

On roll No. 319, On Agreeing to the Resolution providing for consideration of the bill (H.R. 5672), making appropriations for Science, the Departments of State, Justice, and Commerce, and related agencies for the fiscal year ending September 30, 2007, and for other purposes; I would have voted "nay."

On roll No. 320, To Suspend the Rules and Agree to the Conference Report for the Coast Guard and Maritime Transportation Act; I would have voted "yea."

On roll No. 321, On Motion to Suspend the Rules and Pass, as Amended for the Veterans' Compensation Cost-of-Living Adjustment Act; I would have voted "yea."

PERSONAL EXPLANATION

Mr. GUTIERREZ. Mr. Speaker, I was unavoidably absent from this Chamber today. I would like the Record to show that, had I been present, I would have voted "no" on rollcall vote 319 and "yea" on rollcall votes 320 and 321.

FLOOD INSURANCE REFORM AND MODERNIZATION ACT OF 2006

The SPEAKER pro tempore. Pursuant to House Resolution 891 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 4973.

□ 1340

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 4973) to restore the financial solvency of the national flood insurance program, and for other purposes, with Mr. MILLER of Florida in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered read the first time.

The gentleman from Ohio (Mr. OXLEY) and the gentleman from Massachusetts (Mr. FRANK) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio.

Mr. OXLEY. Mr. Chairman, I yield myself such time as I may consume.

I rise today in support of H.R. 4973, the Flood Insurance Reform and Modernization Act of 2006, or the FIRM Act. This legislation will significantly reform the National Flood Insurance Program and ensure its continued viability. After all the rain we have seen in our Nation's capital these past few days, now is an especially good time to take a close look at this program that millions of Americans count on to protect the investment they have made in their homes from flood damages.

The Financial Services Committee has a history of reforming the NFIP and with conducting oversight over the program. Spearheaded by the efforts of our former colleague, Representative Doug Bereuter of Nebraska, this committee took significant steps toward reform with passage of the Bunning-Bereuter-Blumenauer Act in 2004.

That bill helped ensure that those people whose homes flooded on a frequent basis will not continue to soak the American taxpayers by filing flood loss claims time and time again.

Under the leadership of my friend BOB NEY, chairman of the Subcommittee on Housing and Community Opportunity, the committee continued to oversee the NFIP last year with a field hearing in his district and with hearings on the status of flood map modernization and the program in general. These hearings exposed a number of deficiencies in the NFIP, including the fact that FEMA was not moving quickly enough to reform the program and that the Nation's flood maps are often outdated and inaccurate.

Then came Hurricanes Katrina, Wilma and Rita. These storms placed an unprecedented strain on the NFIP that continues to this day. We had to raise the borrowing authority of the flood program first to \$3.5 billion, then to \$18.5 billion, then to \$20.8 billion. FEMA tells us that it is still not enough to cover all the claims from last year. When all is said and done, the NFIP will need \$25 billion to pay all of those claims, and that does not take into account any storms we have before hurricane season ends this year.

We have an obligation to these estimated 225,000 policyholders who have already filed a claim resulting from the events of 2005. These homeowners who have a binding contract with the NFIP to cover flood events could initiate legal action against FEMA and the U.S. Government if the flood insurance program does not make good on this contract.

At the same time, we also have an obligation to reform and modernize the NFIP so that homeowners will continue to have access to flood insurance. According to recent estimates, more than half the U.S. population lives within 50 miles of the sea. While senseless coastal development should not be subsidized or encouraged, these homeowners who play by the rules and live in homes that take proper flood mitigation steps should also not be penalized.

The FIRM Act is a bipartisan bill. Chairman BAKER and I have worked closely with Ranking Member FRANK to put together numerous reforms that will serve to increase FEMA's accountability and address the weaknesses exposed by last year's flooding.

In an effort to make the NFIP more actuarially sound, the FIRM Act phases out the subsidized rates currently enjoyed by the owners of hundreds of thousands of vacation homes and second homes. If you can afford one of those homes, you can afford to pay your freight. In addition, the bill introduces new lines of coverage at actuarial prices and increases the program's coverage limits to reflect inflation. These are common-sense reforms that, again, will be actuarially priced.

The FIRM Act requires FEMA to administer the program more respon-

sibly. Flood maps will be improved and updated, and FEMA will have to certify to Congress that they have done so. The NFIP's borrowing authority will be temporarily increased to ensure that all outstanding claims will be paid.

The FIRM Act increases the amount that FEMA can raise policy rates in any given year from 10 percent to 15 percent; and for those lending institutions that drop the ball on enforcing mandatory flood insurance purchase requirements, fines will be tripled from where they are now.

I remain committed to the reform of the National Flood Insurance Program that we in the Financial Services Committee started with passage of the Bunning-Bereuter-Blumenauer Act in 2004. H.R. 4973 is the logical next step on the road to fiscal soundness for NFIP.

I commend Mr. BAKER for his work and strongly urge a vote for final passage.

Mr. Chairman, I retain the balance of my time.

□ 1345

Mr. FRANK of Massachusetts. Mr. Chairman, I yield myself such time as I may consume.

I fully agree with the statement of the chairman, and I am very proud to say that this is part of an ongoing, bipartisan effort that this committee has undertaken.

A few years ago, we found a flood insurance program which was both important but flawed in a number of ways, and we began, at the urging of our former colleague from Nebraska, Mr. Bereuter, and our continuing colleague from Oregon (Mr. BLUMENAUER), to make improvements. We have not been able to get everything we wanted, but we have improved it.

This bill takes substantial steps forward, and I think it is important for Members to know this is a bill which makes improvements at the same time from both the environmental and the fiscal standpoints. We make it a better program, we make it a more responsible program fiscally, and we make it a more responsible program environmentally.

There will be various amendments, many of which I think are very important, including, and I want to particularly call attention to the amendment offered by our colleague from Mississippi (Mr. TAYLOR), who as much as anybody in this House encountered personally the problems of the flood insurance program, and he has a very important amendment that would go to the aid of individuals who have not been fairly treated, and I strongly will be supporting that amendment. We won't have a lot of time to debate it, and I wanted to say that now.

I also want to make one general point that should not go unnoticed. We are dealing here with a public program. This is a case of the Federal Government stepping in to meet a very important social need that cannot be met by

the private market. The private market is a wonderful thing and does great things, and in the area of insurance we rely heavily in this country on the private market. But there are examples of market failure, not in a pejorative sense, but in a more technical sense. Flood insurance is one of them. If it were not for the role of the Federal Government here, there would be many, many Americans in great distress and unable to get the kind of insurance that they need.

So for those who believe that the public sector is always the problem, that the private sector is not only a valuable part of our life but provides all good, and that you always ought to be denigrating the public sector, they probably don't want to vote for this bill. Because this is a bill which significantly improves a public sector response to a problem which, left without this, the private sector couldn't handle.

Mr. Chairman, I reserve the balance of my time.

Mr. OXLEY. Mr. Chairman, I recognize the gentleman from Ohio (Mr. NEY) and yield him 2 minutes.

Mr. NEY. Mr. Chairman, I thank Chairman OXLEY of the committee, and I rise today to support H.R. 4973, the Flood Insurance Reform and Modernization Act of 2006, also known as the FIRM Act.

