

II. ADJUSTER PARTICIPATION IN THE NFIP

A. QUALIFICATIONS

The Federal Emergency Management Agency (FEMA) requires all independent adjusters who adjust flood losses for the National Flood Insurance Program (NFIP) to be NFIP flood certified. They must attend a NFIP claims presentation annually in order to maintain their active status of certification.

The National Flood Insurance Program (NFIP) Bureau and Statistical Agent is required to maintain a database of independent adjusters who qualify to adjust flood claims under policies issued by the NFIP Direct and the Write Your Own (WYO) carriers who utilize the services of the independent adjusting community. The qualifications reflect that the NFIP, like many other insurers, has its own distinct characteristics concerning coverage and adjusting requirements.

The adjuster database is designed to reflect by Flood Certification Number or other means that the approved adjuster has attended regular or special workshops that are held throughout the country. An adjuster may also attend a FEMA-recognized approved claims presentation conducted by independent adjusting firms or WYO Companies to maintain their active certification status. The records reflect the adjuster's name and the date and location of the workshop.

The purpose of these workshops is to keep the adjusting community current with claims procedures and guidance required for adjusting losses under the three forms of the Standard Flood Insurance Policy—the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy (RCBAP). For this reason, all independent adjusters who wish to be certified must submit the Adjuster Certification Application. WYO Company staff adjusters should be guided by their particular company's procedures.

The application contains five areas of authorization. An adjuster can be authorized in all five categories or any combination thereof, if the adjuster's qualifications meet the requirements. The five categories are as follows:

- Residential
- Manufactured (Mobile) Home/Travel Trailer
- Commercial
- Large Commercial
- Condominium (RCBAP)

1. Residential, Manufactured (Mobile) Home/Travel Trailer, and Commercial Authorization

To be approved for Residential, Manufactured (Mobile) Home/Travel Trailer, or Small Commercial losses, or any combination thereof, an adjuster should:

- a. Have at least 4 consecutive years of full-time property loss adjusting experience;
- b. Be capable of preparing an accurate scope of damage and dollar estimate to \$50,000 for manufactured (mobile) home/travel trailers, and \$250,000 for residential and up to \$500,000 for commercial losses.

- c. Have attended an NFIP workshop and be able to demonstrate knowledge of the SFIP and of NFIP adjustment criteria for all policy forms; and
- d. Be familiar with manufactured (mobile) home/travel trailer and Increased Cost of Compliance coverages and criteria.

These requirements will be checked and verified prior to approval.

2. Large Commercial and RCBAP Certification

To be approved for Large Commercial or RCBAP losses, or both, an adjuster should:

- a. Have at least 5 consecutive years of full-time large-loss property adjusting experience;
- b. For Large Commercial be capable of preparing an accurate scope of damage and dollar estimate of \$ 500,000 or more
- c. For RCBAP be capable of preparing an accurate scope of damage and dollar estimate of \$ 1,000,000 or more
- d. Submit written recommendations from three insurance company supervisor's or claim management personnel. The recommendations must reflect adjusting experience only; and
- e. FEMA encourages adjusters to have Errors and Omissions (E & O) Insurance coverage. There are some WYO companies that require adjusters who are assigned to handle their claims to have E&O coverage.

These requirements will be checked and verified prior to approval.

B. AUTHORIZATION REQUIREMENTS

FEMA recognizes that specialized knowledge is required in order for the adjuster to properly adjust NFIP losses. Adjusters must know the differences between the Standard Flood Insurance Policy (SFIP) and private industry property insurance forms. They must know interpretations of coverage made by FEMA and the unique reporting requirements of the NFIP. Accordingly, FEMA has made it a contractual requirement for the NFIP Bureau and Statistical Agent to maintain a list of adjusters who are authorized to handle NFIP losses.

