

NATIONAL FLOOD INSURANCE PROGRAM

THE WRITE YOUR OWN PROGRAM FINANCIAL CONTROL PLAN REQUIREMENTS AND PROCEDURES (FCPRP)

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PREFACE

The Write Your Own (WYO) Program of the National Flood Insurance Program (NFIP) was established in 1983 to allow private property and casualty insurance companies to issue flood insurance policies, backed by the Federal government, under their own names. This Financial Control Plan Requirements and Procedures document is essential to the fiduciary oversight of the WYO Program.

Purpose

This document provides guidance for WYO companies to comply with the statutory requirements of the Financial Control Plan for the NFIP, and is incorporated by reference into the Plan. Adherence to these requirements and procedures is intended to ensure accountability in the expenditure of taxpayer funds under the NFIP.

Scope

All WYO companies writing flood insurance under the NFIP must adhere to the standards detailed in these requirements and procedures to ensure strict financial and statistical control over program elements as specified herein.

Authority

The Overview portion of this document (pages 1 through 3) is a replica of the statutory authority (44 CFR Part 62, Appendix B) for the Financial Control Plan.

Responsibilities

FEMA and the WYO companies share responsibility for adherence to the Financial Control Plan. Only the Federal Insurance Administrator (Administrator) under FEMA may approve departures from the requirements of this Plan.

The Standards Committee established in the Financial Control Plan oversees the performance of WYO companies under the Plan and recommends appropriate remedial actions to the Administrator.

Since the *Financial Control Plan* and the *Financial Control Plan Requirements and Procedures* (this document) were mandated in 1999 by the statutory authority quoted below, the Federal Insurance Administration (FIA) has been assimilated into the FEMA Mitigation Directorate. The FEMA Assistant Administrator, Mitigation Directorate, now serves also as Federal Insurance Administrator, National Flood Insurance Program.

“44 CFR PART 62, APPENDIX B

“A PLAN TO MAINTAIN FINANCIAL CONTROL FOR BUSINESS WRITTEN UNDER THE WRITE YOUR OWN PROGRAM

“OVERVIEW

“A. In general, under the Write Your Own (WYO) Program, we (the Federal Insurance Administration (FIA), Federal Emergency Management Agency (FEMA)) may enter into an arrangement with individual private sector insurance companies licensed to engage in the business of property insurance. The arrangement allows these companies—using their customary business practices—to offer flood insurance coverage to eligible property owners. To assist companies in marketing flood insurance coverage, the Federal Government will be a guarantor of flood insurance coverage for WYO policies issued under the WYO Arrangement. To account for and ensure appropriate spending of any taxpayer funds, the WYO companies and we will implement this Financial Control Plan (Plan). Only the FIA Administrator (Administrator) may approve any departures from the requirements of this Plan.

“B. FINANCIAL CONTROL PLAN

“1. The WYO companies are subject to audit, examination, and regulatory controls of the various States. Additionally, the operating department of an insurance company is customarily subject to examinations and audits performed by the company’s internal audit or quality control departments, or both, and independent Certified Public Accountant (CPA) firms. This Plan will use to the extent possible the findings of these examinations and audits as they pertain to business written under the WYO Program.

“2. This Plan contains several checks and balances that can, if properly implemented by the WYO company, significantly reduce the need for extensive on-site reviews of the company’s files by us or our designee. Furthermore, we believe that this process is consistent with customary reinsurance practices and avoids duplication of examinations performed under the auspices of individual State Insurance Departments, NAIC Zone examinations, and independent CPA firms.

“C. STANDARDS COMMITTEE ESTABLISHED

- “1.** We establish in this Plan a Standards Committee for the WYO Program to oversee the performance of WYO companies under this Plan and to recommend appropriate remedial actions to the Administrator. The Standards Committee will review and recommend to the Administrator remedies for any adverse action arising from the implementation of the Financial Control Plan. Adverse actions include, but are not limited to, not renewing a particular company’s WYO Arrangement.
- “2.** The Administrator appoints the members of the Standards Committee, which consists of five (5) members from FIA, one (1) member from FEMA’s Office of Financial Management, and one (1) member from each of the six (6) designated WYO Companies, pools, or other entities.
- “3.** A WYO company must:
 - “a.** Have a biennial audit of the flood insurance financial statements conducted by a CPA firm at the company’s expense to ensure that the financial data reported to us accurately represents the flood insurance activities of the company. The CPA firm must conduct its audits in accordance with generally accepted auditing standards (GAAS) and the Government Auditing Standards issued by the Comptroller General of the United States (commonly known as "yellow book" requirements). The company must file with us a report of the CPA firm’s detailed biennial audit, and, after our review of the audit report, we will convey our determination to the Standards Committee.
 - “b.** Participate in a WYO company/FIA Operation Review. We will conduct a review of the WYO company’s flood insurance claims, underwriting, customer service, marketing, and litigation activities at least once every three (3) years. As part of these reviews, we will reconcile specific files with a listing of transactions submitted by the company under the Transaction Record Reporting and Processing Plan (Part 5). We will file a report of the Operation Review with the Standards Committee (Part 7).
 - “c.** Meet the recording and reporting requirements of the WYO Transaction Record Reporting and Processing (TRRP) Plan and the WYO Accounting Procedures Manual. The National Flood Insurance Program’s (NFIP) Bureau and Statistical Agent will analyze the transactions reported under the TRRP Plan and submit a monthly report to the WYO company and to us. The analysis will cover the timeliness of the WYO submissions, the disposition of transactions that do not pass systems edits, and the reconciliation of the totals generated from transaction reports with those submitted on the WYO company’s reports (Parts 2 and 6).
 - “d.** Cooperate with FEMA’s Office of Financial Management on Letter of Credit matters.

- “e. Cooperate with us in the implementation of a Claims Reinspection Program (Part 3).
- “f. Cooperate with us in the verification of risk rating information.
- “g. Cooperate with FEMA’s Office of Inspector General on matters pertaining to fraud.

“This Plan incorporates by reference a separate document, The Write Your Own Program Financial Control Plan Requirements and Procedures, that contains the following parts, each of which is incorporated by reference into and is applicable to the Financial Control Plan:

- “1. Part 1—Financial Audits, Audits for Cause, and State Insurance Department Audits;
- “2. Part 2—Transaction Record Reporting and Processing Plan Reconciliation Procedures;
- “3. Part 3—Claims Reinspection Program;
- “4. Part 4—Report Certifications and Signature Authorizations;
- “5. Part 5—Transaction Record Reporting and Processing Plan;
- “6. Part 6—Write Your Own (WYO) Accounting Procedures Manual; and
- “7. Part 7—Operation Review Procedures.”

**WRITE YOUR OWN PROGRAM
FINANCIAL CONTROL PLAN REQUIREMENTS AND PROCEDURES**

**PART 1 - FINANCIAL AUDITS, AUDITS FOR CAUSE, AND
STATE INSURANCE DEPARTMENT AUDITS**

A. BIENNIAL FINANCIAL AUDIT

The biennial financial audit is intended to provide the Federal Emergency Management Agency (FEMA) with an independent assessment of the quality of financial controls over activities relating to the company's participation in the National Flood Insurance Program as well as of the integrity of the financial data being reported to FEMA.

1. Participating WYO companies are responsible for selecting and funding independent Certified Public Accounting (CPA) firms to conduct the biennial audits. Such costs are considered part of the normal administrative cost of operating the WYO Program and as such are included in the WYO expense allowance.
2. The WYO company's representative will be notified in writing to arrange for a biennial audit. This notice should provide the WYO company at least 120 days to prepare for the biennial audit.
3. It is also intended that the biennial audit will reduce, if not eliminate, the need for FEMA auditors or their designees to conduct on-site visits to WYO companies in their review of financial activity. However, the requirement may still exist for such visits to occur as determined by the auditors. The CPA firm's audit shall be performed in accordance with the "yellow book" requirements. Further, the CPA firm is required to select its own sample, even though FEMA may provide pre-selected policy and claim files for review.
4. The biennial audit is due to FEMA on March 31 following the fiscal year under audit. For instance, the biennial audit for the fiscal year ending September 30, 2008, is due on March 31, 2009.
5. Nothing in this section should be construed as limiting the ability of the Government Accountability Office (GAO; named the General Accounting Office until 2004) or FEMA's Office of the Inspector General (OIG) to review the activities of the WYO Program.
6. Any WYO company that has been subject to a comprehensive audit by the CPA firm under contract with the FEMA OIG is exempted by its selected CPA firm. Only the remaining unaudited fiscal year of the 2 years normally to be reviewed under the biennial audit need be examined.
7. The purpose of the biennial audit is to provide an "opinion" on the fairness of the financial statements, the adequacy of internal controls, and the extent of compliance with laws and regulations. In order to have a basis for an audit

opinion, the independent CPA firm should audit, in addition to financial transactions, selected claim and policy files and selected claims and underwriting procedures.

B. BIENNIAL UNDERWRITING AUDIT

Samples of new business policies, renewals, endorsements, and cancellations will be provided by FEMA with the biennial audit instructions, including samples of the Mortgage Portfolio Protection Program business, where applicable. The audit is to be conducted in accordance with GAO yellow book requirements. The CPA firm may supplement with its own sample of risks that were in force during all or part of the Arrangement Year under audit for detail testing. The audit shall include:

1. Review of the Underwriting Department's responsibilities, authorities, and composition.
2. Personal interview with management and key clerical personnel to determine current processing activities, planned changes, and problems.
3. Administrative review to verify compliance with NFIP procedures.
4. Thorough examination of a random sample of underwriting files to measure the quality of work. The CPA firm is expected to provide a representative sample of its review to substantiate its opinion and findings. At a minimum, the files should be reviewed to verify the following:
 - a. Policies are issued for eligible risks.
 - b. Rates are correct and consistent with the amount of insurance requested on the application, or correctly adjusted.
 - c. Waiting period for new business is consistent with government regulations.
 - d. Elevation certification or difference is correctly shown on application.
 - e. Coverage does not include more than one building and/or its contents per policy.
 - f. No binder is effective unless issued with the authorization of FEMA.
 - g. Flood Insurance Rate Map (FIRM) zone shown on the application is applicable to the community in which the property is located.
 - h. Community shown on application is eligible for insurance purchases under the NFIP.
 - i. Information on type of building, etc., is fully complete.

