

EYE ON THE HILL

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Insurance Availability Is Essential To Avoid Housing Crisis NAR Urges Congress to Act before the Next Mega-Catastrophe

According to the U.S. Geological Survey (USGS) natural disasters cause hundreds of deaths and cost billions of dollars in disaster aid, disruption of commerce, and destruction of homes and critical infrastructure. The economic cost of major disaster response and recovery continues to rise. **Each decade, property damage from natural hazards events doubles or triples.**

Natural Disasters Past, Present and Future

On average, wildfires burn 4.3 million acres in the United States annually. Currently, the U.S. Government spends about \$1 billion a year on wildfire suppression but urbanization of previously rural areas has contributed to “fuel” buildup and devastating wildfires, such as those in Los Alamos, New Mexico, and the California East Bay Hills (Oakland and Berkeley), throughout Colorado and across southern California. Hurricanes in 2004 and 2005 are the most recent examples of devastating natural disasters, but 19th Century America was not immune to natural disasters. During the winter of 1811-1812 the most powerful earthquakes in U.S. history rocked the central Mississippi Valley near the town of **New Madrid, Missouri**. USGS scientists estimate that the probability of a magnitude 6 to 7 earthquake occurring in the “**New Madrid**” seismic zone within the next 50 years is **higher than 90%**. **Such an earthquake could hit the Mississippi Valley at any time and the results would be devastating.**

What is at Stake for REALTORS® around the Nation?

Property casualty insurance is an indispensable component of real estate transactions for both homeowners and commercial property owners. Without **access to affordable property casualty insurance**, real estate transactions can't be completed. Homeowners insurance is **required by lenders** regardless of the availability of affordable insurance in your region of the country. Disasters can strike at any time and any where. Although the physical damage from earthquakes, wildfires, hurricanes and other disasters is localized, the effect on the property casualty insurance market reaches every American. The lack of available and affordable insurance increases the cost of post-disaster relief efforts. In 2006 natural disaster relief programs cost every American taxpayer **more than \$800.00** to fund. **A strong real estate market** is the linchpin of a healthy economy. Unless Congress addresses this issue, the vitality of residential and commercial real estate markets throughout the nation will be threatened.

NAR's Plan to Ensure Available and Affordable Insurance

On March 27, 2007, in testimony before a subcommittee of the House Financial Services Committee, Gary Thomas, Liaison to NAR's Public and Federal Issues Group, presented a set of core principles, reiterated during two subsequent Senate hearings, to ensure the availability and affordability of homeowners insurance that would:

1. **Protect property owners, by ensuring that transparent and comprehensive insurance coverage is available and affordable, with premiums that reflect risk**
2. **Acknowledges the importance of personal responsibility of property owners in high-risk areas to protect their property with adequate insurance and safety enhancements**
3. **Provides property owners with adequate incentives to undertake safety enhancements**
4. **Acknowledges the importance of building codes and smart land use decisions while emphasizing the enforcement of both is the function of state and local governments**
5. **Recognizes the role of States as the appropriate regulators of property insurance markets while identifying the proper role of the federal government intervention in “mega-catastrophes.**
6. **Recognizes the responsibilities of the local, state and federal governments to invest in the building and maintenance of critical infrastructure including levees, dams and bridges.**

Next Steps

During the coming months NAR will continue support the efforts of Members of Congress, especially Senators Bill Nelson (D-FL) and Mel Martinez (R-FL) who have introduced and co-sponsored seven bills to address this critical issue ([S. 292](#), [S. 926](#), [S. 927](#), [S. 928](#), [S. 930](#) and [S. 931](#)). Passage of **NAR's Plan to Ensure Available and Affordable Insurance, especially in disaster-prone areas**, is a legislative priority for REALTORS® nationwide and we will continue to work with members of the Senate Committee on Banking, Housing and Urban Affairs to develop a responsible natural disaster plan that addresses the needs of consumers, property owners, the economy and the nation.