



# Best Practices

## Flood Claim Handling

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The information found in this document reflects the current best practices for the handling of flood claims by Administrative Strategies (ADSTRAT). By accepting a claim from ADSTRAT, the adjuster agrees to undertake and provide the Services in compliance with the applicable rules, regulations, requirements, bulletins, and guidelines as set forth by the Federal Emergency Management Agency ("FEMA") and/or the National Flood Insurance Program ("NFIP") and comply at all times with the laws and regulations that govern the NFIP.

### **AUTHORITY OF THE ADJUSTER**

- ADSTRAT expects every adjuster handling assigned claims to understand and to communicate to the policyholders that the adjuster does not have the authority to deny a claim or to commit ADSTRAT or its clients to pay a claim. All adjustments are recommendations only (subject to review by Administrative Strategies and client approval).
- Adjusters shall possess the proper NFIP FCN authorization for the type of claim being handled, i.e. Residential (Dwelling), Manufactured (Mobile) Home, Small Commercial, Large Commercial, or Condominium (RCBAP).

### **KNOWLEDGE OF NFIP CLAIMS**

- Administrative Strategies expects every adjuster, reviewer and manager handling claims to be thoroughly familiar with the rules, regulations, guidelines and bulletins under the NFIP or issued by FEMA.

### **KNOWLEDGE OF NFIP DIRECT AND WYO CLIENTS**

- ADSTRAT expects every adjuster, reviewer and manager handling claims to be thoroughly familiar with the apps, rules and best practices of each WYO or NFIP Direct client.

## **PROFESSIONALISM**

- As the adjuster represents ADSTRAT and its clients to the policyholder and public, ADSTRAT expects that every adjuster will conduct themselves in accordance with the highest standards of integrity and ethics and be courteous and professional in their dealings with policyholders.

## **SCOPE OF WORK**

- The adjuster will provide field property estimates and evaluation of the damages. These estimates will address damages from the listed peril on the Loss Notice. Any damage caused by other peril(s) should be documented within the narrative report and annotated file photographs.
- The adjuster will make recommendations regarding payment, coverage and/or denial within the narrative report.
- The adjuster will provide an accurate ITV/Valuation for the RCV and ACV value of the structure.
- The adjuster will address any special handling instructions provided by ADSTRAT at the time of the assignment as well as throughout the life of the claim.
- The adjuster will provide the insured with a NFIP Claims Handbook and ICC Brochure at the initial inspection.
- Contents will be evaluated for damage and photographed by the adjuster during the property inspection.

## **ADMINISTRATIVE STRATEGIES ASSIGNMENTS**

- Claims should be accepted in the Claims Management System (CMS) no later than 12 hours from receipt.
- The adjuster will confirm receipt of the claim using CMS as soon as possible but no later than 24 hours after receiving the assignment.
- ADSTRAT will reassign any unaccepted claims after 24 hours.

## **INITIAL CONTACT**

- Adjuster should attempt contact with the customer on the same date the claim is filed. The contact attempt will be documented in CMS and must include the following information:
  - Contact date/time
  - Scheduled appointment date/time
  - Name of person spoken with
- If an appointment cannot be confirmed at the time of contact, a log note will be entered into CMS and a Status Report sent to the client.
- If the adjuster is not able to speak with the insured at the time of initial contact, follow up attempts will occur within 24 hours and continue at 24-hour intervals until contact occurs. Each attempt should be documented in CMS with the date/time of the attempt.

## **INSPECTION**

- Inspection should occur within 48 hours of receipt of claim.
- If the inspection cannot be performed within 48 hours, a log note will be entered into CMS and a Status Report sent to the client. The Status Report will include the following:
  - Reason for the inspection delay
  - Scheduled date of inspection, if possible
- Never enter an occupied structure without the named insured or an adult over 18 years of age designated by the named insured.
- If the property is vacant, coordinate the inspection with the Property Management Company, if applicable. If arrangements cannot be made, contact ADSTRAT immediately for assistance.
- The cause of loss must be well documented. If the cause of loss listed on the Loss Notice is incorrect, address this in the cause of loss caption of the narrative report.
- A General Condition of Flood (GCF) needs to be established and well documented before an estimate of damage is completed by the adjuster.
- If no GCF exists, document the steps taken to confirm the conclusion.
- A neighborhood canvas should be completed when further investigation is warranted to document the presence or lack of a GCF, a date of loss and/or cause of loss.
- Determine if damages are consistent with the reported date of loss.

