

Lawmakers push insurance backstop for natural disasters

By Bill Swindell, [CongressDaily](#)

Claiming a crisis for coastal residents, House lawmakers have introduced a bill that would establish a national commission to examine whether the federal government should act as backstop for insurers in bearing costs for natural disaster claims.

Sponsored by Rep. Debbie Wasserman Schultz, D-Fla., the measure would establish a 17-member commission to determine whether it is possible to create a national catastrophe program administered by the federal government that would serve as a backstop to the traditional insurance and reinsurance industry. The program would be modeled after a similar effort for terrorism risk insurance.

Wasserman Schultz stressed that the program would need to hedge any risk exposure to protect taxpayers and ensure that it would not become a public subsidy for coastal residents. Some insurance companies have stopped offering homeowners insurance for residents along coastal areas, especially in the aftermath of a busy 2005 hurricane season.

For example, Allstate Corp. has said it will not offer any new homeowner policies for residents in New York coastal areas and wants to drop wind and hail damage coverage for 30,000 homeowners along Louisiana's coast.

"There is a growing economic crisis in my home state. The private market for insurance is literally collapsing before our eyes, and not just for

homeowners but for commercial firms too," said Wasserman Schultz. "The issue is not only price, but availability; the insurance market is literally drying up."

Reps. Michael Castle, R-Del., and Carolyn McCarthy, D-N.Y., are co-sponsoring the bill. House Financial Services Capital Markets Subcommittee Chairman Richard Baker, R-La., has said he intends to hold hearings to examine the issue.

Allstate has previously been supportive of efforts for a federal backstop for natural disasters, and the issue has picked up support from other industry groups.

"Our members serve as the conduit between consumers and insurance companies, and they understand from experience the marketplace disruption caused by natural disasters," said Charles Symington Jr., senior vice president for government affairs for the Independent Insurance Agents & Brokers of America, which supports the bill.

But the American Insurance Association, the main industry lobbying group, contends that a federal backstop is not needed, noting that \$21 billion in new capital has been provided to the reinsurance market since Hurricane Katrina struck last year.

"There is still reinsurance for natural catastrophes, unlike terrorism," said Dennis Kelly, AIA spokesman. The AIA contends that companies can manage disaster coverage with help

from state regulations on building codes and coverage flexibility.

