

April 21, 2016

**An Open Letter to the U.S. House of Representatives:
No Federal Bailouts for Florida's Government-Run Property
Insurance Plans**

Dear Representative,

On behalf of the millions of citizens represented by the undersigned groups, we write in strong opposition to H.R. 4947, the misleadingly titled "Homeowners Insurance Protection Act" (HIPA) introduced by Rep. David Jolly, R-Fla. This legislation would establish a so-called "national catastrophe fund" that could result in enormous taxpayer bailouts for ill-conceived state government-run insurance schemes. Far from protecting taxpayers by reducing future costs, this type of legislation could potentially burden them with billions of dollars in liabilities and create a massive federal bailout facility for failing state-run plans.

By establishing a federal reinsurance facility for broken state-run programs, H.R. 4847 would discourage ongoing reform in states like Florida, where the Florida Hurricane Catastrophe Fund has \$17 billion in liabilities. While Gov. Rick Scott and the Legislature have worked hard to reduce the Cat Fund's risk to taxpayers in recent years, legislation like HIPA would encourage future leaders to reverse that progress, secure in the knowledge that the federal government would come to the rescue following a sufficiently large storm.

In fact, as currently written, Florida is the only state that would be eligible for the bill's bailout facility, calling into question its stated commitment to improve disaster planning nationwide. Perhaps even worse, it would encourage other states to copy Florida's failed model, creating state catastrophe funds that displace the private sector in order to capitalize on guarantees from federal taxpayers.

Establishing a federal bailout for failing state systems would represent a tremendous expansion of the federal government's already excessive role in disaster recovery. It would amount to forcing taxpayers to guarantee against losses that currently are covered by the private sector. There is a vibrant, well-capitalized reinsurance market that clearly could and does bear these risks at market-based, actuarially sound rates.



“National catastrophe fund” legislation runs counter to the most basic principles of insurance, which manages risk by spreading it broadly as possible. By creating a federal government-run reinsurer, the Jolly bill would lead to dramatically higher concentrations of risk within our borders and concentrated risk is always more expensive. No longer would claims on Florida hurricanes be balanced in global reinsurance markets by premiums paid for, say, earthquake risks in Japan. Instead, U.S. taxpayers would be on the hook for huge losses.

H.R. 4947 would increase the size and scope of the federal government and encourage states to create and maintain reckless government-backed insurance schemes. This legislation is not federal assistance for natural disasters; it is a federal bailout for *state-created financial disasters*. In essence, it would countenance open-ended federal subsidies for "too big to fail" state insurance plans that are wholly incapable of dealing with a major catastrophe. This bill is counterproductive to sound insurance policy and poses unacceptable risks for taxpayers. We urge you to oppose it vigorously.

Sincerely,

Andrew Moylan
R Street Institute

Norman Singleton
Campaign for Liberty

Kent Lassman
Competitive Enterprise Institute

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