The requirement that independent adjusters be certified by the NFIP applies to all independent adjusters seeking to handle flood losses. FEMA also encourages, but does not require staff adjusters handling WYO claims to be certified by the NFIP Bureau and Statistical Agent. The WYO companies are free to choose whatever adjusters they wish, either, staff adjusters or independent adjusters, to adjust their flood losses and are likewise free to establish any related qualifications or requirements for adjusters. A WYO staff adjuster handling a direct loss assigned under the Single Adjuster Program (SAP) is not required to submit an application for NFIP certification. In this case, WYO staff adjusters are deemed certified to handle SAP claims by virtue of their being staff adjusters for a WYO Company and that the WYO Company assigned the claim. (For further discussion of this situation, see Single Adjuster Program and Claims Coordinating Office in Subsection III. B. of this manual, page III-2.) Independent adjusters must be flood certified in order to adjust losses under the SAP.

Adjusters seeking recertification must attend an annual presentation and submit a properly completed and signed Adjuster Certification Application, (FF81-110). This form can be found at <http://www.fema.gov/library/viewRecord.do?id=2581>.

The application can be sent via any of the following methods:

- 1) E-mailed to iservice_claims@ostglobal.com;
- 2) Faxed to (301) 577-3421; or
- 3) Mail to P.O. Box 310, Lanham, MD 20706

Adjusters who are already certified and not seeking any changes to the categories in which they are certified, only need to attend an adjuster presentation. Adjusters who do not attend one of the annual NFIP claims presentations will be placed in an inactive status until such time they attend a NFIP claims presentations.

After the application has been processed the adjusters will be notified by email of their approval, upgrade, no change or denial. The adjusters that are newly approved or requested an upgrade to their classification will receive notification by email.

All adjusters who attend an approved NFIP Claims Presentation will be e-mailed a PDF of their FCN cards confirming their “active” status to handle NFIP flood claims.

C. ADJUSTMENT STANDARD AND REQUIREMENTS

FEMA’s adjustment standards and requirements have been revised and expanded to clarify NFIP expectations of flood adjusters. What follows supersedes the “NFIP Minimum Standards and Reporting Procedures,” which have been distributed in the past and should be carefully reviewed by adjusters.

1. General Standards and Requirements

- a. **Authority of the Adjuster.** The NFIP expects every adjuster handling NFIP flood losses to understand and to communicate to the policyholders that the adjuster does not have the authority to deny a claim or to commit the NFIP or the WYO Company to pay a claim and that all adjustments are recommendations only, subject to review by the NFIP Servicing Agent or the WYO Company.
- b. **Knowledge of the Program.** The NFIP expects every adjuster handling flood losses to be thoroughly familiar with the provisions of the Standard Flood Insurance Policy (SFIP). The adjusters should also know coverage interpretations issued by FEMA, and explained during the NFIP Claims Presentations. All claims are adjusted in compliance with these provisions.
- c. **Professionalism.** Because the adjuster represents the NFIP to the policyholder and public, the NFIP expects that every adjuster will conduct themselves in accordance with the highest standards of integrity and ethics and be courteous and professional in all dealings with policyholders.

