



NEW YORK ENACTS LAW LIMITING MORTGAGEES FROM REQUIRING CERTAIN LIMITS ON RESIDENTIAL PROPERTY FLOOD INSURANCE WITH CERTAIN REQUIRED NOTICE



On June 5, 2024, the New York Assembly and Senate (collectively, the legislature) enacted a law ([AB-A5073](#)) that limits the amount of flood insurance required by a mortgagee on residential real estate to no more than the outstanding principal balance as of the beginning of the year the insurance policy takes effect. No mortgagee/lender shall require a mortgagor/borrower to whom the mortgagor/lender makes, increases, extends, or renews any loan or line of credit secured by improved residential real estate to purchase or pay for flood insurance on such residential real property:

1. at a coverage amount that exceeds the outstanding principal mortgage balance as of the beginning of the year for which the policy shall be in effect; or
2. that includes coverage for contents.

The law further requires that, for each instance where a mortgagee/lender requires a mortgagor/borrower to purchase

or pay for flood insurance on such residential real property, the mortgagee/lender shall provide notice to the mortgagor/borrower at the time the mortgagor/borrower is notified of the need to purchase or pay for flood insurance. Such notice must state the following in clear and conspicuous print:

Please note that the flood insurance we are requiring you to purchase will only protect your creditor or lender's interest in your property. The insurance may not be sufficient to pay for many needed repairs after a flood and may not compensate you for your losses in the property due to the flood. If you wish to protect your home or investment, you may wish to purchase more flood insurance than the amount we are requiring you to buy.

The law is awaiting signature by the Governor, and, if signed, would take effect immediately.

OSC and SUI are currently reviewing business rules regarding the calculation of required flood coverage for all residential property portfolios and will be reaching out to clients to discuss any needed revision and implementation. Further, once law is signed by the Governor, all lender-placed flood insurance notices for properties located in New York will be revised to include a separate required disclosure as required by state law.

Should you have any questions related to this Bulletin, please reach out to your Client Services Manager.