



FEMA

W-13062

October 8, 2013

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
Federal Insurance and Mitigation Administration
National Flood Insurance Program

SUBJECT: Debris Removal and Special Claim Requirements under SFIP
General Conditions (J) and (K) For Recent Colorado Floods

The recent flooding in the State of Colorado has caused moderate- to severe damage to buildings and contents insured under the National Flood Insurance Program (NFIP). In some instances, communities are requiring the removal from the premises of contents for health and/or safety reasons. Under those circumstances, policyholders are still required to prove their loss, although we are implementing alternative requirements to facilitate claims payment while ensuring claims are properly adjusted, as follows.

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 SFIPs, which are codified in federal regulation at 44 C.F.R. Part 61, Appendix A(1) (the Dwelling form), Appendix A(2) (the General Property form), and Appendix A(3) (the Residential Condominium Building Association Policy or "RCBAP"), require the policyholder to separate damaged from undamaged property, putting it in the best possible order so the adjuster may examine it.

The policyholder is responsible for proving the loss and for complying with the requirements for presenting a claim as set forth in Section VII, parts (J) and (K) of the Dwelling and General Property form SFIPs and Section VIII, parts (J) and (K) of the RCBAP. As set forth in the SFIPs, the insured is responsible for separating damaged and undamaged property, presenting the damaged property to the adjuster/insurer for inspection, and preparing an inventory of damaged property as required by Section VII, part J of the Dwelling and General Property SFIPs and Section VIII, parts (J) and (K) of the RCBAP. The insured must also timely submit a signed and sworn Proof of Loss, attaching documentation to fully support the amounts claimed.

For dwelling policies only, in the event the community has scheduled the mandatory removal of contents or building debris and the flood-damaged debris must be removed before the adjuster is able to examine it because of health and safety reasons, the policyholder is not required to separate and show the damaged property and may comply with the SFIP's requirement by providing photographs of the damaged property showing the existence of the item and damage to it. The photographs should particularly demonstrate the existence and damage to expensive and high-quality items, but they should also include all removed items. Policyholders should keep samples or swatches of carpeting, wallpaper, furniture upholstery, window treatments, and other items for which the type and quality of material will impact the claim payment amount. Such photographs, documents, and samples should minimize any potential problem in proving the loss. Photographs should also include groups of clothing, kitchen, and furniture items. These items, along with the insured's written inventory of damaged contents and any receipts, bills, or estimates of cost 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. Generally, there is a one-policy-per-building requirement in the NFIP.

This exception to presenting the damaged property for inspection may not fully apply to commercial policies with contents coverage. In many cases, the commercial contents/stock/inventory claim can require an expert (such as a forensic accountant) to determine the amount of the loss because of turnover in inventory or partial use of the inventory by the business. If the policyholder has already hired an expert to help prove the loss, the insurer will give proper consideration to the information presented. Insurers should ask commercial policyholders if an expert has been hired to assist with contents/stock/inventory claim.

This exception to the process of presenting damaged items for inspection can also apply to any building debris that must be removed by the insured for health and safety reasons.

The need to evaluate the claims based upon this exception to the normal claims process must be made on a case-by-case basis by the insurer. This bulletin does not constitute a waiver of any of the terms or conditions of the SFIP, but it is recognition that flexibility may be needed in the claims handling process.

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 Reporting and Independent Adjusting Firms