This important measure, approved by the House Financial Services Committee on March 16, will significantly reform the National Flood Insurance Program and ensure its continued viability by increasing accountability, eliminating unnecessary Federal subsidies, and updating the flood insurance program to meet the needs of the 21st century.

Last year, in the immediate aftermath of Hurricane Katrina, I introduced H.R. 3669, the National Flood Insurance Program Enhanced Borrowing Authority Act of 2005. That piece of legislation increased FEMA's borrowing authority for flood insurance by \$2 billion, which went a long way in helping the Department's flood insurance response.

Since that time, FEMA estimates that it will need a total of \$25 billion in borrowing authority to cover claims. These claims from homes and businesses that have been damaged or destroyed by Hurricanes Katrina, Rita, and Wilma are not a new obligation. They are the result of a legal promise that we made to those homeowners and business owners when the Congress passed the National Flood Insurance Act of 1968 and subsequent revisions.

Every single one of these claims represents someone who has taken the responsible course of action by purchasing flood insurance and paying premiums to the government. We not only have a legal obligation to honor our commitments, but we have a moral obligation, Mr. Chairman, to provide the coverage we promised to provide to those citizens.

Small business owners will be eligible to purchase business interruption coverage at actuarial rates to better prepare them to meet payroll and other obligations during the next big storm. And for the first time since 1944, the bill updates maximum insurance coverage limits for residential and non-residential properties.

Our subcommittee in the Financial Services Committee, under the leadership of Chairman MIKE OXLEY, Mr. BAKER, Mr. FRANK, Congresswoman MAXINE WATERS and others, has spent considerable time on flood insurance reform in the past several years. In 2004, the Bunning, Bereuter, Blumenauer Flood Insurance Reform Act addressed and strengthened the operations.

I urge my colleagues to support this important piece of legislation.

Mr. FRANK of Massachusetts. Mr. Chairman, I now yield 3 minutes to one of our colleagues who has been dealing very directly with the negative consequences of the hurricanes and the damage that has been done, the gentleman from Florida (Mr. DAVIS).

Mr. DAVIS of Florida. I thank the gentleman for yielding.

The National Flood Insurance Program is critical to our country, particularly those of us that live in the coastal States. It is even more critical now because, as we have learned in Florida and in Mississippi and many States, we have entered a cycle of historic proportions in terms of hurricane and hurricane damage.

The reason I rise is to speak in support of the Taylor amendment, which will be offered by Congressman TAYLOR of Mississippi, that calls for a study by the Inspector General of the Department of Homeland Security into what I think is a growing crisis not just in Mississippi but now in Florida.

In Florida, the insurance industry recently succeeded in a session of the legislature in passing a law that repeals a 100-year-old law called the "value policy law." This loophole that has been created in Florida is resulting in hundreds, and I fear soon thousands, of Floridians sitting back and waiting to get paid by their insurance company and watching the flood insurer blame the wind insurer, and the wind insurer blame the flood insurer.

It is even worse in Mississippi, where one of our colleagues, Congressman TAYLOR, who is offering this amendment, is being forced, while serving as a Member of Congress, to sue his own insurance company. The same is true down at the other end of the Capitol, with Senator TRENT LOTT and at least one Federal judge.

This law in Mississippi, now the law in Florida, could become a law throughout the country; and we need to study this because I think the impact on the consumer will be devastating.

If you fly over Florida, which you and many of your constituents will do, now that it is summer vacation, you

will still see thousands of blue tarps from a year ago from the last hurricanes. Every time you see one of those tarps, it represents a Floridian, a family who either cannot live in their home or is suffering water damage every time it rains. And it rains in Florida in the summertime.

This is not a Federal issue, at least yet; but it is a very important State issue to our constituents. The least we can do as a Congress is to support Congressman TAYLOR's very simple amendment to have this study done about the impact to the consumer of this loophole that has been created in Mississippi and now in Florida and perhaps other States. We need to be there to protect our constituents in a time of storm.

Mr. OXLEY. Mr. Chairman, I yield 3 minutes to the gentleman from Louisiana (Mr. BAKER).

Mr. BAKER. I thank the chairman for yielding time and for his continuing diligence and hard work on this important matter to all the people of this country, but particularly those of us in Louisiana.

I certainly want to express my appreciation to Mr. FRANK and to colleagues on his side who have also worked hand in hand with us to try to come to accommodation on this difficult issue.

The flood insurance program is one that has been roundly criticized, and appropriately so in some instances. The repetitive loss problem that was addressed several years ago by this Congress was one of embarrassment for those who are responsible and felt that the program had been abused. But those chapters are now closed.

The problem that faces us today is one of a different nature, and that is people entered into contractual obligations to protect their property, and storms beyond anyone's comprehension have now caused individuals to make claim on those policies, leaving the program today at a \$20 billion borrowing level, a record high, and as previously noted, a requirement to go to \$25 billion if the agency is to meet all of its contractual obligations.

But I believe one point needs to be made clear in the hearing record on this matter, and the flood insurance program is unique. It is a program that collects premiums and from premiums collected makes payments to claimants. It is the only disaster response program in the United States which has a stream of income from which people who suffer loss may be reimbursed.

Through 2004, the fund balance on hand after paying out \$15 billion in claims within the flood insurance program was a positive balance of \$1.8 billion. This is the only mechanism I know of when FEMA writes a check as the result of a declaration of a Presidential disaster where the taxpayers see their money come back. So I find it problematic when this program is criticized, because in all other cases where there is a disaster response, taxpayer

money is spent without any recourse of recovery.

In this case, we need to address the problems before us. The bill increases the borrowing authority to \$25 billion, and also, from a financial soundness perspective, increases the amount of money to flow back into the program with increases in premium.

The most important sector where these increases occur is in the nonprimary residence structures, meaning businesses and vacation homes. Premiums will increase, or may increase, up to a maximum of 30 percent per year. This is estimated to get the program in sound financial condition over the next 3 to 4 years, of course barring what we hope will not happen, and that is another cataclysmic Katrina-Rita combination.

I do believe this program serves an essential service in the function of our economy. Pointing to the area still decimated by Katrina, we need to get people back into their homes. They need to have the knowledge they have flood insurance coverage, because there are important economic activities that must occur in that region of the State in order to provide the United States with a free flow of energy and to have access to our ports through which agricultural products are exported.

I certainly hope the House will adopt a great bipartisan product.

Mr. FRANK of Massachusetts. Mr. Chairman, I am now pleased to yield 6 minutes to one of the Members who has really taken the lead in improving this program, the gentleman from Oregon (Mr. BLUMENAUER).

Mr. BLUMENAUER. Mr. Chairman, I appreciate the gentleman's courtesy in permitting me to speak on this, and for his leadership, along with the chairman, Mr. OXLEY, and my friend, Mr. BAKER. This is truly important bipartisan legislation to address the flood insurance program's challenges both in the short term and the long term.

I strongly support this legislation and appreciate the willingness of the committee staff to work with people outside the committee to be a part of the process. Those of us here on the floor have known for a long time that the flood insurance program, while an invaluable asset to communities in the floodplain, is not functioning as originally designed. Hurricane Katrina taught us we cannot just let the status quo continue, or the flood insurance program will cease to function. It will be in bankruptcy or people will lose their tolerance for Federal bailouts.

