



Federal Emergency Management Agency

Washington, D.C. 20472

W-03028

June 6, 2003

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and
NFIP Servicing Agent

FROM: Kevin Montgomery
Financial Management Specialist
Federal Insurance and Mitigation Administration

SUBJECT: Accounting Training Assistance Bulletin (ATAB)
No. 2003-1, Credit Card Payment Mechanism

The National Flood Insurance Program (NFIP) introduced its credit card payment mechanism in October 1995 as an acceptable method for consumers to purchase flood policies. The credit card payment mechanism was limited to the use of MasterCard and VISA cardholders. Effective immediately, the NFIP is proud to extend the use of the credit card services to American Express and Diners Club cardholders for the purchase of flood policies.

Recently, American Express released a welcome package to the WYO Company representatives that expressed the acceptance of American Express credit card to purchase and renew flood policies. Please advise the flood insurance consumers of the additional credit card methods they may use to secure flood policies. The four credit cards approved for use are American Express, Diners Club, MasterCard, and VISA.

Please follow the existing Credit Card Processing procedure, Part H, of the Accounting Procedures Manual, Seventh Printing, effective September 1, 1997, for processing all NFIP approved credit card payment transactions. A copy of the procedure is attached for your convenience. Please note that the Bank of America, formerly NationsBank, is the credit card authorization and processing bank for the NFIP approved credit cards. You may contact Bank of America's customer services department to assist you with the set up of the credit card payment methods.

If you have questions or need additional information, please contact Kevin Montgomery at (301) 918-1453.

Attachment

cc: IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Accounting

♦ PART H

CREDIT CARD PROCESSING

To assist in the dual goals of simplifying "doing business with the NFIP" and "promoting policies/contracts growth," the FIA has approved use of credit cards to pay for flood policies.

To encourage your Company's use of the credit card payment mechanism, the major expense, (all bank service charges associated with credit transactions), will be paid by FIA. All other expenses will be borne by your Company.

I. CREDIT CARD PRINCIPLES

- FIA will absorb all bank service charges. All other charges for hardware and software will be borne by the WYO Company.
- The credit card authorization and processing bank will be NationsBank. All credit card processing software and hardware will be provided by Unified Merchant Services (A First Data/NationsBank venture) and can be purchased directly from a Unified Merchant Services representative.
- Assistance in equipment selection and configurations will also be provided by Unified Merchant Services representatives. Many options are available, from "point of sale" processing to "batch" processing at one central location.
- Training in the use of credit card authorization and processing software will also be provided at **no charge** by a Unified Merchant Services representative.
- The only approved charge cards for use are VISA and Master Card.

II. 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. The billing information should be attached to the application or included with the renewal update. It is the Company's decision as to how this billing information is obtained.

- Billing information must be retained for at least 3 years for billing dispute purposes and for the creation of an audit trail.
- In addition, the following cancellation disclaimer must be placed not more than one quarter of an inch below the cardholder's signature line. The disclaimer reads:

"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 must be read to the caller.

- Monies generated through the credit card payment mechanism will be sent directly to the U.S. Treasury and not to the Company's restricted account. The U.S. Treasury will receive the gross amount of the policy premium and the Federal Policy Fee.
- There will be a 2-day delay before the U.S. Treasury receives NationsBank's payment for an approved credit card transaction. For example, the funds for a transaction approved on Monday will not be received by the U.S. Treasury until Wednesday.
- Reports for all credit card approval and payment transactions will be provided on a daily basis by NationsBank.

- New business, renewal, and endorsement premiums can be paid **partially** by credit card and by check/cash.
- Cancellation or endorsement refunds should be made by check according to your standard refund processing procedures. However, if the customer insists, the refund should be applied to his/her credit card.

III. FINANCIAL AND STATISTICAL REPORTING REQUIREMENTS

- For financial statement reporting, use Exhibit VIII-C entitled "Credit Card Payments to NFIP" to report all credit payment transactions. This is the only additional financial statement reporting requirement.
- For *Transaction Record and Reporting Processing (TRRP) Plan* statistical reporting, there are two requirements.
 - The "New/Rollover Indicator" data element has been eliminated and a new data element, "Premium Payment Indicator," has taken its place. This special indicator (C) must be used to identify only those flood policies which have been paid by credit card.
 - Use a special cancellation code (70) if the policy is cancelled due to credit card processing error or fraud.
- Since credit card payments will be sent directly to the U.S. Treasury, WYO Companies and vendors will have to build a mechanism to post credit card payments to their general ledger.

NOTE: If your Company or vendor is interested in implementing the credit card payment mechanism or requires further information, please contact your Account Executive.