

Frequently Asked Questions (FAQs)

Implementation Guidance on Lapse in National Flood Insurance Program (NFIP) Authority



FEMA

Excerpt from W-17069

1. How does the National Flood Insurance Program (NFIP's) lapse in authority to enter into new contracts for flood insurance affect me and how long will it last?

The NFIP may not issue new contracts for flood insurance during a lapse in authority unless Congress passes legislation reauthorizing the NFIP. If such a lapse in authority occurs, the NFIP will have limited ability to issue:

- New policies
 - Including those obtaining mortgages from federally regulated lenders
- Increased coverage on existing policies
 - Including property owners refinancing existing mortgages
- Renewal policies

A lapse in authority will not affect most of the 5 million flood insurance policyholders nationwide. Policies that are in force will remain in force, and NFIP insurers will continue to pay claims under those policies during a lapse.

2. Has this lapse in Congressional authority for the NFIP ever happened before? Did Congress make the reauthorization retroactive before?

Yes, there have been several lapses in authority for the NFIP in the past. In most of those cases, Congress reauthorized the NFIP retroactively.

3. If I purchased flood insurance coverage as part of a mortgage loan closing that occurs prior to a lapse, will my policy be issued?

Your insurance company will issue your policy, becoming effective on the date of your loan closing, so long as your insurance company receives your application and premium payment either:

- (1) Within 30 days from the closing, if the premium payment was made from an escrow account (lender's check), title company, or settlement attorney.
- (2) Within 10 days from the closing, if the premium payment was not made from an escrow account (lender's check), title company, or settlement attorney.

4. If I purchased flood insurance coverage before a lapse in authority, but not in connection with a mortgage loan closing, will my policy be issued?

Yes, your insurance company will issue the policy if you applied for coverage prior to a lapse AND your flood insurance company receives application and premium payment within 10 days from the application date.

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If your application was in a pending status prior to the lapse and required documents are received during the lapse period, your policy will be issued by the insurance company IF all documents received satisfy FEMA's underwriting requirements and premium is received per the required timelines.

5. My flood insurance policy is set to expire on the day after the lapse in authority. I received my renewal notice already from my insurance company and sent my payment to my insurance company before the lapse in authority. Will my insurance policy be renewed?

Yes. As long as your insurance company sent the renewal notice before lapse in authority and the insurance company received your payment before the end of the 30-day renewal grace period, the company may renew your policy. However, NFIP insurers may not issue new renewal notices during a lapse in authority.

6. I have a loan closing schedule after the lapse in authority and my lender told me to purchase flood insurance before my settlement dates. Will I be able to purchase a new flood insurance policy?

Insurance companies may not issue new NFIP insurance policies for loans closing during a lapse of authority unless, the application was made prior to the lapse in authority AND premium payment is received within 10 days (if payment made by policyholder) or 30 days (if payment made through escrow, title company, etc.) of the closing date.

FEMA does not prevent insurance companies from receiving and holding new applications and premium payments during a lapse, but insurance companies may not act upon those new applications during a lapse.

7. Will my insurance company pay a claim for a loss that occurs during a lapse in authority?

A lapse in authority will not affect the handling of a claim made against a NFIP flood insurance policy issued or renewed prior to a lapse. Your insurance company will adjust and pay your claim in accordance with the terms of your insurance policy.

8. What happens if my flood insurance company receives the premium for a new policy or an endorsement for added coverage during a lapse of authority and I suffer a flood loss before Congress reauthorizes the NFIP?

If you make the application for a new policy or endorsement request adding coverage prior to a lapse in authority and your flood insurance company receives the application and premium within 10 days of the date of application, the policy or coverage increase will be effective on the applicable date, based on the NFIP waiting period rules.

If you were to experience a claim during the lapse, the insurance company may process your claim based upon the new application or endorsement request received during the lapse as long as payment is received per the timeline noted above.

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9. My policy is up for renewal days before the lapse in authority. Was my policy renewed?

If your renewal premium payment was received by your insurance company received prior to or within the 30-day renewal grace period, your policy should be renewed. Check with your insurance agent or carrier to make certain your policy was renewed.

10. How will I know when the NFIP has been reauthorized?

FEMA will notify NFIP stakeholders so they can pass the information on to their customers.