




FEMA

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October 8, 2013

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the  
National Flood Insurance Program (NFIP) Direct Servicing Agent

FROM:   
James A. Sadler, CPCU, AIC  
Director of Claims  
National Flood Insurance Program

SUBJECT: Allowance for Overhead and Profit

This bulletin is a reminder of the handling of the allowance for General Contractor Overhead and Profit and the allowance for Overhead for policyholders.

#### OVERHEAD AND PROFIT

An allowance for General Contractor Overhead and Profit may be added to the adjuster's building estimate when:

1. The nature of the work requires the supervision and scheduling of unrelated trades; and
2. The complexity of the work to be performed supports the charge.

In the case of No. 2 above, the complexity that warrants the charge must always be fully explained and documented when unrelated trades are not supervised.

The typical charge is 10 percent of the gross building estimate added as Overhead and 10 percent of the same gross building estimate added as Profit. In extraordinary circumstances, additional charges may be allowed when fully explained.

Generally, allowances for Overhead and Profit may not be charged for the policyholder's supervision of construction. However, if there is a full explanation, up to 10 percent Overhead may be charged. No Profit may be charged in the case of a policyholder supervising construction.

Allowance for Overhead and Profit

October 8, 2013

Page 2

The current version of the Adjuster Claims Manual includes this information and can be secured from the FEMA Library: <http://www.fema.gov/media-library/assets/documents/2675?id=1584>.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Claims, Training, Underwriting

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