

## Times Picayune Editorial Regarding Wind & Flood Claims

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EDITORIAL: Not minding the store

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Management Agency is stubbornly ignoring mounting evidence that it has poorly run the flood insurance program, and it's time the White House and Congress force the agency to change its ways.

For months reports from government investigators as well as whistleblower lawsuits have exposed how FEMA's lax management of the program is likely wasting billions in taxpayers' money. Yet to this day, the agency's brass refuse to investigate or correct problems. Their lackadaisical attitude with the taxpayers' money is unacceptable.

The most recent criticism came last week from the Government Accountability Office. In a report, the GAO pointed to the "inherent conflict of interest" that exists when the same private insurer determines flood damage, which is covered by the government, and wind damage, which is covered by the private insurer. GAO investigators concluded that insurers who provide wind coverage "have a vested economic interest" in determining which damage was caused by flood or wind. The report recommended that FEMA obtain wind damage files from private companies to check whether taxpayers have gotten fleeced.

The GAO observation jibes with a lawsuit filed by former insurance adjusters last year that exposed credible evidence that several insurers lowballed wind damage after Hurricane Katrina and exaggerated flood damage -- essentially shifting their responsibility to taxpayers. The former adjusters said they reinspected 150 properties with flood and wind damage and in every case flood damage had been inflated and wind damage underreported. The suit cited eye-popping examples, such as State Farm allegedly paying more

than \$88,000 for flood damage in a Metairie home with no flooding and AllState counting flood damage twice in an eastern New Orleans home.

These have not been the only problems. In September, the GAO said FEMA has handed over to private insurers an exorbitant portion of annual premiums from homeowners to pay for the companies' operating costs. But the agency has done little to make sure the companies are not artificially inflating those costs and has routinely ignored requirements for regular audits of the insurers.

While complaints mount, FEMA has tried to minimize the problem and refuses to even investigate. FEMA officials have routinely said that they doubt private insurers would take advantage of the government program, but the agency has not really examined the issue enough to back that opinion. Even the inspector general of the Department of Homeland Security, which includes FEMA, said he could not really say whether insurers shifted costs from wind damage to flood claims because he did not have wind claims data to examine.

Yet FEMA is responding to the latest GAO report by claiming, again, that it does not need wind damage information to police the flood insurance program and that there's no proof that wind and flood damages were handled improperly. Of course, the agency won't find any proof as long as it refuses to actually check.

FEMA officials also said private insurers probably would fight the agency if it sought to get wind damage data and that "the marginal value of such data would be costly." But the Property Casualty Insurers Association of America, which also argues that FEMA does not need wind damage data, said state commissioners already have access to that information. If the states already have the data, sharing it with FEMA should not be costly or contentious.

What is plain to everyone is that FEMA simply does not want to look into the complaints. It's unclear yet whether the agency is seeking to cover its own ineptitude in managing the flood program or covering up for private insurers who may have abused the system. Congress and the White House should not tolerate either.