



National Flood Insurance Program

Write Your Own Accounting Training Manual

March 2015



FEMA

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PART A: MONTHLY FINANCIAL STATEMENT PACKAGE REPORTING REQUIREMENTS

Monthly financial statement package reporting requirements are found in the following subsections.

I. STATEMENTS REQUIRED

On a monthly basis, a Write Your Own (WYO) Company is required to submit the following financial documents:

A. FINANCIAL STATEMENTS

(Contained in the WYO Accounting Procedures Manual)

- Exhibit I – Income Statement
- Exhibit II – Reconciliation of Payable/Receivable Balance
- Exhibit III – Balance Sheet Items
- Exhibit IV – Expense Allowance Calculation
- Exhibit V-A – Fee Schedule - Allocated LAE
- Exhibit V-B – Fee Schedule - Allocated LAE
- Exhibit V-C – Fee Schedule - Allocated LAE
- Exhibit V-D – Fee Schedule - Allocated LAE
- Exhibit V-E – Fee Schedule - ICC Claims - Allocated LAE
- Exhibit V-F – Fee Schedule - Allocated LAE
- Exhibit V-G – Fee Schedule - ICC Claims - Allocated LAE
- Exhibit V-H – Fee Schedule - Allocated LAE
- Exhibit V-I – Fee Schedule - Allocated LAE
- Exhibit VI – Other Loss and LAE Calculation
- Exhibit VII – Interest Income
- Exhibit VIII-A – Letter of Credit (LOC) Drawdowns
- Exhibit VIII-B – Cash Payments to the NFIP

- Exhibit VIII-C – Credit Card Payments to the NFIP
- Exhibit VIII-D – Internet Payments to the NFIP
- Exhibit VIII-E – Wire Transfer Payments to the NFIP
- Exhibit IX – Restricted Account Deposits Summary

NOTE: Financial statements must be submitted electronically via e-mail. For further instructions, please refer to the *WYO Accounting Procedures Manual*, Part G, Use of Preformatted Excel Financial Statement Spreadsheet for Monthly Financial Statement Reporting.

B. RECONCILIATION STATEMENTS

(Contained in the *WYO Financial Control Plan*)

- Monthly Reconciliation - Net Written Premiums
- Monthly Reconciliation - Net Federal Policy Fees
- Monthly Reconciliation - Net Reserve Fund
- Monthly Reconciliation - Net HFIAA Surcharge
- Monthly Reconciliation - Net Paid Losses
- Monthly Reconciliation - Special Allocated LAE
- Monthly Reconciliation - Case Loss Reserve

C. REPORTS CERTIFICATION STATEMENTS

(Contained in the *WYO Financial Control Plan*)

- Monthly Financial and Statistical Reconciliation Reports
- Monthly Statistical Transaction Report

II. DUE DATES FOR REQUIRED FINANCIAL DOCUMENTS

All monthly financial statements, reconciliation statements, and certification statements must be received by the NFIP LSS no later than the 21st day of the calendar month following each month's closing.

Example: Financial statements for May's reporting period are to be received by the NFIP LSS no later than June 21, 20XX.

III. WHERE TO SEND REQUIRED FINANCIAL DOCUMENTS

The required financial documents should be sent to the following address:

National Flood Insurance Program
Legacy System Services
ATTN: Financial Control Department
8400 Corporate Drive, Suite 300
Landover, MD 20785

E-mail: financials@nfipstat.fema.gov

PART B: COMPLETION OF REQUIRED FINANCIAL STATEMENT PACKAGE DOCUMENTS

I. MONTHLY FINANCIAL STATEMENTS

As previously stated, the WYO Program requires the completion of certain accounting documents on a monthly basis. The following pages detail how each of the required documents should be completed. We start with the completion of the financial statements, then proceed to the financial/statistical reconciliation reports, and end with the completion of the certification statements.

To better demonstrate how to complete each required document, a fictitious WYO Company (Harwell) has been established. This WYO Company is reporting financials for the second time. The next page gives "general, premium, claim, and financial" information for this fictitious WYO Company. This establishes the starting point for completing the required documents.

NOTE: In this narrative portion, all credit entries are shown in parentheses.

Following this information are completed samples of all the required documents, with figures representing data to be reported. Note that each line on these documents contains an identifier (for example, 1A, 2A, etc.). This line identifier corresponds with a subsequent narrative that describes what each figure represents and how it was developed. This method of presentation should greatly enhance your understanding of the Training Manual and lead to the proper completion of the required documents.

Now let us proceed to the actual completion of the required documents. Good luck!

HARWELL COMPANY

GENERAL INFORMATION

- WYO Company is reporting financials for the second time.
- The expense allowance is 31.2 percent. (This percentage is for illustrative purposes only.)
- WYO Company deposits into the Flood Insurance Restricted Account are made on a daily basis.
- WYO Company uses the credit card payment mechanism.
- Excess funds are transmitted at least weekly through the Automated Clearinghouse (ACH) mechanism, wire transfer, or Internet transfer.
- Fiscal year-to-date (FYTD) totals for appropriate exhibits are developed by adding the current month's figure to the prior month's FYTD total.

PREMIUM INFORMATION

<u>Data Given</u>	<u>Current Month</u>	<u>Prior Month</u>
Booked Net Written Premium	\$380,000	\$ 195,000
Booked Net Federal Policy Fees	\$ 25,000	\$ 15,000
Booked Reserve Funds	\$ 5,000	\$ 0
Earned Premium	\$ 30,000	\$ 11,667
Ending Unearned Premium Reserve	\$533,333	\$ 183,333
Premium Not Booked (Suspense)	\$ 2,000	\$ 1,000

CLAIM INFORMATION

<u>Data Given</u>	<u>Current Month</u>	<u>Prior Month</u>
Claims Reported	4	2
Claims Paid and Closed	3	0
Claims Outstanding	3	2
Paid Loss Amounts	\$ 169,000	\$ 0
Salvage Collected	\$ 100	\$ 0
Special Allocated LAE	\$ 50	\$ 0
Ending Case Reserve	\$ 60,000	\$ 40,000

FINANCIAL INFORMATION

<u>Data Given</u>	<u>Current Month</u>	<u>Prior Month</u>
Premiums Collected in Form of Check/Cash	\$400,890	\$ 201,000
Premiums Charged on Credit Card	\$ 1,200	\$ 0
Federal Policy Fees Collected in Form of Check/Cash	\$ 29,000	\$ 14,890
Federal Policy Fees Charged on Credit Card	\$ 90	\$ 0
Reserve Funds Collected in Form of Check/Cash	\$ 910	\$ 110
Cancellation Refunds	\$ 1,200	\$ 0
Excess Funds		
Total Transferred	\$112,526	\$ 141,205
Rating Organization Expense	\$ 3,000	\$ 1,200
State Sales Tax	\$ 500	\$ 400
Prior Term Refund Expense Allowance		
Due the NFIP	\$ (300)	\$ 0
Miscellaneous Expense	\$ 20	\$ 0

EXHIBIT I: INCOME STATEMENT

1A COMPANY (NAME) Harwell

1B COMPANY (NUMBER) 11111

1C PERIOD ENDING MAY 20XX

		<u>CURRENT MONTH</u>	<u>FISCAL- YEAR-TO-DATE</u>
	<u>REVENUE</u>		
1D	100. Net Written Premiums	<u>380,000</u>	<u>575,000</u>
1E	105. Change in Unearned Premium	<u>(350,000)</u>	<u>(533,333)</u>
1F	110. Earned Premium	<u>30,000</u>	<u>41,667</u>
	<u>EXPENSES</u>		
1G	115. Net Paid Losses	<u>168,900</u>	<u>168,900</u>
1H	120. Allocated LAE (Line 500)	<u>5,160</u>	<u>5,160</u>
1I	125. Other Loss and LAE Items (Line 660)	<u>6,314</u>	<u>8,669</u>
1J	130. Change in Loss and LAE Reserves (Lines 325 through 340, Col. C)	<u>82,980</u>	<u>185,960</u>
1K	135. Net Loss and LAE Incurred	<u>263,354</u>	<u>368,689</u>

1L	140. Expense Allowance (Line 430)	<u>121,790</u>	<u>184,230</u>
1M	150. Miscellaneous Expense	<u>20</u>	<u>20</u>
1N	155. Total Expenses	<u>385,164</u>	<u>552,939</u>
1O	160. Operating Income (Loss)	<u>(355,164)</u>	<u>(511,272)</u>
1P	165. Interest Income (Line 710)	<u>- 0 -</u>	<u>- 0 -</u>
1Q	170. Net Federal Policy Fees	<u>25,000</u>	<u>40,000</u>
	173. Net Reserve Fund	<u>5,000</u>	<u>5,000</u>
1R	175. Net Income (Loss)	<u>(325,164)</u>	<u>(466,272)</u>

1S PREPARER'S NAME Robert George

1T PHONE NUMBER 111-111-1111

EXHIBIT II: RECONCILIATION OF PAYABLE/RECEIVABLE BALANCE

2A COMPANY (NAME) Harwell

2B COMPANY (NUMBER) 11111

2C PERIOD ENDING MAY 20XX

		<u>CURRENT MONTH</u>	<u>FISCAL- YEAR-TO-DATE</u>
2D	200. Beginning Payable/ Receivable Balance (Line 315, Col. B)	<u>(282,313)</u>	<u>- 0 -</u>
2E	205. Net Income (Loss) (Line 175)	<u>(325,164)</u>	<u>(466,272)</u>
2F	210. LOC Funds Received (Line 800)	<u>- 0 -</u>	<u>- 0 -</u>
2G	215. Disbursements to NFIP (Line 805)	<u>(113,816)</u>	<u>(255,021)</u>
2H	220. Ending Payable/ Receivable Balance (Line 315, Col. A)	<u><u>(721,293)</u></u>	<u><u>(721,293)</u></u>

EXHIBIT III: BALANCE SHEET ITEMS

2A COMPANY (NAME) Harwell

2B COMPANY (NUMBER) 11111

3A PERIOD ENDING MAY 20XX

	A	B	C	D
	CURRENT MONTH	PRIOR MONTH	INCREASE/ (DECREASE) (Col. A-B)	BEGINNING OF FISCAL YEAR
3B 300. Cash	<u>25,000</u>	<u>5,000</u>	<u>20,000</u>	<u>- 0 -</u>
3C 305. Cash - Not Transferred To Restricted Account*	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
3D 310. Cash - Not Transferred From Restricted Account*	<u>(20,000)</u>	<u>- 0 -</u>	<u>(20,000)</u>	<u>- 0 -</u>
312. Claims Payable	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
3E 315. Payable To (Receivable From) NFIP	<u>716,293</u>	<u>282,313</u>	<u>433,980</u>	<u>- 0 -</u>
3F 320. Unearned Premium Reserves	<u>(533,333)</u>	<u>(183,333)</u>	<u>(350,000)</u>	<u>- 0 -</u>
3G 325. Loss Reserves (Case)	<u>(60,000)</u>	<u>(40,000)</u>	<u>(20,000)</u>	<u>- 0 -</u>
3H 330. Loss Reserves (IBNR)	<u>(120,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>- 0 -</u>
3I 335. LAE Reserves - Case				

	(Allocated)	<u>(700)</u>	<u>(300)</u>	<u>(400)</u>	<u>- 0 -</u>
3J	336. LAE Reserves - IBNR				
	(Allocated)	<u>(1,300)</u>	<u>(700)</u>	<u>(600)</u>	<u>- 0 -</u>
3K	340. LAE Reserves				
	(Unallocated)	<u>(3,960)</u>	<u>(1,980)</u>	<u>(1,980)</u>	<u>- 0 -</u>
3L	345. Premium Suspense				
	(Under 60 Days Old)	<u>(2,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>- 0 -</u>
3M	346. Premium Suspense				
	(60 Days and Older)*	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
	TOTALS	<u><u>- 0 -</u></u>	<u><u>- 0 -</u></u>	<u><u>- 0 -</u></u>	<u><u>- 0 -</u></u>

Please show debits as positive numbers and bracket all credits. The columns must add to - 0 -.

*Upon FEMA request, WYO Company must provide supporting aged detail for the reported balance. Companies will be notified when such a request is made.

EXHIBIT IV: EXPENSE ALLOWANCE CALCULATION

4A COMPANY (Name) Harwell

4B COMPANY (Number) 11111

4C PERIOD ENDING MAY 20XX

		<u>CURRENT MONTH</u>	<u>FISCAL- YEAR-TO-DATE</u>
<u>EXPENSE ALLOWANCE</u>			
4D	400. Net Written Premium (Do Not Use for Premium)	<u>- 0 -</u>	<u>- 0 -</u>
4E	405. Expense Allowance % A	<u>0.0%</u>	<u>-0.0%</u>
4F	410. Expense Allowance for Net Written Premium A	<u>- 0 -</u>	<u>- 0 -</u>
4F1	411. Net Written Premium (Use 10/1/2008 data month and later)	<u>380,000</u>	<u>575,000</u>
4F2	412. Expense Allowance % B	<u>31.2%</u>	<u>31.2%</u>
4F3	413. Expense Allowance for Net Written Premium B	<u>118,560</u>	<u>179,400</u>
4F4	414. Subtotal Expense Allowance	<u>118,560</u>	<u>179,400</u>
4G	415. Cancellation Premium Refund Adjustment Base	<u>200</u>	<u>200</u>
	420. Commission Allowance %	<u>15%</u>	<u>15%</u>

4H	425.	Cancellation Commission Retention	<u>30</u>	<u>30</u>
4I	426.	Expense Allowance Adjustment for Bonus Commission	<u>- 0 -</u>	<u>- 0 -</u>
4J	427.	Rating Organization Expense	<u>3,000</u>	<u>4,200</u>
4K	428.	State Sales Tax on Insurance Services	<u>500</u>	<u>900</u>
4K1	429.	Prior Term Refund Expense Allowance Due the NFIP	<u>(300)</u>	<u>(300)</u>
4L	430.	Total Expense Allowance	<u>121,790</u>	<u>184,230</u>

**EXHIBIT V-A: FEE SCHEDULE - ALLOCATED LOSS
ADJUSTMENT EXPENSE (LAE)**

(USE FOR CLAIMS WITH DATE OF LOSS OF 9/30/90 AND PRIOR)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER CLOSED</u>	<u>FEE</u>	<u>FEE PAID (COLS. B X C)</u>
Erroneous Assignment	_____	\$ 40.00	
Closed With Payment (CWP)	_____	70.00	
\$.01 - \$ 200.00	_____	70.00	
200.01 - 400.00	_____	90.00	
400.01 - 600.00	_____	110.00	
600.01 - 800.00	_____	130.00	
800.01 - 1,000.00	_____	150.00	
1,000.01 - 1,500.00	_____	180.00	
1,500.01 - 2,000.00	_____	200.00	
2,000.01 - 2,500.00	_____	220.00	
2,500.01 - 3,000.00	_____	240.00	
3,000.01 - 3,500.00	_____	260.00	
3,500.01 - 4,000.00	_____	280.00	
4,000.01 - 4,500.00	_____	300.00	
4,500.01 - 5,000.00	_____	320.00	
5,000.01 - 6,000.00	_____	350.00	
6,000.01 - 7,000.00	_____	370.00	
7,000.01 - 8,000.00	_____	380.00	
8,000.01 - 9,000.00	_____	400.00	
9,000.01 - 10,000.00	_____	420.00	
10,000.01 - 15,000.00	_____	460.00	

15,000.01	-	20,000.00	_____	490.00
20,000.01	-	25,000.00	_____	520.00
25,000.01	-	30,000.00	_____	550.00
30,000.01	-	35,000.00	_____	580.00
35,000.01	-	40,000.00	_____	610.00
40,000.01	-	45,000.00	_____	640.00
45,000.01	-	50,000.00	_____	670.00
50,000.01	-	75,000.00	_____	800.00
75,000.01	-	100,000.00	_____	950.00
100,000.01	-	125,000.00	_____	1,100.00
125,000.01	-	150,000.00	_____	1,250.00
150,000.01	-	175,000.00	_____	1,400.00
175,000.01	-	200,000.00	_____	1,550.00
200,000.01	-	Limits	_____	1,700.00

500-A. Total Allocated LAE Fees Paid - Exhibit V-A**

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-B: FEE SCHEDULE - ALLOCATED LAE

(USE FOR CLAIMS WITH DATE OF LOSS OF 10/1/90 THROUGH 10/31/96)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

5A PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER CLOSED</u>	<u>FEE</u>	<u>FEE PAID (COLS. B X C)</u>
ERRONEOUS ASSIGNMENT	<u> </u>	\$ 40.00	
CWP	<u> </u>	125.00	
MINIMUM FOR UPTON-JONES	<u> </u>	800.00	
\$.01 - \$600.00	<u> </u>	150.00	
600.01 - 1,000.00	<u> </u>	175.00	
1,000.01 - 2,000.00	<u> </u>	225.00	
2,000.01 - 3,500.00	<u> </u>	275.00	
3,500.01 - 5,000.00	<u> </u>	350.00	
5,000.01 - 7,000.00	<u> </u>	425.00	
7,000.01 - 10,000.00	<u> </u>	500.00	
10,000.01 - 15,000.00	<u> </u>	550.00	
15,000.01 - 25,000.00	<u> </u>	600.00	
25,000.01 - 35,000.00	<u>1</u>	675.00	<u>675</u>

