



FEMA

W-12077

October 1, 2012

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 "James A. Sadler".

FROM: James A. Sadler, CPCU, AIC  
Director of Claims  
National Flood Insurance Program

SUBJECT: Hurricane Isaac – Prior Loss Claim File Processing and Advance Partial Payments

Beginning on August 26, 2012, Hurricane Isaac produced torrential rains and tidal surge that caused moderate to extensive flood damage to residential and commercial properties in Florida, Alabama, Mississippi, and Louisiana. Flood Insurance Claims Office (FICO) numbers 296, 297, 298, and 299 have been established to track this event.

**PRIOR LOSS CLAIM FILE PROCESSING:** Much of the area affected by Hurricane Isaac was subject to prior storms, including Hurricane Katrina in 2005. The review of prior losses is very important to the Hurricane Isaac claims process. Some buildings were abandoned and others may not have been fully repaired after Hurricane Katrina or other prior storms. Adjusters are paying close attention to these prior claims to prevent duplicate payment of previous flood damage. **Final payment on a Hurricane Isaac claim cannot be made until the prior loss issue is resolved.**

**Insurers should be mindful to send prior loss claim files, when requested, to the Bureau (iServices/OST) as quickly as possible in order to properly process incoming claims. The Bureau will report to FEMA the record of each company.** There may be instances where some claim files are unavailable due to the age of the prior losses. Accordingly, insurers must rely on the experience and judgment of the assigned adjuster to properly investigate and process the claim.

In cases where the claim file for the previous loss is unavailable and the adjuster determines that appliances and machinery were replaced and repairs made after the previous loss, the insurer is not required to obtain and review the previous loss claim file. The adjuster, however, must fully explain the basis of his/her determination in the Narrative Report. For example, the basis for not requiring a review of the previous loss claims file could be as simple as the model of a certain appliance or machinery was not manufactured until after the prior loss or the serial number is more recent. If there

are receipts demonstrating the building repairs were completed after the prior loss, the insurer is not required to review the prior loss claim file. There may also be other indicators that repairs were completed after the prior loss. In any event, photographs and a full explanation why the adjuster determined that subsequent repairs were made should be presented to the insurer. If the information presented by the adjuster is credible, the insurer may waive the requirement. In some cases, expert assistance may be required to assist in the adjusting process and should be authorized. In all cases, it is the insurer's responsibility to make the final decision relying on the judgment of the adjuster.

**ADVANCE PARTIAL PAYMENTS:** FEMA has encouraged making advance partial payments of indemnity claims. While Hurricane Isaac presents some challenges, every effort to make advance partial payments should continue. Some losses may be too small to justify a meaningful advance. When considering an advance partial payment, special attention should be given to the amount of the policy deductibles (one for building and one for contents). Commercial deductibles can be up to \$50,000 and dwelling deductibles can be up to \$25,000. Keep in mind that the final claim amount must be reduced by both the amount of the advance partial payment and the deductible. The potential for unrepaired prior loss damage should also be a consideration that may reduce the final payment amount.

If at all possible, advance partial payments should be made.

We ask for your full support. If there are any questions, please contact the NFIP Bureau and Statistical Agent Claims Department.

cc: Vendors, IBHS, FIPNC, and Government Technical Representative

Required Routing: Claims and Underwriting