

Committee on Financial Services
Opening Statement of Representative E. Clay Shaw, Jr.
Hearing on Stabilizing Insurance Markets for Coastal Consumers
September 14, 2006

Chairman Baker, Ranking Member Kanjorski, members of the subcommittee, I would like to thank you for holding this hearing today on insurance markets for catastrophe prone coastal areas. This issue is of extreme importance to my constituents and to the entire nation. I'd also like to thank the subcommittee for letting me participate today. I appreciate the indulgence of everyone here as we examine this complex issue that will no doubt require a well considered solution, one that may span the jurisdiction of multiple Committees.

The devastation caused over the last two years by Hurricanes Wilma, Rita, Charlie, Frances, Ivan, and Jeanne in South Florida highlight the risk of hurricanes, wind storms, and flood hazards faced on coastal areas. However, catastrophe insurance includes earthquakes, tsunamis, and volcanic eruptions that affect other areas of our nation as well.

As a result, the insurance situation for businesses and homeowners has reached a critical point. I receive countless letters and emails from my constituents in South Florida who are unable to afford the high premiums that are continuously increasing for wind, flood and hurricane insurance. While the average home in my congressional district currently costs \$380,400, our most recent numbers show that insurance premiums for only a \$250,000 home average over \$5,000. This state of affairs is untenable. Sadly, often the hardest hit are the large number of retirees who live on fixed incomes. This financial bind has become a massive crisis in the state of Florida.

It is imperative that Congress focus on the national issue of catastrophe insurance. We must pass comprehensive federal legislation that will address this problem.

In November of last year, Representative Ginny Brown-Waite and I introduced the Homeowners Insurance Protection Act of 2005. This bill would create a Federal backstop for natural catastrophic losses. By creating this backstop and spreading the risk of these disasters, we can reduce the pressure that is currently driving up homeowners' insurance rates. Additionally, by establishing this fund, we can ensure that future reconstruction projects are funded by insurance premiums and not taxpayer dollars. The bill would also create the National Commission on Catastrophe Preparation and Protection.

I am also a co-sponsor of the Policyholder Disaster Protection Act of 2005 sponsored by Representative Mark Foley. This bill would create tax-deductible contributions for insurance companies to a tax-exempt policy-holder disaster protection fund established for the payment of catastrophic events.

In resolving this issue, we must accomplish two goals:

FIRST, we must reduce insurance premiums to policy-holders.

SECOND, we must assure that financial recovery and rebuilding occur following the inevitable natural catastrophe. These bills offer two ways to deal with the crisis of assuring that the insurance industry has the capacity to continue to underwrite catastrophe risks.

Again, I appreciate your willingness to allow me to participate in today's hearing and I am looking forward to working with this Committee in solving this problem.