35,000.01	-	50,000.00	_____	750.00
50,000.01	-	100,000.00	_____	1,000.00
100,000.01	-	150,000.00	_____	1,300.00
150,000.01	-	200,000.00	_____	1,600.00
200,000.01	-	Limits	_____	2,000.00

EXCESS MILEAGE

5B 500-B. Total Allocated LAE Fees Paid - Exhibit V-B** 675

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-C: FEE SCHEDULE - ALLOCATED LAE

(USE FOR CLAIMS WITH DATE OF LOSS OF 11/1/96 THROUGH 4/30/97)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

5D PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID</u>
ERRONEOUS ASSIGNMENT	_____	\$ 40.00	
CWP	_____	125.00	
\$.01 - \$ 600.00	_____	150.00	
600.01 - 1,000.00	_____	175.00	
1,000.01 - 2,000.00	_____	225.00	
2,000.01 - 3,500.00	_____	275.00	
3,500.01 - 5,000.00	_____	350.00	
5,000.01 - 7,000.00	_____	425.00	
7,000.01 - 10,000.00	_____	500.00	
10,000.01 - 15,000.00	_____	550.00	
15,000.01 - 25,000.00	_____	600.00	
25,000.01 - 35,000.00	_____	675.00	
35,000.01 - 50,000.00	_____	750.00	

50,000.01	-	100,000.00	<u>1</u>	3.0%	<u>2,085</u>
100,000.01	-	250,000.00	_____	2.3%, BUT NOT LESS THAN \$3,000	
250,000.01	-	Limits	_____	2.1%, BUT NOT LESS THAN \$5,750	

OTHER FEMA-AUTHORIZED LAE**

5E 500-C. Total Allocated LAE Fees Paid - Exhibit V-C** 2,085

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-D: FEE SCHEDULE - ALLOCATED LAE

(USE FOR CLAIMS WITH DATE OF LOSS OF 5/1/97 THROUGH 8/31/04)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID COLS. B X C</u>
ERRONEOUS ASSIGNMENT	_____	\$ 40.00	
CWP	_____	125.00	
\$.01 - \$600.00	_____	150.00	
600.01 - 1,000.00	_____	175.00	
1,000.01 - 2,000.00	_____	225.00	
2,000.01 - 3,500.00	_____	275.00	
3,500.01 - 5,000.00	_____	350.00	
5,000.01 - 7,000.00	_____	425.00	
7,000.01 - 10,000.00	_____	500.00	
10,000.01 - 15,000.00	_____	600.00	
15,000.01 - 25,000.00	_____	750.00	
25,000.01 - 35,000.00	_____	900.00	
35,000.01 - 50,000.00	_____	1200.00	

50,000.01	-	100,000.00	<u>1</u>	3.0%	<u>2,400</u>
100,000.01	-	250,000.00	<u> </u>	2.3%, BUT NOT LESS THAN \$3,000	
250,000.01	-	Limits	<u> </u>	2.1%, BUT NOT LESS THAN \$5,750	
5H	500-D. Total Allocated LAE Fees Paid - Exhibit V-D**				<u>2,400</u>

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-E: INCREASED COST OF COMPLIANCE (ICC) FEE SCHEDULE

- ALLOCATED LAE

(USE FOR ICC CLAIMS WITH DATE OF LOSS OF 6/1/97 THROUGH 8/31/04)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID COLS. B X C</u>
ERRONEOUS ASSIGNMENT	_____	\$ 40.00	
CWP	_____	125.00	
\$.01 - \$ 600.00	_____	150.00	
600.01 - 1,000.00	_____	175.00	
1,000.01 - 2,000.00	_____	225.00	
2,000.01 - 3,500.00	_____	275.00	
3,500.01 - 5,000.00	_____	350.00	
5,000.01 - 7,000.00	_____	425.00	
7,000.01 - 10,000.00	_____	500.00	
10,000.01 - 15,000.00	_____	600.00	

(Use the following Entry Value only for ICC total claim payments greater than \$15,000 but not more than \$20,000, and with a Loss Date of 5/1/00 and later).

15,000.01 - 20,000.00 _____ 750.00 _____

(Use the following Entry Range only for ICC total claim payments greater than \$15,000 but not more than \$30,000, and with a Loss Date of 5/1/03 and later).

15,000.01 - 20,000.00 _____ 750.00 _____

20,000.01 - 30,000.00 _____ 900.00 _____

500-E. Total Allocated LAE Fees Paid - Exhibit V-E**

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-F: FEE SCHEDULE - ALLOCATED LAE

(USE FOR CLAIMS WITH DATE OF LOSS OF 9/1/04 THROUGH 8/31/08)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID COLS. B X C</u>
ERRONEOUS ASSIGNMENT	_____	\$ 60.00	_____
CWP	_____	225.00	_____
\$.01 - \$1,000.00	_____	300.00	_____
1,000.01 - 2,500.00	_____	425.00	_____
2,500.01 - 5,000.00	_____	500.00	_____
5,000.01 - 7,500.00	_____	575.00	_____
7,500.01 - 10,000.00	_____	650.00	_____
10,000.01 - 15,000.00	_____	750.00	_____
15,000.01 - 25,000.00	_____	850.00	_____
25,000.01 - 35,000.00	_____	1,000.00	_____
35,000.01 - 50,000.00	_____	1,250.00	_____
50,000.01 - 100,000.00	_____	3.0%	_____

100,000.01 - 250,000.00 _____ 2.3% BUT NOT LESS _____
THAN \$3,000.00

250,000.01 and up _____ 2.1% BUT NOT LESS _____
THAN \$5,750.00

500-F. Total Allocated LAE Fees Paid –Exhibit V-F** _____
=====

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-G: INCREASED COST OF COMPLIANCE (ICC) FEE SCHEDULE

- ALLOCATED LAE

(USE FOR ICC CLAIMS WITH DATE OF LOSS OF 9/1/04 AND LATER)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID COLS. B X C</u>
ERRONEOUS ASSIGNMENT	_____	\$ 60.00	_____
CWP	_____	225.00	_____
\$.01 - \$1,000.00	_____	300.00	_____
1,000.01 - 2,500.00	_____	425.00	_____
2,500.01 - 5,000.00	_____	500.00	_____
5,000.01 - 7,500.00	_____	575.00	_____
7,500.01 - 10,000.00	_____	650.00	_____
10,000.01 - 15,000.00	_____	750.00	_____
15,000.01 - 25,000.00	_____	850.00	_____
25,000.01 - 35,000.00	_____	1,000.00	_____

500-I. Total Allocated LAE Fees Paid – Exhibit V-I	<u>0</u>
500-H. Total Allocated LAE Fees Paid – Exhibit V-H	<u>0</u>
500-G. Total Allocated LAE Fees Paid – Exhibit V-G	<u>0</u>
500-F. Total Allocated LAE Fees Paid – Exhibit V-F	<u>0</u>
500-E. Total Allocated LAE Fees Paid – Exhibit V-E	<u>0</u>
500-D. Total Allocated LAE Fees Paid – Exhibit V-D	<u>2,400</u>
500-C. Total Allocated LAE Fees Paid – Exhibit V-C	<u>2,085</u>
500-B. Total Allocated LAE Fees Paid – Exhibit V-B	<u>675</u>
500-A. Total Allocated LAE Fees Paid – Exhibit V-A	<u>0</u>
500. Total Allocated LAE Fees Paid**	<u><u>5,160</u></u>

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-H: FEE SCHEDULE - ALLOCATED LAE

(USE FOR CLAIMS WITH DATE OF LOSS OF 9/1/08 THROUGH 10/24/12)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID COLS. B X C</u>
ERRONEOUS ASSIGNMENT	_____	\$ 70.00	_____
CLOSED WITHOUT PAYMENT	_____	275.00	_____
\$.01 - \$1,000.00	_____	375.00	_____
1000.01 - 5,000.00	_____	600.00	_____
5,000.01 - 10,000.00	_____	800.00	_____
10,000.01 - 15,000.00	_____	925.00	_____
15,000.01 - 25,000.00	_____	1025.00	_____
25,000.01 - 35,000.00	_____	1175.00	_____
35,000.01 - 50,000.00	_____	1400.00	_____
50,000.01 - 100,000.00	_____	3%, BUT NOT LESS THAN \$1,600	_____
100,000.01 - 250,000.00	_____	2.3%, BUT NOT LESS THAN \$3,000	_____

250,000.01 and up

2.1%, BUT NOT
LESS THAN \$5,750

500-H. Total Allocated LAE Fees Paid - Exhibit V-H**

=====

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT V-I: FEE SCHEDULE - ALLOCATED LAE

(USE FOR CLAIMS WITH DATE OF LOSS OF 10/25/12 AND LATER)

COMPANY (NAME) Harwell

COMPANY (NUMBER) 11111

PERIOD ENDING MAY 20XX

A	B	C	D
<u>ENTRY VALUE RANGE</u>	<u>NUMBER</u>	<u>FEE</u>	<u>FEE PAID COLS. B X C</u>
ERRONEOUS ASSIGNMENT	_____	\$ 90.00	_____
CLAIM WITHDRAWN	_____	90.00	_____
CLOSED WITHOUT PAYMENT	_____	370.00	_____
\$.01 - \$1,000.00	_____	490.00	_____
1000.01 - 5,000.00	_____	750.00	_____
5,000.01 - 10,000.00	_____	970.00	_____
10,000.01 - 15,000.00	_____	1100.00	_____
15,000.01 - 25,000.00	_____	1200.00	_____
25,000.01 - 35,000.00	_____	1390.00	_____
35,000.01 - 50,000.00	_____	1640.00	_____
50,000.01 - 100,000.00	_____	3.4%, BUT NOT LESS THAN \$1,760	_____

100,000.01	- 250,000.00	_____	2.6%, BUT NOT LESS THAN \$3,400	_____
250,000.01	- 1,000,000.00	_____	2.4%, BUT NOT LESS THAN \$6,500	_____
1,000,000.01 and up		_____	2.1%, BUT NOT LESS THAN \$24,000	_____
500-I. Total Allocated LAE Fees Paid - Exhibit V-I**				=====

**Upon FEMA request, WYO Company must provide supporting detail for the reported expense.

EXHIBIT VI: OTHER LOSS AND LAE CALCULATION

6A COMPANY (NAME)	<u>Harwell</u>
6B COMPANY (NUMBER)	<u>11111</u>
6C PERIOD ENDING	<u>MAY 20XX</u>

	<u>CURRENT MONTH</u>	<u>FISCAL YEAR-TO-DATE</u>
<u>UNALLOCATED LAE PAID</u>		
6D *600A. Net Paid Losses (Line 115, Current Month) (Use 10/1/2008 data month and later)	<u>168,900</u>	<u>168,900</u>
6E *605A. Change In Case Reserves (Line 325, Col. C) (Use 10/1/2008 data month and later)	<u>20,000</u>	<u>60,000</u>
6F 610. Case Incurred Losses	<u>188,900</u>	<u>228,900</u>
611. ULAE Incurred Loss %	<u>1.5%</u>	<u>1.5%</u>
612. Subtotal ULAE Incurred Loss	<u>2,834</u>	<u>3,434</u>
613. ULAE Net Written Premium %	<u>0.9%</u>	<u>0.9%</u>
614. Subtotal ULAE Net Written Premium	<u>3,420</u>	<u>5,175</u>
620A. Unallocated LAE (6/1/08 through 9/30/08)	<u>- 0 -</u>	<u>- 0 -</u>
620. Unallocated LAE (10/1/07 through 5/31/08)	<u>- 0 -</u>	<u>- 0 -</u>
6G 620B. Total Unallocated LAE	<u>6,254</u>	<u>8,609</u>

SALVAGE AND SUBROGATION

6H 625. Net Salvage Received	<u>100</u>	<u>100</u>
-------------------------------------	------------	------------

630. Salvage Allowance %	<u>10%</u>	<u>10%</u>
6I 635. Salvage Credit	<u>10</u>	<u>10</u>
6J 640. Net Subrogation Received	<u>- 0 -</u>	<u>- 0 -</u>
645. Subrogation Allowance %	<u>25%</u>	<u>25%</u>
6K 650. Subrogation Credit	<u>- 0 -</u>	<u>- 0 -</u>
6L 652. Recovery of Losses Paid	<u>- 0 -</u>	<u>- 0 -</u>
Enter Recovery as a Debit		
<u>SPECIAL ALLOCATED LAE</u>		
6M 655. Special Allocated Loss Adjustment Expense	<u>50</u>	<u>50</u>
6N 660. Total Other Loss & LAE Items (Sum of Lines 620B, 635, 650, 655)	<u><u>6,314</u></u>	<u><u>8,669</u></u>

EXHIBIT VII: INTEREST INCOME

7A COMPANY (NAME) Harwell

7B COMPANY (NUMBER) 11111

7C PERIOD ENDING MAY 20XX

	<u>CURRENT MONTH</u>	<u>FISCAL- YEAR-TO-DATE</u>
7D 700. Total Interest Received	<u>- 0 -</u>	<u>- 0 -</u>
7E 705. Restricted Account Charges	<u>- 0 -</u>	<u>- 0 -</u>
Enter Charges as a Debit		
7F 710. Total Interest Income	<u><u>- 0 -</u></u>	<u><u>- 0 -</u></u>

EXHIBIT VIII-A: LETTER OF CREDIT (LOC) DRAWDOWNS

8A COMPANY (NAME) Harwell

8B COMPANY (NUMBER) 11111

8C PERIOD ENDING MAY 20XX

LOC DRAWDOWNS

<u>8D DATE</u>	<u>8D AMOUNT</u>
01	_____
02	_____
03	_____
04	_____
05	_____
06	_____
07	_____
08	_____
09	_____
10	_____
11	_____
12	_____
13	_____
14	_____
15	_____
16	_____
17	_____
18	_____
19	_____
20	_____
21	_____

22	_____
23	_____
24	_____
25	_____
26	_____
27	_____
28	_____
29	_____
30	_____
31	_____

8E 800. Total 0

8EE	805-B.	TOTAL CASH PAYMENTS	<u>107,526</u>
8FF	805-C.	Credit Card Payments	<u>1,290</u>
8GG	805-D.	Internet Payments	<u> </u>
8HH	805-E.	Wire Transfer Payments	<u> </u>
8II	805.	Total Payments to NFIP	<u>108,816</u>

EXHIBIT VIII-C: CREDIT CARD PAYMENTS TO THE NFIP

8AAA COMPANY (NAME) Harwell

8BBB COMPANY (NUMBER) 11111

8CCC PERIOD ENDING MAY 20XX

8DDD DATE **8DDD** AMOUNT

5/12/20XX 430

5/19/20XX 430

5/26/20XX 430

8EEE 805-C. Total Credit Card Payments 1,290

EXHIBIT VIII-D: INTERNET PAYMENTS TO THE NFIP

8AAA COMPANY (NAME) Harwell

8BBB COMPANY (NUMBER) 11111

8CCC PERIOD ENDING MAY 20XX

8DDD DATE

8DDD AMOUNT

01	_____
02	_____
03	_____
04	_____
05	_____
06	_____
07	_____
08	_____
09	_____
10	_____
11	_____
12	_____
13	_____
14	_____
15	_____
16	_____
17	_____
18	_____
19	_____
20	_____
21	_____
22	_____

23	_____
24	_____
25	_____
26	_____
27	_____
28	_____
29	_____
30	_____
31	_____

8FFF 805-D. Total Internet Payments 0

**EXHIBIT VIII-E: WIRE TRANSFER PAYMENTS TO THE NFIP
(GREATER THAN \$100,000)**

8AAA COMPANY (NAME) Harwell

8BBB COMPANY (NUMBER) 11111

8CCC PERIOD ENDING MAY 20XX

8DDD DATE

8DDD AMOUNT

01	_____
02	_____
03	_____
04	_____
05	_____
06	_____
07	_____
08	_____
09	_____
10	_____
11	_____
12	_____
13	_____
14	_____
15	_____
16	_____
17	_____
18	_____
19	_____
20	_____
21	_____

22	_____
23	_____
24	_____
25	_____
26	_____
27	_____
28	_____
29	_____
30	_____
31	_____

8GGG 805-E. Total Wire Transfer Payments 0

EXHIBIT IX: RESTRICTED ACCOUNT DEPOSITS SUMMARY

9A COMPANY (NAME) Harwell

9B COMPANY (NUMBER) 11111

9C PERIOD ENDING MAY 20XX

<u>9D</u>	<u>9D</u>
<u>DATE</u>	<u>AMOUNT</u>
<u>5/3/20XX</u>	<u>20,000</u>
<u>5/4/20XX</u>	<u>20,000</u>
<u>5/5/20XX</u>	<u>20,000</u>
<u>5/6/20XX</u>	<u>20,000</u>
<u>5/7/20XX</u>	<u>22,000</u>
<hr/>	
<u>5/10/20XX</u>	<u>19,000</u>
<u>5/11/20XX</u>	<u>19,000</u>
<u>5/12/20XX</u>	<u>19,000</u>
<u>5/13/20XX</u>	<u>19,000</u>
<u>5/14/20XX</u>	<u>22,000</u>
<hr/>	
<u>5/17/20XX</u>	<u>20,000</u>
<u>5/18/20XX</u>	<u>20,000</u>
<u>5/19/20XX</u>	<u>20,000</u>
<u>5/20/20XX</u>	<u>20,000</u>
<u>5/21/20XX</u>	<u>24,000</u>
<hr/>	
<u>5/23/20XX</u>	<u>25,000</u>
<u>5/24/20XX</u>	<u>25,000</u>
<u>5/25/20XX</u>	<u>25,000</u>

<u>5/26/20XX</u>	<u>25,000</u>
<u>5/27/20XX</u>	<u>26,900</u>
<u>5/28/20XX</u>	<u>5,090</u>
<u> </u>	

9E 900. Total 435,990

EXHIBIT I: INCOME STATEMENT INSTRUCTIONS

- 1A COMPANY (Name)** - Insert WYO Company name.
- 1B COMPANY (Number)** - Insert WYO Company's 5-digit National Association of Insurance Commissioners (NAIC) number. Contact the WYO Business Analyst if you cannot identify your NAIC number.
- 1C PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR). Month must be in all capital letters.

