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Opening Statement of
Senator Susan M. Collins
Committee on Homeland Security
and Governmental Affairs

“Dangerous Exposure: The Impact of Global Warming
on Private and Federal Insurance”

April 19, 2007

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Mr. Chairman, the rapidly mounting evidence of climate change depicts a threat that extends even beyond vital environmental and social concerns. Global warming threatens to burden consumers and taxpayers with billions of dollars in added costs as insured losses from floods and storms cause increases in federal spending and insurance premiums.

The new Government Accountability Office report that this Committee requested paints an alarming picture of “escalating exposures to catastrophic weather events.” Between 1980 and 2005, the GAO tells us, the loss exposure of the federal flood-insurance program has quadrupled to nearly \$1 trillion dollars, while the crop-insurance program’s exposure has risen by a factor of 26, to \$44 billion.

Nearly five million Americans depend on the federal flood-insurance program, whose loss exposures are rising with population growth and construction in vulnerable areas such as the Gulf Coast, with more active hurricane cycles, and with the prospect of additional severe weather effects from human-accelerated climate change. A prime example of our exposure is the year 2005, the year

of Hurricane Katrina, when federal flood-insurance claims soared to \$16.7 billion.

Given the scientific consensus that climate change will continue for the foreseeable future, affecting the frequency and severity of droughts, floods, and storms, our insured loss exposures will most assuredly grow.

Our Committee's investigation of the Hurricane Katrina disaster showed the catastrophic consequences of being ill-prepared for a natural disaster. We cannot afford to ignore the even greater risks of climate change. I have visited with climate researchers - including scientists from Maine - in Alaska, Norway, New Zealand, and Antarctica, and have seen the striking effects of climate change on snowfall, ice caps, and glaciers. Important work has

been done, but we must deepen our understanding and improve our preparations for the new risks we confront.

Some people are already working on that imperative. The GAO report notes that the private insurance industry, driven by the discipline of the marketplace, has been paying serious attention to increased risks presented by climate change.

Unfortunately, as the GAO observes, “Federal insurance programs, on the other hand, have done little to develop the kind of information needed to understand the programs’ long-term exposure to climate change.”

It is, of course, true that our federal insurance programs serve social purposes that do not involve profitability measures. But taxpayers deserve good

stewardship of their resources as much as stockholders do. We learned during the Katrina investigation that private-sector entities were often better prepared and quicker to respond to disaster than some government agencies. If we fail to learn from industry best practices, taxpayers could face serious financial consequences.

Like private insurers, government insurance programs must not only identify risks, but also determine appropriate pricing and risk mitigation. If we fail to act prudently in the face of climate change, we will be exposing the federal budget – and the taxpayers who fund it – to unquantified risks and to devastating financial consequences.

Our actions must include more than appropriations and premium adjustments. We must

also consider policy adjustments after asking some critical questions. Is the federal government subsidizing over-development in areas vulnerable to severe weather or flooding? Is the federal government unnecessarily placing vital infrastructure in harm's way? Are state and local building codes taking new risks into account?

Most important for the long run, Mr. Chairman, we must ask what we can do, collectively and as individuals, to reduce climate change. Last Saturday, in communities in Maine and throughout the nation, citizens came together to heighten awareness of climate change and to urge action.

While we cannot solve the problem overnight, many actions that we can take now will lead us toward a more stable climate future. We must take

sensible steps today in light of the knowledge we now possess.

In January, I cosponsored the Climate Stewardship and Innovation Act introduced by our Chairman, Senator Lieberman, and Senator McCain. In addition to backing that far-sighted bill, I will soon introduce comprehensive legislation designed to reduce our greenhouse gas emissions and slow climate change. It would quickly put us on a path of reduced emissions.

I hope this hearing will improve our understanding of our exposure to the challenges and risks of climate change, and I commend our Chairman for his leadership on this important issue.

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