

Federal Emergency Management Agency's National Flood Insurance Program

Call for Issues Status Report

June 2000



NATIONAL
FLOOD
INSURANCE
PROGRAM



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Claims

Issue: Revisions to flood contract language concerning proof of loss

Respondent's Recommendation(s):

Change the language in the flood contract to require that the proof of loss be received within 60 days from the receipt of the Notice of Loss.

FEMA's Response: No Further Action Required

Explanation: FIA will not adopt this recommendation. To extend the period when we would receive a proof of loss would delay our investigation of the claim and might prejudice our ability to adjust the claim.

Issue: Overpayment of flood insurance claims

Respondent's Recommendation(s):

Eliminate the overpayment of flood insurance claims by changing the way insurance adjusters are paid to a flat fee (instead of a sliding scale), and developing a procedure to hold the insurance companies accountable if they overpay.

FEMA's Response: No Further Action Required

Explanation: A flat fee indicates that an adjuster would be paid the same for a claim of \$500.00 or \$500,000.00. This would not be equitable because the adjuster spends more time on complicated and highly damaged structures than on the lesser damaged ones. An alternative would be to pay the adjuster on a time and expense basis, which was the way NFIP paid adjusters in the past. This was found to be unworkable because there was continual controversy over how many hours the adjuster should have used to adjust each claim. The NFIP pays based on a fee schedule. Extensive study was done before this was made effective. The fee schedule adopted by the NFIP is based on industry fee schedules.

Write Your Own (WYO) companies are held accountable for claims. The companies sign an agreement with FIA, stating that if they overpay a claim and the overpayment is discovered, the company is responsible to refund the overpayment to the fund. Overpayments are discovered in one of two ways: 1) biennial audits, or 2) on reinspections of claims. Reinspections will be ongoing in FY 2000.