

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