

# Americans Across the Country Would Pay Billions if Congress Passes Hurricane Insurance Proposal and Another Katrina-Like Storm Strikes, Study Finds

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WASHINGTON, Aug 21, 2008 /PRNewswire-USNewswire via COMTEX/ -- Americans for Smart Natural Catastrophe Policy Urges Congress to Heed Warning in New Economic Study

Americans for Smart Natural Catastrophe Policy, a national coalition of environmental, consumer, taxpayer, free market and industry organizations, urged Congress to review carefully the findings of an economic study released today by Robert J. Shapiro, who served as Under Secretary of Commerce for Economic Affairs in the Clinton Administration, and Aparna Mathur, a Research Fellow at the American Enterprise Institute, that estimates massive new taxpayer liabilities if natural catastrophe legislation now pending in Congress is adopted. The report is entitled *The Economic Effects of Proposals for Federal Natural Catastrophe Reinsurance and New Loan Programs: Who Pays the Benefits?* <http://www.sonecon.com/>

The economic study estimates the burdens on individual states from Congressional legislation to provide state reinsurance loans, create a federal reinsurance backstop to cover state losses, or expand the National Flood Insurance Program (NFIP) to cover wind damage, if the U.S. Gulf Coast suffered a hurricane season comparable to that of 2005. Taxpayers in 20 states would be hit particularly hard by multi-billion dollar burdens under the legislation, the Shapiro-Mathur economic study finds. These include \$19 billion for Californians, \$11 billion for New Yorkers, \$7 billion for Illinoisans, \$6 billion for Pennsylvanians and taxpayers in New Jersey, \$5 billion for those in Ohio, \$4 billion each for taxpayers in Massachusetts, Michigan and Virginia, and at least \$3 billion for those in Connecticut, Indiana, Maryland, Minnesota, North Carolina and Washington. The new economic study reports that these massive new taxpayer burdens would be imposed by Congress despite the fact that private insurance and reinsurance arrangements already in place have worked well. Shapiro and Mathur demonstrate that the Congressional proposals would displace private capital deployed in insurance and reinsurance companies and, in its place, force enormous financial transfers from taxpayers in most states to some businesses and residents of Gulf states, especially in Florida.

Release of the Shapiro-Mathur economic study comes in advance of the expected convening of a Congressional conference committee to resolve differences between the Senate and the House of Representatives over whether to add wind coverage to the already financially insolvent NFIP, which is \$18 billion in debt. The House voted in 2007 to add wind coverage to the NFIP. This spring, the U.S. Senate rejected such wind coverage by the resounding margin of 74-19.

"The findings from this report are alarming, especially in light of clear evidence that climate change is increasing the likelihood of larger and more frequent storms," said David Conrad, Senior Water Resources Specialist at the National Wildlife Federation, a member organization of Americans for Smart Natural Catastrophe Policy. "The time is now for Congress to weigh not only the enormous financial burden that this fatally flawed legislation would place on taxpayers, but also to consider the fact that these bills would likely encourage irresponsible building and rebuilding in destruction's path, and carelessly putting fragile oceanfront ecosystems in jeopardy."

Following its overwhelming rejection of adding wind coverage to the NFIP, the Senate adopted a proposal to create a national commission of experts to study natural catastrophe insurance policy and the fiscal and environmental effects of the various major legislative proposals. Americans for Smart Natural Catastrophe Policy supports the creation of such a commission and believes that the new commission's findings will mirror those of the Shapiro-Mathur report, as well as findings by research firm Towers Perrin, which predicts losses up to \$200 billion if a federal program replaces private sector catastrophic wind insurance.

