



Hurricane Harvey Recovery NFIP Claim Handling Best Practices

<p>Problem: The 60 day deadline and strict requirement that all damage must be specified and tallied up in a complete proof of loss is not tenable in a large scale flooding event and causes a ripple effect of problems.</p>	<p>Solution: Extend the Proof of Loss deadline to two years for Harvey.</p> <p>Make POL user-friendlier so a layperson can complete it based on available knowledge and can supplement and not be penalized if it's initially incomplete or inaccurate.</p>
<p>Problem: The volume of claims necessitates hiring new adjusters, many inexperienced and unfamiliar with flood claims and insurance rules.</p> <p>Adjusters make honest inspection and estimating mistakes and misrepresentations to policyholders that reflect poorly on the program and the agency, cause drawn-out disputes and expenses (Sandy review process and litigation).</p>	<p>Solution: Require extensive photo-documentation of every home that gets inspected, set clear checklists that ensure thorough inspections of both structural and cosmetic damage. See: http://www.uphelp.org/sites/default/pdfs/tradesummary.pdf</p> <p>See also: http://www.uphelp.org/pubs/scoop-“scope”-loss</p> <p>Allow initial home inspections by new/inexperienced adjusters but do not authorize them to settle losses in full on one visit or without review and oversight of their adjustment.</p>
<p>Problem: Muck outs and debris removal before conditions and damage have been adequately documented.</p> <p>Well-intentioned volunteers and pressure to timely inspect contribute to this problem.</p>	<p>Solution: Issue a bulletin that alerts all NFIP personnel, WYOs, Independent Adjusters and policyholders that photo documentation must be done before mucking out and debris removal.</p> <p>NFIP/WYOs should accept photographic evidence as proof of damage. Keep an emphasis on mitigating/preventing future damage/drying out, but discourage premature disturbing of evidence of damage conditions.</p>

<p>Problem: Xactimate/computerized estimating chronically leads to lowball estimates. Contractor repair homes, not computers.</p> <p>Strive to establish a template for loss inspections and estimates (scopes of loss) that will allow NFIP/WYO/IA generated scopes/estimates to be compared side by side with estimates generated by experts retained by or for the policyholder.</p>	<p>Solution: Avoid ever letting Xactimate (or similar cookie cutter estimating software) alone determine the settlement amount offered to the insured.</p> <p>Software programs routinely undervalue losses and unless an adjuster really knows how to use them to override defaults and input sufficient details to generate an accurate report. See UP publication: Xactimate Demystified.</p> <p>If the agency feels it must use a computerized tool – address the problem described above.</p> <p>Retain unbiased experts, respect them, don't impose arbitrary quotas or unrealistic limits on how much they get paid per report.</p>
<p>Problem: Scope of earth movement exclusion is too broadly construed, which causes unnecessary conflict.</p>	<p>Solution: Adjuster training that teaches that foundation damage is covered if proximately caused or exacerbated by flood, and the NFIP and its agents have the burden of proof to show pre-existing if denying on that basis.</p>
<p>Problem: Policyholders get frustrated because they don't have access to information about the status of the investigation and adjusting of their claim and the basis for the offered settlement.</p>	<p>Solution: Every claim payment or denial should include an explanation of the basis for your reasoning. Set up a system for providing periodic status reports – online is how many carriers do it today, but that's probably not tenable with NFIP's existing resources.</p> <p>Rotating adjusters create frustration when there's a lack of consistency/continuity in claim decisions and claim status.</p> <p>Inform insureds that upon written request, the NFIP (and/or adjuster) will provide copies of reports, measurements, and loss adjustment notes to policyholder within 15 days. Source: CA Ins. Code sec. 2071, Requirements if Loss Occurs.</p>

<p>Problem: Independent Adjusters have a perception that the NFIP debt and some kind of “overpayment penalty” exposes them to personal financial responsibility. This causes them to err on the low, not high side when estimating benefits owed.</p>	<p>Solution: Issue a clarifying bulletin and establish equal penalties for low and inflated estimating. Protect the NFIP and FEMA from being tagged for misconduct by IAs/WYOs/Examiners/Claim Servicers. Proactively remove bad actors, penalize lowballing, and prosecute fraud.</p>
<p>Problem: WYO/vendor immunity for fraudulent adjusting practices has subjected the NFIP and FEMA to criticism in the media, Congress and among policyholders.</p>	<p>Solution: Use whatever authority FEMA has to remove that immunity so WYOs and vendors have the same accountability as any other private insurance entity.</p>
<p>Problem: Policyholder frustration/disappointment, unreasonable expectations, misinformation, suspicious mindset created by unscrupulous repair/claim/legal professionals soliciting their business.</p>	<p>Solution: Issue payment advances as soon as practicable with explanations of how you calculated it and which category it is under</p> <p>Provide regular status reports, keep policyholders apprised/informed on status and basis for adjustment decisions, provide an ombudsman who has access to their claim file and can answer questions when adjusters rotate out.</p>
<p>Problem: Disputes over scope and cost of repairs are common. Resolving them inexpensively is in everyone’s best interest. No need for courts to resolve them.</p>	<p>Solution:</p> <p>NFIP appeal unit needs to have independence or tap into an outside entity/process</p> <p>Engage UP, the IAUA (Insurance Appraisers and Umpires Association) and industry stakeholders to build an efficient, fair and cost-effective flood claim dispute appraisal process.</p> <p>Mediation and Appraisal are two established processes that can serve as an independent review and dispute resolution alternative to litigation and/or an appeal process that lacks</p>

	<p>the necessary ethical and neutrality safeguards to merit the confidence of NFIP customers and public officials.</p> <p>See http://www.uphelp.org/pubs/insurance-appraisal-simplified, see also: http://www.uphelp.org/resources/claim-help/disputes</p>
<p>Problem: The perception that the program uses biased experts</p>	<p>Solution: Do not contract with or allow your vendors/WYOs/claim servicing firms to contract with engineering and estimating firms that have been implicated in misconduct after prior disasters. Don't execute volume claim handling contracts that impose unrealistically short time frames for the preparation of estimates and reports. These time frames incentivize estimators to cut corners, use template report formats and fail to estimate each loss on an individual basis as needed.</p>