

Flood Insurance Plan To Get Extension

by National-Underwriter

WASHINGTON — The controversial National Flood Insurance Program would be extended in its current form until Sept. 28 under the omnibus spending bill revealed by House Democrats Monday.

Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee, earlier this month said the extension is designed to provide time for the House and Senate to reconcile their differences over the future of the program, especially the House demand that the program be expanded to include wind coverage.

The program was initially extended in its present form until March 6 after the House and Senate could not reconcile substantive differences between bills designed to reform and extend the program for several years.

The bill introduced by House Democrats would combine nine annual appropriations bills left over from last year until the end of the current fiscal year. Total spending on the programs would grow by \$32 billion, or about 8.5 percent, from last year.

The House plans to vote on the measure on Feb. 25 and the Senate will consider it before March 6, according to sources.

The decision to extend the program without major changes was criticized by Eli Lehrer, a fellow at the conservative Competitive Enterprise Institute. He charged that the decision merely kicks sensitive decisions down the road for a second time.

“Given the current economic crisis, it’s not surprising that Congress has decided to punt on this issue for now,” Mr. Lehrer said. “But I am disappointed. This simply puts off the absolutely necessary action of changing the program in a fundamental way.”

The omnibus extension fails to deal with several other controversies swirling around the NFIP, including the request from Florida officials for a \$17 billion federal line of credit to help out its underfunded Hurricane Catastrophe Fund.

Another controversial plan calls for the creation of a national catastrophe plan designed to aid Florida and other coastal areas that is under considerable criticism from outside groups.

One bill that passed the House in the last Congress, and is supported by coastal areas, would have created new federal natural catastrophe loan, insurance and reinsurance programs.

Florida Insurance Commissioner Kevin McCarty met with representatives of two Palm Beach-area legislators Feb. 10 in an effort to secure a \$17 billion letter of credit to help replenish the Florida catastrophe fund.

State officials are proposing a federal line of credit, for which the state would pay a premium and would recoup any advances through bonding and statutory assessments within Florida.

Under the proposal Commissioner McCarty is promoting, the line of credit “would be triggered only in the extremely unlikely event that a storm exceeding the claims paying ability of the Cat Fund were to hit Florida and the credit markets were still in disruption,” according to a department spokesman.

Critics complain that Republican Florida Gov. Charles Crist has become an outspoken supporter of federal aid programs, including the recently passed stimulus package, despite Republican opposition, because he is likely to need a lot of federal help if and when a major hurricane strikes the state.

Mr. Lehrer believes that is the case.

“Gov. Crist doesn’t have a choice but as to take every penny he can get from Washington,” Mr. Lehrer said. “Unless the state changes its property insurance system, Florida is, to use a technical term, screwed.”

A spokesman for the Florida OIR said the visit by the insurance commissioner was not an effort to get support for catastrophe funding in the stimulus package.

A spokesman for the governor was not immediately available for comment.

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