

APCIA skeptical of legislation proposing a federal catastrophe reinsurance program

Insurance Business

A trade body representing America's insurers has expressed reservations about a new bill seeking to establish a federal catastrophe reinsurance program within the Department of Treasury.

According to the American Property Casualty Insurance Association (APCIA), the bill could make coverage even more expensive for "vulnerable policyholders," in addition to potentially putting homeowners at greater risk of losing access to insurance

California representative Adam Schiff introduced the Incorporating National Support for Unprecedented Risks and Emergencies (INSURE) Act late last week. Its main focus is the creation of a federal reinsurance program that would set a cap on insurers' liability in the event of a catastrophe.

Insurers participating in the program would also be required to provide coverage for all natural disasters, as well as invest in loss prevention and risk mitigation strategies.

Schiff called the bill a "critical step" to addressing the challenges faced by homeowners when it comes to the affordability and availability of insurance. But APCIA said his approach requires further analysis.

In an emailed statement, Nat Wienecke, APCIA's senior vice president of federal government relations, said:

"We appreciate the interest of Representative Schiff in addressing the insurance availability and affordability challenges in many areas of the country. However, the combination of climate change, accumulation of homes in hazard-prone regions, significant increases in labor and materials costs due to inflation, legal system abuse, and outdated regulatory systems cannot be overcome by a broad federal

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program.”

Wienecke also cautioned against the implementation of federal solutions as a way to address problems within state-regulated industries like insurance.

“Federal solutions to a state-regulated industry should be carefully considered, as evidenced by the fact that federal taxpayers are currently at risk from \$20.525 billion debt already owed by the National Flood Insurance Program,” he said.

A news release from Schiff’s office additionally noted that the INSURE Act will improve market monitoring through the Office of Financial Research and the Federal Insurance Office, in collaboration with state insurance regulators.

The same release said the bill has received support from a number of consumer groups, including the Consumer Federation of America, Consumer Watchdog, Texas Watch, and United Policyholders

The bill is also co-sponsored by Representatives Zoe Lofgren, Rashida Tlaib, Julia Brownley, Kevin Mullin, Andrea Salinas, Val Hoyle, according to the release.