REVENUE

1D Line 100 - Net Written Premiums (Current Month):

The total of booked premiums less premium refunds for the reporting month.

This total should represent the calculated value of each premium transaction (not the actual cash collected). As previously stated, Harwell Company booked \$400,000 of net written premium. This amount includes cancellation transactions of \$1,200.

Line 100 - Net Written Premiums (FYTD):

Add total of current month to last month's FYTD total. Therefore, the FYTD total is:

Current Month	=	\$380,000
Previous FYTD	=	<u>+ 195,000</u>
Current FYTD	=	<u>\$575,000</u>

1E Line 105 - Change in Unearned Premium (Current Month):

Increase or decrease in the account balance of unearned premiums from prior month to current month's end. A WYO Company uses its own unearned/earned premium calculation. In the example, Harwell should have a balance of (\$533,333) in the account at the close of the reporting period. The change from prior month (\$183,333) to current month balance (\$533,333) is (\$350,000). This entry is taken directly from Exhibit III, Line 320, Column C.

Line 105 - Change in Unearned Premium (FYTD):

Add current month change (\$350,000) to previous FYTD figure (\$183,333) and insert total (\$533,333). To validate this figure, subtract Exhibit III, Line 320, Column A (\$533,333) from Exhibit III, Line 320, Column D, \$0.

1F Line 110 - Earned Premium (Current Month):

Line 100, \$380,000, minus Line 105 (\$350,000), equals \$30,000.

Line 110 - Earned Premium (FYTD):

Add current month's \$30,000 to prior month's FYTD \$11,667 and insert the total, \$41,667. To validate this figure, foot Exhibit I, Line 100, FYTD Column, \$575,000, and Exhibit I, Line 105, FYTD Column (\$533,333).

EXPENSES

1G Line 115 - Net Paid Losses (Current Month):

This line represents claim payments made during the reporting period less salvage, subrogation, and recoveries of losses paid. In the example, net paid losses were developed as follows:

Claim Payment No. 1

\$33,000 Covered Loss - \$2,000 Deductible = \$31,000 Payment

Salvage Received (\$100) Less (\$100)

Claim Payment No. 2

\$70,000 Covered Loss - \$1,000 Deductible = \$69,000 Payment

Claim Payment No. 3

\$70,000 Covered Loss - \$1,000 Deductible = \$69,000 Payment

Total Net Paid Losses = \$168,900

1H Line 120 - Allocated LAE (Current Month):

To develop this figure, refer to Exhibits V-A, V-B, V-C, V-D, V-E, V-F, V-G, V-H, and V-I. The total figure shown on Exhibit V-G, Line 500 (\$5,160) is carried forward to Exhibit I, Line 120, Current Month Column.

1I Line 125 - Other Loss and LAE Items (Current Month):

Refer to Exhibit VI for development. The figure indicated on Exhibit VI, Line 660, \$6,314, Current Month Column is carried forward to Exhibit I, Line 125, Current Month Column.

1J Line 130 - Change in Loss and LAE Reserves (Current Month):

Refer to Exhibit III for development. The sum of Lines 325/Column C (\$20,000), 330/Column C (\$60,000), 335/Column C (\$400), 336/Column C (\$600) and 340/Column C (\$1,980) = (\$82,980). Bring this figure with the reverse sign, \$82,980, to Exhibit I, Line 130, Current Month Column.

1K Line 135 - Net Loss and LAE Incurred (Current Month):

Sum of Line 115, \$168,900; Line 120, \$5,160; Line 125, \$6,314; and Line 130, \$82,980 = \$263,354.

1L Line 140 - Expense Allowance (Current Month):

Refer to Exhibit IV for development. The figure \$121,790 developed on Exhibit IV, Line 430, Current Month Column, is carried forward to Exhibit I, Line 140, Current Month Column.

1M Line 150 - Miscellaneous Expense (Current Month):

This item (Breakage) represents the net underpayment or overpayment for premiums submitted within \$6.00 of the system-calculated amount. Breakage applies to new business applications, endorsements, or renewals. In instances where a premium amount is calculated by the WYO Company and a payment notice is submitted to the payer (e.g., premium renewal notice), no underpayment or overpayment is allowed.

In the following example, four new business applications for the current month had a **calculated** value as follows:

Policy Number 1 - \$ 425
Policy Number 2 - \$ 410
Policy Number 3 - \$ 425
Policy Number 4 - \$ 405

Total Calculated = \$1,665

The four policies had payments **collected** of:

Policy Number 1 - \$ 420
Policy Number 2 - \$ 404
Policy Number 3 - \$ 421
Policy Number 4 - \$ 400

Total Payments = \$ 1,645

Since there is a difference between calculated and collected payments of no more than \$6.00 for each of these four policies, the total breakage is \$20 (calculated [\$1,665] - collected [\$1,645]). The \$20 breakage is shown as an expense on Line 150. If breakage was the opposite (calculated amount

\$1,645, collected amount \$1,665), the total breakage amount would be shown on Line 150 as a credit (\$20).

On a monthly basis, the WYO Company should send supporting detail to reconcile to the total amount reported for miscellaneous expenses.

1N Line 155 - Total Expenses (Current Month):

Sum of Line 135, \$263,354; Line 140, \$121,790; and Line 150, \$20 = \$385,164.

1O Line 160 - Operating Income (Loss) (Current Month):

Line 110, \$30,000 less Line 155, \$385,164 = (\$355,164) (Loss).

1P Line 165 - Interest Income (Current Month):

Refer to Exhibit VII for development. The entry on Line 710, \$0, is carried forward to Exhibit I, Line 165. Harwell had no interest income.

1Q Line 170 - Net Federal Policy Fees (Current Month):

Harwell received \$25,000 in Federal Policy Fees with booked premium of \$380,000. Therefore, the net Federal Policy Fees booked for the month was \$25,000.

Line 173 - Net Reserve Funds (Current Month):

Harwell received \$5,000 in Reserve Funds with booked premium of \$380,000. Therefore, the net Reserve Funds booked for the month was \$5,000.

1R Line 175 - Net Income (Loss) (Current Month):

Sum of Line 160, (\$355,164); Line 165, \$0; Line 170, \$25,000; and Line 173, \$5,000 = (\$325,164) (Loss).

1S PREPARER'S NAME:

Insert your name.

1T PHONE NUMBER:

Indicate your phone number so that you can be contacted if any questions arise concerning your submission.

EXHIBIT II: RECONCILIATION OF PAYABLE/RECEIVABLE BALANCE INSTRUCTIONS

- 2A COMPANY (Name)** - Insert WYO Company name.
- 2B COMPANY (Number)** - Insert WYO Company's NAIC number.
- 2C PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR).
- 2D Line 200 - Beginning Payable/Receivable Balance (Current Month):**

Refer to Exhibit III, Line 315, Column B. Reverse sign and insert entry (\$282,313) on Line 200.

Line 200 - Beginning Payable/Receivable Balance (FYTD):

Refer to Exhibit III, Line 315, Column D. Insert this entry, \$0, on Line 200.

2E Line 205 - Net Income (Loss) (Current Month):

Insert net loss amount from Exhibit I, Line 175, Current Month Column (\$325,164).

Net income should be shown as a debit.

Line 205 - Net Income (Loss) (FYTD):

Add Current Month (\$325,164) to Prior Month's figure (\$141,108) = (\$466,272).

2F Line 210 - LOC Funds Received (Current Month):

Refer to Exhibit VIII-A, Line 800, and carry forward this entry, \$0, to this line. This entry is always shown as a debit.

Line 210 - LOC Funds Received (FYTD):

Add Current Month, \$0, to Prior Month's fiscal year-to-date balance, \$0 = \$0.

2G Line 215 - Disbursements to NFIP (Current Month):

Refer to Exhibit VIII-B, Line 805, and carry forward this entry to this line.

This entry is always shown as a credit (\$108,816).

Line 215 - Disbursements to NFIP (FYTD):

Add Current Month (\$108,816) to Prior Month's fiscal year-to-date balance (\$141,205) = (\$250,021).

2H Line 220 - Ending Payable/Receivable Balance (Current Month):

Sum of Current Month Column Line 200, (\$282,313), Line 205, (\$325,164); Line 210, \$0, and Line 215, (\$113,816) = (\$721,293).

Line 220 - Ending Payable/Receivable Balance (FYTD):

Sum of FYTD Column Line 200, \$0; Line 205, (\$466,272); Line 210, \$0; and Line 215, (\$255,021) = (\$721,293).

NOTE: Line 220 - Current Month Column (\$721,293) and FYTD (\$721,293) totals should always agree.

EXHIBIT III: BALANCE SHEET ITEMS INSTRUCTIONS

3A PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

As you will note, this exhibit is broken down into four columns for each line item. Column A (Current Month) represents the balance for each line item as of the end of the reporting period (MAY 20XX). Column B (Prior Month) represents the balance that was previously reported in Column A for the prior month. Column C (Increase/Decrease) is the difference between the current month's balance (Column A) and the prior month's balance (Column B). Column D (Beginning of Fiscal Year) should indicate the starting balances for the beginning of each new fiscal year. The fiscal year starts as of October 1, 20XX. Therefore, the balances shown in this column are really ending balances for the September reporting period. In our example, Column D contains all \$0's because the Harwell Company was not writing and reporting as of September the previous year. The exhibit reflects this condition.

Let us proceed now to the completion of Column A (Current Month) for each line entry.

3B Line 300 - Cash (Column A):

Indicate the ending general ledger cash balance reflected for the reporting period (MAY 20XX) in the Flood Insurance Restricted Account. This balance is \$25,000.

The balance is derived in the following manner:

	<u>April/May Total</u>
Gross Premiums Collected*	\$601,890
Federal Policy Fees Collected**	40,000
Reserve Funds Collected	5,000
Salvage Received	100
Less Disbursements:	
Cancellation Refunds	(1,200)
Paid Losses	(169,000)

Allocated LAE	(5,160)
Unallocated LAE	(8,609)
Salvage Credit	(10)
Special Allocated LAE	(50)
Expense Allowance	(184,230)
NFIP Excess Funds - Cash Payments Only***	<u>(253,731)</u>
 Total Cash at End of Reporting Period	 <u>\$ 25,000</u>

*Excludes credit card charges of \$1,200.

**Excludes credit card charges of \$90.

***Excludes credit card payments of \$1,290.

3C Line 305 - Cash - Not Transferred to Restricted Account (Column A):

This line represents any flood insurance funds received by Harwell Company but not placed into the restricted account because of a timing problem. In this case, all funds were deposited timely into the restricted account. Therefore, the entry is \$0. If money were owed the restricted account, the entry would be a debit. Upon the Federal Emergency Management Agency's (FEMA) request, the WYO Company must provide supporting detail concerning the reported balance. This detail should include policy number or payer name and amount. The details should also age balances under the following time frames: 0-30 days; 31-60 days; 61-90 days; 91-180 days; 181-360 days; and over 360 days. The WYO Company will be notified when such a request is made.

3D Line 310 - Cash - Not Transferred from Restricted Account (Column A):

This line represents the total amount due from the restricted account to pay various charges, e.g., expense allowances, premium refunds, etc., to the WYO Company. In this case, \$20,000 is payable from the account to Harwell Company because only \$108,030 of the current month expense allowance earned by the company was drawn. This payable is shown as a credit (\$20,000). Upon FEMA's request, the WYO Company must provide supporting aged detail concerning the reported balance. The detail should include payee name or policy number and amount payable. The details should also age balances under the following time frames: 0-30 days; 31-60 days; 61-90 days; 91-180 days; 181-360 days; and over 360 days. The WYO Company will be notified when such a request is made.

Line 312 - Claims Payable (Column A):

This line represents all liabilities for which a specified amount has been identified and approved for payment on an NFIP claim. Consider this balance as FEMA's Claims Payable. Upon FEMA's request, the WYO Company must provide supporting detail concerning the reported balance. This detail should include payee name or policy number and amount payable. This detail should also age balances under the following time frames: 60-180 days, 181-360 days, and over 360 days. The WYO Company will be notified when the data is needed.

3E Line 315 - Payable to (Receivable from) NFIP (Column A):

Insert figure from Exhibit II, Line 220, FYTD Column, but with the reverse sign. This figure is \$716,293.

Line 320 - Unearned Premium Reserves (Column A):

This entry represents the balance of the unearned premium at the end of the current month reporting period. Since this is a liability, it is shown as a credit (\$533,333).

3G Line 325 - Loss Reserves (Case) (Column A):

This entry represents the balance at the end of the reporting month for all outstanding claim case reserves. This liability is shown as a credit (\$60,000).

3H Line 330 - Loss Reserves (IBNR) (Column A):

This balance represents the balance at the end of the reporting month for all outstanding losses incurred but not yet reported (IBNR). This liability is shown as a credit (\$120,000).

3H Line 335 - LAE Reserves—Case (Allocated) (Column A):

This balance represents an estimate of allocated loss adjustment expense (LAE) reserves for open reported claims only. This liability is shown as a credit (\$700).

3J Line 336 - LAE Reserves—IBNR (Allocated) (Column A):

This balance represents an estimate of allocated LAE reserves for incurred but not reported claims only. This liability is shown as a credit (\$1,300).

3K Line 340 - LAE Reserves (Unallocated) (Column A):

This account represents the LAE reserve for unallocated loss adjustment expenses (ULAEs). It is developed by taking the reported IBNR (Line 330 - Column A) and multiplying it by 3.3 percent. In this example, (\$120,000) x 3.3% = (\$3,960). This liability is shown as a credit (\$3,960).

3L Line 345 - Premium Suspense (Under 60 Days Old) (Column A):

This balance represents the total of cash deposited in the restricted account for a period of less than 60 days for policies that have not been posted. In this example, \$2,000 (\$1,000 [current month] + \$1,000 [prior month]) was deposited for policies not posted as written premium. This liability is shown as a credit (\$2,000).

3M Line 346 - Premium Suspense (60 Days and Older) (Column A):

This balance represents the total of cash deposited in the restricted account for a period of 60 days or more for policies that have not posted as written premium.

All entries under Column B (Prior Month) were the previous month's (April 20XX) ending balances. Simply go to last month's Exhibit III and insert the Column A entries onto this month's Exhibit under Column B.

Column C entries are the differences between Column A (current month) and Column B (prior month).

NOTE: You have now completed Exhibit III. All entries for Columns A, B, C, and D should total to \$0. If not, recheck your entries and make corrections as necessary.

EXHIBIT IV: EXPENSE ALLOWANCE CALCULATION INSTRUCTIONS

4A COMPANY (Name) - Insert WYO Company name.

4B COMPANY (Number) - Insert WYO Company's NAIC number.

4C PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

4D Line 400 - Net Written Premium (Current Month):

Do not use for premium.

4E Line 405 - Expense Allowance % A (Current Month):

4F Line 410 - Expense Allowance for Written Premium (Current Month):

4F1 Line 411 - Net Written Premium (Current Month):

Insert figure from Exhibit I, Line 100, Current Month. This figure is \$380,000.

4F2 Line 412- Expense Allowance % B (Current Month):

Insert the expense allowance 31.2 percent (percent selected for illustrative purposes only). This percentage will vary for each fiscal year.

4F3 Line 413 - Expense Allowance for Written Premium (Current Month):

Line 411, \$380,000 x Line 412, 31.2% = \$118,560.

4F4 Line 414 - Total Expense Allowance

Total of Line 413.

4G Line 415 - Cancellation Premium Refund Adjustment Base (Current Month):

The Harwell Company may retain 15 percent of premium refunded (exclusive of the Federal Policy Fee) on policies canceled for the cancellation reasons 9 and 20. For more information, please reference the NFIP Transaction Record Reporting and Processing (TRRP) Plan, Revision 4, Change 5, October 1, 2003, Page 4-39, Case V.