This bill is an excellent start, but you can be guaranteed that it is not the last time we will be talking about these changes on the floor. There are differing views about what needs to be done. Some have recommended making the program actuarially sound, and I agree with those measures. But one thing we have learned from Mr. BAKER and from Mr. TAYLOR is that we have to be sensitive to the people who live in flood-prone areas. They are not just

statistics of repetitive flooding, and they are rarely homeowners who are gaming the system. These are people caught up in the cycle of flooding and rebuilding who want to take steps to reduce their vulnerability.

In 2004, we did pass a bill to provide mitigation assistance to severe repetitive-loss property owners. We found that these repetitively flooded properties, which constitute just 1 percent of all the properties in the program, accounted for 25 percent of the flood loss dollars. Addressing these properties, we wanted to help move people out of harm's way, either literally, by buying them out, or helping them take mitigation actions, such as elevation.

Unfortunately, the repetitive-loss pilot project in the 2004 bill had not been fully implemented and we were not able to see the positive impacts before Hurricane Katrina. That is why I am glad the bill before us extends the pilot program so that it will have a chance to work. It also goes further to strengthen the flood insurance program and make it more fiscally sound over the next 50 years.

Some have argued that all properties owners who enjoy artificially low flood insurance rates should be required to pay actuarial rates. This would increase the premium enough to make the program more actuarially sound, saving \$1.3 billion. But while I agree the program should move closer to risk-based rates, the response of policyholders to the loss of the subsidy is unclear.

The CBO estimates that some would reduce their amount of coverage or drop flood insurance all together. Many of these subsidized properties are second homes or vacation homes, and the legislation addresses these and I think is a good compromise. Phasing in risk-based rates for second homes will also ensure that families in New Orleans and Mississippi and other flood-prone areas that rely on flood insurance won't be forced to pay artificially high rates to subsidize somebody's second home or vacation home.

□ 1400

The bill also helps encourage participation in the program. Many people living in the floodplains do not have flood insurance now. Less than 40 percent of the property owners who are required to buy insurance actually do so.

In parts of Mississippi and Alabama, hit hardest by Katrina, the coverage rate was only 15 percent. That means that people did not have access to insurance payouts to make them whole, and they are relying on grants and loans from the disaster relief programs that are paid by the taxpayer.

The challenge is figuring out how to make sure that more people who are supposed to have flood insurance do so, and this bill helps the situation by increasing the penalties levied for non-enforcement of Federal mandatory purchase requirements.

It also includes an important study on how to better enforce mandatory flood insurance.

The bill also addresses the inaccuracy and inadequacy of flood insurance maps. We are going to talk a little about this later in the day.

Current flood insurance is required only where there is a 1 percent chance of a flood on an annual basis and not in other low-lying areas where surges are likely to follow major storms. Many of the people who flooded in Katrina did not technically live in the floodplain. They were out of this 100-year cycle, or they lived behind levees and did not realize they should have flood insurance.

These updated maps are important, because FEMA uses them to issue flood elevation requirements. Communities want to have the confidence that their residents are paying the right amount for flood insurance, and we should be loathe to tinker with that.

In addition to directing FEMA to develop more sophisticated maps, this legislation authorizes FEMA to study the implications of requiring flood insurance behind the levees. This is a very important part of the bill. I don't think it has been given the proper attention by more of us in Congress. I hope that we will move towards requiring flood insurance for those situations.

The saying goes, there are only two kinds of levees, those that fail and those that will fail. But this study moves us in the right direction.

While this bill, I think, sets the stage, for moving us in the right direction, simple, common-sense steps strengthen the program and bring together a vast, diverse range of people, from environmentalists to fiscal conservatives, people in real estate, and most important, most important, people whose lives we saw torn apart living in flood-prone areas.

I deeply appreciate the work of this committee and our colleagues in making important steps that are going to make a difference for people for generations to come.

Mr. OXLEY. Mr. Chairman, I yield 3½ minutes to the gentlewoman from Pennsylvania (Ms. HART).

Ms. HART. Mr. Chairman, I especially want to thank Chairman OXLEY, Ranking Member FRANK, subcommittee Chairman BOB NEY and Ranking Member Ms. WATERS for addressing this issue. It is one that I know many of our colleagues have dealt with with their constituents due to flash flooding, which occurs all over the United States, not just in coastal areas.

I rise in support of this bill because it will help many of those people who, unfortunately, on top of the suffering that they faced as a result of the flooding, also faced more suffering because they didn't get what they needed as a result of, I think, poor administration of the National Flood Insurance Program.

The story is all too common across the country. Young couple saves money, buys their dream home, finds that it is in a flood-prone zone, so they

buy Federal flood insurance, thinking things will be okay. In fact, even their paperwork makes it look like they will be completely covered.

But in September, 2004, in my district, remnants of the Hurricanes Frances and Ivan came through my district in Pennsylvania; and I worked with many families throughout my region who had lost their homes.

My staff and I spent a significant amount of time with them and learned of all of the deficiencies involved in the National Flood Insurance Program. We learned that these incidents were as a result of poor administration of some rules that needed to be carried out that had been put in place in 2004. We raised these concerns with Chairman OXLEY and Chairman NEY, and they offered graciously to hold a hearing on this issue.

One of my constituents, Beth Beam, was given the opportunity, along with other victims of flooding throughout the eastern seaboard, in fact, to highlight the problems they had experienced with the NFIP. It became clear from this hearing that we needed serious reform.

Many of my constituents learned too late that they were listed in the wrong flood zones or the maps were outdated and they really were not listed as being eligible or that they had problems receiving adequate compensation for their actual losses.

Most frustrating was the lack of support and information that they received when they raised their concerns. The lack of true appeals process within the NFIP meant that many individuals had no recourse when they believed the system was not meeting their needs and the agreement that they had made on their policies.

This bill is a great solution to ensure these types of problems don't happen again.

First, it directs FEMA to develop more sophisticated and updated maps so that we will update the standards and people will know if they are actually in a flood zone.

Second, the bill reinforces the need for FEMA under the legislation that Congress passed a couple of years ago to create this appeals process that will help people have the opportunity to have their concerns addressed.

It will also require adequate training for the insurance agents who sell this federally subsidized flood insurance. That issue is so important as people will need help getting through the process when they have lost so much.

Finally, the bill provides optional coverage for living expenses, business interruption insurance, basement repair costs and replacement of contents, things that obviously people who face these losses need so much.

Following the floods in my district, people were surprised to learn how much of their property was not covered. People were very surprised and disappointed to learn how much of their property was not covered, al-

though their policy showed that it might be.

This legislation will ensure that they are able to receive compensation for the damages they actually experience, which is in line with what they have bought insurance to cover.

Again, I want to thank the chairman and the committee for listening to these concerns. The NFIP is supposed to fill the gaps for those who lose their homes and properties. Unfortunately, the inadequacies have caused so much harm in the past and made people's lives even worse. Programs like NFIP are supposed to be a safety net, and I believe this bill will help us fix it and make it the safety net that people expect.

The NFIP has been directed to make these changes. I urge Congress and my colleagues to support this legislation so that we can carefully oversee this process and ensure our constituents will not face these problems again.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield 2 minutes to the gentlewoman from California (Ms. WATERS), who is the ranking member of the subcommittee and who has been compiling a very productive record in the work of that subcommittee.

