




FEMA

W-12115

December 19, 2012

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the
National Flood Insurance Program (NFIP) Servicing Agent



FROM: James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: Meteorological Event Sandy – Flood Damaged Contents Claim
Guidance

The numbers, severity, and complexities presented by Sandy flood losses, both logistically and in terms of claim handling itself, have not been encountered in several years in the National Flood Insurance Program (NFIP). The situation requires the NFIP to implement innovative claims handling techniques that will assist our policyholders to quickly recover from these losses, while maintaining necessary controls over NFIP funds held in the U.S. Treasury.

As to Sandy contents claims, the method described herein may only be applied to residential personal property (contents) claims under a Standard Flood Insurance Policy (SFIP) Dwelling form. This method is available for all qualifying claims.

The insurer may direct the insurance adjuster while at the building that insured flood damaged contents are located to conduct an inspection of the contents with the insured(s). Working together, the adjuster, and the insured(s) will develop a contents inventory for each room of items that were damaged by or from flood. The adjuster will photograph the groups of flood damaged contents items (as well as the undamaged items). The insured(s) must sign or initial each page of the contents inventory as confirmation that the items on the list were actually owned by them, were in the building identified on the declarations sheet of the policy, and were damaged by flood.

Using the photographs and contents inventory created in conjunction with the insured(s), the adjuster may use his/her judgment to group the various items, (e.g., clothing, electronics, furniture, etc.) and apply appropriate depreciation to determine the Actual Cash Value (ACV) of the loss. Once the adjuster reaches agreement with the insured on the ACV loss, the claim is authorized to be paid based

upon the adjuster's report. The requirement to obtain a proof of loss from the insured(s) pursuant to SFIP Section VII General Conditions (J) is conditionally waived for this amount as developed by the adjuster. Advance or partial payment receipts are also waived for these and all Sandy advance or partial payments.

After the Sandy scoping visit has occurred, the insurer may authorize the adjuster to review scoping notes, photographs, and any inventory provided by the insured(s) and group the contents as described above, making sure that the contents groupings are represented in the documentation. If this option is chosen, the insured(s) must be advised of the use of this accelerated process and the fact that such notice was provided to the insured must be included in the adjuster's narrative report. If known, the insured's email address to provide notice is preferred. If email is not available, written notice may be sent, and a copy of the notice should be included in the file with a notation from the adjuster as to when the notice was sent to the insured. Also, if this option is used, the adjuster must include and submit a copy of all documentation used in determining the recommended payable amount in the claim file.

The Narrative report should also include the following advisement to the insured(s): cashing the check that is issued based upon the adjuster's report will not prevent them from seeking additional amounts if there are any remaining contents limits available under their SFIP, but to do so they have to comply with the Proof of Loss requirements of their policy. The potential situations where the insured may wish to seek additional funds that we foresee at this time are the following:

- 1) The insured(s) may disagree with the valuation or the amount allowed by the adjuster's report. To claim any additional amounts for damaged contents, the insured(s) must submit the SFIP required Proof of Loss with the documentation required in Section VII (J)(3) and (4)(i) before the extended deadline for submitting a Proof of Loss set forth in Bulletin # w-12092a (or any subsequently-granted additional extensions of time).
- 2) If the insured(s) later determines that there are additional damaged contents that they wish to claim beyond those on the list that they signed, the insured(s) must submit the SFIP required Proof of Loss with documentation required in Section VII (J) (3) and (4)(i) before the extended deadline for submitting a Proof of Loss set forth in Bulletin # w-12092a (or any subsequently-granted additional extensions of time).

Please note that the SFIP only pays for direct physical loss by or from flood, to the insured's insured property and none of the terms, limitations, restrictions, or exclusions of coverage are being waived by this bulletin. The SFIP is not a valued policy. Nothing herein authorizes payment of anything other than damages covered and insured against by the SFIP. Consequential damages or non-covered damages, including the value of the non-flood damaged portions of the insured items, cannot be paid.

Attached to this memorandum is a summary of the process and minimum required documentation.

The NFIP's General Adjusters will be involved in monitoring the performance and procedures of the WYO carriers utilizing this and other processes as a part of their routine and special reinspections. The General Adjuster's activities will include site visits to the homes and residence buildings in which the insured's insured contents are located. Please keep in mind that state insurance laws and regulations do not apply to the NFIP.

The adjuster should be aware of the FEMA Bulletin regarding Debris Removal – w-12090, a copy of which is included with this bulletin.

If a WYO Carrier issues a payment in accordance with the terms and conditions set forth in this bulletin, then FEMA will use these standards in all reviews or audits of files, including any reviews under the Arrangement, the WYO Financial Control Plan, 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). However, if a payment is incorrectly made (not consistent with the listed requirements), omits an insured or person entitled to payment, or pays an insured that has not had flood damages, the WYO Company will be responsible for the erroneous payment.

