

April 20, 2016

The Honorable Jeb Hensarling
Chairman
House Committee on Financial Services
Washington, D.C. 20515

Dear Chairman Hensarling:

As a coalition of leading taxpayer advocates, environmental organizations, housing and mitigation groups, and insurance interests, we write to urge your opposition to a bill recently referred to your Committee—H.R. 4947, to establish a federal backstop or bailout fund for state-run insurance programs. H.R. 4947 would cost taxpayers billions of dollars, displace the private insurance and reinsurance market, and result in incentives to build in unsafe and environmentally fragile areas. An earlier version of this legislation was estimated to potentially cost the federal government over \$200 billion.

The bill creates a federal bailout program that is costly, ill-advised and unnecessary. The proposal is principally designed to benefit one state—Florida—at the expense of taxpayers in all other states. While Florida has created a state-run insurance system to cover natural disasters based on artificially low rates, the state legislature and, indeed, the leadership of Florida's unique state entities, have been taking steps to transition their insurance program back to where it belongs—in the private sector. Unfortunately, H.R. 4947 would discourage Florida from continuing to fix their insurance system, and would encourage other states to create flawed state-run insurance systems. These state systems would mimic the programs in Florida, which unlike private insurance and reinsurance, which maintain proper liquidity and reserves to pay claims, are severely under-capitalized and not able to pay claims in the event of a large hurricane without the imposition of new taxes, if at all.

There is no need to create a federal backstop for natural disaster insurance, supplanting a functioning private insurance and reinsurance market. Private reinsurance and capital markets are robustly assuming catastrophe risk, while federal insurance programs struggle to deliver on their commitments, such as the National Flood Insurance Program, which is more than \$23 billion in debt in large part due to inadequate rates. Subsidized rates encourage development in risky and environmentally sensitive areas, creates moral hazard rather than mitigating risk, and inevitably results in huge taxpayer liabilities.

SmarterSafer urges Congress to reject the ideas in H.R. 4947 and to resist calls to create new bailout funds for state-run insurance and reinsurance programs for natural disasters. We look forward to working with you on these issues.

Sincerely,

SmarterSafer

MEMBERS

Environmental Organizations

American Rivers
Center for Climate and Energy Solutions (C2ES)
Ceres
ConservAmerica
Defenders of Wildlife
Natural Resources Defense Council
National Wildlife Federation
Sierra Club

Consumer and Taxpayer Advocates

Coalition to Reduce Spending
R Street
National Taxpayers Union
Taxpayers for Common Sense
Taxpayers Protection Alliance

Insurer Interests

Allianz of America
Association of Bermuda Insurers and Reinsurers
Liberty Mutual Group
National Association of Mutual Insurance Companies (NAMIC)
National Flood Determination Association
Reinsurance Association of America
SwissRe
USAA

Mitigation Interests

Natural Hazard Mitigation Association
National Fire Protection Association

Housing

National Housing Conference
National Leased Housing Association

ALLIED ORGANIZATIONS

American Consumer Institute
Association of State Floodplain Managers
Center for Clean Air Policy
Friends of the Earth
Institute for Liberty
Property Casualty Insurers Association of America
Union of Concerned Scientists
Zurich