Ms. WATERS. Mr. Chairman and Members, I would like to thank both the chairman and Mr. FRANK, to make sure that we would work together to increase the coverage and raise the limit for flood insurance. It has not been increased for over 20 years.

I had the opportunity to be in the gulf coast region with my colleagues and to hear the stories of the people who had been devastated by Katrina. Not only did we find that there were residents who had been given mortgages and the banks and financial institutions had not required flood insurance but then this bickering with the insurance companies who were disputing damage. They said, no, it was not flood damage, it was wind damage, and vice versa.

I think this bill will go a long way toward dealing with some of the issues that we learned about.

Certainly, we want to make sure that the insurance companies are doing what they are supposed to do. My colleague from Mississippi, who will have an amendment, Mr. TAYLOR, on this floor today, I certainly support. I was there with him, and I saw the devastation and the destruction. We heard the complaints about the insurance companies.

Let me just say, in addition to raising the limit, this will go a little bit further, and it will deal with business interruption. It will help to meet the needs of those who are confronted and faced with this kind of devastation for the future.

Again, I would like to thank not only Mr. BAKER and Mr. FRANK but Mr. OXLEY and Mr. TAYLOR for the work that he is doing.

Mr. OXLEY. Mr. Chairman, I reserve the balance of my time.

Mr. FRANK of Massachusetts. Mr. Chairman, at this time, I would yield 3 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE), another representative who has great concerns, because of the area that she represents, with the fair worth of the program.

But, before we do, I would note that this bill is being supported by the National Taxpayers Union, Citizens Against Government Waste and Taxpayers for Common Sense. As I said, this is an unusual case, I think, where both environmental groups and groups primarily concerned with reducing government spending have come together in support of a piece of legislation.

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Chairman, I thank the gentleman for his distinguished leadership on this issue, along with Mr. OXLEY, as well as the ranking subcommittee member, Mrs. WATERS, and the leadership of Mr. NEY.

Let me also acknowledge the leadership of Mr. BAKER, who I assume has walked the walk in our region, in our gulf coast region.

I, too, have walked those streets and seen the impact that the devastation of Katrina has caused, and likewise in the City of Houston, not only the, if you will, Katrina survivors but also those who experienced the flooding of Rita.

In addition, I walked along the pathways and saw the devastation in Mr. TAYLOR's district, and again thank him for his leadership, along with many, many Members who have addressed this question.

Mr. FRANK, I hold in my hand a book that says, *From Poverty to Opportunity: A Covenant for a New America*, which talks about overcoming poverty. I say that, and I support certainly this document, but I raise that with respect to H.R. 4973, because it helps those who have done everything right in America. They pay their taxes, and they have worked and invested in the American dream, and that is their home, to be able to find relief.

This bill provides an extra \$25 billion to cover the Katrina-related claims, but it is also an overhaul, an important overhaul of the flood insurance program, because it allows the National Flood Insurance Program to offer actuarially priced business interruption. How many of those who came through these recent storms lost their homes and their businesses?

In fact, I was just with the FEMA director in Houston on Friday. In the room were two elderly persons who stood up and said, we have flood insurance, but nobody did anything. We didn't get anything. We lost everything. So there is a fracture in the system.

I hope that this will be able to, one, provide, if you will, an embellishment of this program but also be able to give people help for the losses that they experience.

I want to say very much thanks for the phase-out subsidy of vacation homes. That is the right way to do it. We know that sounds bad to some individuals. We thank them for having vacation homes, second homes, but we certainly don't want to strike it out immediately. Give them an opportunity to get coverage; and we recognize they, too, need coverage. But we understand the economics of scale. This is a reasonable and respectable approach to take.

Let me also say that we are also delighted that you are dealing with flood maps. Mr. ETHERIDGE and myself on the Science Committee did work on inland flooding. Hurricane Allison, what we call Storm Allison in Houston was what we call inland flooding. We lost billions of dollars in the medical center because it wasn't called a hurricane, but the flooding destroyed so much.

We appreciate the fact that this will update flood maps, maintain an inventory of levees in the United States and move more quickly to update flood elevation standards and flood maps in the areas affected by last year's hurricane. Most importantly, this is a model of what we can do to ensure that homeowners and taxpayers and hard-working Americans certainly are not thrown into poverty. Certainly we hope that we will move others out of poverty.

I would ask my colleagues to support this legislation.

Mr. OXLEY. Mr. Chairman, I yield 2 minutes to the gentleman from Florida (Mr. SHAW).

Mr. SHAW. Mr. Chairman, I, along with my colleague Ms. GINNY BROWN-WAITE, have introduced the Homeowners Insurance Protection Act. The bill provides financial protection to all Americans that live in natural catastrophe-prone areas through a three-layered approach. Our goal is to keep homeowners' insurance premiums at affordable rates. This program would assure that when a big one hits, the responsibility for insured losses is with insurance companies and not with the bailouts from the Federal Government, such as FEMA.

First, this bill would create the Federal Catastrophe Fund, to be known as the Hurricane and Earthquake Loss Protection Fund, or the HELP Fund.

Second, each State that chooses to participate in this voluntary program must establish a State Catastrophe Fund, which we call the CAT Fund, similar to that which we have in Florida.

Third, the State CAT fund then purchases reinsurance from the Federal HELP fund. The HELP fund is thus financed directly by insurance premiums and not by taxpayer dollars.

We live in a diverse nation facing diverse natural catastrophes. This bill encourages States to take responsibility for their residents and gives the States the discretion of insuring for their own catastrophic needs.

I yield to the chairman.

Mr. OXLEY. I thank the gentleman for yielding.

I understand that this is an issue in many States around the country but especially in those States hit by hurricanes in the last 2 years. I would welcome the opportunity to explore this issue further with the gentleman and my good friend from Florida, as well as the gentlewoman from Florida.

Mr. SHAW. I thank the chairman for his comments.

I would just add, in closing, that we are facing a tremendous catastrophe in Florida, the economy. The gentleman from Pensacola can verify this.

□ 1415

Insurance is almost unaffordable. We need a secondary insurance that would back this up, that would spread the risk further than just throughout one State. This isn't just Florida. This is all the Gulf coast. The gentleman from Louisiana seated behind me will certainly verify that.

So it is a good bill. It prepares for the future and it does it in a very conservative and practical way.

Mr. FRANK of Massachusetts. Mr. Chairman, I now yield to one of the Members who has really been in the forefront of trying to improve our national response to this crisis because of his own firsthand experience and the leadership he has had to show in the region that he represents and trying to deal with the otherwise inadequate Federal Government response to Katrina.

I yield as much time as he may consume to the gentleman from Mississippi (Mr. TAYLOR).

Mr. TAYLOR of Mississippi. Mr. Chairman, I want to thank the gentleman from Massachusetts, the gentleman from Ohio.

Mr. Chairman, not everything our Nation does is wrong. And one of the things our Nation does that the private sector wouldn't do or chose not to do was insure people against flooding. And that is a very good program.

When you consider that the predictions are that within the next 50 years 80 percent of all Americans will live within 50 miles of a coast line, then protection from flood insurance, protection from hurricanes is very important.

In southern Mississippi I have had very, very few complaints about the Federal flood insurance program. I have had tens of thousands of complaints about how people were treated by the wind coverage. So I want to commend the gentleman from Massachusetts and the gentleman from Ohio for raising the amounts that people can buy coverage for.