"We shouldn't displace productive private insurance and reinsurance industries with expensive, unworkable government programs," said Eli Lehrer, Senior Fellow with the Competitive Enterprise Institute, another member organization of Americans for Smart Natural Catastrophe Policy. "The House and Senate conferees on the National Flood Insurance program should take a very careful look at this groundbreaking study. Above all else, we need to create an insurance environment that preserves the environment and encourages safe, effective building. A national catastrophe policy commission could play an important role pointing the way towards a better system for managing catastrophes." Americans for Natural Catastrophe Policy believes there is a better way and urges Congress to enact the Property Mitigation Assistance Act (H.R. 6424), sponsored by Homeland Security Committee Chairman Rep. Bennie Thompson (D-MS), as a environmentally-responsible and fiscally-sound alternative to the Homeowners' Defense Act (H.R. 3355), which would create a federal natural catastrophe backup fund, and to the House-passed version of the Flood Insurance Reform and Modernization Act (H.R. 3121), which would add wind coverage to the NFIP. Chairman Thompson's approach serves to promote public safety without creating a massive federal bailout program or financially overwhelming the National Flood Insurance Program.

To access the Shapiro-Mathur report, or for more information about natural catastrophe insurance legislation being considered by Congress, visit [www.smartnatcat.org](http://www.smartnatcat.org) or [http://www.sonecon.com/docs/studies/Report\\_on\\_the\\_Effects\\_of\\_Proposed\\_Hurricane\\_Legislation-Shapiro-Mathur-August\\_2008.pdf](http://www.sonecon.com/docs/studies/Report_on_the_Effects_of_Proposed_Hurricane_Legislation-Shapiro-Mathur-August_2008.pdf).

About Americans for Smart Natural Catastrophe Policy

Americans for Smart Natural Catastrophe Policy is a national coalition made up of a diverse set of voices united to support environmentally-responsible and fiscally-sound approaches that promote public safety. The Coalition strongly opposes legislative proposals that encourage people to build homes in hurricane-prone, environmentally-sensitive areas by creating new programs that directly or indirectly subsidize their homeowner's insurance.

This spring, a letter was sent to all 100 members of the U.S. Senate urging opposition to 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. Those signing the letter were: Consumer Federation of America, American Consumer Institute, Defenders of Wildlife, Environmental Defense, Friends of the Earth, National Wildlife Federation, Republicans for Environmental Protection, Association of State Floodplain Managers, Americans for Prosperity, Council for Citizens Against Government Waste, Competitive Enterprise Institute, FreedomWorks, Taxpayers for Common Sense, Association of Bermuda Insurers and Reinsurers, Reinsurance Association of America, and Professional Insurance Agents.

To learn more about the Coalition and its members, or to access information and research studies about the legislation, visit [www.smartnatcat.org](http://www.smartnatcat.org).

About Dr. Robert J. Shapiro

Dr. Robert J. Shapiro is the co-founder and chairman of Sonecon, LLC. He is also Senior Fellow of the Progressive Policy Institute, director of the Globalization Initiative of the New Democrat Network, and a board member of the Ax:son-Johnson Foundation in Sweden. From 1997 to 2001, Dr. Shapiro was U.S. Under Secretary of Commerce for Economic Affairs. In that position, he directed economic policy for the Commerce Department and oversaw the Nation's major statistical agencies, including the Census Bureau while it planned and carried out the 2000 decennial census. Prior to that appointment, he was co-founder and Vice President of the Progressive Policy Institute and the Progressive Foundation. He also was principal economic advisor in Governor Bill Clinton's 1991-1992 presidential campaign and senior economic advisor to Vice President Albert Gore and Senator John Kerry in their presidential campaigns. Dr. Shapiro also served as Legislative Director and Economic Counsel for Senator Daniel P. Moynihan, Associate Editor of U.S. News & World Report, and economic columnist for Slate. He has been a Fellow of Harvard University, the Brookings Institution, and the National Bureau of Economic Research.

Dr. Shapiro holds a Ph.D. from Harvard University, a M.Sc. from the London School of Economics and Political Science, and an A.B. from the University of Chicago.

About Aparna Mathur

Aparna Mathur is Research Fellow at the American Enterprise Institute, where she focuses on health care and health policy issues as well as tax policy. Dr. Mathur is also a noted scholar in international finance and econometrics. She has been a consultant to the World Bank, a researcher at the Tata Energy Research Institute, and an instructor in economics at the University of Maryland. Dr. Mathur holds a Ph.D. and M.A. from the University of Maryland, as well as degrees from Hindu College and the Delhi School of Economics of Delhi University.

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