

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0916**

Representative Tim Mahoney  
Opening Statement  
Hearing on "H.R. 3355, the Homeowners' Defense Act of 2007"  
September 6, 2007

I would like to begin by thanking Chairman Frank, Chairman Kanjorksi, and Chairwoman Waters for their commitment to examining natural catastrophe insurance, and for having this hearing on H.R. 3355, the Homeowners Defense Act of 2007.

Before I begin summarizing the natural catastrophe insurance crisis affecting the 16<sup>th</sup> Congressional District of Florida, I want to reiterate that this is a national problem. Let me be clear. The Federal Government has been forced to act because private markets for homeowners insurance have failed. The issue ladies and gentlemen is not the industry's ability to pay claims, it is an American's ability to purchase affordable homeowners insurance. This legislation is essential as the investment in a home is the

single biggest investment an average American has and it is vital that we protect the American Dream of homeownership.

I am proud that this bill preserves the private homeowners insurance industry. It recognizes that no one got into business to underwrite a nuclear devastation be it man made or natural. This bill is voluntary as states can choose whether or not to participate. However, it sets a principal that no longer will the American taxpayer foot the cost of a natural disaster in an expensive bailout. We know that these catastrophic events will happen and this bill ensures that we plan for them in a manner that is cost effective and recognizes personal responsibility.

In 2004 and 2005, natural disasters resulted in approximately \$89.0 billion in privately insured catastrophic losses. These disasters, and population growth in areas prone to natural disasters, have caused the insurance industry to adjust their models for insuring these events. As a result, insurers and reinsurers are pulling out of or are reducing their exposure in disaster prone areas of the

country. Today, the citizens of my state are the owners of the biggest homeowners insurance company with over 30 percent of the market!

In addition to the lost insurance capacity, homeowners have seen their premiums skyrocket. The toxic cocktail of rising gas prices, health care costs, and homeowners insurance has created a viscous cycle of terror for our seniors living on fixed incomes and our middle class families struggling to provide for their children.

Recently, I received a letter from one of my constituents detailing the difficult choices she had to make in order to pay her homeowners' insurance bill. Ms. Leanne Finnigan, a single mother of two, was dropped by her insurance company in 2006. She eventually found another insurance company, which charged her more than three times what she had been paying for similar coverage. As a result, she has been forced to work overtime on Saturdays, give away one of the family pets, and reduce her

weekly grocery budget. Unfortunately, Ms. Finnigan's story is not unique. Thousands of families across Florida have been forced to make similar difficult decisions.

Hurricane Katrina and the slow recovery efforts that followed have caused Congress and the nation to reexamine how to best handle the financial consequences of such large scale property damage. In fact, the Financial Services Committee has held numerous hearings this year on the issue. During these hearings, several facts became clear: the risk posed by natural catastrophes is not going away, the damage caused by disasters will keep growing, and insurance premiums have remained high, despite a calm 2006 storm season.

The Homeowners' Defense Act of 2007, which Congressman Ron Klein and I introduced, is a two-pronged approach designed to address the property insurance crisis. The bill is a national plan that is intended to allow private industry to operate at full capacity with support from the federal government. More importantly,

ensuring a stable insurance market will give the states impacted by severe natural catastrophes the ability to help their citizens rebuild their homes and their lives.

Title 2 of the bill, the National Homeowners Insurance Stabilization Program, extends low interest federal loans to states impacted by severe natural disasters. Specifically, the Program makes available two types of loans: liquidity loans and catastrophic loans. Liquidity loans will allow a state's catastrophe fund to cover its liability in the event that it is not fully funded at the time of a disaster. Catastrophic loans allow state catastrophe funds to cover damages that exceed its liability.

Because the legislation utilizes private capital markets and a loan program that requires repayment by affected states, it eliminates cross-subsidization. Taxpayers in Nebraska no longer have to bear the risk of those living in Florida.

This legislation is responsible, fair, and returns stability and competition to the private insurance market. I look forward to working with the Members of this Committee and key stakeholders to ensure that this legislation adequately accomplishes its intended goals.

Again, I would like to thank Chairman Frank, Chairwoman Waters, and Chairman Kanjorski for holding this hearing today, and I look forward to hearing the comments of our witnesses.