

II. ADJUSTER PARTICIPATION IN THE NFIP

A. QUALIFICATIONS

The National Flood Insurance Program (NFIP) Bureau and Statistical Agent is required to maintain a database of independent adjusters who qualify to adjust flood claims under policies issued by the NFIP Direct and the Write Your Own (WYO) carriers who utilize the services of the independent adjusting community. The qualifications reflect that the NFIP, like many other insurers, has its own distinct characteristics concerning coverage and adjusting requirements.

The adjuster database is designed to reflect by Flood Certification Number or other means that the approved adjuster has attended regular or special workshops that are held throughout the country. This includes adjusters who attend a FEMA-recognized flood workshop conducted by independent adjusting firms or WYO companies each year. The records reflect the adjuster's name and the date and location of the workshop. The purpose of these workshops is to keep the adjusting community current with claims procedures required for adjusting losses under the three forms of the Standard Flood Insurance Policy—the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy (RCBAP). For this reason, all independent adjusters who wish to be certified must submit the Adjuster Certification Application. WYO company staff adjusters should be guided by their particular company's procedures.

The application contains five areas of authorization. An adjuster can be authorized in all five categories or any combination thereof, if the adjuster's qualifications meet the requirements. The five categories are as follows:

- Residential
- Manufactured (Mobile) Home/Travel Trailer
- Commercial
- Large Commercial
- RCBAP

1. Residential, Manufactured (Mobile) Home/Travel Trailer, and Commercial Authorization

To be approved for Residential, Manufactured (Mobile) Home/Travel Trailer, or Commercial losses, or any combination thereof, an adjuster must:

- a. Have at least 4 consecutive years of full-time property loss adjusting experience.
- b. Be capable of preparing an accurate scope of damage and dollar estimate to \$50,000 for manufactured (mobile) homes/travel trailers and to \$500,000 for residential and commercial losses.
- c. Have attended an NFIP workshop and be able to demonstrate knowledge of the SFIP and of NFIP adjustment criteria for all policy forms.
- d. Be familiar with manufactured (mobile) home/travel trailer and Increased Cost of Compliance adjusting techniques.

These requirements will be checked and verified prior to approval.

2. Large Commercial and RCBAP Authorization

To be approved for Large Commercial or RCBAP losses, or both, an adjuster must:

- a. Have at least 5 consecutive years of full-time large-loss property adjusting experience.
- b. Be capable of preparing an accurate scope of damage and dollar estimate of \$500,000 or more.
- c. Submit written recommendations from three insurance company supervisory or claim management personnel. The recommendations must reflect adjusting experience only.
- d. Provide information regarding current Errors and Omissions coverage.

These requirements will be checked and verified prior to approval.

B. AUTHORIZATION REQUIREMENTS

FEMA recognizes that specialized knowledge is required in order for the adjuster to properly adjust NFIP losses. Adjusters must know the differences between the Standard Flood Insurance Policy (SFIP) and industry property insurance forms. They must know interpretations of coverage made by FEMA and the unique reporting requirements of the NFIP. Accordingly, FEMA has made it a contractual requirement for the NFIP Bureau and Statistical Agent to maintain a list of adjusters who are authorized to handle NFIP losses.

The requirement that independent adjusters be certified by the NFIP applies to all independent adjusters seeking to handle flood losses. However, this is only one of the capacities in which adjusters are involved in the NFIP. FEMA does not require that staff adjusters handling WYO claims be certified by the NFIP Bureau and Statistical Agent. The WYO companies are free to choose whatever adjusters they wish, staff or independent, to adjust their flood losses and are likewise free to establish any related qualifications or requirements for adjusters, including, at their option, the requirement that an adjuster be NFIP certified. A WYO staff adjuster handling a Direct loss assigned under the Single Adjuster Program is not required to submit an application for NFIP certification. In this case, WYO staff adjusters are deemed authorized by virtue of their being staff adjusters for a WYO company. (For further discussion of this situation, see Single Adjuster Program and Claims Coordinating Office in Subsection III.B. of this manual.)

Independent adjusters must be approved by FEMA in order to adjust losses under the Single Adjuster Program.

C. ADJUSTMENT STANDARDS AND REQUIREMENTS

FEMA's adjustment standards and requirements have been revised and expanded in order to clarify what the NFIP expects from the adjuster in the adjustment of a flood loss. What follows supersedes the "NFIP Minimum Standards and Reporting Procedures," which have been distributed in the past. Since there are several significant changes from the previous "Minimum Standards," adjusters should review these revised standards and requirements carefully and become thoroughly familiar with them.

