



**FEMA**

W-05045

September 2, 2005

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators  
and the NFIP Servicing Agent

FROM: WYO Clearinghouse

SUBJECT: Federal Register Notice on Training and Education Requirements

On September 1, 2005, the Federal Emergency Management Agency published a notice advising all insurance agents who sell Standard Flood Insurance Policies issued through the NFIP of training and education requirements, as advised by Section 207 of the Flood Insurance Reform Act of 2004. A copy of the notice is attached.

FEMA will provide additional policy or procedural changes related to these training requirements as they are developed.

If you have questions, please contact your Program Coordinator.

Attachment

cc: Vendors, IBHS, FIPNC, WYO Standards Committee, Government Technical Representative

Suggested Routing: Claims, Underwriting

Billing Code 9110-11-P

DEPARTMENT OF HOMELAND SECURITY

Federal Emergency Management Agency

RIN 1660-ZA06

Flood Insurance Training and Education Requirements for Insurance Agents

AGENCY: Federal Emergency Management Agency (FEMA), Emergency Preparedness and Response Directorate, Department of Homeland Security.

ACTION: Notice.

SUMMARY: FEMA is publishing minimum training and education requirements, as required by section 207 of the Flood Insurance Reform Act of 2004, for all insurance agents who sell Standard Flood Insurance Policies issued through the National Flood Insurance Program (NFIP).

FOR FURTHER INFORMATION CONTACT: Mr. Edward L. Connor, Federal Emergency Management Agency, Mitigation Division, 500 C Street, SW., Washington, DC 20472, (202) 646-3429 (phone), (202) 646-2849 (facsimile), or [Edward.Connor@dhs.gov](mailto:Edward.Connor@dhs.gov) (email).

SUPPLEMENTARY INFORMATION:

On June 30, 2004 the President signed the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004 (Flood Insurance Reform Act of 2004), Pub. L. 108-264.

Section 207 of the Flood Insurance Reform Act of 2004 states:

The Director of the Federal Emergency Management Agency shall, in cooperation with the insurance industry, State insurance regulators, and other interested parties—

(1) establish minimum training and education requirements for all insurance agents who sell flood insurance policies, and

(2) not later than 6 months after the date of enactment of this Act, publish these requirements in the Federal Register, and inform insurance companies and agents of the requirements.

This notice describes FEMA's implementation of section 207 of the Flood Insurance Reform Act of 2004. As required by the Act, FEMA has coordinated with the State insurance regulators, the insurance industry, and other interested parties. Input received from these organizations emphasizes the value of working through the State insurance departments to avoid establishing conflicting or burdensome training requirements upon insurance agents. While implementing the minimum training requirements required by section 207, FEMA has been mindful of the Senate Report language, (S. REP. NO. 108-262, at 4 & 9 (2004)), which cautions:

In some cases, states may already have requirements to ensure that agents are well-versed in the flood insurance program. Where possible, FEMA should work to make sure that agents are not burdened with inconsistent state and federal training and education requirements. In addition, where possible, FEMA should work to implement the training requirements through the states, which already have continuing education processes in place.

Under 15 U.S.C. 1011 et seq., commonly referred to as the "McCarran-Ferguson Act", section 6701, States have the authority to establish qualification standards by which insurance agents are licensed to do business and to determine the continuing education requirements for maintaining such licenses in the particular jurisdiction. However, the McCarran-Ferguson Act specifically excludes from State regulation an insurance program carried out by the Federal government, including the NFIP, and FEMA lawfully may establish specific standards to sell flood insurance under the NFIP. Rather than establish separate, and, perhaps duplicative requirements, FEMA has chosen to work with

States to ensure that NFIP requirements are implemented through established (existing) licensing schemes. For example, several States already include questions about flood insurance on their agent licensing examinations, and some also award continuing education credits for agents who complete flood insurance training. It is our intent to encourage States to implement minimum training in NFIP flood insurance as part of their general licensing standards and to assist States in improving their training and testing of agents on flood insurance matters as appropriate.

FEMA is committed to actively supporting the States in implementing their flood insurance training programs for insurance agents and will, in support of that commitment, provide: expertise regarding the content of a flood insurance training program that would enable insurance agents to have a basic understanding of the NFIP; access to NFIP training modules, including online modules; and, NFIP materials and other technical assistance as may be needed to address unique requirements. Further, as FEMA establishes policy or procedural changes or enhancements that should be reflected in State-approved flood insurance training programs, these will be provided by FEMA to the State insurance departments.

FEMA will work with State insurance departments that do not already have established flood insurance training programs for insurance agents to implement the guidance provided by the National Conference of Insurance Legislators (NCOIL). The “State Flood Disaster Mitigation and Relief Model Act” adopted by the NCOIL

Executive Committee on November 21, 2003, includes the following text that States will find useful when adopting their flood insurance requirements:

#### **Part IV. Miscellaneous Provisions Regarding Participation**

##### **Sec. 1. Insurance producer qualification; continuing education**

The [State entity for regulating insurance] shall require:

1. Pre-licensing requirement. The [State entity for regulating insurance] shall require all resident insurance producer applicants to demonstrate satisfactory knowledge and understanding of flood insurance and the National Flood Insurance Program, as determined by the [State entity for regulating insurance] in order to qualify for licensure.
2. One-time continuing education requirement for existing licensees. The [State entity for regulating insurance] shall require resident insurance producers licensed on [the bill's effective date] to complete a continuing education course related to flood insurance and the National Flood Insurance Program before [a date certain at least two years from the bill's effective date]. The course shall be three hours in length and shall be approved by the [State entity for regulating insurance]. Completion of the course will provide the licensee with three hours of continuing education credit.