Thank you for your attention and cooperation with this effort. If you have any questions or concerns, please contact Russ 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, Appendix A (1), General Condition (D); 44 C.F.R. § 62.23(k); 44 C.F.R. § 62, Appendix A, Articles II (G) and IV (B); 42 U.S.C. § 4019.

Attachments

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Claims, Marketing, Underwriting

SANDY - RAPID CONTENTS CLAIM HANDLING PROCESS

CONTENTS CLAIMS UNDER DWELLING POLICIES*

- ❖ Working with the insured(s), the independent adjuster should assist the insured(s) to list major categories of contents (e.g. Appliances, electronics, furniture, clothing, etc.).
- ❖ If ACV of the contents exceeds policy limits, issue payment of policy limits.
- ❖ If ACV does not exceed policy limits, issue amount agreed upon with insured.
- ❖ Serial and Model numbers for major appliances and electronics are required.
- ❖ File documentation by the adjuster must reflect how amounts were determined (e.g. # of adults/children in the residence, etc.)

If the insured disagrees with the valuation or the amount allowed by the adjuster's report, the insured must submit the required proof of loss with complete contents inventory and other supporting documentation for the additional amounts sought under the SFIP before the extended deadline for submitting a Proof of Loss set forth in Bulletin # w-12092a passes (or any subsequently-granted additional extensions of time). If repairs (or replacement) have occurred, the actual receipts (not estimates of damages or costs) should accompany the Proof of Loss.

- * **The contents portion of a claim file must reflect the basis for the adjuster's determination of the quantity, quality, and value of the insured's personal property.**

EXPECTED CONTENTS RAPID CLAIMS FILE DOCUMENTATION

- List of contents and categories developed by the adjuster and insured, and signed by the insured. If the insured disagrees with the amount allowed, for all additional amounts sought, the insured must submit the required Proof of Loss with supporting documentation within the extended time limit allowed for submitting a Proof of Loss.
- Contents claim may be grouped, valued, and paid based upon the information submitted by the insured to the adjuster and gathered by the adjuster during his inspection, as reflected in the adjuster's report.



FEMA

W-12090

November 6, 2012

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

A handwritten signature in black ink, appearing to read "James A. Sadler".

FROM: James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: Debris Removal

Sandy caused moderate to severe damage to insured buildings and contents. Many of the contents items must be removed from the building for health and /or safety reasons and to mitigate damage. In those instances where the contents have been removed from the property and deemed debris, it should be understood that the insured is required to substantiate their loss.

The Standard Flood Insurance Policy (SFIP) provides up to a maximum of \$100,000 coverage for contents in a dwelling and up to \$500,000 for commercial contents/inventory/ stock. The amount of contents coverage that any individual policy provides is based upon the coverage limits applied and paid for by the insured, and the form of the SFIP issued. Our information is that more than 50% of the policies in the inundation area have contents coverage. The SFIP, a federal regulation whose forms are found in the appendices to 44 C.F.R. Part 61, requires the policyholder to separate damaged from undamaged property putting it in the best possible order so the adjuster may examine it.

It is the policyholder's duty to prove their loss including the separation described above and preparing an inventory of damaged property including the key descriptors: quantity, description, actual cash value, and the total amount of loss claimed. Any bills, receipts, photographs of damages, and related documents should be attached to the inventory.

However, if dwelling building or dwelling contents flood damaged debris must be removed before the adjuster is able to examine it, it is still the policyholder's duty to prove their loss. If clear color photographs of the damaged property can be taken, targeting any high ticket items and demonstrating that they were actually disposed of and samples or swatches of carpeting, wallpaper, furniture upholstery, window treatments, and other items where the type and quality of material will impact the amount payable on the claim can be kept for the adjuster, it should minimize any potential problems. Photos should also include groups of other clothing,

kitchen, and furniture items. These items, along with the insured's written inventory of damaged contents, will be given proper consideration by the insurer.

This process applies to all contents that are damaged and will be claimed, including those contents in attached garages, detached garages and other structures that meet the SFIP's definition of a "building." Note: unless those other buildings also have a separate SFIP issued for them, damages to those buildings are not covered, but contents in them may be covered. There is a one-policy-per-building requirement in the NFIP.

This exception cannot fully apply to Commercial Policies with contents coverage. In many cases the commercial contents/stock/inventory claim can require an expert to determine the contents/stock/inventory loss. If the policyholder has already hired an expert to help prove the loss, the insurer will give proper consideration of that action. Commercial policyholders should alert their insurer of such action. Insurers should also be notified if the commercial contents/stock/inventory presents health concerns.

This bulletin fully applies to any building debris that is removed.

Any other questions or comments should be directed to Russ Tinsley, AIC. Mr. Tinsley's email address is Russell.Tinsley@fema.dhs.gov.

cc: Vendors, IBHS, and Government Technical Representative

Required Routing: Reporting and Independent Adjusting Firms