

**March 22, 2012**

## **Supporting Statement for Paperwork Reduction Act Submissions**

**OMB Control Number: 1660 – 0095**

**Title: National Flood Insurance Program Claims Appeals Process**

**Form Number(s): None**

### **General Instructions**

A Supporting Statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(i)(iv) and its actual or estimated date of publication in the Federal Register, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When Item 17 or the OMB Form 83-I is checked “Yes”, Section B of the Supporting Statement must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

### **Specific Instructions**

#### **A. Justification**

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information. Provide a detailed description of the nature and source of the information to be collected.**

*This collection of information has an expiration date of March 31, 2013. This collection of information is being resubmitted has a revision in burden estimates and to include the Nation Flood Insurance Program Claims Handbook, which is current under OMB No. 1660-0005, National Flood Insurance Program Claims Forms. Although there was no burden estimates associated with the NFIP claims handbook under 1660-0005, it was improperly submitted under 1660-0005. The handbook is now being submitted under this collection as a guidance to respondents who are filing appeals for claims.*

Section 205 of The Bunning-Bereuter-Blumenauer Flood Insurance Reform Act (FIRA) of 2004, Public Law 108-264 Section 205, 42 U.S.C. 4102A, requires the Federal Emergency Management Agency (FEMA) to establish by regulation an additional

process for the appeal of decisions of flood insurance claims issued through the National Flood Insurance Program (NFIP). Title 44 CFR 62.20 details the appeal process, which has been established by regulation.

The process requires policyholders to submit a written appeal to the Federal Emergency Management Agency (Mitigation Directorate/Risk Insurance Division), in the form of a signed letter explaining the nature of their claim appeal, names and titles of persons contacted, dates of contact, contact information, and details of the contact relevant to their claim appeal. The policyholders are also required to state the basis for their appeal and submit supporting documentation including a copy of the insurer's written denial, in whole or in part, of the claim.

**2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection. Provide a detailed description of: how the information will be shared, if applicable, and for what programmatic purpose.**

The appeal process establishes a formal mechanism to allow policyholders to appeal the decisions of any insurance agent, adjuster, insurance company, or any FEMA employee or contractor, in cases or unsatisfactory decisions on claims, proof of loss, and loss estimates. Under this process, FEMA will acknowledge receipt of a policyholder's appeal in writing and advise such policyholder if additional information is required in order to fully consider the appeal. FEMA will review the documentation submitted by the policyholder, conduct any necessary additional investigation, and advise, both the policyholder and the appropriate flood insurance carrier, of its decision regarding the appeal.

This information will be reviewed by the Director of Claims and Insurance Examiner(s) and will be used to determine if the policyholder is entitled to additional remedies for the loss. Currently when policyholders are not satisfied with their claims settlement, they write to their Congressperson, company or directly to FEMA. The Claims and Appeal Branch of the Risk Insurance Division responds to these complaints and determines if the policyholder's claim was properly adjusted and settled. The policy, proof of loss, loss estimates, photographs, and any supporting documentation the policyholder has sent with the letter, is reviewed to determine if the policyholder's claim was properly adjusted and settled. If the claim was not settled properly, a determination is made as to what additional monies or remedies the policyholder is entitled to and should receive.

The policyholder's policy number, property address, mailing address and claims has already been recorded in the NFIP's database prior to the policyholder sending this information with written appeal to FEMA. The Bureau Net was established to keep files and statistics on NFIP policyholders when the NFIP program was instituted.

The NFIP provides a Flood Insurance Claims Handbook to address the appeals process regarding decisions made on flood insurance claims. This process will help resolve claim

issues but does not give additional coverage or claim limits beyond those in a NFIP policy. In filing an appeal enclose documentation of everything that supports an appeal should include:

- Copy of the insurer's written denial, in whole or in part, of the claim.
- Relevant policy and claim information and state the basis for the appeal; and
- Relevant documentation to support the appeal, but only documentation that directly pertains to the claim.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

The appeals process is a paper-based information collection and electronic responses are not permitted. The appeals request letter must be signed by the policyholder and accompanied by relevant supporting documentation.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

This information is not collected in any form, and therefore is not duplicated elsewhere.

**5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize.**

This information collection does not have an impact on small businesses or other small entities.

**6. Describe the consequence to Federal/FEMA program or policy activities if the collection of information is not conducted, or is conducted less frequently as well as any technical or legal obstacles to reducing burden.**

Without the appeals process, FEMA will not be able to formally initiate, evaluate, and process a respondent's (policyholder's) appeal to a flood insurance claim.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

The special circumstances contained in item 7(a) thru (h) of the supporting statement are not applicable to this information collection.

**(a) Requiring respondents to report information to the agency more**

often than quarterly.

