



FEMA

W-04026

June 18, 2004

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

FROM: WYO Clearinghouse

SUBJECT: Follow-up—NFIP Expense Data Call

FEMA has received and analyzed the data submitted by Write Your Own (WYO) companies in response to a special call for data related to loss and loss adjustment expenses (WYO Clearinghouse Bulletin W-04013, April 2, 2004). Unfortunately, the quality of data submitted by the vast majority of responding companies is inadequate to support any change in the current provision for Unallocated Loss Adjustment Expenses (ULAE).

Most companies submitted data that did not comply with the specific requests of the April data call. The more common reporting errors were as follows:

- Data reported from Insurance Expense Exhibit (IEE) with no change. (The April data call specified that IEE Loss Adjustment Expenses were to be reclassified between Allocated and Unallocated Loss Adjustment Expenses.)
- Unallocated Loss Adjustment Expenses reported as a flat percent allocation of losses.
- Incurred and paid Allocated Loss Adjustment Expenses (ALAE) reported as zero despite significant incurred and paid losses.
- Incurred and paid losses equal zero.
- Ratio of ALAE to loss less than 1% on both incurred and paid basis in some cases.
- Questionably high ratio of ALAE to loss on both incurred and paid basis in other cases.

The mixed quality of the data submitted by WYO companies does not justify any change in the current allowance of 3.3% for Unallocated Loss Adjustment Expenses. FEMA is interested in working with companies to obtain credible expense information with which to assess the adequacy of the present method of compensating companies for their ULAE. If you have any questions, please contact Thomas Hayes, FEMA, at 202-646-3419 or by e-mail at thomas.hayes@dhs.gov.

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

Suggested Routing: Accounting, Claims, Data Processing, Marketing