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National News

Insurers Support Tax-Free Savings Accounts for Natural Disasters

April 5, 2007

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Legislation that would allow homeowners to set up tax-free savings accounts for natural disasters would go a long way toward encouraging them to prepare for catastrophes, according to a national insurer group.

A proposal introduced last week by Reps. Tom Feeney, R-Fla., and Debbie Wasserman Schultz, D-Fla., would allow homeowners to use the money in the special savings accounts to cover current and future catastrophe-related expenses.

"It is unfortunate that the current tax code does not encourage either homeowners or insurance companies to reserve money for future natural catastrophes," said Justin Roth, NAMIC's senior federal affairs director for the National Association of Mutual Insurance Companies (NAMIC). "We support Congressmen Feeney's and Wasserman Schultz's effort to finally provide them that ability."

Under the legislation, the accounts would be structured in the same manner as health savings accounts. The earnings from the money deposited would be tax free. Unused balances would roll over from year-to-year.

Homeowners could use the money from the accounts to cover qualified disaster expenses, including deductibles, uninsured losses, flood damage, and structural upgrades for future storms. Upon retirement, the money could be removed with no penalty.

"By creating this tax incentive, this legislation would reward those homeowners who do the right thing by reserving money into this rainy-day account that can be used if that next disaster occurs," Roth said.

The measure also gives consumers the option of purchasing higher deductible policies, resulting in lower annual premiums. Homeowners with lower deductibles — up to \$1,000 — may contribute and hold up to \$2,000 in their accounts. For homeowners with deductibles higher than \$1,000, the cap would be twice the amount of the deductible, up to \$15,000.

The legislation is only the first step in the efforts Congress can make to help homeowners and states prepare for future natural disasters, Roth said. "In addition to supporting Congressman Feeney's tax-



free savings accounts, we also support increased mitigation funds, better local flood mapping, and the creation of federal incentives for states to adopt stronger statewide building codes."

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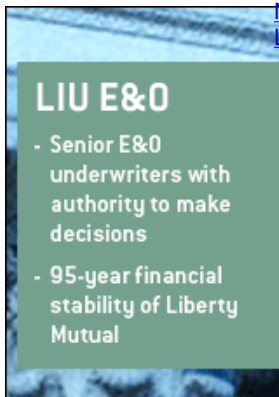
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