



POTENTIAL LAPSE IN NFIP FUNDING

For immediate release

December 27, 2018

Overview

On December 26, 2018, the Federal Emergency Management Agency (FEMA) announced its intention to suspend the selling and servicing of flood insurance policies sold through the National Flood Insurance Program (NFIP). FEMA's decision is based on the lapse in appropriations during the government shutdown. According to FEMA, during this lapse in appropriation, all NFIP insurers (Write Your Own companies and NFIP Direct) would not be able to collect premiums for the issuance, renewal, or monetary endorsements of NFIP policies because doing so would cause the government to incur obligations without an appropriation.

FEMA is currently undertaking an orderly shutdown of activities affected by a lapse of appropriation, which includes the sale of new NFIP policies and renewal of existing NFIP policies. Starting immediately, NFIP insurers are required to take all steps necessary to complete an orderly shutdown of the prohibited activities. NFIP insurers may continue to service new and existing claims on active policies and to examine and pay claims in accordance with the terms and conditions of the Standard Flood Insurance Policy.

Lawmakers and industry associations have urged FEMA to reconsider. FEMA is expected to issue a formal bulletin today, which should include FAQs regarding the suspension. WNC will continue to monitor the situation and will update its clients if material information becomes available.

For those clients to whom we provide tracking services, WNC will continue to track for insurance compliance and will initiate letter cycle when a flood policy has been identified as being lapsed. Existing and in-force NFIP policies would not be affected by this action until their next renewal date. At that time, if this suspension is still in effect, then the borrower would need to find alternative, private flood insurance and provide proof of such insurance to avoid lender-placement. Uninsured losses that occur during this time will be covered by automatic coverage.