Most of southern Mississippi had older homes. People had lived in them for decades. And now they, and I, are going through simultaneous sticker shock. Houses that you may have bought 20, 30 years ago for \$50,000, you have now got to replace for a heck of a lot more than that. So by raising the

amount that people can cover themselves from \$250,000 to \$335,000 is a huge improvement. Also, raising the contents up to \$135,000 again is a huge improvement. I think as people put a pad to their contents after they woke up the next morning and discovered that they were gone, I think everyone was surprised that they owned more than they thought they did and they lost more than they thought they did. So again this is a move in the right direction.

I want to commend the committee for putting in the money for the new flood maps. Water in Bay St. Louis got to be 26 feet above sea level in some places. That was unprecedented since the Europeans landed over 300 years ago. And the Navy Oceanographic Lab tells us we are in for 10 years of this. So, again, since this is a public entity funded with taxpayer dollars, I think it is very important, whether it is Pensacola, Florida, or Gulf Shores, Alabama. Anywhere in coastal America I think it is important that we know the propensity to flood, take adequate steps to minimize losses in future hurricanes.

I would also like to commend the committee for working with me on trying to address the Katrina fraud. Citizens of this country are noticeably upset that some of the generous money given to them, either as taxpayers or through groups like the Red Cross, was abused, that people milked the system, in some instances, to do things like a sex-change operation.

I happen to think the biggest fraud of all, though, Mr. Chairman, came from the insurance industry. And I will walk you through this. Under the National Flood Insurance Plan, we count on the private sector not only to sell the insurance policy; we count on the private sector to adjudicate the claim.

Now, wind damage is paid for by a private company. Flood damage is paid for by the Nation through the National Flood Insurance Plan.

So imagine yourself, a 25-year-old insurance adjuster. You have visions of being a company man or getting that next promotion. You may even own stock in your company. You are sent out to adjudicate a claim on a house that is no longer there, knowing that if you said the wind did it, it is coming out of your company's pocketbook. If you say the water did it, it is coming out of the taxpayers' pocketbook.

The FBI says that fraud is a crime of opportunity. And I think under this system, we have given the insurance industry the opportunity to stick the bill to the taxpayers every time there was any question. And I think they did.

Is it a coincidence that the insurance industry reported \$44 billion in profits last year, in the same year that the National Flood Insurance Program lost \$25 billion? Are they that much better at what they do? I don't think so.

I think they took claims that legitimately should have been paid by the wind policies and stuck it to the taxpayer to the tune of millions, if not billions, of dollars. And I am going to

offer an amendment in a little while to ask for an Inspector General's report to see if that is true. And if it is true, then we need to come back and change the system so that we don't just count on an insurance adjuster blindly sending the bill to the government and the government paying it every time.

Think about it. If the Members in this room want to be reimbursed for their trip to the airport, they have got to turn in a taxi receipt for 15 or 20 bucks. But in the case of the National Flood Insurance Program, Allstate, State Farm, Nationwide, fill in the blank, can bill the government for hundreds of billions of dollars, and we pay that claim without even bothering to look into this. That is wrong. It is a system ripe for abuse. And I am convinced it has been abused.

Last, and several other speakers have touched on this, we need to rethink the whole flood insurance program. Whether you are from Florida, Georgia, Alabama, Mississippi, any coastal State, we don't need people who have invested their life savings in their houses getting abused by their insurance company. And let me tell you, it is happening every day.

Senator TRENT LOTT, one of the most powerful men in the Senate, feels like the only way he is going to get justice out of his insurer is to sue them.

Federal Judge Lou Guirrola had to drop hearing cases, like Senator LOTT, so that he could sue his insurance company.

Now, when U.S. Senators and Federal judges feel like the only way they are going to get justice is to go to court themselves, what is it like for the grandmas and grandpas out there? What kind of fair shake are they going to get? And the answer is they are not getting one.

So if the private sector is not going to do it fairly, if they are not going to do it right, then maybe we need to expand the National Flood Insurance Program and call it the National Hurricane Insurance Program. Because let me tell you what I think is going to happen. We spend a lot of money to send the hurricane hunters out there for the Air Force, a lot of money to tell us where these storms are going to hit and when. We have satellites up in space to tell us about these storms. Why do we do that? So that people will get the heck out of there before a storm hits.

Based on what has happened, based on the tens of thousands of southern Mississippians who have been denied legitimate claims for their wind coverage, I am convinced in the next hurricane people are going to die needlessly because they stay behind in their home with a camcorder so they can prove to the insurance adjuster whether it is wind or water. That is wrong. It is completely contrary to why we fund the hurricane hunters; it is completely contrary to why we put those satellites in space. A person should not have to die on his property to get justice from

his insurance company. And although there is no Federal regulation of the insurance industry, maybe the abuses that took place after Katrina will cause some of my colleagues to rethink this.

So, again, the bill takes some very important steps on allowing people to purchase more flood insurance, to purchase more contents insurance. It is taking the right step on getting the flood maps much more accurate, not so much for the guys who have lived there for 20 or 30 years, but for all the new folks who are moving to the coast who need to know if their property has a propensity to flood.

So I am grateful for what has been done. I have offered some observations of what needs to be done.

Mr. OXLEY. Mr. Chairman, I yield 4 minutes to the gentleman from California (Mr. GARY G. MILLER).

Mr. GARY G. MILLER of California. Mr. Chairman, I rise to support H.R. 4973, the Flood Insurance Reform and Modernization Act, before us today.

The National Flood Insurance Program is a valuable tool in addressing the losses incurred throughout this country due to floods. It assures that businesses and families have access to affordable flood insurance that would not be available on the open market.

Prior to the passage of the National Flood Insurance Act in 1968, insurance companies generally did not offer coverage for flood disaster because of the high risk involved. Today more than 20,000 communities participate in the National Flood Insurance Program. More than 90 insurance companies sell and service flood service insurance. There are more than four million policies covering the total of \$800 billion.

The National Flood Insurance Program provides Federal flood insurance for properties located in flood-prone areas where the community has voluntarily agreed to institute floodplain management and land use control measures that minimize the risk of flooding and mitigate potential flood damage. The program is intended to provide a more cost-efficient alternative to costly Federal disaster assistance by encouraging communities to take preventive measures to reduce flood losses and providing affordable flood insurance that would not otherwise be commercially available.

Last year's hurricane season resulted in significant strains on the NFIP. The claims resulting from the losses from these catastrophic hurricanes is unprecedented in the history of the program.

Since the NFIP's inception in 1968, the program paid out \$15 billion in claims. In contrast, claims for Hurricanes Katrina and Rita alone are expected to exceed \$25 billion. This far surpasses claims paid by the entire history of the NFIP.

In the past, when losses exceeded premiums, the NFIP had been allowed to borrow from the U.S. Treasury to repay claims. Such loans have tradi-

tionally been paid back rather quickly with interest.

The bill before us today increases the amount that FEMA may borrow from the U.S. Treasury to \$25 billion to cover the expenses incurred by the National Flood Insurance Program, NFIP, during the last year's hurricane season.

As CBO has stated, the funds borrowed from Treasury so far exceed the program's income from premiums and fees they will likely never be repaid. As such, this bill proposes a number of reforms to the program to ensure that it is actuarially sound in the future.

