




FEMA

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September 12, 2017

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,  
WYO Vendors, the National Flood Insurance Program (NFIP) Direct  
Servicing Agent, and Independent Adjusting Firms

FROM:   
David I. Maurstad  
Assistant Administrator for Federal Insurance  
Federal Insurance and Mitigation Administration

SUBJECT: Advance Payments under the Standard Flood Insurance Policies  
(SFIPs) for Hurricane Irma

Hurricane Irma has impacted the U.S. Virgin Islands, Puerto Rico, and the southeast United States. The catastrophic event has created severe storm surge and catastrophic rain impacting areas with heavy concentrations of NFIP-insured properties. To assist NFIP-insured survivors during the difficult weeks ahead, FEMA is making every effort to ensure that insured survivors recover as quickly as possible from the flood devastation, and encourages the prompt settlement of claims to NFIP policyholders.

Therefore, I conditionally waive the Standard Flood Insurance Policy (SFIP) requirement that the policyholder provide a proof of loss prior to payment<sup>1</sup> to allow advance payments as described below. WYO Companies and the NFIP Direct Servicing Agent may offer one or both of these advance payment opportunities to policyholders.

#### **I. Advance Payment Opportunity One: Pre-adjuster Inspection**

Once a policyholder provides a notice of loss, an insurer may offer an advance payment after confirming coverages and deductibles and validating that the insured property has flooded. Such advance payment may not exceed \$5,000.

An insurer may offer an advance payment of up to \$20,000 if the policyholder also provides the following documentation:

1. Photographs depicting flood damage to covered property; and

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<sup>1</sup> Article VII.M.1 of the Dwelling Form of the SFIP (Appendix A(1) to 44 CFR Part 61); Article VII.M.1 of the General Property Form of the SFIP (Appendix A(2) to 44 CFR Part 61); Article VIII.M.1 of the Residential Condominium Building Association Policy (Appendix A(3) to 44 CFR Part 61).

2. Either:
  - a. Documentation verifying out-of-pocket expenses related to the repair or replacement of covered property, such as receipts or canceled checks; or
  - b. A contractor's itemized damage estimate.

## **II. Advance Payment Opportunity Two: Payment for Significant Damage**

An insurer may offer a larger advance payment of up to 50 percent of the contractor's estimate prior to receiving a proof of loss if:

1. The insurer receives a contractor's estimate of necessary repairs on an item-by-item basis for the insured property; and
2. A flood insurance adjuster retained by the insurer has inspected the insured property.

### **Advance Payment Guidance**

For all options, the insurer **must** notify the policyholder in writing of the following conditions:

1. The advance payment is not a payment for Additional Living Expenses (ALE). The SFIP specifically excludes ALE.
2. The issuance and acceptance of an advance payment does not prejudice or waive any claim or defense available to either the insured or insurer.
3. The issuance and acceptance of an advance payment does not constitute an admission of coverage under the policy.
4. To the best of the insured's knowledge, the insured property suffered a covered loss.
5. If the loss is determined not to be a covered loss, or if the advance payment exceeds the amount of the actual covered loss, the insured recognizes that they are not eligible for the payment and agrees to repay the advance payment (or portion thereof).
6. Acceptance of an advance payment will not affect the insured's right to seek additional payment under the terms and conditions of the SFIP.
7. After the claim is settled, the insurer will reduce the final payment by the amount of any advance(s) made to the insured.
8. The insurer must include any mortgagee shown on the Declaration Page of the policy or any known mortgagee on the building property at the time of advance payment.
9. To finalize the claim, the insured must execute a proof of loss that meets the requirements of the SFIP for all amounts received, including the amount of the advance payment, except as may otherwise be authorized by the Administrator under any other applicable waiver.