In this example, the Harwell Company had a policy in the current reporting month canceled because insurance is no longer required by the lender because the property is no longer located in a Special Flood Hazard Area. The premium refund adjustment total of \$200 is the entry to be made on line 415.

4H Line 425 - Cancellation Commission Retention (Current Month):

Line 415, \$200 x Line 420, 15% = \$30.

4I Line 426 - Expense Allowance Adjustment for Bonus Commission:

Line 426 is used to record the annual adjustment to a WYO Company's expense allowance based upon achieving policy or contract-in-force goals. The adjustment can result in a WYO Company earning additional expense allowance.

The calculation of the expense allowance adjustment will be performed by the NFIP LSS, and the WYO Company will be notified of the additional expense allowance amount earned.

The policy or contract-in-force goals and the formula used in calculating the expense allowance adjustment will be determined by FEMA. FEMA will notify WYO Companies of the goals and procedures used in calculating the expense allowance adjustment.

Line 426 is also used as necessary to record the Expense Allowance Adjustment from Cancellation Reason Code 24. Cancellation Reason Code 24 was established to cancel/rewrite when converting a standard rated policy to a Preferred Risk Policy (PRP) as a result of a map revision, Letter of Map Amendment (LOMA), or Letter of Map Revision (LOMR). The expense allowance is retained by the WYO Company on both the standard policy being canceled and the PRP being written.

For purposes of this manual, assume that Harwell had a very successful year and achieved its policy or contract-in-force goals. In this case, Harwell will receive written notification from the NFIP LSS disclosing the additional expense allowance amount earned and how it was computed. The notification will also provide instructions for how to take the additional earned expense allowance and for reporting the amount on Harwell's monthly financial statement.

Since Harwell earned additional expense allowance, it can withdraw the additional expense allowance amount from the flood restricted account. If the account holds insufficient funds, Harwell may request LOC funds in the exact amount of the additional expense allowance earned.

To report this transaction, Harwell will insert the amount of the additional expense allowance taken as a debit on Line 426, financial statement Exhibit IV (Expense Allowance Calculation).

4J Line 427 - Rating Organization Expense (Current Month):

This line is to be completed whenever a WYO Company, with the prior written approval of FEMA, uses the services of a national rating organization. The rating organization must be licensed under state law. Its services must assist FEMA in performing studies and investigations on a community or individual risk basis to determine more equitable and accurate estimates of flood insurance risk premium rates.

Harwell used the services of a national rating organization and incurred an expense of \$3000, indicated on Line 427 for the rating organization services. The WYO Company may disburse funds directly from the restricted account. A WYO Company should then attach a copy of the paid bill to its monthly financial statements.

4K Line 428 - State Sales Tax on Insurance Services (Current Month):

Background

The Texas tax authorities have determined that the Texas sales tax on insurance services is applicable to all fees paid by WYO Companies to claim adjusters and/or adjusting firms for handling Texas NFIP claims. Because of this determination, the NFIP allotted the cost of the Texas adjuster services sales tax to Texas flood insurance policyholders. This was done by assessing

an additional \$5 charge to new business policies (effective 1/1/93) and renewal policies (effective 3/1/93).

In addition, FEMA has determined it will reimburse dollar-for-dollar the expense incurred by a WYO Company that pays the Texas sales tax for adjuster services provided to Texas policyholders. The WYO Company may take the reimbursement for the tax expense after the tax has been paid to the adjuster and/or adjusting firm.

Procedure

In order to be reimbursed for the Texas sales tax, a WYO Company must make the payment to the adjuster and then submit supporting documentation. Reimbursement procedure guidelines are as follows:

1. Indicate the total amount of Texas sales charges paid for the reporting month on financial statement Exhibit IV (Expense Allowance Calculation), Line 428. Please note: this entry should **not** include the WYO Company's allocated loss adjustment fee for the adjustment of claims cases. This expense must be indicated on the applicable Allocated LAE Fee Schedules.
2. Include with your financial statement package a listing that details the Texas sales tax paid for adjuster services on each payment made. The total of the individual tax payments on this listing should agree with total amount recorded on Exhibit IV, Line 428. The listing should contain the following information: the policy number (not claim number) associated with the paid adjuster expense; date of loss; name of adjuster and/or adjusting firm paid; date of the adjuster payment; total amount of payment to the adjuster (inclusive of the sales tax); and amount of Texas sales tax paid.
3. Maintain in WYO Company's records all supporting documentation concerning the payment of the Texas sales tax.

Example

Harwell paid various adjusters and/or adjuster firms a total of \$500 Texas sales tax, indicated on Exhibit IV, Line 428. In this case, Harwell would include the payment of the tax (\$500) as part of its expense allowance due for the reporting month.

In addition, Harwell must attach to its financial statement a listing indicating the specifics of the various payments as outlined in the aforementioned procedure.

4L Line 429 - Prior Term Refund Expense Allowance Due to NFIP:

Line 429 is used to record the return of the expense allowance from the WYO Company to the NFIP based on the refund amount and the expense allowance in effect when the refund is processed.

Effective October 1, 2003, changes were made regarding the NFIP's current refund and cancellation rules, in response to the WYO Companies' requests. These changes indicate that eligible Prior Term Refunds older than 2 years will be processed by the NFIP LSS.

To adhere to this procedure, please continue to follow the existing NFIP Underwriting procedures in the *Flood Insurance Manual's* cancellation and endorsement sections when submitting your request for Prior Term Refunds. FEMA bills and notifies the WYO Company via the Prior Term Refund Expense Report (shown on the next page). This expense report is provided to the WYO Company on a monthly basis subsequent to the issuance of the prior term refund check to the insured.

Upon receipt of the Prior Term Refund billing information, the WYO Company should reflect the return of the expense allowance to the NFIP LSS by showing the amount as a credit on Exhibit IV, Line 429, and a debit on Exhibit VIII-B. The expense allowance adjustment should be made within 30 days of receipt of the Prior Term Refund billing information. When making the expense allowance adjustment, please send a copy of the Prior Term Refund billing information with your monthly financial statement package for proper tracking.

PRIOR TERM REFUND EXPENSE REPORT

WYO COMPANY: _____

POLICY NUMBER: _____

INSURED NAME: _____

Policy Term	Original Premium	New Premium	Refund Amount Due Insured	Expense Allowance Rate Applied	Expense Allowance Adjustment Due NFIP

4M Line 430 - Total Expense Allowance (Current Month):

Sum of Line 414, \$118,560; Line 425, \$30; Line 426, \$0; Line 427, \$3,000; Line 428, \$500; and Line 429, (\$300); = \$121,790. Insert this figure, \$121,790, on Exhibit I, Line 140, Current Month Column.

EXHIBITS V-A, V-B, V-C, V-D, AND V-E INSTRUCTIONS

FEE SCHEDULES - ALLOCATED LAE

NOTE: There are **nine** allocated LAE financial statement fee schedules. Knowledge of the claim loss date is required for use of the proper fee schedule. Once the claim loss date is known, simply apply the following guide to determine what financial statement fee schedule you should use to report the allocated LAE on your financial statement:

DATE OF LOSS	FEE SCHEDULE
9/30/90 and prior	EXHIBIT V-A
10/1/90 through 10/31/96	EXHIBIT V-B
11/1/96 through 04/30/97	EXHIBIT V-C
5/1/97 through 8/31/04	EXHIBIT V-D
6/1/97 through 8/31/04	EXHIBIT V-E Use only for Increased Cost of Compliance (ICC) claim expenses
9/1/04 through 8/31/08	Exhibit V-F
9/1/04 and later	Exhibit V-G Use only for Increased Cost of Compliance (ICC) claim expenses
9/1/08 through 10/24/12	Exhibit V-H
10/25/12 and later	Exhibit V-I

FEE SCHEDULE PRINCIPLES

- The allocated LAE fee can be taken at the time a final claim payment is made. The allocated LAE fee can also be taken at the time a **partial** claim payment is made.
- Fees are not paid separately for building and contents losses. Rather, the sum of building and contents covered or gross losses is the basis for the fee.
- The major task in using the various fee schedules is to determine the entry value for each claim. The entry value may be based on either the **covered** loss or the **gross** loss. In addition, the entry value will not, in all cases, equal the claim payment.
- For fee schedule entry value calculations, based on covered loss, the standard deductible is subtracted from the covered loss amount, rather than the actual deductible amount shown on the policy. Covered loss is limited to the amount of insurance purchased.
- Fee schedule entry value calculations based on gross loss pertain to all claims with a date of loss from 5/15/96 to 7/10/96, and all claims with a date of loss from 5/1/97 and later. For these claims, all entry value calculations should be based on the gross loss.
- Exhibit V-E is to be used to record and report only LAE related to ICC claims with a loss date of 6/1/97 through 8/31/04.
- Exhibit V-F is to be used to record and report LAE related to claims with a loss date of 9/1/04 through 8/31/08.
- Exhibit V-G is to be used to record and report only LAE related to ICC claims with a loss date of 9/1/04 and later.
- Exhibit V-H is to be used to record and report LAE related to claims with a loss date of 9/1/08 through 10/24/12.
- Exhibit V-I is to be used to record and report LAE related to claims with a loss date of 10/25/12 and later.

FEE SCHEDULE BACKGROUND

On May 15, 1996, an interim final rule was issued concerning the NFIP Adjuster Fee Schedule. This rule did two things. First, it raised the fee amounts for entry values greater than \$50,000. (The ranges and the fee amounts lower than \$50,000 remained the same.) Second, it changed the basis of the fee schedule entry value from the "covered loss less the standard deductibles" to the "gross loss."

On July 11, 1996, an amendment to the interim final rule was issued. The amended rule was effective for all losses dated 7/11/96 and later. This major revision calculated the LAE based on the "covered loss less standard deductibles." The prior rule, effective for cases with a date of loss of 5/15/96 through 7/10/96, based the calculation on "gross loss."

On September 30, 1996, it was announced that another fee schedule would be in effect for all claims with loss dates of 5/1/97 and later. This fee schedule contained two major revisions. First, it revised the fees paid for certain entry value ranges. Second, it calculated the LAE based on the "gross loss." The prior rule, effective for cases with a date of loss of 7/11/96 through 4/30/97, stated that the calculation be based on "covered loss less standard deductibles."

The announcement of these current and future fee schedule changes necessitated issuance of revised financial and statistical reporting procedures. These revised procedures are based on the claim loss date, and are as follows:

- **CLAIMS WITH DATE OF LOSS OF 9/30/90 AND PRIOR**

All fee schedule entry value calculations should be based on covered loss, not gross loss, less standard deductibles, and (if applicable) for building (\$500) and contents (\$500). Covered loss is limited to the amount of insurance purchased. The financial statement Exhibit V-A Fee Schedule should be used to report the appropriate allocated LAE.

Please refer to Example A.

- **CLAIMS WITH DATE OF LOSS OF 10/1/90 THROUGH 10/31/96**

All fee schedule entry value calculations should be based on covered loss, not gross loss, less standard deductibles, and (if applicable) for building (\$500) and contents (\$500). Covered loss is limited to the amount of insurance purchased.

The financial statement Exhibit V-B Fee Schedule should be used to report the appropriate allocated LAE.

Please refer to Example B.

- **CLAIMS WITH DATE OF LOSS OF 10/1/90 THROUGH 10/31/96**

All entry value calculations should be based on the gross loss as described in the "footnotes" to the fee schedule in the May 1996 rule (please refer to the previously listed "footnotes"). If the loss exceeds the available coverage, gross loss will mean the total amount of coverage. For all claims, calculate the fee amount based on the financial statement Exhibit V-C Fee Schedule. The amount of fee in excess of the financial statement Exhibit V-B Fee Schedule (Basic LAE Fee) is to be processed as a Special Allocated Loss Adjustment Expense (SALAE)-Type 2. Prior FEMA approval (authorization letter) is not necessary. The excess fee amount, if any, should be reported as SALAE on Line 655 of financial statement Exhibit VI. In addition, please include the Gross Loss Amount on your required SALAE listing. For statistical reporting, the SALAE transaction code (71) should be used.

The basic fee (amount per Exhibit V-B Fee Schedule) is to be reported on the financial statement Exhibit V-B.

Please refer to Example C.

- **CLAIMS WITH DATE OF LOSS OF 10/1/90 THROUGH 10/31/96**

All fee schedule entry value calculations should be based on covered loss, not gross loss, less standard deductibles, and (if applicable) for building (\$500) and contents (\$500). Covered loss is limited to the amount of insurance purchased.

For all claims with a fee range value of \$50,000.01 and above, calculate the fee amount based on the financial statement Exhibit V-C Fee Schedule.

The amount of fee in excess of the financial statement Exhibit V-B Fee Schedule (Basic LAE Fee) is to be processed as an SALAE-Type 2. Prior FEMA approval (authorization letter) is not necessary. The excess fee amount should be reported as SALAE on Line 655 of financial statement Exhibit VI. For statistical reporting, the SALAE transaction code (71) should be used.

The basic fee (amount per Exhibit V-B Fee Schedule) is to be reported on the financial statement Exhibit V-B.

Please refer to Example D.

For all claims with a fee range value of \$50,000 and below, calculate the fee based on the financial statement Exhibit V-C Fee Schedule. Then, use financial statement Exhibit V-B Fee Schedule to report the appropriate allocated LAE.

- **CLAIMS WITH DATE OF LOSS BETWEEN 11/1/96 AND 4/30/97**

All fee schedule entry value calculations should be based on covered loss, not gross loss, less standard deductibles, and (if applicable) for building (\$500) and contents (\$500). Covered loss is limited to the amount of insurance purchased.

For all claims, calculate the fee amount based on the financial statement Exhibit V-C Fee Schedule. Then, use financial statement Exhibit V-C Fee Schedule to report the appropriate allocated LAE.

Please refer to Example E.

NOTE: The Exhibit V-C Fee Schedule-Allocated LAE incorporates the revised fee amounts for the entry value ranges of \$50,000.01 and above, and it eliminates the need to process the excess fee above the basic fee schedule as a SALAE. Remember Exhibit V-C should be used only to report adjuster fees for claims with a date of loss of 11/1/96 through 4/30/97. All fees for loss dates prior to 11/1/96 should be reported on financial statement Exhibits V-A or V-B. All fees for loss dates of 5/1/97 through 8/31/04 should be reported on financial statement Exhibit V-D.

- **CLAIMS WITH DATE OF LOSS OF 5/1/97 TO 8/31/04**

All entry value calculations should be based on the gross loss as described in the "footnotes" to the fee schedule in the May 1996 rule. If the loss exceeds the available coverage, gross loss will mean the total amount of coverage.

For all claims, calculate the fee amount based on the financial statement Exhibit V-D Fee Schedule. Then, use financial statement Exhibit V-D Fee Schedule to report the appropriate allocated LAE.

Please refer to Example F.

- **ICC CLAIMS WITH DATE OF LOSS OF 6/1/97 TO 8/31/04**

All entry value calculations should be based on the ICC loss. The maximum loss limit is \$15,000 up to loss date of 4/3/00. The maximum loss limit was increased to \$20,000 with loss date of 5/1/00 to 4/30/03. The maximum loss limit was increased to \$30,000 with loss date of 5/1/03 to 8/31/04.

For ICC claims only, calculate the fee amount based on the financial statement Exhibit V-E Fee Schedule. Then, use financial statement Exhibit V-E Fee Schedule to report the appropriate allocated LAE.

Please refer to Example G.

Now, let us begin to complete the appropriate fee schedules following the above rules. Please note that the Harwell Insurance Company incorporated only Examples B, E, and F into its financial statements for the reporting period of May 20XX.

- **Exhibit V-H is to be used to record and to report LAE related to claims with a loss date of 9/1/08 to 10/24/12.**
- **Exhibit V-I is to be used to record and to report LAE related to claims with a loss date of 10/25/12 and later.**

SPECIAL NOTATION

Only Examples B, E and F Allocated LAE amounts are reflected on Harwell's financial statements.

EXAMPLE A: EXHIBIT V-A FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use Exhibit V-A Fee Schedule for only those claims with loss dates of 9/30/90 and prior.

In this example, a contents claim of \$6,000 was reported. The date of loss was 5/9/90. The insured's contents coverage is for \$10,000 with a deductible of \$1,000. The claim was approved and a final claim payment to the insured of \$5,000 was made (covered loss of \$6,000 minus the policy deductible of \$1,000).

Complete the Exhibit V-A Fee Schedule as follows:

COMPANY (Name) - Insert WYO Company name.

COMPANY (Number) - Insert WYO Company's NAIC number.

PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

Line 500-A - Total Allocated LAE Fees Paid - Exhibit V-A:

To determine the entry value on the Exhibit V-A Fee Schedule, take the covered loss of \$6,000 and subtract the standard deductible of \$500. This equals \$5,500 and represents the entry value. Now go to the Fee Schedule Exhibit V-A and under Column A (Entry Value Range), find the range of "\$5000.01 - \$6,000.00." On this line, insert "1" under Column B. Complete Column D (Fees Paid) by multiplying Column B (1) with Column C (Fee = \$350.00). The fee for this claim is \$350. Total Column D and insert the amount of \$350 on Line 500-A.

