

**House Committee on Financial Services: Subcommittee on Housing and  
Community Opportunity  
Hearing on H.R. 920, the Multiple Peril Insurance Act of 2007**

**Statement of Representative Bobby Jindal  
July 17, 2007**

Chairwoman Waters, Ranking Member Biggert, and Financial Services Committee members --- Thank you for providing me the opportunity to testify before your Committee.

I sincerely appreciate this hearing on H.R. 920, the Multiple Peril Insurance Act of 2007, a bill I introduced along with my colleague, Rep. Gene Taylor. The bill would modify the National Flood Insurance Program to enable the purchase of insurance covering losses resulting from flood and windstorms without requiring policyholders to distinguish flood damage from wind damage. This is primarily a concern after a hurricane where the worst destruction is caused by a combination of wind and flooding. Homeowners would not have to hire lawyers, engineers, and adjusters to determine in retrospect what damage was caused by wind and what was caused by flooding.

It is now nearly two years since Hurricanes Katrina and Rita devastated the Gulf Coast region of the United States, including large land areas in my home state of Louisiana. Some property owners in Louisiana and the Gulf States continue to battle insurance companies for unpaid wind damage claims that they claim should have been paid by their insurance companies while others are discovering discrepancies in the way wind versus flood damages were paid out by their insurance companies.

For example, Michael Homan, a resident of the Mid-City Section of New Orleans, should have been able to repair his home because he had flood and homeowners insurance. His home suffered damage from hurricane winds that caused it to lean substantially in one direction. His home also took on three feet of water. Despite the fact that he is an eyewitness to the destruction of his home and he can substantiate his claim that the hurricane event caused his home to shift, his insurance company claims that the tilt was a preexisting condition and the company has refused to pay out damage claims to his house.

Today, he is suing his insurance company for not covering wind damage that has made his home a complete loss.

In another case, Chris Karpells, a prospective buyer of a townhouse in Slidell, Louisiana who would be collecting insurance money as part of the real estate transaction, discovered the insurance company had two ways of pricing the damage repair costs, depending, of course, on whether the damage was caused by wind or flooding. If the insurance company attributed the damage to wind or rain, the price of replacing drywall, for instance, was estimated at 76 cents per square foot. If damage was due to flooding, the estimate quadrupled to \$3.31 per square foot. Karpells noted other increases in his insurance adjustment and noted, "they're front-loading all the money on the flood policy."

More than fifty-three percent of our country's population lives along the coast in 673 counties and parishes. In areas such as these, many residents are required to purchase at least two insurance policies: required flood insurance in addition to a regular homeowner insurance policy that offers wind coverage. As most of us living in coastal areas know well, the National Flood Insurance Act, allows homeowners to purchase up to \$250,000 of National Flood Insurance Program (NFIP) insurance coverage for a residence and an additional \$100,000 for personal property. Exclusions under the flood policy include damages caused by wind or a windstorm.

Under our current system, a single company can determine and apportion the damages caused by the wind policy that it insures along with those caused by flooding, which is insured by the NFIP and paid for by the federal treasury. In the aftermath of an event on the scale of Hurricane Katrina, it is difficult to determine whether the source of damage was the wind that toppled a roof and allowed a property to flood or if the damage was caused by rising flood waters caused by failed levees. That's especially important considering that U.S. taxpayers are responsible for paying flood claims. While we appreciated that after Hurricanes Katrina and Rita that NFIP approved expedited claims processing methods for approximately 240,000 anticipated claims, thus appropriately ensuring homeowners were not prevented from rebuilding by red tape, our current process which allows insurers to apportion damages may have inadvertently opened the door to allow insurance companies to

blame floodwater when wind was the source of property damage. H.R. 920 can eliminate this problem by covering wind and flood damage under one program.

While certainly questions remain that should be answered about how H.R. 920 should be implemented and what modifications can and ought to be made to make the proposed program more effective, I believe this legislation is a positive solution toward alleviating the problem of lack of affordable and available insurance in Louisiana. Many Louisianans are still haggling with insurance companies over settlements and payments nearly two years after the storms -- these are problems that are typically resolved within three months after a natural disaster strikes. Since the 2005 hurricanes, many homeowners' policies in the greater New Orleans area have gone up more than fifty percent and insurance costs have gone up an average twelve percent statewide. Obtaining insurance is difficult because only a handful of companies are writing property insurance in the state -- ten of the top twenty-five property insurers do not do business in the state. Many of those companies that remain are working to eliminate or reduce hurricane coverage from their portfolio. In short, Louisianans are paying more for less insurance (if they can get it) which is hampering the state's recovery from the storms. H.R. 920 is a legitimate proposal that will ensure the availability of property insurance which can allow recovery in this region to begin in earnest.

Thank you, I yield back the balance of my time.