2. Specific Standards and Requirements

- a. **Adjuster Preliminary Damage Assessment.** The adjuster completes the Adjuster Preliminary Damage Assessment form (PDA) on building claims that meet the criteria for substantial damage. After the adjuster conducts the inspection of the risk, the form must be completed and submitted to the NFIP Bureau and Statistical Agent by fax at (301) 577-2421, e-mail iservice_claims@ostglobal.com, or by mail to P.O. Box 310, Lanham, MD 20706 (refer to FEMA Bulletin W-09077, issued November 20, 2009).
- b. **Building Replacement Cost (RC) Special Loss Settlement, and Actual Cash Value (ACV).** The adjuster prepares accurate calculations of the insured building's replacement cost and actual cash value and properly conclude the claim on an RC or ACV basis as applicable.
- c. **Contents Claim Adjustment.** The NFIP requires the adjuster to assist the insured when necessary with the preparation of the contents claim, to verify that all contents included in the adjustment are covered under the SFIP, and to determine or verify accurate local replacement costs and reasonable physical depreciation. Applicable depreciation should be shown separately for each item.
- d. **Special Limits.** The special limitations on some contents (jewelry, furs, contents used in business, etc.) should be properly applied. Appropriate documentation supporting the claim value should accompany the worksheets.
- e. **Loss Avoidance Measures.** Claims for removal of insured property due to the imminent danger of flooding must be documented and verified in order to be covered under the SFIP. Only the value of work performed by the insured and a member of the household is covered.
- f. **Final Report.** The NFIP Final Report is required on all NFIP Direct and WYO losses. The adjuster should not close his or her file until all items on the Final Report are completed.
- g. **Identification of Building Equipment and Major Appliances.** The NFIP requires the adjuster to provide identifying information (manufacturer, model and serial number, and whenever possible, capacity, etc.) on major building equipment such as furnaces, central air conditioning units and major appliances such as refrigerators, washers, dryers, televisions, etc.
- h. **Identification of Minor Appliances.** The adjuster should provide identifying information on certain items for claims control and validation purposes.
- i. **Inspection.** The adjuster is required to inspect the property within 48 hours of receiving the loss assignment. This is also time to complete the Adjuster Preliminary Damage Assessment Form. The Adjuster Preliminary Damage Assessment form must be completed and submitted to the NFIP Bureau and Statistical Agent by fax at (301) 577-3421, e-mail iservice_claims@ostglobal.com, or by mail to P.O. Box 310, Lanham, MD 20706 (refer to FEMA Bulletin W-09077, issued November 20, 2009). The initial inspection will include preparation of a preliminary scope of damages. The adjuster assigned to the loss must inspect it personally and should not take a contractor along to inspect or scope the loss. If it is not possible for the adjuster to inspect the loss within the required time frame, the adjuster must explain why in the NFIP Preliminary Report and

advise when the loss will be inspected. Visits to the insured risk without an appointment should be avoided.

- j. **Insured's copy.** When the claim has been concluded, the adjuster furnishes the insured with a copy of all building and contents worksheets and proof(s) of loss.
- k. **Manufactured (Mobile) Home/Travel Trailer Worksheet.** The adjuster should complete a Manufactured (Mobile) Home/Travel Trailer Worksheet for every manufactured (mobile) home/travel trailer loss.
- l. **Narrative Report.** One or more NIFP Narrative Reports may be submitted for any flood claim in which the circumstances are unusual, suspect, or especially complicated, and additional explanation is appropriate. Only facts should be included in reports. Opinions or accusations have no place in reports.
- m. **Origin of Loss Verified.** The adjuster verifies that the reported claim was caused by direct physical loss by or from flood as defined in the SFIP.
- n. **Partial (Advance) Payments.** FEMA encourages advance payments to the insured and the adjuster should advise the insured of the availability of a partial (advance) payment. If the insured requests a partial payment, the adjuster must prepare documentation necessary to support the recommendation to the insurer of the amount of payment requested, including an NFIP Proof of Loss form or advance payment receipt. The range of partial payment amounts will be approved by the WYO Companies or the NFIP Servicing Agent. The partial payment should not be for more than 50 percent of the anticipated total claim payment and preferably should be made against the contents claim. If paid under the building coverage, the mortgagee(s) must be included on the claim check.
- o. **Preliminary Report Complete.** The NFIP Preliminary Report is required on all flood losses; however, adjusters who handle losses for WYO Companies may use the company's preliminary form or comparable form provided by the company. The Preliminary Report is due to the company within 15 days after the claim has been assigned to the adjuster and the adjuster should complete all items in the Preliminary Report. Information unknown at the time the Preliminary Report is submitted must be supplied in a later report.

An estimated reserve amount (the dollar value of future payments) should be provided to the insurer. If there are changes in the value of future payments during the adjustment of the claim the adjuster should notify the insurer. The depth of flood water and its duration in the insured building are important and the duration should be verified by a local official when possible or when in the adjuster's judgment it seems necessary.

