

[Banking and Finance Law Daily Wrap Up, FLOOD INSURANCE AND DISASTER RELIEF—Agencies propose broader acceptability of private flood insurance, \(Oct. 19, 2016\)](#)

Banking and Finance Law Daily Wrap Up

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Five federal regulatory agencies are proposing to amend their flood insurance regulations to allow consumers to rely more on private flood insurance. Under the proposal, lenders would be required to accept policies that meet the statutory definition of private flood insurance in the Biggert-Waters Act and permitted to accept some flood insurance provided by private insurers that does not meet the statutory definition of "private flood insurance." Comments on the [proposal](#) will be due no later than 60 days after it is published in the *Federal Register*.

The proposal is being made jointly by the Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, National Credit Union Administration, and Farm Credit Administration.

According to the proposal, federal law requires flood insurance on improved property that secures a loan by a federally regulated lender if the property is in a special flood hazard area for which insurance is available under the National Flood Insurance Program. The Biggert-Waters Act defines "private flood insurance," requires lenders to accept insurance that meets the definition in lieu of federal flood insurance, and requires that borrowers be told that private flood insurance may be available. The new proposal would implement these requirements.

Private flood insurance. Private flood insurance would be defined as insurance that is issued by an insurance company permitted to do business in the state where the property is located and that provides coverage that is at least as extensive as is provided by a standard flood insurance policy issued under the NFIP. The private insurance must provide a point-by-point explanation of how it meets the regulatory criteria for acceptable coverage.

Noncompliant policies. A lender would be permitted to accept a flood insurance policy that does not satisfy the criteria if the policy meets amount and term requirements, provides coverage similar to or at least as broad as a standard policy, and is issued by an insurer that is permitted to do business in the state. The institution would be responsible for comparing the policy to a standard flood insurance policy and determining that it meets specified requirements and provides adequate coverage.

Additionally, a lender would be able to accept private coverage from a "mutual aid society"—an organization comprised of individuals who share a common bond and that has a documented history of fulfilling its commitment to cover damage due to floods. The lender would be required to secure its federal supervisor's approval of the plan. The notice offers an Amish Aid plan as an example of such an organization.

RegulatoryActivity: FloodInsurance Loans Mortgages