

Lott lawyer: State Farm obfuscating

BILOXI, Miss. (AP) - A lawyer for U.S. Sen. Trent Lott said Monday that State Farm Insurance Co. is destroying documents that could show the insurer has fraudulently denied thousands of claims by Lott and other policyholders whose homes were destroyed by Hurricane Katrina.

Zach Scruggs, one of Lott's attorneys, says his client has a "good faith belief" that several State Farm employees in Biloxi are destroying engineering reports that gave conflicting conclusions about whether wind or water was responsible for storm damage.

Like thousands of Gulf Coast homeowners, Lott's claim was denied because State Farm concluded that Katrina's flood water demolished his beach-front Pascagoula home. State Farm says its policies do not cover damage from rising water, including wind-driven water.

But lawyers for the Mississippi Republican claim Bloomington, Ill.-based State Farm has routinely pressured its engineers to alter "favorable" reports that initially blamed damage on hurricane's wind, which the company's policies cover.

A State Farm spokesman said Monday he couldn't immediately comment on Scruggs' allegations.

Lott's allegations come on the heels of a lawsuit filed by a Kiln, Miss., couple who claimed they had obtained copies of conflicting reports prepared by State Farm's engineers on what damaged their home. They said one report traced the destruction to Katrina's winds while a later report said flooding was the culprit.

In response, State Farm spokesman Phil Supple had said the second report was the only one the engineering firm sent to State Farm's claims office.

In an interview Monday, Scruggs said corporate "whistleblowers" who are cooperating with Lott's attorneys have provided evidence that State Farm employees are destroying or moving those "initial favorable" engineering reports.

"We believe that this is a systematic practice," said Scruggs, who is Lott's nephew by marriage.

Mississippi Attorney General Jim Hood also says he is investigating allegations

that State Farm manipulated engineering reports to deny claims after the Aug. 29 hurricane.

A judge ordered State Farm to turn over copies of its Katrina engineering reports to Hood's office. The judge also ordered Hood's office to set up a "Chinese wall" that would keep the (See *Lawyers*, Page 15)

Katrina contracts inflated

NEW ORLEANS (AP) - Government agencies paid inflated prices for goods and services in the aftermath of Hurricane Katrina in a system riddled with waste, three government inspectors general testified at a congressional hearing Monday.

It was the first time the three government auditors — inspectors general with the Department of Home-

land Security, Department of Defense and Army — publicly disclosed their figures on government waste in the Katrina rebuilding effort. The inflated prices were a result of poor planning as well as a lack of proper oversight, the three said.

In the case of debris-removal contracts, awarded to four firms, the Auditor General of the Army found that the four subcontracted their

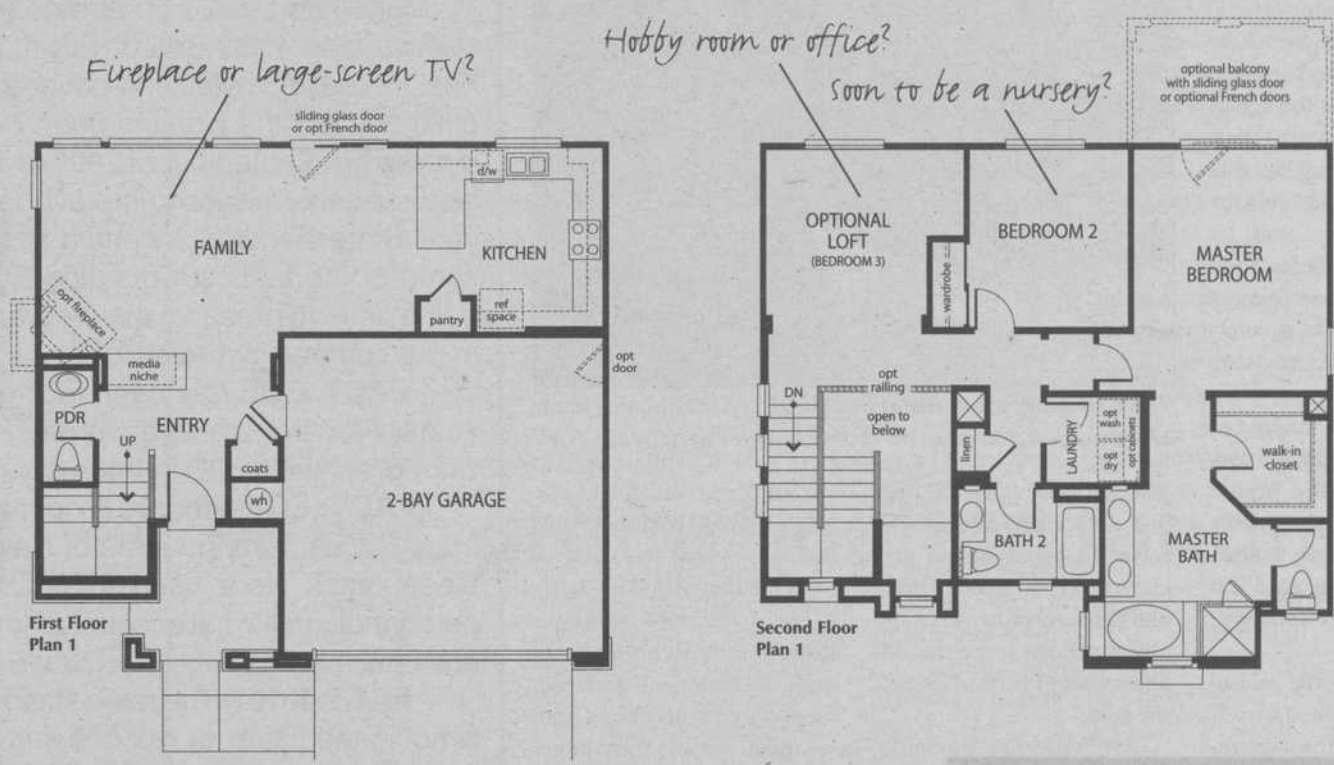
work to multiple tiers of subcontractors, resulting in markups between 17 percent to 47 percent.

Similar price hikes were found in other services, including the placing of blue covers on damaged houses and the installation of temporary housing trailers.

The chief of the U.S. Army Corps of Engineers, responding to the reports, said the magnitude of the di-

aster required the Corps to act outside its normal procedures.

"If we were to follow these usual rules for full and open competition, we would not have been able to award a contract to get the flood waters out of the city of New Orleans," said Lt. General Carl Strock. "It was an urgent situation which required expedited procurement," he said.



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