



FEMA

W-13027

May 3, 2013

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  
Federal Insurance and Mitigation Administration

SUBJECT: **Claim Guidance – Sandy Supplemental Claims**

As published in WYO Bulletin [w-12092a](#) on November 9, 2012, the Associate Administrator issued a conditional and partial waiver of the Standard Flood Insurance Policy's (SFIP) proof of loss time requirement, permitting the insurer to pay a loss based on the adjuster's payment recommendation and estimate after the insurer examines the adjuster's final report. In that instance, the proof of loss is conditionally and partially waived and the time requirement is extended to within one year after the date of loss. That bulletin issuance reduced the policyholder's paper burden, which allowed insurers' claim payments to be issued sooner, but because of the complexity, number, and severity of many Sandy claims, requests for additional payments exceeding the adjuster's payment recommendations were expected.

When a policyholder disputes the adjuster's payment recommendation and estimate, a written request for a supplemental claim should be submitted along with a completed, signed, and sworn-to proof of loss attaching all documentation to fully support the supplemental claim such as: paid receipts or invoices for completed repairs; itemized (room by room) contractor's estimate; photographs of damage or of repairs completed or in progress; and other relevant documents. If related to disputed foundation damage, determination of basement or post-FIRM elevated building as defined in the SFIP, a written report is required from a licensed professional engineer or licensed surveyor (if required by the State). However, when the insurer agrees to a minor correction on a paid claim, the insurer may issue payment on a closed claim file based on the submission of the adjuster's revised final report. A proof of loss may not be required in all such instances.

When a policyholder files a request for a supplemental claim payment, the insurer may find the following tips helpful, in addition to their existing claim handling procedures:

- After the insurer finds the proof of loss to be in order and fully documented, the insurer may authorize the claim representative to send an acknowledgement notice the policyholder. The acknowledgement notice should also inform the policyholder of the expected turnaround time needed to review their request. A copy should be sent to the insurer. If such a notice is sent before the insurer is satisfied the proof of loss is complete and the documentation fully supports the supplemental, any notice must include a full reservation of rights.
- An interim report should be sent to the insurer every 30 days until the adjuster's final report for the insured's supplemental claim is complete and submitted to the insurer.
- Mailed or emailed correspondence sent to the policyholder may be copied to the insurer in lieu of an interim report.

The purpose of acknowledging the supplemental claim and interim reporting is not only a courtesy to the policyholder, it also gives the policyholder and the insurer the assurance the supplemental claim is being handled and communication between the policyholder and the adjuster is taking place.

Bulletin [w-12092a](#) did not offer a blanket waiver of the proof of loss requirement; and when a proof of loss is submitted by the policyholder, all provisions of the SFIP will apply including the provisions in Section VII(J) and (M) of the Dwelling and General Property Form, and Section VIII(J) and (M) in the RCBAP SFIP Form. Therefore, it is important that the insurer receive any signed and sworn-to proof of loss sent directly to the adjuster or adjusting firm, and that the insurer and adjuster are aware of the number of days elapsed after the insurer's receipt of the policyholder's signed and sworn-to proof of loss and agreement with the amount.

The insurer may find the following helpful in resolving or documenting claims including supplemental claims:

1. In practice, the replacement of a single or fewer items is more expensive per unit than many more of the same items identical in quality and installation.
2. It is important to recognize factors unique to a building or the local community that may inflate the cost to repair, such as the proximity or availability of building supplies or qualified labor and workspace accessibility in, under, or around the building.
3. An estimate should detail the full scope of repairs and take into account other required labor or material components, when they are not considered part of the estimated removal and replacement allowance for an item ruined by flood water.

**EXAMPLE: REMOVE AND RESET A COUNTERTOP EVEN THOUGH IT WAS UNTOUCHED BY FLOOD WATER, WHEN THE BASE CABINET IS RUINED REQUIRING ITS REMOVAL AND REPLACEMENT**

4. Explain the need for better craftsmanship or material quality, such as stain-grade versus paint-grade; special milled woodwork; hardwood vs. softwood; solid wood or wood veneer vs. laminated fiberboard; or faux finish or wall texturing vs. flat painted surfaces.
5. When a building tear-out invoice is itemized, but is separate from an estimate of repair, it is more effective if the insurance estimate substitutes the original single line item to remove and replace with two line items: one to remove and another to replace.

6. When the value of a supplemental claim is greater than documented by the policyholder, the request for additional information, such as a second (or third) itemized (room by room) estimate, or for a single item (or a group of estimated items), a detailed segregation of material costs and the quantity and price of labor, is fair and reasonable. If supporting documentation cannot be provided for an extended time, an insurer should suggest agreement with and payment of the undisputed amount and consider a future supplemental if necessary.
7. Sales tax should be applied to the unit price in an estimate for materials, as well as for labor when it is required by state, county, or municipal law. As a courtesy to the policyholder, the insurance estimate should be appropriately noted.
8. Electrical wiring – wet wiring will be replaced to the next dry connection (outlet, switch, receptacle, fixture, or junction box).
9. An allowance to re-nail, treat or re-strengthen existing metal fasteners at structural connections flooded by salt water should not be overlooked.
10. When free services were provided for building tear-out and contents debris removal, consideration of an allowance for construction material waste is reasonable. Attention should be given to FEMA Bulletin regarding Debris Removal [w-12090](#) issued on November 6, 2012.
11. When contents are involved in a supplemental claim, adjusters should be aware of FEMA Bulletin [w-12115](#), issued on December 19, 2012. If contents groupings were used in the initial claim payment, the entire detailed inventory should be submitted with photographs and all relevant documents to fully support the supplemental claim.
12. A supplemental claim solely based on an estimating program's periodic pricing update should not be paid.
13. Recommendations based on the adjuster's judgment are important to the NFIP claims process. However, when judgment creates an exceptional item, it should always be fully explained. This can be accomplished with a note in the adjuster's estimate, a photograph's annotation, correspondence from the adjuster to the insured, a comment in the adjuster's field scope notes, any narrative report, and the examiner's review notes. All of this should be made part of the claim file.

While the adjuster's estimate is only a payment recommendation and any assistance with the policyholder's proof of loss is only a courtesy, adjusters should always explain the claim process to the policyholders. It is expected that differences between the adjuster's recommended amount and the insured's supplemental request be explained, and the insured advised right away of any additional required documentation. With this in mind, the FEMA formal claims appeal process should never be suggested when proper claims handling can resolve differences. Communication with the policyholder is the key: acknowledging, following up, and informing of unforeseen delays as soon as they are anticipated. However, the policyholder is still responsible for proving the loss, only that portion of the supplemental that is fully supported can be paid, and the remaining claim must be denied.

Substantially Damaged Structures

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FEMA fully appreciates the level of effort expended to assist the NFIP insured flood victims, and gratitude is extended to all program participants for their continued hard work during this extensive recovery process.

Any questions regarding this bulletin should be directed to Dan Thorne at [Anthony.Thorne@fema.dhs.gov](mailto:Anthony.Thorne@fema.dhs.gov).

Once again we ask for your cooperation.

cc: WYO Vendors, IBHS, Government Technical Representatives

Suggested Routing: Claims, selected Independent Adjusting Firms