

NEWS ALERT



U.S. HOUSE OF REPRESENTATIVES

Homeland Security Committee

Rep. Bennie G. Thompson, Chairman



FOR IMMEDIATE RELEASE

Statement of Chairman Bennie G. Thompson

“National Flood Insurance Program: Issues Exposed by the 2005 Hurricanes”

June 12, 2007 (Washington) – Today, Committee on Homeland Security Chairman Bennie G. Thompson (D-MS) delivered the following prepared remarks for the joint hearing with the Committee on Homeland Security’s Management, Investigations, and Oversight subcommittee and the Committee on Financial Services’ Oversight and Investigations subcommittee entitled “National Flood Insurance Program: Issues Exposed by the 2005 Hurricanes”:

“In the aftermath of Hurricane Katrina, the insurance industry failed miserably to fulfill its obligations to the storm’s victims.

Insurance companies would have us believe that Katrina was a ‘windless hurricane.’ They claim that all of the destruction along the Mississippi Gulf Coast was caused by flood waters – not the hours of at least 125 mile per hour wind that preceded the water.

This is nonsense.

The reaction of FEMA and the National Flood Insurance Program was quite different: they worked to see that victims quickly received NFIP payments. FEMA is to be commended for this – in the past, it put bureaucratic roadblocks in the way of such payments.

But if FEMA is going to make quick payments, it needs robust oversight to ensure that those payments were truly for government-insured flood damage, and not private-insured wind damage. We will hear today that FEMA’s oversight of the NFIP was – and is – woefully inadequate. FEMA also has to have a mechanism in place to recover flood payments for properties that it later turns out were destroyed by wind.

Yet FEMA did just the opposite: It told the private insurance companies who administer the NFIP that even if they wrongly paid a flood claim, FEMA would not seek to recoup this payment. There was simply no reason to allow insurance companies to write checks from FEMA’s checkbook with no concern for the accuracy of their work. FEMA claims that it is not interested in whether wind contributed to the destruction of a property – it only cares whether there was a legitimate basis to conclude that there was flood damage.

This is nonsensical, particularly when there is a risk of abuse by private insurance

companies pushing wind damage onto the back of the NFIP. No private insurance company would operate this way, and neither should FEMA. Finally, private insurance companies have manipulated and distorted FEMA and the NFIP's efforts to aid storm victims as quickly as possible.

For while FEMA may have meant for its expedited procedures to apply only to flood insurance policies, private insurance companies have been hiding behind these decisions and using them to support their claims of a 'windless hurricane.'

Indeed, insurance companies have set loose their spin machines to try to convince the public that 'greedy' storm victims want to force the virtuous, embattled insurance companies to pay for flood damage that was not covered by insurance.

I want to say this as plainly as possible: This is a lie.

Insurance companies are refusing to pay for wind damage. Period.

And so I was pleased to see last week that a Federal Judge in Louisiana is requiring the Department of Justice to explain why it chose not to take part in a case exploring allegations that insurance companies had abused the flood insurance program. Today's hearing will focus on FEMA's oversight of the NFIP, but the underlying problem is much broader."

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