



# Federal Emergency Management Agency

Washington, D.C. 20472

W-02017

February 22, 2002

MEMORANDUM TO: Write Your Own (WYO) Company Principal Coordinators,  
Vendors, NFIP Servicing Agent

FROM:

James S. P. Shortley, Chief, Claims Branch,  
Federal Insurance and Mitigation Administration (FIMA)

SUBJECT:

Flood Claims Best Practices

Deloitte & Touche LLP recently completed a study of the National Flood Insurance Program claims operations. This thorough top to bottom review resulted in a number of recommendations for improvements and standardizations. Prominent among these recommendations was the adoption of a "Best Practices Model" for claims operation. We found this model a useful tool for self-reviews and analysis. Many of the elements of the model are basic and may already be included in your operations. We offer these to the WYO companies and vendors for their consideration. We will conduct an educational workshop at this year's National Flood Conference on the "Flood Claims Best Practices Model."

## Management/Oversight:

- Supervisory Review: Claims files should be reviewed at a supervisory level.
- Review of Outside Adjuster: There should be an on-going review process for outside adjusters by the WYO Companies.
- Self-Audit: WYO Companies should review and measure adjuster performance on specific items such as accuracy, timeliness of communication, and claim outcome.
- Use of Claim Expertise: WYO Companies should assign claims to adjusters based on their experience and extend settlement authority to claims examiners based on ability and expertise.

## Claims Adjusting Process:

- Subrogation Potential Explored: WYO Companies should emphasize subrogation with more detailed guidance and the use of a mandatory evaluation worksheet.
- Salvage Potential Explored: There should be salvage valuations or narrative explanations in all claim files.

- Fraud Detection/Special Investigative Unit: There should be active use of fraud detector and deterrents such as the Property Insurance Loss Register (PILR) or other databases.
- Risk Impressions to Underwriting: There should be established guidelines so that adjusters regularly provide new rating information to claims examiners for referral to Underwriting and receive information back.
- Use of Technology: There should be a program-wide Risk Management Information System (RMIS) to prevent duplicate claims and provide financial controls.

#### Documentation:

- Effective Diary System: There should be an electronic or manual company-wide diary system that prompts adjuster actions on the required future dates.
- Documentation Checklist: There should be a checklist of required documents in each claim file.
- Damages Documented/Itemized: There should be thorough documentation of damaged items including photos and the serial numbers from major appliances (or photos of the missing plate location).

#### Timeframes:

- Compliance with Timeframes: WYO Companies should develop methods to promote earlier reporting of claims by insureds, such as setting up 1-800 phone lines to report claims.
- Timeframe Worksheet in File: There should be a time-frame worksheet in each claim file.

#### Training/Education:

- Use of Needs Based Training: There should be needs-based training that targets problem areas identified in re-inspections, operational reviews, audits or TRRP Plan reports.