



Reauthorizing and reforming the National Flood Insurance Program

The National Flood Insurance Program¹ serves the essential function of making it feasible for property owners to buy economic protection so that in the event of a flood, the owner can repair/restore the asset. While there are alternative flood insurance options in the private market that are available to *some* property owners in *some* regions, the NFIP will remain the only option for a substantial number of U.S. households in flood risk zones for the foreseeable future.

Just as state governments have created programs that fill availability gaps in the home, commercial and auto insurance markets, the federal government needs to maintain and improve the NFIP so it continues serving its essential function. As a non-profit that has been guiding consumers on insurance and disaster recovery for 25 years, United Policyholders has firsthand experience with the aspects of NFIP coverage and claim processing that need fixing. We share the goal of increasing resiliency and controlling premium costs through greater participation, but we and our long-term recovery partners need restored confidence in order to continue advocating that consumers buy NFIP products.

To maintain and improve the program while allowing healthy growth in the private competitive flood insurance market, United Policyholders strongly supports forgiveness of the NFIP's debt, specific reforms and a ten (10) year reauthorization subject to the following guiding principles:

- **Integrity:**
 - Increase the size of the professional staff employed by the NFIP to allow better oversight and standardization of the claim adjusting practices of Write-Your-Own companies. Implement audit penalties for claim underpayments and overpayments.
 - Disqualify from NFIP vendor contract eligibility all engineering, construction, claim adjusting and consulting professionals and firms whose work product related to flood losses has been found to be biased, unethical, incomplete or otherwise inconsistent with relevant professional standards.
- **Transparency:**
 - Reform the appeals process set forth 44 CFR. § 62.20. The process needs clear procedural and substantive rules to merit restored public confidence. The appeals process, appellants' rights and the review standards must be transparent and allow efficient and neutral reviews of claim and coverage decisions. Congress should appropriate adequate funding for NFIP staff to be able to annually track appeals and report outcomes.
 - Vendor, WYO, Independent Adjusting, administrative support and other consulting contracts with the NFIP shall be public documents.

¹ National Flood Insurance Act of 1968, P.L. 90-448, 42 U.S.C. § 4001 *et seq* (NFIP), set to expire on September 30, 2017.

- **Solvency:**
 - The NFIP should be reauthorized for a minimum of 10 years and the debt should be forgiven.

- **Simplified coverage:**
 - Remove the ICC eligibility requirement of 50% or more so code compliance is covered, regardless of loss severity. Time and money is routinely wasted on disagreements over whether that threshold has been met.
 - Require an advance of at least 10% of available coverage within 30 days of the date of loss.

- **Reasonable and consistent claim processing rules:**
 - The current Standard Flood Insurance Policy only gives claimants 60 days to submit a complete, signed, sworn proof of loss document. This is too short a window and should be 90 days. The Federal Insurance Administrator has authority under 44 CFR § 61.13(d) to waive or grant extensions of this deadline. When he/she exercises discretion to extend the deadline beyond 90 days, notice of the extension shall be disseminated at least one week in advance of the original deadline.
 - Clarify that foundation damage is covered if it was proximately caused or exacerbated by the flood.
 - Congress should import at least two portions of California Insurance Code section 2071:
 - **“Adjusters”**
If within a 6-month period, the company assigns a third or subsequent adjuster to be primarily responsible for a claim, the insurer, in a timely manner, shall provide the insured with a written status report.
 - **“Requirements in case loss occurs”** that allows a claimant to access:
...all documents that relate to the evaluation of damages, including, but not limited to, repair and replacement estimates and bids, appraisals, scopes of loss, drawings, plans, reports, third-party findings on the amount of loss, covered damages, and cost of repairs, and all other valuation, measurement, and loss adjustment calculations of the amount of loss, covered damage, and cost of repairs.

- **Accountability:**
 - Amend the National Flood Insurance Act (“NFIA”) to remove the Federal Emergency Management Agency (“FEMA”) and Write-Your-Own Insurers’ (“WYO”) immunity from liability for fully compensating victims of unfair flood claim practices. Numerous whistleblowers have identified that immunity as the most significant cause of poor flood claim handling.

- **Uniformity:**
 - Amend 42 U.S.C. § 4019 or otherwise grant authority to FEMA to adopt the National Association of Insurance Commissioners’ Unfair Claims Settlement Practices Act (timelines for investigating, communicating information, and settling claims). Bulletin W-15025 (June 1, 2015) was a positive first step in recognizing that claims handling varied widely among WYOs, resulting in inconsistent claimant experiences.