single adjuster. The Stationary CCO will also accept loss information directly from the agent by modem in CCO format where the Company has arranged for its agents to provide the information in this fashion.

• Where flood losses reasonably believed to involve wind damage are reported directly to the Company by its policyholders or agents, by telephone, the Company shall report the flood loss, with the wind property insurer information, if available, to the Single Adjuster Program Stationary CCO, by modem transfer in CCO format as such flood losses are reported to the Company. Transfer by facsimile from the Company can also be arranged where circumstances warrant it.

Upon receipt of the Notice of Loss, the Stationary CCO shall effect immediate entry of all relevant data into the standalone CCO System (i.e., not part of the NFIP mainframe computer system) for instantaneous relay to the Catastrophe CCO established in the field. At the Catastrophe CCO, which will be sited and fully operational within 24 hours of landfall, in coordination with the State Insurance Regulator, a qualified loss adjustment organization shall be promptly selected for each loss, and participating insurers shall be promptly advised of the selection for their assignment of the loss to that organization.

In respect to the foregoing, the Administrator will continue to implement existing and future CCO Arrangements with State Insurance Regulators and their State Property Insurance Plans, Windpool Associations, Beach Plans, Joint Underwriting Associations, FAIR Plans, or similar property insurance mechanisms, for example, as has been done with the Insurance Department of the State of South Carolina.

D. Policy Issuance.

1.0 The flood insurance subject to this Arrangement shall be only that insurance written by the Company in its own name pursuant to the Act.

2.0 The Company shall issue policies under the regulations prescribed by the Administrator in accordance with the Act;

3.0 All such policies of insurance shall conform to the regulations prescribed by the Administrator pursuant to the Act, and be issued on a form approved by the Administrator;

4.0 Åll policies shall be issued in consideration of such premiums and upon such terms and conditions and in such States or areas or subdivisions thereof as may be designated by the Administrator and only where the Company is licensed by State law to

engage in the property insurance business;

5.0 The Administrator may require the Company to immediately discontinue issuing policies subject to this Arrangement in the event Congressional authorization or appropriation for the National Flood Insurance Program is withdrawn.

E. The Company shall establish a bank account, separate and apart from all other Company accounts, at a bank of its choosing for the collection, retention and disbursement of funds relating to its obligation under this Arrangement, less the Company's expenses as set forth in Article III, and the operation of the Letter of Credit established pursuant to Article IV. All funds not required to meet current expenditures shall be remitted to the United States Treasury, in accordance with the provisions of the WYO Accounting Procedures Manual.

F. The Company shall investigate, adjust, settle and defend all claims or losses arising from policies issued under this Arrangement. Payment of flood insurance claims by the Company shall be binding upon the FIA.

G. The Company shall market flood insurance policies in a manner consistent with the marketing guidelines established by the Federal Insurance Administration.

Article III—Loss Costs, Expenses, Expense Reimbursement, and Premium Refunds

A. The Company shall be liable for operating, administrative and production expenses, including any taxes, dividends, agent's commissions or any board, exchange or bureau assessments, or any other expense of whatever nature incurred by the Company in the performance of its obligations under this Arrangement.

B. The Company shall be entitled to withhold, on a provisional basis, as operating and administrative expenses, including agents' or brokers' commissions, an amount from the Company's written premium on the policies covered by this Arrangement in reimbursement of all of the Company's marketing, operating and administrative expenses, except for allocated and unallocated loss adjustment expenses described in C. of this Article, which amount shall be 32.6% of the Company's written premium on the policies covered by this Arrangement. The final amount retained by the Company shall be determined by an increase or decrease depending on the extent to which the Company meets the marketing goals for the combined 1994-1995 and 1995-1996 Arrangement years

contained in marketing guidelines established pursuant to Article II. G.

The decrease or increase in the amount retained by the Company shall be made after the end of the 1995-1996 Arrangement year. Any decrease from 32.6% made as a result of a Company not meeting its marketing goals shall be directly related to the extent to which the Company's goal was not achieved, but shall not exceed two (2) percentage points (providing for a minimum of 30.6%). The amount of any decrease shall be calculated for each month, and each month's decrease shall be subject to interest compounded at rates provided for by 31 U.S.C. 3717(a)(1). Upon notice of the cumulative monthly decreases and interest, the Company agrees to promptly remit to the Government the total amount due.

The increase, which shall be distributed among the Companies exceeding their marketing goals, shall be drawn from a pool composed of the difference between 32.6% of all WYO Companies' written premium in Arrangement years 1994-1995 and 1995-1996, and the total amount, prior to the increase, provided to the Companies on the basis of the extent to which they have met their marketing goals. A distribution formula will be developed and distributed to WYO Companies which will consider the extent to which the Company has exceeded its goal and the size of the Company's book of business in relation to the total number of WYO policies. The amount of any increase shall be paid promptly to the Company after the end of the 1995-1996 Arrangement year.

If the Company does not enter into the Arrangement for 1995–1996, the extent to which the Company met its goals shall be based upon its Arrangement year 1994–1995 performance, and the final amount retained shall be determined after the end of the 1994–1995 Arrangement year, but the Company shall not be entitled to any increase above the provisional amount.

Premium income net of provisional reimbursement (net premium income) and Federal Policy Fee shall be deposited in a special account for the payment of losses and loss adjustment expenses (see Article II, Section E).

The Company, with the consent of the Administrator as to terms and costs, shall be entitled to utilize the services of a national rating organization, licensed under state law, to assist the FIA in undertaking and carrying out such studies and investigations on a community or individual risk basis, and in determining more equitable and accurate estimates of flood insurance risk premium rates as authorized under