

[Hurricane Sandy Judges Demand Clearing of Settlement Roadblocks](#)

Insurance Journal

Federal officials and flood insurance companies were chastised by a panel of New York judges for imposing delays on settlements with hundreds of Hurricane Sandy victims who alleged their claims were wrongfully denied or underpaid. Officials with the Federal Emergency Management Agency and lawyers for 25 insurance companies appeared Monday in Brooklyn federal court, where the three-judge panel is probing problems that had arisen in efforts to settle as many as 2,000 disputes over payment for damage from the 2012 record-setting storm. “This is not a time for business as usual,” U.S. Magistrate Judge Gary Brown said during the hearing. “This committee will not permit unnecessary bureaucratic obstacles to stand in the way” of settlements. U.S. Magistrate Judge Cheryl Pollak told the insurers, who have faced scrutiny over possible underpayments to homeowners based on falsified engineering reports, that if they fail to work out deals, further evidence of manipulation may come out in public court hearings. That “likely will be difficult, expensive and risky” for all parties involved, Pollak said. The panel “believes it would be in everyone’s interest to develop solutions.” FEMA, which provides flood insurance in partnership with private companies, said in February it would begin pushing for settlements of all remaining disputed flood insurance claims from the storm after evidence surfaced that some engineering firms may have manipulated reports for homes alleged to have suffered serious damage. Last month, the agency said it would consider reviewing any of the 140,000 flood claims from the storm if homeowners suspect they were cheated. Engineering Firms Insurers and engineering firms have denied wrongdoing over the engineering reports, and insurers say they have no incentive to cheat homeowners because FEMA ultimately pays claims under the program. Problems with reaching settlements have included demands from other disaster relief providers to recoup a portion of the funds and concerns from insurers that they could be subject whistle-blower actions if they sign on to accords, lawyers said in the hearing Monday. Government officials also disagreed about whether homeowners could be paid attorneys’ fees as part of the agreements, according to lawyers. “Throughout this process, our guiding principle has been – and continues to be – putting survivors first,” Rafael Lemaitre, a spokesman for FEMA, said in a

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statement. “We remain committed to reaching a settlement so that every policyholder gets every dollar they are legitimately owed under their policies.”The panel of judges was organized to facilitate hundreds of cases filed by policyholders who challenged payouts from insurers in the aftermath of the storm.FEMA is working to ensure that settlements will not preclude any criminal investigation that may arise into allegations of fraud.So far, eight insurance companies, which weren’t named publicly in court, have agreed to settlements totaling about \$12 million with a group of homeowners whose reports may have been manipulated, according to Steve Mostyn, a lawyer for homeowners who has taken a leadership role in settlement negotiations. Those settlements also include attorneys fees, Mostyn said.At least three engineering firms were accused by lawyers for the plaintiffs of playing a role in manipulating reports. One of the firms has been subject to a criminal probe by New York Attorney General Eric Schneiderman.The case is In Re Hurricane Sandy Cases, 1:14-mc-00041, U.S. District Court, Eastern District of New York (Brooklyn).