



FEMA

Fact Sheet

Federal Insurance and Mitigation Administration

NFIP Transformation Task Force Update

December 11, 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 making significant improvements to the National Flood Insurance Program (NFIP) to better serve policyholders who experience loss from flooding.

An NFIP Transformation Task Force is focusing on these improvements, including the need for increased oversight of the program, enhanced education and training, strengthened data gathering and analysis capabilities and an improved customer experience. The Task Force also provides a process in which Hurricane Sandy survivors who have not pursued litigation can have their claims reviewed promptly if they feel they were underpaid.

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.

Claims Review

On May 18, FEMA opened the Hurricane Sandy Claims Review to approximately 142,000 NFIP policyholders who filed claims resulting from Hurricane Sandy, offering them an opportunity to have their files reviewed. The deadline for policyholders to request a claims review was Oct. 15.

More than 18,000 policyholders entered the review process. While not every claim reviewed results in a determination of underpayment, additional payments are being made to policyholders whose claim review do show underpayment.

NFIP-certified Adjusters are focused on ensuring they have the necessary information to review submitted claims. They reach out to each policyholder assigned to them every 14 days, to provide status updates, seek additional documentation if warranted, and to answer policyholder questions. The Claims Review center is open 8 am to Midnight five days a week and 8 a.m.-5 p.m. Saturday and Sunday.

As of Dec. 11, within the Sandy Claims Review, 1,879 claims have been closed with claims paid totaling \$9,698,118 to 594 policyholders.

In conjunction with the Sandy Claims Review, the U.S. Department of Housing and Urban Development (HUD) said that it would not seek to recover any additional flood insurance payments up to \$20,000. As part of the Claims Review, FEMA has stated that the agency will not collect

"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."

potentially duplicative disaster assistance provided to Hurricane Sandy survivors under FEMA's Individual Assistance Program.

HUD grantees – New York Rising, New York Build It Back and New Jersey Rehabilitation, Reconstruction, Elevation and Mitigation requested not to be included on insurance checks resulting from the Claims Review or litigation settlements. FEMA is required by law to include on checks the names of those with secured interests, such as a mortgage lender, the U.S. Small Business Administration or other lienholders.

To protect their personal information, FEMA requires all NFIP policyholders in the Hurricane Sandy Claims Review to provide a written document to verify their identity before the review of their claim begins. This added level of protection will help keep safe personal information and will comply with the federal Privacy Act (5 USC 552a).

The document must contain full name, current address, date and place of birth, and be signed and notarized, or signed with the following language as a substitute for notarization: "I declare, under penalty of perjury, that the foregoing is true and correct. Executed on (date). (Signature of policyholder)."

FEMA recognizes that a policyholder may choose to be represented in the review process. If so, FEMA must [ensure that a representative is appropriately designated](#) and authorized to speak for and receive information on behalf of the policyholder. Policyholders who want to have legal representation for the process will need to complete a designation of representation.

Some policyholders may want to [review their flood insurance claim file](#). FEMA will process claim file requests from a policyholder or the policyholder's designated representative under the Privacy Act and the Freedom of Information Act. Policyholders may provide their verification of identity in the same letter used to designate a representative and/or to request a copy of their claim file, as long as the letter is properly signed and notarized (or sworn).

Several nonprofit service providers offer free advice and answer questions for policyholders in the claims process. A list of these advocacy groups can be found on the claims review website at www.fema.gov/sandyclaims.

Litigation

Policyholders dissatisfied 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 policyholders filed litigation against NFIP insurers over their Sandy flood insurance claims in Federal District courts of New York and New Jersey.

In February 2015, FEMA initiated the settlement process, known as the FEMA-Plaintiffs' Counsel Process, to settle Sandy claims litigation as quickly as possible so policyholders can receive negotiated payments for their claims and not endure prolonged litigation.

"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."

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

Working closely with plaintiffs' attorneys and the Federal District courts of New York and New Jersey, FEMA has reviewed claims and negotiated settlement amounts either through attorneys representing policyholders or directly with the insureds. Of the 1,690 eligible cases, 1,142 cases have been settled, with checks issued totaling \$116,986,016 as of Dec. 11.

Steps in litigation settlement process

Transformation

FEMA's NFIP Transformation Task Force is developing options to reform the NFIP, including the need for increased oversight, enhanced education and training, strengthened data gathering and analysis capabilities, and a greater customer orientation for the NFIP.

As part of the reform, FEMA has brought in contract support that brings expertise and an outside perspective to help FEMA assess NFIP processes from a customer-experience perspective and to develop immediate reforms to bring these processes into alignment with FEMA's survivor-centric vision, mission and approach.

