

Americans for Smart Natural Catastrophe Policy

For Immediate Release

Contact: Lisa Hanna
(202) 326-1734
www.SmartNatCat.org

Environmental, Consumer, Taxpayer and Insurance Advocates Join Forces To Support Sensible Natural Catastrophe Policies

*Americans for Smart Natural Catastrophe Policy Will Oppose Proposals
To Expand the National Flood Insurance Program To Include Wind Damage or
To Create New Federal Natural Catastrophe Loan, Insurance or Reinsurance Programs*

Washington, D.C., April 30, 2008 – A diverse group of organizations announced today the official formation of Americans for Smart Natural Catastrophe Policy, www.SmartNatCat.org, to support environmentally-responsible and fiscally-sound approaches that promote public safety.

The coalition will urge federal and state lawmakers to focus their efforts on helping people who already live in areas vulnerable to catastrophic storms to take proactive steps to protect their property. Tax credits, loans and grants for lower income property owners will encourage them to storm-proof their homes and businesses. Senate Banking Committee Chairman Christopher Dodd has introduced such legislation to assist homeowners already living along the coasts and in financial need to strengthen their homes (S. 2327, S. 2328).

At the same time, Americans for Smart Natural Catastrophe Policy strongly opposes legislative proposals that encourage people to build homes in hurricane-prone, environmentally-sensitive areas by creating new programs to directly or indirectly subsidize their homeowner's insurance. Proposals calling for the federal government to play a new and expanded role in natural catastrophe insurance would cost Americans throughout the country tens of billions of their tax dollars to subsidize homeowners living in Florida and other hurricane prone states. These proposals undermine public safety by giving individuals an incentive to build homes in coastal areas that may be increasingly at risk given the potential for adverse effects of climate change. Furthermore, the legislative proposals also discourage the provision of wind insurance by the private sector.

In March, coalition members and other organizations sent a letter to all 100 members of the U.S. Senate urging them to oppose any amendments to expand the National Flood Insurance Program (NFIP), which already is \$18 billion in debt, to include wind damage or to create new federal natural catastrophe loan, insurance or reinsurance programs. The NFIP expires on September 30 at which time it may be reauthorized. The House has already passed legislation (H.R. 3121) and the Senate is expected to consider its version (S. 2284) before the Memorial Day recess.

Those signing the letter were: Consumer Federation of America, Defenders of Wildlife, Environmental Defense, Friends of the Earth, National Wildlife Federation, Association of State Floodplain Managers, Republicans for Environmental Protection, Council for Citizens Against Government Waste, Competitive Enterprise Institute, Freedom Works, Taxpayers for Common Sense, Association of Bermuda Insurers and Reinsurers, and Reinsurance Association of America.

Americans for Smart Natural Catastrophe Policy will be the national voice against dangerous and irresponsible legislation, while actively promoting smart alternatives to help homeowners in need. The allied organizations will be meeting with lawmakers in Washington and at home to discuss how the pending legislation will impact taxpayers, local environments and economies, and demonstrate the benefits of mitigation strategies.

The group will serve as a resource for policymakers and its Web site, www.smartnatcat.org, will make available background papers and research studies by the coalition, its members and other organizations as well as enable supporters to contact their legislators.

“With such a credible, formalized chorus of opposition, we believe our coalition can have a real impact in the natural catastrophe policy debate, and effectively communicate the truly irresponsible nature of the proposed amendments to the NFIP,” said David Conrad, Senior Water Resources Specialist at the National Wildlife Federation. “Those living further inland would end up subsidizing the costs of residents living on the coast. And, in the end, all taxpayers would suffer.”

The coalition opposes expanding the NFIP to include wind damage. Despite the NFIP’s present multimillion dollar debt, some in Congress want to make matters worse by adding wind coverage to the program. The House-passed version of the reauthorization bill (Section 7 of the H.R.3121) does this, diverting attention away from the original focus of the NFIP and increasing economic stress on a program that is already underfunded and overburdened. “I don’t get it. You have a program that’s already wasting money and doesn’t work and you want to add more to it?” said J. Robert Hunter, former Federal Insurance Administrator and current Director of Insurance at the Consumer Federation of America.

The coalition also opposes efforts to pass federal legislation bailing out Florida’s faulty catastrophic insurance programs, as well as any other states’ potentially defective proposals. The House-passed bill (H.R. 3555) would require the federal government to provide catastrophic loans to states if losses exceed 150 percent of state premiums assessed. However, the bill would not require that the federal loans be repaid over a specific time period, nor provide a penalty for a state’s default (S. 2310 includes a similar proposal). The proposed legislation would also create a new Federal Natural Catastrophe Reinsurance Fund that would require the Treasury Department to sell reinsurance contracts providing coverage for 90 percent of insured losses that exceed the levels projected for a one-in-200 year catastrophic event.

“Let’s not turn natural disasters into financial disasters,” said Thomas Schatz, President of the Council for Citizens Against Government Waste. “If the Senate adopts ill-conceived wind insurance programs the liability to the federal government – and U.S. taxpayers – will be enormous.”

According to Towers Perrin, a global professional services firm that helps organizations improve performance through people, risk and financial management, the potential cost to the federal government could be as much as \$200 billion if wind coverage is added to the NFIP.

“Offering real incentives to those who responsibly reinforce their homes or relocate to less sensitive areas is a step in the right direction,” said Frank Nutter, president of the Reinsurance Association of America. “The best way to help homeowners is to help them avoid or minimize damage in the first place.”

“Many in Congress just don’t seem to trust the free market or the purpose of private insurance. The ideas that this legislation forwards endanger the fiscal and financial health of the entire country,” said Eli Lehrer, Senior Fellow with the Competitive Enterprise Institute and Heartland Institute. “The Administration recognizes the stakes and the White House has even threatened to veto such legislation if Congress passes it.”

###