**(b) Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.**

**(c) Requiring respondents to submit more than an original and two copies of any document.**

**(d) Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years.**

**(e) In connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.**

**(f) Requiring the use of a statistical data classification that has not been reviewed and approved by OMB.**

**(g) That includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.**

**(h) Requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

#### **8. Federal Register Notice:**

**a. Provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

A 60-day Federal Register Notice inviting public comments was published on October 18, 2011, Volume 76, Number 201, page 64311. No comments were received. See attached copy of the published notice included in this package.

A 30-day Federal Register Notice inviting public comments was published on January 24, 2012, Volume 77, Number 15, pp. 3482. No comments were received. See attached copy of the published notice included in this package.

**b. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions**

**and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

The appeals process was established with input from the Write Your Own Companies and the NFIP Bureau of Statistical Agent.

**c. Describe consultations with representatives of those from whom information is to be obtained or those who must compile records. Consultation should occur at least once every three years, even if the collection of information activities is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

The WYO companies are in consultation with FEMA. FEMA meet each year at the National Flood Insurance Program Conference. The conference provides a forum for review, comments, questions and concerns. The NFIP/FEMA Mitigation Directorate use the results of the forum to improve customer service.

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

FEMA does not provide payments or gifts to respondents in exchange for a benefit sought.

**10. Describe any assurance of confidentiality provided to respondents. Present the basis for the assurance in statute, regulation, or agency policy.**

The information collected is used exclusively to review a disputed claim on a case-by-case basis per the applicant's voluntary request for an appeal. Exclusively authorized personnel from FEMA or its contractors on a "need-to-know basis" can access the National Flood Insurance Program (NFIP) database. The information on policyholders, used to review claims, is contained in a secured database and access is password-protected. The appeal letter as well as the required documentation is maintained in a scanned document file, the file is password protected. The hard copies are stored in a secured work area with restricted access to authorize personnel only. FEMA published the National Flood Insurance Program Claims Appeals System of Records Notice (SORN) on June 2, 2006. FEMA program office in consultation with FEMA Office of Chief Counsel is currently updating the Privacy Impact Assessment (PIA), Nation Flood Insurance Program Appeals Procedure dated February 2006, for submission to DHS for approval.

**11. Provide additional justification for any question of a sensitive nature (such as sexual behavior and attitudes, religious beliefs and other matters that are commonly considered private). This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information,**

**the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. The statement should:**

**a. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated for each collection instrument (separately list each instrument and describe information as requested). Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desired. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**

FEMA expect to receive approximate 791 flood claim appeals during a catastrophic disaster and 264 during non catastrophic disaster from policy holders, for a total of 1055 claims. Burden for the claims appeals would include gather necessary supporting documentation such, denial letter, contact estimates, engineer report, ect. FEMA has estimated it would take approximately 2 hours to gather and submit necessary data.

**b. If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.**

**c. Provide an estimate of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. NOTE: The wage-rate category for each respondent must be multiplied by 1.4 and this total should be entered in the cell for “Avg. Hourly Wage Rate”. The cost to the respondents of contracting out or paying outside parties for information collection activities should not be included here. Instead this cost should be included in Item 13.**

Type of Respondent	Form Name / Form Number	No. of Respondents	No. of Responses per Respondent	Avg. Burden per Response (in hours)	Total Annual Burden (in hours)	Avg. Hourly Wage Rate*	Total Annual Respondent Cost
Individuals and Households	Appeals Letters and Supporting Documentation	1055	1	2	2110	\$28.45	\$60.026

<b>Total</b>	<b>1055</b>	<b>2110</b>	<b>\$60,026</b>
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\* Note: The "Avg. Hourly Wage Rate" for each respondent includes a 1.4 multiplier to reflect a fully-loaded wage rate.

According to the U.S. Department of Labor, Bureau of Labor Statistics website ([www.bls.gov](http://www.bls.gov)) the wage rate category for all workers is estimated to be \$20.32 per hour and applying the 1.4 multiplier equals \$28.45 per hour, then multiplying this by the total annual burden hours of 2110 equals a total annual respondent cost of \$60,026.

**13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. (Do not include the cost of any hour burden shown in Items 12 and 14.)**

**The cost estimates should be split into two components:**

There are no recordkeeping, capital, start-up or maintenance costs associated with this information collection. The cost to policyholders would be .44 cents for mailing appeals request to FEMA's for review, so therefore the estimated cost for 1055 respondents for postage would be \$464.20 annually.

