

Taylor Amendments to H.R. 3121

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Two other Taylor amendments were included in the manager's amendment sponsored by Financial Services Committee Chairman Barney Frank.

Rep. Taylor also strongly supported Mel Watt's amendment that has been included in the manager's amendment.

TAYLOR WIND/WATER AMENDMENT

This amendment will improve regulation and oversight of claims practices where damage is caused by both wind and flooding. The amendment adds two requirements to the Write Your Own contract between insurance companies and the National Flood Insurance Program.

1. It prohibits insurance companies that contract with the National Flood Insurance Program from using Anti-Concurrent Causation language in their own policies to exclude coverage of wind damage solely because flooding also contributed to the damage.

2. It adds to the contract a statement that the company has a fiduciary responsibility to federal taxpayers and will act in the best interests of NFIP.

After Hurricane Katrina, State Farm instructed its adjusters that "where wind acts concurrently with flooding to cause damage to the insured property, coverage for the loss exists only under flood coverage."

State Farm and other companies refused to pay for wind damage where there was any flooding, but were very generous with the taxpayers' money. The Director of NFIP allowed companies to pay flood insurance policies in full without determining how much damage was caused by flooding. This amendment would require insurance companies to represent the interests of federal taxpayers when handling flood claims.

Current NFIP regulations state that Write Your Own companies have a fiduciary responsibility to taxpayers. The amendment requires that this statement be included in the Write Your Own contract and that companies inform their agents and adjusters of their responsibility to taxpayers.

TAYLOR RENTAL PROPERTY AMENDMENT

This amendment would allow the owners of apartment buildings to purchase flood insurance or multiple peril coverage up to the total of the number of dwelling units times the maximum coverage limit per residential unit.

Under current law, condominium buildings are allowed to purchase coverage up to the number of units times the maximum coverage per unit, but coverage for apartment buildings is limited to the nonresidential building maximum of \$500,000.

As a consequence, apartment buildings are not able to buy adequate flood coverage. Two years after Katrina, there is still a severe shortage of rental housing in Mississippi and Louisiana, in large part because rental properties did not have adequate flood insurance.

TAYLOR BUILDING CODE AMENDMENT,

TAYLOR HOMEOWNER GRANT AMENDMENT,

WATT GAO RECOMMENDATIONS AMENDMENT

Two Taylor amendments have been included in Chairman Barney Frank's manager's amendment.

One amendment requires a community to adopt building codes that are consistent with the wind standards in the International Building Codes in order to be eligible for multiple peril insurance coverage. The National Association of Home Builders was very helpful in drafting this change to the multiple peril provision. This amendment clarifies that FEMA should require communities to use the existing model building codes, rather than FEMA trying to write new standards.

Another Taylor amendment that is included in the manager's amendment will direct FEMA to develop a plan to verify that the recipients of Homeowner Assistance Grants in Mississippi and Road Home Grants in Louisiana, funded by HUD Community Development Block Grants, maintain flood insurance on their properties as required as a condition of the grants.

The state plans approved by HUD require grant recipients to attach covenants to their deeds requiring the property to be covered by flood insurance. This amendment would instruct NFIP to verify that the homeowners are maintaining flood insurance.

Chairman Frank's manager's amendment also includes an amendment by Rep. Mel Watt, Chairman of the Oversight and Investigations Subcommittee, to codify recent GAO recommendations.

GAO reported that 64 percent of NFIP premium revenues in 2006 went to insurance companies to cover their expenses operating the Write Your Own program. The companies are paid a percentage of the total amount of flood claims, but GAO could not determine whether the payments were appropriate because NFIP does not require the companies to report their actual expenses.

GAO recommended that FEMA require insurance companies to report their actual expenses operating the flood program and require companies to undergo an independent audit every two years. The Watt amendment would codify this recommendation.