



Federal Insurance and Mitigation Administration

NFIP Transformation Task Force Update

July 16, 2015

FEMA's top priority is to support disaster survivors and help communities recover from the devastating effects of disasters. To accomplish this mission, FEMA is undertaking changes and improvements to the National Flood Insurance Program (NFIP).

FEMA established a Task Force to resolve litigation involving Hurricane Sandy claims, provide a process in which Sandy survivors who have not pursued litigation can promptly have their claims reviewed if they feel they were underpaid, and develop and execute options to reform the NFIP.

The agency is reminding NFIP policyholders who filed a claim as a result of Hurricane Sandy that they have until Sept. 15, 2015 to request that their claim file be reviewed.

The Sandy Claims Review process is intended to be simple, navigable by the policyholder and does not require paid legal assistance. Recent news reports indicate that Sandy policyholders are being told that the review process is complicated and will require paid legal assistance. Several nonprofit service providers also are ready to offer free advice and answer questions. A list of these advocacy groups can be found on the claims review website at www.fema.gov/sandyclaims. Policyholders who want to have legal representation for the process will need to complete a designation of representation.

FEMA is committed to ensuring we pay every policyholder what they are due under their policy. Flood insurance plays a critical role in assisting survivors on their road to recovery. Like other types of insurance, it does not cover all losses but it is the first line of defense against a flood. While the payouts won't make someone whole, our top priority is to ensure policyholders get what they are due.

Transformation

In February 2015, FEMA initiated a process to settle Sandy claims as quickly as possible so policyholders can receive negotiated payments for their claims and not endure prolonged litigation.

On June 1, 2015, FEMA issued specific guidance to the Write Your Own (WYO) insurance companies advising them to follow the FEMA survivor-centric customer service approach, including the following:

- Adjusters should treat policy holders with respect, provide information needed to understand claim adjustment, fully understand what may constitute price changes and explain any exceptional adjustments in the estimate and claim file.
- Insurance companies must make all draft engineering reports available to policyholders upon request.
- Customer service is vital to the success of NFIP.

FEMA is conducting an internal review of its processes to reform the NFIP program for the claims and appeal process. The NFIP Transformation Task Force has identified three areas where it will focus its internal reviews. These include:

- Overhauling the claims and appeals process,
- Aligning management of litigation in a way that puts the flood survivor first, and
- Improving the customer experience throughout the entire claims process.

FEMA has begun to reform several business processes, such as the appeals procedure, while at the same time evaluating our overall business model options. The agency will make more business process changes in the near future even as we continue the evaluation of additional reforms.

FEMA is making the flood insurance program more customer-centric. The agency is enhancing the training for adjusters and agents to further educate policyholders about coverage, including policy limitations. And we are interested in exploring methods to get additional feedback from our customers.

As part of this effort, FEMA has solicited industry experts to assist the Task Force with developing expert recommendations to bring the existing process into alignment with FEMA's survivor-centric approach and mission.

The Task Force is engaging nonprofit organizations, advocacy groups, community officials, insurance companies and Congressional staff, among others, to gain insight into the claims process and how it can be improved.

FEMA is instituting additional oversight over WYO companies to ensure their work with engineering firms puts claimants first. FEMA notified WYO companies of changes in the process for seeking reimbursement for expenses, such as the hiring of engineering firms for claims adjustments. Pending further guidance, FEMA will review and approve all proposed engineering costs to ensure that WYOs, as fiscal agents for the U.S. Government, are fulfilling their role by guaranteeing that taxpayer funds are being appropriately expended and their work is consistent with putting policyholders first.

FEMA respects the expertise that the Government Accountability Office (GAO) has developed through its objective reviews of the NFIP and appreciates GAO's role as an independent, nonpartisan agency working for the U.S. Congress.

The NFIP Task Force is proactively soliciting input from the GAO as part of its efforts to identify and develop options for reform, including utilizing past GAO recommendations, both open and

closed, and cooperating with ongoing engagements related to improving the management of the NFIP.

On June 15 FEMA launched the NFIP call center pilot program to better serve and support policyholders with the servicing of their claims. Flood insurance claims can be complicated, and policyholders may have questions in the days and weeks following a disaster. Not all questions can be quickly or easily answered by insurance agents, and our goal is to have resources available to our policyholders in the aftermath of a disaster.

