Statement by Senator Daniel K. Akaka on introduction of the National Disaster Protection Act

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THE NATURAL DISASTER PROTECTION ACT
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Mr. President, today I join Senators Inouye, Stevens, Dodd, Murkowski, Simon and Gorton in introducing legislation to lessen the economic consequences of a catastrophic disaster. Our bill provides a workable solution to reducing the loss of life and property and lessens the need for massive federal disaster assistance.

Last September, the Garden Island of Kauai took a direct hit from Hurricane Iniki, with slamming winds of up to 165 miles per hour. Damage to the island totalled over $1.4 billion. It is important to remember that Hurricane Iniki occurred shortly after the nation's most costly natural disaster, Hurricane Andrew, and preceded the Great Flood of '93 by less than a year.

To those Americans displaced both physically and emotionally from their homes and livelihoods by natural disasters, the federal government offers a variety of emergency disaster services. For many disaster victims, the shock of losing one's home or business is compounded by the realization that the federal government can only do so much. Moreover, many affected by these disasters find that their insurance policies are often inadequate to cover losses.

The legislation we introduce today offers a multi-pronged approach to responding to future disasters. Encompassed in the bill are a Hazard Mitigation Program - which will result in the construction of safer buildings and improved state and local

emergency management capabilities; a Primary Insurance Program to provide affordable, comprehensive disaster protection for homes; and a National Reinsurance Program financed by the insurance industry. Only through a comprehensive catastrophic disaster insurance program will we encourage those living in flood-prone, hurricane-prone, and earthquake-prone areas to purchase insurance. The central concept of this legislation is a cooperative effort that lessens the impact of a disaster through shared responsibilities among property owners, insurers and government at all levels.

The Hazard Mitigation Program provides grants to state and local governments to strengthen their disaster planning and mitigation efforts, in coordination with FEMA, through a Federal Disaster Mitigation Fund. States meeting specified criteria would be eligible for these grants, which would be financed through amounts collected from other programs in the Act. States not in compliance would be ineligible for these funds and could be denied access to certain types of federal disaster relief.

This legislation does not intend to micromanage the jurisdictional structure or the actual mitigation steps to be followed, but rather, establish a framework within which the appropriate federal agencies can deliver assistance effectively. Each state designated to be prone to specified disasters will be required to carry out certain mitigation efforts to address each of these types of disasters.

One of the most important features of this bill is the establishment of a Reinsurance Program to address the problem of

homeowners' insurance availability. It would also reduce the potential for insurance company insolvencies from exceptionally large disasters, like Hurricanes Iniki and Andrew, and now the Midwest flood.

I might add that I sincerely hope that the residents of the Midwest do not meet the same problems encountered by the citizens in Hawaii after Hurricane Iniki, when the State's third largest insurer declared bankruptcy after claims became too great. This prompted most insurance companies doing business in the State to stop writing new policies and refusing to renew existing ones. Because many homeowners, and eventually many businesses, were without property insurance after Iniki, the Hawaii State Legislature adopted a bill to establish a new public corporation to provide hurricane coverage.

Another point in favor of federal disaster insurance is that even when the Hawaii insurance pool is fully funded, it could never cover losses should a hurricane the force of Iniki hit the State's most populated island of Oahu. It is estimated that such a direct hit would result in estimated losses of $35 billion. Mr. President, this is where a Reinsurance Program becomes advantageous to everyone.

An important feature of the Reinsurance Fund is that it would be financed by the insurance industry. The fund would provide a source of insurance which insurers could purchase to better manage the risk from highly infrequent, but extremely costly disasters. States would also be eligible to participate in the reinsurance program if they create insurance pools, like

Hawaii's Hurricane Relief Fund, or other state-sponsored programs to provide insurance for homeowners who are unable to secure coverage on their own.

This bill is intended to lessen the damage suffered through injuries or loss of life, as well as lessen physical damage to insured structures. By lowering the amount of claims that insurance companies are forced to pay out, we will lessen their risk to a level where they feel that they can participate in high risk markets.

Mr. President, I wish to reemphasize that our bill is aimed at long range effectiveness. In searching for an equitable and effective means of addressing the financing of disasters, we must be willing to try new approaches. Although we cannot avert most disasters, we can take a proactive stand to lessen the impact of these unpredictable acts of nature.

The Natural Disaster Protection Act of 1993 provides a road map for dealing with the impact of serious, catastrophic disasters which appear to be striking with more frequency and intensity by shifting the emphasis from taxpayer dollars to private dollars as a means of funding disaster recovery.