

Flood Insurance Claims



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Hurricane Harvey





Hurricane Irma









- Damage from just one inch of water can cost more than \$20,000 to repair.
- The average damage as the result of a flooding event is approximately \$43,000.
- 98% of all U.S. counties have been impacted by a flooding event.

True or False

In the event of a flood, your homeowner's policy will reimburse you for damages to your home or contents.



In the event of a flood, your homeowner's policy will **NOT** reimburse you for damages to your home or contents.



Homeowners Insurance

What Is Typically Covered?

A standard homeowner's policy typically covers many types of damages to a home. For example, my homeowner's policy covers accidental direct physical loss to property by some of the following perils:

- Fire or lightening
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Aircraft
- Vehicles
- Smoke
- Vandalism or malicious mischief
- Theft
- Falling objects
- Weight of ice, snow or sleet

- Sudden and accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or from within a household appliance.
- Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance.



Homeowners Insurance

What Is Typically NOT Covered?

A standard homeowner's policy typically does not cover damage as the result of an earthquake or flood. My homeowner's policy explicitly states that it does not cover water damage, meaning:

- flood, surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not;
- water or sewage from outside the residence premises plumbing system
 that enters through sewers or drains, or water which enters into and
 overflows from within a sump pump, sump pump well or any other
 system designed to remove subsurface water which is drained from the
 foundation area; or
- water below the surface of the ground, including water which exerts pressure on, or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.



What are the Options to Cover a Flood?

Low-interest disaster loans from U.S. Small Business Administration (SBA)

Homeowners may apply for up to \$200,000 to replace or repair their primary residence. The loans may not be used to upgrade homes or make additions, unless required by local building code.

Disaster Grants offered by FEMA

The Federal Emergency Management Agency's Individuals and Households Program (IHP) provides financial help or direct services to those who have necessary expenses and serious needs if they are unable to meet these needs through other means. Up to \$33,000 (adjusted each year) is available in financial help, although some forms of IHP assistance have limits.

NFIP Flood Insurance

FEMA's National Flood Insurance Program (NFIP) provides flood insurance for purchase to property owners against the risk of property damage or loss resulting from floods occurring in the United States.



Who Can Get Flood Insurance?

- Through FEMA's flood hazard mapping program, Risk Mapping, Assessment and Planning (MAP), FEMA identifies flood hazards, assesses flood risks and partners with states and communities to provide accurate flood hazard and risk data to guide them to mitigation actions.
- Homes and buildings in high-risk flood areas with mortgages from federally regulated or insured lenders are required to have flood insurance. In high-risk areas, there is at least a 1 in 4 chance of flooding during a 30-year mortgage.
- Flood insurance from the NFIP is available in communities who participate in FEMA's flood hazard mapping program.



Standard Flood Insurance Policy

- The Standard Flood Insurance Policy (SFIP) involves a cooperative arrangement between FEMA and the private insurance industry.
- This arrangement allows participating property and casualty insurance companies to write and service FEMA's SFIP in their own names.
- Non-participating companies can write flood insurance coverage directly with the Federal Government through the NFIP Direct program.



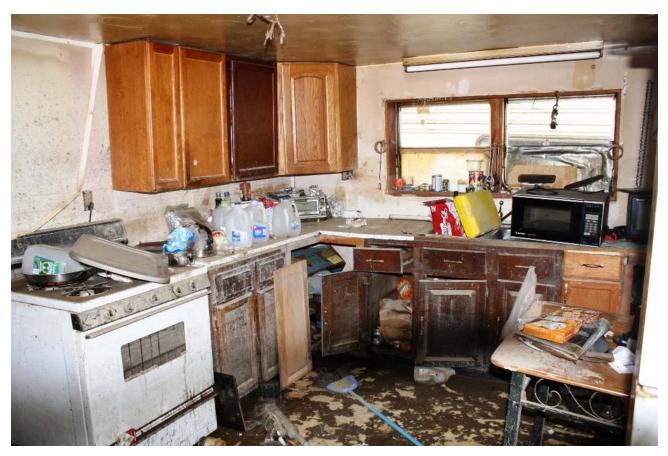
The NFIP offers coverage for:

- 1) Building Property, up to \$250,000, and
- 2) Personal Property (Contents), up to \$100,000.

Flood Damage



Flood Damage



Flood Damage





Steps to Filing an Original Flood Claim

Step 1: File a Claim

Step 2: Prepare for the Inspection

Step 3: Work with the Adjuster

Step 4: Complete a Proof of Loss

Step 5: Payment



Supplemental Flood Claim

Generally, the policyholder has 60 days after the date of loss to submit a request for supplemental payment based on actual costs incurred with paid receipts and contractor invoices provided to his/her insurance provider.



