



**FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)
FEDERAL INSURANCE MITIGATION ADMINISTRATION (FIMA)
APPEAL DECISION**

FEMA Flood Insurance Appeal Decision #C11

OVERVIEW

The policyholder filed an appeal on November 2019, alleging their flood insurance carrier (hereinafter “insurer”) improperly denied part of their claim under the Standard Flood Insurance Policy (SFIP)¹ for damages to covered property arising from a flood event dated September 2018.²

In its review, FEMA found the following facts relevant:

- There are five buildings in this appeal that each have their own flood policy.
- At the time of loss, the policyholder had \$500,000 of building coverage for each building. The insured buildings are multi-family residential apartment buildings. The buildings are post-FIRM (Flood Insurance Rate Map) and located in special flood hazard area, zone AE.
- Following the flood event, the policyholder reported the flood loss to the insurer and the insurer assigned an adjuster to inspect the property.
- An adjuster inspected the property on September 2018 and confirmed a general condition of flood existed. The adjuster measured waterlines at 23.5 inches on the exterior of the buildings and at 9.5 inches on the interior of the buildings. Water remained for seven days. The adjuster documented damage to the lower floors of the five buildings.
- The insurer issued the policyholder \$151,586.96 for building 3, \$118,960.51 for building 5, \$51,787.90 for building 6, \$106,437.17 for building 7, \$118,333.18 for building 15.
- In September of 2019 the insurer issued denial a denial letter to the policyholder partially denying coverage for painting preparation, cleaning and painting ceilings, commercial supervision, replacement of doorknobs, and second floor apartment damages.
- In a letter dated November 2019, the policyholder appealed the partial denial of the commercial supervision and additional charges for painting preparation.
- In support of the appeal, the policyholder submits a Xactimate description of painting preparation. Because this information does not respond to the insurer’s reason for denial, FEMA’s decision is based on documentation in the claim file.

¹ See 44 C.F.R. § 61.13 (2017); General Property Form available at 44 C.F.R. pt. 61 App. A(2) [hereinafter “SFIP”].

² The policyholder files this appeal under 44 C.F.R. § 62.20. The appeals process is available after the insurer issues a written denial, in whole or in part, of the policyholder’s claim. The policyholder’s appeal and related documents concerning the appeal, claim, or policy are on file with FEMA, Federal Insurance and Mitigation Administration, Federal Insurance Directorate, Policyholder Services Division, Appeals Branch [hereinafter “Appeal File”].

RULES

The SFIP does not pay for any additional expenses incurred while the building is being repaired, or any other economic loss the policyholder may suffer.³

Per the National Flood Insurance Program (NFIP) Claims Manual, overhead and profit is added to an estimate when the complexity of the repairs requires coordination by a general contractor. The adjuster should evaluate each claim and document support of their decision in the file.⁴

ANALYSIS

The policyholder appeals the denial of coverage for additional commercial supervision allowances and additional charges for painting preparation.

Overhead and profit is added to an estimate when the complexity of the repairs requires coordination by a general contractor. Here, the insurer's estimates the repairs for each building included standard overhead and profit allowances. The contractor's estimates included 10 percent for overhead and 10 percent for profit for each line item along with additional commercial supervision and project allowances in the amounts of \$728.03 for building 3, \$728.03 for building 5, \$1,092.05 for building 6, \$728.03 for building 7, \$1,092.05 for building 15. These amounts are below two percent of the estimate totals. The NFIP Claims Manual allows for the adjuster to evaluate each claim and document support of the overhead and profit decision in the file. Considering the simultaneous scope of work for these five apartment buildings being performed by the same construction firm, it is reasonable for additional direct supervision allowances to be considered by the adjuster and insurer. FEMA requests the insurer to revise the overhead and profit allowances to include the additional amounts requested by the policyholder's contractor, document support of the additional allowances, and revise the estimates per SFIP guidelines.

The SFIP does not pay for any additional expenses incurred while the building is being repaired, or any other economic loss the policyholder may suffer. In the adjuster's estimates for each of the five buildings, allowances are included for painting of all walls, doors, and trim. The database pricing for these line items include allowances for masking to protect adjacent surfaces. The contractor's estimates include additional line items for painting preparation. Because the flooring, doors, and cabinets in each unit are being replaced, there is no need for additional masking for painting. FEMA concurs with the insurer's denial of the additional painting preparation charges included in the contractor's estimate.

CONCLUSION

Based on the facts and analysis above, FEMA overturns the insurer's decision to deny coverage for additional commercial supervision allowances and directs the insurer to revise the overhead and profit allowances to include the additional amounts requested by the policyholder's contractor, document support of the additional allowances, and revise the estimates per SFIP guidelines.

Based on the facts and analysis above, FEMA concurs with the insurer's decision to deny coverage for painting preparation.

³ See SFIP (V)(A)(5)-(7).

⁴ See NFIP Claims Manual, Overhead and Profit.

Any further adjustment of the claim remains under the direction of the insurer in accordance with all terms and conditions of the SFIP.