**a. Operation and Maintenance and purchase of services component. These estimates should take into account cost associated with generating, maintaining, and disclosing or providing information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred.**

**b. Capital and Start-up-Cost should include, among other items, preparations for collecting information such as purchasing computers and software, monitoring sampling, drilling and testing equipment, and record storage facilities.**

**14. Provide estimates of annualized cost to the federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing and support staff), and any other expense that would have been incurred without this collection of information. You may also aggregate cost estimates for Items 12, 13, and 14 in a single table.**

**Annual Cost to the Federal Government**

<b>Item</b>	<b>Cost (\$)</b>
Contract Costs: (contractors to process, analyze and maintain data for 6 hours @ \$48.5 per hour for 1055 claims = \$307,005.00)	307,005
Staff Salaries: (5- GS-13s spending 50% of time @ 40 hours per week processing claims)	\$154,880

Facilities	0
Computer Hardware and Software [cost of equipment annual lifecycle]	0
Equipment Maintenance	0
Travel	0
Printing	0
Postage	0
Other	
<b>Total</b>	\$461,885

**15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I in a narrative form. Present the itemized changes in hour burden and cost burden according to program changes or adjustments in Table 5. Denote a program increase as a positive number, and a program decrease as a negative number.**

A "**Program increase**" is an additional burden resulting from an federal government regulatory action or directive. (e.g., an increase in sample size or coverage, amount of information, reporting frequency, or expanded use of an existing form). This also includes previously in-use and unapproved information collections discovered during the ICB process, or during the fiscal year, which will be in use during the next fiscal year.

A "**Program decrease**", is a reduction in burden because of: (1) the discontinuation of an information collection; or (2) a change in an existing information collection by a Federal agency (e.g., the use of sampling (or smaller samples), a decrease in the amount of information requested (fewer questions), or a decrease in reporting frequency).

"**Adjustment**" denotes a change in burden hours due to factors over which the government has no control, such as population growth, or in factors which do not affect what information the government collects or changes in the methods used to estimate burden or correction of errors in burden estimates.

<b>Itemized Changes in Annual Burden Hours</b>						
<b>Data collection Activity/Instrument</b>	<b>Program Change (hours currently on OMB Inventory)</b>	<b>Program Change (New)</b>	<b>Difference</b>	<b>Adjustment (hours currently on OMB Inventory)</b>	<b>Adjustment (New)</b>	<b>Difference</b>
Appeals Letters and Supporting Documentation	1,800				2110	+310
<b>Total</b>	1.800				2110	+310



**Explain:** The number of appeals estimated for the last OMB submission was 900 responses and 1,800 burden hours, categorized as a program change due to statutory action to establish a formal claims appeals process for the National Flood Insurance Program (NFIP) policyholder.

There is an adjustment from 900 responses to a projection of 1,055 for this period a increase of + 155 responses. FEMA will receive approximately 1055 claims appeals annually x 2 hours per response for each respondent, for a total of 2110 burden hours, to compile the required supporting documentation and drafting the appeal request letter.

<b>Itemized Changes in Annual Cost Burden</b>						
<b>Data collection Activity/Instrument</b>	<b>Program Change (cost currently on OMB Inventory)</b>	<b>Program Change (New)</b>	<b>Difference</b>	<b>Adjustment (cost currently on OMB Inventory)</b>	<b>Adjustment (New)</b>	<b>Difference</b>
Appeals Letters and Supporting Documentation				0	\$60,026	+\$8,816
Postage Cost	0	\$464.20	+464.20			
<b>TOTAL</b>	0	\$464.20	+464.20	<b>0</b>	<b>\$60,026</b>	<b>+\$8,816</b>

**Explain:** The wage rate cost for respondents increase is due to an increase in burden hours. The previous annual wage rate cost burden for respondents was \$51,210 (1800 hours x \$28.45 to include the 1.4 multiplier). Due an increase of +310 burden hours the estimate annual cost burden is now has an **adjustment change** of 2110 burden hours x \$28.45 wage rate = \$60,026 (+\$8,816 increase in cost).

The cost to policyholders would be .44 cents for mailing appeals request to FEMA’s for review, so therefore the estimated cost for 1055 respondents for postage would be \$464.20 annually. This **program change** cost was not captured in the previous OMB submission.

**16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

FEMA does not intend to employ the use of statistics or the publication thereof for this information collection.

**17. If seeking approval not to display the expiration date for OMB approval of the information collection, explain reasons that display would be inappropriate.**

No such exception is requested.

**18. Explain each exception to the certification statement identified in Item 19 “Certification for Paperwork Reduction Act Submissions,” of OMB Form 83-I.**

FEMA does not request an exception to the certification of this information collection.

**B. Collections of Information Employing Statistical Methods.**

When Item 17 on the Form OMB 83-I is checked “Yes”, the following documentation should be included in the Supporting Statement to the extent it applies to the methods proposed:

**THERE IS NO STATISTICAL METHODOLOGY INVOLVED IN THIS COLLECTION**