Next, bring this number forward to Exhibit V-G Line 500-A.

NOTE: At FEMA's request, a WYO Company must provide supporting details for its fiscal year-to-date allocated LAEs. The detail should include the policy number impacted by the claim, date of loss, total claim payments, and the total allocated LAE.

EXAMPLE B: EXHIBIT V-B FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use Exhibit V-B Fee Schedule to report only those claims with loss dates of 10/1/90 through 10/31/96.

In this example, a building loss of \$28,000 and a contents claim loss of \$5,000 were reported. The date of loss was 5/7/96. The insured's coverage is for \$50,000 building and \$10,000 contents. The insured also has a \$1,000 deductible for each building and contents. The claim was approved and a final claim payment was made to the insured in the amount of \$31,000 (building covered loss \$28,000 minus policy deductible of \$1,000 = \$27,000 and contents covered loss \$5,000 minus the policy deductible of \$1,000 = \$4,000).

Complete the Exhibit V-B Fee Schedule as follows:

5A PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

5B Line 500-B - Total Allocated LAE Fees Paid - Exhibit V-B:

To determine the entry value on the Exhibit V-B Fee Schedule, determine the date of loss and apply the appropriate rule:

- If the date of loss is not between the period of 5/15/96 to 7/10/96, the entry value for the fee schedule will be based on the covered loss.
- If the date of loss is between the period of 05/15/96 to 7/10/96, the entry value for the fee schedule will be based on the gross loss.

Because the date of loss in this example is not between 5/15/96 to 7/10/96, the entry value for the fee schedule will be based on the covered loss.

The next step in the fee schedule entry calculation is to take the covered loss for the building of \$28,000 and subtract the standard deductible of \$500, which equals \$27,500. Now take the covered loss for contents of \$5,000 and subtract the standard deductible of \$500, which equals \$4,500. Add the building and content figures for a total of \$32,000. This amount represents the entry value for use on the Exhibit V-B Fee Schedule.

Using Exhibit V-B Fee Schedule, under Column A (Entry Value Range), find the range of \$25,000.01 - \$35,000.00. On this line, insert "1" under Column B. Complete Column D (Fees Paid) by multiplying Column B (1) with Column C (Fee = \$675). The fee for this claim is \$675. Total all amounts under Column D. The total should be \$675. Insert \$675 on Line 500-B.

Next, bring this number forward to Exhibit V-G Line 500-B.

NOTE: At FEMA's request, a WYO Company must provide supporting details for its fiscal year-to-date allocated LAEs. The detail should include: the policy number impacted by the claim, date of loss, total claim payments, and the total allocated LAE.

EXAMPLE C: EXHIBIT V-B FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use Exhibit V-B Fee Schedule to report only those claims with loss dates of 10/1/90 through 10/31/96.

In this example, a building claim of \$70,000 based on covered loss was reported. The gross loss of the reported claim was \$80,000. The date of loss was 07/04/96. The insured's building coverage is \$100,000 with a deductible of \$1,000. The claim was approved and a final claim payment of \$69,000 was made to the insured (covered loss of \$70,000, minus the policy deductible of \$1,000).

Complete the Exhibit V-B Fee Schedule as follows:

5D PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

5E Line 500-C - Total Allocated LAE Fees Paid - Exhibit V-C:

To determine the entry value on the Exhibit V-C Fee Schedule, determine the date of loss and apply the appropriate rule:

- If the date of loss is not between the period of 5/15/96 to 7/10/96, the entry value for the fee schedule will be based on the covered loss.
- If the date of loss is between the period of 5/15/96 to 7/10/96, the entry value for the fee schedule will be based on the gross loss.

Because the date of loss was 7/4/96, the fee schedule entry value calculation will be based on the gross loss, not on the covered loss. Therefore, the entry value fee is \$80,000, the gross loss. Now, go to the Exhibit V-C Fee Schedule and find the range of \$50,000.01 - \$100,000.00. Next, compute the loss adjustment fee by multiplying 3.0 percent times the gross loss (\$80,000). The LAE fee is \$2,400. Use financial statement Exhibit V-B Fee Schedule to record the basic fee. Do this by finding the line with the entry value of \$80,000, with a corresponding fee of \$1,000. Insert "1" under Column B. Complete Column D (Fees Paid) by multiplying Column B (1) with Column C (Fee = \$1,000). The basic fee for this claim is \$1,000. Next, bring this number forward to Exhibit V-G, Line 500-D.

Because the total fee earned in this case is \$2,400 and the basic fee reported by you is \$1,000, the excess fee amount due your company is \$1,400 ($\$2,400 - 1,000 = 1,400$). Procedures require that the \$1,400 be reported as SALAE-Type 2. Do this by reporting the \$1,400 on Line 655 of the financial statement Exhibit VI. Follow the SALAE reporting procedures and attach a listing, detailing the SALAE by policy number, date of loss, SALAE amount, and type code to your financial statements. Also, include on the listing the gross loss amount.

Final points to remember are (1) this SALAE-Type 2 does not require prior FEMA approval (authorization letter), and (2) for statistical reporting, the SALAE transaction code (71) should be used.

EXAMPLE D: EXHIBIT V-B FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use Exhibit V-B Fee Schedule to report only those claims with loss dates of 10/1/90 through 10/31/96.

This case represents the same facts as shown in Example C, except for the date of loss. You can contrast the difference in the entry value fee schedule amount based on either covered loss or gross loss and their respective financial statement reporting requirements. A building claim of \$70,000 based on covered loss was reported. The gross loss of the reported claim loss was \$80,000. The date of loss was 9/17/96. The insured's building coverage is \$100,000 with a deductible of \$1,000. The claim was approved and a final claim payment to the insured of \$69,000 was made (covered loss of \$70,000 minus the policy deductible of \$1,000).

Complete the Exhibit V-B Fee Schedule as follows:

PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

5H Line 500-B - Total Allocated LAE Fees Paid - Exhibit V-B:

Since the date of loss was 9/17/96, the Exhibit V-B Fee Schedule will be used and the fee schedule entry value calculation will be based on the covered loss, not the gross loss.

To determine the loss adjustment entry fee value, take the covered loss of \$70,000 and subtract the standard deductible of \$500, which represents the entry value of \$69,500. Now go to the Exhibit V-C Fee Schedule and find the line with the entry value range of "\$50,000.01- \$100,000.00." Next, compute the loss adjustment fee by multiplying 3.0 percent times \$69,500 for a total of \$2,085. Use financial statement Exhibit V-B Fee Schedule to record the basic fee. Do this by finding the line showing the range of "\$50,000.01 - \$100,000.00" and the corresponding fee of \$1,000. Insert "1" under Column B. Complete Column D (Fees Paid) by multiplying Column B (1) with Column C (Fee = \$1,000). The basic fee for this claim is \$1,000. Next, bring this number forward to Exhibit V-G, Line 500-D.

Because the total fee earned in this case is \$2,085 and the basic fee reported by you is \$1,000, the excess fee amount due your company is \$2,085 (\$2,085-\$1,000=\$1,085). Procedures require the \$1,085 to be reported as SALAE-Type 2. Do this by reporting the \$1,085 on Line 655 of financial statement

Exhibit VI. Be sure to attach a listing, detailing this SALAE by policy number, date of loss, SALAE amount, and type code, to your financial statements. Because gross loss was not used as the basis for fee schedule entry value, the SALAE listing does not have to include the "gross loss amount."

Final points to be noted are (1) because this is SALAE-Type 2, no prior FEMA approval (authorization letter) is necessary, and (2) for statistical reporting, the SALAE transaction code (71) should be used.

EXAMPLE E: EXHIBIT V-C FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use this Fee Schedule to report only those claims with loss dates between 11/1/96 and 4/30/97.

This example represents the same facts as shown in Example D, except for the date of loss. You can contrast the **difference** in the financial statement reporting requirements even though the allocated LAE is the **same** amount as in Example D.

A building claim of \$70,000 based on covered loss was reported. The gross loss of the reported claim was \$80,000. The date of loss was 12/7/96. The insured's building coverage is \$100,000 with a deductible of \$1,000. The claim was approved and a final claim payment of \$69,000 was made to the insured (covered loss of \$70,000 minus the policy deductible of \$1,000).

Complete the Exhibit V-C Fee Schedule as follows:

5D PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

5E Line 500-C - Total Allocated LAE Fees Paid - Exhibit V-C:

Because the date of loss was 12/7/96, the Exhibit V-C Fee Schedule will be used and the fee schedule entry value calculation will be based on the covered loss, not the gross loss.

To determine the loss adjustment entry fee value, take the covered loss of \$70,000 and subtract the standard deductible of \$500 for a total of \$69,500, which represents the entry value. Go to Exhibit V-C Fee Schedule and find the line showing the range of \$50,000.01 - \$100,000.00. Enter the value of \$69,500 on this line. Next, compute the loss adjustment fee by multiplying 3.0 percent times \$69,500 for a total of \$2,085. To report this fee, insert "1" under Column B in "\$50,000.01 - \$100,000.00" entry value range and insert under Column D the fee amount of \$2,085.

Next, bring this amount (\$2,085) forward to Exhibit V-G, Line 500-C.

NOTE: Example E does not require SALAE processing and a SALAE statistical transaction need not be sent.

EXAMPLE F: EXHIBIT V-D FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use Exhibit V-D Fee Schedule to report only those claims with loss dates of 5/1/97 to 8/31/04.

This example represents the same facts as shown in Example D, except for the date of loss. You can contrast the difference in the entry value fee schedule amount based on either covered loss or gross loss.

A building claim of \$70,000 based on covered loss was reported. The gross loss of the reported claim was \$80,000. The date of loss was 5/7/97. The insured's building coverage is \$100,000 with a deductible of \$1,000. The claim was approved with a final claim payment of \$69,000 made to the insured (covered loss of \$70,000 minus the policy deductible of \$1,000).

Complete the Exhibit V-D Fee Schedule as follows:

PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

5H Line 500-D - Total Allocated LAE Fees Paid

Because the date of loss was 5/7/97, the Exhibit V-D Fee Schedule is used, and the fee schedule entry value calculation is based on the gross loss, not the covered loss. Therefore, the entry fee value is \$80,000. Go to the Exhibit V-D Fee Schedule and find the line with the range of \$50,000.01 - \$100,000.00. Next, compute the loss adjustment fee by multiplying 3.0 percent times \$80,000. The LAE is \$2,400. To report this fee, insert "1" under Column B in the "\$50,000.01 - \$100,000.00" entry value range and insert under Column D, the fee amount of \$2,400. On the Fee Schedule, under Column D, total all the amounts. The sum amount is \$2,400. Insert this amount on Line 500-D.

Next, bring this amount (\$2,400) forward to Exhibit V-G, Line 500-D.

NOTE: Example F does not require SALAE processing and a SALAE statistical transaction need not be sent.

EXAMPLE G: EXHIBIT V-E FEE SCHEDULE - ALLOCATED LAE

NOTE: Remember to use Exhibit V-E Fee Schedule to report only ICC claims with loss dates of 6/1/97 to 8/31/04.

When utilizing the ICC Fee Schedule, please remember that the limit of liability for an ICC claim is \$15,000 before 5/1/00. Therefore, the maximum allocated LAE is \$600.

Now we will proceed to an example. An ICC loss of \$27,000 with a loss date of 8/11/97 has been developed. Since the limit of ICC liability is \$15,000 and since no deductible or depreciation is applicable, a payment of \$15,000 was made.

Complete the Exhibit V-E Fee Schedule as follows:

- PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR).

- Line 500** - Total Allocated LAE Fees Paid.

Because this was an ICC payment and the date of loss was 8/11/97, the Exhibit V-E Fee Schedule is used. The fee schedule entry value calculation is based on the ICC claim payment amount. Therefore, the entry fee value is \$15,000.

Now go to the Exhibit V-E Fee Schedule and find the line with the range of \$10,000.01-15,000.00. On that line, insert "1" under Column B. Next complete Column D (Fees Paid) by multiplying Column B (1) with Column C (Fee = \$600.00). The fee for this ICC claim is \$600. Total Column D and enter the amount of \$600 on Line 500-E.

Next, bring the number to Exhibit V-G, Line 500-E.

NOW, LET US CONTINUE TO THE COMPLETION OF EXHIBIT VI - OTHER LOSS AND LAE CALCULATION.

SALVAGE AND SUBROGATION

6H Line 625 - Net Salvage Received (Current Month):

This line represents the salvage collected, net of expenses.

In the example, Harwell received \$100 net of salvage costs for an item sold to a salvage company as a result of the contents claim settled in May. This net salvage received is recorded on Line 625.

NOTE: The salvage amount of \$100 has also been credited to the total losses paid, \$169,000, to give a \$168,900 (Lines 115 and 600A) figure for net losses paid.

6I Line 635 - Salvage Credit (Current Month):

Multiply Line 625, \$100, by Line 630, 10 percent. Insert this figure, \$10, on Line 635 as your Company's salvage credit for the reporting month. As noted, Harwell has earned 10 percent of all salvage funds collected.

6J Line 640 - Net Subrogation Received (Current Month):

This line represents the subrogation amount collected, net of expenses. For the Harwell Company, no subrogation was collected. Therefore, Line 640 should indicate \$0.

6K Line 650 - Subrogation Credit (Current Month):

Multiply Line 640, \$0, by Line 645, 25 percent. Insert this figure, \$0, on Line 650 as your Company's subrogation credit for the reporting month. As noted, a company earns 25 percent of any subrogation amount collected.

6L Line 652 - Recovery of Losses Paid (Current Month):

This line is used to record the amount of recovery funds returned to the restricted account by Harwell for its erroneous payment of claim losses. Harwell booked no recoveries for erroneous claim payments.

SPECIAL ALLOCATED LAE

6M Line 655 - Special Allocated Loss Adjustment Expense (Current Month):

This line represents adjustment expenses authorized by FEMA for reimbursement, exclusive of expenses based on the Fee Schedules. SALAEs are of the following types:

- **Expense Type 1** - Engineering Expense - WYO Company is authorized to approve up to \$2,500 per claim without FEMA's approval.
- **Expense Type 2** - Adjuster Expense (in excess of the applicable Fee Schedule) - WYO Company is authorized to approve up to \$500 per claim without FEMA's approval.
- **Expense Type 3** - Litigation Expenses - WYO Company is authorized to approve up to \$5,000 per claim without FEMA's approval.
- **Expense Type 4** - Cost of Appraisal (implementation of the Standard Flood Insurance Policy's appraisal clause) - WYO Company is authorized to approve up to \$2,500 per claim without FEMA's approval.

When approved, the SALAE can be drawn from the Flood Insurance Restricted Account.

When a SALAE is incurred, it must be reported on the monthly financial statement, Exhibit VI, Line 655. In addition, the WYO Company representative must attach to its monthly financial statement a listing of all SALAEs taken in the reporting period. The listing should contain the following information: policy number, date of loss, SALAE amount, SALAE type code, and gross loss amount (when appropriate).

The WYO Company representative must attach a copy of the FEMA approval letter for SALAEs that required approval. It should be noted that the SALAE statistical transaction and the appropriate monthly financial/statistical reconciliation form are also required from the WYO Company.

In Harwell's case, a \$50 expense for an appraisal was incurred for the adjustment of its claim case #2. Since the expense was a type 4 and below

\$2,500, no prior FEMA approval was required for expense reimbursement. This expense of \$50 is shown on Line 655.

6N Line 660 - Total Other Loss and LAE Items (Current Month):

The sum of Line 620B, \$6,254; Line 635, \$10; Line 650, \$0; and Line 655, \$50 = \$6,314. Enter this figure on Line 660 and on Exhibit I, Line 125, Current Month Column.

EXHIBIT VII: INTEREST INCOME INSTRUCTIONS

- 7A COMPANY (Name)** - Insert WYO Company name.
- 7B COMPANY (Number)** - Insert WYO Company's NAIC number.
- 7C PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR).
- 7D Line 700 - Total Interest Received (Current Month):**

This line represents the interest, if any, that has been earned from NFIP funds deposited into the restricted flood account, or flood funds invested, or any other account(s). Any interest earned on NFIP processing accounts, restricted accounts, satellite accounts, lockboxes, or other accounts must be paid to the NFIP. These funds and their associated interest are flood insurance-related money. For Harwell, no interest was received.

The entry on Line 700 is \$0.

- 7E Line 705 - Restricted Account Charges (Current Month):**

This line is used to record charges, if any, for the utilization of the ACH, wire transfers, credit cards, Internet charges, or other charges related to the restricted flood account that are levied by the bank. These reported charges must be offset by any interest earned.

Funds exceeding \$100,000 must be remitted by wire transfer. This method may require WYO Companies to transfer excess funds more frequently than once a week. It is FEMA's understanding that wire transfers may be assessed an additional cost by your banking institution. Please negotiate with your banking institution to obtain the best possible per-transaction cost.

