

O. POLLUTION DAMAGE

The SFIP covers direct physical loss by or from flood. Therefore, when floodwaters contain pollutants or cause release of pollutants that damage insured property, the cleanup, repair, and mitigation costs associated with such pollutants are covered under the General Property Form up to \$10,000.

If vinyl tile containing asbestos is damaged by flood (the asbestos does not damage insured property), the claim for removal and replacement of the flood-damaged tile is limited only by the Building Property policy limit less the deductible.

See FEMA Bulletin W-10065a (included on page B-55 of this manual) regarding basic claims procedures with handling claims involving oil in water.

P. PROOF OF LOSS REQUIREMENTS AND WAIVER

The NFIP Proof of Loss Form (FF81-42, a sample of which is included on page A-27 of this manual) is required on all advance payments, as well as on any paid claim. However, the Proof of Loss may be waived on claims under \$7,500. When a Proof of Loss is waived, the insured's signature must be obtained on the NFIP Final Report Form (FF81-58, a sample of which is included on page A-23 of this manual) after the loss and the claim have been determined. A copy of the signed Final Report must be left with the insured. In the absence of a local witness, the adjuster may witness the form. If the loss is over \$7,500, the Final Report must still be completed and a Proof of Loss must be obtained.

Two forms are used for documenting losses. The Proof of Loss Form is used for actual cash value claims. The Statement as to Full Cost of Repair or Replacement is used for replacement cost claims.

All signatures obtained on a Proof of Loss or NFIP Final Report should be signed and sworn to by the insured.

Q. REPAIR VS. REPLACEMENT

This is an area where adjuster improvement is needed. Everything that becomes wet is not necessarily a total loss. In these instances, the expertise of the adjuster is essential. Consideration must be given to the type of floodwaters involved (clear, muddy, fresh, salt, contaminated) and to the length of time the water remained in the building. Many buildings and contents items will respond to cleaning and need not be replaced. Some examples of "repair vs. replacement" are presented below.

1. Appliances

Always consider having the item checked and serviced rather than replaced. Even if a service technician states that the appliance will break down in the future, do not total the unit out if it is working. Advise the insured that a supplemental claim can be presented within a reasonable period of time (30–60 days) if the insured can prove that the flood caused the breakdown.

2. Furniture

Refinish, rather than replace, when possible.

On re-inspections conducted weeks and months after losses, NFIP General Adjusters have discovered appliances and furniture that were still being used after they had been declared total losses in the adjustment.

Remediation, drying, emergency service contractors

Water remediation, drying charges, emergency service charges should be reviewed to limit their scope to repairing only direct loss from flooding. This would include charges to properly dry the salvageable building materials. Particular care should be taken to exclude charges to dry material that is non-salvageable. Charges not considered a direct loss from flood should not be allowed.

Additionally, the effort put forth by the restoration company to salvage the flood-damaged items should preclude the need to replace those salvageable items. If repair or restoration cost is incurred for an item, an additional claim for replacement of that item will not be considered.

The SFIP provides up to three loss settlement methods, depending on the policy form under which the risk is insured. See Dwelling Form and General Property Form VII.V. Loss Settlement and RCBAP VIII.V. Loss Settlement.

R. REPLACEMENT COST COVERAGE (RCC) AND HOLD BACK

For single-family residences, including doublewide manufactured (mobile) homes, RCC is applicable only to building coverage. Under the Residential Condominium Building Association Policy, a co-insurance clause requires the condominium association to insure its building to at least 80 percent of the replacement cost value, in order to avoid suffering uninsured losses and charging assessments to members.

When insured property is eligible for replacement cost loss settlement, it is no longer required to hold back the recoverable depreciation (see FEMA Bulletin W-04020, included on page B-7 of this manual). Any amounts that would have currently been held back should be paid as part of the claim. The Bulletin, however, does not preclude the need to support the allowable depreciation. While RCC is paid upfront, adjusters should continue to indicate line-by-line depreciation on all estimates, and the ACV amount should continue to be referenced in reports and included in the Proof of Loss. The allowable depreciation amount may continue to be reflected in the signed Statement as to full cost of repair or replacement under the replacement cost coverage and the signed Final Report; however, if you do not choose to utilize these methods, you may include the allowable depreciation amount in the signed ACV Proof of Loss.

S. RESERVATION OF RIGHTS LETTER

A Reservation of Rights letter from the insurer to the insured is a notice that, even though the company is investigating the claim, certain losses might not be covered by the SFIP. By means of this letter, the company reserves its legal right to deny coverage later, as additional information about the loss becomes available.

T. RESERVES

The reserving system mandates that reports must be timely and reflect true reserves. The initial case loss reserve may be a system-generated amount based on criteria established by the WYO Company or it may be an individually set reserve based on the best knowledge of the loss at the time the reserve is set. A company may also set a bulk catastrophe reserve. The NFIP