

## Senate Dashes Hopes for Flood Policies to Cover Wind

POA 5/7/08

WASHINGTON — An effort to add wind coverage to the National Flood Insurance Program was defeated today in the U.S. Senate because lawmakers were concerned it would be too costly and would promote federal intervention in private markets – the two big excuses put forth by the insurance lobby. Insurers opposed the amendment because it would dramatically cut into their business, rendering them and the policies they sell worthless.

Insurers have found it quite profitable to deny covered perils, refuse to pay for damages when

more than one event (wind AND flooding, for example) contributes to the overall damage of a property, and lowball claim payouts. This is what prompted the amendment to be introduced in the first place.

The vote was 73 to 19.

Proponents of the amendment say that insurance is just not available to homeowners living along the Gulf Coast. When it is available, it is too expensive for most homeowners. Realtors have claimed the lack of companies willing to write homeowner coverage and the skyrocketing price of coverage

have hurt real estate values because buyers can't or won't pay outrageous premiums if they can get insurance at all.

Last Fall, the House passed legislation that would add wind coverage to the flood insurance program.

[CLICK HERE](#) to find out if your U.S. Senators were swayed by the insurance lobby's argument.

Also defeated was an amendment that upped the maximum amount of flood coverage from \$250,000.

A coalition to oppose the flood insurance plan includes the Consumer Federation of America, the National Wildlife Federation and the Reinsurance Association of America.

POA is usually on the same page as the Consumer Federation of America but strongly disagrees with its position on this issue.

## WE MAY NOT HAVE HEARD THE LAST ON MULTI-PERIL POLICIES

POA 5/15/08

A new twist on U.S. Representative Gene Taylor's multi-peril flood insurance policy has surfaced and is gaining steam.

As reported in this edition of *The Policyholder Advocate*, the previous multi-peril amendment failed, leaving homeowners in flood prone areas worried about their coverage.

Adam Scales, an associate professor at Washington and Lee School of Law in Virginia has been floating a plan that would give homeowners all

the coverage they need in one place instead of buying homeowners insurance and flood insurance separately. His idea is based on forcing insurance companies to sell and pay off on policies that would provide both wind and flood coverage and having the government reimburse the companies for flood claims.

Scales' plan would make having flood coverage mandatory (for everyone) but it would be priced according to the risk of flooding. Private

carriers would collect the premiums, and then would buy a flood reinsurance policy from the government that would cover most of their losses.

Scales' plan also calls for flood insurance subsidies on older homes to be phased out over the next 15 years but government subsidies would be available to low-income homeowners who couldn't afford the higher prices. To have true risk-based pricing, the government would have to update the floodplain



maps.

Everyone (other than insurers) agrees that the National Flood Program needs to be reviewed and modified. The debate is over just how to do it. Insurance companies are totally opposed to the government stepping into broader coverage because it takes market share away from them.

POA will follow this as it develops.

## Senate approves renewal of flood insurance program

By JIM ABRAMS AP 5/13/08

WASHINGTON—The Senate agreed Tuesday to write off—and hand over to taxpayers—more than \$17 billion in debt that a FEMA flood insurance program accumulated after being devastated by Katrina and other 2005 hurricanes.

The bill to extend the National Flood Insurance Program for five years also includes measures, such as increasing premiums and reducing subsidies, aimed at putting the 40-year-old program on a better financial footing.

The 92-6 vote sends the bill to negotiations with the House, which passed similar legislation last September. With the 2008 hurricane season officially starting on June 1, there's motivation to move quickly to resolve differences and get the bill to the president's desk.

The highlight of the Senate bill is the forgiving of some \$17.5 billion in debt that the Federal Emergency Manage-

ment Agency, which runs the program, owes the Treasury. That action adds to what taxpayers owe in terms of the federal debt.

But lawmakers from both parties were in agreement that this was necessary considering the exceptional circumstances resulting from Katrina. Senate Banking Committee Chairman Christopher Dodd, D-Conn., said that FEMA would be forced to raise premiums to the 5.5 million policyholders if it were forced to continue paying interest on the debt to the Treasury.

The flood program was created to help homeowners and businesses situated in flood-prone regions get affordable insurance not usually available from the private insurance market.

The House bill differs from the Senate legislation in extending the program to cover wind damage. There were widespread complaints after Katrina that private

insurers with wind coverage were judging damage from the hurricanes to be the result of flood, rather than wind, so as to shift the burden of compensation to the federal program.

The White House said that any bill including wind coverage would face a presidential veto, saying that "shifting liabilities for windstorm damage from the private sector to the NFIP would be fiscally irresponsible."

Sen. Roger Wicker, R-Miss., with Louisiana senators, offered an amendment to the Senate bill that would have provided optional wind coverage, but it was defeated 73-19. Wicker said he would continue to push for the change: "The status quo is not working and the federal government must act now to fix this inequity."

Sen. Mary Landrieu, D-La., won acceptance of a provision to expand the functions of the program's customer service office to investigate potential instances of fraud and abuse and ensure that private insurers are acting in good faith.

- The Senate bill also:
- Requires people protected by dams or levees to buy flood insurance after floodplain mapping is completed.
  - Allows FEMA to raise rates by 15 percent annually, up from 10 percent, and increases minimum deductibles.
  - Gradually ends subsidies now available to some second homes, commercial properties and properties that experience repeated losses.
  - Requires FEMA to adjust rates to accurately reflect risk upon completion of flood insurance rate maps.

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The bill is H.R. 3121.

## Off Topic a bit but... While we're on the topic of Washington, DC...

Albert Hofmann, the father of the drug L.S.D. (lysergic acid diethylamide-25) died in his home in Burg im Leimental on April 30th.

Believe it or not, the Swiss chemist discovered the drug in 1938 while studying the medicinal uses of a fungus found on wheat and other grains at the Sandoz pharmaceuticals firm in Basel.

The fungus he was researching was Ergot. Ergotism is caused by the fungus *Claviceps pur-*

*purea*, which affects rye, wheat and other cereal grasses. When first infected, the flowering head of a grain will spew out sweet, yellow-colored mucus, called "honey dew," which contains fungal spores that can spread the disease. Eventually, the fungus invades the developing kernels of grain, taking them over with a network of filaments that turn the grains into purplish-black sclerotia. Sclerotia can be mistaken for large, discolored grains of rye. Within them are potent chemi-

cals: ergot alkaloids, including lysergic acid (from which LSD is made) and ergotamine (now used to treat migraine headaches). The alkaloids affect the central nervous system and cause the contraction of smooth muscle – the muscles that make up the walls of veins and arteries, as well as the internal organs.

It is believed that ergot was responsible for the bizarre behavior that led to the Salem witch hunts.

The U.S. government banned LSD in 1966 and other countries followed suit.



Swiss chemist, Albert Hofmann discovered LSD while researching fungus.