## **PRELIMINARY REPORTS**

- The Preliminary Report will be submitted within 24 hours of the inspection.
- All fields on the Preliminary Report should be completed.
- The Preliminary Report package will include the following information:
  - Any advance payment requests. This should be submitted as a separated document from the prelim report package.
  - Adjuster's FCN Card
  - Recommended reserves by exposure
  - Photos sufficient to support reserves set for both building and contents.
  - Photos showing interior and exterior water lines.

## **SUBSEQUENT REPORTS**

- Subsequent reports are due every 14 days after inspection until the final report is uploaded via CMS.
- The report will include the following information:
  - Claim Status
  - Date of Inspection
  - Description of outstanding issues
  - Estimated timeframe to conclude.
  - Recommended reserve changes if applicable

## **FINAL REPORTS**

- The final report will be submitted based on the following timelines:
  - For claims under \$15K, the final report should be submitted within 14 days of receipt of the claim.
  - For claims \$15K and larger, the final report should be submitted within 27 days. All finals due within 45 days from receive date.
- The Final Report Package will include the following information:
  - Invoice
  - Narrative Report
  - Proofs of Loss
  - Final report form
  - Preliminary report
  - FCN Card
  - Valuation
  - Flood Map
  - Estimate (both building and contents)
  - Diagrams
  - Photos

## **DOCUMENTATION REQUIREMENTS**

- Verification of property address
- Verification of mortgagee/lien holder
- Verification of occupancy (rented, primary, seasonal)
- Verification of APS use (i.e., business/rented)
- Verification of Condominium documents
- Verification of signatory on any Business or Condominium loss
- Documentation to support proof of ownership
- Additional Insurance verification (must show coverages and exclusions)
- All lease agreements on any GP or rental.

## **DIAGRAMS**

- Detailed diagrams are required on all assignments
- Diagrams should include all openings, missing walls, windows/doors
- Always include dimensions/measurements
- Indicate damaged areas

## **BILLING**

- All billing will be in accordance with the NFIP Adjuster Fee Schedule
- Re-inspections requested by ADSTRAT to address additional damage/reach an agreed price will be billed based on the NFIP Adjuster Fee Schedule.
- Re-inspections due to adjuster error, improper investigation, scope, photographs, etc. will be at NO CHARGE with the exception of the difference in NFIP Fee Schedule range.

## **MISCELLANEOUS**

- Return any contact received from the insured the same day. This should be documented in CMS.
- Any files rejected by the examiner will be corrected and returned within 24 hours of the rejection/request for corrections.
- All estimates must reference the correct WYO/NFIP Direct
- The client carrier must be notified prior to closing any file due to lack of activity. Speak with your examiner prior to closing so that a member of the management team can attempt to engage the policyholder in the needed activity.
- The use of other professional services (engineer, CPA, subject matter expert, salvor, etc.) is at the client carrier's sole discretion. When warranted, the adjuster will submit a formal request for other professional services that fully explains and documents the requested services. If in agreement, the carrier client will engage the services and provide a report and/or direction upon conclusion.

## **PHOTOS**

- The sequence of photos should follow the sequence of the estimate.
- Photos should support both covered and non-covered damage and the estimated repairs.
- All photos must be labeled with a detailed description. The photos should identify the rooms, item(s) damaged by flood, item(s) damaged by peril(s) other than flood and material types.
- Exterior risk photos are required documenting all exterior elevations.
- Photos of the interior and exterior water lines are required.
- A photo of the property address is required to document the address listed on the Loss Notice.
- Photograph any notices and sign-in sheets at the property.
- Overview photos of all interior rooms as well as detailed photos of all damages seen are required.
- The following items need to be photographed including the make, model and serial numbers in all instances.
  - HVAC
  - Water Heater
  - Service Panel
  - Appliances
  - Large Electronics
- Photos sufficient to document the cause and origin of the loss as well as damages. If no origin can be located, include a detailed explanation in the narrative report.
- If contents coverage exists on the policy, photograph all damaged contents.