When we debated this in committee, some individuals made proposals; and for the best of reasons, they said we should look at a 100-year traditional floodplain, and anybody within a 100-year traditional floodplain should be required to pay for insurance.

The problem that many of us have who represent districts who have mitigated 100-year floodplains is that all of our people who are not at risk would be required to basically boost the program by increased premiums by them participating in it also.

And when Federal dollars, State, and local have been spent to mitigate 100-year floodplains, many of us thought that that was unreasonable. In fact, the 100-year floodplain would have impacted a large portion of L.A. County that I represent. Anything near the L.A. River would have been included, and most of Orange County would also because the Prado Dam mitigates that.

There was another proposal made with the best of heart and the best of concern for the people of this country. That said, let's look at a historical 500-year floodplain. The problem we had with that is there is no evidence available and then there is no information available either that we can dictate and determine how much a 500-year floodplain might be.

If we had taken a 500-year historical floodplain, it would have included all of L.A., most of L.A. County, and most of Orange County and any other city in this country that is next to a river or near the coast.

I offered an amendment and it was supported by the committee that said let's do a GAO study to determine if we need to expand the program, how it should be done, how it should be implemented. I think it is a reasonable approach, rather than us just making a knee-jerk reaction to a severe problem. And it is a problem we have to address. I am not saying we don't. But to tax people who are not impacted or not at risk of flood to boost the program, I think, is unreasonable. It would have impacted many of our districts that don't live in areas of high risk. And I do understand the need that we need to protect those who are within the program. We need to make the program actuarially sound. And I am pleased with the language in this bill that is included here, and it expands the coverage of the program. And I urge my colleagues to reject any amendment

that would further expand it without GAO studies.

Mrs. MCCARTHY. Mr. Chairman, H.R. 4973 is necessary but not sufficient.

It is necessary because the hurricanes and flooding in 2004 and 2005 have shown that the present flood insurance programs must be reformed.

It is not sufficient because those same hurricanes, especially Hurricane Katrina, convinced me that flood insurance alone will not protect the millions of Americans who now live in harm's way along our Nation's coasts and rivers.

I had the privilege of visiting the Gulf Coast earlier this year. I saw the devastating impact of wind and water on homes, on businesses, and on lives. I also heard the horror stories from people who were told that the damage to their lives was caused by water and not wind. In these cases, neither flood insurance nor homeowner's insurance protected them. Others indicated that officials told them they didn't need flood insurance because they were not in a danger zone.

It is time for Congress to go beyond the traditional approach of distinguishing between flood and wind damage. We have to develop a comprehensive natural disaster program that will protect homes from hurricanes, earthquakes, volcanoes, and other natural disasters that one day will affect 49 of our 50 states.

Insurance companies know that a disaster can occur. Some companies already are refusing to insure homes on Long Island and in other communities where a "big one" is overdue. The hurricane of 1938—the so-called Long Island Express—killed 600 to 700 people, destroyed 75,000 buildings and caused \$300 million in damage. At that time, Long Island was the home to 600,000 people. Today, 2.8 million live there. A category 4 hurricane could cause \$100 billion in insured damage alone.

Earlier this year, the gentleman from New York (Mr. ISRAEL) and I asked the Financial Services Committee to conduct hearings as soon as possible on the disaster insurance bills before the Committee. Our letter stated that "We believe that Congress needs to pass a strong reinsurance program. Natural disasters can occur in any region at any time. Since the insurance industry appears unable or unwilling to provide protection for our constituents, then it is time for Congress to act swiftly and positively."

The initial response indicated that we should wait until after the GAO completes its study of natural disaster insurance needs later this year. Fortunately, the real facts of Katrina, a number of extensive newspaper investigations, and the airing of several "what if" programs on cable TV are opening eyes even here. The Housing Subcommittee is holding its second hearing tomorrow (June 28) on natural disaster insurance needs. This one will focus on "The Housing Market and Natural Catastrophes."

I am convinced that this country needs an insurance program that will cover all natural disaster risks. If properly crafted, this program, will reduce the amount of emergency funds that Congress will have to provide after the next emergency, whether it occurs in the Northeast, Midwest, West Coast, Southeast, or Gulf Coast regions.

I want to encourage the administration, all financial services companies, state and local of-

ficials, and this body to work together and to develop a comprehensive and responsible natural disaster insurance program. The policy should be priced according to the risks of that state; it should cover all major natural disasters. It must be mandatory and cover both homes and businesses. States need to update and enforce building codes and to require mitigation both before and after a natural disaster. Finally, the federal program would be a backup for private reinsurance. These are the goals that I will pursue.

The House should pass HR 4973 today. Then, we must turn our attention to the larger disaster insurance issue. The American people cannot afford to add another \$20 billion or \$50 billion or \$100 billion natural disaster relief program to the deficit, not when a fiscally sound alternative may be within reach. Tomorrow may be too late.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield back the balance of my time.

Mr. OXLEY. Mr. Chairman, we have no further speakers. I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the bill is considered read for amendment under the 5-minute rule.

The text of the bill is as follows:

H.R. 4973

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the "Flood Insurance Reform and Modernization Act of 2006".

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Study regarding status of pre-FIRM properties and mandatory purchase requirement for natural 100-year floodplain and non-Federally related loans.
- Sec. 4. Phase-in of actuarial rates for non-residential properties and non-primary residences.
- Sec. 5. Reduction of waiting period for effective date of policies.
- Sec. 6. Enforcement.
- Sec. 7. Maximum coverage limits.
- Sec. 8. Coverage for additional living expenses, basement improvements, business interruption, and replacement cost of contents.
- Sec. 9. Increase in annual limitation on premium increases.
- Sec. 10. Increase in borrowing authority.
- Sec. 11. FEMA participation in State disaster claims mediation programs.
- Sec. 12. FEMA reports on financial status of insurance program.
- Sec. 13. Extension of pilot program for mitigation of severe repetitive loss properties.
- Sec. 14. Notice of availability of flood insurance and escrow in RESPA good faith estimate.
- Sec. 15. Reiteration of FEMA responsibilities under 2004 Reform Act.
- Sec. 16. Updating of flood maps and elevation standards.
- Sec. 17. National levee inventory.
- Sec. 18. Clarification of replacement cost provisions, forms, and policy language.

Sec. 19. Authorization of additional FEMA staff.

SEC. 2. FINDINGS AND PURPOSES.