- j. Applicable deductibles are recorded.
 - k. A new, fully completed application or a photocopy of the most recent application, or similar documentation, with the appropriate updates to reflect current information, is on file for each risk.
 - l. If any files to be audited are unavailable, determine the reason for the absence.
- 5. Endorsement Processing**
- a. Review requests for additional coverage to ensure that they are subject to the waiting period rule.
 - b. Review controls established to ensure that, under endorsement provisions, no risk is insured that is not acceptable as a new business risk (e.g., a property located in a suspended community).
- 6. Cancellation Processing.** Verify controls to ensure that one of the valid reasons for cancellation exists and that the transaction is accompanied by proper documentation.
- 7. Renewal Processing.** Determine controls to ensure that all necessary information needed to complete the transaction is provided.
- 8. Prior-Term Refunds.** Verify controls to ensure that one of the valid reasons for issuance of a prior-term refund exists and that the transaction is accompanied by proper documentation.
- 9. Expired Policies.** Determine controls to ensure that each step is carried out at the proper time.
- 10. Observance of Waiting Period.** Establish procedures to document, as a matter of WYO company business record and in each transaction involving a new application, renewal, and endorsement, that any applicable effective date and premium receipt rules have been observed. Documentation reasonably suitable for the purpose includes retention of postmarked envelopes (for three (3) years from date); date-stamping and retention (via hard copy, scanned document, or comparable retention technology) of application, renewal, and endorsement documents and checks received in payment of premium; computer input of document and premium receipt transactions and retention of such records in the computer system; and other reasonable insurer methods of verifying transactions involving requests for coverage and receipts of premium, including Internet and credit card premium receipt records.

C. BIENNIAL CLAIMS AUDIT

The biennial claims audit includes the following activities:

1. Review of the Claims Department's responsibilities, authorities, and composition.
2. Interviews with management, examining staff, and key clerical personnel to determine current processing activities, planned changes, and problems.
3. Administrative review to verify compliance with company procedures.
4. Thorough examination of a random sample of claims files that may be provided by FEMA to measure the quality of work. At a minimum, the files should be reviewed to verify the following:
 - a. Verify controls to ensure that a file is set up for each Notice of Loss received.
 - b. Review adjuster reports to determine whether they contain adequate evidence to substantiate the payment or denial of claims, including amount of losses claimed, any salvage proceeds, depreciation, and potential subrogation.
 - c. Ascertain that building and contents allocations are correct.
 - d. Determine whether the file contains evidence identifying subrogation possibilities.
 - e. Verify that partial payments were properly considered in processing the final draft or check.
 - f. Verify that the loss payees are listed correctly (consider the insured and the mortgagee).
 - g. Verify that the total amount of the drafts or checks is within the policy limits.
 - h. Ascertain the relevance and validity of the criteria used by the carrier to judge effectiveness of its claims servicing operation.
 - i. Confirm that, when information is received from an independent adjuster, the WYO company's examiner either acts promptly to give proper feedback with instructions or takes action to pay or deny the loss.
 - j. Determine whether the Claims Department is using an "impression of risk" program in reporting misrated policies, etc.
 - k. Determine whether the Claims Department notifies the Underwriting Department when a total loss has occurred so the policy can be canceled.

- l. Determine whether a CPA was used to determine the amount of the loss for commercial losses.
- m. Determine whether the prior claims history was reviewed before paying a current claim.
- n. Determine whether the co-insurance formula was properly applied to residential condominium building claims, including the determination of the correct replacement cost value of the building.
- o. Determine to the extent possible that the square footage measurements were correct.
- p. Verify that the unit prices used were within the established guidelines for the event.
- q. Determine that the calculation of square footage times unit price was correct.
- r. Where attempts at fraud occur, verify that these instances are being reported to FEMA for referral to the Office of the Inspector General.
- s. If any files to be audited are unavailable, determine the reason for their absence. In undertaking this portion of the biennial audit, the Claim Review Checklist (Exhibit 7-6) should be utilized.

D. AUDITS FOR CAUSE

In accordance with the terms of the Arrangement, the Federal Insurance Administrator, on his/her own initiative or upon recommendation of the Standards Committee or FEMA's Office of the Inspector General, may conduct for-cause audits of participating companies. The following criteria, in combination or independently, may constitute the basis for initiation of such an audit.

1. Underwriting

- a. Excessively high frequency of errors in underwriting:
 - i. Issuing policies for ineligible risks.
 - ii. Issuing policies in ineligible communities.
 - iii. Consistent premium rating errors.
 - iv. Missing or insufficient documentation for submit-for-rate policies.
 - v. Other patterns of consistent errors.

- b. Abnormally high rate of policy cancellations or non-renewals.
- c. High rate of prior-term refunds.
- d. Policies not processed in a timely fashion.
- e. Duplication of policy coverage noted.
- f. Relational type edits indicating an unusually high or low premium amount per policy for the geographical area.
- g. Biennial financial statement audit results indicating unusual volume of errors in underwriting.

2. Claims

- a. Reinspections indicate consistent patterns of:
 - i. Losses being paid when not covered.
 - ii. Statistical information being reported on original loss adjustment found to be incorrect on reinspection.
 - iii. Salvage/subrogation not being adequately addressed.
 - iv. Consistent overpayments of claims.
- b. Unusually high count of erroneous assignments and/or claims closed without payment (CWP). (WYO company is paid a flat fee for CWP cases where little or no work is done—the risk is fraudulent CWP cases.)
- c. Unusually low count of CWP. (May indicate inadequate follow-up of claims.)
- d. Average claim payments that significantly exceed the NFIP-wide average.
- e. Lack of adequate documentation for paid claims.
- f. Claims not processed in a timely fashion.
- g. Consistent failure of WYO company to receive authorization for Special Allocated Loss Adjustment Expenses (SALAE) prior to incurring them.
- h. High submission of Special Allocated Loss Adjustment Expenses (SALAE).
- i. Consistently high policyholder complaint level.
- j. Low/high count of salvage/subrogation.
- k. Biennial audit indicates significant problems.

3. Financial Reporting/Accounting

- a. Consistently high reconciliation variances and/or errors in statistical information.
- b. Financial and/or statistical information not received in a timely fashion.
- c. Letter of Credit violations are found.
- d. WYO company is not depositing funds to the Restricted Account in a timely manner, or funds are not being transferred through the automated clearinghouse on a timely basis.
- e. Premium suspense is consistently significant, older than 60 days, and/or cannot be detailed sufficiently.
- f. Large/unusual balance in Cash - Other (Receivable or Payable).
- g. Large, unexplained differences in cash reconciliation.
- h. Large/unusual balances or variations between months noted for key reported financial data.
- i. Financial statement to statistical data reconciliation sheets improperly completed, indicating that proper review of information is not being performed prior to signing certification statement.
- j. Repeated failure to respond fully in a timely manner to questions raised by FEMA or the NFIP Bureau and Statistical Agent concerning monthly financial reporting.
- k. Biennial audit indicates significant problems.

E. STATE INSURANCE DEPARTMENT AUDITS

1. It is expected that audits of WYO companies by independent accountants and/or state insurance departments, aside from those conducted by FEMA or its designee, will include flood insurance activity. When such audits occur, a financial officer for the WYO company will notify FEMA, identifying the auditing entity and providing a brief statement of the overall conclusions that relate to flood insurance and the insurer's financial condition, when available. In the case of an audit in progress, a brief statement on the scope of the audit should be provided to FEMA.
2. The WYO companies will maintain on file the reports resulting from audits, subject to on-site inspection by FEMA or its designee. At FEMA's request, the WYO company will submit a copy of the auditor's opinion, should one be available, summarizing the audit conclusions.

PART 2 - TRANSACTION RECORD REPORTING AND PROCESSING PLAN RECONCILIATION PROCEDURES

A. RECONCILIATION OBJECTIVES

1. The objectives of the Transaction Record Reporting and Processing Plan reconciliation procedures are to:
 - a. Reconcile transaction detail with monthly financial statements submitted by the WYO companies.
 - b. Assess the quality and timeliness of submitted data.
 - c. Provide a tool for the identification and resolution of discrepancies in the data. Reconciliation of the statistical reports submitted will be performed by the WYO companies and independently by the NFIP Bureau and Statistical Agent.
2. Review of monthly financial statements and transaction level detail will involve the following areas:
 - a. Financial Control
 - b. Quality Review of Submitted Data
 - c. Policy Rating
 - d. Timeliness of Reporting
 - e. Monthly Reports
 - f. Data Submission Monitoring Plan
 - g. Front-End Balancing Procedure
 - h. Reporting of WYO Companies to the Standards Committee and the Federal Insurance Administrator

B. FINANCIAL CONTROL

1. WYO companies are required to submit reconciliation statements (see Exhibit 2-1) with the transaction level detail. These statements will reconcile the transaction records data to selected financial statement entries. An explanation of any difference must be noted on the respective reconciliation statement.
2. The NFIP Bureau and Statistical Agent will review, at a minimum, the various reconciliation statements and produce a report reconciling the transaction data to selected monthly financial statement entries.
3. To facilitate financial reconciliation, transaction records that do not pass edits will be identified and maintained in the NFIP database until the error is corrected by the company.
4. Transaction level detail will be maintained by the NFIP in policy and claim history files for recordkeeping and audit purposes.

C. QUALITY REVIEW OF SUBMITTED DATA

1. Transaction records will be edited for correct format and values.
2. Informational and relational edits will be performed on individual policy and claim transactions, as well as between policy transactions and claim transactions submitted against those policies.
3. Record validation will be performed to determine whether the transaction is allowable for the policy or claim indicated.
4. Errors will be categorized as critical or non-critical. The percentage of critical errors in the submission of statistical data will be the basis by which company performance is reported to the Standards Committee. Critical errors include those errors made in required data elements. Required data elements are those that:
 - a. Identify the policyholder, the policy number, the loss, and the property location.
 - b. Provide information necessary to rate the policy.
 - c. Provide information used in financial control.
 - d. Provide information used for actuarial review of NFIP experience.

