

Expected Cancellation of Insurance Due to August 2016 Louisiana Flooding

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McGlinchey Insurance Regulation & Compliance/Consumer Financial Services Alert

Currently, all insurers are prohibited by an Emergency Rule issued by the Louisiana Commissioner of Insurance from cancelling or non-renewing any homeowners insurance, residential property insurance, commercial insurance, fire and extended coverage insurance, credit property and casualty insurance, property and casualty insurance, and any other insurance regulated by the Commissioner of Insurance insuring an August flood-damaged dwelling, residential property, or commercial property located in one of the listed parishes on the grounds of a material change in the risk being insured. [View a copy of Emergency Rule 32.](#)

Emergency Rule 32 remains in effect through Wednesday, May 10, 2017. If the Emergency Rule is not extended, insurers will then be able to cancel or non-renew flood insurance covering flood-damaged properties based upon a material change in risk being insured. If borrowers are not able to obtain other acceptable insurance coverage to replace the insurance coverage that is cancelled or non-renewed, lenders will need to force place coverage to protect their interest. A substantial increase in the cost of insurance, whether replacement coverage or force-placed coverage, may cause some borrowers to default on their payment obligation. Given the number of homes and commercial properties that are now protected by the Emergency Rule, this is something to which lenders should pay close attention.

Please keep in mind that, to the extent that the damaged property secures a consumer purpose loan, the Mortgage Servicing Rules implemented by the Consumer Financial Protection Bureau (CFPB) require certain notices and waiting periods before a lender may charge a borrower for force-placed insurance. These requirements apply to all residential mortgage servicers, including small servicers. The CFPB amended certain requirements related to force-placed insurance in August 2016, but those amendments will not become effective until October 19, 2017. We recommend that impacted residential mortgage lenders and servicers review their processes for ensuring compliance with the force-placed insurance, loss mitigation, and other related provisions of the Mortgage Servicing Rules.

If you have any questions about Emergency Rule 32, please contact a member of our [Insurance Regulation & Compliance team](#). If you have questions about force-placed insurance requirements under the CFPB's Mortgage Servicing Rules, please contact a member of our [Consumer Financial Services Compliance team](#).

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