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MULTIPLE PERIL INSURANCE WOULD SAVE BILLIONS

Dear Colleague:

H.R. 1264, the Multiple Peril Insurance Act, will be on the House floor sometime this week. **This bill would save taxpayers billions of dollars by reducing future disaster assistance costs after hurricanes and tropical storms.**

The bill would create an option to allow property owners to buy both flood and wind coverage from the National Flood Insurance Program. Wind coverage would be offered only in combination with flood insurance, and only in communities that opt into the program and agree to enforce the International Building Codes and mitigation standards recommended for the location. Unlike the current flood insurance program, **the bill requires the wind insurance to charge risk-based actuarially-sound premiums so that the new program pays for itself.**

Homeowners and business owners in coastal communities need to be able to buy hurricane insurance that will cover hurricane damage without needing to hire lawyers and engineers to engage in prolonged disputes over what portion of the damage was caused by flooding and what portion was caused by wind. **As long as wind and flood coverage are in separate policies, there will be gaps in coverage and lengthy disputes over causation after hurricanes.**

Federal taxpayers need coastal home owners and business owners to pay premiums for hurricane insurance that will promptly and efficiently cover hurricane losses so that the taxpayers do not have to pay billions of dollars in rental assistance, FEMA trailers, home repair grants, subsidized loans, and tax deductions after a hurricane. Many of the people who were denied coverage eventually reached settlements with their insurance companies, but the years of denials and delays were very costly to the federal taxpayers. **Every property loss that is uninsured or for which payment is delayed or denied is subsidized in some way by federal assistance.**

Federal Disaster Housing Assistance to Residents Displaced by Katrina

FEMA Housing Assistance Payments & Vouchers	\$4.3 Billion
FEMA Trailers & Other Manufactured Housing	\$7.2 Billion
HUD CDBG Housing Grants/Road Home Program	\$15.4 Billion
SBA Disaster Loans to Homeowners	\$7.6 Billion
TOTAL HOUSING ASSISTANCE	\$34.5 Billion

A substantial portion of those costs could have been avoided if property owners could have purchased insurance that would have provided seamless coverage of hurricane losses that would have paid claims promptly for all hurricane damages.

The bill also would create a much more stable and efficient option for insurance in coastal areas. Since Katrina, insurance companies have dumped more than \$345 billion in coastal insurance exposure into state-sponsored high-risk pools in Gulf and Atlantic states. These single-state pools cannot build up sufficient reserves for a major hurricane that would hit a large portion of the pool at one time. The Multiple Peril Insurance Act would set up an actuarially-priced hurricane insurance pool that will spread hurricane insurance exposure over a large geographical area to replace the state-by-state pools that concentrate the exposure in local areas.

Four Year Increase in Insurance Exposure in Selected State Insurance Pools

State Risk Pool	Dec 2004 Exposure	Dec 2008 Exposure	% Change
Florida Citizens Insurance	\$202.8 Billion	\$436.8 Billion	+115%
North Carolina Beach Plan	\$31.6 Billion	\$73.5 Billion	+132%
Texas Wind Pool	\$20.8 Billion	\$58.6 Billion	+182%
Louisiana Citizens	\$14.3 Billion	\$27.4 Billion	+92%
South Carolina Wind Pool	\$6 Billion	\$17 Billion	+184%
Mississippi Wind Pool	\$1.6 Billion	\$6.3 Billion	+283%
Alabama Beach Pool	\$337 Million	\$1.8 Billion	+448%
Georgia FAIR Plan - Wind Only	\$565 Million	\$2.1 Billion	+265%
Eight State Totals	\$278 Billion	\$623 Billion	+124%

THE MULTIPLE PERIL INSURANCE ACT WOULD NOT SUBSIDIZE INSURANCE in these states. Rather, it would set up an actuarially-priced hurricane insurance pool so that taxpayers would NOT have to bail out these state insurance pools after a hurricane.

Almost all companies in the private property insurance market would benefit from the Multiple Peril Insurance Act. The National Flood Insurance Program relies on insurance companies to sell federal flood insurance policies. The companies keep about 30% off the top for agent commissions, administrative expenses, and profits, yet bear none of the risk. This arrangement would continue under the Multiple Peril Insurance Act.

More importantly, the insurance companies that have abandoned coastal markets or that engage in cherry-picking to cover only expensive coastal properties could return to coastal areas to sell homeowners coverage for fire, theft and liability, bundled with auto, life, and other lines of insurance, without worrying about taking on billions of dollars of hurricane exposure.

If you have any questions, please contact Brian Martin in my office at 5-5772.


 GENE TAYLOR
 Member of Congress