- p. **Prior Losses Checked.** The adjuster should verify that damages from any prior loss have been repaired before the subject loss occurred, and must exclude from the adjustment any unrepaired prior damages. The adjuster is expected to review to the extent necessary, using judgment, experience, and investigative skills to determine if prior damage(s) have been repaired.

In those instances, where prior loss history is warranted the WYO Company representative should contact the NFIP Bureau and Statistical Agent to determine the prior losses history on claims if the previous losses were insured through a different carrier.

- q. **Progress Notes in the File.** The adjuster's file should contain adequate notes about the progress of the claim and the scope of damages, calculations of replacement cost and actual cash value, and a diagram of the insured building with measurements. The adjuster will make his or her notes available to the NFIP General Adjuster(s) during the reinspection process.
- r. **Prompt Contact.** The adjuster initiates contact with the insured or agent by the end of the business day after receiving the loss assignment. This initial contact preferably will be by telephone; but, if contact by telephone is not possible, the adjuster should send the insured or agent a postcard or letter acknowledging the assignment. The postcard or letter should include the adjuster's telephone number where the adjuster can be reached. Also, when the insured, agent, or company staff person leaves a telephone message for the adjuster, the adjuster is expected to return the call by the end of the business day after the message was left. In the majority of flood events, these standards are easily met. However, there have been instances where the insured property was severely damaged, hindering the adjuster's ability to contact the insured within the required time. The adjuster should contact the carrier and seek guidance on how to proceed with the loss.
- s. **Proof of Loss.** The adjuster may assist the insured in completing the Proof of Loss; however, this assistance is only a courtesy. Insureds must use their own judgment concerning the amount of the loss and they must justify that amount. A fully completed NFIP Proof of Loss form, signed and sworn to, with the required documentation is required on every claim on which any payment is recommended.

Unless in very large events the Federal Insurance Administrator extends the time in writing (Bulletin) the insured must send the signed and sworn to Proof of Loss with all required supporting documentation to the insurer within 60 days after the date of loss. Only the Federal Insurance Administrator can waive this or any SFIP provision. All waiver requests are made through the insurer. Proofs of Loss and/or NFIP Final Reports are issued as follows:

- On claims up to \$7,500, the signed NFIP Final Report form will suffice for this purpose. The WYO Company may request the policyholder's signature on the Final Report to be sworn to. If the claim payment is more than \$7,500, a separate Proof of Loss form is submitted.
 - If the insured qualifies for replacement cost coverage, the adjuster submits the Statement as to Full Cost of Repair or Replacement for the additional amount recoverable under the replacement cost provisions.
 - If the insured qualifies for Increased Cost of Compliance (ICC) coverage, a signed and sworn to Increased Cost of Compliance Proof of Loss form is submitted.
- t. **Proper Building Depreciation.** Depreciation is applied reasonably and accurately. This refers both to the determination of the building's actual cash value (replacement cost less the value of physical depreciation) and the repair estimate. Depreciation is shown separately, as applicable, for each line item in the adjustment, including overhead and profit. "Lump sum" depreciation is not acceptable. Replacement cost, depreciation, and actual cash value for each item are shown in this manner on all claims, regardless of whether the claim is concluded on an RCV or ACV basis.
- u. **WYO Errors (Proper Building Scope and Estimate).** The NFIP expects the adjuster to accurately identify the covered damages caused by flood and to allow only the cost of

repairs and/or replacements reasonably caused by direct physical loss by or from flood. The WYO Companies and the NFIP Servicing Agent rely upon the judgment of adjusters in the preparation of the scope of loss and the estimate of damage. It is natural and expected that the judgment or opinion of the adjuster at the scene immediately after the disaster may differ from those reviewing estimates either on the scene at a later date or by a reviewer in a remote location after the claim has been resolved. Claim payments arising out of policies issued by the insurer are binding upon the Federal government. However, non-judgmental errors, at its discretion, are not binding on the Federal Government.

