

**Remarks of Congressman Bobby Scott
in support of the Scott Amendment to H.R. 1309
House Rules Committee
Thursday, July 7, 2011**

Mr. Chairman, members of the Rules Committee, I offer this amendment today to propose what I believe would be a proactive solution for homeowners when they face unforeseen disasters. My amendment asks GAO to report to Congress the means and effects of facilitating a market for all-peril insurance policies. This amendment comes directly from an issue faced in my district and in nearly 4000 households across the country, the problems associated with the unforeseen disaster caused by the use of toxic Chinese drywall.

Over the last 5 years, nearly 4000 homes in over 40 states have been discovered to contain toxic Chinese drywall. This drywall has been tested by the Consumer Product Safety Commission and been found responsible for the off-gassing of hazardous chemicals into these homes. Americans living in these homes have experienced everything from cold

and flu-like symptoms to migraine headaches, chronic nosebleeds, gastrointestinal problems, and debilitating auto-immune symptoms.

Homeowners with homes tainted with toxic drywall had the expectation that the costs associated with remediating their home would be covered by their homeowner's insurance policy. What they did not realize is the standard homeowner's insurance policy (HO-3), often marketed as an "all-risk" or "all-peril" policy is anything but that. These policies exclude from coverage many different classes of damage. The most familiar is damage from floods, the reason we have a National Flood Insurance Program. In the case of toxic Chinese drywall, a standard homeowner's policy does not cover "losses to property resulting from faulty zoning, bad repair or workmanship, faulty construction materials and defective maintenance."

This problem is not just limited to Chinese drywall. In the aftermath of hurricanes, many homeowners discover that they are not covered for water damage. Sinkholes, which are normally associated

with areas with histories of mining or seismic activity, are springing up outside of these typical areas, and homeowners are learning the hard way that they are not covered for damages caused by them.

I believe what is needed is real all-peril insurance – insurance that covers homeowners from catastrophic losses regardless of cause, provided the homeowners did not cause the loss themselves. All-peril plans would be supplemental insurance policies that would cover losses resulting from any of the causes currently excluded from the standard HO-3 insurance policy. To diminish the possibility of fraud, the all-peril plans would have substantial deductibles, and would only cover losses that rendered a property uninhabitable.

With that in mind, my amendment would direct GAO to fully study the implications of a real all-peril policy. Why can't a homeowner buy a policy like this now? Is there little interest for it, or is it too expensive for insurance companies to offer it? How much would a policy cost the average homeowner? Would requiring a policy like this

lower prices on existing housing stock and new housing starts? I do not have the answer to these questions, but I feel that the answers are needed. What I do know is that when circumstances beyond your control make your home uninhabitable, the last thing a homeowner wants to do is comb through a policy that he bought to protect home, only to find that it doesn't. I ask that my amendment be made in order under the rule, and I thank you for the opportunity to testify before the Committee today.