

NAR FEDERAL NATURAL DISASTER SYMPOSIUM
“IDENTIFYING APPROPRIATE FEDERAL POLICY RESPONSES”

OPENING REMARKS

By
Cynthia Shelton, CCIM

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Good Afternoon. On behalf of the National Association of Realtors, I would like to welcome you to this NAR Symposium on Federal natural disaster policy, “Identifying Appropriate Federal Policy Responses.” My name is Cynthia Shelton. I am the Director of Investment Sales for Colliers Arnold, a full service commercial real estate firm located in Orlando Florida.

The issue of a comprehensive federal natural disaster policy that will protect homeowners and owners of commercial properties is a top priority for the National Association of REALTORS[®]. The purpose of this symposium is to bring together bring together a wide range of interested parties from the private and public sectors to address the importance of and the need for a comprehensive federal natural disaster policy and to begin the discussion about what should be included in such a policy.

Natural disasters come in many forms and affect many different areas of the country. When people think of natural disasters, they immediately think of hurricanes and floods. However, earthquakes, tornadoes, wild fires and ice storms also can cause significant damage. The next big disaster may be an earthquake in the mid-west along the New Madrid seismic zone, which extends through Arkansas, Missouri, Tennessee, Kentucky and southern Illinois. According to researchers, there is a 90% chance of a 6.0 magnitude earthquake in this region by the year 2040. A quake with a magnitude equal to that of the 1811- 1812 quakes could result in great loss of life and significant property damage – in the hundreds of billions of dollars.

Perhaps the next major disaster may be a volcanic eruption in the Pacific Northwest or a tsunami that affects Hawaii or Alaska. It may be a hurricane or severe ice storm that impacts the Mid-Atlantic and New England states. Whatever the event, and wherever it may occur, we must begin to prepare now. It is not a question of IF a natural disaster will strike, but WHERE and WHEN. Absent a comprehensive federal policy **to plan for, mitigate the effects of, and recover**

from natural disasters, the American taxpayer – whether in an affected area or not, will pay the price.

As we have learned from the past several years, money spent on preparation for a natural disaster can significantly decrease the amount of money spent in response – if the proper incentives are in place. Personal responsibility is at the core of preparation as well. Property owners should be encouraged to take steps to lessen the impacts of future disaster events, whether through purchasing insurance, retrofitting existing structures, building reinforced homes or buildings, and disaster planning.

The hurricanes of 2004 and 2005 devastated my home state of Florida and the Gulf Coast. As we have seen, these events have put a tremendous strain on the insurance industry. This has had an effect not only on homeowners, but also on owners of commercial properties. Insurance companies are canceling or not renewing policies. Commercial property owners are seeing insurance rates increase significantly. People are having difficulty purchasing houses because the cost of insurance on top of a mortgage is pushing housing out of their reach. The same is true for commercial property owners. Low-income families, renters and condominium owners are feeling the impacts as well.

Our keynote speaker, Mr. Kevin McCarty, Insurance Commissioner for the State of Florida, will provide an introduction and overview of the issue and take questions from the audience.

Following Commissioner McCarty will be three panels of speakers. The first panel will feature speakers who have conducted research on the impacts of natural disasters. The second panel includes speakers representing real estate, insurance, reinsurance, mitigation and federal government perspectives.

The third panel today will feature Congressional Staff who will describe legislation that has been introduced by the member for whom they work. They also will take questions regarding these bills. The National Association of Realtors[®] is glad that a number of members of Congress have made this issue a priority and recognized its importance by holding hearings -- including one last week in the House Committee on Financial Services – and encouraging interested parties to come together to develop a solution.

Before we begin, I also want to acknowledge that, in the audience, there is a significant amount of expertise on the issue of natural disaster policy. I encourage

you to ask questions of the speakers. I also strongly encourage you to take advantage of the breaks and the reception afterwards to meet and talk with the speakers and other attendees. Following the program, you are invited to attend a reception at the Billy Goat Tavern and Grill, located in the first floor of the National Association of Realtors building, located one block north of here. [Out the front door and turn left.]

Let us begin with our keynote speaker, Mr. Kevin McCarty, Insurance Commissioner for the State of Florida. [Intro for McCarty]

INTRO FOR KEVIN McCARTY

Our keynote speaker today is Kevin McCarty, Insurance Commissioner for the State of Florida. He was appointed Commissioner of the Office of Insurance Regulation (Office) by the Financial Services Commission on Jan. 9, 2003. His duties include activities associated with regulation and oversight of more than 3,700 insurance entities operating in Florida, including requests for rate increases or decreases, financial oversight, and approval or disapproval of policy language and terms. McCarty also establishes agency policies and provides new and existing insurance entities assistance for market development with products and lines of business.

In addition to his state duties, Mr. McCarty also works with the National Association of Insurance Commissioners (NAIC) as Chairman of the Property and Casualty Committee to develop cohesive and consistent regulatory standards for insurance companies across the United States. The Commissioner is also the Chairman of the Southeast Zone of NAIC member states. Mr. McCarty has been at the forefront of an effort by the NAIC to establish a national catastrophic insurance fund that would provide a reserve fund for disasters that might occur anywhere in the country. In the past few months, he testified before two Subcommittees of the House Committee on Financial Services on this very issue.

Would you please welcome Commissioner Kevin McCarty.