- Non-judgmental matters involving inadvertent error (e.g., payment of a loss under a policy issued on an ineligible risk, payment of a loss, twice, for the same item of damage, payment for nonexistent items of damage, payment of a loss in respect to which the damages are unverified, such as where an adjuster might scope the damage as to one building, then settle multiple, similar buildings on the same basis without actually verifying the damage, etc.) are governed by Article IX of the Arrangement, dealing with errors and omissions, in which it is provided that the responsible party (Federal Emergency Management Agency (FEMA) or the WYO Company) will rectify the error as soon as possible after discovery. FEMA management, in such cases, will resolve the manner in which the error is to be rectified with the WYO Company management. In such cases, redress may be sought, for example, from the policyholder or adjusting firm responsible for the error, either by the company, in a claim for reimbursement, or FEMA in a federal claims collect effort, as is appropriate. NFIP and WYO Company joint reinspection representatives are encouraged to highlight the above situations in their reports, thereby calling such instances to the attention of WYO Company and FEMA management.
 - Judgmental matters where there may be a difference of opinion between WYO claims Management and the Federal Emergency Management Agency (FEMA) as to whether a claim payment involved on excessive, or inadequate, loss payment (e.g., differing views on the amount of depreciation taken, whether a general condition of flooding existed, whether sufficient verification of damages was obtained, etc.) are governed by Article II (F) of the Arrangement, which provides that "The Company shall investigate, adjust, settle and defend all claims or losses arising from policies issued under this Arrangement. Payment of flood insurance claims by the Company shall be binding upon the FEMA." Such matters will be subjected of claims operational reviews and special meetings between WYO management and FEMA management. The above wording was designed primarily for reinspections of buildings and may not express the documentation requirements of large commercial contents claims. What is expressed is the long-held principal that FEMA will not recoup from the WYO Companies or the NFIP Direct Servicing Agent when an error is judgmental.
- v. **Proper Photographs.** The adjuster should take as many photographs as are necessary to portray the damage. Photographs of non-damaged property can oftentimes be as important as photographs of damaged property.
- w. **Salvage.** The salvage value of all total-loss items must be considered. Where the size of the salvageable loss makes it appropriate, a salvor should be engaged, with the authorization of the NFIP Servicing Agent or WYO Company. Otherwise, the reasonable salvage value of property left with the insured is deducted from the covered loss.

- x. **Subrogation.** When the adjuster identifies subrogation potential, he or she must determine the grounds for a possible subrogation recovery. The investigation is considered a routine part of a loss adjustment. The adjuster completes the Cause of Loss and Subrogation Report form and any details of the investigation should be provided to the insurer.
- y. **Timely Reporting.** The adjuster's NFIP Preliminary Report is submitted within 15 days after receipt of the loss assignment. The NFIP Final Report is due 30 days later. If the claim has not been concluded within 45 days, subsequent reports are due every 30 days after the Preliminary Report, or otherwise as specifically directed by the claims examiner, until the claim is concluded.

D. NFIP FEE SCHEDULE BILLING

Payment of the adjuster's service fee will be according to the NFIP fee schedule. The scheduled fee for handling a loss is based on the NFIP-approved adjustment. The fee includes all travel, photographs, reporting, telephone, and office investigation expenses to conclude the claim, including identification of possible subrogation, salvage, and fraud. Customarily, the claim file contents will include coverage verification; normal adjuster investigation documentation, including statements where necessary; building reports and investigations; damage verification; and other documentation relevant to the adjustment of the claim under the NFIP's and the WYO Company's traditional claim adjustment procedures.

There are two fee schedules (pages B-22 and B-23)—one for gross losses and one for Increased Cost of Compliance claims.

1. Gross Losses

For gross losses sustained on or after September 1, 2008, use the NFIP Fee Schedule [Gross Loss] (page B-22). Use this schedule whether the claim will be closed without payment or will be paid up to the limit of \$250,000 or more.

2. Increased Cost of Compliance (ICC) Claims

For Increased Cost of Compliance claims, use the NFIP ICC Fee Schedule (page B-23). Use this schedule whether the claim will be closed without payment or will be paid up to the increased limit of \$30,000 that became effective on May 1, 2003.