D. POLICY RATING

The rating will be validated by the NFIP for all policies for which the following transactions have been submitted:

1. New Business
2. Renewals
3. Endorsements
4. Corrections of records previously submitted for premium transactions.

Incorrect rating will be considered a critical error.

E. TIMELINESS OF REPORTING

1. WYO companies will be expected to submit monthly financial, reconciliation, and certification statements no later than close of business (ET) of the 21st day of the calendar month following each month's closing.
2. WYO companies will be expected to submit statistical data no later than 12:00 noon (ET) of the 21st day of the calendar month following each month's closing.
3. The NFIP will produce reports based on review of submitted data within 30 days after the due date. Data received after the standard due date will be processed in the first processing cycle subsequent to the receipt of WYO company submissions.

F. MONTHLY REPORTS

1. Reports for each WYO company's data submission will be sent to the respective WYO company and FEMA explaining any discrepancies found by the NFIP review.
2. Transaction records that fail to pass the quality review or policy rating edits will be reported to the appropriate WYO company in transaction detail with error codes, classification of errors as either critical or non-critical, and any codes used by the company to identify the source of the transaction data.
3. Reports to WYO companies and FEMA
 - a. Summary statistics will be generated for each monthly submission of transaction data. These will include:
 - i. Absolute numbers of transactions read and transactions rejected by transaction type; and
 - ii. Dollar amounts associated with transactions read and transactions rejected.
 - b. Summary statistics for all policy and claim records submitted to date (which may each be the result of multiple transactions) will be generated separately for critical and non-critical errors. These will include:
 - i. Absolute number of policy and claim records on file and those containing errors; and
 - ii. Relative values for the number of records containing critical errors.

- c. Control totals will be generated for statistical data submitted to and processed by the NFIP. This front-end balancing procedure will include:
 - i. Numbers of records submitted according to the NFIP compared with numbers of records submitted according to the WYO company reconciliation statements; and
 - ii. Dollar amounts submitted according to the NFIP compared with dollar amounts submitted according to the WYO company reconciliation statements.
- d. If there is any discrepancy between the NFIP reading of dollar amounts from the statistical data and the WYO company reconciliation statements, then the monthly statistical data submission will be rejected and returned to the company. The rejected statistical data must be corrected and resubmitted by the next monthly submission due date.
- e. In cases where the NFIP reconciliation of transaction level detail with the financial statements does not agree with the reconciliation report submitted by the WYO company, a separate report will be generated and transmitted to the company for resolution and to FEMA.

G. DATA SUBMISSION MONITORING PLAN

1. Monthly reports and other communication with the WYO Principal Coordinator (PC), or possibly with a company executive at a higher organizational level, are used to focus management's attention, when required, on the quality and timeliness of reported data. The Standards Committee reviews company performance and the operation of the Data Submission Monitoring System, and makes recommendations to the Federal Insurance Administrator regarding company appeals, further development of the system, and actions that may be necessary to ensure compliance with reporting requirements.
2. FEMA has provided the Standards Committee with established WYO company performance standards with tolerance levels for critical errors under the Data Submission Monitoring Plan (refer to TRRP Plan for more detail):
 - a. Performance will be assessed based on critical policy and claim errors that are uncorrected six (6) months after they are noted on the NFIP/ WYO system. Substandard performance for policy errors will be based on the number of policy records with critical errors exceeding an error tolerance level of five (5) percent. Substandard performance for claim errors will be based on the number of loss records with critical errors exceeding an error tolerance level of two (2) percent.

- b. Performance will be assessed based on all critical policy and claim rejected transactions that remain uncorrected on the NFIP/ WYO system after six (6) months. Since critical rejects have premium, loss payments, or other expenses associated with them, there is no tolerance level and all must be corrected.
3. The NFIP will monitor and report WYO company financial performance deviations to the Standards Committee. Financial performance will be evaluated based on financial reporting, TRRP reporting, and financial/statistical variances.
- a. Financial reporting deviations include the frequent late submission of financial, reconciliation, and/or certification statements. Frequent late submission is defined as three or more occurrences within a performance measurement period.
 - b. TRRP reporting deviations include the frequent late submission of statistical data and/or the rejection of statistical data. Frequent late submission is defined as three or more occurrences within a performance measurement period.
 - c. Financial/statistical variance reporting deviations include the failure to timely resolve significant financial/statistical variances for net written premium, net paid loss, or federal policy fee. Financial/statistical variances in this category will exceed a designated financial tolerance amount and will be outstanding for six (6) consecutive months or more within a performance period.

H. FRONT-END BALANCING PROCEDURE

Control totals will be generated for statistical data submitted by the WYO company and processed by the NFIP. This front-end balancing procedure will include:

1. Numbers of records submitted according to NFIP reports as compared with numbers of records submitted according to the WYO company's reconciliation documents.
2. Dollar amounts submitted according to NFIP reports as compared with dollar amounts reported according to the WYO company's reconciliation documents.

Any discrepancy found in the dollar amount or record count will require the WYO company to submit corrected statistical data or correct the respective reconciliation statement before further processing will occur. The submitted statistical data will not be included in various NFIP monthly reports unless corrected data and/or a corrected reconciliation statement is received by the required due date.

I. REPORTING OF COMPANY RATING TO THE STANDARDS COMMITTEE AND THE ADMINISTRATOR

1. Satisfactory Rating

An annual end-of-year report will be submitted to convey the satisfactory rating of WYO companies' submission of transaction data and the reconciliation of these data with financial reports.

2. Unsatisfactory Rating

The report of an unsatisfactory rating will be submitted as soon as errors and problems reach critical threshold levels. This rating will be based on: continuing problems in reconciling transaction data with financial reports; statistics on the percentage of transactions submitted with critical errors; the percentage of policy and claim records on file that contain critical errors; and late submission of statistical and financial reports.

**EXHIBIT 2-1
RECONCILIATION STATEMENTS (Page 1 of 5)**

MONTHLY RECONCILIATION – NET WRITTEN PREMIUMS

COMPANY NAME _____ CO. NAIC NUMBER _____
 MONTH/YEAR ENDING _____ DATE SUBMITTED _____
 PREPARER'S NAME _____ TELEPHONE NO. _____

MONTHLY
FINANCIAL REPORT

MONTHLY STATISTICAL
TRANSACTION REPORT

NET WRITTEN PREMIUMS: \$ _____	<u>TRANS. CODE</u>	<u>RECORD COUNT</u>	<u>PREMIUM AMOUNT</u>
(INCOME STATEMENT - Line 100)	11	_____	\$ _____
	15	_____	_____
	17	_____	_____
<u>UNPROCESSED STATISTICAL:</u>	20	_____	_____
(+) PRIOR MONTH'S _____	23	_____	_____
(-) CURRENT MONTH'S _____	26	_____	_____
<u>OTHER – EXPLAIN:</u>	29	_____	_____
(1) _____			
(2) _____	14 AND 81	_____	_____
	99	_____	_____
	12	_____	_____
TOTAL: \$ _____	TOTAL:	_____	\$ _____ *

* (ADD 11 THROUGH 23
LESS 26 AND 29)

COMMENTS:

**EXHIBIT 2-1
RECONCILIATION STATEMENTS (Page 2 of 5)**

MONTHLY RECONCILIATION – NET FEDERAL POLICY FEES

COMPANY NAME _____ CO. NAIC NUMBER _____
 MONTH/YEAR ENDING _____ DATE SUBMITTED _____

<u>MONTHLY FINANCIAL REPORT</u>		<u>MONTHLY STATISTICAL TRANSACTION REPORT</u>		
NET FEDERAL POLICY FEES: \$ _____		<u>TRANS. CODE</u>	<u>RECORD COUNT</u>	<u>FEE AMOUNT</u>
(INCOME STATEMENT - Line 170)		11	_____	\$ _____
		15	_____	_____
		17	_____	_____
<u>UNPROCESSED STATISTICAL:</u>		20	_____	_____
(+) PRIOR MONTH'S _____		23	_____	_____
(-) CURRENT MONTH'S _____		26	_____	_____
<u>OTHER – EXPLAIN:</u>				
(1) _____				
(2) _____		29	_____	_____
TOTAL: \$ _____		TOTAL: _____		\$ _____ *

* (ADD 11 THROUGH 23
LESS 26 AND 29)

COMMENTS:

**EXHIBIT 2-1
RECONCILIATION STATEMENTS (Page 3 of 5)**

MONTHLY RECONCILIATION - NET PAID LOSSES

COMPANY NAME _____ CO. NAIC NUMBER _____

MONTH/YEAR ENDING _____ DATE SUBMITTED _____

100 NET PAID LOSSES \$ (INCOME STATEMENT – Line 115)	TRANS. CODE	RECORD COUNT	LOSS/PAID RECOVERIES
UNPROCESSED <u>STATISTICAL:</u>	31	_____	\$ _____
140 (+) PRIOR MONTH'S _____	34	_____	_____
	37	_____	_____
150 (-) CURRENT MONTH'S _____	40	_____	_____
160 SALVAGE NOT TO BE REPORTED BY TRANSACTION (EXPLAIN) _____	43	_____	_____
170 <u>OTHER – EXPLAIN:</u>	46 AND 61	_____	_____
(1) _____	49	_____	_____
(2) _____	64	_____	_____
	84 AND 87	_____	_____
	52 RECOVERY	_____	_____
	SALVAGE	_____	_____
	SUBROGATION	_____	_____
	67 RECOVERY	_____	_____
	SALVAGE	_____	_____
	SUBROGATION	_____	_____
TOTAL: \$ _____	TOTAL:	_____	\$ _____ *

(SUM OF Lines 100, 140,
160, AND 170 LESS 150)

*(ADD 31, 34, 40 THROUGH 64,
LESS 52 AND 67)

COMMENTS:

**EXHIBIT 2-1
RECONCILIATION STATEMENTS (Page 4 of 5)**

MONTHLY RECONCILIATION - SPECIAL ALLOCATED LAE

COMPANY NAME _____ CO. NAIC NUMBER _____
 MONTH/YEAR ENDING _____ DATE SUBMITTED _____

MONTHLY FINANCIAL REPORT	MONTHLY STATISTICAL TRANSACTION REPORT		
<u>SPECIAL ALLOCATED LOSS ADJUSTMENT EXPENSES</u> \$ _____	TRANS. CODE	RECORD COUNT	SALAE AMOUNTS
(OTHER LOSS AND LAE CALC. – Line 655)	71	_____	\$ _____
	74	_____	_____

UNPROCESSED
STATISTICAL:

(+) PRIOR MONTH'S _____
 (-) CURRENT MONTH'S _____

OTHER – EXPLAIN:

(1) _____
 (2) _____

TOTAL: \$ _____ TOTAL: _____ \$ _____

COMMENTS:

EXHIBIT 2-1
RECONCILIATION STATEMENTS (Page 5 of 5)

MONTHLY RECONCILIATION - CASE LOSS RESERVE

COMPANY NAME _____ CO. NAIC NUMBER _____

MONTH/YEAR ENDING _____ DATE SUBMITTED _____

NUMBER OF OPEN CLAIM
CASES WITH RESERVES _____

TOTAL AMOUNT
OF RESERVES \$ _____
(BALANCE SHEET
ITEMS – LINE 325
CURRENT MONTH COLUMN)

PART 3 - CLAIMS REINSPECTION PROGRAM

A. OBJECTIVES

FEMA and WYO companies have established a Claims Reinspection Program with the following objectives:

1. To keep FEMA and the NFIP Bureau and Statistical Agent Claims Management informed.
2. To assist in the overall claims operation.
3. To provide necessary assurances and documentation for dealing with the Government Accountability Office, Congressional Oversight Committees, and the public.

B. MAJOR ELEMENTS

Following are major elements of the Claims Reinspection Program:

1. All files are subject to reinspection.
2. There are two types of reinspections as follows:
 - a. Routine.
 - b. Special Assist.
3. Files for reinspection will be randomly selected.
4. The number of open claims routinely reinspected for each FICO-designated event is determined by the binomial sampling chart (Exhibit 3-1). If a company's error rate exceeds a three (3) percent threshold, then the conclusion is that additional training needs to be provided to the company's claims adjusters and additional files may be reinspected at FEMA's request.
5. Special Assist reinspections are precipitated by a written request from the WYO company claims coordinator or direction (oral or written) from FEMA. These reinspections involve specific claim situations that require a General Adjuster's intervention. Special Assist reinspections will also be conducted, as directed by FEMA, in unusual situations, such as a large number of condominium losses or other large or complicated losses or when there are problems with elevated buildings.
6. An NFIP Bureau and Statistical Agent General Adjuster will conduct each reinspection, accompanied a WYO company representative.

7. A joint, single report will be issued and signed by the NFIP Bureau and Statistical Agent General Adjuster and the WYO company representative. The NFIP Reinspection Report form (Exhibit 3-2) will be used.
8. Copies of the reinspection report will be forwarded to the WYO company's Claims Manager and FEMA's Claims Reinspection Program Manager.

C. SAMPLING PROCEDURES

The specific sampling procedures utilized by the Claims Reinspection Program are as follows:

1. Reinspections are conducted principally on open claims files. The NFIP Bureau and Statistical Agent will notify the WYO companies selected for reinspection and determine the number of claims to reinspect using the binomial table (Exhibit 3-1).
2. FEMA allows each company a three (3) percent error rate. Every company that has reported 400 or more claims for a FICO-designated event is considered a large company and will be considered for participation in the reinspection program. Using the binomial table and based upon the acceptable three (3) percent error rate, the General Adjuster should reinspect the corresponding number of claims.
3. If, based on the General Adjuster's findings, the company's error rate exceeds three (3) percent, the General Adjuster will reinspect additional claims that will amount to the difference between the three (3) percent sample size and the company's actual error rate sample size.
4. A company that has fewer than 400 claims for a flooding event is considered a small claim volume company. Claims of small volume companies will be reinspected as NFIP Bureau and Statistical Agent staffing and time allow.
5. If a large company's error rate exceeds ten (10) percent in any month, or exceeds three (3) percent twice in a 6-month period, additional training is warranted and additional action could be taken by FEMA.
6. Additional training is also warranted if the sampled claim volume error rate for small claim volume companies exceeds three (3) percent more than three times in an 18-month period.
7. The General Adjuster will use the three-page Reinspection Report form (Exhibit 3-2). The form should be completed in full and signed by both the WYO company representative and the General Adjuster to indicate their concurrence with the reinspection.

**EXHIBIT 3-1
BINOMIAL TABLE**

NATIONAL FLOOD INSURANCE PROGRAM

<u>Company's Total Claims</u>	<u>Number Sampled</u>				
	<u>3.0%</u>	<u>4.0%</u>	<u>5.0%</u>	<u>6.0%</u>	<u>7.0%</u>
400	42	54	65	74	83
500	43	55	67	77	87
600	44	56	68	79	89
700	44	57	69	81	91
800	45	58	70	82	93
900	45	58	71	83	94
1,000	45	58	71	83	95
1,500	46	60	73	86	98
2,000	46	60	74	87	100
2,500	46	60	74	88	101
3,000	46	61	75	88	101
3,500	46	61	75	88	102
4,000	47	61	75	89	102
4,500	47	61	75	89	102
5,000	47	61	75	89	103
6,000	47	61	76	89	103
7,000	47	61	76	90	103
8,000	47	61	76	90	103
9,000	47	62	76	90	103
10,000	47	62	76	90	104
12,500	47	62	76	90	104
15,000	47	62	76	90	104

**EXHIBIT 3-2
REINSPECTION REPORT (Page 1 of 3)**

**National Flood Insurance Program
Reinspection Report**

Direct Claim No. _____
 WYO _____ Date of Loss _____ FICO No. (if applicable) _____
 Other: _____

Insured's Name _____ Policy No. _____
 Property Location _____ City/State _____ Telephone _____
 Adjusting Company _____ Adjuster _____ Telephone _____
 Adjuster's Address _____ City/State _____
 Date Assigned _____ Date of Contact _____ Date of Inspection _____
 Status of Loss at Time of Inspection Open Closed Date Paid _____

IS BUILDING IN SPECIAL FLOOD HAZARD AREA? YES NO IS PROPERTY IN CBRA/CBIA? YES NO FLOOD ZONE _____

BUILDING OCCUPANCY RESIDENTIAL <input type="checkbox"/> SINGLE FAMILY <input type="checkbox"/> 2-4 FAMILY <input type="checkbox"/> OTHER RESIDENTIAL <input type="checkbox"/> NON-RESIDENTIAL (INCLUDING HOTEL/MOTEL)	BUILDING TYPE (INCLUDING BASEMENT IF ANY): <input type="checkbox"/> ONE FLOOR <input type="checkbox"/> TWO FLOORS <input type="checkbox"/> THREE OR MORE FLOORS <input type="checkbox"/> SPLIT LEVEL <input type="checkbox"/> MANUFACTURED (MOBILE) HOME ON FOUNDATION	IS COVERAGE FOR CONDOMINIUM UNIT? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	ESTIMATED REPLACEMENT COST OF THE BUILDING IS \$ _____	DEDUCTIBLE <input type="checkbox"/> BUILDING \$ _____ <input type="checkbox"/> CONTENTS \$ _____
		... FOR CONDO ASSOCIATION BUILDING? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	IS BUILDING INSURED'S PRIN- CIPAL RESIDENCE? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	IS BUILDING ELEVATED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
BASEMENT OR ENCLOSED AREA BELOW AN ELEVATED BUILDING: <input type="checkbox"/> NONE <input type="checkbox"/> FINISHED <input type="checkbox"/> UNFINISHED	DOES THE BUILDING MATCH THE UNDERWRITING DESCRIPTION? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO IF NO, EXPLAIN: _____	... FOR CONDO MASTER POLICY? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	IS THIS BUILDING IN THE COURSE OF CONSTRUCTION? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	HOW? _____ IF YES, AREA BELOW IS: <input type="checkbox"/> FREE OF OBSTRUCTION <input type="checkbox"/> WITH OBSTRUCTION

ALL BUILDINGS: CHECK ONE OF THE FOUR BLOCKS
 BUILDING PERMIT DATE ____/____/____ DATE OF CONSTRUCTION ____/____/____ SUBSTANTIAL IMPROVEMENT DATE ____/____/____
 MANUFACTURED MOBILE HOMES LOCATED OUTSIDE A MOBILE HOME PARK OR SUBDIVISION: DATE OF PERMANENT PLACEMENT ____/____/____ (MM/DD/YY)

IS IT POST-FIRM CONSTRUCTION IN ZONES A1-A30, AE, AH, V1-V30, OR V YES NO ELEVATION DIFFERENCE _____
 ADJUSTER BUILDING \$ _____ SATISFACTORY UNSATISFACTORY EXPLAIN _____
 SETTLEMENT CONTENTS \$ _____ SATISFACTORY UNSATISFACTORY EXPLAIN _____

Combined wind and flood loss? Yes No Single adjuster? Yes No ICC? Yes No

Name of wind carrier/adjuster: _____

General comments: _____

READJUSTMENT AGREED <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	BUILDING		CONTENTS		Totals
	Main	Appurtenant	Main	Appurtenant	
Increase					
Decrease					

_____/_____/_____
 Date of Reinspection Reinspector's Signature for WYO Reinspector's Signature for NFIP

593-105A-1 (6/08)

**EXHIBIT 3-2
REINSPECTION REPORT (Page 3 of 3)**

**Reinspection Report
Page 3**

Evaluation of the Adjuster's Estimate

	Yes	No	Comments
1. Are the room dimensions correct?			
2. Was the damage properly scoped?			
3. Is the estimate prepared line by line on a unit cost basis?			
4. Did the adjuster utilize area unit costs?			
5. Was proper depreciation applied?			
6. Was the depreciation applied per item?			
7. Do the photographs depict the damage?			
8. Was the prior loss cross-referenced to rule out duplication of payments?			
9. Was old damage or pre-existing conditions addressed?			
10. Was salvage discussed?			
11. Was subrogation addressed?			
12. Did the adjuster correctly calculate the replacement cost of the building?			
13. Were overhead and profit properly applied?			
14. Were the appropriate claim forms completed?			
15. Was other insurance addressed?			

