

## **Statement of**

**U.S. Representative Gene Taylor  
Fourth District, Mississippi**

**Committee on Financial Services  
Subcommittee on Housing and Community Opportunity**

**Perspectives on Natural Disaster Insurance**

**March 27, 2007**

Thank you, Madam Chairman. I want to thank you for having a hearing to address a problem that affects not just south Mississippi, but 53 percent of all Americans. According to NOAA, 53 percent of all Americans live in a coastal community. In 17 states, from the Gulf of Mexico to the Atlantic Coast, the insurance industry is pulling out on a state-by-state basis.

My own experience in south Mississippi is that, despite the efforts of south Mississippians to board up their homes, to protect their goods, thousands of people lost everything they owned the night of Hurricane Katrina. That was the first tragedy.

The second tragedy was, within days of the storm, they were told that although both wind and water damage had occurred, and although they had bought all the insurance that was available to them in both wind and flood policies, they were denied wind coverage. In fact, it seems the only people who were paid their wind claims in the beginning were people who were eye witnesses to the devastation of the storm.

So now, in response to the fact that the insurance industry apparently no long wants to cover people for wind damage in coastal America, or will not provide that

coverage at a cost that is reasonable, I am asking you to consider legislation that will expand the National Flood Insurance Program to include all natural perils.

Under the rules of this House, it would have to be done in a way that pays for itself. Thus, any argument that this would be taxpayer-subsidized would be eliminated. Under the new rules of the House, that is not an option.

This problem affects thousands of people. Quite frankly, people should be encouraged to get out of coastal areas in a time of a storm, rather than encouraged to stick behind with a camera to record the event.

In my state, thousands of people have had to resort to hiring a lawyer, hiring engineers, and having to go to court. In fact, about the only people who have gotten justice were the eye witnesses, or people who hired high-profile lawyers to settle their claims. That really should not be the case.

In the case of the flood insurance program, we allow the private sector to write the policy, but we also allow them to adjudicate the claim. When companies issued internal documents that tell their employees to blame everything on the water, and pay the flood claim immediately, that flies in the face of their contractual obligation to our nation, to a fair adjudication of the claim.

The present system isn't working. It is not working for individuals who are affected by the storm, and it is not working for our nation's taxpayers, who paid the difference. I would remind my colleagues that in the same year that the insurance industry had \$45 billion in profits, the National Flood Insurance Program lost \$20 billion. It doesn't have to be that way.

Our nation stepped forward in the late 1960s to come up with the National Flood Insurance Program, because there was a need that the private sector chose not to fill. Our nation wisely filled that need. I think it is time for our nation to step forward once again for a need that the private sector, for whatever reason, is choosing not to fill, and that is for all catastrophic events—whether it’s a tornado in Alabama, an earthquake in California, a fire in the Pacific Northwest. As long as a person has built their home to the proper standards, as long as they have paid their premiums, and as long as we can devise a program that is done in a way that pays for itself, the people of America ought to be protected.

In south Mississippi right now, it is a common occurrence for people who had 3,000, 4,000, and 5,000 square-foot houses to be replacing them with 1,000 square-foot houses. First, because they were not paid their claim from the last storm, and now they are being told, “If you do rebuild, you’re going to pay four or five or six times more for insurance than you did before.” And quite frankly, no one I know wants to pay more on an insurance note than they want to pay in a house note.

It just stands to reason that we have to do better. We have to do better as far as building codes; we have to do better as far as the national flood elevation maps, which were so grossly inadequate. It is in the nation’s best interest in doing this for the 53 percent of all Americans who live in coastal communities.

So, Madam Chairman, we have had many opportunities to speak about this. This is the first time to actually offer a piece of legislation. And so, I will very much request that, at your convenience, a mark-up be held on H.R. 920 with the opportunity to make the case for it as a stand-alone measure.

I welcome what my colleagues in Florida have to say today. I don't believe reinsurance is the answer, but I am pleased to see such a large delegation recognizing that the problem does exist. It exists not just for them, for Mississippi, for South Carolina, and Alabama, but for 53 percent of all Americans who live in a coastal community, and who are looking to their nation for some help.