



FEMA

NATIONAL FLOOD INSURANCE REFORMS

FEMA's top priority is to support disaster survivors and help communities recover from the devastating effects of disasters. Therefore, FEMA began undertaking sweeping reforms to the National Flood Insurance Program (NFIP) claims and appeals processes. Upon implementation, 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 instituting additional oversight over 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 ("Write Your Own" [WYO] or FEMA) presented the court and NFIP with allegations of questionable engineering practices. FEMA is assisting policyholders to reach settlement and resolution of flood claims currently in litigation. On March 5, in an effort 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 will make all decisions leading to the settlement and resolution of contract claims in litigation.

On March 24, FEMA met with the U.S. Small Business Administration and with the U.S. Department of Housing and Urban Development to identify potential duplication of benefits that settlements could inadvertently cause NFIP policyholders whose cases may be settled. NFIP policyholders have been through a lot and they deserve a process that is fair and transparent. By law, federal funding cannot duplicate assistance that disaster survivors may have received through other means, such as insurance. FEMA wants to ensure that we do not put policyholders in a position where they may be asked to later return funds provided through other forms of assistance such as from the SBA and HUD, without knowing up front that they are at risk of receiving duplicate forms of assistance.

On March 25, FEMA also participated in a listening session with consumer advocacy groups in order to consider wide-ranging perspectives that can inform FEMA's approach in reforming the NFIP.

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

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FEMA published a webpage containing information and updates for National Flood Insurance policyholders who were affected by Hurricane Sandy: www.fema.gov/hurricane-sandy-nfip-claims. There is also a shortlink that takes users to that same webpage: www.fema.gov/sandyclaims. The website will be updated regularly with new information on Reforms and Sandy NFIP claims progress.

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

On March 16, 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 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 and not paid at policy limits.
- Of 15,311 claims with engineering expenses and not paid at policy limits, 8,199 claims (54 percent) were touched 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:
 - NY: (4,242), NJ (3,402), CT (359), RI (77), MD (56), NC (22), DE (14), VA (14), MA (8), PA, (4), Not Categorized (1)

On March 31, 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.

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FEMA is committed to look across 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 from Sandy to have their claims reviewed and resolved outside of litigation. 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. Further details will be available in coming weeks.

FEMA also is ensuring that claims adjustment practices, designed to prevent over-payments, are not incentivizing 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. 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.

The agency also 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 with Congress to ensure policyholders are paid every dollar to which they are entitled and to improve transparency in the flood insurance program going forward.

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