



**The Outer Banks Chamber of Commerce**

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November 21, 2011

**VIA U.S. MAIL and ELECTRONIC MAIL TO: [James.Sadler@dhs.gov](mailto:James.Sadler@dhs.gov)**

Mr. James A. Sadler, CPCU, AIC  
Director of Claims  
National Flood Insurance Program  
Federal Insurance and Mitigation Administration  
US Department of Homeland Security  
500 C Street SW  
Washington, DC 20472

Re: Request for Action on NFIP Issues Affecting Outer Banks victims of  
Hurricane Irene

Dear Mr. Sadler:

I am the Chair of the Board of Directors of the Outer Banks Chamber of Commerce (the "Chamber") which has more than 1000 business members in Dare, Currituck and Hyde counties, North Carolina. On behalf of the Chamber and its members, I am writing to request that you continue to pursue solutions to problems that Hurricane Irene victims are facing with insurance companies that are involved in administering the National Flood Insurance Program (NFIP).

Although the NFIP is now in the process of reviewing claims made for flood damage, there are still ongoing problems with some policy-holders receiving checks that have recoverable depreciation withheld. The NFIP's requirement to withhold these funds was rescinded in May 2004, and it is noted in the Write Your Own policy program's adjusters manual which insurance companies' adjusters are suppose to follow when determining proof of loss statements. Additionally, the NFIP has issued at least four (4) letters of guidance, the latest just two months ago, to remind the insurance companies and adjusters to not withhold this money.

Proof of loss statements note the amount of recoverable depreciation and include the advisory that to receive the withheld depreciation, policy-holders must file a supplemental claim. This leaves many policy-holders with thousands of dollars worth of repairs that they must pay out of pocket in order to receive reimbursement. This is not possible for many in today's economy. Insurance companies should do an immediate review of the claims that they have paid

and without making the policy-holder file a supplemental claim, the money should be forthcoming immediately.

Also of concern is that single family primary homes can be depreciated and check amounts can be for 'actual cash value' rather than replacement cost if the insurance amount is less than 80 percent of the home's total replacement cost computed by the adjuster. There seems to be no consistent manner used in determining the replacement cost. According to Dare County homebuilders, the cost of construction of a basic home averages from about \$105-\$115 per square foot. Proofs of loss examined showed per square foot cost of replacement ranging from \$55 per square foot to \$147 per square foot. When the lower square-foot valuation calculations are used, the insurance claims are often insufficient to cover the actual costs while use of the higher square-foot valuation calculations skews the ratio of insurance coverage to replacement cost in a manner that gives rise to a situation where depreciation is withheld. There are incidents where use of these varied valuations has unfairly caused a homeowner to receive less than what is needed to accomplish repairs.

The Chamber's Board of Directors sincerely hopes that you will take immediate action to reduce the adverse effects that the inconsistent and incorrect application of NFIP policy regulations are having on the citizens, visitors and businesses of the Outer Banks who are being affected by the devastation of Hurricane Irene. If you have any questions regarding the position of the Chamber on this issue, please do not hesitate to contact me.

Sincerely,



Robin Mann, Chair  
Outer Banks Chamber of Commerce  
Board of Directors

cc: The Honorable Beverly Perdue  
The Honorable Kay Hagan  
The Honorable Richard Burr  
The Honorable Walter B. Jones, Jr.  
The Honorable G. K. Butterfield  
Wayne Goodwin, NC Commissioner of Insurance  
Senator Stan White  
Representative Tim Spear  
Dare County Board of Commissioners