



# White Pine Insurance Company

## Common E & O Claims Related to Flood Insurance

1. Do not tell a potential customer that they do not need flood insurance or that they need only minimal limits. If your prospective client does not wish to purchase a flood insurance policy, have them sign a Rejection of Coverage form and maintain it in the file. If they request you underinsure a building, again have them sign a rejection stating they were offered and did not purchase higher coverage limits.
2. Understand the replacement cost provision under the dwelling form. If a single family dwelling is not insured within 80% of the replacement cost value at the time of a loss, the loss will be settled on an actual cash value basis. If the building is insured within 80% of the replacement cost value at the time of the loss, the insured will be eligible to receive recoverable depreciation on most building elements.
3. If contents coverage is rejected, make sure you get a signed Rejection of Coverage form. In instances where a policy is being purchased for loan closing or because it is required by the lending institution for an existing loan, make sure you explain that contents coverage is not included as part of the requirement and offer contents coverage.
4. Explain that a contents loss is always paid on an Actual Cash Value Basis.
5. Be aware that a Residential Condominium Building Association Policy contains a coinsurance penalty. If the residential condominium building is not insured within 80% of the replacement cost value at the time of the loss, the coinsurance penalty will be applied.
6. Make sure you understand the 30-day waiting period. Do not represent that coverage will become effective immediately when the waiting period is required. Remember, if the insured represents that coverage is purchased for a loan closing and the 30-day waiting period is waived, a copy of the loan documents will be required prior to loss settlement if a loss occurs during the first 30 days of the policy terms.
7. Explain to your potential customer/customers that a separate flood insurance policy is required for each building. The only appurtenant structure coverage allowed, is afforded under the dwelling form and only allows 10% of the coverage on the dwelling to be applied to a detached garage. This only applies when the garage is used solely for parking and storage. If the garage has plumbing or is used for other purposes, a separate policy must be purchased to cover the garage.
8. Know the definition of a basement and understand that basement coverage limitations apply to all buildings in all zones. A building is considered to have a basement if any room or portion of a room is sub-grade on all sides. Buildings with below grade crawlspaces are considered to have basements. A sunken living room is considered a basement if the area was excavated so that the living room is below the natural adjacent grade on all sides.
9. Know what an Elevated Building is and understand elevated building coverage limitations apply to Post-FIRM Elevated Buildings in zones AH, AE, A1-A30, AR/A, AR/AE, AR/AH, AR/A1-A30, VE & V1-V30.
10. Know that coverage for items of personal property located in a basement or below the elevated floor of an elevated building is limited to portable or window type air conditioning units, clothes washers and dryers and food freezers (other than walk-in) and the food in them.



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### **IMPORTANT NOTICE**

Section 207 of the Flood Insurance Reform Act of 2004, Public Law 108-264, requires all agents selling flood insurance policies under the NFIP or through a WYO company, to be properly trained and educated about the NFIP so that they may properly serve their clients. This is a one time only training requirement, and most states will acknowledge 3 hours of CE credit for completion of the online training module.

FEMA Regional Offices conduct NFIP Agent Workshop/Training Classes in cities throughout the country. Go to [http://coop.fema.gov/business/nfip/a\\_wshop.shtm](http://coop.fema.gov/business/nfip/a_wshop.shtm) for details on a workshop in your area.

Various States have implemented flood insurance training requirements for insurance agents, you can go to [http://coop.fema.gov/business/nfip/state\\_actions.shtm](http://coop.fema.gov/business/nfip/state_actions.shtm) for further information.

**Failing to comply with the NFIP education requirement could jeopardize an agent's authority to write flood insurance through the National Flood Insurance program, in addition to increasing your agency's E&O exposure.**

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