- (a) **FINDINGS.**—The Congress finds that—
- (1) flooding has been shown to occur in all 50 States;
 - (2) the aggregate amount of the flood insurance claims resulting from Hurricane Katrina, Hurricane Rita, and other recent events has exceeded the aggregate amount of all claims previously paid in the history of the national flood insurance program, requiring a significant increase in the program's borrowing authority;
 - (3) flood insurance policyholders have a legitimate expectation that they will receive fair and timely compensation for losses covered under their policies;
 - (4) substantial flooding has occurred, and will likely occur again, outside the areas designated by the Federal Emergency Management Agency as flood hazard areas;
 - (5) properties located in low- to moderate-risk areas are eligible to purchase flood insurance policies with premiums as low as \$112 a year;
 - (6) about 450,000 vacation homes, second homes, and commercial properties are subsidized and are not paying actuarially sound rates for flood insurance;
 - (7) phasing out subsidies currently extended to vacation homes, second homes, and commercial properties would result in estimated average savings to the taxpayers of the United States and the national flood insurance program of \$335,000,000 each year;
 - (8) the maximum coverage limits for flood insurance policies should be increased to reflect inflation and the increased cost of housing;
 - (9) significant reforms to the national flood insurance program required in the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004 have yet to be implemented; and
 - (10) in addition to reforms required in the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004, the national flood insurance program requires a modernized and updated administrative model to ensure that the program is solvent and the people of the United States have continued access to flood insurance.
- (b) **PURPOSES.**—The purposes of this Act are—
- (1) to protect the integrity of the national flood insurance program by fully funding existing legal obligations expected by existing policyholders who have paid policy premiums in return for flood insurance coverage;
 - (2) to increase incentives for homeowners and communities to participate in the national flood insurance program and to improve oversight to ensure full participation in the program for owners of properties for which such participation is mandatory; and
 - (3) to increase awareness of homeowners of flood risks and improve the quality of information regarding such risks provided to homeowners.
- SEC. 3. STUDY REGARDING STATUS OF PRE-FIRM PROPERTIES AND MANDATORY PURCHASE REQUIREMENT FOR NATURAL 100-YEAR FLOODPLAIN AND NON-FEDERALLY RELATED LOANS.**
- (a) **IN GENERAL.**—The Comptroller General shall conduct a study as follows:
- (1) **PRE-FIRM PROPERTIES.**—The study shall determine the status of the national flood insurance program, as of the date of the enactment of this Act, with respect to the provision of flood insurance coverage for pre-FIRM properties (as such term is defined in section 578(b) of the National Flood Insurance Reform Act of 1994 (42 U.S.C. 4014 note)), which shall include determinations of—

number of steps to start taking us in that direction.

But if we are going to have a National Flood Insurance Program, we should not be subsidizing people and incenting them to live in places that, frankly, put them in harm's way, especially at the taxpayers' expense. If they are going to put themselves in harm's way, that is the decision they need to make, but we should not be a party to incenting them to do it.

So I think that the gentleman from New Jersey, his amendment takes a very, very reasonable small step towards helping make this program a little bit more fiscally solvent, and I think it is fair.

It is one thing to say on the pre-FIRM properties when we were trying to incent people to get into the program, okay, to some extent you are grandfathered. But new people who are coming in, if we are going to save this program for new future generations, I believe we need to take more steps toward fiscal responsibility, and the gentleman from New Jersey, his amendment is a very reasoned amendment that takes us in that direction, and I believe the House should support it.

Mr. BLUMENAUER. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts (Mr. FRANK).

Mr. FRANK of Massachusetts. Mr. Chairman, I thank the gentleman.

We sometimes get into confusing phrases here. We are talking about pre-FIRM. I know a lot of us are worrying about that stage in life when you are post-FIRM. But here we are talking about an important issue.

I am torn on this. I have been ambivalent. I opposed this amendment in committee. I thought some more about it. Both my friends, both the gentleman from Oregon and the gentleman from New Jersey, make some good points, and I would say this: I expect this amendment will probably get adopted. But I hope we can do this. In general, I think it is a reasonable thing to do, but there are low-income buyers, owners, who, through no fault of their own, they weren't warned, find themselves in this position, and there is the danger that the one small asset they have can get devalued.

Our colleague from Texas, Mr. GREEN, had an amendment that tried to provide some relief on premiums for people in the very low end. I would hope if this amendment were adopted, I would address this to the chairman, the gentleman from Louisiana and others, we might then as a committee take up the question of whether some relief might be appropriate for people who are at the lowest end of the spectrum, people who do own a home, but that is about all they have.

I think this is a case where the general principle is a good one, but a negative impact may be excessive on some people at the lower end. So that would be my hope, we would then, because this is an ongoing process, be able to look at that.

Mr. GARRETT of New Jersey. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I will just conclude by saying to the ranking member the same thing the ranking member said to me in the committee, and that is when we first proposed it, I will be glad to work with you to try to make this amendment an even better amendment.

I appreciate your consideration that there were two ends of the spectrum, one that said we should eliminate this subsidy, if you will, today, and other people have said we should never eliminate it, it should just continue on; and we were just trying to find that proverbial middle ground. Hopefully, we have gotten one step closer to that with this amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. BLUMENAUER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I appreciate what the gentleman is saying. I have spent the last 6 years trying to inject some fiscal responsibility into the program. I have supported the work that the committee has done. But along the way, I have been sensitized to some of the impacts that we don't want to have that are unintended in terms of discouraging participation.

So as you are working with the committee in terms of refining this, I would hope that there would be some sensitivity, if this amendment passes, to the impact on low income.

For instance, one of the unintended consequences may be driving people who are in this circumstance to be seeking financing from sub prime lenders there by avoiding flood insurance, by very expensive financing mechanisms. It ought to go hand in hand with what we do in terms of having more mandatory coverage so there aren't people that are sort of drifting along, and that it doesn't have unintended consequences for having people and communities opt out, or for low-income people, being unduly disadvantaged. I sympathize with what you are saying, and I would be happy to work with you as well.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey (Mr. GARRETT).

The amendment was agreed to.

AMENDMENT NO. 4 OFFERED BY MR. TAYLOR OF MISSISSIPPI

The CHAIRMAN. It is now in order to consider amendment No. 4 printed in House Report 109-530.

Mr. TAYLOR of Mississippi. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 4 offered by Mr. TAYLOR of Mississippi:

At the end of the bill, add the following new section:

SEC. 20. INVESTIGATION OF WRITE-YOUR-OWN INSURERS' ADJUSTMENT OF CLAIMS RELATING TO HURRICANE KATRINA.

(a) INVESTIGATION.—The Inspector General of the Department of Homeland Security shall carry out an investigation of insurers making flood insurance coverage available under the Write-Your-Own program pursuant to section 1345 of the National Flood Insurance Act of 1968 (42 U.S.C. 4081) and subpart C of part 62 of title 44, Code of Federal Regulations to determine—

(1) whether any such insurers, in adjusting and settling claims resulting from Hurricane Katrina, improperly attributed damages from such hurricane to flooding covered under coverage provided under the national flood insurance program rather than to windstorms covered by other coverage provided by such insurers or by windstorm insurance pools in which such insurers participated; and

(2) the extent to which such improper attribution of damages occurred.

(b) REPORT.—Not later than the expiration of the 6-month period that begins upon the date of the enactment of this Act, the Inspector General of the Department of Homeland Security shall submit to the Congress a report setting forth the conclusions of the investigation pursuant to subsection (a).

The CHAIRMAN. Pursuant to House Resolution 891, the gentleman from Mississippi (Mr. TAYLOR) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Mississippi.

Mr. TAYLOR of Mississippi. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, when the National Flood Insurance Program was put together, a couple of steps were taken to minimize the administrative costs of that program. One, under the National Write Your Own Program, allowed the private sector, companies like Allstate, State Farm and Nationwide, to sell this policy, get a fee for selling this policy, but the cost of actually paying the claims would be borne by the Federal Government. There is really nothing wrong with that. The problem came in when at the same time they allowed the same companies to adjudicate the claim in the aftermath of the storm.

