

Palm Beach Post: House Approves creation of Federal Disaster Program

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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.