

**WRITTEN STATEMENT OF**  
**WILLIAM GRIFFIN, JR.**  
**PRESIDENT, BARTLETT, GRIFFIN AND VERMILYE**  
**INDEPENDANT INSURANCE BROKERAGE**

**BEFORE THE**

**HOUSE OF REPRESENTATIVES HOUSING AND COMMUNITY OPPORTUNITY**  
**SUBCOMMITTEE**

**“REVIEW AND OVERSIGHT OF THE NATIONAL FLOOD INSURANCE**  
**PROGRAM”**

**APRIL 14, 2005**

Thank you Chairman Ney and other Sub-Committee members for the opportunity to submit my written testimony.

I am part owner and president of Bartlett, Griffin and Vermilye, Inc. (BG&V) an independent insurance agency in Easton Maryland in operation since 1947. I have been licensed and selling insurance products since 1986.

BG&V is an all lines independent agency representing 25 companies. One of the lines we sell is Flood Insurance. We represent Selective Insurance, Travelers Insurance Company and we represented Omaha Property and Casualty until the spring of 2004. At that time, Omaha sold its flood business to Fidelity. I understand that Fidelity is now the largest flood insurance company in the country.

I have sold and serviced flood insurance for 18 years, and our agency has sold flood insurance since the inception of the NFIP. Prior to Hurricane Isabel our firm had never seen nor experienced any troubles with the NFIP claims adjustment process that approached the magnitude of what we experienced after Hurricane Isabel.

I have watched as many of my clients, primarily those with substantial claims, received small fractions of what they were entitled to, as well as outright wrongful denials of coverage, under the terms of their policies. The resultant havoc wrecked on these people's lives has been nothing less than cataclysmic. In some cases both adults in the household have been forced to take on multiple jobs so they can pay multiple mortgages. In other cases people have remained in campers or otherwise out of their homes for 18 months and counting.

The claims practices I have witnessed first hand being carried out by giants in the industry, employees of Omaha Property and Casualty, and now Fidelity, as well as Computer Sciences Corporation (CSC), runs contrary to my business principles and ethics.

I attended a (NFIP) agent training of approximately fifty agents on June 14, 2004. The training was conducted by NFIP's contractor, CSC, under the direction of the NFIP. The CSC trainer clearly stated that agents are to inform their policyholders they are buying insurance and policyholders will be restored to their pre-flood condition. A very relevant part of the transcript is as follows:

*Q. Before we move on, now that we are talking about RCV, can you please explain RCV? I am not asking about a live loss, but rather, what should agents explain to their clients as far as what the policy pays for, in the case of RCV, in the event that a covered peril is affected by the flood? Is it the Program's intention concerning RCV to restore the loss to its pre-loss condition?*

*A. "The policy pays upon the Proximate Cause ... the Domino Theory of insurance ... The unbroken chain of events. Because the original cause was flooding, as defined, (his slide stated the policy language - 2 or more acres or two adjacent properties) the loss would be covered under the policy."*

*Q. In other words, is the policy intended to restore the RCV loss to its pre-loss condition?*

*A. Well, the policy can never do that because the policy always contains a deductible.*

*Q. But notwithstanding the deductible, in regards to covered perils, will the line item be restored to its pre-loss condition?*

*A. Yes.*

This instruction, while consistent with NFIP marketing efforts, is wholly contradictory to what CSC Claims Manager Joe Buzzelli stated to me and my clients on several occasions. Contrary to the sales agent training, Mr. Buzzelli told me that significant coverage was not included under the Standard Flood Insurance Policy (SFIP), such as moisture damage and mold cleanup.

I also received the same incorrect information from Omaha Property and Casualty's Jerry Dubyak. In addition, several months after Isabel struck; I attended a Fidelity sales meeting where Mr. Dubyak was introduced as Fidelity's primary spokesperson regarding flood insurance claims. At the meeting, Mr. Dubyak told the group that the NFIP did not provide insurance, but rather assistance in the form of aid. He continued on to say that coverage only exists in the event that flood waters physically come in contact with the damaged property. I believed that this misstatement was so significant that I brought it to the

attention of Mr. Dubyak's manager, Ms. Deb Price, yet to no avail. I understand Fidelity is now the nation's largest flood insurance carrier.

An example the "Direct Physical Contact" issue is one where the flood severely damages the first floor to the point of partial collapse. Without the first floor support, a portion of the roof collapses. I am aware of cases where the adjuster then uses this "Direct Physical Contact" argument to disallow the roof, stating it is not covered inasmuch as it was never contacted by flood waters. As a result, the policyholder is wrongly disallowed coverage leaving them unable to make repairs.

I watched first hand as one of my clients, Mr. Steven Kanstoroom, worked through the NFIP system. After six months of concentrated efforts, Mr. Kanstoroom received written documentation from the NFIP stating that the very damages Mr. Buzzelli and Mr. Dubyak had disallowed, were in fact covered. Coverage that had been wrongfully denied using the "Direct Physical Contact" argument. The difference between Omaha, and CSC's first offer and NFIP's final assessment of damage was 295% of the original amount offered. The original offer was \$85,000 and the ultimate payment was \$250,000.

