



FEMA

Memorandum

W-04020

To: Write Your Own (WYO) Company Principal Coordinators, WYO Vendors,
NFIP Servicing Agent, and Independent Adjusting Firms

From: James S. P. Shortley
Director of Claims
Mitigation Division

Date: May 7, 2004

Re: Flood Insurance Claims Guidance

Over the last 6 months we have made the following flood insurance coverage determinations to the benefit of the policyholder:

- 1. Increased Cost of Compliance (ICC) Claims** – We require only one contractor's estimate.
- 2. Post-Claim Letters Of Map Amendment (LOMA) and Letters of Map Revision (LOMR)** – A LOMA or LOMR for an elevated building, obtained after the loss, will be considered effective as of the date of the loss. The LOMA or LOMR removes the elevated building from the Special Flood Hazard Area, and the elevated building restrictions of the Standard Flood Insurance Policy then do not apply to the area beneath the lowest elevated floor.
- 3. Coverage of Connected Heating Machinery** – Heating machinery, in a building, connected to and servicing the insured building, is covered. Reminder: air conditioning compressors in the open, connected to and servicing the building, are covered.
- 4. Replacement Cost Loss Settlement** – When insured property is eligible for replacement cost loss settlement, there is no longer any requirement to hold back the recoverable depreciation.

Also, please pay particular attention to the following existing guidance:

- 1. Water, Moisture, Mildew, or Mold Damage** – When this damage occurs in connection with a covered direct physical loss by or from flood, it will be covered unless there is clear evidence of the policyholder's failure to inspect and maintain the insured property, where it was feasible to do so. If such damage is the result of wicking, it is covered.

2. **Determination of the Lowest Elevated Floor** – Full coverage for Post-FIRM elevated buildings begins at the lowest elevated floor. This is the lowest floor raised above ground, even if the pilings extend beyond it.
3. **Repair Estimating and Pricing Guidelines** – We expect that the repair estimate be based on current local prices and that the pricing guidelines be used with discretion and flexibility. Repair estimates and corresponding settlements are always to be adjusted in accordance with special conditions (like kind and quality), local pricing, and actual costs as provided by policyholders and their selected contractor.
4. **Unit Cost and File Documentation** – We expect unit costs to include all materials, sales tax, disposable equipment, rented equipment, and any overhead of the contractor. Additionally, we expect estimated costs of personal property to include any delivery costs, setup fees, and sales tax. These are standard practices within the insurance industry. When actual documented costs such as repair invoices from service contractors, receipts, and replacement quotes differ from this standard practice, reasonable additional costs should be paid.

Cc: IBHS, FIPNC, Government Technical Monitor

Suggested Routing: Claims, Underwriting, Data Processing, Marketing

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