



# FEMA

## NATIONAL FLOOD INSURANCE REFORMS

FEMA's top priority is to support disaster survivors and help communities recover from the devastating effects of disasters. To accomplish this mission, FEMA has begun undertaking sweeping reforms to the NFIP claims and appeals processes.

FEMA is instituting additional oversight over "Write Your Own" (WYO) companies to hold them accountable, and to ensure their work with engineering firms puts survivors first. As part of our effort to reform the NFIP, FEMA notified WYOs of changes in the process for seeking reimbursement for expenses, such as the hiring of engineering firms for claims adjustments going forward. 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.

Litigation between policyholders and their NFIP insurers (WYO or FEMA) presented the court and NFIP with allegations of questionable engineering practices. 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.

FEMA is assisting policyholders to reach settlement and resolution of flood claims currently in litigation. To expedite FEMA's ability to settle claims more quickly, FEMA informed the WYO insurance companies, which sell and service standard flood insurance policies available under the NFIP, that FEMA will lead efforts to settle these cases. FEMA reviewed hundreds of individual cases and has 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 now work directly with any individual plaintiffs' counsel to resolve their clients' claims in this fashion.

FEMA is continuing to meet with the U.S. Small Business Administration, the U.S. Department of Housing and Urban Development and other third party interests to identify potential duplication of benefits. FEMA wants to provide a fair and transparent process to be able to inform policyholders up front that the proceeds from their settlements may not duplicate assistance that they have received through other federal assistance programs. FEMA also continues to participate in listening sessions with consumer advocacy groups in order to consider wide-ranging perspectives that can inform FEMA's approach in reforming the NFIP.

FEMA continues to urge WYOs and their contracted engineering firms to make available all reports and documentation to affected policyholders with Hurricane Sandy-related claims, as directed by Administrator Fugate's December 2014 request. While we recognize these documents are not in the

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Last update: April 29, 2015

possession of the WYOs or FEMA, we owe it to our policyholders to provide this level of transparency.

FEMA took additional steps and formally requested all WYO insurance companies that service policies for the NFIP to submit information on all claims, with dates of loss occurring from October 27, 2012, through November 6, 2012, with expenses for engineering services. This data request is a necessary step for FEMA to ensure it is the best information available concerning all Hurricane Sandy NFIP claims that used engineering reports. FEMA is specifically requiring this information for all claims in states affected by Hurricane Sandy, including: Connecticut, Delaware, Massachusetts, Maryland, Maine, North Carolina, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, Vermont, and the District of Columbia.

On March 30, FEMA provided a summary of the information received from the WYOs regarding data on the engineering firm(s) and limited claims information. This is the first part of a three-part data call to the WYOs. Summary:

- Of the 144,473 claims from Hurricane Sandy, the data from the WYOs identified 15,841 claims with engineering expenses.
- Of the 15,841 claims with engineering expenses, 530 were paid at policy limits. That leaves 15,311 claims with engineering expenses not paid at policy limits.
- Of 15,311 claims with engineering expenses not paid at policy limits, 8,199 claims (54 percent) were serviced by one of the three companies in question: USF, UTC, HR.
- Of the 8,199 claims listed above, 7,644 (93 percent) are in NY and NJ with 555 (7 percent) in other states:

FEMA informed WYO insurance companies that recent allegations and investigations related to the program may result in additional inquiries and requests for information directed to WYO companies. FEMA encourages cooperation with state insurance commissioners and regulators and asks insurers to continue to provide aggregate, non-policy specific data. FEMA has exclusive oversight responsibility over the NFIP and is not authorizing the release of specific policyholder and claims information or documents, to support the privacy of the NFIP policyholders. WYO companies, insurance commissioners and regulators, and other parties are encouraged to direct this type of inquiry directly to FEMA for resolution.

FEMA is committed to review NFIP claims resulting from Hurricane Sandy by establishing a transparent process to ensure policyholders who are not part of ongoing litigation, but who believe they may have been impacted by similar circumstances as those in litigation, will have an avenue to have their claims reviewed. FEMA is developing a process for policyholders affected by Sandy to have their claims reviewed and resolved outside of litigation and plans to announce it in mid-May. When the process commences, FEMA will contact Sandy claimants and provide details explaining how to take advantage of this additional review. If policyholders believe they may have been defrauded or underpaid, FEMA will provide an avenue to bring those concerns and allow us, if appropriate, to readjust their claim. FEMA is currently working with Congressional and other stakeholders to gather feedback on the process to ensure a fair and transparent claims review process is provided.

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FEMA also is ensuring that claims adjustment practices offer fair and balanced payments for losses that do not prevent over-payments or encourage under-payments. WYO partners are being invited to discuss potential solutions to these challenges with FEMA and congressional representatives.

FEMA is conducting an internal review of its processes to reform the NFIP program for the claims and appeal process. FEMA 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 is taking steps to improve the NFIP claims process, including pursuing contractor support to leverage industry expertise in customer experience best practices. Specifically, FEMA is soliciting industry experts to assist the NFIP Transformation Task Force with developing expert recommendations to bring the existing process into alignment with FEMA's Survivor Centric mission and approach. The agency requested the assistance of the DHS Office of Inspector General to review and make recommendations on FEMA's flood insurance oversight role.

FEMA will continue to work closely with Congress, federal, tribal, state, local, and community officials to ensure policyholders are paid every dollar to which they are entitled and to improve transparency in the flood insurance program going forward.

**Resources:**

In a video posted online, Deputy Associate Administrator Brad Kieserman addressed Sandy flood insurance policyholders to share the NFIP's values and priorities of ensuring all policyholders are paid every claim dollar they are entitled to: <https://www.youtube.com/watch?v=aR-T0RFWxdg>

FEMA maintains a webpage containing information and updates for National Flood Insurance policyholders who were affected by Hurricane Sandy: [www.fema.gov/hurricane-sandy-nfip-claims](http://www.fema.gov/hurricane-sandy-nfip-claims). There is also a shortlink that takes users to that same webpage: [www.fema.gov/sandyclaims](http://www.fema.gov/sandyclaims).

- The website will be updated regularly with new information on reforms and Sandy NFIP claims progress.

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