Sheshunoff
CONSULTING + SOLUTIONS

Loans in Areas Having Special Flood Hazards - Private Flood Insurance Rules

(effective July 1, 2019)

Customer Submits Flood Insurance from a Private Insurer

Does the policy qualify as "private flood insurance" as defined by your regulatory agency?

"Private flood insurance" includes a policy that is issued by a licensed or otherwise approved insurance company that provides coverage that is at least as broad as provided under an SFIP* issued under the NFIP that includes:**

- *a requirement for the insurer to give notice 45 days prior to cancellation or non-renewal;*
- *information about the availability of insurance coverage under the NFIP;*
- *a mortgage interest clause similar to the clause contained in an SFIP;*
- *a provision requiring an insured to file suit not later than 1 year after date of written claim denial; and*
- *contains cancellation provisions (as restrictive as those in an SFIP).*

NOTE: A determination that the policy meets the definition may be made, without further review, if it states: "This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation."

Yes → **Acceptance is Mandatory**

No → **Does the private policy, not issued under the NFIP, meet other qualifications for acceptance?**

Consider whether the policy:

- *Is in the appropriate amount;*
- *Is issued by a licensed / approved insurer, or for nonresidential commercial properties is issued by a recognized / not disapproved surplus lines insurer;*
- *Covers both the mortgagor(s) & mortgagee(s), with exceptions; and*
- *Provides sufficient protection of the designated loan, consistent with safety and soundness, **documented in writing**.*

Yes → **Acceptance is Discretionary**

No → **If from a "mutual aid society," consider whether the policy:**

- *Qualifies as flood insurance by your supervisory agency;*
- *Coverage is in the required amount;*
- *Covers both mortgagor(s) & mortgagee(s); and*
- *Provides sufficient protection of the loan*

Yes → **Acceptance is Discretionary**

No → **Not Acceptable**

** standard flood insurance policy*
*** national flood insurance program*

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