Insurance leaders call for fed reinsurance aid

By JEFF AMY
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GULFPORT — It's time for the federal government to step in and lower the cost of reinsurance.

That was one point of consensus among panelists discussing the high price and scarcity of coastal property insurance Thursday at Mississippi Gulf Coast Community College.

Firms that write coverage directly to consumers typically pay reinsurers to take on part of the risk. Experts and a top insurance executive said that reinsurers must build up large reserves to protect against big hurricane losses, but have to pay a return on that money to investors. That causes reinsurers to charge premiums three to five times their average annual losses.

"We think the federal government could provide (reinsurance) on a cost basis," said Greg Toczydlowski, president of personal insurance for the Travelers Cos. Inc., a large insurer based in New York.

The challenge would be making sure political pressure didn't artificially depress rates, though, said Lloyd Dixon, an economist with the RAND Corp.,

"The devil's in the details," he said. "How do you price it?"

The panel, meeting at the college's Jefferson Davis campus, was sponsored by U.S. Sen. Roger Wicker, R-Tupelo.

"Even this far removed from Hurricane Katrina, we have not solved the issue of affordable and accessible insurance in coastal Mississippi," Wicker said.

Experts also floated several ideas for improving the National Flood Insurance Program, which is currently awaiting renewal by the U.S. Senate.

Though people are usually required to buy flood insurance when they buy a house in flood zone, Howard Kunreuther presented research suggesting that some homeowners are finding ways to drop such coverage after a few years. He said that could indicate lenders aren't effectively enforcing coverage requirements.

Kunreuther presented a plan that called for tying flood insurance to a property, and conveying the policy from one owner to the next along with the deed. The professor also said that could spur banks to lend money to help flood-proof properties. Such measures lower insurance payments, and it might be possible to repay the loans out of premium savings, lowering overall costs for a homeowner.

Above: RAND Corp. economist Lloyd Dixon, left, makes a point as Greg Toczydlowski, president of personal insurance for Travelers, listens. **Left:** U.S. Rep. Gene Taylor, D-Bay St. Louis, speaks about legislation he has authored on optional wind coverage.

U.S. Rep Gene Taylor, D-Bay St. Louis, made a fresh push for his own plan, which calls for the national flood insurance program to offer optional wind insurance, preventing disputes about the causes of damage and who must pay.

Taylor said in an interview outside the meeting that his bill is scheduled for a hearing in the House later this month, and he hopes it will get to the floor in early summer.

He said that neither President Barack Obama's administration nor the top senators on the Senate Banking Committee have yet agreed to support the bill, though he said he's had talks with Rahm Emmanuel, Obama's chief of staff, and Connecticut Democrat Chris Dodd, the committee chairman.

Taylor said he's yet to have a meeting with U.S. Sen. Richard Shelby, R-Tuscaloosa, the ranking minority member, who is on record as opposing the plan. Taylor said Shelby could be a powerful roadblock.

"As we now know from the health care bill, one senator can hold something up," Taylor said.