

I. STATEMENT OF QUALIFICATIONS

I am a pattern recognition and fraud detection expert with twenty-two years experience designing, writing and running expert systems initially for the United States Department of Justice and beginning in the late 1980s for some of the largest corporations in the world.

My systems have been used primarily to assure that complex federal regulations were applied evenly to the general public while simultaneously detecting and preventing fraud. These systems were used, and continue to be licensed, by some of the largest corporations in the world. My pattern recognition designs successfully detected and prevented fraudulent activity aimed at some of the largest bankcard portfolios in the United States. These designs were also credited with saving hundreds of millions of dollars. In addition, they were instrumental in AT&T's Universal Card subsidiary winning the Malcolm Baldrige National Quality Award, given by President George H. W. Bush. The Baldrige Award is given by the President of the United States to a manufacturing or service business or to an education or health care organization, that is judged to be outstanding in the seven areas of leadership; strategic planning; customer and market focus; measurement, analysis, and knowledge management; human resource focus; process management; and results.

Relying upon my expert system designs, software, pattern recognition and fraud detection capabilities for its new account processing, this AT&T start-up grew to become the second largest bankcard company in the country in only several years before being acquired by its largest competitor, Citibank.

Since the early nineties, an underlying requirement of each of my projects which related to finance or securities was to comprehend, design, automate, audit and manage expert systems that interpreted complex federal regulations as they pertained to various consumer activities. I gained additional pattern recognition and fraud detection expertise by working closely with leading experts of the nation's banking industry, credit bureaus, MasterCard International, Visa USA, as well as from information provided to me by United States Secret Service agents, United States Postal Service Inspectors and others. My job was to combine my existing knowledge with that of the other experts and to automate the expertise into expert systems designed to protect multi-billion dollar bank portfolios.

I designed these expert systems to replicate the human actions taken by the experts, primarily in regards to fraud detection and credit processing. In each case, I was charged with the responsibility of assuring the complex regulations were applied uniformly to all consumer related transactions. I was also ultimately responsible for all management aspects of the systems and the data that they processed. In addition, I was responsible for the logical and, in some cases, the physical security relating to the portfolios.

Prior to that I designed and ran systems that processed data for the United States Department of Justice and other government agencies. These systems also detected patterns ultimately used for expert systems' data recognition modules that I designed.

From 1997 to 2003, I focused on designing high-speed record access techniques. These designs are used to analyze billions of records in fractions of a second. They have universal application in any environment where pattern recognition is required, such as biometric identification associated with physical security products being considered for use at ports of entry into the United States.

Since December, 2003, I have conducted an investigation of the NFIP and focused my expertise upon finding the root cause of the problems within the insurance policy procurement practices and claims handling practices of the National Flood Insurance Program (NFIP). I used data from the investigation to determine patterns and practices found within the NFIP claims adjusting process. Based largely upon my findings, there have been two Congressional hearings into the NFIP with follow-up hearings as well.

The first hearing resulted in a directive that the Federal Emergency Management Agency (FEMA) review more than 24,000 flood claims – the largest such event in FEMA's history. It also resulted in President Bush signing into law a directive for the General Accountability Office (GAO) to determine *“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.”*

The second Congressional hearing included expert testimony from the publisher of the data that has been used by the NFIP adjusters to process flood claims. I found that NFIP adjusters were using new construction pricing in lieu of much costlier repair and renovation pricing. The publisher submitted testimony that read in part,

“Such use of our data was never intended by the publisher and, if used as is, would result in pennies on the dollar for insurance claims.” He also wrote, “Moreover, leading the consumer to believe that new construction pricing represent a fair and complete valuation of their damages is, in my expert opinion, fraudulent.”

Construction and Renovation Experience

I acquired first-hand knowledge of the construction industry from building millions of dollars of residential and commercial improvements and structures. I have a comprehensive working knowledge of construction related trades, and the complexities encountered with residential and commercial repairs, renovations and desiccant drying.

Management Experience

I have directed technical, management, administrative and clerical staff. Under my direction, they were responsible for interfacing with business customers, managing deadlines, quality control and continuously maintaining compliance with complex federal regulations on behalf of publicly traded entities. I have also managed construction related professionals and tradespersons, including but not limited to architects, structural engineers, plumbing and mechanical engineers, HVAC mechanics, electricians, drywall mechanics, flooring mechanics, raised flooring mechanics, mill workers, glazers, painters, roofers and specialty tradespersons.

Investigation of the National Flood Insurance Program

My investigation began by reading the Code of Federal Regulations, Title 44 Parts 61 and 62 as well as the several books incorporated by reference. Next, I shared my findings with the Maryland Insurance Commissioner and the United States Senate Committee on Banking, Housing and Urban Affairs (the Senate Banking Committee) staff, including evidence of low-ball adjuster practices. Acting largely upon my findings, the Senate Banking Committee directed FEMA to conduct an independent review of more than 24,000 Hurricane Isabel flood claims – the largest such review in FEMA’s history.

