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January 6, 2005

Mr. \*\*\*\*\*  
President  
\*\*\* Company  
[Address]

Re: FOR SETTLEMENT PURPOSES ONLY:  
Notice of claims, including fraud and breach of contract;  
Demand for payment

Dear \*\*\*:

We have been retained by those persons on the list attached to this letter to demand on their behalf that benefits due them pursuant to the terms of their flood insurance contracts<sup>1</sup>, with interest and attorneys' fees, be paid to them immediately.

Under the terms of the National Flood Insurance Program ("NFIP") standard flood insurance policies, our clients, victims from seven states, were to receive benefits in an amount which would place their properties in their pre-flood condition for our clients' covered losses, less any applicable deductible up to their policy limits, as intended by and expressly stated by Congress.

Instead, our clients were wrongfully informed that they were entitled to only a tiny fraction of the benefits actually due them. Arbitrary, extra-contractual limits on payment of benefits, both qualitative and quantitative, were wrongfully set, and stated to our clients, by those responsible for adjusting, inspecting, managing and approving their claim payments. In most cases victims were not told of their right to promptly receive an advance payment for up to fifty (50%) percent of their anticipated loss so they could begin repairs. In other cases they were told only *de minimus* advances were ever approved. Undue pressure was exerted on our clients to accept the sharply reduced benefit payments, by wrongful threats that refusal to hastily accept

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<sup>1</sup> Some of these contracts were obtained through FEMA's National Flood Insurance Program ("NFIP") servicing agent Con-Serv, Inc. Most were obtained from individual private sector insurance companies or other insurers under the NFIP's "write your own" ("WYO") provisions.

the wholly inadequate amounts would result in the loss of the right to receive any payment at all. Despite a congressional mandate to conduct an independent review of our client's claims and others similarly situated, we now know the review was in large part conducted by many of the same adjusters and adjusting firms, and virtually all of the same management, originally responsible for and associated with the low-ball offers. In addition, the review effort was given short shrift, with perhaps only half of the victims being notified and the rest being given incomplete or errant information as to their benefits, and with a complete refusal to reevaluate nearly all of the claims in a manner consistent either with the original congressional intent or with the benefits touted by the flood insurance sales agents. As a result, most of our clients remained destitute following the partial and conflicted reviews. None gained recompense that placed them anywhere near their pre-flood condition.

It is becoming ever more apparent from evidence forwarded to our offices that the ongoing failure to make our clients whole is a direct result of willful misconduct followed by actions which appear to indicate a cover-up. As you should know, as a result of inadequate payment of benefits, our Isabel clients for the past fifteen months, and others from more recent storms, have been relegated in overwhelming numbers to living in trailers or contaminated homes, or, in some cases, have become homeless.

Particularly troubling are the cases where victims have been wrongly told by adjusters and Task Force personnel their fuel oil contamination could be remediated with what amounts to perfume. Fuel oil is a known toxin, irritant and suspected carcinogen. Symptoms of exposure often appear similar to stress related conditions. This material is so dangerous in many cases local authorities removed the victims' yards. However, many of these same victims were told by those associated with handling their claims that it was safe to live in such contamination. In many cases, victims were also told by those associated with handling their claims that the costs associated with removal and replacement of contaminated materials was not covered. Both statements are false.

These matters were brought to the attention of FEMA and CSC senior officials in July, 2004. In most cases these entities have not responded; in several cases the response has been wholly inadequate.

Many flood insurance victims remain trapped in FEMA campers with inadequate heat and, when temperatures drop, often no functioning indoor plumbing. Their children have shown signs of depression including loss of appetite, problems with their studies and nightmares. Households once financially secure are now debt-ridden beyond the point of recovery. There is evidence of both physical and emotional health problems in many of these families as a result of the poor living conditions and the stress associated with the financial losses, fuel oil and mold contamination, crowding and loss of their homes. Family units have been torn apart and destroyed.

It is readily apparent that a number of parties are responsible for the devastating situation that now exists among flood insurance victims. Evidence provided to us points to Computer Sciences Corporation, the company charged with overseeing the day to day affairs of the NFIP, the "write-your-own" insurance carriers (the "WYO's"), independent third-party adjusting

companies called upon to assess the flood loss claims, third party administrators, servicing agents, out-sourcing vendors, certain individuals within or otherwise representing the interests of these private sector organizations, and more recently those federal officials, managers and agents responsible for administering, auditing and investigating the NFIP. In short, evidence has been uncovered which is indicative of (1) a conspiracy to commit fraud on a massive scale, (2) the carrying out of that fraud, and (3) the cover-up of that fraud.

