

GENE TAYLOR
4TH DISTRICT, MISSISSIPPI

COMMITTEE ON ARMED SERVICES

COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

<http://www.house.gov/genetaylor>

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

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July 25, 2006

The Honorable Harold Rogers, Chairman
Appropriations Subcommittee on Homeland Security
B307 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Rogers

I am writing to request your support for a provision in the Senate version of the Homeland Security Appropriations Act that would instruction the Inspector General of DHS to investigate the Hurricane Katrina claims adjustment practices of the insurance companies that contract with the National Flood Insurance Program (NFIP).

The House approved similar language on June 27 when my amendment to H.R. 4973, the Flood Insurance Reform and Modernization Act, passed by voice vote. The amendment would require the Inspector General to determine whether insurance companies assigned damages to flooding covered by NFIP that should have been covered by the companies' wind policies.

Sen. Trent Lott's amendment to the Homeland Securities Appropriations Act added \$3 million to the appropriation for the Inspector General and included language directing the Inspector General to investigate the insurance claims from Hurricane Katrina. Sen. Lott's amendment also specifies that the Inspector General may request the assistance of the Department of Justice in the investigation. The Senate adopted the Lott amendment by unanimous consent on July 13.

The National Flood Insurance Program will have to borrow \$25 billion to pay flood insurance claims from last year's hurricanes. There is no hope that these funds will be repaid through the collection of premiums. NFIP contracts with insurance companies to sell flood policies backed by federal taxpayers. NFIP allows those same companies to adjust flood insurance claims, but conducts no scrutiny of their adjustment practices.

In coastal areas that suffered hours of strong hurricane winds and then were inundated by Katrina's storm surge, company adjusters have an obvious conflict of interest when ruling whether damages should be paid by the federal flood program or by their own employers' wind policies. Recently, representatives of Nationwide testified under oath that it is company policy to deny wind coverage wherever wind and water combined to cause damage. Nationwide adjusters are instructed to assign all such

damages to flooding. Nationwide, State Farm, and several other companies paid wind claims only where there could be no other possible cause. As a result, insurance companies paid thousands of claims inland, where they could not blame flooding, but denied wind damages on the coastline where the hurricane winds were much stronger.

This claims adjustment policy is a blatant violation of the contract between the insurance companies and the flood insurance program. The federal regulations require the insurance companies to apply the same standards to flood claims as they apply to their own claims. The insurance companies agree to act as fiscal agents of the federal government to ensure that taxpayer funds are expended appropriately.

The Inspector General's report also will provide the details that Congress needs to reform the flood insurance program. Congress should reform the insurance adjustment process to eliminate the insurance companies' conflict of interest and provide for federal oversight after future disasters.

Thank you for your attention to this request during conference deliberations of the Homeland Security Appropriations. If you have any questions, or if I can provide any assistance to you, please do not hesitate to ask.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gene Taylor".

GENE TAYLOR
Member of Congress

GT:jbm

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4TH DISTRICT, MISSISSIPPI

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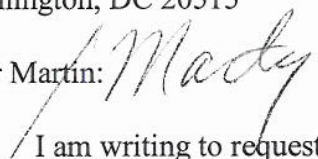
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July 25, 2006

The Honorable Martin Olav Sabo, Ranking Member
Appropriations Subcommittee on Homeland Security
1016 Longworth House Office Building
Washington, DC 20515

Dear Martin:


I am writing to request your support for a provision in the Senate version of the Homeland Security Appropriations Act that would instruction the Inspector General of DHS to investigate the Hurricane Katrina claims adjustment practices of the insurance companies that contract with the National Flood Insurance Program (NFIP).

The House approved similar language on June 27 when my amendment to H.R. 4973, the Flood Insurance Reform and Modernization Act, passed by voice vote. The amendment would require the Inspector General to determine whether insurance companies assigned damages to flooding covered by NFIP that should have been covered by the companies' wind policies.

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Thank you for your attention to this request during conference deliberations of the Homeland Security Appropriations. If you have any questions, or if I can provide any assistance to you, please do not hesitate to ask.

Sincerely,



GENE TAYLOR
Member of Congress

GT:jbm

*Hi Marty,
Hope that you
will help with this.
GT*