

[Hurricane Sandy Flood Insurance Claims: An exercise in exasperation, homeowners say](#)

New Jersey Star Ledger

Meg Kelly uses three images when summing up her experience with Hurricane Sandy. First, the freight train: the thundering wind gusts that barreled through her Neptune neighborhood the night of Oct. 29. Then, the tsunami: the punishing surge that sprang from the surrounding bay and deluged the first floor of her home on Shark River Island. And last, the meat grinder: the slow, crushing battle she said she has waged to get some type of payout from her flood-insurance policy. "I'm still traumatized," the 46-year-old Kelly said, speaking of the months of struggle and reversals she underwent before getting what she considers a reasonable insurance settlement for her flooded home. "After they drag you down the street, it's like they say 'OK, we will take care of you.'" "The way FEMA sees it, the National Flood Insurance Program is chugging along, doing what it is supposed to do. Though bogged down at first, flood insurers have now closed about two-thirds of the roughly 143,000 claims they have received — nearly 74,000 of which were from New Jersey. The companies are now releasing money at a pace of tens of millions of dollars each day, data from the agency show. But the way many homeowners see it: it's been anything but smooth. In the months since Sandy devastated the Jersey Shore, homeowners who have been uprooted by the storm say their efforts to restart their lives have been stymied, in large part, by the disarray of how their flood insurance claim has been handled. Interviews with nearly two dozen Shore homeowners and local officials have revealed widespread frustration with the federally run program and breakdowns that have occurred at its private sector partners — insurers and flood adjusters — when it comes to delivering basic levels of customer service and coordination. Gov. Chris Christie and New Jersey's congressional delegation have called on the Federal Emergency Management Agency to address what appears to be slowing flood payouts, including extensive paperwork requirements, federal audits and a shortage of certified flood adjusters in the area. But homeowners say they are dealing with more than just a long wait. They say they have been plunged into a virtual black hole when it comes to getting any response from either the insurer that sold them their flood policy or the adjuster handling their claim. Phone messages left day after day rarely get returned, they say. Some said they only have gotten action

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after they've rattled the chains through someone they know at the insurance company or when an elected official came to their rescue." "This is a full-time job," said Bettina Forbes, 48, of Little Silver. "At a certain point, you feel like, 'Is this a stalling tactic? Is this their way to wear you out?' " "Baffling decisions, broken promises Homeowners also have dealt with baffling decisions about what they are covered for. Betsy Mullan, 35, said Sandy's surge pushed her Highlands home several inches off its foundation. But for reasons that are beyond her, a structural engineer hired by her adjuster said he found no evidence that the storm was to blame, Mullan said. This came on top of weeks spent trying to get her flood insurer, Selective Insurance, to remove an outdated phone number that workers assigned to her claim had been calling anytime they needed to reach her or her husband. "Once you get past one problem, there's another one facing you," she said. A Selective spokeswoman said the confidentiality of policyholders' information prevents it from commenting on individual claims. Others say they were promised money, including advanced payments to help them rip out sodden wall boards and floors, that was never delivered. Emily Burek, 28, of Highlands, said that after months of waiting, her adjuster reneged on a promise to advance her \$6,000, then later claimed he made no such pledge. She has filed a complaint with the state Department of Banking and Insurance but has not gotten a response from her insurer.