I was with Mr. Kanstoroom when he provided this same information regarding "Direct Physical Contact" to FEMA's Deputy Director Trey Reid. I also understand from Mr. Kanstoroom and a Baltimore Sun article that Mr. Kanstoroom provided the information to CSC's Deputy General Counsel Harvey Bernstein at a meeting attended by Maryland Senator Sharon Grosfeld and Assistant Attorney General Kathleen Birrairie, Senator Dole's aide Alexander Robertson and victim advocate Beth Midgett in July of 2004. Regardless, to date my agency has received no bulletins of any kind from CSC or the NFIP in regards to changes in their coverage determinations.

In early September 2004, FEMA's Acting Director, David Maurstad, publicly announced FEMA's new position that the NFIP is intended to provide "some assistance" and he has also taken the position Congress never intended the victims be restored to their pre-flood condition. This position is contrary to the language in S. 2238 and which was signed into law by President Bush on June 30, 2004.

#### SEC. 208. GAO STUDY AND REPORT.

- (a) STUDY- The Comptroller General of the United States shall conduct a study of--
- (1) the adequacy of the scope of coverage provided under flood insurance policies in meeting **the intended goal of Congress that flood victims be restored to their pre-flood conditions**, and any recommendations to ensure that goal is being met;

Mr. Maurstad's position contradicts the agent training and has now opened up scores of industry professions to consumer protection actions. The attached email I received that was written by another Omaha Property and Casualty policyholder demonstrates the effect Mr. Maurstad's comments are having on the adjusters, whereby adjusters wrongly tell victims they are not entitled to receive "like for like".

Mr. Maurstad's position describing the NFIP as a program that merely provides "some assistance" has resulted in tremendous suffering of the policyholders who trusted their carriers and FEMA to deliver on their contract benefits. Ironically, FEMA's position in denying these contract benefits, has unfairly burdened taxpayers by forcing policyholders to apply for aid.

I believe it is vitally important for insurance customers to receive the safety net they purchase. Allowing these bait and switch tactics to go unchecked is destroying people's families and lives as they knew them. The fact is, they bought and paid for coverage that has been wrongfully denied from them with devastating consequences.

In addition, these wrongful denials of claims have a damaging effect upon our client relationships and core business. I tried to bring these matters to FEMA's attention to no avail. Despite numerous phone calls, no one seemed to understand the program, nor care about the victims, at FEMA, its third-party processors, or its WYO carriers.

I believe that Congress never intended to set-up a situation whereby policyholders are required by law to purchase insurance, only then to be told in their time of need they will receive fractional cents on their Replacement Cost Value (RCV) losses. All without any remedy to be made whole, and for all intents and purposes, without any remedy due to the current legal landscape.

As it currently stands, the adjusting firms that handled many of my client's claims, and the Write Your Own Carrier that serviced their accounts, are virtually untouchable. The system is set up such that it is lacking any federal regulation over the insurance carriers, including the government's own NFIP. The result is that these entities answer to no one and are left to have their way with the policyholders.

Despite the Senate's directive that FEMA conduct an independent review of Isabel claims, I have first hand knowledge that such review was far from independent. I personally attempted to resolve inadequate settlements on behalf of my clients, yet in each case the same management members at CSC were involved with the process. As a result of the conflicted review process, I still have clients unable to rebuild who remain out of their homes to this day.

I believe that Congress needs to act to implement protections for the policyholders, including regulations, guidelines and oversight mechanisms against abusive claims practices, and devise stiff penalties for those that prey upon the most vulnerable in our society – people who have lost virtually everything they have.

In the interim, Congress needs to direct FEMA to publicize accurate and consistent information regarding coverage, given that the agent and adjuster trainings are so radically disparate. At this time, the only source of such information on a federal program appears on the website run and managed wholly by private citizens, [www.femainfo.us](http://www.femainfo.us). I also believe that Congress should direct FEMA to conduct a fair and independent review of all claims that

have been made and processed in reliance upon the erroneous instructions provided to adjusters in their training classes and materials.

Thank you very much for considering the written testimony. It is also my fervent hope that this hearing will result in a thorough and proper investigation of these matters. My preference would be to testify in person before the committee and I look forward to that opportunity when the Committee has time to permit me to do so.

Sample email from Omaha Property and Casualty policyholder:

Xueid2@aol.com [<mailto:Xueid2@aol.com>]  
Sent: Thursday, September 16, 2004 11:08 AM  
To: sjk@femainfo.us  
Cc: betty\_deacon@mikulski.senate.gov  
Subject: Jennifer Dieux and Eric MacKay

Steve and Betty

Here are the notes I took from the meeting we had today with David Woodward from the Task Force on our Omaha Flood Claim.

1. This policy is not a valued policy
2. This is not insurance, it is designed as help
3. This program has been self sufficient in the past, but is not now.
4. There is some "rumble" that they will be going back to old way of handling it, by way of just giving out loans to help people when they are flooded. Low interest and SBA Loans.
5. There must be direct physical contact with the water for it to be covered.
6. If you have \$107,000 worth of coverage, you will NEVER see the full amount of your policy. That is just not how it works. It is not like a homeowners policy.
7. His wife told me about a house mover in Cambridge that just elevated a long house and they did the foundation and everything for \$37,000. She said that the name of the company was HOUSEMOVERS and she was going to call me tomorrow with the phone number. She said they still have the file on that one and if she doesn't call me tomorrow with, call David and he will get the number to me.

All of this information from David Woodward makes me feel very concerned and upset.

Please feel free to share this info with anyone you feel may be able to help us receive a fair settlement.

Thanks for all of your help!

Jennifer