593-105A-3 (6/08)

PART 4 - REPORT CERTIFICATIONS AND SIGNATURE AUTHORIZATIONS

A. REPORT CERTIFICATIONS

The Financial Control Plan Requirements and Procedures document stipulates that Report Certification Statements must be signed monthly by responsible company officers. The two Certification Statements to be signed are described below.

1. Certification Statement for Monthly Financial and Statistical Reconciliation Reports

This statement (Exhibit 4-1) relates to the entries recorded on both the financial statements and the reconciliation statements. It certifies that the entries on both documents have been reviewed and that all information included on these documents is the representation of the company. If a material modification is to be made, an explanation should be provided on this form.

This form must be signed and dated by the financial officer who reviewed the documentation.

2. Certification Statement for Monthly Statistical Transaction Report

This statement (Exhibit 4-2) relates to the data contained in the monthly statistical submission from which certain balance totals (Net Written Premium, Net Paid Losses, Net Federal Policy Fees, and Special Allocated Loss Adjustment Expenses) are developed. It certifies that these balance totals used in the reconciliation statement processing are the representation of the company. If a material modification is to be made, an explanation should be provided on this form.

The form must be signed and dated by the responsible reporting officer who reviewed the statistical documentation.

B. SIGNATURE AUTHORIZATIONS

Certification Statements can be signed only by those individuals so designated by the company. A record of authorized signers (Exhibits 4-3 and 4-4) is maintained by the NFIP Bureau and Statistical Agent.

Any change or addition to the designated signer list must be communicated to the NFIP Bureau and Statistical Agent. This can be done by contacting your WYO Business Analyst at the following address:

NFIP Bureau and Statistical Agent
Attention: WYO Business Analyst
7700 Hubble Drive
Lanham, MD 20706

**EXHIBIT 4-1
CERTIFICATION STATEMENT FOR
MONTHLY FINANCIAL AND STATISTICAL RECONCILIATION REPORTS**

I have reviewed the accompanying financial and statistical reconciliation reports of _____ Company as of _____. All information included in these statements is the representation of the _____ Company.

Based on my review (with the exception of the matter(s) described in the following paragraphs, if applicable), I certify that I am not aware of any material modifications that should be made to the accompanying reports.

SIGNED _____
(Responsible Financial Officer)

DATE _____

**EXHIBIT 4-2
CERTIFICATION STATEMENT FOR
MONTHLY STATISTICAL TRANSACTION REPORT**

I have reviewed the accompanying statistical transaction report control totals in conjunction with appropriate statistical reconciliation reports for the _____ reporting period. All information included in these reports is the representation of the _____ Company.

Based on my review (with the exception of the matter(s) described in the following paragraphs, if applicable), I certify that I am not aware of any material modifications that should be made to the accompanying reports.

SIGNED _____
(Responsible Reporting Officer)

DATE _____

**EXHIBIT 4-3
SIGNATURE AUTHORIZATION FOR
MONTHLY FINANCIAL AND STATISTICAL RECONCILIATION REPORTS**

Write Your Own Company: _____

I hereby designate the individual(s) listed below as the responsible financial officer to act as signatory for the Financial and Statistical Reconciliation Reports for my company. This individual(s) understands that he/she is responsible for the accuracy and completeness of these reports.

Authorizing Officer of the Company: _____
(Please type name and title)

Signature and Date: _____

Responsible Financial Officer(s):

Company Individual(s)

Vendor Individual(s)

1. _____
(Please type name)

1. _____
(Please type name)

(Please type title)

(Please type title)

(Signature)

(Signature)

2. _____
(Please type name)

2. _____
(Please type name)

(Please type title)

(Please type title)

(Signature)

(Signature)

3. _____
(Please type name)

3. _____
(Please type name)

(Please type title)

(Please type title)

(Signature)

(Signature)

Return to: NFIP Bureau and Statistical Agent
Attention: WYO Business Analyst
7700 Hubble Drive
Lanham, MD 20706

**EXHIBIT 4-4
SIGNATURE AUTHORIZATION FOR
MONTHLY STATISTICAL TRANSACTION REPORT**

Write Your Own Company: _____

I hereby designate the individual(s) listed below as the responsible reporting officer to act as signatory for the Statistical Transaction Report for my company. This individual(s) understands that he/she is responsible for the accuracy and completeness of these reports.

Authorizing Officer of the Company: _____
(Please type name and title)

Signature and Date: _____

Responsible Reporting Officer(s):

Company Individual(s)

Vendor Individual(s)

1. _____
(Please type name)

1. _____
(Please type name)

(Please type title)

(Please type title)

(Signature)

(Signature)

2. _____
(Please type name)

2. _____
(Please type name)

(Please type title)

(Please type title)

(Signature)

(Signature)

3. _____
(Please type name)

3. _____
(Please type name)

(Please type title)

(Please type title)

(Signature)

(Signature)

Return to: NFIP Bureau and Statistical Agent
Attention: WYO Business Analyst
7700 Hubble Drive
Lanham, MD 20706

PART 5 - TRANSACTION RECORD REPORTING AND PROCESSING PLAN

Refer to the document for the specific NFIP requirements.

<http://bsa.nfipstat.com/manuals/manuals.htm>

PART 6 - WRITE YOUR OWN (WYO) ACCOUNTING PROCEDURES MANUAL

A. WRITE YOUR OWN ACCOUNTING PROCEDURES MANUAL

Refer to the document, Part C, for pertinent Cash Management Procedures and other specific NFIP requirements.

B. WRITE YOUR OWN ACCOUNTING TRAINING MANUAL

Refer to the document, Part F, for pertinent Cash Management Procedures and other specific NFIP requirements.

<http://bsa.nfipstat.com/manuals/manuals.htm>

PART 7 - OPERATION REVIEW PROCEDURES

Operation Reviews will be conducted at the location (WYO company office or vendor office) where the applications are reviewed and underwritten, or where the claim files are examined. When the review is done at the office of the vendor, the review serves for the companies serviced by that vendor that are in the specified grouping of companies being reviewed.

Operation Reviews at a vendor's office will be conducted as follows:

- A separate Operation Review will be conducted for each serviced company having 100,000 or more policies in force.
- A combined Operation Review will be conducted for all serviced companies having 25,000 to 99,000 policies in force.
- A combined Operation Review will be conducted for all serviced companies having fewer than 25,000 policies in force

If a WYO company processes and underwrites applications at more than one location, a separate Underwriting Operation Review will be conducted for each location.

A. UNDERWRITING/POLICY ADMINISTRATION OPERATION REVIEW OBJECTIVES, OUTLINE, AND PROCEDURES

1. WYO Company Summary Report. An overview will be provided by the WYO company to the FEMA Underwriter, if requested, prior to the on-site review. See Exhibit 7-1.
2. Administrative Review Report. The review provides for the identification of and compliance with existing administrative, technical, and functional policies or procedures. Exhibit 7-2, the use of which is optional, provides a sample format for this review.
3. Operational Activity. The review provides an analysis of operational activities as follows:
 - a. Analysis of policies in force, applications entered, declinations, and cancellations.
 - b. Analysis of type of business (Dwelling, General Property, and Residential Condominium Building Association Policy).
 - c. Analysis of renewal processing systems.
 - d. Analysis of endorsement processing.
 - e. Analysis of observance of effective date rules relative to the above, as detailed in Part 1, under "B. Biennial Underwriting Audit," at "10. Observance of Waiting Period."
4. File Selection. FEMA will select files for underwriting audits from a number of policy categories of particular interest or concern. The policy samples will be selected from within the categories of interest through the use of computerized

random number generators. The selection process will include new business policies, endorsements, and cancellations written or processed in the past 12 months. The general details to be covered in the individual files are in the Specific Risk Review Checklist (Exhibit 7-3). Also, an Underwriting Review Summary (Exhibit 7-4), the use of which is optional, provides a sample format for the Risk Review portion of the report. Generally, the number of files reviewed at the WYO company or vendor's office will follow the sample sizes listed below.

Total New Business Written in the Past Year	Policies to Be Reviewed
Less than 500	50
500 - 2,449	100
2,500 - 4,999	125
5,000 - 9,999	150
10,000 or more	200

5. Rating. A review of rating activity will cover the following areas:

- a. Internal review of rating accuracy.
- b. Use of specific rates.
- c. Correction procedure.
- d. Timeliness of service.

6. Rating Data Verification. A sampling of risks will be reviewed. A check will be made to determine:

- a. Type of occupancy.
- b. Type of structure.
- c. Number of floors.
- d. Basement type.
- e. Elevated with enclosures.
- f. Contents location.
- g. Program.
- h. Community.
- i. Zone.
- j. Elevation from Elevation Certificate.
- k. Floodproofing.
- l. Mortgagee.
- m. Deductible.
- n. Condominium.

7. Reports. The FEMA Underwriter or designee will prepare a draft report of the Operation Review that will be sent to the WYO company representative. Once the company has responded and the findings are finalized, a copy of the final report will be submitted to the Risk Insurance Division Director, and an oral summary report will be given to the Standards Committee. The minimum level of detail in the report will be as follows:

The report will contain the date, place, and a list of participants in the review process. For an Operation Review conducted at a vendor's office, the report will list the serviced WYO companies in the grouping reviewed. The report will also contain the number of files examined along with any appropriate comments. Each unsatisfactory condition will be described and documented.

Recommendations to the WYO company on steps to be taken to rectify any delay, error, or omission will be clearly stated with a time frame in which the corrective action will be accomplished. Follow-up procedures will be worked out with the WYO company's representative, which will indicate the dates any progress reports would be filed with the FEMA Underwriter or designee. If necessary, an Audit for Cause will be conducted to confirm that all necessary corrective actions have been taken.

