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Congress of the United States
House of Representatives
Washington, DC 20515-2404

Investigate Katrina Insurance Claims

Support Taylor Amendment to H.R. 4973

Dear Colleague:

The National Flood Insurance Program (NFIP) has borrowed more than \$18 billion to pay flood claims from Hurricanes Katrina and Rita. On Tuesday, we will consider H.R. 4973, a bill that will give the NFIP authority to increase its debt to federal taxpayers to **\$25 billion**. There is **no hope** that these funds will be repaid through the collection of premiums.

During consideration, I will offer an amendment to instruct the Inspector General of DHS to investigate whether insurance companies have billed the federal flood program for damages that should have been paid out by the companies' wind policies.

The NFIP allows insurance companies to sell flood policies that are guaranteed by the federal government. The NFIP also allows the insurance companies to adjust the flood claims. Federal regulations require the companies to apply the same standards to flood claims as they apply to their own claims, but the NFIP pays without providing oversight.

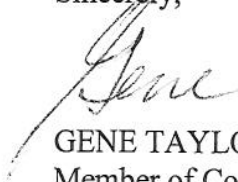
In areas where both hurricane winds and storm surge caused damage, insurers have an incentive to assign damages to flooding rather than to wind. Three companies in particular - State Farm, Nationwide, and Allstate - have assigned all damages in those areas to flooding. These companies paid thousands of wind claims inland where they could not blame flooding, but denied wind damages along the coastline, where hurricane winds were much stronger.

The National Hurricane Center, the NOAA Hurricane Research Center, and the Naval Meteorological and Oceanographic Command have all documented that hurricane-force winds battered coastal areas for four or five hours before the peak of Katrina's storm surge.

My amendment would require the Inspector General to report his findings to Congress within six months of enactment, so that we can finally provide the oversight that is needed.

For additional information, please contact Brian Martin in my office at 5-5772.

Sincerely,



GENE TAYLOR
Member of Congress

DEMOCRATS CALL FOR INVESTIGATING KATRINA INSURANCE CLAIMS

*Vote YES on the Taylor Amendment to the
Flood Insurance Reform and Modernization Act*

Today, Rep. Gene Taylor (D-MS) will offer an amendment to H.R. 4973, the Flood Insurance Reform and Modernization Act. The Taylor amendment would require the Inspector General of the Department of Homeland Security to investigate whether, with regard to certain Hurricane Katrina claims, insurance companies have billed the National Flood Insurance Program (NFIP) for damages that should have been paid out by the companies' wind policies.

Members are urged to vote YES on the Taylor amendment. Following are talking points.

FEMA's National Flood Insurance Program (NFIP) is borrowing \$25 billion to pay flood insurance claims without providing any oversight of insurance companies. The National Flood Insurance Program allows insurance companies to sell flood policies that are guaranteed by the Federal Government. The NFIP also allows the insurance companies to adjust the flood claims. Federal regulations require the companies to apply the same standards to flood claims as they apply to their own claims, but the NFIP pays without providing oversight.

And yet insurance companies have an obvious conflict of interest in handling flood claims. In Katrina-impacted areas where both hurricane winds and storm surge caused damage, insurers have had an obvious incentive to assign damages to flooding, which was covered by NFIP, rather than to winds, which was covered by the private insurance – and that is what they have done. Three companies in particular – State Farm, Nationwide, and Allstate – have assigned all damages in these areas to flooding. These companies paid thousands of wind claims inland where they could not blame flooding, but denied wind damages along the coastline, where hurricane winds were much stronger.

In response, the Taylor amendment would require an investigation – bringing much-needed oversight to how private insurance companies are administering flood policies. With the U.S. taxpayer supporting the National Flood Insurance Program (NFIP), it is important to begin to bring oversight to how the NFIP is run. With billions of dollars at stake, it is imperative for the Federal Government to scrutinize flood insurance claims and determine if they are being properly handled. Otherwise, the U.S. taxpayer is being asked to pay for claims that should have been covered by private insurers.



Office of the House Democratic Leader Nancy Pelosi, June 27, 2006
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House passes Taylor Amendment to Investigate Insurance Flood Claims Flood Bill Increases Maximum Coverage under Flood Insurance Program

WASHINGTON, DC (June 27) – The U.S. House of Representatives today passed an amendment offered by U.S. Representative Gene Taylor that would require the Inspector General of the Department of Homeland Security to investigate the possibility of fraudulent flood insurance claims adjusted by private insurance companies under the National Flood Insurance Program (NFIP). The amendment had no opposition on the House floor and passed on a voice vote.

“Since Hurricane Katrina, the biggest fraud and the biggest abuse of the U.S. taxpayer has been at the hands of the insurance industry,” said Taylor.

“These insurance companies have blamed flooding -- and flooding alone -- for the loss of tens of thousands of homes, when we know that the Mississippi Gulf Coast sustained six hours of hurricane-force winds before the water even washed up to our porches. They refuse to pay out of their own pockets to cover wind claims, but they’re quick to call on the federal government to pay out the maximum amount for a flood claim. In the end, the taxpayer pays.”

“I am pleased that my colleagues in the House saw the need for a certain level of oversight of the flood insurance program, and I look forward to seeing the Inspector General’s report,” said Taylor.

Taylor offered his amendment to H.R. 4973, the Flood Insurance Reform and Modernization Act, which provided an additional \$4.2 billion to the NFIP to pay out claims from Hurricanes Katrina and Rita. The House passed the bill overwhelmingly with a vote of 416 to 4.

The bill also contains provisions to increase NFIP coverage limits. Homeowners can now insure their residential properties for amounts up to \$335,000. Residential contents coverage is increased from \$100,000 to \$135,000. Non-residential coverage is now available for amounts up to \$670,000.

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