



Federal Insurance and Mitigation Administration

Sandy Claims Review Division Update

January 29, 2018

Beginning in March 2015, the Sandy Claims Review Division, formerly known as the National Flood Insurance Program (NFIP) Transformation Task Force, reached out to nearly 144,400 policyholders who filed Hurricane Sandy claims and provided an opportunity for all claim files to be re-reviewed. The deadline for a policyholder to submit an NFIP flood claim for review through the Hurricane Sandy Claims Review program was October 15, 2015.

In total, FEMA received **19,467** requests from policyholders for their original Hurricane Sandy claim to be reviewed. To protect their personal information, FEMA complied with the federal [Privacy Act \(5 USC 552a\)](#) and required NFIP policyholders in the Hurricane Sandy Claims Review to provide written documentation to verify their identity.

To date, the policyholders who requested a review, and provided a verification of identity, have received the results of that review.

Claims files were carefully reviewed, and many policyholders are receiving additional payments for eligible items through their insurer. As of **January 29**, the process has resulted in **17,854** claim file reviews in which policyholders have agreed to an amount and signed proofs of loss. Nearly **85 percent** of the reviewed files have received additional payments totaling **\$258,648,226**. The remaining **15 percent** of reviewed files received no additional payment.

Additionally, **\$164,320,515** in payments have been made as a result of FEMA's efforts to resolve litigation, bringing the **total payments to \$422,968,741**.

To date, there are **1,613 claim file reviews remaining** to be concluded; of which nearly 900 are awaiting the signed proof of loss from the policyholder, or are already pending payment with their insurance carrier. The remaining 700 claim file reviews are either awaiting final recommendations from the third party neutral, completing final recalculations, or have not provided the required verification of identity to be processed.

At the present time, there are approximately 350 claims where policyholders are unresponsive and have not provided the required verification of identity. In these cases, FEMA attempted to contact these individuals via email, phone and certified mail but has not received a response. The verification of identity is required before FEMA can discuss the claim any further. For any person who has not produced the necessary verification of identity, no further actions can occur, the review has concluded with no action, and any further questions should be referred to the insurance carrier directly.

Third-Party Neutral Review - Updated

The deadline to request a third party Neutral Review was October 25, 2017. We have worked with the policyholders who have not completed their Neutral Review to ensure they have an opportunity to present their information and arguments to a Neutral. As of January 22, 2018, the option of having a Neutral Review has concluded. Through this portion of the process, nearly 2,500 policyholders, mostly represented by law firms, chose to proceed to a Neutral Review. Currently, FEMA is awaiting the

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remaining recommendations from the contracted Neutral Reviewers to conclude this portion of the review, and to conclude the Sandy Claims Review process.

Litigation

The legal options for a policyholder dissatisfied with an NFIP payment recommendation after a flood claim is to either file an administrative appeal with FEMA, seek to invoke the Appraisal clause of the policy (if the conditions are met), or file a lawsuit in U.S. District Court where the insured property was located. Following Hurricane Sandy, some policyholders filed appeals with FEMA and filed lawsuits against their insurers. Nearly 2,000 Sandy flood insurance litigation cases were filed against NFIP insurers in the Federal District courts of New York and New Jersey. When the former NFIP Task Force formed in March 2015, FEMA worked to settle these lawsuits. Of the **1,633** eligible lawsuits, **1,631** have been settled, with checks issued totaling **\$164,320,515**. The remaining two claims are tied up in probate disputes.

Sandy Claims Review Data (January 29, 2018)	Number
Claims in Sandy Claims Review Total claims entered into review process	19,467
Results of Review Ready (cumulative) Adjuster has reviewed the claim and has discussed the Results of Review. (Applies to claims that have provided the necessary verification of identity)	19,467
Claim files closed After all claim review and payment activities are completed, the claim file is closed. Includes: claims with additional payment, claims voluntarily withdrawn and claims closed without additional payment (2,732)	17,854
Policyholders with closed, paid claims	15,122
Total payments accepted by policyholders to date Policyholder signs Proof of Loss. FEMA directs the insurance company to process payment for building coverage, contents coverage, or both.	\$258,648,226
Remaining claims to be reviewed	0
Sandy Neutral Review Data (December 14, 2017)	Number
Total Files Received by Neutral Review Operations Group	2,454
Total Files Completed Neutral Review	2,082
Final Agency Decision Concurs with Neutral Reviewer's Recommendation	1,844
Final Agency Decision Partial Concurrence or Non-Concurrence	230
Total Neutral Review Upheld but with Additional Payment Identified by FEMA	8
Total Additional Payments based on Neutral Review	\$44,603,756

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National Flood Insurance Program (NFIP) Transformation

Summary of Changes

FEMA's top priority is to support disaster survivors and help communities recover from the devastating effects of disasters. FEMA is making significant improvements to the National Flood Insurance Program (NFIP) to continue to accomplish this mission and to better serve policyholders who experience loss from flooding.

