

The National Flood Insurance Program (NFIP) must be periodically reauthorized. Currently the NFIP is set to expire at midnight on December 21 unless Congress acts. The Big "I" is and will continue to work with Capitol Hill and the Administration to avoid a lapse in the NFIP and advocate for a workable federal policy regarding flood insurance. However, Big "I" members should be prepared to take proactive steps in anticipation of a potential lapse in NFIP authority.

What Happens if the NFIP Lapses?

The Big "I" worked with Federal Emergency Management Agency (FEMA), which operates the NFIP to issue [guidance](#) outlining procedures if the program lapses. According to the guidance, new policies cannot be issued during a lapse, and changes cannot be made to existing policies. During a lapse in authority, insurance companies cannot accept applications for new NFIP business dated during a lapse or issue renewals. Finally, during a lapse in authority the NFIP cannot issue policies that may be required to obtain certain disaster assistance related to federally declared disasters (i.e. SBA loans, group flood policies).

- A lapse in the NFIP will not invalidate policies in force prior to the lapse occurring. Claims will continue to be paid on any policy in force as long as funds are available, even if the claim occurs during the lapse period. However, during a lapse in authority the NFIP cannot borrow money from the U.S. Treasury to pay claims.
- Policies required for a property loan closing in a special flood hazard area scheduled to occur during the lapse period can only be issued if the application for the policy has been accepted prior to the lapse and timely payment is received.
- Policies with a 30-day waiting period can only be issued if the application was received prior to the lapse taking effect and timely payment is received, but coverage would not be effective until after the lapse.
- Policies up for renewal during the lapse can only be issued if a renewal offer was made prior to the lapse in authority and the premium is received within the 30-day grace period.

Also according to this [FEMA letter](#) and guidance issued by federal banking authorities, the federal requirement to purchase flood insurance is suspended for the duration of a lapse. This means that it is up to the lender to decide whether to make, increase, extend, or renew a federally backed loan without flood insurance in special flood hazard areas during a lapse in NFIP authority.

Guidance documents from several federal lending authorities can also be found at the following links:

- [Fannie Mae](#)
- [Freddie Mac](#)
- [Federal Reserve](#)
- [FDIC](#)

What Can I do Ahead of a Potential Lapse?

Agents and brokers may wish to reach out to any clients who have a NFIP policy up for renewal in December and January, or who are preparing to close on a home in an A or V zone soon, to encourage proactive steps to assume, [purchase or renew NFIP policies](#) before December 21 if possible and avoid being impacted by a potential lapse, or to consider private market options. If a client is considering private market options, remember, leaving the NFIP is considered a break in continuous coverage so the property owner would not be eligible for grandfathered status, should they later return to NFIP.

The Big "I" also encourages agents and brokers to reach out to any insurance companies they use to write NFIP policies for company-specific procedures. A list of key contacts for every private insurer that works with the NFIP can be found [here](#).