

SUPPLEMENTAL GUIDANCE

Replacement Assistance

REVISED: August 13, 2003

TITLE: REPLACEMENT AND INSURANCE

DATE: August 13, 2003

PURPOSE: The purpose is to provide supplemental guidance to the policy and procedures when considering, evaluating and/or processing insured applicants under Replacement Assistance.

LEGAL

- ❑ Section 312 of the Stafford Act, Duplication of Benefits, stipulates that FEMA shall assure that no person “will receive [disaster] assistance with respect to any part of such loss as to which he has received financial assistance under any other program or from insurance or any other source.”
- ❑ Section 408 of the Stafford Act, (a)(1) Provision of assistance, stipulates that FEMA may provide financial assistance for necessary expenses and serious needs in cases in which the individuals and households are unable to meet such expenses or needs through other means.
- ❑ 44 CFR 206.113 (a)(4) states, “in a situation where the applicant has insurance, when the insured individual or household’s insurance proceeds are less than the maximum amount of assistance FEMA can authorize and the proceeds are insufficient to cover the necessary expenses or serious needs;

ISSUE: How does insurance affect an applicant’s eligibility for Replacement Assistance beyond the applicant’s insurance settlement?

DISCUSSION:

While the lack of a clear statement of which policies has been incorporated into the regulations and/or do not apply to IHP may be cited as creating an insurance conundrum, it does not detract from the fact that insurance is specifically addressed in the program’s regulations.

The program’s regulation clearly alleviates this confusion, because as stated in the regulations, an insured applicant may be eligible for assistance “...when the insured individual or household’s insurance proceeds are less than the maximum amount of assistance FEMA can authorize and the proceeds are insufficient to cover the necessary expenses or serious needs” (see 44 CFR 206.113(a)(4)). FEMA interprets this to mean that the maximum amount of assistance FEMA can authorize for a single type of assistance. For instance, the maximum amount of assistance FEMA can authorize for Replacement Assistance is \$10,000 and the maximum amount for Repair Assistance is \$5,000 (as adjusted by CPI).

This guidance supersedes the guidance dated July 10, 2003, same subject.

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Questions & Answers on Replacement Assistance and Insurance

1. How does an “Unmet Housing Need” affect eligibility for Replacement Assistance?

An “Unmet Housing Need” is not an eligibility factor of Replacement Assistance and cannot be used to justify providing Replacement Assistance.

2. What is meant by the term/phrase underinsured or insufficient insurance?

For the purposes of implementing IHP Housing, the term/phrase underinsured and insufficient insurance means that an insured applicant’s net insurance proceeds are less than the maximum amount of assistance FEMA can authorize.

3. If the estimated FEMA loss exceeds the applicant insurance settlement, is the applicant eligible for the difference under replacement assistance?

If the applicant’s net insurance proceeds are less than the maximum amount of assistance FEMA can authorize, the applicant may be evaluated for the difference.

4. If an applicant is not eligible for replacement assistance because of insurance, can they be eligible for repair assistance?

No. If the applicant is ineligible for replacement assistance because their net insurance proceeds exceeds the maximum amount of assistance FEMA can authorize, observing the maximum for Replacement Assistance is \$10,000; then the net insurance proceeds will exceed the maximum amount for Repair (\$5,000) as well.

5. How does a requirement to pay off a mortgage with insurance proceeds affect replacement eligibility?

Mortgage companies who require the applicant’s insurance settlement to be applied toward the mortgage will have the appropriate wording or clause in the mortgage or insurance documents. The amount the applicant was required to pay is an eligible deduction from their insurance settlement. If the applicant’s remaining net insurance proceeds are less than the maximum amount of assistance FEMA can authorize the applicant is evaluated as an underinsured applicant.

Note: Any other settlement with the mortgage company should be considered voluntary and not eligible for deduction. Any unique situations will be examined on a case-by-case basis.

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6. What is a “Force Placed Hazard Insurance Policy”?

A “Force Place Hazard Insurance Policy” is coverage for structure only (does not include content). Generally, “Force Placed Hazard Insurance” is placed on a structure by the lending institution when they identify one of their mortgage loans with a cancelled or missing insurance policy. Due to the high cost of this type of insurance, a force placed insurance policy is usually only place on properties found to be lacking borrower-provide insurance coverage. **This is not a frequent occurrence; hence, it should not be routinely used in Replacement Assistance.**

7. Who should be contacted if there is a potential need to recover a Replacement Assistance award?

All potential recovery of funds actions involving Replacement Assistance awards **must** be coordinated with the Individual Assistance Program Management Section at FEMA HQ prior to any action being taken.

This guidance supersedes the guidance dated July 10, 2003, same subject.