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contents. Or it provides the “actual cash value” of the damaged property, which is the replacement cost minus depreciation. This is consistent with other forms of insurance. In some respects, what homeowners are confronting are the complicated legal limits of federal flood insurance. The NFIP was established in 1968 as a way to provide affordable flood insurance to communities at a time when private insurers were pulling back. Yet the program operates differently than traditional homeowners or auto insurance. Instead of selling flood insurance directly, FEMA relies on private insurers, including Allstate, Selective and Travelers, to service the market and pay out claims using NFIP money. For their work, carriers are paid a fee based on the size of the settlement. To limit conflicts of interest, the insurers, known as Write Your Own carriers, do not handle flood claims themselves. They instead contract the work to independent flood-adjusting companies, which call upon a small army of adjusters who have been certified by the NFIP to handle flood claims. Most adjusters hail from hurricane-prone states such as Texas, Florida and Louisiana. Yet they are expected to handle claims the same way, in part because they use computer software that applies what are determined to be “local costs” to replacing or repairing covered property. One problem people say they are facing is that “local costs” are far from the going rate. Carol Mainieri, 67, said her flood adjuster agreed to pay out \$84,000 for repairs to her Neptune home, much less than the \$130,000 a contractor had quoted her as the cost to put things back to normal, and less than the \$107,000 in flood coverage she had after her deductible. Jim Kenney, a married father of three, said he was forced to gut his Brick Township home after taking on more than 4 feet of water during Sandy, some of which he said was tainted by diesel fuel from a nearby marina. He said his flood adjuster has offered to pay \$300 for each room that needs painting, an amount he said no contractor has agreed to match. Other work won’t be covered at all, he said, including replacing the electrical system he says was submerged in water. Depreciation chipped away at the rest of his settlement, he said. In the end, Kenney said he was told he will receive just \$43,000 to repair the flood damages to his house. It’s simply not enough, he said. “I’m ready to bulldoze the house. What am I going to do?” Kenney said. FEMA Audits In theory, flood insurers and adjusters have an incentive to close claims quickly. They don’t get paid until they do, a FEMA official noted in an interview. And in theory, they have an incentive to pay policyholders more money, not less. But a big stick hangs over the head of the Write Your Own carriers to keep them from overpaying: FEMA audits. If the agency finds a claim was paid out too richly, it will take back money from the insurer, the FEMA official said. The FEMA official could not be identified because he was not authorized to speak on the record. In a statement, a spokesman for the agency said, “FEMA will not be satisfied until policyholders have received payments for all covered losses.” Polling data that the NFIP collects from Write Your Own carriers show that claims payouts are speeding up. As of Wednesday,

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nearly \$4.8 billion in payments have been made, up from \$3.7 billion at the start of the month. In early January, it was \$1.9 billion. Of the 143,000 Sandy-related flood-insurance claims filed along the eastern seaboard, nearly 99,000, or 69 percent, have been closed, according to the data. The FEMA official said these close-out rates are comparable to 2011's back-to-back tropical storms Irene and Lee. A similar ratio existed in New Jersey, where insurers said they closed out about 49,000 of the nearly 74,000 Sandy claims, or 66 percent. Most claims have been closed with payments, averaging about \$40,000, although about 5,900 claims were closed without payment. The FEMA official said the agency will examine carriers that have lagged in closing out claims. "We will be visiting the companies that aren't performing well and find out why," he said. As for flood settlements that are being made for half the amount of an estimated repair bill, the FEMA official had no explanation. "If it's that far apart, there's a real issue," he said, adding this could be evidence of contractor gouging. "If you take the check from the company, you can still appeal," he added. In the case of Meg Kelly of Neptune, she said her adjuster initially offered to settle her flood claim for a "non-negotiable" \$24,000. She soon realized the amount was too low — the first floor of her home was gutted to the studs. But when she questioned the adjuster, she said he responded by reclassifying the damaged area as a basement, saying it had to do with NFIP requirements in effect at the time her home was built. Suddenly his offer dwindled to \$2,000, Kelly said. Incensed, she contacted whomever she could. Word of her situation reached the office of state Sen. Jennifer Beck (R-Monmouth), which in turn forwarded the matter to the state Department of Banking and Insurance, according to Taryn O'Brien, Beck's director of constituent affairs. Three days later, Kelly said her insurance adjuster reversed course: Her living room was no longer a basement. She'd be getting a settlement of \$37,000 instead. "I feel like I've been blindfolded and spun around," Kelly said of her experience. But she is thankful she fought. Those who haven't, she said, "They're probably getting killed."

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