The call center pilot program is also available to disaster survivors who may have general questions about the NFIP.

Policyholders who have questions about their flood policy can call 1-800-621-3362, Monday through Friday from 8 a.m. to 6 p.m. (CST) or download a Request for Support form from www.fema.gov/national-flood-insurance-program-technical-support-hotline and email to FEMA-NFIP-Support@fema.dhs.gov or fax to 540-504-2360.

Call center staff are able to answer basic questions like “How do I file a flood insurance claim? What type of documentation is needed? Can I still obtain disaster assistance even though I have a flood policy?” as well as more complicated flood insurance questions about the extent of coverage, policy ratings, being charged a surcharge from the Home Flood Insurance Affordability Act, and elevation certificates. Each staff member has been trained to provide superior service and put customers’ needs first.

FEMA expects participating insurance companies and their contractors who assist in carrying out the program to continue to improve their customer-centric approach as they handle flood insurance claims. Policyholders can expect full transparency – how the claim is being adjusted, what elements of damage are covered under the Standard Flood Insurance Policy, what elements are not covered, and how costs are calculated for the loss.

U.S. Senate Committee on Banking, Housing and Urban Affairs released its report “Assessing and Improving Flood Insurance Management and Accountability” in the wake of Hurricane Sandy. Although the report finds that there were no systematic underpayments of claims during the response to Hurricane Sandy, any policyholder who receives an underpayment is one too many.

FEMA will continue to work with the participating Write Your Own (WYO) companies to identify ways to better utilize these partnerships to bring superior customer service to the affected policyholders.

FEMA will continue to work with Congress to address improvements to the NFIP, including those addressed by the Senate Committee report as well as other reforms to create a stronger program.

The Reform Team will conduct outreach to congressional stakeholders to gather their insight on needed reforms. Outreach began the week of July 13.

Claims Review

On May 18, FEMA opened the Hurricane Sandy Claims Review process and began mailing letters to approximately 142,000 NFIP policyholders who filed claims resulting from Hurricane Sandy, offering them an opportunity to have their files reviewed.

FEMA will obtain the policyholder's claim file from their insurance company and assign files to a highly qualified, NFIP-certified adjuster who will serve as a case worker for the insured. Claims with engineer reports will be reviewed by an engineer not associated with firms currently under investigation.

Case workers will contact policyholders to guide them through the review process. Property visits may be conducted if applicable.

The case worker will make a recommendation after a thorough review of the claim file and any new information provided.

If the policyholder does not agree with the recommendation, the policyholder will have the opportunity to obtain an additional review of the file by a third party neutral.

As part of this effort to involve a third party neutral, FEMA awarded a contract to JAMS (formerly Judicial Arbitration and Mediation Services) for neutral review support. JAMS, a premier neutral provider, will allocate attorneys and retired judges with experience in insurance claims, to provide an additional level of review for policyholders. JAMS neutrals will be an unbiased party to listen, facilitate, and make a recommendation on the issues. FEMA will give substantial weight to the JAMS neutral's recommendation.

If the results of the review support additional payment, FEMA will direct the insurance company to issue payment to the policyholder. FEMA will notify the policyholder by letter. Policyholders who receive additional funds will need to provide a signed Proof of Loss. Once all parties involved have been notified of the results, the review will be closed.

Policyholders who want their file reviewed may contact FEMA by calling toll-free 866-337-4262, or going [online](http://www.fema.gov/sandyclaims), to www.fema.gov/sandyclaims and downloading the request form and emailing it to FEMA-sandyclaimsreview@fema.dhs.gov or faxing it to 202-646-7970. Individuals who are deaf, hard of hearing or have a speech disability using 711 or VRS may call 866-337-4262. Individuals using a TTY may call 800-462-7585.

Callers will be asked a series of questions to determine whether they qualify for review.

Policyholders who did not have an NFIP flood insurance policy on the date of loss do not qualify for this review.

Most reviews will be concluded within 90 days of the policyholder requesting the review.

