federal disaster fund bill moves forward

St. Petersburg Times

By TOM ZUCCO, Times Staff Writer
Published November 9, 2007

[Last modified November 8, 2007, 22:46:38]

A landmark bill that would allow states to opt into a national catastrophe fund and pool their resources to combat high insurance premiums was passed by the U.S. House of Representatives Thursday evening with bipartisan support.

The measure passed easily, 258 to 155. But its fate remains uncertain.

The Homeowner's Defense Act (H.R. 3355), introduced in August by Florida congressmen Ron Klein and Tim Mahoney and co-sponsored by six Florida representatives, including Ginny Brown-Waite, marks the most successful attempt to apply a national solution to the problem of soaring premiums and dropped policies.

No bill that addresses how to insure for a wide range of natural disasters has gotten this far in Congress.

The bill moves now to the Senate, where Senators Bill Nelson, D-Fla., and Hillary Rodham Clinton, D-N.Y., introduced matching legislation Tuesday.

What does the bill do?

It contains two parts: the creation of a National Catastrophe Risk Consortium and a National Homeowners Insurance Stabilization Program.

The consortium would allow states to voluntarily bundle their catastrophic risk programs, like Florida's Hurricane Catastrophe Fund, and then transfer that risk to the private markets through the use of catastrophe bonds sold to investors or through private reinsurance contracts.

The consortium would be authorized for five years, with the federal government providing $10-million per year. Participating states will also contribute a matching $10-million per year.

The stabilization program would allow the Treasury Department to make loans to any state that faces a significant financial shortfall following a Katrina-like disaster.

Is this similar to Florida's CAT Fund, which provides state-backed reinsurance to insurance companies at a cheaper rate than can be found in the private market?

More like a larger version of it. This has the backing of the federal government, something Florida's program doesn't have. But the same results are expected: lower rates and more availability. According to Brown-Waite, the bill provides an option for states "that are ahead of the game and have already created state catastrophe funds. States should be rewarded for being proactive; states like Florida."

Who supports this proposal?

The National Association of Insurance Commissioners, the Independent Insurance Agents and Brokers of America, and the National Association of Realtors, among others. The insurance industry is divided on the issue.

Who is against it?

The Bush administration, for one. Philip Swagel, U.S. Treasury assistant secretary for economic policy, said in September that the Bush administration believes the private insurance market is working just fine. Government involvement, Swagel said, may "make it more difficult and costly for families and business to obtain coverage" while creating "large liabilities for the federal government."

What chance does the bill have in the Senate?

Most observers say it's slim.

"I can't say I'm very optimistic," Florida Rep. Gus Bilirakis, a supporter of the bill, said Thursday. "Sen. (Chris) Dodd said he doesn't go for it. But we can't study this anymore. We need to take some action."

U.S. House OKs national fund to insure against major disasters

Sun-Sentinel
By William E. Gibson | Washington Bureau Chief
November 9, 2007

WASHINGTON - Attempts by Florida legislators to contain the cost of homeowner insurance took a long step forward Thursday when the House passed a bill to create a national fund to cover mega-disasters.

The 258-155 vote gave momentum to the long-running cause of pooling resources and spreading risk across the country to keep insurance affordable. Action now shifts to the Senate, where Democrats Hillary Rodham Clinton of New York and Bill Nelson of Florida have introduced a companion bill.

"It sends a very strong bipartisan message to the Senate that we want them to pick up our bill and do what they need to do to pass it," Rep. Ron Klein said minutes after the House vote.

The legislation faces strong opposition from President Bush and many Republicans in Congress who say a national fund would crowd the private insurance market. Critics say the bill could force American taxpayers to bail out Florida and other risky states when they get hit with hurricanes, earthquakes and tornadoes.

House sponsors of the bill, freshman Democrats Tim Mahoney of Palm Beach Gardens and Klein of Boca Raton, said they want to create an orderly way to cover disasters partly to avoid massive federal bailouts, such the billions of dollars spent to help the Gulf Coast recover from Hurricane Katrina.

Their bill would create a fund mostly paid for by states that choose to participate through the sale of bonds. The bill authorizes up to $120 million in federal contributions over six years to manage the fund and provide technical expertise.

Sponsors say the fund would cover the most costly catastrophes so private insurers, facing limited liability, could provide more affordable rates to homeowners. The bill would establish a federal loan program for states unable to absorb the costs of a catastrophe.

After suffering through a wave of hurricanes in 2004 and 2005, many Floridians wanted relief when their insurance policies were canceled or their premiums doubled or tripled. Some said they could no longer afford to live in Florida.

"If there was a national way of handling tragedies, a fund of this kind might be able to sort things out on a more even basis," said Mary Rochester, a retired teacher in Coral Springs, whose policy was canceled last year though she never filed a claim.

For Klein and Mahoney, House passage was a personal victory in their first attempt to pass major legislation. They exhorted the House to help their strapped constituents and noted that disaster can strike any state.

The Senate so far has taken a more cautious approach. The Senate Banking Committee is considering a bill to establish a commission to study insurance needs and recommend solutions.