

What's News In Insurance

House-Passed Flood Insurance Bill Includes Windstorm, Business Interruption Options

The U.S. House of Representatives has passed a measure updating the nation's flood insurance program that will give homeowners the option of purchasing windstorm coverage as part of their flood policy.

The legislation also reauthorizes the National Flood Insurance Program for five years through 2013, improves flood mapping, eliminates some rate subsidies, and adds business interruption coverage as an option.

In an effort to make the NFIP more actuarially sound, the bill phases out subsidized rates on commercial properties, vacation homes, and second homes built before 1974. Multifamily rental properties are excluded from the phase-out of the subsidy.

Additional optional policy coverage is added, allowing business owners to purchase business interruption coverage at actuarial rates. Additionally, optional coverage at actuarial rates for basement improvements and replacement cost of contents is added. For the first time since 1994, the bill updates maximum insurance coverage limits for residential and nonresidential properties.

The bill requires the Federal Emergency Management Agency to review the nation's flood maps and makes the updating of maps an ongoing process.

Provisions protecting policyholders include clarification of disclosures about flood insurance availability and plain language information on flood insurance policies. Landlords must notify tenants of contents coverage availability. Further, the bill makes flood insurance effective immediately upon purchase of a home.

"Flood insurance reforms are needed because, as we have seen, storms will become stronger and more intense, and we need a program that can contend with the worst that Mother Nature can throw at us," said Rep. Maxine Waters, D-Calif., chairwoman of the Financial Services Subcommittee on Housing and Community Opportunity and sponsor of H.R. 3121. "Simply put, we cannot let another hurricane season pass without putting the National Flood Insurance Program on solid footing."

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