



**FEMA**

W-06067

September 20, 2006

MEMORANDUM TO: Write Your Own (WYO) Principal Coordinators and the  
NFIP Servicing Agent for Dissemination to All Claims Managers

FROM: Helen V. Harrington  
Director, Technical Assistance and Communications  
NFIP Bureau and Statistical Agent

SUBJECT: Federal Insurance Administrator's  
Substantial Damage Bulletin

The attached bulletin from David I. Maurstad, Federal Insurance Administrator, provides clarification and direction to the Write Your Own Companies and NFIP Servicing Agent claims staffs about a special means for determining the market value of buildings substantially damaged by Hurricanes Katrina, Rita, and Wilma, in order to implement Increased Cost of Compliance (ICC) claim procedures.

Please disseminate this bulletin to your claims managers and other staff as appropriate.

If you have any questions or need additional information, please contact your Business Analyst at the NFIP Bureau.

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Claims



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MEMORANDUM TO: Write Your Own (WYO) Principal Coordinators and NFIP Servicing Agent for Dissemination to All Claims Managers

*David I. Maurstad*

FROM: David I. Maurstad  
Federal Insurance Administrator  
National Flood Insurance Program  
Mitigation Division

SUBJECT: Substantial Damage Structures Bulletin

As you know, Hurricanes Katrina, Rita, and Wilma caused extensive damage to both residential and commercial buildings. Many of these buildings were substantially damaged as a result of direct physical damage by or from flood. This clarifies the WYO's and NFIP Servicing Agent's roles once the community's substantial damage declaration letter is received in conjunction with Increased Cost of Compliance (ICC) claims as a result of these hurricanes.

The substantial damage letters sent by communities are often form letters and as a result, some of these letters do not state that the peril which caused the substantial damage was a flood.

In order to help the insured become eligible for ICC coverage when the letter from the local official is not sufficient to do so, this bulletin authorizes the WYO's and the NFIP Servicing Agent, either through the adjuster, insured or other reasonable means to contact the local official to determine the market value he or she used to determine that the structure was substantially damaged. It is evident the local official has a figure since it is necessary to make this determination in order to issue the substantial damage declaration.

Once the market value of the structure is obtained from the community official, the WYO Company and NFIP Servicing Agent can then compare the total flood damage to the market value and determine if the flood damage is 50 percent or more. If that is the case, they can proceed with the normal ICC claim procedures. It would not be necessary to ascertain damages from other perils.

If the insured structure has been washed off its foundation, the WYO Company and NFIP Servicing Agent can assume it is substantially damaged by flood.