The Task Force is implementing an enhanced training program for adjusters and tracking and evaluating all engineering report costs.

The U.S. Senate Committee on Banking, Housing and Urban Affairs report entitled "Assessing and Improving Flood Insurance Management and Accountability in the wake of Hurricane Sandy" identified the need for flood event crisis planning to better prepare for major flood events. FEMA is developing a study to examine NFIP surge staffing needs.

The National Academy of Sciences (NAS) is conducting an affordability study to identify elements necessary to design a quantitative affordability analysis. FEMA will deliver a framework for affordability within 18 months of the NAS study's completion.

FEMA aligned its call center to better support NFIP policyholders with the servicing of their claims and getting answers to their questions quickly by calling 1-800-621-3362 Monday through Friday from 8 a.m. to 6 p.m. (Select Option 2). Call center staff are available to assist policyholders with information regarding their policy, offer technical flood guidance to aid in recovery, and respond to general as well as complicated questions about the NFIP. Policyholders with questions specifically about an insurance claim can be transferred to their insurance carrier for additional assistance.

Policyholders may download a Request for Support form from www.fema.gov/national-flood-insurance-program-technical-support-hotline and email it to FEMA-NFIP-Support@fema.dhs.gov or fax it to 540-504-2360. The center also is available to the public and insurance agents who have questions about the NFIP.

FEMA has issued guidance to the Write Your Own (WYO) insurance companies that sell and service Standard Flood Insurance Policies to follow FEMA's survivor-centric customer service approach.

"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."

- Adjusters should treat policyholders 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.
- FEMA will review and approve all proposed engineering costs to ensure that WYOs are fulfilling their role by guaranteeing that taxpayer funds are being appropriately expended and work is consistent with putting policyholders first.
- FEMA streamlined customer-centric changes in the advance payment process to provide advance payments on claims in recently affected states of Georgia, South and North Carolina and Virginia. These changes include: Pre-Inspection (contents and structure), up to \$5,000; Pre-Inspection with photos – up to \$10,000; Post Inspection – percentage of policy amount, with no other cap to advance amount. However it is necessary to have the contractor's estimate and an inspection by the flood insurance adjuster prior to offering advances on these losses. No conditions of coverage are waived by providing an advance payment.

The Task Force is working with nonprofit organizations, advocacy groups, community officials, insurance companies, industry experts and Congressional staff, among others, to improve NFIP processes.

The NFIP is soliciting input from the Government Accountability Office (GAO), which performed objective reviews of the NFIP, serving as an independent, nonpartisan agency working for the U.S. Congress.

Resources

- NFIP policyholders with recent flood damage should contact their agent or insurance company and provide their 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.FloodSmart.gov or call the FloodSmart helpline 888-379-9531.
- Policyholders can also contact the call center at 800-621-3362, currently Monday through Sunday from 7 a.m. to 10 p.m. or download a Request for Support form from www.fema.gov/national-flood-insurance-program-technical-support-hotline and email the completed request to FEMA-NFIP-Support@fema.dhs.gov or fax it to 540-504-2360.
- 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.
- The U.S. Senate Committee on Banking, Housing and Urban Affairs issued a majority report, [“Assessing and Improving Flood Insurance Management and Accountability.”](#) in the wake of Hurricane Sandy.

“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.”

Sandy Claims Review Data (December 11, 2015)	Number
<u>Claims in Review Process</u> Eligibility confirmed, claims currently entered into review	16,661
<u>Results of the Review</u> Adjuster notifies the policyholder of the claim review results. If additional payment is recommended by the adjuster or neutral, the policyholder will sign a Proof of Loss.	2,694
<u>Claims with Additional Payments Sent</u> FEMA directs the insurance company to process payment for building coverage, content coverage, or both.	594
<u>Closeout</u> After all claim review and payment activities are completed, the claim file is closed. This may include claims voluntarily withdrawn and cases closed without additional payment.	1,879

Sandy Litigation Report Data (December 11, 2015)	Number
<u>Total Cases In FEMA's Sandy Litigation Settlement Process</u> Cases eligible for expedited settlement.	1,690
<u>Total Settlements Reached</u> (New York, New Jersey, and Other Sandy-Affected States)	1,142
<u>New York Settlements Reached</u>	660
<u>New Jersey Settlements Reached</u>	480
<u>Other Sandy-Affected States-Settlements Reached</u>	2
<u>Total Value of Checks Issued</u> The insurance company issues the check to the plaintiff's attorney.	\$116,986,016

“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.”