



Highlights of [GAO-07-991T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Financial Services, and the Subcommittee on Management, Investigations, and Oversight, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

Disputes between policyholders and property-casualty insurers over coverage from the 2005 hurricane season highlight challenges in determining the appropriateness of claims for multiple-peril events. In particular, events such as hurricanes that can cause both wind and flood damages raise questions about the adequacy of steps taken by the Federal Emergency Management Agency (FEMA) to ensure that claims paid by the National Flood Insurance Program (NFIP) covered only damages caused by flooding.

As a result, the Subcommittees asked GAO to provide preliminary views on (1) the information available to and obtained by NFIP through its claims process in determining flood damages for properties that sustained both wind and flood damages, and (2) the information collected by FEMA as part of the NFIP claims reinspection process.

GAO collected data from FEMA, reviewed reinspection reports, reviewed relevant policies and procedures, and interviewed agency officials and others knowledgeable about NFIP.

## What GAO Recommends

This testimony is based on an ongoing engagement and, therefore, includes no recommendations. GAO anticipates making recommendations in its final report.

[www.gao.gov/cgi-bin/getrpt?GAO-07-991TT](http://www.gao.gov/cgi-bin/getrpt?GAO-07-991TT).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Orice M. Williams at 202-512-8678, [williamso@gao.gov](mailto:williamso@gao.gov).

# NATIONAL FLOOD INSURANCE PROGRAM

## Preliminary Views on FEMA's Ability to Ensure Accurate Payments on Hurricane-Damaged Properties

### What GAO Found

NFIP does not collect and analyze both wind and flood damage claims data in a systematic fashion, which may limit FEMA's ability to assess whether flood payments on hurricane-damaged properties are accurate. Instead, NFIP focuses only on the flood claims data to determine whether the amount actually paid on a claim reflects the damages caused by flooding. Flood claims data, collected by NFIP through the write-your-own (WYO) insurers—including those that sell and service both the wind and flood policies—do not include information on total damages to the property from all perils. That is, NFIP does not systematically collect information on wind damages from the WYO insurer when a flood claim is received. FEMA officials state that they do not have authority to collect wind damage claims data from WYO insurers, even when the insurer services both the wind and flood policies on the same property. As a result, for hurricane-damaged properties, such as those damaged by Hurricanes Katrina and Rita, NFIP does not have all the information it needs to ensure that its claims payments were limited to damage caused by flooding. Concerns over the processing of these flood claims are heightened when the same insurance company serves as both NFIP's WYO insurer and the property-casualty (wind) insurer for a given property. In such cases, the same company is responsible for determining damages and losses to itself and to NFIP, creating a potential conflict of interest.

The lack of both flood and wind damage data also limits the usefulness of FEMA's quality assurance reinspection program for NFIP flood claims. GAO found that the NFIP reinspection program did not incorporate a means for collecting and analyzing both the flood and wind damage data together in a systematic fashion to reevaluate the extent to which wind and flooding were deemed to have contributed toward damages to the property. Further, we explored whether the wind-related claims data collectively gathered by state insurance regulators would be useful to NFIP to reevaluate damage assessments. We determined that this information would be of limited value to NFIP in reevaluating wind versus flood damage determinations made because such data is not collected in enough geographic detail to match with the corresponding flood claims data on a property- or community-level basis. Without the ability to examine damages caused by both wind and flooding, the reinspection program is limited in its ability to confirm whether NFIP paid only for losses caused by flooding.