



STATE OF NEW YORK
INSURANCE DEPARTMENT
160 WEST BROADWAY
NEW YORK, NEW YORK 10013

Circular Letter No. 15 (1996)
October 16, 1996

TO: All Authorized Property Insurers Writing Business in New York State
RE: See CL. No. 11 (1991)

Insurance coverage for losses resulting from floods October 16, 1996 Insurance coverage for losses resulting from floods is for the most part not covered under any property insurance policy whether it be on the home or business. In 1968 the National Flood Insurance Program (NFIP) was created specifically to provide financial security for both home and business owners in flood prone areas.

The NFIP provides affordable, easily obtainable flood insurance for residents and property owners who are located in areas designated by the Federal government as a special flood hazard community which implements and enforces measures to reduce future flood risks. The majority of New York State towns, villages and cities are participants in the NFIP. This program allows insureds to purchase insurance that will protect their property against direct loss by flood, loss resulting from flood-related erosion, and damage caused by mudslide. Coverage can be obtained up to \$185,000 for a single family dwelling and up to \$200,000 for a non-residential building. Contents coverage can be obtained on a residential structure for up to \$60,000 and on a small business up to \$300,000.

Property owners can obtain flood insurance directly through the Federal Insurance Administration or through private insurance companies who participate in the "Write Your Own" program allowed under federal regulation. This program was started in 1981 by the Federal Insurance Administrator to reinvolve the private sector insurance companies in the flood program. This program allows the private insurer to directly write a flood policy and be reimbursed by the federal government for claims and expenses which exceed the premiums they receive from policyholders.

Section 2601-NYIL and Regulation 64, in part, prohibits insurers doing business in this State from engaging in unfair claims settlement practices and provides that, if any insurer performs any of the acts or practices proscribed by that section without just cause and with such frequency as to indicate a general business practice, then those acts shall constitute unfair claims settlement practices, subject to Departmental disciplinary actions, as warranted.

The purpose of this Circular Letter is to direct your attention once again to Circular Letter No. 11 (1991) "Scope of Regulation 64 on Claims Settlement Practices" (attached){Footnote 1} and to advise that flood

insurance policies written under the "Write Your Own Program" are subject to the claims paying practices provisions of Section 2601 and Regulation 64.

Kindly acknowledge receipt of this Circular Letter to:

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