## **III. Written, Verbal, or Electronic Requests for Advance Payment**

FEMA strongly recommends that a WYO Company and the NFIP Direct Servicing Agent accept a verbal or electronic request for advance payment in accordance with this Bulletin. However the insurer may also accept a written request. In order to accept a written, verbal, or electronic request for advance payment, a WYO Company or the Direct Servicing Agent must:

1. Verify the identity of the requester.
2. Advise the policyholder of the conditions listed under "Advance Payment Guidance," below.

3. Advise the policyholder that completion and signature of the Advance Payment Request is not required for this event.

An advance payment based on a written, verbal, or electronic request must be accompanied by a letter in the form and substance of the template letter. A suggested version is attached to this Bulletin for your use.

Under any one of the three methods, the insurer should obtain information from the insured as to how much advance payment is requested under Coverage A – Building and/or Coverage B – Personal Property that their insured property experienced a flood loss covered by their SFIP, their policy number, and their coverage limits.

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 damage, 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, 31 U.S.C. § 3321 note), as amended by the *Improper Payment Elimination and Recovery Act of 2010* (Public Law 111-204).

If a 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 WYO Company must make its best effort to recoup the funds, but if unable to do so, the recoupment will be referred to FEMA for appropriate action. However, if a WYO Company makes an advance payment without complying with the terms and conditions set forth in this bulletin that results in any unauthorized payment, the Company will be responsible for the erroneous payment.

The insurer must obtain accurate information regarding a temporary address from the insured or the insured's representative when the claim is reported. The insurer should send the advance payment to the location of the insured, which may be a temporary address.

Again, we ask for your full support. Any questions or comments should be directed to [FEMA-FIDClaimsMailbox@fema.dhs.gov](mailto:FEMA-FIDClaimsMailbox@fema.dhs.gov).

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Reporting and Independent Adjusting Firms

**Advance Payments Template for  
Written, Verbal or Electronic Advance Payment Requests**

[DATE]

[POLICYHOLDER NAME]

[POLICYHOLDER ADDRESS]

[CITY, STATE XXXXX]

Date of loss: [DATE OF LOSS]

Claim number: [XXXXXXXXXXXX]

Insured Property: [ADDRESS]

Dear [POLICYHOLDER]:

We are sorry for your flood loss due to Hurricane Irma and hope that your flood insurance policy through the National Flood Insurance Program will help you recover as quickly as possible.

We received your request for an advance payment under your flood insurance policy. At this time, we have determined that you are eligible for an advance payment of \$XXX.XX. Enclosed you will find a check for that amount.

By accepting this payment, you acknowledge to the following:

1. The investigation of your loss is not complete at this time. Even though [NAME OF INSURER] is providing this advance payment, it does not admit liability or approve coverage under your flood insurance policy.
2. After the investigation of your claim, [NAME OF INSURER] may deny your claim pursuant to your flood insurance policy. If the insurer denies your claim, you agree to reimburse [NAME OF INSURER] the full amount of any advance payments received.
3. If your final claim settlement is equal to or less than the amount you received as an advance payment, [NAME OF INSURER] it will reduce the final settlement amount by the amount you received as an advance payment.
4. If your final claim settlement is less than the amount you received as an advance payment, you agree to reimburse [NAME OF INSURER] the difference between the final settlement amount and the amount you received as an advance payment.
5. You must finalize your claim by submitting a proof of loss or other type of request for payment authorized under your policy, except as may otherwise be authorized by the Administrator under any other applicable waiver.
6. Accepting this payment does not change or modify any of the conditions, terms, or provisions, contained in your flood insurance policy, nor does doing so alter in any way the obligations or legal rights available to you or [NAME OF INSURER], now or in the future.

We hope this advance payment helps you in your recovery from Hurricane Irma. We look forward to working with you throughout the rest of the flood insurance claim process. If you have any questions regarding this letter or your flood insurance policy, please contact [NAME OF INSURANCE CARRIER] at [PHONE NUMBER] or visit our website at [WEB ADDRESS].

Sincerely,

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