

Wicker's footwork is a needed step on insurance

Biloxi-Gulfport Sun Herald

April 11, 2010

Sen. Roger Wicker's forum on the insurance needs of South Mississippi was an encouraging step toward finding a solution to this debilitating consequence of Hurricane Katrina.

As the Sun Herald's Anita Lee reported, approaches to insure against catastrophic risk varied at the Thursday gathering, but two thoughts appeared to be universal:

- The current insurance system is inadequate to deal with low-frequency, high-severity events such as Katrina.
- Property owners should expect a stable and affordable insurance market only if they better fortify their homes against damage.

So there is still much to be done in both the public and private sectors.

As for government's role, Wicker, R-Miss., intends to press for a Senate hearing on comprehensive coverage for catastrophic events. A key element of such a hearing must be a more viable National Flood Insurance Program, which Rep. Gene Taylor, D-Miss., wants to expand to cover multiple perils.

But more attention also needs to be given to private sector proposals, such as the Travelers insurance company plan to put 18 coastal states on the Gulf and the Atlantic into four insurance zones, with a federal commission overseeing rates and underwriting by private companies.

At the national level, better protection for all Americans living within harm's way of a hurricane would be Katrina's greatest legacy.

Wicker introduced members of Wharton's Risk Management Center at the University of Pennsylvania, who talked about an NFIP overhaul. They suggest flood insurance should be mandatory for property owners in flood-prone areas — not just those with federally insured mortgages.

The plan from professors Howard Kunreuther and Erwann Michel-Kerjan would require long-term rather than annual coverage. Loans would be offered for fortifying homes against flood damage. Homeowners would be more likely to elevate and flood-proof their property, the professors say, because premium savings would be higher than annual loan-repayment rates. The coverage and loans would be tied to the property, not the individual.

They believe this concept would give NFIP more financial stability through a larger policy base, prevent lapses in flood insurance common today and spread risk. They pointed out that only 17 percent of Mississippians who bought flood insurance in 2001 still carry it today.

U.S. Representative Gene Taylor presented his plan to add wind coverage to the National Flood Insurance Program, pointing out the inherent conflict private companies faced in adjusting their wind claims, along with federal flood claims after Hurricane Katrina.

"Guess what they did?" Taylor asked. "They stuck it to Uncle Sam every time."

The federal government spent \$1.3 billion in Mississippi to house disaster survivors in FEMA trailers, he said, because insurance companies did not provide living expenses for Katrina losses.

Since Katrina, insurance companies have pulled away from coastal areas from Texas to Maine. Taylor said insurance liabilities for state-run wind pools have increased by more than \$300 billion as a result. Wind-insurance costs for small businesses have skyrocketed.

One insurance company, Travelers, also offered a plan to spread risk from hurricane wind. The plan would put 18 coastal states in four insurance zones, with a federal commission overseeing rates and underwriting by private insurance companies. States would continue to regulate insurance companies in other areas.

The plan offers specifics for transparency in determining premiums and policyholder rebates when models used to set premiums project losses higher than those experienced. Mitigation and mitigation credits are a major feature of the plan. Private companies would buy reinsurance at cost from the federal government to help cover extreme catastrophes.

Wicker supported Taylor's multi-peril bill, sponsoring a Senate amendment to adopt it.

However, strong opposition exists in the Senate. Wicker said he is looking for solutions in addition to multi-peril. Katrina's fifth anniversary is approaching, but Congress has been unable to agree on fixes to the National Flood Insurance Program.

A bill to reauthorize NFIP, \$17 billion in debt from Katrina, has languished in a conference committee since 2008. NFIP coverage lapsed when Congress failed to reauthorize it before recess.

"I understand the frustration of many in this room," Wicker said. "We need to push harder . . . It is as frustrating to me as it is to anybody."

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