



FEMA

W-15025

June 1, 2015

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the  
National Flood Insurance Program (NFIP) Servicing Agent

A handwritten signature in black ink, appearing to read "BJK", with a horizontal line extending to the right and ending in an arrowhead.

FROM: Brad J. Kieserman  
Deputy Associate Administrator for Insurance  
Federal Insurance and Mitigation Administration

SUBJECT: NFIP Claim Handling Reminder

FEMA has been reviewing the National Flood Insurance Program (NFIP) and our procedures for handling claims, and we are ready to begin implementing new post-Sandy procedures. Moving forward, as the NFIP responds to flood events FEMA expects participating Write Your Own (WYO) companies adjusting claims to continue to demonstrate a survivor-centric approach to flood insurance consistent with FEMA's mission and the needs of disaster survivors. We expect full transparency on the adjustment of claims, including associated engineering services, if necessary. We also recognize that, as we continue to stand up the post-Sandy review process, WYO companies and NFIP stakeholders are asking questions about that process and how NFIP claims will be handled in the future. This Bulletin addresses some of those questions.

The terms of the Standard Flood Insurance Policy (SFIP) have not changed. Coverage is not expanded, and exclusions are not narrowed. We do not expect any changes in the way coverage is determined, and we will continue to expect best practices for NFIP claims handling and customer service.

Adjusters are the public face of the NFIP. As always, we expect adjusters to treat our customers with respect and to provide the policyholder with the information needed for the policyholder to understand the claim, filing requirements and procedures, any loss adjustment, and coverage issues. Adjusters must spend the time at the loss site necessary to properly evaluate a claim, and if necessary, they must be prepared to return to the damaged structure to supplement or revisit the recommendation. If an adjuster cannot meet these fundamental principles, the adjuster cannot be assigned to future claims. Customer service is vital to the success of our Program.

The WYO Company must oversee claims handling to ensure that loss estimates meet NFIP industry standards and document the most accurate scope of damage. NFIP claims need to be adjusted properly. We expect adjusting software to be properly calibrated for the geographic area where the loss occurred, taking into

## NFIP Claim Handling Reminder

June 1, 2015

Page 2

account post-disaster pricing factors and property-specific issues—estimates should be priced with reasonable and customary costs for the loss and location. The claim file should document the most accurate scope of loss, provide notations for exceptional scope, quantity and quality, and the adjuster must take or obtain meaningful photographs of the loss. A default unit pricing provided by adjusting software is only an average price and not a price ceiling. NFIP certified adjusters have the professional duty to fully understand what may constitute price changes and must explain any exceptional adjustments in the estimate and claim file. The adjustment should reflect the adjuster's professional judgment, and the adjuster's judgment should be expressed in writing and documented in the file.

FEMA also expects all State and local sales tax to be paid on applicable goods or services as part of all eligible NFIP claim payments, subject to applicable depreciation. The tax calculation should be disclosed to the policyholder in the adjuster's loss estimate. The claim file must contain draft engineering reports, if any are generated, and drafts will be available to policyholders upon request.

The WYO Company must ensure that what can be paid is paid, in the same way that it ensures that non-covered items are not paid. When there is not agreement on the requested payment amount, the WYO Company should work closely with the policyholder to develop an agreed-to proof of loss. The WYO should help the policyholder understand the appropriate steps for the policyholder to seek additional payment, and explain applicable limits of coverage and exclusions. When required, a written denial must explain in plain language the basis for the decision—by identifying the items denied, dollar amounts if applicable, and relevant provisions of the SFIP.

Finally, the WYO Company must exercise oversight over claim adjustment. The WYO is responsible for ensuring that the adjuster properly evaluates a claim and that claims are paid accurately. If an engineering or other service is required, the WYO Company should see that the action is carried out responsibly by a State-accredited business with a qualified State-licensed professional. Further, the WYO Company is responsible for ensuring that the adjuster or engineer is capable of handling the volume of files assigned.

We recognize that the WYO community is well aware of our obligations to our policyholders and has incorporated best practices into NFIP claims handling. This Bulletin reiterates prior guidance to emphasize our survivor-centric approach. The adjuster and insurance examiners are vital to the success of the NFIP and ensure a fair and transparent claim experience, and we are committed to working with WYO companies to ensure that disaster survivors in all flooding events are treated fairly.

We also ask for your full support. Any questions or comments regarding this bulletin should be directed to Jordan S. Fried, Federal Insurance and Mitigation Administration. Mr. Fried may be reached by email at [Jordan.Fried@fema.dhs.gov](mailto:Jordan.Fried@fema.dhs.gov).

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Claims, Underwriting