

New Policy Effective Dates for Loan Transactions and In Connection with Lender Requirement

New Policy – No Waiting Period (Loan Transaction)

Flood insurance that is initially purchased in connection with the making, increasing, extending, or renewal of a loan shall be effective at the time of loan closing, provided that the policy is applied for at or before closing. This applies for buildings in all flood zones, i.e., for buildings in Special Flood Hazard Areas (SFHAs) (zones A, AE, A1-30, AO, AH, VE, V1-30) and buildings in non-SFHAs (zones B, C, X, and D).

The rules below are used to determine the effective date.

a. Premium payment from the escrow account (lender's check), title company, or settlement attorney is considered made at closing if the check is received by the writing company within 30 days of the closing date (closing date plus 29 days) and the Application is dated on or before the closing date. If received after 30 days, the effective date is the receipt date regardless of the flood zone.

b. If premium payment is from other than the escrow account (lender's check), title company, or settlement attorney, and the Application is dated on or before the loan closing date, the effective date is the closing date if the Application and premium are received within 10 days of the closing date (closing date plus 9 days). If received after 10 days, the effective date is the receipt date regardless of the flood zone.

Example: presentment of premium and application date – April 3; refinancing – April 3 at 3:00 p.m.; policy effective date – April 3 at 3:00 p.m.

If a loss occurs during the first 30 days of the policy period, the insurer must obtain documentation, such as settlement papers, to verify the correct effective date of the policy before adjusting the loss.

New Policy – No Waiting Period (in connection with lender requirement)

The 30-day waiting period does not apply when flood insurance is required as a result of a lender determining that a loan on a building in an SFHA that does not have flood insurance coverage should be protected by flood insurance. The coverage is effective upon the completion of an application and the presentment of premium.

The rules below are used to determine the effective date.

a. If the application form and the premium payment are received by the insurer within 10 days from the date of application, or if mailed by certified mail within 4 days from the date of application, then the effective date will be the application date. The application date plus 9 days is used to determine if the application and premium payment were received within 10 days. When sent by certified mail, the application date plus 3 days is used to determine if the application and premium payment were mailed within 4 days.

b. If the application form and the premium payment are received by the insurer after 10 days from the date of application, or are not mailed by certified mail within 4 days from the date of application, then the effective date will be calculated from the date the insurer receives the application and premium payment.

Example: presentment of premium and application date – April 3; policy effective date – April 3.

If a loss occurs during the first 30 days of the policy period, the insurer must obtain a copy of the letter from the lender requiring mandatory purchase, to verify the effective date of the policy before adjusting the loss. The letter must be dated on or before the policy effective date.