1. General Standards and Requirements

- a. **Authority of the Adjuster.** The NFIP expects every adjuster handling NFIP flood losses to understand and to communicate to the policyholders that the adjuster does not have the authority either to deny a claim or to commit the NFIP or the WYO company to pay a claim and that all adjustments are recommendations only, subject to review by the NFIP Servicing Agent or the WYO company.
- b. **Knowledge of Program.** The NFIP expects every adjuster handling flood losses to be thoroughly familiar with the provisions of the SFIP, including coverage interpretations issued by FEMA, as explained in the NFIP Claims Presentations conducted by NFIP staff, and to adjust NFIP losses in accordance with these provisions.
- c. **Professionalism.** Because the adjuster represents the NFIP to the policyholder, the NFIP expects that every adjuster will conduct himself or herself in accordance with the highest standards of integrity and ethics and that his or her conduct will be courteous and professional in all dealings with policyholders.

2. Specific Standards and Requirements

- a. **Adjuster Preliminary Damage Assessment.** The adjuster must complete the Adjuster Preliminary Damage Assessment form on all building claims that meet the criteria for substantial damage. After the adjuster conducts the inspection of the risk, the form must be completed and faxed to the NFIP Bureau and Statistical Agent's Claims Department at 1-800-457-4232.
- b. **Building RC, Special Loss Settlement, and ACV.** The adjuster must prepare accurate calculations of the insured building's replacement cost and actual cash value and properly conclude the claim on an RC or ACV basis as applicable.
- c. **Contents Claim Adjustment.** The NFIP requires the adjuster to assist the insured as necessary with the preparation of the contents claim, to verify that all contents included in the adjustment are covered under the SFIP, and to determine or verify accurate local replacement costs and reasonable actual cash value. Applicable depreciation must be shown separately for each item.
- d. **Coverage Limitations.** The special limitation on some contents (jewelry, furs, etc.) must be properly applied. Documentation supporting the claimed value must accompany the worksheets as appropriate. Claims for removal of insured property due to the imminent danger of flooding must be documented and verified in order to be covered under the SFIP.
- e. **Final Report.** The NFIP Final Report is required on all NFIP Direct and WYO losses. The adjuster must not close his or her file until all items on the Final Report are completed.
- f. **Identification of Building Equipment and Major Appliances.** The NFIP requires the adjuster to provide identifying information (manufacturer, model, serial number if

possible, capacity, etc.) on major building equipment such as furnaces and central air conditioning units and major appliances such as refrigerators, washers, televisions, etc.

- g. Identification of Minor Appliances.** The adjuster must provide identifying information on certain items for claims control and validation purposes.
- h. Inspection.** The adjuster is required to inspect the property within 48 hours of receiving the loss assignment for those losses of a critical nature and to inspect other losses as soon as possible within 1 week of receiving the loss assignment. This is also the time to complete the Adjuster Preliminary Damage Assessment form and fax it to the NFIP Bureau and Statistical Agent's Claims Department at 1-800-457-4232. The initial inspection will include preparation of a preliminary scope of damages. The adjuster assigned to the loss must inspect it personally and should not take a contractor along to inspect or scope the loss. If it is not possible for the adjuster to inspect the loss within this time frame, the adjuster must explain why in the NFIP Preliminary Report and advise when the loss will be inspected. Visits to the insured risk without an appointment should be avoided.
- i. Insured's Copy.** When the claim has been concluded, the adjuster must furnish the insured with a copy of all building and contents worksheets and proof(s) of loss.
- j. Manufactured (Mobile) Home/Travel Trailer Worksheet.** The adjuster must complete a Manufactured (Mobile) Home/Travel Trailer Worksheet for every manufactured (mobile) home/travel trailer loss.
- k. Narrative Report.** One or more NFIP Narrative Reports must be submitted for any flood claim in which the circumstances are unusual, suspect, or especially complicated, and additional explanation is appropriate.
- l. Origin of Loss Verified.** The adjuster must verify whether the reported loss resulted from flood as defined in the SFIP.
- m. Partial (Advance) Payments.** The adjuster must advise the insured of the availability of a partial (advance) payment. If the insured requests a partial payment, the adjuster must prepare documentation necessary to support the amount of payment requested, including an NFIP Proof of Loss form. The partial payment should not be for more than 50 percent of the anticipated total claim and preferably should be made against the contents claim.
- n. Preliminary Report Complete.** The NFIP Preliminary Report is required on all flood losses; however, adjusters who handle losses for WYO companies may use whatever comparable form is maintained by the company. The adjuster must eventually complete all items in the Preliminary Report; any information unknown at the time that the Preliminary Report is submitted must be supplied in a later report.
- o. Prior Losses Checked.** The adjuster must verify that damages from any prior loss have been repaired before the subject loss occurred, and must exclude from the adjustment any unrepaired prior damages. The adjuster can contact the NFIP Bureau and Statistical Agent to determine prior losses. The adjuster will then contact the previous insurer and ask for the file copies of any prior flood claims. The adjuster is expected to review these

as appropriate, drawing on investigative experience and exercising judgment to determine whether prior damage has been repaired.

