



FEMA

W-16048

August 4, 2016

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators

FROM:

A handwritten signature in black ink, appearing to read "Roy E. Wright".

Roy E. Wright

Deputy Associate Administrator for Insurance and Mitigation  
Federal Insurance and Mitigation Administration

SUBJECT: Revised Error Threshold for Claims Operation Reviews;  
Copies of NAIC Submissions Related to Flood Insurance

In keeping with FEMA's commitment to excellence in service of NFIP policyholders and appropriate spending of taxpayer funds, FEMA is working to increase oversight of WYO companies. Accordingly, FEMA intends to implement the following changes to the WYO program for the FY 2017 Arrangement Year.

First, FEMA intends to reduce the acceptable error percentage for reviews of a WYO company's claims operations from 20 percent to 10 percent in the current *Financial Control Plan Requirements and Procedures (FCPRP)*<sup>1</sup>. FEMA believes reducing this percentage would encourage WYO companies to adopt policies and practices designed to more accurately handle flood insurance claims. This in turn would ensure that WYO companies pay all claims authorized by the Standard Flood Insurance Policy.

Second, FEMA intends to require WYO companies to provide copies of all submissions to the National Association of Insurance Commissioners (NAIC) related to their flood insurance activities and to attest to those submissions' accuracy. This requirement would be aligned with Article VI of the Arrangement's specification that, upon request, WYO companies supply FEMA with a "true and correct copy" of a WYO company's annual financial statement filed with state insurance regulatory agencies. Further, this requirement would be supported by Article XIV of the Arrangement's requirement that WYO companies make available all records pertinent to the Arrangement. FEMA believes that this requirement would support FEMA's efforts to pay WYO companies based on actual expenses incurred by the companies.

---

<sup>1</sup> Sixth Printing (June 1, 2008). Available at [http://bsa.nfipstat.fema.gov/manuals/financial\\_control\\_plan7\\_11\\_08.pdf](http://bsa.nfipstat.fema.gov/manuals/financial_control_plan7_11_08.pdf).

Revised Error Threshold for Claims Operation Reviews;  
Copies of NAIC Submissions Related to Flood Insurance  
August 4, 2016  
Page 2

This bulletin does not implement any changes to the Arrangement, the FCPRP, or any other NFIP document. FEMA will implement any actual changes using appropriate procedures provided by statute, regulation, and agency guidance.

If you have any questions about this bulletin, please contact Kevin Brown of the Industry Management branch at [kevin.brown4@fema.dhs.gov](mailto:kevin.brown4@fema.dhs.gov). Thank you for your cooperation.

cc: Vendors, IBHS, Standards Committee, Government Technical Representative

Required Routing: Accounting, Claims, Legal, Underwriting