

Palm Beach Post: Why disaster insurance is the responsible policy

Palm Beach Post Editorial

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In November, the Homeowners Defense Act passed the U.S. House 258-155. There is a Senate version of the bill, which would create a national disaster insurance program. The bill has faced resistance from, among others, Midwesterners.

But that was before this summer. Along the Mississippi River, especially in such Midwestern states as Illinois, Indiana, Iowa and Missouri, the flooding has been near-biblical. It has brought back memories of 1993, when months of flooding caused \$15 billion in damage.

It also brings up the subject of disaster insurance for catastrophic hurricanes, tornadoes and earthquakes. Florida's congressional delegation supports the legislation as a responsible, market-oriented way to take the pressure off property insurance rates and prevent disaster bailouts that return nothing to the government. But Reps. Ron Klein, D-Boca Raton, and Tim Mahoney, D-Palm Beach Gardens, sponsors of the House bill, have heard Midwestern senators asking why their constituents should help Floridians who were dumb enough to live in risky areas.

Of course, those Midwestern senators are fine with the National Flood Insurance Program, which is running a deficit of \$20 billion because the premiums aren't enough to cover the losses and yet will be reauthorized this year. And stories about this year's flooding show that Midwesterners should back off on the self-righteousness. The Chicago Tribune reported on a man in Foley, Mo., who bought a house cheap after the 1993 flood, believing that such a 1-in-500-year event couldn't happen again. Nine days ago, the Mississippi was in his back yard.

Clearly, Midwesterners live where they want to live. Some in risky areas are farmers, whose soil is rich because the land historically floods. Also, as in 1993 some owners of homes and businesses don't even buy flood insurance. Still, we're all for Americans helping Americans after natural disasters.

But as Rep. Klein says, when those disasters hit "they come back to Congress for support." About \$2 billion already has gone out for this year's floods. Some House members from the Midwest voted for the disaster insurance bill, and Rep. Klein says he is urging them to contact their senators. "We've always said that whether you're in Sioux City, Seattle or Miami, you can be struck by a natural disaster." Sioux City is in the dry part of Iowa this time, but the point remains.

The Homeowners Defense Act would create a federally backed, private bond program to help repay insurance claims for catastrophic damage. Such a plan would take some business from reinsurers, who sell coverage for those claims to private insurers. The reinsurance industry continues to misrepresent the disaster bill as a national subsidy for risky

development. In fact, it's much more responsible than a bailout and more consumer-friendly than letting the market keep basing premiums on worst-worst-case scenarios. Reauthorize the flood program - and pass national disaster insurance. More than fair trade.