Appeal

An appeal must be filed within 60 days of the date that a policyholder was denied coverage. On appeal, FEMA will work with the insured and insurer to gather the claim facts, review the applicable guidance, policy terms and conditions, and provide an appeal decision that explains why FEMA is upholding or overturning the insurer's decision.

Lawsuit

A policyholder may file a suit within one year of the date the insurer first denied all or any part of a claim.



So What is the Problem?

In order to keep policy premiums affordable, there are many limitations to what the SFIP covers.



Covered by SFIP?





Covered by SFIP?



Source: Utah Geological Survey



Covered by SFIP?



Unlike homeowners policies that can be valued policies or guaranteed replacement cost policies, SFIP is a single-peril (flood) policy that only pays for direct physical damage to the insured's property.



Assumptions:

- Policyholder has \$250,000 of building coverage.
- Actual flood damages are \$150,000.
- Policyholder determines that the home needs to be replaced.
- Rebuilding the home is expected to cost \$400,000.

The homeowner would receive \$250,000 for their loss.

The remaining difference of \$150,000 would be the homeowner's responsibility.



Guaranteed Replacement Cost Policy

The homeowner would receive \$400,000 for their loss.

The homeowner would have no out of pocket costs.



Single-Peril (Flood) Policy

The homeowner would receive \$150,000 for their loss.

The remaining difference of \$250,000 would be the responsibility of the homeowner.



Increased Cost of Compliance

Increased Cost of Compliance (ICC) coverage is part of the SFIP and provides up to \$30,000 to help cover the cost of eligible mitigation measures to reduce flood risk, including elevation, demolition, and structure relocation (or any combination of these).

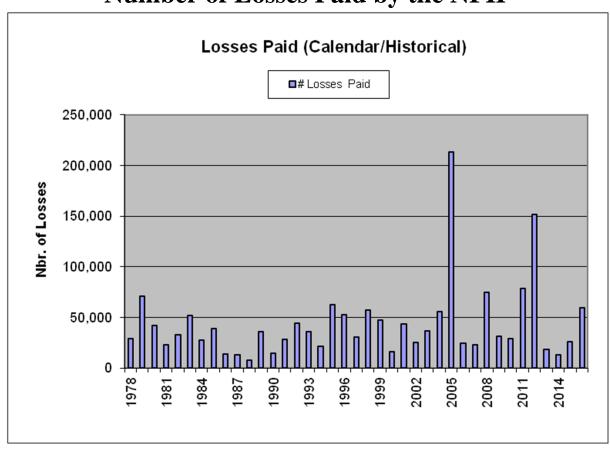
The maximum amount permitted for a claim under the National Flood Insurance Act of 1968 is \$250,000 for residential properties. If the homeowner has already received this amount for their claim, they would not be able to receive payment for the ICC.



- Documentation
- Living Expenses
- Lapse of Coverage

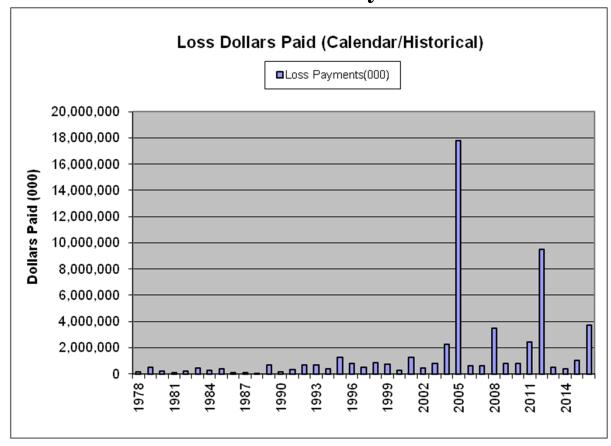


Number of Losses Paid by the NFIP





Total Amount Paid by the NFIP





Top Three Flooding Events

Hurricane Katrina	# Losses 168,019		Avg Paid \$97,147
Superstorm Sandy	131,616	\$8,627,006,605	\$65,547
Hurricane Ike	46,687	\$2,699,743,644	\$57,826





NFIP Claims Handbook
NFIP Summary of Coverage
NFIP Adjuster Claims Manual
NFIP Flood Insurance Manual
FEMA.gov
FloodSmart.gov
DisasterAssistance.gov