

NATIONAL ASSOCIATION OF REALTORS®

EYE ON THE HILL

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CREATING A NATURAL DISASTER POLICY: PREPARING FOR THE NEXT CATASTROPHE

Every year hurricanes, tornados, severe storms, and earthquakes cause billions of dollars in damages to homes throughout the United States. Homeowners often rely on insurance proceeds to repair or rebuild their home or business. Due to huge claims from recent natural disasters, many insurance companies have stopped issuing new policies and in some cases have dropped customers in disaster-prone areas. These actions are now making it harder for homeowners to obtain the insurance coverage they need in order to protect their biggest investment, their home.

One way to deal with this problem is to establish a federal natural disaster policy. Congress is considering several proposals. One plan would allow the federal government to provide natural disaster re-insurance to help states that have catastrophic insurance funds minimize their risk of loss. Another idea would allow insurance companies to create reserve funds with pre-tax dollars to pay out claims from future massive disasters. A third proposal would allow individuals to set up tax-free savings accounts that would be used to repair damages from disasters.

No single idea is emerging with Congress as a front-runner. One thing is crystal clear, though. Getting a home mortgage without insurance coverage is nearly impossible. With the problems facing the nation due to the lack of insurance coverage, the time is right to address this issue, or as one Senator recently stated, "Doing nothing is no longer an option."

In May of 2006 the NAR Board of Directors declared that natural disaster legislation should be one of NAR's primary legislative issues. Our goal is clear: convince Congress to enact a federal natural disaster policy that ensures access to affordable property insurance. Congress must also recognize that protecting homeowners against the damage done by natural disasters is not just a coastal area problem, or a regional problem, but an issue that affects all residents of the United States. Some of the work NAR is doing to help with this issue includes:

- NAR hosted a meeting in March 2006 with approximately 50 stakeholders, including home builders, representatives of the insurance and financial services industries, as well as Rep. Ginny Brown-Waite (R-FL) and Rep. Clay Shaw (R-FL), who are sponsoring natural disaster legislation in the House of Representatives, to discuss how Congress can tackle this issue.
- Meeting with key staff in the House and Senate to discuss the importance of natural disaster legislation to REALTORS® and asking Congress to hold hearings to consider natural disaster legislation.
- Establishing a NAR Disaster Planning and Mitigation Task Force which emphasizes the importance of natural disaster insurance to NAR members.
- Conducting research and issuing a report on the impact of natural disasters on real estate markets in Florida and expanding this research into other areas. To view the Florida report on www.realtor.org, go to:
<http://www.realtor.org/Research.nsf/pages/HurricanePaper?OpenDocument>.
- Developing grassroots initiatives to organize REALTORS® in the coming months to make natural disaster legislation a primary issue for Congress.

The physical, financial, and emotional damage that natural disasters cause are not easily fixed. Congress is working on a natural disaster plan and NAR will make sure that members of Congress understand our concerns. Homeowners across this country need to know that no matter what comes over the horizon, their homes will be protected. Anything less is just a disaster waiting to happen.