



FEMA

W-12087

November 5, 2012

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

FROM: David L. Miller *[Signature]*
Associate Administrator
National Flood Insurance Program

SUBJECT: Meteorological Event Sandy-Related Advance Payments Under Standard
Flood Insurance Policies

Meteorological event Sandy has caused wide-spread and extensive damage throughout the East Coast. FEMA is making every effort to ensure the accurate settlement of Standard Flood Insurance Policy ("SFIP") claims arising from Sandy to thousands of flood victims occurs in a prompt manner. Therefore, I am authorizing a conditional waiver of SFIP Article VII (General Conditions) Paragraphs (J) and (M) to allow advance payments prior to the property inspection being completed to a policyholder who sustained Sandy-related flood damage. When the notice of loss is received, the company will confirm contents coverage and validate that the insured building and/or contents have been flooded. After the insurer determines that a general and temporary condition of flood as defined in the SFIP existed and damaged the property, an advance payment not to exceed \$5,000.00 can be made to the insured. The advance payment should be made using their contents coverage limits only. I strongly encourage the issuance of advance payments if possible.

A written notice must accompany the advance payment to the insured. The written notice must inform insureds that:

1. The advance payment is being applied against insureds' contents claim and is not a payment for Additional Living Expenses (ALE). ALE is specifically excluded in the Standard Flood Insurance Policy.
2. The advance payment is conditioned upon insureds entering into a non-waiver agreement; by endorsing the check the insureds represent that they have suffered a covered flood loss and agree to enter into a non-waiver agreement. FEMA is agreeing to accept the endorsement of the check as an agreement to the non-waiver instead of making the insured separately sign a non-waiver agreement in order to rapidly process these advance payments.
3. Endorsement of the check constitutes a certification that the insured has a good-faith belief that the insured contents suffered a covered loss, and that the insured understands that by endorsing the check he understands that he will be asserting a claim to Federal funds.
4. The insureds understand that if the loss is determined to not be a payable loss, or if there was not a flood loss at all, or if the advance payment exceeds the amount of actual loss, the advance payment (or portion thereof) must be repaid. Again, FEMA is agreeing to accept the endorsement on the check as a signed acceptance of this condition to allow the rapid processing of the advance payment.
5. Acceptance of an advance payment will not affect the insureds' right to seek additional payments under the terms and conditions of their SFIP.

6. After the claim is settled, the final payment will be reduced by the amount of any advance(s) made to the policyholder.
7. The named insured must consent to the terms and conditions of receiving this waiver to receive this advance payment, and endorsing and negotiating the advance payment will constitute consent.

If a WYO Company issues an advance payment in accordance with the terms and conditions set forth in this bulletin to an insured suffering flood damages, then FEMA will use these standards in all reviews or audits of files, including any reviews under the Arrangement or the Improper Payments Information Act of 2002 (Public Law 107-300, 33 U.S.C. §3321 note), as amended by the Improper Payment Elimination and Recovery Act of 2010 (Public Law 111-204). If the WYO Company makes an advance payment in accordance with the terms and conditions of this Bulletin, FEMA will not hold the Company responsible for ineligible payments. The Company will need to make best efforts to recoup the funds, but if the Company is unable to do so, the recoupment shall be referred to FEMA for appropriate action. However, if a WYO Company makes an advance payment that results in an unauthorized payment without complying with the terms and conditions set forth in this Bulletin, the WYO Company will be responsible for the erroneous payment.

It should be noted that accurate information from the insured or their representative regarding their temporary address must be obtained when the claim is reported. It will not benefit the insured to send their advance payment to the property address, which is not accessible due to flooding.

Again, we ask for your full support. Any questions or comments should be directed to Russell M. Tinsley, AIC. Mr. Tinsley's email address is Russell.Tinsley@fema.dhs.gov.

Authority: 44 C.F.R. § 61.13(d); 44 C.F.R. §§61, Appendices A(1), A(2) and A(3), General Condition (D); 44 C.F.R. § 62.23(k); 44 C.F.R. § 62, Appendix A(1), Articles II(G) and IV(B); 42 U.S.C. § 4019.

Cc: Vendors, IBHS, and Government Technical Representative
Required Reporting and Independent Adjusting Firms