Dear Colleague:

I am pleased to inform you that the Federal Transit Administration (FTA) has adopted a policy to guide the treatment of insurance proceeds received by transit agencies affected by Hurricane Sandy. Under existing guidance, FTA requires grantees to apply any insurance proceeds to the repair or replacement of federally funded assets. Due to the severity of Hurricane Sandy, several transit operators received large lump-sum insurance settlements covering both transit and non-transit losses. Under this scenario, additional steps are required to identify the appropriate amount of insurance to apply to transit projects, as well as to identify specific projects to which these funds should be applied.

In response to Hurricane Sandy, and effective for future disasters, FTA will require that grantees that receive lump-sum insurance settlements allocate a percentage of the proceeds to transit projects based on the proportion of the insured damage eligible under FTA’s Emergency Relief Program. FTA will allow a grantee flexibility in identifying the specific project(s) to which the insurance proceeds will be applied.

This policy will ensure that insurance proceeds received for damaged transit assets are applied to the recovery and rebuilding of those assets, while allowing flexibility for the various scenarios and extent of damage experienced by FTA recipients. This policy will also ensure that the Federal interest in insured assets is appropriately protected, consistent with other Federal agency practices. FTA and the affected transit agencies will work together in two steps.

First, FTA will work with the grantee to identify the share of the insurance settlement that is attributable to transit losses. The insurance settlement must be allocated to eligible FTA Emergency Relief projects in the proportion that insurable losses eligible under FTA’s Emergency Relief Program bear to total insured losses, including those ineligible for assistance under the Emergency Relief Program. Second, FTA and the recipient will work together to apply insurance payments to individual transit projects. This may involve assigning an equal portion of the settlement to all projects, to a defined set of projects, or to one or more individual projects.

FTA staff is available to assist you with determining and documenting the pro-rated share to apply to FTA Emergency Relief Projects, as well as determine how to apply the funds to specific projects. We look forward to working with you to see these payments invested in transit projects.
As a reminder, section 23 of the Master Agreement requires all recipients to comply with the flood insurance purchase provisions of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a), with respect to projects in a special flood hazard area (SFHA) (i.e., a 100-year flood zone). Recipients must obtain and maintain flood insurance for structures in an SFHA in an amount equal to the Federal investment or the maximum amount of flood insurance available, whichever is less.

Sincerely yours,

[Signature]

Therese W. McMillan