

OPENING STATEMENT OF CHAIRMAN MELVIN L. WATT

“THE HOMEOWNERS’ INSURANCE CRISIS AND ITS IMPACT ON COMMUNITIES, HOMEOWNERS AND THE ECONOMY”

February 11, 2008

We convene this hearing of the Oversight & Investigations Subcommittee of the House Financial Services Committee in West Palm Beach, Florida in the congressional district of our Subcommittee Member, Ron Klein, to examine a serious problem that has no easy answers. In recent years, Florida, like many other states, has experienced catastrophic natural disasters which have caused significant damage to the environment and infrastructure and have resulted in large insured losses, in some cases reaching into the billions.

By no means are natural catastrophes just a Florida problem. My home state of North Carolina has certainly been hard-hit by hurricanes. Over the last few years, Kansas has been hit by powerful tornadoes and California has experienced devastating wild-fires. And just last week several states experienced similar devastation. And, of course, in 2005 we

experienced the nation's worst natural disaster - - Hurricane Katrina - - which caused over \$41 billion in insured losses.

In light of the fact that natural catastrophes are not foreseeable, either in time or place, and even less in the magnitude of loss they visit upon us, it is not so surprising that they create the "perfect storm" (pardon the double meaning) for a crisis. Today's hearing will examine the crisis here in Florida and in other disaster-prone areas related to the availability and affordability of homeowners' insurance. In particular, we will examine the withdrawal of major insurance companies from offering policies in coastal areas, the rise in homeowners' insurance premiums and the resulting economic impact on state and local governments.

News reports have indicated that after Hurricane Wilma in 2005, Florida homeowners experienced significant increases in homeowners' insurance, with some residents experiencing a 50% increase in homeowners' insurance rates. Interestingly, these same news reports indicated that in the midst of devastating insurance losses and payouts the insurance industry still made record profits.

For many residents, including young families, seniors and those on fixed incomes, this cost is too steep to bear. For this reason, we've invited to today's hearing a senior citizen from Hobe Sound, Florida, who lives on a fixed-income and is struggling with skyrocketing homeowners' insurance premiums, to discuss his experiences. This, after all, is not just about statistics and the bottom line of insurance companies. It's, first and foremost, about the people we represent on local elective bodies, in state legislatures and, yes, even in the Congress of the United States.

Today, we want to explore potential areas of cooperation between the private sector, state, local and the federal government to find solutions to the vexing crisis related to the availability and affordability of homeowners' insurance in disaster-prone areas, not only in Florida, but all over the United States. We thank all our witnesses, and those who have helped make the necessary arrangements for this hearing, for helping us do our jobs on this extremely difficult issue.