



Federal Insurance and Mitigation Administration

NFIP Transformation Task Force Update

June 3, 2016

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.

We are overhauling and realigning our entire organization to improve the customer experience. FEMA's vision for reform is a broad effort that emphasizes the principles of trust, predictability, value and choice for the policyholder. FEMA published a Notice of Rulemaking in the Federal Register on May 23 to remove the Arrangement between FEMA and the Write Your Own (WYO) insurance companies from the NFIP regulations in order to make changes without going through the rule-making process.

FEMA also announced steps to control litigation costs in the flood insurance program. And, FEMA established an oversight team to work with NFIP to address standard billing practices, to provide advice and render settlement concurrence on NFIP cases when asked by WYO companies.

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. While not every claim reviewed results in a determination of underpayment, additional payments are being made to policyholders whose claim review do show underpayment.

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. There is no incentive for FEMA to underpay any claim going through the review process.

Survivors always come first, and that is why we've set up an unprecedented process to review these claims and pay out every penny owed to policyholders under their policies.

Claims Review

Oct. 15, 2015, was the last day for policyholders to request a review of their Sandy NFIP claim through the Hurricane Sandy Claims Review.

As of June 2, 2016, within the Sandy Claims Review, 72 percent of requested claims reviews are through the process (13,863) and/or are ready for review with policyholders; 6,563 claims have been closed with claims paid totaling \$64,481,424 to 4,577 policyholders. To date, 69 percent of closed claims received additional payment. The review process continues for 5,428 policyholders.

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NFIP-certified adjusters are focused on ensuring they have the necessary information to review submitted claims. They reach out to each policyholder assigned to provide status updates, seek additional documentation if warranted, and to answer policyholder questions.

After FEMA and the policyholder reach agreement on the results of the claim review, and if the review indicates additional payment is warranted, FEMA directs the NFIP insurer to issue a check in the name of the policyholder, including any loss payee (U.S. Small Business Administration, mortgage company, etc.). FEMA is required by law to include on checks the names of those with secured interests. The policyholder is responsible for negotiating with lienholders regarding the distribution of funds.

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 personal information safe and will comply with the federal Privacy Act (5 USC 552a).

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).

Policyholders are advised that due to the time required to make their complete claim file comply with federal privacy regulations, requesting a copy of the claim file may add a significant delay to the review process.

Policyholders may request portions of their file that they feel pertinent to their case (e.g., their Write Your Own insurance company file, engineering report, Desk Review documents, or previous adjustments and estimates). Requesting portions instead of the entire file should shorten the processing time.

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 fema.gov/media-library/assets/documents/116439.

The Sandy Claims Review process was created with input and support from Members of Congress from both parties, advocacy groups representing policyholders, and critics of FEMA alike.

Already, more than \$64 million has gone to policyholders and we're working as quickly as possible—literally in shifts—to continue to make things right. Even as we do that, we're continuing to overhaul the flood insurance program to make sure the companies we partner with share our values of putting policyholders and survivors first.

FEMA takes all allegations of fraud seriously and refers any allegations of fraudulent practices to the Office of Inspector General. We are working with the N.Y. and N.J. Attorneys General and are cooperating with all investigations.

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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.

Of the 1,694 eligible cases, 1,599 cases have been settled, with checks issued totaling \$162,751,223 as of June 2.

NFIP Transformation

Beyond the Sandy Claims Review, FEMA is undertaking substantial changes in how the NFIP operates, with a focus on the customer experience and greater oversight of the Write Your Own (WYO) insurance companies. Here are some of the steps we are taking:

- On May 23, 2016, we published a Notice of Proposed Rulemaking (NPRM) in the Federal Register, and set in motion a proposal to remove from the NFIP regulations a copy of the current Arrangement between FEMA and the WYO insurance companies. Currently, FEMA must undergo rulemaking every time we seek to update the Arrangement. However, through this rulemaking change, we propose to remove the Arrangement from the NFIP regulations so that FEMA can revise and update the outdated Arrangement without having to go through rulemaking in the future.
- At the same time, we announced steps to control legal costs associated with flood insurance-related litigation. This is important because FEMA reimburses insurance companies that service flood insurance for all reasonable litigation expenses. When a policyholder sues a WYO Company, the WYO Company, as a fiscal agent of the United States, is responsible to its insured and taxpayers to defend the litigation in a cost-effective and appropriate manner.
- Consequently, FEMA has established an oversight team that will work closely with the NFIP to address standard billing practices, provide litigation-related advice and render settlement concurrence on NFIP cases when sought by a WYO company. In this role, the team will also speak for FEMA on matters in litigation and coordinate with FEMA to ensure litigation is consistent and fair throughout the nation. Further, upon notification of litigation by a WYO company, the team will assign an attorney to monitor the litigation and be available to respond directly to litigation questions posed.
- In February 2016, FEMA launched an Appeals Branch with insurance specialists, program analysts and staff attorneys to resolve policy disputes on administrative appeal. This new branch plans to institute new appeals processes by December 31, 2016, to provide all policyholders the opportunity to explain and confirm any issues raised on appeal. The Appeals Branch will incorporate lessons learned from the Sandy Claims Review as implemented by the Task Force.
- FEMA has added additional executive level leadership to manage the NFIP. FEMA also intends to increase attorney staffing to engage in a more robust oversight of WYO insurance company litigation and revise guidance by December 31, 2016.