## **SUBROGATION**

- Comment on subrogation potential in first report and in all subsequent reports.
- If subrogation potential exists, complete a Cause of Loss and Subrogation Report for submission to carrier.
- If no subrogation potential exists, include comments explaining why.

## **PERSONAL PROPERTY**

- The adjuster should work with the policyholder at the inspection to prepare a contents inventory.
- DO NOT LEAVE THE PROPERTY WITHOUT A COMPLETE INVENTORY
- Clear photos of all damaged items are required to support the damage, condition, cause of loss, etc.
- Utilize the contents summary sheet for the inventory creation
- Indicate in the narrative and contents summary sheet if an item requires cleaning, repair or replacement.
- Repair should be considered first as flood water touching an item does not immediately indicate a total loss to the item.
- Address salvage of contents. If no salvage value is present, clearly address in the narrative report.
- The contents estimate should be completed and submitted with your building estimate and the Final Report.
- Obtain identification numbers from large appliances, electronics, and other items.

## **REMEDIATION**

- When dealing with work conducted by a Remediation Contractor, the adjuster will follow Bulletin W-13025a and the NFIP Claims Manual guidance.
- Non-covered items include:
  - Final construction cleanup
  - Travel/lodging expenses for contractors
  - Monitoring/supervision of labor, setup/take down of equipment, etc.
- The costs associated with the contractor's business and should be included in the line item cost.
- Do not wait for contractor estimates/invoices. Utilize the FEMA approved remediation allowances if no estimates/paperwork is available from the contractor.

## **ESTIMATES**

- Estimates should be written on an RCV and ACV basis using line by line depreciation.
- A separate estimate is to be prepared for the main dwelling, APS, and contents.
- Taxes must be verifiable and identified within the estimate.
- No lump sums or minimum charges are allowed in the estimate.
- All estimates are to be written in compliance with published NFIP guidance, bulletins and regulations, and without regard to how the estimate may or may not affect or impact coverage under any other non-FEMA policies the insured may have.
- Estimate revisions are to be submitted to ADSTRAT within 24 hours of the request.

## **OVERHEAD AND PROFIT**

- Overhead/profit is only allowed if the nature of the work requires the supervision and scheduling of unrelated trades and the complexity of the work to be performed supports the charge. However, if there is to be no supervision of unrelated trades, the complexity that warrants the charge must be fully explained and documented.
- Apply the percentage for overhead/profit as addition, not cumulative.
- If the contractor charges an amount other than 10/10, documentation is required.
- The insured is eligible to receive overhead only if it is warranted. The adjuster needs to explain this recommendation in the narrative report. The percentage allowed to be paid to an insured for overhead is 5%.
- Claims for cleanup only or where there are not 3 trades involved in the repairs are not eligible for any overhead/profit allowance.



## **DEPRECIATION**

- Depreciation must be justified and documented on all estimates.
- No depreciation should be applied to repairs, patches, glass, sealing, cleaning, service calls, permits, content manipulation, dumpsters, or debris removal.
- Depreciation is to be based on age/condition of each item and the percent must be shown on the estimate. Include the age of the item if known.
- Applying depreciation at a value less than is supported by the physical evidence must be clearly documented and explained.
- Model numbers, serial numbers, etc. must be provided where available along with the age and general condition.

## **DEBRIS REMOVAL**

- Debris removal/dumpster rental should be based on the estimation of the actual amount of these charges.
- Debris removal should not be a percentage of the loss.
- Debris removal is typically not charged to the insured or contractor following a declared disaster, as local and/or federal government is coordinating debris pickup and haul away.
- Explain any debris removal allowed within your narrative.

## **DETACHED GARAGES**

- Use the ordinary dictionary meanings of the words
  - Residential: suitable for or used as a residence/dwelling
  - Dwelling: A place to live
- If a detached garage is damaged by flood, open an APS estimate in your estimating program. The detached garage should be separate from the Dwelling Building Coverage estimate.
- Detached garages are ACV only.
- Only one detached garage may be covered under the policy.
- The RCV and ACV Property Values of the detached garage need to be included in the Final Report form.