



Legislation Text

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File #: Res 0552-2015, Version: \*

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Res. No. 552

Resolution calling on the Federal Emergency Management Agency to re-examine all National Flood Insurance Program insurance claim payouts related to Hurricane Sandy for possible underpayment, and to henceforth require insurance companies to make available to flood insurance claimants all drafts of engineering reports that are used in the assessment of damages.

By Council Members Treyger, Chin, Gentile, Johnson, Mendez, Richards, Rose, Williams, Rodriguez and Ulrich

Whereas, The National Flood Insurance Program (NFIP) provides flood insurance to property owners seeking to protect themselves against financial losses due to flooding; and

Whereas, The NFIP is overseen by the Federal Emergency Management Agency (FEMA), but it is implemented by private insurance companies who work cooperatively with FEMA through a program called Write Your Own (WYO); and

Whereas, Through the WYO program, private insurance companies market, sell, administer and adjust NFIP insurance policies; and

Whereas, According to a report by the RAND Corporation, there were 25,916 NFIP insurance policies in place in New York City when Hurricane Sandy hit; and

Whereas, In New York City, 16,264 NFIP insurance claims were made for losses due to Hurricane Sandy; and

Whereas, According to FEMA, an estimated 400 insurance claims in New York have resulted in lawsuits; and

Whereas, In November 2014, in a lawsuit between a homeowner whose property was damaged by Hurricane Sandy and a private insurance company providing an NFIP insurance policy, a Judge in the Eastern

District of New York issued a decision that revealed that the defendant insurance company unfairly and unjustly avoided making an insurance payout to the property owner; and

Whereas, In this case, the insurance company and an engineering firm that it retained to assess the property owner's insurance claim were found to have deliberately hidden and re-written drafts of engineering reports; and

Whereas, By hiding and re-writing engineering report drafts, the insurance company overlooked damages that were caused by Hurricane Sandy to the homeowner's property, and deliberately avoided its obligation to make an insurance payout; and

Whereas, The Judge in this case concluded that this practice, whereby insurance companies modify engineering reports to avoid making insurance payouts or to underpay insurance payouts, may be widespread and systematic; and

Whereas, There is concern that as a result of this practice by insurance companies, property owners in New York City who were affected by Hurricane Sandy and who have already had their NFIP insurance claims resolved may have fallen victim to this same unfair, unjust process, resulting in denied or reduced NFIP insurance payouts; and

Whereas, In December 2014, the New York State Attorney General opened a criminal investigation into the way insurance companies and engineering firms have handled flood insurance claims by homeowners impacted by Hurricane Sandy; and

Whereas, United States Senators Chuck Schumer, Kirsten Gillibrand, Robert Menendez and Cory Booker have called on FEMA to reform the NFIP and the WYO to address this concern; and

Whereas, FEMA has committed to implementing reforms to the NFIP insurance claims process, which include raising the penalties levied against insurance companies for underpaying insurance claim payouts, requiring insurance companies to provide all engineering reports that are used in the assessment of damages to insurance claimants in unresolved lawsuits, reopening and reconsidering the appeal of 270 policyholders who

suffered damages from Hurricane Sandy and had their appeal dismissed because they missed a particular FEMA deadline, and creating an insurance public advocate to assist policyholders through the claims and appeals process, but further reforms are needed; now, therefore, be it

Resolved, That the Council of the City of New York calls on the Federal Emergency Management Agency to re-examine all NFIP insurance claim payouts related to Hurricane Sandy for possible underpayment, and to henceforth require insurance companies to make available to flood insurance claimants all drafts of engineering reports that are used in the assessment of damages.

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LS 3696/2014