

Opening Statement of Congressman Steve Scalise
House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
Hearing on H.R. 1264, the Multiple Peril Insurance Act of 2009
April 21st, 2010

Thank you Chairwoman Waters, Ranking Member Capito, and distinguished Members of the Subcommittee.

I appreciate the opportunity to testify before your subcommittee on H.R. 1264, the Multiple Peril Insurance Act. This bi-partisan legislation has 22 cosponsors, and makes critical reforms that are important to the people of South Louisiana. By adding multiple peril coverage, which includes wind and hail, to the National Flood Insurance Program, homeowners will have greater protection against damage caused by hurricanes and other storms. Adding wind and hail coverage to the NFIP will give the people of my district the peace of mind that their homes, businesses, churches, and schools will be protected in the face of catastrophic storm damage. I commend Congressman Gene Taylor for his leadership and diligence on this issue.

I am proud to join with Congressman Taylor in championing this bill so that no American has to experience what the people of the Gulf Coast went through after Hurricane Katrina. We in South Louisiana have to live with the threat of these massive hurricanes every year, but we shouldn't have to live without protection from future storms.

As this subcommittee well knows, after Hurricane Katrina, many homeowners found themselves stranded with no payments from their insurance companies. Many homeowners were forced to sue their insurance companies in order to recoup any money from their policies. Some insurance companies overbilled the NFIP for flood damage while denying homeowners on wind damage payments. After Hurricane Katrina hit, many private insurance companies refused to write any policies that included wind coverage. Forty-six thousand people were forced into Louisiana Citizens Property Insurance

Corporation, the state's high risk pool, and Louisiana was forced to borrow \$1.4 billion in order to reinsure these additional policies. Dumping policies into state insurers of last resort is not an effective or efficient solution to the need for wind insurance.

Thousands of homeowners who purchased both a wind policy as well as flood insurance found that neither policy wanted to pay even though they were covered for both. That is because if some damage was caused by wind and some caused by flood, it was up to the homeowner, in many cases, to prove whether wind or water came first. This added insult to injury for thousands of homeowners who lost everything to the storm and just wanted to get their homes repaired. Yet many had to take their insurance companies to court just to enforce the policies they had been paying premiums on for years.

This important legislation takes vital steps to implement lessons learned and prevent history from repeating itself. Our current system creates an inherent conflict of interest between private insurance companies and the federal government over who pays what when both water and wind cause damage. This legislation eliminates that conflict by providing homeowners with the option to purchase one multi-peril policy for both wind and water. No longer will homeowners be forced into state run wind pools when private insurance companies refuse to write wind coverage.

Adding wind and hail coverage to the NFIP allows us to spread the risk geographically and in a much more efficient manner. State run wind pools concentrate the risk- a large portion of those with policies through the state pool could all be affected by the same disaster, thus making it very difficult for a state run pool to build up enough reserves to pay in the event of a major disaster. This problem is not limited to the Gulf Coast alone though. Wind damage is a risk all along the coastal United States, and it is important to note that fifty-five percent of American citizens live within fifty miles of the coast. Clearly, this is an issue that affects all Americans, not just on the Gulf Coast.

I recognize that some Members may be concerned that this bill puts American taxpayers on the hook for coastal disasters. To the contrary, this legislation is designed to be actuarially sound. According to the Congressional Budget Office, the legislation would pay for itself through the premiums that would be assessed. Another important component of this bill is the addition of loss of use coverage. After Hurricane Katrina, the federal government paid out \$34 billion in disaster housing assistance alone. Adding loss of use coverage would further reduce reliance on the federal government for disaster assistance in the face of catastrophic damage. This bill alleviates some of the burden on taxpayers, as opposed to adding to it by relying on disaster assistance that is often expensive and subject to fraud.

It is time to enact real reform so that homeowners have comprehensive hurricane insurance protection. Enacting reforms to NFIP will allow us to move forward with a five year extension and put an end to these short term extensions that expire when Congress fails to act. Chairwoman Waters's bill is a step in the right direction towards a full five year reauthorization, and I look forward to continuing to work towards this goal. As we approach hurricane season, enacting these reforms and passing a long term extension becomes more critical every day.

The ultimate goal of our region is to build a comprehensive hurricane protection system that allows us to look back at Katrina and say, "never again".

Again, I appreciate this opportunity to testify before the subcommittee. I would also like to thank the subcommittee for its efforts, and look forward to working with you in the future to achieve this fundamental goal.

Thank you and I yield back the balance of my time.