



February 10, 2014

## State Legislative Activity Related to Flood Insurance

Although federal regulations govern lenders' requirements with respect to flood insurance, from time to time bills are proposed within individual state legislatures which attempt to affect loan requirements for properties in a particular state. Your Compliance or Legal Department may want to consider the following pending state bills (and any companion bills) to determine any potential business impact, including whether or not the bills' requirements (if passed) would contravene the existing obligations under federal regulations.

- Rhode Island House bill [7081](#)—would prohibit a lender doing business in Rhode Island from requiring a borrower to purchase flood insurance (i) in an amount exceeding the outstanding balance of the loan, (ii) that includes coverage for contents, or (iii) that includes a deductible less than \$5,000. The bill would also require lenders to provide written notice to borrowers that the required flood insurance may not be sufficient to cover the borrower's recovery needs.
- South Carolina House bill [4534](#)—would prevent commencement of a cause of action for foreclosure of a real estate mortgage if the alleged default was based solely on the borrower's failure to purchase or maintain flood insurance.
- Virginia Senate bill [74](#)—would prohibit a lender from requiring a borrower to purchase flood insurance, or property insurance, in an amount that exceeds the improvement's replacement value, which may be based upon insurer's valuation or an appraisal.
- Vermont House bill [805](#)—would authorize a state cause of action in tort against a person or company incorrectly completing a flood determination for a bank.

In addition to these state bills, the Florida legislature is considering state legislation (Senate bill [542](#)) which would allow greater flexibility for private insurance companies to offer various types of flood insurance coverage outside of the NFIP in an effort to provide additional options for Florida policyholders that may be impacted by BW 12 rate increases.

Regarding BW 12, since the U.S. Senate's passage of [S 1926](#), the House has twice attempted unsuccessfully to bring this proposal for a vote. We will continue to monitor activities related to this bill and other legislative efforts to reform the changes brought on by BW 12. You can follow our updates through our [Federal Legislation page](#) and our dynamic "[Guide to BW 12](#)". Clients can request a password for the Guide at [floodcompliance@corelogic.com](mailto:floodcompliance@corelogic.com).

Feel free to forward this alert to colleagues who may be interested in receiving this information. Individuals may also subscribe to future *Industry Alerts* [here](#).

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