

Federal coastal insurance reform prospects dim after November elections

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By George Altman, Washington Bureau



Former U.S. Rep. Gene Taylor, D-Bay St. Louis, pushed for coastal insurance reform but was defeated in the November election. (Press-Register/John David Mercer)

WASHINGTON — The prospects for action in Congress to address the troubled coastal insurance market may have dimmed, after the 2010 elections swept out two leading advocates for the issue and ushered in lawmakers focused on shrinking government and lessening regulations.

Gene Taylor, the Bay St. Louis Democrat who had pushed insurance overhauls for years, but who lost his U.S. House seat in November, expressed little hope.

“I think the chances of that happening is right up there with a snowball’s chance in hell,” Taylor said in a phone interview.

Others said it could take another Hurricane Katrina to spur a significant focus on coastal insurance.

"That's certainly what a number of people I have talked to ... have said over the last six months," said Lloyd Dixon, an economist with the RAND Corporation think tank. "There just won't be the energy or the impetus to do something unless you have a large event."

Still, supporters of federal insurance overhauls vowed to press ahead for changes that would bring lower premiums, wider availability of coverage and a more stable distribution of risk.

"I see an opportunity for bipartisan solutions, if we can show that what we're bringing forward will actually save money," said Sen. Roger Wicker, R-Tupelo.

Since Katrina struck in 2005, insurance policies near the coast have grown harder to find, and increasingly expensive. Lawmakers such as Taylor and Rep. Ronald Klein, D-Fla., pursued various bills to address the problems, but made little progress.

Klein also lost his bid for re-election last year.

Republicans won control of the House and made gains in the Senate largely by promising to rein in government.

In a newly austere climate, a critical question for any insurance restructuring will be its cost to the government, said Georgia State University insurance professor Robert Klein.

"A congressman who does not have significant coastal constituency would have a difficult time explaining to his constituents why he thinks this legislation should be passed," Klein said.

Insurance overhaul supporters said that it would eventually prove more expensive for the government to take a pass.

When storm damages overwhelm insurers and property owners, the government gets called in, often at tremendous cost, Wicker said.

"Any new program should be viewed against the alternative," he said.

Joan Woodward, executive vice president of public policy for Travelers Insurance, said she thinks the new Congress would be more receptive to private-sector solutions than those that depend largely on the government.

Travelers is working to build grass-roots support for its insurance reform ideas, she said. "We don't want to be one of the bills that sit around for years and years," Woodward said. "People react to a crisis."

Rep. Jo Bonner, R-Mobile, echoed that sentiment.

Asked how much progress he expected to see on the issue in the new Congress, Bonner replied with his own question: "How many Category 5 storms are we going to have this season?"

Bonner said he thinks solutions to the insurance problem should come from the state level. "I really don't want to envision a day where we build another building and add another bureaucracy of federal workers, all with the assigned task of regulating the insurance industry," he said.

Rep. Steven Palazzo, the Biloxi Republican who beat Taylor, said the coastal insurance issue is a priority for him, but it could be wise to try a different path than before.

"We're going to begin looking at the alternatives that are out there," Palazzo said. "The other options failed miserably." □