The example I used earlier is that you have got a young claims adjuster. He is a company man. He works for State Farm; he works for Allstate or Nationwide. He has visions of being promoted to a manager. He has stock in that company. He wants to go far.

He is sent out to what is now a slab that just a few days ago was someone's home. There is nothing there. And he has to determine whether that house was destroyed by wind or by water.

In the case of south Mississippi, the Navy Oceanographic Lab tells us we had 6 to 8 hours of maximum hurricane winds before the water ever got there. In the case of the little town of Bay St. Louis, that meant you had winds for 6 to 8 hours from 100 miles an hour up to 150 miles an hour before the tidal surge came in and destroyed the evidence of what the wind did.

So this claims adjuster, who wants to go far with the company, can decide whether his company is going to pay

that claim through the wind pool, or whether the taxpayers are going to pay through the flood insurance program.

The FBI says that fraud is a crime of opportunity. No matter how well-intended Congress was when they wrote this, they created the opportunity for a heck of a lot of fraud. In fact, I think the biggest fraud that occurred after Hurricane Katrina wasn't people getting an extra FEMA check or two or three extra checks from the Red Cross, although that is deplorable. The biggest fraud occurred at the corporate level where the insurance industry made a corporate decision to, whenever possible, blame flooding every time and stick the taxpayers with bills that they should have paid.

Mr. Chairman, last year the insurance industry reported a \$44 billion profit after everything. Last year Federal flood insurance lost \$25 billion. That is the reason this bill is on the floor today. I don't think it is a coincidence, because I think what happened was whenever given the opportunity, the insurance industry stuck the taxpayer with bills that they should have paid.

So what I am asking for is for the Inspector General to look into this and hopefully use the Fraudulent Claims Act, which requires treble damages for anyone who submits a false claim to our Nation, in addition to a \$5,000 or \$10,000 fine every time a false claim is submitted. Because I am convinced that is precisely what happened.

Mr. Chairman, after we are told that that is what happened, I hope this Congress will come back and find a way to where we as a Nation won't just blindly accept the claims of an insurance industry when we pay that bill.

I used the analogy before. If Mr. OXLEY, if Mr. PICKERING, any Member of this body wants to be reimbursed for their trip to the airport, they have got to submit a claims ticket from that taxi driver for the 15 bucks, or they don't get paid.

But in the instance of national flood insurance, these insurance companies submitted claims for \$100,000, \$200,000, \$250,000, and the taxpayer paid it every time without anyone second guessing. That is the opportunity for fraud, and I believe that fraud took place.

So, Mr. Chairman, I don't know of anyone who in their right mind could oppose this, I don't know of anyone who wants to see our tax dollars used unwisely, and I don't know of anyone who wants to see the National Flood Insurance Program defrauded or the subject of fraud.

So, again, it is my understanding that Mr. OXLEY will accept this amendment. I very much appreciate that. I hope that when the Inspector General report comes back 6 months from now that the next Congress will take steps to take away this opportunity for fraud.

Mr. OXLEY. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Mississippi. I yield to the gentleman from Ohio.

Mr. OXLEY. Mr. Chairman, I appreciate the gentleman yielding and also say to my friend from Mississippi, congratulations on a well-thought-out amendment. I know the gentleman has had personal issues with this, as well as our good friend, former House Member Senator LOTT; and we have had a number of discussions about the frustration that you and many of your constituents feel.

We think that it is appropriate that the IG conduct that investigation and report back within 6 months, and therefore we are prepared to accept the amendment.

Mr. TAYLOR of Mississippi. Again, Mr. Chairman, I very much thank the gentleman from Ohio, and I thank the gentleman from Massachusetts.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Mississippi (Mr. TAYLOR).

The amendment was agreed to.

The CHAIRMAN. It is now in order to consider amendment No. 5 printed in House Report 109-530.

AMENDMENT NO. 6 OFFERED BY MR. PICKERING

The CHAIRMAN. It is now in order to consider amendment No. 6 printed in House Report 109-530.

Mr. PICKERING. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 6 offered by Mr. PICKERING:

Page 10, line 16, strike "**REDUCTION OF**".

Page 10, line 18, before "Section" insert "(a) **REDUCTION.**—".

Page 10, after line 18, insert the following new subsection:

(b) **EXCEPTION.**—Section 1306(c)(2)(A) of the National Flood Insurance Act of 1968 (42 U.S.C. 4013(c)(2)(A)) is amended by inserting before the semicolon the following: "or is in connection with the purchase or other transfer of the property for which the coverage is provided (regardless of whether a loan is involved in the purchase or transfer transaction)".

The CHAIRMAN. Pursuant to House Resolution 891, the gentleman from Mississippi (Mr. PICKERING) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Mississippi.

Mr. PICKERING. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, my amendment will simply allow the flood insurance coverage to become effective immediately upon the purchase or transfer of real property for which coverage is provided without regard to the financial mechanism used to purchase such property.

In sum, whether you buy using a loan as a mechanism of purchase or if you make a cash purchase of the property, what we discovered after Katrina is that some individuals had purchased a home using full payment, cash, and not using a loan, thinking that they would

have the coverage of the flood insurance. They came to discover that unless it was through a loan mechanism, they would not be eligible for that coverage.

So this simply closes the loophole that has been discovered in the aftermath of Katrina, without undoing the congressional intent of protecting against the fraud or the actions of people who just go out to buy coverage when a hurricane or a flood warning comes. It is only with the purchase and the transfer of property that they are able to purchase the flood insurance. But it makes the policy clear, whether you are buying with cash or by loan, you will be able to have the protection that you believe you have a right to and are entitled to and assume that you would have in the event of a disaster.

I want to thank the committee for working with me and my staff as we close this loophole and would ask for their support as we go forward in this amendment. Again, I thank them for their cooperation as we went through the policy.

Mr. OXLEY. Mr. Chairman, will the gentleman yield?

Mr. PICKERING. I yield to the gentleman from Ohio.

Mr. OXLEY. Mr. Chairman, we are pleased to accept the amendment. I congratulate the gentleman on his foresight. We are prepared to vote in favor of the amendment.

Mr. PICKERING. Mr. Chairman, I yield back the balance of my time.

The Acting CHAIRMAN (Mr. BONILLA). The question is on the amendment offered by the gentleman from Mississippi (Mr. PICKERING).

The amendment was agreed to.

□ 1500

AMENDMENT NO. 7 OFFERED BY MS. MATSUI

The Acting CHAIRMAN. It is now in order to consider amendment No. 7 printed in House Report 109-530.

Ms. MATSUI. Mr. Chairman, I offer an amendment.

The Acting CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 7 offered by Ms. MATSUI:

Page 23, line 13, strike "and".

Page 23, line 19, strike the final period and insert "; and".

Page 23, after line 19 insert the following: "(C) ensure that emerging weather forecasting technology is used, where practicable, in flood map evaluations and the identification of potential risk areas."

The Acting CHAIRMAN. Pursuant to House Resolution 891, the gentlewoman from California (Ms. MATSUI) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentlewoman from California.

Ms. MATSUI. Mr. Chairman, I yield myself such time as I may consume.

My amendment, Mr. Chairman, simply asks that FEMA utilize emerging weather forecasting technology as they update our national flood maps. Applying such technologies gives us new