##### Incentives for Trained Agents

FEMA offers various incentives to encourage insurance agents to pursue flood insurance training. The NFIP's Agent Co-op Program provides agents, Write Your Own (WYO) companies, and insurance associations with the advertising tools they need to produce local and regional advertising that supports the national NFIP campaign. Insurance agents who participate in the program are reimbursed a portion of their advertising budget when they use the program's pre-approved ad templates. An additional 25% in co-op funds are offered to agents who complete a State-approved

continuing education course on flood insurance within the past 12 months. Details are provided at [www.FloodSmart.gov](http://www.FloodSmart.gov).

Additionally, agents who sign up for the NFIP's Agent Leads Referral program receive free leads generated through the NFIP marketing efforts. Plans are being developed to enable agents who have completed flood insurance training to be given a special designation or priority in the distribution of leads.

#### Flood Insurance Course Content

The following material outlines the standard content that States should include when establishing or updating their flood insurance training requirements. This outline reflects input gathered by FEMA from the following: State insurance regulators; insurance companies that sell flood insurance under the NFIP's WYO Program; the Independent Insurance Agents and Brokers of America; the National Association of Professional Insurance Agents; and the Coalition of Exclusive Agent Associations. This training course content, if effectively delivered, would enable insurance agents to gain a basic understanding of the NFIP, so that they could share this information with their customers. Additional training should be taken by insurance agents on a regular basis to gain understanding of more advanced flood insurance topics.

#### **Basic Flood Insurance Course Outline**

##### Section I – Introduction

- NFIP Background
- Community Participation
- Emergency Program Defined
- Regular Program Defined

- Community Rating System
- Eligible/Ineligible Buildings
- Coastal Barrier Resources System and Other Protected Areas
- Who Needs Flood Insurance?
  - Mandatory Purchase of Flood Insurance in High Flood Risk Zones
  - Recommended in Moderate and Low Flood Risk Zones
- Why Flood Insurance is Better than Disaster Assistance

## Section II – Flood Maps and Zone Determinations

- Flood Hazard Boundary Map (FHBM)
- Flood Insurance Rate Map (FIRM)
  - Pre-FIRM/Post-FIRM Defined
  - Special Flood Hazard Area Defined
- Base Flood Elevation
- Zone Determination

## Section III – Policies and Products Available

- Dwelling Policy – Types of Buildings Covered
- General Property Policy – Types of Buildings Covered
- Residential Condominium Building Association (RCBAP) Policy – Types of Buildings Covered
- Preferred Risk Policy – Types of Buildings Covered
- Definitions:
  - Flood
  - Basement/Enclosure

- Elevated Buildings
- Damages Not Covered
  - Single Peril Policy
  - Mudslides vs. Mudflow
- Property Covered
  - Basements
  - Appurtenant Structure
  - Loss Avoidance Measures
  - Debris Removal
  - Improvements and Betterments
- Property Not Covered
  - Decks
  - Finished Items in Basements
  - In Enclosures
  - Additional Living Expenses
- Increased Cost of Compliance Coverage

#### Section IV – General Rules

- Statutory Coverage Limits
- Deductibles
  - Standard Deductibles
  - Applies Separately for Building and Contents
- Property Value Determination for Selecting Coverage Amount
- Loss Settlement



- Actual Cash Value (ACV)
- Replacement Cost Value (RCV)
- Co-insurance Penalty in RCBAP
- Reduction and Reformation of Coverage
- No Binders
- One Building per Policy – No Blanket Coverage
- Building and Contents Coverage Purchased Separately
- Waiting Period/Effective Date of Policy
- Policy Term
- Cancellations

#### Section V – Rating

- Types of Buildings
  - Elevated Buildings
  - Buildings with Basements
- When to Use an Elevation Certificate
- Grandfathering

#### Section VI – Claims Handling Process

- Helping Your Client to File a Claim
- Appeals Process
- Claims Handbook

#### Section VII – Requirements of the Flood Insurance Reform Act of 2004

- Point of Sale and Renewal Responsibilities
  - Notification of Coverages Being Purchased

- Policy Exclusions that Apply
- Explanation Regarding How Losses Will be Adjusted (ACV vs. RCV)
- Number and Dollar Amount of Claims for Property
- Acknowledgement Forms

#### Section VIII – Agent Resources

- Write Your Own Company
- FEMA Websites:
  - [www.fema.gov/nfip](http://www.fema.gov/nfip)
  - [www.floodsmart.gov](http://www.floodsmart.gov)
  - <http://training.nfipstat.com/>
- Flood Insurance Manual

Dated:

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Michael D. Brown,

Under Secretary,

Emergency Preparedness and Response,

Department of Homeland Security.