- p. **Progress Notes in File.** The adjuster's file must contain adequate notes regarding the progress of the claim and the scope of damages, calculations of replacement cost and actual cash value, and a diagram of the insured building with measurements. The adjuster must make this file available upon the request of the NFIP General Adjuster for the purpose of reinspection, whether the file is open or closed.
- q. **Prompt Contact.** The adjuster must initiate contact with the insured or agent by the end of the business day after receiving the loss assignment. This initial contact preferably will be by telephone, but, if contact by telephone is not possible, the adjuster should send the insured or agent a postcard or letter acknowledging the assignment and include a telephone number where the adjuster can be reached. Also, when the insured, agent, or company staff person leaves a telephone message for the adjuster, the adjuster must return the call by the end of the business day after the message was left.
- r. **Proof of Loss.** An NFIP Proof of Loss form signed by the insured is required on every claim on which any payment is recommended. On claims up to \$7,500, the NFIP Final Report form will suffice for this purpose. On claims over \$7,500, a separate Proof of Loss form must be submitted. If the insured qualifies for replacement cost coverage, the adjuster must submit the Statement as to Full Cost of Repair or Replacement for the additional amount recoverable under the replacement cost provisions. If the insured qualifies for Increased Cost of Compliance (ICC) coverage, the Increased Cost of Compliance Proof of Loss form must be submitted. The insured has 60 days from the date of loss to proffer the proof.

A Proof of Loss must be submitted also for the amount of any partial payment that is requested. It is required that each Proof of Loss be filled out completely before the insured signs it. Proof of Loss forms must be dated and witnessed; notarization is not required. The forms must be submitted to the NFIP Servicing Agent or WYO company within 72 hours after securing the insured's signature. The insured has 60 days from the date of loss to proffer the proof. Only FEMA can waive this requirement.

- s. **Proper Building Depreciation.** Depreciation must be applied reasonably and accurately. This refers both to the determination of the building's actual cash value and the repair estimate. Depreciation must be shown separately, as applicable, for each item in the adjustment, including overhead and profit. "Lump sum" depreciation is not acceptable. Replacement cost, depreciation, and actual cash value for each item must be shown in this manner on all claims, regardless of whether the claim is concluded on an RC or ACV basis.
- t. **Proper Building Scope and Estimate.** The NFIP expects the adjuster to accurately identify the covered damages caused by flood and to allow in the adjustment only those repairs and replacements reasonably required to restore the structure. The repair estimate should be prepared on a room-by-room, unit-cost basis, clearly indicating room dimensions and unit costs, except when the building has been completely destroyed. For buildings that have been destroyed, value determination by a standard insurance industry method, such as Marshall-Swift, Boeckh, etc., is acceptable. The adjuster must

personally prepare the repair estimates. If circumstances require the involvement of a contractor or other expert, the adjuster must obtain the authorization of the NFIP Servicing Agent or WYO company.

- u. **Proper Photographs.** The adjuster must take as many photographs as are necessary to portray the damage.
- v. **Salvage.** The salvage value of all total-loss items must be considered. Where the size of the salvageable loss makes it appropriate, a salvor should be engaged, with the authorization of the NFIP Servicing Agent or WYO company. Otherwise, the reasonable salvage value of property left with the insured must be deducted from the covered loss.
- w. **Subrogation.** When the adjuster identifies subrogation potential, he or she must determine whether there are grounds for a possible subrogation recovery. The investigation is considered a routine part of a loss adjustment. The adjuster must complete the Cause of Loss and Subrogation Report form.
- x. **Timely Reporting.** The adjuster's NFIP Preliminary Report must be submitted within 15 days after receipt of the loss assignment. The NFIP Final Report is due 30 days later. If the claim has not been concluded within 45 days, subsequent reports are due every 30 days after the Preliminary Report, or otherwise as specifically directed by the claims examiner, until the claim is concluded.

D. NFIP FEE SCHEDULE BILLING

Payment of the adjuster's service fee will be according to the NFIP fee schedule. The scheduled fee for handling a loss is based on the NFIP-approved adjustment. The fee includes all travel, photographs, reporting, telephone, and office investigation expenses to conclude the claim, including identification of possible subrogation, salvage, and fraud. Customarily, the claim file contents will include coverage verification; normal adjuster investigation documentation, including statements where necessary; building reports and investigations; damage verification; and other documentation relevant to the adjustment of the claim under the NFIP's and the WYO company's traditional claim adjustment procedures.

There are two fee schedules (pages A-19 and A-21)—one for gross losses and one for Increased Cost of Compliance claims.

1. Gross Losses

For gross losses sustained on or after May 1, 1997, use the NFIP Fee Schedule [Gross Loss] (page A-19). Use this schedule whether the claim will be closed without payment or will be paid up to the limit of \$250,000 or more.

2. Increased Cost of Compliance (ICC) Claims

For Increased Cost of Compliance claims, use the NFIP ICC Fee Schedule (page A-21). Use this schedule whether the claim will be closed without payment or will be paid up to the increased limit of \$30,000 that became effective on May 1, 2003.