



FEMA

W-08070

September 25, 2008

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,  
Vendors, NFIP Servicing Agent, and Selected Adjusting Firms

FROM:

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DHS/FEMA-MT-RN-CA

SUBJECT: Flood Insurance Claims Guidance

In areas affected by **both** Hurricane Gustav and Hurricane Ike, FEMA has learned of many instances in which a claim caused by Gustav could not be inspected prior to the arrival of Ike. Therefore, the following claims guidance is issued for the benefit of policyholders, claim adjusters, WYO companies, and the NFIP Servicing Agent.

### 1. Policyholders:

Should report all flood damage from either or both of the hurricanes to their carrier. Whether or not insured against flood, property owners and renters who need assistance in addition to or other than that provided by the NFIP should be referred to the Disaster Support Resources area of the FEMA Website at [http://www.fema.gov/business/nfip/disaster\\_res.shtm](http://www.fema.gov/business/nfip/disaster_res.shtm).

### 2. Claim Adjusters:

- A. Must address prior losses, particularly from Hurricanes Katrina and Rita.
- B. Where possible, should separate, itemize, and document the damages from each hurricane.
- C. Must recognize and avoid duplication of coverage and payment for overlapping damage from prior losses or Hurricanes Gustav and Ike.
- D. Should use proven investigative methods to document windstorm damage to building or contents. See WYO Bulletin W-08008, dated February 25, 2008, for a discussion of Wind/Water Investigative Tips.

In approaching a flood claim that may also include wind damage, an adjuster should continue to recognize any excluded damages. If there is wind and flood damage, the adjuster should comment on the rationale of his/her decision regarding the separation of wind and flood

damage. Most of the time this is simple – water line and below is flood; above the waterline is wind. However, when a building has been heavily damaged or destroyed by storm forces, an engineer may be needed to determine causation. Adjusters should photograph the wind damage generally. Photos of wind damage do not have to be exhaustive, unless necessary to document that flood damage is minor or absent.

### **3. WYO Companies and the NFIP Servicing Agent – Ike and Gustav Overlap:**

- A. If damages resulting from Hurricane Ike exceed the Hurricane Gustav damages, and the combined damages do not exceed the policy limit of liability, the Hurricane Gustav claim should be closed without payment. All covered damage should be considered under the Hurricane Ike claim.
- B. If the covered damage from either event exceeds the policy limit of liability, the adjuster should, to the best of his/her ability, separate and document the damage.
- C. The policy limits reinstate after each occurrence.
- D. Each claim will be subject to the deductible(s) applicable in the policy.
- E. This guidance is applicable to both building and personal property losses.

### **4. Existing Guidance for Adjusters and Carriers:**

- A. 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.
- B. 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.
- C. 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.
- D. 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.
- E. Repair Estimating and Pricing Guidelines – We expect that the repair estimate be based on current local prices and that the pricing guidelines are used with discretion and flexibility. Repair estimates and corresponding settlements are always to be adjusted in accordance with

special conditions of the Standard Flood Insurance Policy[?] (e.g., the requirement for repair or replacement with material of like kind and quality), local pricing, and actual costs as provided by the policyholder and the selected contractor.

- F. 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 for items of like kind and quality, such as repair invoices from service contractors, receipts, and replacement quotes differ from this standard practice, reasonable additional costs should be considered.

cc: IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Underwriting, Data Processing, Marketing

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