When policyholders contact FEMA, they should provide the name of the policyholder and the address of the insured property. They will be asked questions to determine whether they qualify for review. Those currently in litigation or who have received policy limits (the maximum amount under their flood insurance policy) will not qualify for a review.

Federal agencies cannot provide disaster assistance for damages or losses covered by insurance. If a policyholder receives additional insurance proceeds from FEMA and also received Sandy-related disaster assistance from another source such as the U.S. Small Business Administration (SBA), the Department of Housing and Urban Development (HUD), or one of HUD's state or local grantees such as New Jersey - Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program, New York Rising, or New York City Build it Back, the policyholder may have to repay the other disaster assistance if the original source determines that additional insurance proceeds duplicate a benefit previously provided.

As a service to policyholders, when they enter the review process FEMA coordinates with affected third parties to identify potential duplication of benefits.

If the review supports additional payment to the policyholder, FEMA is required to include on the check the names of additional insureds and third parties who have interests in the funds, such as SBA and mortgage companies.

At the request of the advocacy groups, FEMA translated the "How the Claims Review Process Works" Fact Sheet into Russian and Spanish in order to reach the widest possible audience and to enhance our customer-centric approach. These translated documents were added to our website at www.fema.gov/sandyclaims.

The Sandy claims review process is intended to be simple, navigable by the policyholder and does not require paid legal assistance. Several nonprofit service providers also are ready to offer free advice and answer questions. A list of these advocacy groups can be found on the claims review website at www.fema.gov/sandyclaims.

FEMA recognizes that some policyholders will want to review their flood insurance claim file and is putting in place a process to enable policyholders to request the claim file from FEMA during the Sandy Claims Review. As required by the federal Privacy Act, policyholders will need to certify their identity. When FEMA receives such certification, we will immediately begin processing the request. As a Federal agency, FEMA must ensure compliance with the requirements of the Privacy Act and Freedom of Information Act (FOIA). Our process involves a review to remove any personally identifiable information not associated with the requesting party, or other categories of information exempt from release under Federal law.

Litigation

Policyholders who were not satisfied with the NFIP payments they received after Hurricane Sandy had the option of filing an administrative appeal with FEMA or filing a lawsuit in U.S. District Court. Some did both. Approximately 2,000 cases have been filed in U.S. District Courts in the Eastern District of New York and New Jersey.

Litigation presented the court and NFIP with allegations of questionable engineering practices related to Hurricane Sandy claims. FEMA will not fund or approve work with any WYO-contracted engineering firms that are known to have values that differ from FEMA's survivor-centric approach.

In February 2015, FEMA initiated a process to settle Hurricane Sandy claims as quickly as possible so policyholders can receive negotiated payments for their claims and not endure prolonged litigation.

To expedite FEMA's ability to settle claims more quickly, FEMA informed the WYO insurance companies that FEMA would lead efforts to settle these cases. FEMA reviewed hundreds of individual cases and developed a procedure to analyze plaintiffs' payment demands, review relevant case materials, verify coverage and payment information, and provide a fair settlement offer as a basis for final negotiation. FEMA will work directly with any individual plaintiff's counsel to resolve a client's Hurricane Sandy flood claims in this fashion.

In this procedure (FEMA-Plaintiffs' Counsel Process) FEMA receives information from plaintiffs' counsel specifying damages and proposed settlement amounts. FEMA flood-certified adjusters review the proposed settlement amounts and make recommendation to FEMA's Office of Chief Counsel, which makes a tentative offer to plaintiffs' counsel.

Through the NFIP claims settlement process, FEMA has engaged Write Your Own (WYO) insurance companies, who sell and service Standard Flood Insurance Policies available under the NFIP, to tender settlement offers to policyholders. FEMA has also worked with the U.S. Attorney's Offices in the Eastern District of New York and New Jersey to tender settlement offers to policyholders who bought insurance directly from FEMA through the Direct Servicing Agent (DSA) Companies.

FEMA established a check-writing protocol that will get settlement checks to policyholders as quickly as possible. FEMA has a responsibility to identify other parties who may have an interest in the payments, such as a lienholder.

Representatives from third-party interests, including HUD and SBA, have agreed to expedite determinations on what duplication of benefits from their recovery programs may apply to litigants in order to settle claims.

