



FEMA

W-06037

June 1, 2006

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

FROM: Demetris B. Brown
Director, Financial and Statistical Control
NFIP Bureau and Statistical Agent

SUBJECT: Accounting Training Assistance Bulletin (ATAB)
No. 2006-1, Claims Payable and Cash Management Procedures

This bulletin provides new guidance for NFIP financial disclosure related to reporting of claims payable and reiterates certain cash management procedures.

Claims Payable

On the NFIP financial statement, Accounts Payable must now distinguish between (1) contingent liability projections recorded in proprietary accounting systems for financial statement purposes, and (2) when a final action has been taken to approve an amount for payment on an NFIP claim.

To comply with this requirement, the NFIP Bureau Financial and Statistical Control Group will update the respective Financial Exhibits to separately capture claims payable and related expenses that have been approved for payment.

Effective with the June 2006 reporting period and subsequent, the WYO Companies and NFIP Servicing Agent will be required to report a new line item on the Balance Sheet, Exhibit III, Line 312, Claims Payable. This new line item should include claims payable that have been identified and approved for payment. Continue to show all other accounts payable items on Exhibit III, Line 310.

Interim reporting will be permitted for this new reporting requirement for June through September 2006 reporting periods. For interim reporting, there will be no change for the presentation of Exhibit III, Balance Sheet. However, the WYO Companies and NFIP Servicing Agent must report additional information to support Exhibit III, Line 310, Accounts Payable. This detail should identify the following items:

- Claims payable identified and approved for payment
- Earned commission for expense allowance and unallocated LAE
- Reimbursable expenses such as allocated LAE, special allocated LAE, salvage and subrogation credit
- Other claims payable (explain)

The total of this detail should equal the reported accounts payable balance on Exhibit III, Line 310.

Effective with the October 2006 reporting period, the WYO Companies and NFIP Servicing Agent will be provided a revised FSBLANK spreadsheet format (Financial Statement Exhibits). The new format will incorporate the new line item for Claims Payable.

Cash Management Procedures

To ensure that the overall intent of the Cash Management Procedure as specified in the WYO Accounting Procedures Manual, Part C, is achieved and maintained, each WYO Company is requested to submit a copy of its most current cash management procedure for the Flood Program. The procedure can be in narrative or graphic presentation and should specifically address:

- Separate account restriction of Flood Program funds by the WYO Company and/or maintenance of separate accounts at the Servicing Agent
- Retention of the expense allowance
- The transfer of excess premium to the Federal Depository Account
- Withdrawal of funds for NFIP related expenses, and
- Disbursements for losses and adjustment expenses

A current Cash Management Procedure is required to be submitted by June 30, 2006. Please forward to the attention of Evelyn Ragland.

cc: IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims