

TCPalm: House OKs bill that would create federal disaster insurance recovery program

By Amie Parnes

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WASHINGTON - Florida homeowners are one step closer to obtaining available and affordable homeowner's insurance and ending the ongoing crisis that has plagued the state.

The U.S. House approved legislation Thursday night on a 258-155 vote that aims to stabilize the catastrophe insurance market by expanding private industries' capacity to cover a natural disaster and help states manage risk.

Under the Homeowner's Defense Act of 2007, a bill introduced by Reps. Tim Mahoney, D-Palm Beach Gardens, and Ron Klein, D-Boca Raton, a federal program would be created to assist state-sponsored insurance programs on covering losses from natural disasters. The bill would set up a federally funded office where states could go to receive assistance for some of the catastrophe risk they have assumed.

The legislation would allow multiple states to join together to help pay for each other's disaster costs, a more appetizing role for investors to assume, and then transfer the cost to the private markets through catastrophe bonds and reinsurance contracts.

The plan is designed to bring the federal government into the picture and would help take the pressure off states across the country that are assuming the burden of insuring homeowners who have been dropped by their insurers, Mahoney and Klein said.

"This is a turning point for how the federal government responds to national catastrophes," Mahoney said in a speech on the floor on Thursday. "Congress has been forced to act because private markets for homeowners insurance have failed.

"The issue is not the industry's ability to pay claims or write policies, it is an American's ability to purchase affordable homeowner's insurance," Mahoney continued. "This legislation we are considering today ... is essential as an individual's home is the single biggest investment an average American has, and it is vital that we protect it."

Some lawmakers from landlocked states said they were opposed to the legislation because they believe they would be subsidizing lifestyles in Florida, California and other places where natural catastrophes are common.

But Mahoney disagreed.

"This is not a bailout or a payoff for Florida," he said, adding that the legislation would benefit the entire country.

Klein said the legislation "creates no burden or obligation on states that don't choose to participate."

"The status quo is no longer an option," Klein said.

Reps. Mario Diaz-Balart, the Miami Republican who represents part of Collier County, and Connie Mack, R-Fort Myers, voted for the legislation.

"By allowing citizens the option to spread risk nationally and to utilize the private market, this legislation should help lower insurance rates for all Floridians while providing a fiscally responsible alternative to post-disaster taxpayer handouts," Diaz-Balart said.

Even though Mack supported the legislation, he wasn't as convinced.

"Florida homeowners deserve to have more options for insurance providers as well as lower insurance bills," Mack said. "They also deserve to know that they have a safety net in place to protect their homes and property during major disasters.

"While I support the idea of ensuring the federal government properly budgets for catastrophes through sound fiscal policy, we must make certain that the federal government does not become the insurer of next resort. We must avoid the unintended consequence of crowding private insurers out of the marketplace," Mack added. "I hope the Senate will have similar concerns when they consider this legislation and that they include measures that strengthen the private insurance market while providing homeowners with the peace of mind that they can and will be protected from financial ruin in the event of catastrophic disasters."

The legislation now moves to the Senate, where Democratic Sens. Bill Nelson of Florida and Hillary Rodham Clinton of New York introduced the companion bill this week.

"I believe the Congress needs to debate all the plans for fixing the property insurance mess created by the hurricanes that hit Florida and the Gulf Coast," Nelson, a former insurance commissioner in Florida, said in a statement this week. "The idea of giving states disaster loans to help them recover from catastrophic losses should help stabilize the insurance marketplace."

The legislation has received support from the National Association of Realtors, the National Mortgage Brokers, the National Association of Insurance Commissioners and other prominent groups.