

Congress of the United States
House of Representatives
Washington, DC 20515-3003

April 07, 2015

Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
2471 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Chaffetz and Ranking Member Cummings,

On March 1, 2015, "*60 Minutes*" reported that the Federal Emergency Management Agency (FEMA), which oversees the National Flood Insurance Program (NFIP) knew of fraudulent practices by engineering and service companies operating under NFIP, as early as August of 2013, yet failed to act. We write to urge you to conduct oversight hearings on FEMA's role concerning these fraudulent practices.

Members of the New Jersey Congressional delegation recently met with Brad Kieserman, Deputy Associate Administrator for Insurance at FEMA. Kieserman, who runs NFIP, informed the delegation that two engineering firms have "absolutely engaged in fraud" related to the NFIP claims of Sandy survivors. The two firms combined to handle over 15,000 NFIP claims. Kieserman also revealed there may be other problems on 144,000 flood claims, and that NFIP is reopening claims to readjust them.

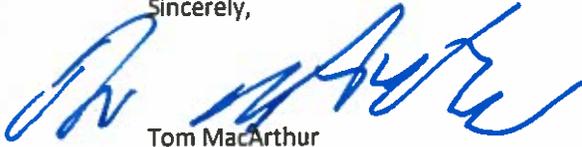
Additionally, Mr. Kieserman revealed that the CEO of the NFIP's largest servicing agent, which manages one million of NFIP's five million policies, recently invoked his Fifth Amendment right against self-incrimination to avoid answering questions about the above described fraud.

Finally, Kieserman admitted that the servicing companies appear to have no financial incentive to underpay claims since all claim payments and expenses are reinsured by the NFIP. He agreed that the delegation should "follow the money" and acknowledged that the NFIP enjoyed improved financial results due to the under payment of claims. We interpret "follow the money" to mean that we need to look further into the role that officials at FEMA and the NFIP may have played. We would point out that Mr. Kieserman is new to NFIP and comes from a law enforcement background.

These various issues necessitate hearings, because as Kieserman had previously stated in the *60 Minutes* interview, "there were signals of the problem that FEMA could have acted on" as early as August of 2013. If FEMA knew about fraud and failed to act, or had any involvement in underpayment of claims, we believe this would absolutely warrant further investigation by Congress as part of its oversight role.

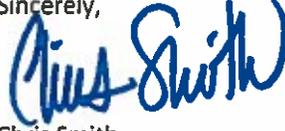
Thank you for your attention to this matter. We look forward to working with you as this situation unfolds.

Sincerely,



Tom MacArthur
Member of Congress

Sincerely,



Chris Smith
Member of Congress

Sincerely,



Bill Pascrell
Member of Congress

Sincerely,



Frank Pallone
Member of Congress

Sincerely,



Donald M. Payne, Jr
Member of Congress

Sincerely,



Leonard Lance
Member of Congress

Sincerely,



Albio Sires
Member of Congress

Sincerely,



Scott Garrett
Member of Congress

Sincerely,



Donald Norcross
Member of Congress

Sincerely,



Frank LoBiondo
Member of Congress

Sincerely,



Rodney Frelinghuysen
Member of Congress

Sincerely,



Bonnie Watson-Coleman
Member of Congress

cc:

Honorable John Mica
Chairman, Subcommittee on Transportation and Public Assets