

# FEMA insurance requirement reviews and advisory

As public entities recover from a catastrophic event, they may require and be entitled to federal assistance. Our team of specialists within Marsh's Forensic Accounting and Claims Services (FACS) can help public entities that have received or could receive public assistance from the Federal Emergency Management Agency to understand and comply with FEMA's Public Assistance Policy on Insurance.

## Background

On June 29, 2015, FEMA issued an updated recovery policy, [FP 206-086-1 — Public Assistance Policy on Insurance](#), which states:

*"When FEMA provides an applicant assistance for permanent work to replace, restore, repair, reconstruct, or construct a facility, the applicant must insure that facility against future loss."*

FEMA often refers to this as the obligation to "obtain and maintain" insurance or the "insurance purchase requirement." Applicants must comply with this requirement for all buildings, contents, equipment, and vehicles as a condition of receiving FEMA assistance following a disaster declaration.

Failure to comply with FEMA's insurance purchase requirement can jeopardize not only recovery funding for damage sustained at the same location in a future disaster, but also any funding already received.

## Be prepared

Public entities that have received or could receive FEMA assistance should regularly check whether their insurance policy limits comply with FEMA's most current regulations. Marsh can help advise public entities on insurance coverage commitments required by FEMA.

## WHO IT'S FOR

- Public entities (states, state agencies, local governments, and non-profits) that have received or could receive public assistance from FEMA following a disaster declaration.
- Public entities with facilities located in special flood hazard areas (SFHA).

## WHAT YOU GET

- Assistance assessing FEMA's "obtain and maintain" insurance commitment levels.
- Access to brokerage services to place required coverage.
- Guidance on the insurance waiver process, which may preserve your eligibility for future FEMA assistance.
- Specialists with years of FEMA claims and advisory experience covering a range of natural hazard events.

## Concerns

FEMA maintains a database of historic assistance received by public entities, on a facility-by-facility basis. This data may be used by FEMA to help enforce its insurance purchase requirements.

The agency's measurement of a public entity's "obtain and maintain" insurance obligation may not always be consistent with your assessment. We recommend that you perform the necessary due diligence to identify any gaps between your current insurance and FEMA requirements.

A common misconception is that FEMA will cover your deductible more than once. Note that under the current regulation, insurance policy deductibles funded by FEMA in prior disasters are unlikely to be covered in subsequent, same peril disaster events.

## Consequences

Failure to comply with FEMA's insurance purchase requirement following a loss could render your public entity ineligible to receive future FEMA assistance at the same damaged facility(ies). Since insurance verification is performed at closeout, any recovery funds you received for a current disaster also may be withdrawn.

## FEMA insurance requirement review and advisory process

Our team of specialists can help you implement the necessary protocols and procedures to reduce your risks of non-compliance with FEMA requirements, helping protect you against future, uninsured losses.

Our insurance analysis and review process provides you with:

- Assistance in identifying FEMA's insurance purchase requirements.
- Assessment of FEMA's insurance commitment against existing insurance policy limits of liability.

## About Marsh

Marsh is the world's leading insurance broker and risk advisor. With over 45,000 colleagues operating in 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue over \$20 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. For more information, visit [marsh.com](https://www.marsh.com), and follow us on [LinkedIn](#) and [Twitter](#).

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If your existing insurance policy limits meet FEMA's requirements, Marsh can assist you with documenting the assessment with the grantee (state) in an effort to demonstrate compliance with the FEMA requirements and avoid future disputes.

If our analysis indicates that your existing insurance policy limits do not meet FEMA's requirements we can:

- Calculate the coverage placement differential.
- Coordinate with Marsh's brokerage to determine the options available to you to address FEMA's requirements.
- Assist you with documenting the assessment review with the grantee (state) in an effort to demonstrate compliance with FEMA's requirements and reduce the risk of future disputes.

If you conclude that FEMA's coverage requirements are not reasonable and/or affordable, our specialists, with the help of Marsh's insurance placement teams, can assist you to apply to the State Insurance Commissioner to certify that your current coverage qualifies as compliant with FEMA's insurance regulations. A certification from the State Insurance Commissioner may qualify as compliance with FEMA's insurance regulations.

## About Marsh Advisory

Marsh Advisory, a business unit of Marsh LLC, is a global consulting organization comprised of more than 800 issue- and industry-specific specialists in more than 40 countries around the globe, who understand risk from our clients' perspective. We also have some of the best claims recovery people in the business, who have managed some of the largest and most complex claims in history.

**For more information about how our Forensic Accounting and Claims Services Practice can help you align with FEMA requirements, please contact your local Marsh representative or visit [marsh.com](https://www.marsh.com).**