For credit card processing, FEMA will absorb all bank service charges when using FEMA's provider. The WYO Company will not be reimbursed by FEMA when using alternative credit card services other than FEMA's provider. All other charges for hardware and software will be borne by the WYO Company. See Part H, Credit Card Processing, for additional information.

These reported charges must be offset by any account earning credits.

On a monthly basis, the WYO Company should send supporting detail to reconcile to the total amount reported for restricted account charges.

For Harwell, there were no bank service charges. The entry is \$0.

7F Line 710 - Total Interest Income (Current Month):

The sum of Lines 700, \$0, and 705, \$0 = \$0. Enter that figure on Line 710 and on Exhibit I, Line 165, Current Month Column.

EXHIBIT VIII-A: LETTER OF CREDIT (LOC) DRAWDOWNS INSTRUCTIONS

- 8A** **COMPANY (Name)** - Insert WYO Company name.
- 8B** **COMPANY (Number)** - Insert WYO Company's NAIC number.
- 8C** **PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR).

LOC DRAWDOWNS

8D **Date/Amount Columns:**

Indicate in these columns every instance in which the WYO Company deposited LOC funds to your restricted account. The date should reflect the date of booking the deposit in your records. The Amount Column represents the dollars deposited in each instance.

8E **Line 800 - Total:**

Total the individual LOC deposits. In Harwell's case, the sum is \$0. Also, enter this figure on Exhibit II, Line 210, Current Month Column as a debit. Any LOC total recorded on Exhibit II should be shown as a debit.

EXHIBIT VIII-B: CASH PAYMENTS TO THE NFIP INSTRUCTIONS

- 8AA COMPANY (Name)** - Insert WYO Company name.
- 8BB COMPANY (Number)** - Insert WYO Company's NAIC number.
- 8CC PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR).

PAYMENTS TO NFIP

8DD Date/Amount Columns:

Indicate in these columns every instance in which the WYO Company transferred to the U.S. Government any excess funds **exclusive of credit card payments** from the restricted account. The date should reflect the date the disbursement was made. The amount column represents the dollars transferred to the U.S. Government in each instance. **Excess funds must be transferred to the U.S. Treasury at least once a week.** The weekly transfer of funds is indicated on Harwell's Exhibit VIII-B.

NOTE: For procedures on how excess funds should be transferred to the U.S. Government, please refer to the appropriate section in the *WYO Accounting Procedures Manual*.

Excess funds are defined as cash in the restricted account reduced by \$5,000 and the established payable amount. In Harwell's case, the Company may maintain \$5,000, plus the \$20,000 payable amount for its undrawn expense allowance. Thus, the total excess funds amount for the month of May was \$122,596. This total consisted of \$1,290 of credit card payments and \$121,306 of cash payments. The cash payments were computed as follows:

April Restricted Account Balance		\$ 5,000
May Cash/Check Receipts		
Premium	\$400,890	
Federal Policy Fees	29,000	

Reserve Funds	910	
Salvage	100	<u>430,990</u>
Total Restricted Account Balance		<u>\$435,990</u>
Less May Disbursements		
Premium Refunds	\$ 1,200	
Claims Paid	169,000	
Allocated LAE	5,160	
Unallocated LAE	6,254	
Salvage Credit	10	
Special Allocated LAE	50	
Expense Allowance	<u>121,790</u>	
Total Restricted Account Disbursements		(\$303,464)
Restricted Account Balance		\$132,526
Less Cash Reserve of \$5,000		(5,000)
Less Payable due Harwell for Undrawn		
Expense Allowance of \$20,000		<u>(20,000)</u>
Excess Funds Due U.S. Government (CASH PAYMENTS ONLY)		<u>\$107,526</u>

8EE Line 805-B - Total:

Sum the individual payments (do not include credit cards) made to the NFIP. In Harwell's case, \$112,526 of excess funds was sent to the Government. This figure, \$112,526, is entered on Line 805-B.

Please note that excess funds were sent on a weekly basis. Any WYO Company not making excess funds deposits at least once a week must be prepared to document for FEMA the reasons for its noncompliance.

8FF Line 805-C - Credit Card Payments:

Brought forward from Exhibit VIII-B, Line 805-C. The amount is \$1,290.

8GG Line 805-D - Internet Payments:

Brought forward from Exhibit VIII-D, Line 805-D.

8HH Line 805-E - Wire Transfer Payments:

Brought forward from Exhibit VIII-E.

8II Line 805 - Total Payments to NFIP:

The sum of Line 805-B, \$112,526, and Line 805-C, \$1,290 (along with the totals from Lines 805-D and 805-E), totals \$113,816. This total is then brought forward to Exhibit II, Line 215, Current Month Column, and recorded as a credit.

EXHIBIT VIII-C: CREDIT CARD PAYMENTS TO NFIP INSTRUCTIONS

8AAA COMPANY (Name) - Insert WYO Company name.

8BBB COMPANY (Number) - Insert WYO Company's NAIC number.

8CCC PERIOD ENDING - Indicate the financial statement reporting period (MONTH YEAR).

8DDD Date/Amount Columns:

Indicate in these columns the date and amount of credit card payments made by the credit card bank to the U.S. Treasury.

8EEE Line 805-C:

This line represents the total funds remitted to the U.S. Treasury through the use of the credit card payment mechanism.

Sum the individual amounts and insert on Line 805-C. In Harwell's case, \$1,290 was remitted. This total (\$1,290) is then brought forward to Exhibit VIII-B, Line 805-C.

For additional information on credit card processing, please refer to Part H of this manual.

8FFF Line 805-D

This line represents Internet payments remitted to the NFIP.

Sum the individual amounts and insert on Line 805-D. In Harwell's case, \$0 was remitted. This total (\$0) is then brought forward to Exhibit VIII-B, Line 805-D.

8GGG Line 805-E

This line represents wire transfers to the NFIP.

Sum the individual amounts and insert on Line 805-E. In Harwell's case, \$0 was remitted. This total (\$0) is then brought forward to Exhibit VIII-B, Line 805-E.

NOTE: Exhibit VIII-C is to be completed by only those WYO Companies accepting credit card payments.

EXHIBIT IX: RESTRICTED ACCOUNT DEPOSITS SUMMARY INSTRUCTIONS

- 9A COMPANY (Name)** - Insert WYO Company name.
- 9B COMPANY (Number)** - Insert WYO Company's NAIC number.
- 9C PERIOD ENDING** - Indicate the financial statement reporting period (MONTH YEAR).

RESTRICTED ACCOUNT DEPOSITS

9D Date/Amount Columns:

Indicate in these columns every instance in which the WYO Company booked a deposit into the restricted flood account, showing the date and amount.

Please note that Harwell deposited funds into the NFIP restricted account every day. Credit card payments should not be included in the amount.

9E Line 900-Total:

Sum the individual deposits, exclusive of credit card payments, and insert the figure \$435,990 on Line 900.

You have now completed all the financial statement exhibits.

MONTHLY RECONCILIATION STATEMENTS

The purpose of these monthly statements is to have a WYO Company reconcile its reported financial statement entries for six items (Net Written Premiums, Net Federal Policy Fees, Net Reserve Funds, Net Paid Losses, Special Allocated LAE, and Case Loss Reserve) with statistical totals generated from its system. The burden of identifying and resolving any variance between reported financial statement entries and corresponding statistical detail rests with each WYO Company. The following pages detail the completion of the five monthly reconciliation reports.

MONTHLY RECONCILIATION - NET WRITTEN PREMIUMS

A COMPANY NAME <u>Harwell</u>	D CO. NAIC NUMBER <u>25678</u>
B MONTH YEAR ENDING <u>MAY 20XX</u>	E DATE SUBMITTED <u>6/20/XX</u>
C PREPARER'S NAME <u>Robert George</u>	F TELEPHONE NO. <u>111-111-1111</u>

MONTHLY FINANCIAL REPORT	MONTHLY STATISTICAL TRANSACTION REPORT		
	TRANS. CODE	K RECORD COUNT	L PREMIUM AMOUNT
G NET WRITTEN PREMIUMS: \$ <u>380,000</u>	11	<u>997</u>	<u>\$379,900</u>
(INCOME STATEMENT - Line 100)	15	_____	
	17	_____	
H UNPROCESSED <u>STATISTICAL:</u>	20	<u>3</u>	<u>300</u>

MONTHLY RECONCILIATION - NET FEDERAL POLICY FEES

A COMPANY NAME Harwell **C** CO. NAIC NUMBER 25678
B MONTH YEAR ENDING MAY 20XX **D** DATE SUBMITTED 6/20/XX

MONTHLY
FINANCIAL REPORT

MONTHLY STATISTICAL
TRANSACTION REPORT

E		I	J
NET FEDERAL		TRANS	RECORD
POLICY FEES:	\$ <u>25,000</u>	<u>CODE</u>	<u>COUNT</u>
			<u>AMOUNT</u>
	(INCOME STATEMENT - Line 170)	11	<u>997</u>
			<u>\$24,910</u>
		15	<u> </u>
F	UNPROCESSED		
	<u>STATISTICAL:</u>		
		17	<u> </u>
	(+) PRIOR MONTH'S <u> </u>		
	(-) CURRENT MONTH'S <u>90</u>	20	<u> </u>
G	<u>OTHER - EXPLAIN:</u>	23	<u> </u>
	(1) <u> </u>	26	<u> </u>
	(2) <u> </u>	29	<u> </u>
H	TOTAL: <u>\$24,910</u>	K	TOTAL: <u>997</u> <u>\$24,910</u>

*(ADD 11 THROUGH 23
LESS 26 AND 29)

L COMMENTS:

MONTHLY RECONCILIATION - NET RESERVE FUND

A COMPANY NAME Harwell **C** CO. NAIC NUMBER 25678
B MONTH YEAR ENDING MAY 20XX **D** DATE SUBMITTED 6/20/XX

MONTHLY
FINANCIAL REPORT

MONTHLY STATISTICAL
TRANSACTION REPORT

E		I	J
NET FEDERAL	POLICY FEES: \$ <u>5,000</u>	TRANS	RECORD
		<u>CODE</u>	<u>COUNT</u>
			<u>FEE</u>
			<u>AMOUNT</u>
	(INCOME STATEMENT - Line 170)	11	<u>100</u>
		15	<u>5,000</u>
F	UNPROCESSED		
	<u>STATISTICAL:</u>		
		17	<u> </u>
	(+) PRIOR MONTH'S <u> </u>	20	<u> </u>
	(-) CURRENT MONTH'S	23	<u> </u>
G	<u>OTHER - EXPLAIN:</u>	26	<u> </u>
	(1) <u> </u>	29	<u> </u>
	(2)		
H	TOTAL: <u>\$5,000</u>	K	TOTAL: <u>100</u> <u>\$5,000</u>

*(ADD 11 THROUGH 23
LESS 26 AND 29)

L COMMENTS:

MONTHLY RECONCILIATION - NET PAID LOSSES

A COMPANY NAME Harwell **C** CO. NAIC NUMBER 25678
B MONTH YEAR ENDING MAY 20XX **D** DATE SUBMITTED 6/20/XX

MONTHLY
FINANCIAL REPORT

MONTHLY STATISTICAL
TRANSACTION REPORT

		K	L
E		TRANS. <u>CODE</u>	RECORD <u>COUNT</u>
			LOSS/PAID <u>RECOVERIES</u>
100 NET PAID LOSSES	\$ 168,900		
(INCOME STATEMENT - Line 115)			
UNPROCESSED			
<u>STATISTICAL:</u>			
		31	\$
F 140 (+)PRIOR MONTH'S	_____	34	_____
		37	
G 150 (-)CURRENT MONTH'S	_____	40	_____
H 160 SALVAGE NOT TO BE REPORTED BY TRANSACTION (EXPLAIN)	_____	43	3 <u>169,000</u>
I 170 <u>OTHER-EXPLAIN:</u>		46 AND 61	
(1)	_____	49	_____
(2)		64	_____
		84 AND 87	

52 RECOVERY 1

SALVAGE 100

SUBROGATION

67 RECOVERY

SALVAGE

SUBROGATION

J TOTAL: \$168,900

M TOTAL: 4 \$168,900*

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

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

N COMMENTS:

MONTHLY RECONCILIATION - SPECIAL ALLOCATED LAE

A COMPANY NAME Harwell **C** CO. NAIC NUMBER 25678
B MONTH YEAR ENDING MAY 20XX **D** DATE SUBMITTED 6/20/XX

MONTHLY
FINANCIAL REPORT

MONTHLY STATISTICAL
TRANSACTION REPORT

E <u>SPECIAL ALLOCATED LOSS ADJUSTMENT EXPENSES</u>		I TRANS. <u>CODE</u>	J RECORD <u>COUNT</u>	J SALAE <u>AMOUNT</u>
	\$ <u>50</u>			
	(OTHER LOSS AND LAE CALC. - Line 655)	71	<u> </u>	\$
		74	<u> </u>	

F UNPROCESSED
STATISTICAL:

(+) PRIOR MONTH'S
 (-) CURRENT MONTH'S 50

G OTHER - EXPLAIN:

(1)
(2)

H TOTAL: \$ - 0 - **K** TOTAL: - 0 - \$ - 0 -

L COMMENTS:

MONTHLY RECONCILIATION - CASE LOSS RESERVE

A COMPANY NAME Harwell **C** CO. NAIC NUMBER 25678

B MONTH YEAR ENDING MAY 20XX **D** DATE SUBMITTED 6/20/XX

E NUMBER OF OPEN CLAIM
CASES WITH RESERVES 3

F TOTAL AMOUNT
OF RESERVES \$60,000

(BALANCE SHEET
ITEMS-LINE 325
CURRENT MONTH COLUMN)

MONTHLY RECONCILIATION - NET WRITTEN PREMIUMS

- A COMPANY NAME** - Insert WYO Company name.
- B MONTH YEAR ENDING** - Indicate the financial/statistical reporting period (MONTH YEAR).
- C PREPARER'S NAME** - Insert your name.
- D CO. NAIC NUMBER** - Insert WYO Company's NAIC number.
- E DATE SUBMITTED** - Indicate the month/day/year of completion of this form.
- F TELEPHONE NO.** - Insert your telephone number.

As you will note, there are two columns on this reconciliation, with totals for each at the bottom. The objective is to have the figures in the "Total" columns agree.

G Net Written Premiums (Monthly Financial Report Column):

From the financial statement Exhibit I, Line 100, Current Month Column, insert the figure.

In Harwell's case, it is \$380,000. This represents the reported net written premium for the month.

H Unprocessed Statistical (Monthly Financial Report Column):

Under this header, you will note two line items. The first (+ Prior Month's) is to be used to record any booked premium for the prior month that is not included in the statistical detail for that month.

In Harwell's case, there is no unprocessed statistical data for the prior month.

The second line item (- Current Month's) is used to record any booked and reported premium for the current month that does not have a statistical entry in the current month's file.

In Harwell's case, \$1,000 of booked premium is not included in the statistical file for the month of May. Therefore, an entry is made on this line of \$1,000.

I Other - Explain (Monthly Financial Report Column):

Under this header, you will note two lines. These lines are to be used to insert justifiable entries that do not involve unprocessed statistical items to account for any differences between the monthly financial report column entry and the monthly statistical transaction report figure. Examples of "Other-Explain" items would be resubmitted rejects, stale-dated checks, and breakage.

J Total (Monthly Financial Report Column):

Sum all the amounts in the column. The line items are "Net Written Premium": \$380,000; "Unprocessed Statistical + Prior Month's": \$0; "Unprocessed Statistical - Current Month's": (\$1,000); and "Other - Explain": \$0. Insert the figure \$379,000 on the "Total" line.

K Record Count (Monthly Statistical Transaction Report Column):

For each transaction code, insert the total records submitted. For example, transaction 11 (New Business) had a total of 997 records submitted on the statistical tape.

L Premium Amount (Monthly Statistical Transaction Report Column):

For each transaction code, insert the total premium value. For example, transaction 11 (New Business) premiums amount to a total of \$379,900.

M Total (Monthly Statistical Transaction Report Column):

Sum all the lines in the Record Count Column. The entry is 1,003 (997 + 3 + 3). Sum all the lines in the Premium Amount Column. The entry is \$379,000 (\$379,900 + 300 - 1,200).

N **Comments:**

Use this space to explain your entries regarding financial and/or statistical submissions. In Harwell's case, there were no additional entries to report.

Now, compare the figures in both columns. If they agree, the reconciliation is completed. If not, review for the difference and make the necessary corrections.

MONTHLY RECONCILIATION - NET FEDERAL POLICY FEES

- A COMPANY NAME** - Insert WYO Company name.
- B MONTH YEAR ENDING** - Indicate the financial/statistical reporting period (MONTH YEAR).
- C CO. NAIC NUMBER** - Insert WYO Company's NAIC number.
- D DATE SUBMITTED** - Indicate the month/day/year of completion of this form.

E Net Federal Policy Fees (Monthly Financial Report Column):

From the financial statement Exhibit I, Line 170, Current Month Column, insert the figure.

In Harwell's case, it is \$25,000. This represents the Net Federal Policy Fees reported for this month.

