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IREM sends letter to Barney Frank in response to H.F. 2555, The Homeowner's Defense Act

August 19, 2010 - Connecticut

On March 10, the U.S. House Committee on Financial Services conducted a hearing regarding Approaches to Mitigating and Managing Natural Catastrophe Risk: H.R. 2555, The Homeowner's Defense Act. In response, IREM, along with the 14 fellow members of the National Commercial Policyholders Coalition, sent a letter to Chairman Barney Frank, thanking him for conducting the hearing and informing him of the challenges facing commercial property owners regarding the availability and capacity of commercial catastrophic risk insurance.

Following severe hurricane seasons, property owners experience severely inflated property insurance pricing of 100%-600% that also include hurricane provisions with high deductibles. In addition, the availability of property insurance becomes highly restrictive. In the wake of especially devastating catastrophes, such as Hurricane Katrina, the lack of available and affordable property insurance forces the depletion of the state-operated insurance pools that serve as the policy of last resort.

This dynamic has adversely impacted residential and commercial real estate transactions and development projects, which significantly slows economic recovery. It also has a disproportionate effect on small property owners with a concentration of properties within a certain area. Though prices have stabilized since their post-Katrina highs, the economic damage to affected areas has been done. Without natural catastrophe insurance reform, there is great risk for a repeat of this cycle.

In addition, the letter indicated the need for the committee to study this important matter in greater detail, as well as the support of coalition members for efforts to expand and modernize risk retention pools to create additional options for commercial insurance policyholders. The coalition encouraged consideration of a 5-year reauthorization and strengthening of the National Flood Insurance Program, as well as completion of the 100-year floodplain maps, increased policy limits, reform of premium rate structure to protect certain properties receiving subsidized premium rates, and business interruption insurance.

Additionally, in preparation for consideration of legislation relating to natural catastrophe insurance and reform of the National Flood Insurance Program, IREM and fellow members of the National Catastrophe Policyholders Coalition sent a letter to U.S. House Committee on Financial Services Chairman Barney Frank, reiterating the previously outlined points and expressing the commercial and multifamily perspective on flood insurance.

IREM legislative staff will continue to monitor and update members on legislative developments concerning natural catastrophe insurance.