

Christie, Schumer Blast NFIP and WYO Insurer Delays in Handling Sandy Claims

Property Casualty 360

BY ARTHUR D. POSTAL, PROPERTYCASUALTY360.COM The Federal Emergency Management Agency is coming under heavy fire for its handling of Superstorm Sandy flood claims in New York and New Jersey. The criticisms extended to Write-Your-Own companies that in many cases process flood claims for FEMA. The objections—outlined in a letter from New Jersey Gov. Chris Christie to his congressional delegation and in a statement released by Sen. Charles Schumer, D-N.Y.—contend that, in many cases, federal-disaster-relief dollars are being held up due to a delay in processing flood claims. Schumer said, “Slow payments from the NFIP are causing unnecessary hardship for homeowners already devastated by Sandy.” In response, FEMA today announced that to expedite claims, it has authorized additional flexibility for the Write-Your-Own companies “to quickly make advance and partial payments.” A FEMA spokesperson tells PC360 that the agency has also reduced paperwork requirements so that claims under NFIP policies can be processed “as quickly as possible.” The spokesman says, “Of the more than 141,000 claims that have been filed, more than 60 percent have been closed and approximately \$4.1 billion has been paid out to survivors.” That is inconsistent with the Christie and Schumer comments. At a press conference Feb. 5, Christie called out the federal agency, saying the NFIP has “stunk” because of its delay in handling of claims and the subsequent settling of those claims. In a letter to the state congressional delegation the same day, Christie said that, while more than 85 percent of homeowners-insurance claims have been closed, only 30 percent of flood claims have been closed. Schumer said in his statement that FEMA “must demand vastly improved performance from the insurance companies that run the NFIP,” and that if the companies don’t improve, FEMA “should fine them or end their contracts.” The back-office work for Write-Your-Own insurance companies is handled by National Flood Services, out of Kalispell, Mont. FEMA-related claims, through what is known as FEMA-direct, are handled by CSC Corp., formerly known as Computer Sciences Corp., based in Falls Church, Va. CSC in June 2011 won the contract to handle the more than 800,000 flood policies turned back to FEMA by State Farm after the insurer grew tired of the fits and starts associated with Congressional renewal of the NFIP, a process

which went on from 2007 until July 2012. Both NFS and CSC referred all calls to FEMA. In his statement Tuesday, Schumer said, “These companies take on no additional risk by participating in the NFIP—their expenses are reimbursed by FEMA—and they profit from generous fees that can add up to as much as one-third or two-thirds of all premiums collected on NFIP policies in a given year.” He added, “FEMA must immediately require far better performance and quicker payouts from these companies,” and said FEMA should consider requiring them to hire more claims adjusters and inspectors. Trade groups representing homeowners-insurance companies declined direct comment. But one trade-group official who was not allowed to comment by name says that Schumer is somewhat incorrect. He says there are many cases where the company that provides the homeowners policy does not sell the flood-insurance policy. He also says that perhaps 1 million policies are serviced by FEMA-direct. Moreover, the official notes, in some cases FEMA does not approve the estimate by the WYO claims adjuster. In those cases, it is the WYO company that must take the haircut. In defending itself, the FEMA spokesperson says the agency’s top priority “is to provide assistance to those in need as quickly as possible, while also meeting our requirements under the law.” To do this, the spokesman says FEMA must work with its WYO-company partners that sell flood insurance under their own names and are responsible for the adjustment of their policyholders’ claims. “FEMA will not be satisfied until policyholders have received payments for all covered losses,” the spokesman says. “Policyholders who continue to have concerns with their insurance companies should reach out directly to FEMA by calling 1-800-427-4661,” the spokesman adds.