FEMA has implemented several changes in how the NFIP operates, with a focus on the customer experience and greater oversight of the Write Your Own (WYO) insurance companies. Our vision for reform is a broad effort that emphasizes the principles of trust, predictability, value, and choice for the policyholder.

The Sandy Claims Review Division focused on improvements to the NFIP that included the need for increased oversight of the program; enhanced education and training; strengthened data gathering and analysis capabilities; and, improved customer experiences.

In May 2016, FEMA published in the Federal Register a [Notice of Proposed Rulemaking](#) to remove the Financial 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. After a public comment period, this [Final Rule](#) became effective on December 23, 2016.

FEMA is overhauling and realigning our entire organization to improve the customer experience. For example:

- The toll-free FEMA Registration Hotline provides customers direct access to the NFIP if they are having trouble with their claim, adjuster, or engineer. This one-to-one service improves the customer experience and serves as an “early warning system” for FEMA to become aware of problems sooner, so we can take action to address them.
- In some disaster operations, the NFIP establishes a field office, known as a Flood Response Office (FRO), to provide technical support to adjusters operating in the affected area. Being onsite with state insurance officials allows NFIP representatives to have immediate, direct visibility on daily flood-related activities. These NFIP experts also provide a unique perspective of the customer experience and help facilitate the relationship between policyholders and their flood insurance adjusters.
- FEMA established an oversight team to work closely with the NFIP to address standard billing practices provide litigation-related advice and concur on litigation settlements on NFIP cases when asked by a WYO company.

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National Flood Insurance Program: Summary of Improvements

August 2017	In mid-August, in response to Congressional requests FEMA extended the previous timeline so that a policyholder can request a telephone conference call for a Neutral Review, and the oral presentation must be concluded by October 25, 2017.
June 2017	On June 30, 2017, FEMA announced upcoming important dates for the Neutral Review process. For any outstanding claims in the Sandy Claims Review, if a policyholder desires a Neutral Review to be conducted via a telephone conference call, this must be scheduled by August 1, 2017, and the oral presentation must be concluded on or before September 30, 2017.
February 2017	On February 21, in an effort to work for a resolution of claims, FEMA proactively scheduled oral presentations for claims that have requested a Neutral Review and provided those dates to policyholders with 30 days (March 21) for them to respond and reschedule if a different date is preferred.
December 2016	In spring 2016, FEMA published a Notice of Proposed Rulemaking in the Federal Register that proposed removing a copy of the current Financial Arrangement between FEMA and the Write Your Own (WYO) insurance companies from the NFIP regulations. This proposed rulemaking change allows FEMA in the future to make revisions and updates to an outdated WYO Arrangement. After a public comment period, the Final Rule became effective on December 23, 2016.
December 2016	Due to significant delays in the Neutral Review process, FEMA modified the necessary requirements for a review to occur. When a policyholder requests a Neutral Review, this signifies that documentation is included for the review to occur on the presented information.
November 2016	FEMA clarifies guidance to Write Your Own Companies about third-party check endorsements. After FEMA and the policyholder reach an agreement on the results of the claim review, and if the review indicates additional payment, FEMA directs the NFIP insurer to issue a check in the name of the policyholder, including any loss payee. By law, FEMA must include on checks the names of those with secured interests at the time of loss, such as a mortgage company or the U.S. Small Business Administration. The policyholder is responsible for negotiating with lienholders regarding the distribution of funds.
October 2016	FEMA published clarification for WYO companies about the listing of third parties on a payment check that is not in litigation. This program bulletin lays out the procedures a third party must follow to be included as a payee. The manner in which a flood insurance claim payment is issued, including the payees on a check, is governed exclusively by applicable federal laws and regulations, and the terms of the Standard Flood Insurance Policy (SFIP), and must comply with the Assignment of Claims Act.
May 2016	FEMA also announced steps to control legal costs associated with flood insurance-related litigation. When a policyholder sues a WYO Company as a fiscal agent of the United States, the company is responsible to its insured and taxpayers to defend the litigation in a cost-effective and appropriate manner. FEMA reimburses insurance companies that service flood insurance for all reasonable litigation expenses.
March 2016	At FEMA's request, the Office of Inspector General (OIG) conducted an audit that concluded that the agency does not provide adequate oversight of the National Flood Insurance Program (NFIP). FEMA concurred with each of the seven recommendations for improvement in the audit report.

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