The rating criterion is based on an overall error percentage. The overall error percentage will be applied to a standard, and a rating will be developed. An overall error percentage greater than 7 percent will be the basis for an unsatisfactory rating.

In cases where the error percentage is greater than 7 percent but not exceeding 14 percent, the company will be subject to an annual Operation Review. Companies whose error percentage is greater than 14 percent will be required to perform a re-underwriting of their book of business issued since the last Operation Review and will be subject to annual Operation Reviews. FEMA will determine which class of business will require the re-underwriting based on the types of errors found. A satisfactory rating for the re-underwriting review is 7 percent or less.

The errors on a file will be categorized as either critical or non-critical. One or more critical errors or three or more non-critical errors identified in a file will be considered as only one error when developing the overall error percentage. The determination of what constitutes a critical or non-critical error will be based on established significant conditions. For example, critical error conditions will be as follows:

- i. Any error that impacted the correct rating of the policy (coverage amount, zone), or an endorsement.
- ii. The insuring of an ineligible risk.
- iii. The failure to obtain the information necessary to properly identify and underwrite a risk.
- iv. The issuance of a policy with an incorrect policy term.
- v. Any error that impacts the correct return premium on a cancellation or nullification.
- vi. The processing of a cancellation or nullification for an invalid reason, including insufficient documentation.

EXHIBIT 7-1
WYO COMPANY SUMMARY REPORT

The WYO company will prepare, upon request, a report summarizing the flood insurance operation within the company, including the following items:

1. A general statement describing the nature of the operational setup, whether in-house or through a vendor.
2. If in-house, the number of processing locations, person in charge of operations, staffing arrangement as appropriate, and operating relationships to other insurance activities.
3. If through a vendor, name and address, number of states involved, WYO company representative responsible for dealing with vendor.
4. Optionally, exhibits and flow charts as appropriate.

EXHIBIT 7-2
ADMINISTRATIVE REVIEW REPORT

A report will be prepared covering all or some of the following points, summarizing the activity in each area (as appropriate), giving examples, and identifying those areas in need of attention.

1. Policy Writing, Rating, and Endorsements:
 - a. Prompt within service guidelines?
 - b. Is policy writing audited?
 - c. Are policy writing errors held to a minimum?
 - d. Is satisfactory action normally taken to ensure established eligibility standards are met?
 - e. Are there adequate procedures for handling specifically rated property?
2. Bulletins, Guidelines, and Manuals:
 - a. Does each underwriter, policy writer, rater, and coder have proper manuals available for use?
 - b. Is there a procedure for maintaining manuals?
3. Correspondence Files:
 - a. Are they in good order?
 - b. Are retention procedures satisfactory?
4. Cancellation and Declination:
 - a. Are procedures understood and requirements knowledgeably attended to?
5. New Business:
 - a. Are applications being properly checked?
6. Specific Risk Review:
 - a. Review areas that need attention from Specific Risk Review Checklist (Exhibit 7-3) giving examples and recommendations for improvement.
7. Renewal Procedures:
 - a. Are they satisfactory?
 - b. Are non-renewal procedures satisfactory?
8. Mortgagee Procedures:
 - a. Are they satisfactory?

EXHIBIT 7-3
SPECIFIC RISK REVIEW CHECKLIST (Page 1 of 2)

Date: _____
Occupancy:
 Single family
 2-4 family
 Other residential
 Non-residential
Policy no. _____
Amount of insurance:
 Building _____
 Contents _____
Zone: _____
Number of floors: _____
Condominium:
 Yes No
Basement:
 Yes No
Elevated building:
 Yes No
Complete when appropriate:
 Elevation difference _____
 Base flood elevation _____
 Lowest floor elevation _____
 Grade elevation _____
 Obstruction below elevated building
 Yes No

Criteria	Yes	No	Comment if checked "No"
Application: Properly completed?			
Met eligibility—location requirements?			
Policy: Properly issued?			
Required premium received? (If coverage was reduced to the amount that could be purchased with the premium submitted, check yes.)			
Coverage limits within NFIP statutory allowances?			
Waiting period observed?			
Endorsements, renewals, cancellations: Properly issued?			
Required premium received or returned?			
Waiting period observed?			

EXHIBIT 7-3
SPECIFIC RISK REVIEW CHECKLIST (Page 2 of 2)

Criteria	Yes	No	Comment if checked "No"
Additional documentation:			
Is Elevation Certificate information valid and complete?			
If specifically rated, has company obtained the required information?			
File satisfactory for:			
Service within guidelines?			
Recertification?			
Comments—FEMA Insurance Examiner			
Comments—WYO Company Underwriter			
Resolution			

**EXHIBIT 7-4
UNDERWRITING REVIEW SUMMARY**

Type of file or item	Total number reviewed	Total number held for manager
1. General property (commercial) files		
2. Single-family and 2-4 family dwelling files		
3. Multi-family dwelling and other general property files		
4. RCBAP ¹ files		
5. Quote files		
6. Declination files		
Community not eligible		
Incomplete application (unable to rate)		
Risk not eligible		
Premium not submitted		
Premium not sufficient		
7. Other (designate type)		
8.		
9.		
10.		

¹RCBAP is the Residential Condominium Building Association Policy.

B. CLAIMS OPERATION REVIEW OBJECTIVES, OUTLINE, AND PROCEDURES

The WYO company's Claims Manager or designee will be notified in writing of the FEMA Insurance Examiner's plans to conduct an Operation Review. This notice will provide the WYO company at least 30 days to prepare for the Operation Review.

1. Objectives

The objectives are to establish procedures by which the FEMA Insurance Examiner or designee will conduct at least a triennial review of a WYO company's flood insurance claims administration activities.

These Claims Operation Reviews should:

- a. Evaluate with the WYO company's Claims Manager or designee the claims administration processes used to settle flood insurance claims, provide financial and statistical data to the NFIP, and ensure accuracy and service in the handling of claims.
- b. Evaluate the timeliness and accuracy of actual transactions submitted in accordance with the Transaction Record Reporting and Processing Plan instructions. Up to five (5) percent, but not less than 50, of the claim files opened during the period covered by the Review should be matched with printed transaction data extracted from NFIP statistical records.
- c. Provide the WYO company's Claims Manager a briefing on the results of the evaluation under objectives a. and b. above to facilitate improvements in the claims administration processes.
- d. Provide the WYO company's Claims Manager an opportunity to respond to the evaluation and resolve outstanding matters.
- e. Establish a schedule under which the FEMA Insurance Examiner and/or the WYO company's Claims Manager should provide additional information on matters still outstanding at the conclusion of the on-site visit.
- f. Provide the WYO company's Claims Manager with a copy of the draft report. The WYO company's Claims Manager should be provided with a reasonable amount of time to respond in writing. The WYO company's written response is to be made part of the Operation Review Report.
- g. Provide the Standards Committee with a report on the Operation Review.

2. Outline and Procedures

Following is a suggested Claims Operation Review outline and procedures. The precise review format and the techniques employed to fulfill review objectives for a specific WYO company would be based upon the company's processing environment and organizational configuration. The following information also could be used as a guideline for a WYO company's self-audit program.

- a. Claims Department's Responsibilities, Authorities, and Composition. An overview of the Department's responsibilities, authorities, and staffing composition (managerial, technical, and clerical) will be provided by the WYO company to the FEMA Insurance Examiner (Exhibit 7-5) prior to the on-site review. The overview will contain the following information:
 - i. Statement of Primary Function(s).
 - ii. Relationships.
 - (a) WYO Company Management.
 - (b) FEMA Claims Branch.
 - iii. Responsibilities and Authorities.
 - iv. Staffing Composition.

- b. Claim Review. The review provides for the identification of and compliance with existing administrative, technical, and functional policies or procedures. It examines relationships with other WYO company departments (Executive, Accounting, Underwriting, and Data Processing) and inquires as to the adequacy of controls and security.
 - i. Administrative Policies and/or Procedures.
 - ii. Technical Procedures.
 - iii. Functional (Clerical) Procedures.

In undertaking this portion of the examination, the Claim Review Checklist (Exhibit 7-6) would be utilized.

- c. Claim Volumes—Payment (Loss and Expense) Review. The review will provide for a 3-year analysis of claim frequency and payment (loss and allocated expense) figures. Also, it will inquire into distribution of losses by size of loss and examine unallocated expenses. The analysis will be as follows:
 - i. Analysis of Claim Volumes and Payments (Exhibit 7-7).
 - ii. Analysis of Special Allocated Claims Expenses (Exhibit 7-7).
 - iii. Analysis of Salvage and Subrogation Recoveries (Exhibit 7-7).
 - iv. Analysis of Recovery Results (Exhibit 7-7).
 - v. Analysis of Claims by Size of Claim (Exhibit 7-8a).
 - vi. Analysis of Loss Reserves (Exhibit 7-8b).

- d. Review of Appeals and/or Complaints (those to the Insurance Department and those filed directly with the WYO company). The review will include the following:
 - i. Analysis of actions.
 - ii. Analysis of average time frame required to resolve these cases.

- e. **File Review.** It provides for a thorough examination of a random sampling of claim files to measure the quality of investigations, adjustments, and supervision. The Claim Review Summary Worksheet (Exhibit 7-9) will be completed on each file examined. Specific comments on the file will be indicated on the worksheet. Further audit letters (Exhibits 7-10 and 7-11) will be sent on a representative number of closed cases.

Any circumstances indicating a substantive variance from existing underwriting rules will be communicated to the Underwriting Review Team (if present) and to the WYO company's Underwriting Department.

- f. **Worksheet Files.** The FEMA Insurance Examiner or designee will maintain separate operation review files for each company. These files and any draft report written that relies on these files will include the WYO company's responses. At the WYO company's request, the FEMA Insurance Examiner will provide a copy of these files to the WYO company's Claims Manager.
- g. **Reports.** The FEMA Insurance Examiner(s) or designee(s) will file a draft Operation Review report with the WYO company. Once the report is finalized it will be sent to the Risk Insurance Division Director, and a summary oral presentation will be provided to the Standards Committee. The minimum level of detail in the report will be as follows:

- i. **Satisfactory Rating**

The report will contain the time, place, and a list of participants in the review process. It will contain the number of files examined and any comments on their accuracy and condition that would be appropriate.