F Unprocessed Statistical (Monthly Financial Report Column):

Under this header, you will again note two line items. The first (+ Prior Month's) is to be used to record any booked Federal Policy Fees for the prior month that are not included in the statistical file for that month.

In Harwell's case, there is no unprocessed statistical data for the prior month.

The second line item (- Current Month's) is used to record any booked and reported Federal Policy Fees for the current month that do not have statistical data for them included on the current month's file.

In Harwell's case, \$90 worth of booked Federal Policy Fees is not included in the statistical file for the month of May. Therefore, an entry of \$90 is made on this line.

G Other - Explain (Monthly Financial Report Column):

For Harwell, this line does not need to be completed.

H Total (Monthly Financial Report Column):

Sum all the amounts in the column. The line items are "Net Federal Policy Fees": \$25,000; "Unprocessed Statistical + Prior Month's": \$0; "Unprocessed Statistical - Current Month's": (\$90); and "Other - Explain": \$0. Insert the figure of \$24,910 on the "Total" line.

I Record Count (Monthly Statistical Transaction Report Column):

For each transaction code in which a Federal Policy Fee is applicable, insert the total of all records submitted. For example, Harwell has submitted a total of 997 statistical records that have a Federal Policy Fee amount.

J Fee Amount (Monthly Statistical Transaction Report Column):

For all applicable transactions, insert the net Federal Policy Fees total. For example, Harwell has submitted a Net Federal Policy Fees total of \$24,910.

K Total (Monthly Statistical Transaction Report Column):

Record the total in the "Record Count" column. The entry is 997. Record the total in the "Fee Amount" column. The entry is \$24,910.

L Comments:

Use this space to report additional information regarding financial and/or statistical reporting. In Harwell's case, there were no pertinent comments to report.

Now compare the figures in both columns. If they agree, this reconciliation is completed. If not, review for the difference and make the necessary corrections.

MONTHLY RECONCILIATION - NET RESERVE FUND

- A COMPANY NAME** - Insert WYO Company name.
- B MONTH YEAR ENDING** - Indicate the financial/statistical reporting period (MONTH YEAR).
- C CO. NAIC NUMBER** - Insert WYO Company's NAIC number.
- D DATE SUBMITTED** - Indicate the month/day/year of completion of this form.

E Net Reserve Fund (Monthly Financial Report Column):

From the financial statement Exhibit I, Line 173, Current Month Column, insert the figure.

In Harwell's case, it is \$5,000. This represents the Net Reserve Funds reported for this month.

F Unprocessed Statistical (Monthly Financial Report Column):

Under this header, you will again note two line items. The first (+ Prior Month's) is to be used to record any booked Reserve Funds for the prior month that are not included in the statistical file for that month.

In Harwell's case, there is no unprocessed statistical data for the prior month.

The second line item (- Current Month's) is used to record any booked and reported Reserve Funds for the current month that do not have statistical data for them included on the current month's file.

In Harwell's case, there is no unprocessed statistical data for the current month.

G Other - Explain (Monthly Financial Report Column):

For Harwell, this line does not need to be completed.

H Total (Monthly Financial Report Column):

Sum all the amounts in the column. The line items are "Net Reserve Funds": \$5,000; "Unprocessed Statistical + Prior Month's": \$0; "Unprocessed Statistical - Current Month's": (\$0); and "Other - Explain": \$0. Insert the figure of \$5,000 on the "Total" line.

I Record Count (Monthly Statistical Transaction Report Column):

For each transaction code in which a Reserve Fund is applicable, insert the total of all records submitted. For example, Harwell has submitted a total of 100 statistical records that have a Reserve Fund amount.

J Fund Amount (Monthly Statistical Transaction Report Column):

For all applicable transactions, insert the Net Reserve Fund total. For example, Harwell has submitted a net Reserve Fund total of \$5,000.

K Total (Monthly Statistical Transaction Report Column):

Record the total in the "Record Count" column. The entry is 100. Record the total in the "Fee Amount" column. The entry is \$5,000.

L Comments:

Use this space to report additional information regarding financial and/or statistical reporting. In Harwell's case, there were no pertinent comments to report.

Now compare the figures in both columns. If they agree, this reconciliation is completed. If not, review for the difference and make the necessary corrections.

MONTHLY RECONCILIATION - NET PAID LOSSES

- A COMPANY NAME** - Insert WYO Company name.
- B MONTH YEAR ENDING** - Indicate the financial/statistical reporting period (MONTH YEAR).
- C CO. NAIC NUMBER** - Insert WYO Company's NAIC number.
- D DATE SUBMITTED** - Indicate the month/day/year of completion of this form.

E Line 100 - Net Paid Losses:

From Exhibit I, Line 115, Current Month Column, insert the figure \$168,900.

F Line 140 - Unprocessed Statistical (+) Prior Month's:

In Harwell's case, there are no unprocessed statistical transactions for the prior month.

G Line 150 - Unprocessed Statistical (-) Current Month's:

This line is to be used to account for statistical transactions that have not been processed and have not been included in the current month statistical file.

In Harwell's case, all transactions have been processed.

H Line 160 - Salvage Not to Be Reported by Transaction (Explain):

This line is to be used in situations where a major catastrophe has occurred. Because of the number of losses paid in this occurrence, it is inefficient and impractical to assign salvage collected from a third party to each individual

loss paid. Consequently, the salvage collected in this situation would not have a statistical transaction associated with it. However, in order to reconcile, this amount would be included on Line 160 with an explanation as to what it represented.

I Line 170 - Other-Explain:

In Harwell's case, this line does not need to be completed.

J Total:

Sum Line 100, \$168,900; Line 140, \$0; Line 160, \$0; and Line 170, \$0 = \$168,900. From this total, \$168,900, subtract Line 150, \$0. Enter the amount, \$168,900, on the "Total" line.

K Record Count:

For each transaction code, insert the total records submitted. For example, transaction 43 (Close Claim/Loss Payments) had a total of three (3) records submitted on the statistical file.

L Loss/Paid Recoveries:

For each transaction code, insert the total dollar value. For example, transaction 43 (Close Claim/Loss Payments) totaled \$169,000.

M Total:

Sum all the lines in the Record Count column. The entry would be 4 (3+1). Sum all the lines in the Loss/Paid Recoveries column. The entry would be \$168,900 (\$169,000 - 100).

N Comments:

Use this space to explain your entries regarding financial and/or statistical submissions. In Harwell's case, there was nothing additional to report.

Now compare figures in both columns. If they agree, this reconciliation is completed. If not, review for the difference and make the necessary corrections.

MONTHLY RECONCILIATION - SPECIAL ALLOCATED LAE

- A COMPANY NAME** - Insert WYO Company name.
- B MONTH YEAR ENDING** - Indicate the financial/statistical reporting period (MONTH YEAR).
- C CO. NAIC NUMBER** - Insert WYO Company's NAIC number.
- D DATE SUBMITTED** - Indicate the month/day/year of completion of this form.

E Special Allocated Loss Adjustment Expenses:

Insert in the Monthly Financial Report column the entry from Exhibit VI, Line 655, Current Month Column, \$50.

F Unprocessed Statistical (Monthly Financial Report Column):

Since it was determined that there is no statistical entry on the monthly file (MAY 20XX) for current month expenses because of a processing error, \$50 would be inserted on the "Current Month" line. It is imperative that when this entry is made, there is documentation for this expense and that it will be processed in the next month's statistical data.

G Other - Explain (Monthly Financial Report Column):

In Harwell's case, this line need not be completed.

H Total (Monthly Financial Report Column):

Sum all the amounts in the column. The line items are "Special Allocated Loss Adjustment Expenses": \$50; "Unprocessed Statistical + Prior Month's": \$0; "Unprocessed Statistical - Current Month's": (\$50); and "Other - Explain": \$0. Insert \$0 on the "total" line.

I Record Count:

For each transaction code, insert the total records submitted. For example, transaction 71 (Special Allocated Loss Adjustment Expense) had no statistical records submitted.

J SALAE Amount:

For each transaction code, insert the total dollar value. For example, transaction 71 (Special Allocated Loss Adjustment Expense) had a dollar value amount of \$0, since no transactions were submitted.

K Total:

Sum all the lines in the Record Count column. The entry would be 0. Sum all the lines in the Amounts column. The entry would be \$0.

L Comments:

Use this space to explain your entries regarding financial and/or statistical submissions. In Harwell's case, there was nothing additional to report.

Now compare figures in both columns. If they agree, the reconciliation is completed. If not, review for the difference and make the necessary corrections.

MONTHLY RECONCILIATION - CASE LOSS RESERVE

- A COMPANY NAME** - Insert WYO Company name.
- B MONTH YEAR ENDING** - Indicate the financial/statistical reporting period (MONTH YEAR).
- C CO. NAIC NUMBER** - Insert WYO Company's NAIC number.
- D DATE SUBMITTED** - Indicate the month/day/year of completion of this form.

E Number of Open Claim Cases with Reserves:

From your records, indicate the total number of "open case reserves" for each building and contents claim as of the end of the reporting period.

F Total Amount of Reserves:

From your records, indicate the total amount of the open case reserves for building and contents. Now compare this total amount with the figure shown on Exhibit III, Line 325, Current Month Column. If they agree, the reconciliation is completed. If not, review for the difference and make the necessary corrections.

You have now completed the monthly reconciliation statements.

III. CERTIFICATION STATEMENTS

After the monthly financial statements and reconciliations have been prepared, the last items to be completed are certification statements. These statements should be signed by responsible officers within the WYO Company or authorized signer(s).

There are two certification statements to be signed. Below is a description of how each one should be prepared. In addition, examples of completed statements are presented.

A. CERTIFICATION STATEMENT FOR MONTHLY FINANCIAL AND STATISTICAL RECONCILIATION REPORTS

This statement 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 WYO Company. If a material modification is to be made, an explanation should be provided on this form.

The form is to be completed by the responsible financial officer or authorized signer who inserts the WYO Company's name and the statement's reporting period (May 20XX) on the second line of the first paragraph. This form is then signed and dated by the financial officer or authorized signer who reviewed the documentation. Please review the example, and note that all information required to be completed is underlined.

B. CERTIFICATION STATEMENT FOR MONTHLY STATISTICAL TRANSACTION REPORT

This statement relates to the data contained on the monthly statistical data file from which certain balance totals (Net Written Premium, Net Paid Losses, Net Federal Policy Fees, Net Reserve Funds, and SALAEs) are developed. It certifies that these balance totals used in the reconciliation statement processing are the representation of the WYO Company. If there is a material modification to be made, an explanation should be provided on this form.

This form is completed by the responsible reporting officer or authorized signer who indicates the statistical transaction totals pertaining to the reporting period (May 20XX). On the last line, the WYO Company's name would be inserted.

The form is then signed and dated by the responsible reporting officer or authorized signer who reviewed the statistical documentation. Please review the example, and you'll note that all information required to be completed is underlined.

NOTE: Certification Statements can be signed only by those individuals so designated by the WYO Company. The lists (see examples on the following pages) of signers for each certification statements are completed by the WYO Company's appropriate authorization officer. A record of authorized signers is maintained by the NFIP LSS.

Any change or addition to the designated signer list must be communicated to the NFIP LSS. This can be done by contacting the WYO Business Analyst.

CERTIFICATION STATEMENTS

A. CERTIFICATION STATEMENT FOR MONTHLY FINANCIAL AND STATISTICAL RECONCILIATION REPORTS

I have reviewed the accompanying financial and statistical reconciliation reports of Harwell Company as of MAY 20XX. All information included in these statements is the representation of the Harwell 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 Barbara Ann Gila
(Responsible Financial Officer)

DATE June 20, 20XX

B. 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 MAY 20XX reporting period. All information included in these reports is the representation of the Harwell Company.

SIGNED Trisha Michelle Lore
(Responsible Reporting Officer)

DATE June 20, 20XX

**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)

(Please type title)

(Signature)

3.
(Please type name)

(Please type title)

(Signature)

Return to: National Flood Insurance Program
Legacy System Services
Attn: WYO Business Analyst
8400 Corporate Drive, Suite 300
Landover, MD 20785

**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)

(Please type title)

(Signature)

3.
(Please type name)

(Please type title)

(Signature)

Return to: National Flood Insurance Program
Legacy System Services
Attn: WYO Business Analyst
8400 Corporate Drive, Suite 300
Landover, MD 20785

PART C: MONTHLY STATISTICAL DATA FRONT-END BALANCING PROCEDURES

As stipulated in the WYO Financial Control Plan and the TRRP Plan, each WYO Company is required to have its monthly statistical file received at the NFIP facility no later than the 21st day of the calendar month following each month's closing. For example, the statistical file for May's reporting period must be received at the NFIP facility no later than June 21, 20XX.

According to the WYO Financial Control Plan and TRRP Plan, each WYO Company must submit with its file the reconciliation statements for Net Written Premiums, Net Federal Policy Fees, Net Reserve Funds, Net Homeowners Flood Insurance Affordability Act (HFIAA) Surcharge, Net Paid Losses, and Special Allocated Loss Adjustment Expenses. For these statements, detailed statistical transaction information (transaction codes, record counts, and dollar amounts) must be provided. As an option, the WYO Company may submit a duplication of the reconciliation statements (which accompanies the financial statements (Exhibits I-IX)) with the statistical file to satisfy this reporting requirement.

The Harwell Insurance Company has opted to complete both the financial and statistical columns of the reconciliation statements. Copies of these pages were sent with the monthly statistical file, and a copy was submitted with the monthly financial statements. A full description of how to complete these reconciliation statements was previously presented in this manual.

When the NFIP LSS receives the Harwell Insurance Company's statistical file and reconciliation statements, a front-end file balancing procedure is performed. The statistical file is first read to generate reports for Net Written Premium, Net Federal Policy Fees, Net Reserve Funds, Net HFIAA Surcharge, Net Paid Losses, and Special Allocated Loss Adjustment Expenses. Each report indicates record count for each transaction and a total record count. The report also shows the dollar value for each transaction and a total dollar amount. These reports are then compared with the reconciliation statements that Harwell submitted with the statistical file. Any discrepancy found in the dollar amount or record count will require Harwell to correct either the statistical file or the respective reconciliation statement before further NFIP LSS processing will occur. The data on that file will not be included in various monthly statistical reports unless a corrected file and/or reconciliation statement is received by the required due date. The WYO Company will be notified by the NFIP LSS Accounting staff of a discrepancy in dollar amounts and record counts. Over-tolerance discrepancies will also be reported to FEMA representatives and to the WYO Standards Committee.

Consequently, it is extremely critical that each WYO Company validate statistical transaction dollar amounts and record counts reflected on the reconciliation statements prior to submission. An excellent way to prevent a file rejection would be to submit the file to the NFIP LSS one (1) week or more before the end-of-month due date. If this is done and an error is detected, the WYO Company will still have enough time to correct the erroneous file and resubmit it. If the file figures correspond to the reconciliation statement amounts and are received by the 21st day of the month, the file will not be rejected and subsequent complications will not result.

In Harwell's case, the statistical reports corresponded to the reconciliation statements in terms of both record counts and dollar amounts. Therefore, the statistical file was accepted and processed.

PART D: NFIP LSS PROCESSING OF REQUIRED FINANCIAL DOCUMENTS

I. FINANCIAL STATEMENTS

Upon receipt of the Financial Statements via e-mail, the NFIP LSS's accounting personnel will review them for completeness and accuracy. If any problem is noted, a staff member will contact the preparer for clarification. After this review, NFIP LSS personnel will upload statement entries from the financial documents to produce an individual WYO Company statement, formatted according to FEMA's reporting specifications.

After all of the individual reports are produced, they will be combined into a WYO consolidated financial statement and formatted according to FEMA's specifications.

The WYO consolidated statement is then combined with the NFIP Direct Servicing Agent's, the NFIP LSS's, and the iServices' statements to produce a consolidated NFIP financial statement.

II. RECONCILIATION STATEMENTS

Upon receipt of the Monthly Reconciliation Statements, NFIP LSS Accounting staff will review them to ensure that explanations for differences and totals are valid. Financial figures are checked against the monthly statement, and statistical transaction totals are validated against report totals taken from the monthly run of the submitted statistical data.

Any discrepancies or questions resulting from this review process will be directed to the WYO Company's or NFIP Direct Servicing Agent's preparer of the reconciliation statements.

III. CERTIFICATION STATEMENTS

Upon receipt of the Monthly Certification Statements, the NFIP LSS Accounting staff will review them for authorized signers and appropriate date. If a problem is noted, NFIP LSS staff will call the WYO Company.

NOTE: The WYO Company representative must provide to its WYO Business Analyst a list of individuals authorized to sign the Certification Statements.

PART E: SUPPLEMENTAL CLAIM PAYMENT PROCEDURES

On losses that require reopening, the additional Loss Adjustment Expense (LAE) for the supplemental claim handling is calculated as follows:

- It is the larger of the Closed Without Payment (CWOP) fee (\$225.00), or the difference between the original LAE taken and the revised LAE based upon the total of all claim payments made (original + supplemental payment). With the use of either criterion, the minimum LAE to be paid for the handling of a supplemental claim will be the CWOP Fee Schedule amount (\$225.00).

