



Federal Emergency Management Agency

Washington, D.C. 20472

W-02028

April 30, 2002

MEMORANDUM FOR: WYO Company Principal Coordinators
NFIP Servicing Agent, Vendors

A handwritten signature in dark ink, appearing to read "James S.P. Shortley", is written over the "FROM:" line.

FROM: James S.P. Shortley
Director of Claims
Federal Insurance and Mitigation Administration

SUBJECT: Adjusters Responsibilities - Assignment of Coverage D,
Increased Cost of Compliance

The purpose of the memo is to reiterate the role of the claims adjuster in processing claims involving the Assignment of Coverage D.

Background

FEMA authorized policyholders to assign their Coverage D benefits to local communities when there is an ongoing mitigation program. Assigning the claim simply means transferring the policyholder's interest in the ICC claim to the community. The policyholder's agreement to transfer this interest is accomplished on a form called, "Assignment of Coverage D- Increased Cost of Compliance Coverage." Once the policyholder assigns the ICC claim, the local authorities, state, or community will be responsible for the hiring of contractors and production of contracts, bids, and required claims information and documentation.

The Assignment of Coverage D process is underway in the cities of Friendswood, Humble, Houston, and Pearland, Texas. To date, approximately 218 Assignments have been received at the NFIP Bureau and Statistical Agent and forwarded to the WYO companies for handling. During Tropical Storm Allison, these properties sustained substantial damage and are earmarked for demolition.

Adjuster Procedures

The adjuster has an important role in this mitigation effort as well. Once the WYO Company establishes the ICC claim, the loss is assigned to the claims adjuster, who is required to obtain certain documents from the policyholders and/or community. The adjuster should obtain a copy of the Assignment of Coverage D form and Declaration of Substantial Damage in order to start the process. The Assignment of Coverage D claim must be handled just as any other ICC claim.

The difference is that the adjuster is working with the policyholder, community, and the Buyout Coordinator. The community is required to submit copies of the permit for each mitigation action, whether demolition or elevation. Through the adjuster, the WYO company should obtain the proper documents necessary for establishing costs, verifying coverage, and ensuring the estimates are conform to NFIP standards. **The adjuster must ensure that the Assignment of Coverage D claim files contain all of the following documents:**

- a. Contractor's estimates for the mitigation activity. Review estimates in their entirety for compliance to the Standard Flood Insurance Policy.
- b. Photographs of the risk (Take photographs if they are not in the underlying flood claim file.).
- c. Elevation certification verifying that the risk is actually below the BFE and how high the insured will have to elevate on elevation claims. Obtain the permit issued by the community approving the plans for the mitigation measure indicating the required elevation of the building.
- d. Confirmation that the property is located in a Special Flood Hazard Area (A or V zones). If the policy indicates that the property is located in a B, C or X zone, the insured may not qualify for ICC. Verify whether or not there has been a zone or map revision and grandfathering applies.
- e. Copy of the closing buyout document.
- f. Letter of completion from the community stating the demolition and cleanup is completed or removed or elevation standards are met.

If you have any questions regarding these procedures, please contact the NFIP Bureau and Statistical Agent Claims Department.

cc: Vendors, IBHS, Government Technical Representatives

Suggested Routing: Claims and Underwriting