- ii. **Unsatisfactory Rating**

The report will be written as specifically as possible. Each unsatisfactory condition will be described and supported by documentation. Recommendations to the WYO company's Claims Manager on steps to be taken to rectify any delay, error, or omission will be clearly stated with a time frame in which the corrective action would be accomplished.

Follow-up procedures will be worked out with the WYO company's Claims Manager, which will indicate the dates progress reports will be filed with the Administrator. An Audit for Cause will be conducted to confirm that all necessary corrective actions have been taken.

For an Operation Review conducted at a vendor's office, the report will list the serviced WYO companies in the grouping reviewed.

The rating criterion is an overall error percentage. The overall error percentage will be applied to a standard and a rating will be developed. An overall error percentage of 20 percent or higher will be a basis for an unsatisfactory rating. The overall percentage will be developed from the results of the file review. The errors on a file will be categorized as either

critical or non-critical. One or more critical errors or three or more non-critical errors identified in a file will be considered as only one error when developing the overall error percentage.

The determination of what constitutes a critical or non-critical error will be based on established significant conditions. For example, critical error conditions will be as follows:

- (a) An error that resulted in a claim payment where no coverage was present.
- (b) An error that resulted in an incorrect payment amount.
- (c) Failure to process a claim in accordance with either established procedures or policy requirements.

EXHIBIT 7-5

CLAIMS DEPARTMENT RESPONSIBILITIES, AUTHORITIES, AND COMPOSITION

The WYO company will prepare a report summarizing the flood insurance Claims Department's organizational position within the company and the resources available to perform the claims settlement function.

1. Attach Organization Chart.
 - a. Indicate lines of authority and functional dependencies for only those departments involved in the WYO company's flood insurance activities.
 - b. Show the names of key personnel involved in the WYO company's flood insurance activities.
2. Attach exhibits and the written description of the information required under item 2.a on page 7-10, under "B. Claims Operation Review Objectives, Outline, and Procedures."

EXHIBIT 7-6
CLAIM REVIEW CHECKLIST (Page 1 of 5)

Policy no.:

Insured's name:

State:

Date of loss:

Date paid:

Date reported:

Amt. of loss: \$

Building: \$

Contents: \$

Adjusting firm:

Examiner's name:

Review date:

Comments:

EXHIBIT 7-6
CLAIM REVIEW CHECKLIST (Page 2 of 5)

I. INVESTIGATION AND ADJUSTMENT

A. Application of Coverage

	Yes	No	N/A
1. Insurable interest?	()	()	()
2. Is loss from the flood peril?	()	()	()
3. Did loss occur within the policy term?	()	()	()
4. Does location and description of risk coincide with policy information?	()	()	()
5. Were proper deductibles applied?	()	()	()
6. Other insurance considered? ()	()	()	
7. Other losses?	()	()	()

B. Application of Sound Adjusting Practices

	Yes	No	N/A
1. Was adjuster's report accurate/complete?	()	()	()
2. Was an attorney used in the settlement?	()	()	()
3. Was a technical expert used in the settlement?	()	()	()

C. Documentation

	Yes	No	N/A
1. Are damages clearly identified?	()	()	()
2. Are damages flood related?	()	()	()
3. Are damages clearly and completely itemized and documented by the adjuster?	()	()	()
4. Was depreciation considered?	()	()	()
5. Has subrogation been considered?	()	()	()

EXHIBIT 7-6
CLAIM REVIEW CHECKLIST (Page 3 of 5)

- | | Yes | No | N/A |
|---------------------------------------|-----|-----|-----|
| 6. Has salvage been properly handled? | () | () | () |
| 7. Was salvage timely? | () | () | () |

II. SUPERVISION

A. Assignments

- | | Yes | No | N/A |
|-----------------------------------|-----|-----|-----|
| 1. Are assignments made promptly? | () | () | () |
| 2. Is insured contacted promptly? | () | () | () |

B. Reserves

- | | Yes | No | N/A |
|---|-----|-----|-----|
| 1. Are initial reserves indicated on the first report? | () | () | () |
| 2. Are they adequate? | () | () | () |
| 3. Does final settlement compare favorably with last reserve established? | () | () | () |

C. Diary Control

- | | Yes | No | N/A |
|---|-----|-----|-----|
| 1. Automatic? | () | () | () |
| 2. Timely? | () | () | () |
| 3. Is file reviewed at diary date with WYO company reviewer's comments? | () | () | () |

D. Examiner Evaluation and Settlement Performances

- | | Yes | No | N/A |
|--|-----|-----|-----|
| 1. Is examiner directing adjuster when needed? | () | () | () |
| 2. Are files documented? | () | () | () |

EXHIBIT 7-6
CLAIM REVIEW CHECKLIST (Page 4 of 5)

	Yes	No	N/A
3. Is adequate control maintained over in-house adjuster?	()	()	()
4. Is adequate control maintained over outside adjuster?	()	()	()
 E. Salvage and Subrogation			
	Yes	No	N/A
1. Is salvage evaluated by salvors?	()	()	()
2. Is salvage disposed of promptly?	()	()	()
3. Are salvage returns adequate?	()	()	()
4. Is potential subrogation being promptly and properly investigated?	()	()	()
5. Are proper subrogation forms used?	()	()	()
6. Are subrogation and salvage files properly opened, diaried, and referred (if appropriate)?	()	()	()
7. Are recovery funds for subrogation and salvage being properly handled?	()	()	()
 F. Suits			
	Yes	No	N/A
1. Are suits properly identified?	()	()	()
2. Are suits being properly evaluated?	()	()	()
3. Are suits being referred to attorneys properly?	()	()	()
4. Are attorneys being advised as to handling settlement or compromise?	()	()	()
5. Are suits being properly controlled?	()	()	()
6. Are suit files properly diaried?	()	()	()
7.--8. [Reserved]			

EXHIBIT 7-6
CLAIM REVIEW CHECKLIST (Page 5 of 5)

G. Other

	Yes	No	N/A
1. Was there other coverage by the WYO company?	()	()	()
2. Were damages correctly apportioned?	()	()	()
3. Was a single adjuster used?	()	()	()
4. Were there prior flood claims?	()	()	()
5. Were prior damages repaired?	()	()	()
6. Were prior claim files reviewed?	()	()	()
7. Was a Congressional complaint letter in file?()	()	()	
8. Was it responded to promptly?	()	()	()
9. Is the statistical reporting correction file being properly managed?	()	()	()

**EXHIBIT 7-7
ANALYSIS OF CLAIM VOLUMES AND PAYMENTS**

Claim Volume by Line:	Number of claims FICO #	Number of claims FICO #	Number of claims FICO #	Number of claims FICO #	Total number of claims non-FICO
Dwelling Form					
General Property Form					
RCBAP Form ¹					
TOTALS					

Loss Payments by Line:	Payments	Payments	Payments	Payments	Payments
Dwelling Form					
General Property Form					
RCBAP Form ¹					
TOTALS					

Special Allocated Expense Payments by Line:	Payments	Payments	Payments	Payments	Payments
Dwelling Form					
General Property Form					
RCBAP Form ¹					
TOTALS					

Salvage Recovery by Line:	Number of claims affected	Number of claims affected	Number of claims affected	Number of claims affected	Number of claims affected
Dwelling Form					
General Property Form					
RCBAP Form ¹					
TOTALS					

Subrogation Cases by Line:	Number of claims affected	Number of claims affected	Number of claims affected	Number of claims affected	Number of claims affected
Dwelling Form					
General Property Form					
RCBAP Form ¹					
TOTALS					

Recovery Results Analysis

	Recoveries (year _____)				Pct to payments			
	Subrogation		Salvage		Subrogation		Salvage	
	Gross ²	Net ³	Gross ²	Net ³	Gross ²	Net ³	Gross ²	Net ³
1st Quarter								
2nd Quarter								
3rd Quarter								
4th Quarter								
YEAR TOTALS								

¹RCBAP is the Residential Condominium Building Association Policy.

²Gross is the total amount recovered.

³Net is the gross less expenses of recovery.

**EXHIBIT 7-8a
ANALYSIS OF CLAIMS BY SIZE OF CLAIM**

Size	Building coverage		Contents coverage	
	WYO company number of claims	Total NFIP number of claims	WYO company number of claims	Total NFIP number of claims
\$1 to \$2,000				
\$2,001 to \$5,000				
\$5,001 to \$10,000				
\$10,001 to \$15,000				
\$15,001 to \$20,000				
\$20,001 to \$50,000				
\$50,001 and Up				
Total				
Average Claim Cost	\$	\$	\$	\$

**EXHIBIT 7-8b
ANALYSIS OF LOSS RESERVES**

Size	Building coverage		Contents coverage	
	WYO company number of claims	Total NFIP number of claims	WYO company number of claims	Total NFIP number of claims
\$1 to \$2,000				
\$2,001 to \$5,000				
\$5,001 to \$10,000				
\$10,001 to \$15,000				
\$15,001 to \$20,000				
\$20,001 to \$50,000				
\$50,001 and Up				
Total				
Average Claim Cost	\$	\$	\$	\$

NOTE: These exhibits will be developed by the NFIP for review with the WYO company's Claims Manager.

**EXHIBIT 7-10
SUGGESTED LETTER
WHERE PHOTOCOPY OF CLAIM PAYMENT DRAFT IS AVAILABLE**

Dear _____

Claim No. _____

Date of Loss _____

Our auditors are conducting a routine examination of our operations, one phase of which is a review of claim payments.

Will you be kind enough to confirm a payment made to you? To provide you with what we believe is sufficient information, a copy of the claim payment draft is enclosed.

Is the information shown on draft # _____ (as enclosed) correct? (Yes or No)

Your Signature _____ Date _____

If you find the enclosed information to be accurate, please sign in the space provided above. If the information is incorrect in any way, please indicate the discrepancy on the reverse side of this letter. In either event, we would appreciate your returning this letter to our auditors in the enclosed business reply envelope. Thank you for your cooperation.