Ultimately I found that the review was conducted by many of the same firms and individuals that were involved in the low-balled claims in the first place. Despite the lack of independence, the Government Accountability Office reported that nearly half of the claims that were reviewed had been shorted by thousands of dollars each.

I collaborated with the Presidential Appointee charged with administering the National Flood Insurance Program, the Honorable Anthony Lowe, as well as Homeland Security’s Undersecretary Michael Brown’s Deputy Director, Mr. Trey Reid. I shared my findings with both men. At the direction of Mr. Lowe, I shared my preliminary findings with flood insurance industry officials and executives from across the country at their summit conference on March 25th and 26th, 2004. At Mr. Reid’s request, I suggested and wrote draft policy statements for the NFIP. Subsequently, as a result of my findings, FEMA published a claims directive to the insurance industry in an attempt to correct errant flood claims handling practices.

To date, I have devoted more than 6,000 hours to investigating the NFIP. My investigation has included but has not been limited to the following:

- Reviews of flood victims’ flood insurance claims from seventeen states and from multiple flooding events.
- On-site inspections of flood damaged residential properties in Pennsylvania, Maryland, Virginia, North Carolina, Florida and Mississippi.

- Review of the former Maryland Insurance Commissioner Steve Larson's Report regarding the response to Hurricane Isabel victims by insurance carriers.
- Telephone calls and meeting with former Maryland Insurance Commissioner Larson.
- Interviews with flood victims from twelve states.
- Interviews and meetings with FEMA officials.
- Meetings with Federal Insurance Administrator Anthony Lowe.
- Interviews with former Federal Insurance Administrator J. Robert Hunter.
- Interviews with former Federal Insurance Administrator Jo Ann Howard.
- Meetings with Alfred Redmer, Jr., Maryland Insurance Commissioner and National Association of State Insurance Commissioners Co-chair, Governmental Affairs.
- Meeting and calls with Diane Koken, Pennsylvania Insurance Commissioner and President of the National Association of State Insurance Commissioners and her counsel.
- Meetings with Tom Gallagher, Florida Chief Financial Officer.
- Telephone calls and meeting with FEMA's contractor - Computer Sciences Corporation Vice President and Deputy General Counsel Harvey Bernstein.
- Interviews with Computer Sciences Corporation general adjusters and claims manager Joseph Buzzelli.
- Interviews, meetings and/or trips to discuss FEMA related problems and/or tour flood damage with elected federal and state officials, appointees and/or their staff from Alabama, California, New York, Pennsylvania, Maryland, Virginia, North Carolina, Florida and Mississippi.
- Review of the contract between Computer Sciences Corporation and the NFIP.
- Review of FEMA documents and transcripts from current and previous administrations.
- Review of hundreds of newspaper articles in the public domain.
- Written and oral testimony provided for the April 14, 2005 House Financial Services, Housing and Community Opportunity Subcommittee.
- Assisting local and national media with FEMA related issues, including the Baltimore Sun, the Washington Post, The San Francisco Chronicle, ABC NEWS and its Chief Investigative Reporter, Mr. Brian Ross, CNN, MSNBC and National Public Radio.
- Written testimony provided for the October 20, 2005 House Committee on Financial Services, Housing and Community Opportunity Subcommittee

Congressional Action

Congressional acceptance of my work has been acknowledged in, a) my participation in four Congressional hearings, b) a GAO investigation affirming my

findings in the areas they investigated, c) planned additional Congressional hearings based in part upon my findings, d) multiple Congressional members' requests for a Department of Justice investigation and Congressional appeals to the Secretary of Homeland Security for intervention into the NFIP adjusting practices I have uncovered, e) a Congressional member's request for the President of the United States to personally issue a directive in regards to the NFIP claims handling practices and that "every appropriate action be taken to investigate the policy sales, use of premiums and claims handling practices carried out by the NFIP, its contractor and business partners," and; f) a Congressional member's request for the Secretary of Homeland Security to meet with me to "save valuable time in correcting problems within FEMA, save enormous tax dollars and most importantly, save disaster victims from across the country needless hardship and suffering."

Summary of Qualifications

I have twenty-two years experience in, a) designing expert systems, pattern recognition systems and fraud detection and prevention systems, and b) managing those systems for the purposes of assuring that data was processed in accordance with complex federal regulations and for safeguarding multibillion dollar portfolios from fraud, and; c) construction and management experience. My experience has provided me with a comprehensive background necessary to fully interpret the NFIP claims handling process, find problems within it and respond to Congressional requests for solutions to the NFIP's problems. The singular combination of disciplines in which I have gained experience over the years uniquely qualifies me to address on all fronts the issues pertaining to the disparities found between the NFIP regulations and the adjusting practices that insurance policyholders and others have experienced while attempting to settle NFIP flood loss claims.