

Statement of Ranking Member Spencer Bachus at the Joint Hearing entitled "National Flood Insurance Program: Issues Exposed by the 2005 Hurricanes"

June 12, 2007

Thank you, Chairman Watt and Chairman Carney, for convening this important hearing, which continues the Financial Services Committee's ongoing inquiry into the treatment of consumers affected by the major hurricanes that struck the Gulf Coast region two years ago.

In 2005, America suffered the highest number of mega-storms and flood claims on record, including Hurricanes Katrina, Rita, and Wilma, which alone caused a record \$60 billion in losses. In the aftermath of these disasters, this Committee acted quickly to pass a number of victim assistance bills that provided immediate relief to residents of the Gulf Coast.

While getting money to victims and cutting through government red tape was our top priority, we also insisted on quality oversight to ensure consumer claims were being paid. Former Chairman Mike Oxley commissioned an investigation by the Government Accountability Office (GAO) to determine whether insurance claims adjusters were being properly regulated and overseen, and to make recommendations for strengthening consumer protections with respect to future natural disasters. Congress also enacted legislation last year directing the Department of Homeland Security Inspector General to conduct a similar inquiry of Katrina-related flood claims. Today's hearing will focus on the preliminary findings of these two investigations.

These initial reports are troubling on a number of levels. While the GAO and the Homeland Security Inspector General have not discerned any pattern of abuse or illegal activities, it appears that neither they nor the state regulators have the information necessary to make this determination with any confidence.

One of the constructive steps that FEMA took after Katrina was to expedite claims for victims to provide immediate relief and jump-start the rebuilding process. But Congress was assured, most recently in our February oversight hearing, that quality oversight had not been compromised. The initial findings of GAO and the Inspector General call these assurances into question.

Following any major disaster, the government and private sector work together to adjust claims and remit compensation. This coordination is both efficient and important to ensure that consumers are fully compensated and not subject to competing claims analyses that could potentially be doubly adverse and result in no payment at all. But coordination of claims adjustment can also create potential conflicts that must be carefully supervised.

Members have heard allegations that entities may have improperly shifted costs or charged higher reimbursement rates to the federal government. We expect and want companies to earn a profit, but not by shifting costs illegally to the taxpayers.

With tens of thousands of claims being processed, mistakes are inevitable. But if our investigations determine that there has been a pattern of misbehavior, the offenders must be held accountable and their behavior corrected.

Let me conclude by thanking our witnesses for being here today, and for their willingness to provide the additional information and insight our regulators need to conduct more effective oversight. Chairman Watt, I particularly look forward to working with you in a balanced and bipartisan manner on our Congressional follow-up to ensure that all parties, including victims and the taxpayers, are being treated fairly.

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