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Flawed FEMA Insurance Reviews in Florida Could Leave Taxpayers on the Hook for Millions in Losses

Deficient insurance review processes used by the Federal Emergency Management Agency (FEMA) resulted in the agency overfunding its 2004-2005 Florida hurricane grants by more than $177 million and left the government liable for an estimated $1 billion in future disaster costs, according to a new report by the Department of Homeland Security, Office of Inspector General (OIG).

The report, OIG 15-19-D "FEMA Insurance Reviews of Applicants Receiving Public Assistance Grant Funds for 2004 and 2005 Florida Hurricanes Were Not Adequate," was initiated as a follow-up to previous audits and in response to two OIG Hotline complaints. The OIG sought to determine whether FEMA followed proper procedures in making grants to Florida property owners for damages suffered in seven hurricanes and two tropical storms in 2004 and 2005. The audit revealed that:

- FEMA's insurance reviews were inadequate to ensure that approved costs included required reductions for the recipients' private insurance coverage. As a result, FEMA may have overpaid for repairs that should have been covered by private insurance.
- Insurance specialists routinely waived a requirement that FEMA aid recipients obtain and maintain insurance coverage for future disasters, even though they did not have the authority to take such action, and such action could cost FEMA and the taxpayers millions in future liabilities.
- The conditions we found could lead to significant duplication of benefits and added costs to the government in future disasters.

"FEMA officials must assure that aid recipients' private insurers bear their share of disaster losses before they approve the use of Federal funds," said Inspector General John Roth. "And it is unconscionable that those officials would also leave the taxpayers liable for future losses by defying policy and ignoring the requirement that recipients obtain insurance coverage for future storms."

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