Several WYO companies have agreed to pay costs associated with litigation.

Oklahoma and Texas Disaster Support

Property owners in Oklahoma and Texas with NFIP policies have been given extra time to submit proof of loss statements related to torrential rains that began May 16, 2015. The NFIP has advised flood insurance companies to allow storm survivors an additional 180 days beyond the normal 60 day deadline.

Storm survivors in Oklahoma and Texas with flood insurance now have 240 days to submit proof of loss documents related to recent flooding.

FEMA will continue to monitor claim activity to determine whether further extensions may be warranted.

To further assist communities in Oklahoma and Texas, FEMA has asked flood insurance adjusters to expedite reports about property that may be eligible for community review due to recent torrential rain.

Communities determine whether a flood-damaged home or business is substantially damaged. The Federal Emergency Management Agency provides technical assistance and guidance upon request.

To help cover the costs of meeting certain community requirements resulting from a substantial damage determination, a standard flood insurance policy includes Increased Cost of Compliance (ICC) coverage.

Flood insurance policyholders in high-risk areas, also known as special flood hazard areas, may get up to \$30,000 to help pay certain costs to bring their flood-damaged home or business into compliance with their community's floodplain ordinance. When a community finds that a property covered by a National Flood Insurance Program policy is substantially damaged, and the community is enforcing its code requirements to bring the property up to current floodplain construction requirements, the owner of that property may use funding from the policy to meet certain additional costs associated with meeting community building codes.

Resources

NFIP policyholders with recent flood damage should contact their agent or insurance company and provide the name of their insurance company, policy number and a telephone and/or email address where they can be reached at all times. An adjuster will call back. To learn more about filing a claim, visit www.FoodSmart.gov or call the FloodSmart helpline 888-379-9531.

Policyholders can also contact the Call Center Pilot Program at 1-800-621-3362, Monday through Friday from 8 a.m. to 6 p.m. (CST) or download a Request for Support form from www.fema.gov/national-flood-insurance-program and email to FEMA-NFIP-Support@fema.dhs.gov or fax to 540-504-2360.

FEMA maintains a webpage containing information and updates for NFIP policyholders affected by Hurricane Sandy: The Claims Review Process web page is

www.fema.gov/hurricane-sandy-nfip-claims. There is also a short link to that webpage: www.fema.gov/sandyclaims.

The NFIP Transformation website at www.fema.gov/moving-forward-flood-insurance page explains the steps we're taking to move forward with flood insurance reform.

Resources on the Sandy Claims Process, Transformation, and Litigation updates can be found on our websites. Websites will be updated regularly.

The U.S. Senate Committee on Banking, Housing and Urban Affairs issued a majority staff report "Assessing and Improving Flood Insurance Management and Accountability."

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Weekly Data Report

July 15, 2015

Number	Sandy Claims Review Report
10,738	Call Center and Web Referrals Policyholders contacting the Call Center or downloading the claims review request application from the Sandy Claims Review website.
8,684	Policyholders Eligible for Further Review Policyholders are asked questions to determine whether they might qualify for review. Questions include: Do you have an NFIP Policy and filed a claim during Sandy?
8,144	Policyholder in Claims Review Process Claims that will be reviewed by a highly skilled NFIP adjuster. *785 policyholders require additional research by FEMA to match damaged property address, policy number, or missing claim data.

Policyholders in Claims Review Process	
7,370	Claim Referred and Information Collected Policyholders are referred to the claims process and assigned an adjuster, who gathers necessary information to perform the claims review.
771	Adjuster Completes Claims Review Adjuster has completed the claim review and case is forwarded for quality control and duplication of benefits review.
0	Neutral Review (optional) At anytime during the claim review process, the policyholder has the option to request a review be conducted by a neutral third party.

"FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards"

3	Result of the Review Adjuster notifies the policyholder of the claim review determination. If additional payment is recommended by the case worker or neutral, the policyholder will sign a Proof of Loss and return it to the caseworker.
0	Request Issuance of Check FEMA will direct the insurance company to process a payment.
0	Closeout After all claim review and payment activities are completed, the case file is closed.