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- On March 8, 2016, the Office of Inspector General released an audit, requested by FEMA, which concluded that the agency does not provide adequate oversight of the NFIP. FEMA concurred with all seven recommendations made in the audit report.
- NFIP has begun establishing a field office, known as a Flood Response Office (FRO) in some disaster operations to provide technical support to adjusters operating in the impacted area.
- NFIP has introduced advance payments of up to \$10,000 pre-inspection to put money into the hands of policyholders to enable them to start the process of recovery more quickly. Almost 20 percent of policyholders in the severe storms that hit South Carolina, Virginia and North Carolina received advance payments.
- By December 31, 2016, we also expect to have plans to help us improve WYO oversight procedures to monitor special adjustment expenses, eliminating potential abuse when submitted expenses fall below appropriate thresholds.
- FEMA’s hotline, 800-621-FEMA, is now available to policyholders to specifically address NFIP questions and is tied to the FEMA registration number 800-621-3362 (option 2). The hotline also allows customers to get to NFIP if they are having trouble with their claim, their adjuster, or engineer. This provides a method to detect signals in the system if policyholders are having problems.

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 FloodSmart.gov or call the FloodSmart helpline 888-379-9531.
- Policyholders can contact the call center at 800-621-3362, Monday through Friday from 8 a.m. to 6 p.m. Central Time to obtain a Request for Support form and email it to FEMA-NFIP-Support@fema.dhs.gov or fax to 540-504-2360.
- The NFIP Transformation website at 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.

Sandy Claims Review Data (June 2, 2016)	Number
<p align="center"><u>Claims in Sandy Claims Review</u></p> <p>Eligibility confirmed, total claims entered in review process</p>	19,291
<p align="center"><u>Claims in Review</u></p> <p>Eligibility confirmed, claims currently entered in review process</p>	5,428
<p align="center"><u>Results of Review Ready (cumulative)</u></p> <p>Adjuster has reviewed the claim and has held or is ready to hold a Results of Review</p>	13,863

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interview with the policyholder. If additional payment is recommended by the adjuster or neutral, the policyholder will sign a Proof of Loss.	
<p align="center"><u>Proposed Results of Review</u></p> <p>Adjuster has notified policyholder(s) in the ROR-Ready group of the claim review results. If additional payment is recommended by the adjuster or neutral, the policyholder will sign a Proof of Loss. <i>(This number changes as calls are completed and noted in case files.)</i></p> <ul style="list-style-type: none"> • Total claims paid or payments proposed to policyholders: 8,754 • Total claims closed and claims with no additional payment proposed: 1,798 • Total proposed payments: \$108,739,698 • Total actual payments: \$64,481,424 	13,863
<p align="center"><u>Claims with Additional Payments Sent</u></p> <p>FEMA directs the insurance company to process payment for building coverage, contents coverage, or both.</p>	4,577
<p align="center"><u>Closeout</u></p> <p>After all claim review and payment activities are completed, the claim file is closed. This includes claims with additional payment, claims voluntarily withdrawn and claims closed without additional payment.</p>	6,3563

Sandy Litigation Report Data (June 2, 2016)	Number
<p align="center"><u>Total Cases In FEMA’s Sandy Litigation Settlement Process</u></p> <p align="center">Cases eligible for expedited settlement.</p>	1,633
<p align="center"><u>Total Settlements Reached</u></p> <p align="center">(New York, New Jersey, and Other Sandy-Affected States)</p>	1,599
<u>New York Settlements Reached</u>	750
<u>New Jersey Settlements Reached</u>	881
<u>Other Sandy-Affected States-Settlements Reached</u>	2
<p align="center"><u>Total Value of Checks Issued</u></p> <p>The insurance company issues the check to the plaintiff’s attorney.</p>	\$162,751,223

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<u>Sandy Neutral Review Data (June 2, 2016)</u>	Number
<u>Total Neutral Reviews Completed</u>	89
<u>Total Neutral Reviews Overturned Because Recommendation Was Not Consistent With Law, Regulation, Or Standard Flood Insurance Policy</u>	2
<u>Percentage of Neutral Reviews Overturned Because Recommendation Was Not Consistent With Law, Regulation, Or Standard Flood Insurance Policy</u>	2.2%
<u>Total Neutral Reviews Upheld but with Additional Payment Identified by FEMA</u>	1

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