To assist you in understanding the supplemental claim payment expense calculation and its associated financial and statistical reporting requirements, three examples have been developed. These examples should assist you in following the appropriate procedures when processing a supplemental claim payment expense.

EXAMPLE A

When the supplemental claim results in no additional claim payment, the minimum LAE amount (CWOP) fee (\$225.00) is earned. For reporting and statistical reconciliation, this LAE (\$225.00) is to be treated as an SALAE-Type 2. Therefore, use Exhibit VI - Line 655 on your monthly financial statement to report the SALAE. Because this is SALAE-Type 2 and is not greater than \$500.00, prior FEMA approval (authorization letter) is not needed. Next, follow the procedures outlined in the *WYO Accounting Procedures Manual*, Part F, which require that a listing be attached to your financial statement detailing all SALAEs by policy number, date of loss, SALAE amount, and type code.

For statistical reporting, SALAE transaction (71) should be used.

EXAMPLE B

When the supplemental claim results in an additional claim payment and the calculated LAE for both the original and the supplemental claim payments is \$225.00 or greater than the original LAE taken, reverse the LAE previously reported and insert the new LAE amount on the financial statement Fee Schedule (Exhibit V-A, B, C, D, E, F, G, H, or I of the Financial Statements).

No SALAE financial and statistical reporting is required in this situation.

EXAMPLE C

When the supplemental claim results in an additional claim payment and the calculated LAE for both the original and the supplemental claim payment is less than \$225.00 of the original LAE taken, the steps outlined below must be followed:

- Reverse the LAE previously reported and insert the new LAE amount on the financial statement Fee Schedule (Exhibit V-A, B, C, D, E, F, G, H, or I of the Financial Statements).
- Compute the difference between the new LAE (based on both the original and the supplemental claim payments) and the original LAE taken. Subtract this difference from \$225.00. This amount should be treated as an SALAE-Type 2. Therefore, use Exhibit VI - Line 655 on your monthly financial statement to report the SALAE. Since this is SALAE-Type 2 and is not greater than \$500.00, no prior FEMA approval (authorization letter) is required. Next, follow the procedures outlined in the *WYO Accounting Procedures Manual*, Part F, which require a listing to be attached to your financial statement detailing all SALAEs by policy number, date of loss, SALAE amount, and type code.

For statistical reporting, SALAE transaction (71) should be used.

PART F: CASH MANAGEMENT PROCEDURES

I. DEPOSIT OF NFIP FUNDS

All premiums (net of expense allowances), Federal Policy Fees, Reserve Funds, HFIAA Surcharges and interest income relating to the WYO flood insurance program shall be deposited in a special account in a Federal Deposit Insurance Corporation (FDIC)-regulated bank separate from all other WYO Company business. Premiums collected will also include all "suspense" items, not only posted policies. In addition, all premiums, Federal Policy Fees, Reserve Funds, and HFIAA Surcharges collected for policies with a future effective date must be deposited into the WYO Company's restricted account as soon as processing allows. A WYO Company may not use flood funds to earn interest for its company. Any interest earned on NFIP processing accounts, restricted accounts, satellite accounts, lockboxes, or other accounts must be paid to the NFIP.

Using existing cash flow systems of each WYO Company, the flood insurance cash activity should be monitored on the same basis as all other company funds. To supplement this cash monitoring process, particularly the timely deposit of funds, WYO Companies are required to report all monthly restricted account deposits on Exhibit IX of the financial statements. The WYO Company must deposit flood insurance funds in the restricted account as soon as possible following collection of the premium. Each WYO Company must exert a good faith effort to comply with this intent. Each WYO Company must also be prepared to document and explain how its individual procedures satisfy the intent.

In order to facilitate timely deposit of WYO funds, a WYO Company may, at its discretion, operate more than one restricted account. The WYO Company will continue to supply FEMA with one (1) financial report encompassing all such accounts. In addition, the WYO Company will be allowed only one (1) Payment Management System (PMS) LOC account.

To ensure that the intent of overall proper cash management is achieved, each WYO Company shall outline its proposed cash management procedures for review by FEMA. These procedures shall be transmitted to the company's WYO Business Analyst at the NFIP LSS prior to the start of the company's WYO operations. In addition, FEMA may request WYO Companies currently writing flood business to update or clarify the Company's cash management procedures.

To ensure the proper control and maintenance of the flood insurance account, WYO Companies must establish a general ledger to record transactions and provide supporting detail for the cash balances. In addition, monthly reconciliations between bank statements and the general ledger cash balances must be performed.

II. NAMING THE RESTRICTED ACCOUNT

All existing restricted and disbursement account titles/names established in the FDIC-regulated bank separate from all other WYO Company business must be titled "account name FOR THE BENEFIT OF FEMA NFIP." All new restricted and disbursement account titles/names must be established as "account name FOR THE BENEFIT OF FEMA NFIP."

III. TRANSFER OF EXCESS FUNDS

Transfer of excess funds from the Restricted Flood Insurance Account to the U.S. Treasury is mandatory and should be performed at least once a week. Excess funds are defined as those funds in the restricted account less \$5,000 and established payables (Exhibit III, Line 310). Funds in the premium suspense account are to be included in the excess funds calculation. In addition, premiums, Federal Policy Fees, Reserve Fund Fees, and HFIAA Surcharge Fees collected for policies with future effective dates should be included in the excess funds calculation. Established reserves for claim payments and claim LAEs are not included when calculating the excess funds amount.

The WYO Company or vendor must transmit excess funds to FEMA on at least a weekly basis. If weekly transfers are not made, a WYO Company must be prepared to document the reasons for noncompliance to FEMA. The Cash Management Procedure requires WYO Companies to remit funds as follows:

- Through the use of the ACH established by FEMA for excess funds of \$100,000 or less.
- Funds exceeding \$100,000 must be remitted by wire transfer. This method may require WYO Companies to transfer excess funds more frequently than once a week. It is FEMA's understanding that wire transfers may be assessed an additional cost by your banking institution. Please negotiate with your banking institution to obtain the best possible per-transaction cost. FEMA's agency location code for NFIP funds is 70-07-0005 and the Treasury appropriations code is 70X4236.
- Funds may be transferred through the Internet. This process is part of an e-business initiative that allows customers to make flood insurance premium payments with paperless check transactions using the Internet.

The WYO Business Analyst assigned to each WYO Company should be contacted to coordinate the company's access to the ACH. In rare situations and with FEMA's permission, excess funds checks may be sent directly to the NFIP LSS. For more details on the ACH, please refer to Part E of the *WYO Accounting Procedures Manual*.

IV. WYO COMPANY EXPENSE REIMBURSEMENT

- The appropriate expense allowance for the WYO Company may be taken at the time the policy is processed and reported on the financial statement.
- Allocated LAEs based on the Fee Schedules can be taken at the time the claim payment is made.

- Unallocated LAEs may be taken at the time the reserve is established (with any necessary adjustments made as the incurred claim develops) or at the time the claim case is closed.
- Special allocated LAE reimbursement procedures are detailed in the *WYO Accounting Procedures Manual*, Part F.

PART G: STALE-DATED CHECK PROCEDURES

The following procedures should be used in processing premium and claim checks that are outstanding (not cashed) for 6 months and later:

I. PREMIUM CHECKS

- A. Void the stale-dated check(s).
- B. Increase your net written premium (Exhibit I, Line 100) for the reporting month by the amount of the check(s).
- C. Increase your cash account (Exhibit III, Line 300, Column A) by the amount of the voided check(s).
- D. Your expense allowance for written premium (Exhibit IV, Line 410, Current Month Column) will be increased because of the increase in net written premium.
- E. On your "Net Written Premiums" monthly reconciliation statement, show in the "Other-Explain" line the amount (\$1,000) of the voided check(s), and then subtract this figure from your net written premium total. Identify this entry on the reconciliation statement by the words "Stale-Dated Check(s)." This adjustment is required since no statistical transaction will be generated for the voided check(s). See EXAMPLE A on page G-2.
- F. Maintain, for 3 years, the details supporting the voided check(s).

II. CLAIM CHECKS

- A. Void the stale-dated check(s).
- B. Decrease your net paid losses (Exhibit I, Line 115) for the reporting month by the amount of the check(s).
- C. Increase your cash account (Exhibit III, Line 300, Column A) by the amount of the voided check(s).

- D. On your "Net Paid Losses" monthly reconciliation statement, show in the "Other-Explain" line the amount (\$2,000) of the voided check(s), and then add this figure to your reported net paid losses total. Identify this entry on the reconciliation statement by the words "Stale-Dated Check(s)." This adjustment is required since no statistical transaction will be generated for the voided check(s). See EXAMPLE B on page G-3.
- E. Maintain, for 3 years, the details supporting the voided check(s).

EXAMPLE A: MONTHLY RECONCILIATION - NET WRITTEN PREMIUMS

COMPANY NAME Harwell CO. NAIC NUMBER 11111
 MONTH YEAR ENDING MAY 20XX DATE SUBMITTED 6/20/XX
 PREPARER'S NAME Robert George TELEPHONE NO. 111-111-1111

<u>MONTHLY FINANCIAL REPORT</u>		<u>MONTHLY STATISTICAL TRANSACTION REPORT</u>		
NET WRITTEN PREMIUMS	\$ <u>401,000</u>	TRANS. CODE	RECORD COUNT	PREMIUM AMOUNT
	(INCOME STATEMENT - LINE 100)	11	<u>998</u>	<u>\$400,900</u>
		15	<u> </u>	
		17	<u> </u>	
UNPROCESSED STATISTICAL:		20	<u>3</u>	<u>300</u>
(+) PRIOR MONTH'S				
(-) CURRENT MONTH'S	<u> </u>	23	<u> </u>	
<u>OTHER - EXPLAIN:</u>				
		26	<u>3</u>	<u>1,200</u>
(1) STALE-DATED CHECKS	<u>(1,000)</u>			
(2)		29	<u> </u>	

14 AND 81

99

12

TOTAL: \$400,000

TOTAL: 1,004 \$400,000*

*(ADD 11 THROUGH 23,
LESS 26 AND 29)

COMMENTS:

EXAMPLE B: MONTHLY RECONCILIATION - NET PAID LOSSES

COMPANY NAME Harwell CO. NAIC NUMBER 11111
 MONTH YEAR ENDING MAY 20XX DATE SUBMITTED 6/20/XX

		TRANS. CODE	RECORD COUNT	LOSS/PAID RECOVERIES
100 NET PAID LOSSES \$ <u>166,900</u> (INCOME STATEMENT - LINE 115)				
UNPROCESSED STATISTICAL:		31	_____	\$
140 (+) PRIOR MONTH'S _____		34	_____	
		37		
150 (-) CURRENT MONTH'S _____		40	_____	
160 SALVAGE NOT TO BE REPORTED BY TRANSACTION (EXPLAIN) _____		43	<u>3</u>	<u>169,000</u>
170 <u>OTHER - EXPLAIN:</u>		46 AND 61		
(1) STALE-DATED CHECKS <u>+ 2,000</u>		49	_____	
(2)		64	_____	
		84 AND 87		
		52 RECOVERY	<u>1</u>	
		SALVAGE		<u>100</u>

SUBROGATION

67 RECOVERY _____

SALVAGE

SUBROGATION

TOTAL: \$ 168,900

TOTAL: 4 \$ 168,900

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

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

COMMENTS:

PART H: CREDIT CARD PROCESSING

In pursuit of the goal to simplify the NFIP and to promote policy growth, FEMA has approved the use of credit cards to pay flood insurance premiums. To encourage a company's implementation of credit card processing, minimum financial and statistical reporting requirements were established, and all bank service charges associated with credit card transactions will be paid by the U.S. Treasury when a WYO Company is using FEMA's provider. All other expenses will be paid by the WYO Company. For more information on the use of the credit card payment mechanism and how to get started, please refer to the appropriate section of the *WYO Accounting Procedures Manual*.

As stated earlier, the processing procedures and the financial and statistical reporting requirements for the use of the credit card payment mechanism are minimal. At this point, it will be helpful to note the processing procedures and the financial and statistical reporting requirements before completing an example.

I. PROCESSING PROCEDURES

To charge the purchase of a flood insurance policy to a credit card, the following billing information is required:

- Date of charge
- Name of cardholder
- Account number
- Card expiration date
- Dollar amount of charge
- Cardholder's signature

If a credit card charge is taken by telephone, the cardholder's signature is not required.

For credit card charges taken by means other than telephone, a printed charge authorization form must be used. On the form, the following cancellation disclaimer must be placed not more than one quarter of an inch below the cardholder's signature line.

"This policy is not subject to cancellation for reasons other than those set forth in the National Flood Insurance Program rules and regulations. In matters involving billing disputes, cancellation is not available other than for billing processing error or fraud."

For credit card charges taken by telephone, the cancellation disclaimer above must be read to the caller.

Charge card billing information data must be attached to the new business application or included with the request for renewal update data. It is the WYO Company's decision as to how this billing information is obtained and in what format. However, this credit card bill

information must be retained for at least three (3) years for billing dispute purposes and for the creation of an audit trail.

Funds generated through the credit card payment mechanism will be sent directly to the U.S. Treasury and not to the WYO Company's restricted account. The U.S. Treasury will receive the gross amount of the policy premium, Federal Policy Fee, Reserve Funds, and HFIAA Surcharges. The funds received will include the bank discount charge.

There will be a 2-day delay before the U.S. Treasury receives payment for an approved credit card transaction. For example, the funds for a transaction approved on Monday will be received by the U.S. Treasury by Wednesday.

Reports for all credit card approval and payment transactions will be provided on a daily basis.

II. FINANCIAL AND STATISTICAL REPORTING REQUIREMENTS

For financial statement reporting, use Exhibit VIII-C, Credit Card Payments to the NFIP, to report all credit card payment transactions. This is the only additional financial statement reporting requirement.

For TRRP Plan statistical reporting, there are two requirements.

The data element field entitled "Premium Payment Indicator" must be completed if a policy is paid by credit card. Indicator (C) must be used to identify flood policies that have been paid by credit card.

Use cancellation code (70) if the policy is canceled because of credit card processing error or fraud.

NOTE: Since credit card proceeds will be sent directly to the U.S. Treasury, WYO Companies will have to build a mechanism to post those payments to their general ledger system.

EXAMPLE

As noted earlier, the Harwell Insurance Company has just established the credit card payment mechanism and has completed its first month of activity. For the month, one new business and two renewal policies were paid by credit card. The total amount of premium paid by credit card was \$1,200. The total amount of Federal Policy Fee paid by credit card was \$90. The total amount of all credit card payments for the month was \$1,290.

Remember that there is only one financial statement reporting requirement for credit card payments. In this case, simply go to Exhibit VIII-C, Credit Card Payments to the NFIP, and insert the date and the amount of the credit card payments. Then sum all the credit card payments for the month and insert the total (\$1,290) on Line 805-C. Next, bring forward that total to the Exhibit VIII-B, Cash Payments to the NFIP, Line 805-C, and insert the amount. Please refer to the completed Exhibits VIII-B and VIII-C examples in Part B of this manual.

NOTE: The total amount of credit card payments inserted on Line 805-C, Exhibit VIII-C, is a net figure. It will include any endorsement or cancellation refunds processed by credit card. The total will also include any credit card chargeback activity.

Please remember for TRRP Plan reporting to insert a "C" in the data element field entitled "Premium Payment Indicator" to identify those flood policies that have been paid by credit card.

Congratulations! You have finished the financial reporting of the credit card payments for a month. That is all you have to do!

PART I: LISTING OF PERTINENT WYO ACCOUNTING/FINANCIAL DOCUMENTS

Documents pertinent to this manual are as follows:

- Financial Assistance/Subsidy Arrangement
- NFIP LSS Write Your Own (WYO) Accounting Procedures Manual (NFIP.6210.25)
- Write Your Own (WYO) Program Financial Control Plan (NFIP.6200.01.00)
- Transaction Record Reporting and Processing (TRRP) Plan for the Write Your Own (WYO) Program (NFIP.4000.03)

PART J: ACRONYMS

The acronyms used in this document are listed in the following table.

Table 1: Acronyms List	
Acronym	Term
ACH	Automated Clearinghouse
ATAB	in Accounting Training Assistance Bulletin
CWOP	Closed Without Payment
CWP	Closed With Payment
EIN	Employer Identification Number
EST	Eastern Standard Time
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
HFIAA	Homeowners Flood Insurance Affordability Act
HHS	Health and Human Services
IBNR	Incurred But Not Reported
ICC	Increased Cost of Compliance
LAE	Loss Adjustment Expense
LOC	Letter of Credit
LOMA	Letter of Map Amendment
LOMR	Letter of Map Revision
LSS	Legacy Systems Services
NFIP	National Flood Insurance Program
PMS	Payment Management System
PRP	Preferred Risk Policy
SALAES	Special Allocated Loss Adjustment Expenses
TRRP	Transaction Record Reporting and Processing
ULAE	Unallocated Loss Adjustment Expense
WYO	Write Your Own

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