Our evidence to date includes, *inter alia*, (1) accounts by the victims who have shared their experiences, (2) reports by a number of federal government and industry insiders who have reported wrongdoing, (3) a library-full compendium of supporting documentation, written and video-taped, (4) eye-witness accounts of knowing and willful misrepresentations, and (5) eye-witness accounts of training sessions where adjusters were trained to misrepresent the extent of coverage to individual policyholders.

The evidence which has been marshaled also is replete with documentation, eye-witness accounts, and videotape suggesting a systematic cover-up of the wrongdoing.

Key evidence in our possession indicates the training of the sales force to “pitch” the NFIP insurance as providing benefits which, in the event of flood damage, will place the insured’s property in its pre-flood condition (again, subject to the deductible and the policy limits), while at the same time training the claims adjusters to inform the flood victims that (a) their insurance policies compensate only for very narrowly defined damages, and in very limited amounts of coverage as determined by “federal guidelines”, and that (b) the policies were never intended to make the victims whole and in NFIP’s history never had so intended.

Of course, these sales representations and adjuster representations are in direct contradiction to one another.

If it is ultimately shown that the sales representations are true, then the claims handling process rises to the level of outright fraud. While the federal cases are split as to whether state law causes of action based on claims handling are pre-empted by federal law, our clients under this first scenario are entitled in any event to receive benefits placing their property in its pre-flood condition pursuant to contract, and are also entitled to recover compensatory and punitive damages, interest, attorney’s fees, and costs, under the federal law of fraud.

If, on the other hand, the adjuster representations are true, then the fraud is in the insurance procurement. The federal cases in this scenario are virtually unanimous in holding that there is no federal pre-emption in this circumstance, and our clients under this scenario are entitled to receive benefits placing their property in its pre-flood condition pursuant to contract, and are also entitled to recover compensatory and punitive damages, interest, attorney’s fees and costs, under either state or federal fraud law.

In either scenario, your exposure is not only for the shortfall in payment of benefits, but for all the damages, both compensatory and exemplary, which flow from fraudulent conduct.

Moreover, to the extent that you assert any immunity because you claim to be a federal

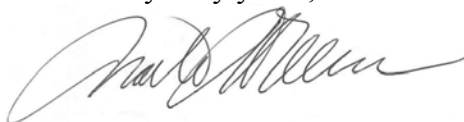
employee or agent, and therefore come within the protection of the Federal Tort Claims Act, such an assertion is without merit. Any entity or person who claims to be acting on behalf of the United States is personally liable for its or his actions causing injury to another if the entity or person either exceeds its/his authority in performing acts which caused injury or if authority conferred upon it/him was not validly conferred. Accordingly, under either of the two scenarios described above, immunity will not be available to you, nor will the FTCA's preclusions of punitive damages and jury trials.

The purpose of this letter is to place you on notice of our clients' claims, and to notify you that the discovery rule applicable to the federal statute of limitations pertaining to an action for damages resulting from fraud indicates that the action must be filed within one year of discovery of the alleged fraud. While it may be that this time period will expire for Isabel victims as late as July 31, 2005, it is possible that your legal representative may argue that the limitations period will expire for some victims as early as March 12, 2005. Accordingly, if this matter is not settled amicably by February 14, 2005, an action will be instituted. Given the time required for reducing settlements to writing and obtaining full execution by the settling parties, it is clear that the parties much reach an accord by the third week of January, 2005.

Because the rescue of our clients in prompt fashion is of paramount importance, we are authorized to settle now, and do hereby demand settlement of our clients' claims, for the full amount to which they are entitled under their flood policies (the cost of placing their properties in their pre-flood condition, less the deductible and subject to the policy limits) plus interest for twelve months, plus reasonable attorneys' fees. If such settlements are not completed, with all documentation fully executed and in place by February 14, 2005, this demand will expire and our clients will file actions for breach of contract, fraud, and other related and meritorious claims, and will claim, in addition to the damages demanded in this settlement offer, consequential and other compensatory damages, and exemplary damages, and additional attorneys' fees, interest and costs related to the prosecution of their claims, to the full extent permitted by law.

We request that this letter be forwarded to your legal representative and, if applicable, to your E&O insurance carrier, at your earliest opportunity. We look forward to hearing from you, or your representative, shortly.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Martin H. Freeman".

Martin H. Freeman

Enclosure