Very truly yours,

**EXHIBIT 7-11
SUGGESTED LETTER
WHERE PHOTOCOPY OF CLAIM PAYMENT DRAFT IS NOT AVAILABLE**

Dear _____

Claim No. _____

Date of Loss _____

Our auditors are conducting a routine examination of our operations, one phase of which is a review of claim payments.

If you find the following record to be accurate, please sign in the space provided. If this information is incorrect in any way, please indicate the discrepancy on the reverse side of this letter. In either event, we would appreciate your returning this letter to our auditors in the enclosed business reply envelope. Thank you for your cooperation.

Very truly yours,

Claim No. _____ Date of Loss _____ Policy No. _____

Date Claim Paid _____ Amount Paid _____

Name of Insured _____

Payment Made to _____

Is the information above correct? (Yes or No)

Your Signature _____ Date _____

C. MARKETING OPERATION REVIEW OBJECTIVES, OUTLINE, AND PROCEDURES

The information requested in this section is necessary to ensure that the Write Your Own company is properly credited for satisfactory completion of the marketing operation portion of the Operation Review. The authority to collect the information is Title 42, U.S.C. Sections 4001 to 4028. The information that you provide will not be disclosed outside the Department of Homeland Security, Federal Emergency Management Agency (FEMA), except to relevant National Flood Insurance Program contractors, and in aggregate to certain Federal and State government agencies for the purpose of analyzing FEMA marketing programs.

In the future, FEMA will provide an electronic version of the following marketing questionnaire. For now, please complete and submit the questionnaire in hard copy. If more space is needed to respond, please continue on a separate page.

1. General Information

a. Company Name _____

b. Office/Department _____

c. Flood insurance sales channels used (for items like this, check all options that apply)

_____ Captive agents

_____ Independent agents

_____ WYO company employees

_____ Online sales

_____ Other (please describe) _____

d. Describe roles of all entities involved in flood insurance marketing.

• WYO company staff _____

• Vendor (include name) _____

2. Flood Insurance Marketing Plan

- a. Do your company's marketing plans include flood insurance sales and retention goals? Yes No

- b. Do the plans include strategies to achieve the goals? Yes No

- c. How frequently are flood insurance marketing plans updated? _____

- d. Please check and briefly describe any of the following elements that your company uses to drive planning decisions.
_____ Demographic analysis _____

_____ Geographic analysis _____

_____ Audience targeting _____

_____ Other criteria _____

3. Flood Insurance Marketing Methods

- a. Which of the following methods does your company use to promote or market flood insurance to present and prospective clients?
 - _____ Direct mail
 - _____ Collateral material distribution
 - _____ Collateral materials with provision for agent imprint
 - _____ Print advertising in newspapers, magazines, etc.
 - _____ Yellow Pages advertising
 - _____ Television advertising
 - _____ Radio advertising
 - _____ Internet advertising
 - _____ Information on the company's own website
 - _____ Internet communication with general public. If so, does it include:
 - _____ Newsletters or news alerts
 - _____ Online help or support

- _____ Internet communication with policyholders. If so, does it include:
 - _____ Newsletters or news alerts
 - _____ Online help or support
 - _____ Access to customer's own account information
- _____ Public relations placements
- _____ Listing of flood insurance as a business line on company letterhead, business cards, and other materials
- _____ Other (please describe) _____

b. Of the flood insurance marketing methods checked in 3.a. above, which have you found to be most helpful? Which have proved unsuccessful? _____

c. What premium payment options does your company provide for flood insurance policyholders?

- _____ Accepts credit card payments
- _____ Other (please describe) _____

4. Agent Incentives and Support

a. Please check and briefly describe any of the following agent incentives that your company uses to encourage or reward flood insurance policy growth.

- _____ Financial incentives _____
- _____ Recognition for achievement _____
- _____ Full or partial reimbursement for marketing activities _____
- _____ Other rewards _____

- b. What online support services does your company provide for agents?
- Flood zone determinations
 - Online rating
 - Systems to track and encourage renewals
 - Other (please describe) _____

 - None
- c. How does your company encourage agents to market flood insurance? _____

- d. How does your company communicate with agents about flood insurance?
- Specialized newsletter. If so, how often is it issued? _____
 - Information included in other regular communications (please describe) _____

 - Online bulletins or alerts
 - Marketing workshops
 - Other (please describe) _____

5. Agent Training

- a. In keeping with the Financial Assistance/Subsidy Arrangement, Appendix A – Part 62, Article II. G. 3., whereby “The company shall notify agents of the requirement to comply with State regulations regarding flood insurance agent education, notify agents of flood insurance training opportunities, and assist FEMA in periodic assessment of agent training needs,” how does your company:
- Notify agents of the need to comply with State agent education regulations?

 - Notify agents of flood insurance training opportunities? _____

 - Assess agent training needs and provide that information to FEMA? _____

b. How does your company address flood insurance training? (check all that apply)

- Encourages agents to attend a single NFIP training session
- Encourages agents to attend NFIP training sessions periodically. If so, how frequent is the training? _____
- Encourages agents to complete NFIP basic online training module
- Encourages agents to complete NFIP intermediate online training module
- Encourages agents to complete NFIP advanced online training module
- Staff trainer teaches State-approved NFIP classes for agents
- Contractor is used to teach NFIP classes
- Company has its own online NFIP training for agents. If so, is it State approved? () Yes () No
- Vendor has its own online NFIP training for agents. If so, is it State approved? () Yes () No
- Territorial sales manager trains agents
- We do not offer training, but require that our agents meet State requirements
- Other (please describe) _____

6. Use of NFIP Marketing and Advertising Services

a. Please check any of the following NFIP marketing and advertising services that your company encourages agents to use. For each checked, please describe the method of encouragement.

- Agents.Floodsmart.Gov website _____

- NFIP Cooperative Advertising Program _____

- NFIP Leads Program _____

b. Does your company participate in NFIP Retention and Winback Mailing Programs? () Yes () No

D. CUSTOMER SERVICES OPERATION REVIEW OBJECTIVES, OUTLINE, AND PROCEDURES

1. WYO Customer Services Evaluation Procedures

- a. Schedule visit with company/vendor via WYO Principal Coordinator.
- b. Meet with WYO Principal Coordinator (or vendor executive) upon arrival and explain purpose of visit.
- c. Ask to see roster of complaints filed with carrier by insurance departments.
- d. Ask to see roster of complaints filed with carrier from any source about flood insurance problems.
- e. Request all correspondence and relevant files for review.
- f. Review files provided. Request explanation for all files not provided and set up arrangement to have copies sent to FEMA for review.
- g. Complete analysis sheet for each file reviewed.
- h. Conduct exit interview with WYO Principal Coordinator or vendor executive.
- i. If review was conducted at vendor site, submit written report of findings to WYO Principal Coordinator within 5 working days of return to FEMA.
- j. Submit written report of findings to FEMA-designated staff within 5 working days of return to FEMA.
- k. Report findings to WYO Standards Committee at next scheduled meeting.

**EXHIBIT 7-12
WYO CUSTOMER SERVICES EVALUATION WORKSHEET**

Insurance Company _____

Vendor, if any _____

Name _____ Policy # _____

If Claim, Date of Loss _____

- | | Yes | No | N/A |
|--|-----|-----|-----|
| 1. Is a log of flood-related consumer complaints maintained? | () | () | () |
| 2. Upon receipt, did company/vendor acknowledge contact within 48 hours? | () | () | () |
| 3. Claim Problem: | () | () | () |
| a. Did concern involve total loss? | () | () | () |
| b. Did concern involve partial loss? () | () | () | |
| c. Did concern involve specific items of loss? | () | () | () |
| d. Did concern involve application of ACV? | () | () | () |
| e. Did company/vendor respond promptly and in detail with its finding? | () | () | () |
| f. Did company/vendor respond promptly to further inquiries? | () | () | () |
| g. Was finding valid? | () | () | () |
| 4. Underwriting Problem: | | | |
| a. Did company/vendor respond promptly and in detail with its finding? | () | () | () |
| b. Did company/vendor respond promptly to further inquiries? | () | () | () |
| c. Was finding valid? | () | () | () |
| 5. Was some problem other than claims or underwriting involved? | | | |
| a. If answer is "yes," what was the problem type? _____ | | | |
| b. Was it handled properly? | () | () | () |

Comments:

Signature _____ Date of Review _____

E. LITIGATION OPERATION REVIEW OBJECTIVES, OUTLINE, AND PROCEDURES

1. Claims Portion

- a. Point of Contact (POC)
- b. Do they have the appropriate supporting documentation:
 - i. (MEMO) WYO Litigation Reporting Procedures, November 24, 1998 – from Jo Ann Howard, discusses guidance re: reporting procedures and bill submission.
 - ii. (MEMO) Revision to Special Allocated Loss Adjustment Expenses – Litigation Expense Procedures, May 12, 1998.
- c. Check case/claim files to verify the following:
 - i. Does the Claims Department review bills before forwarding them to FEMA/NFIP?
 - ii. Do they retain copies of all bills?
 - iii. Do they retain initial authorization of attorney?
 - iv. Do they maintain a list of competent local/state attorneys with NFIP knowledge?

2. Litigation/Counsel Portion

- a. POC in WYO company's Office of Counsel (Not the outside attorney)
 - i. Are they tracking/controlling/reviewing all NFIP-related cases? If not, why not? Who is? (Track through that office/person.)
 - ii. Are there cases that they did not achieve notice for?
 - (a) They should have all cases on file.
 - (b) Do they have the appropriate supporting documentation:
(MEMO) WYO Litigation Reporting Procedures, November 24, 1998 – from Jo Ann Howard, discusses guidance re: reporting procedures and bill submission.
 - iii. Using master list of cases for that WYO company, review files for the following information:
 - (a) Do they ensure contact/processing through the claims department and review bills before forwarding bills to FEMA/NFIP?
 - (b) Do they retain copies of all bills and correspondences?
 - (c) Do they retain initial authorization of attorney and all future correspondences?
 - (d) Do they maintain a list of competent local/state attorneys with NFIP knowledge?