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REGULATORY BULLETIN 2006-09¹

TO: All Property and Casualty Insurers, Insurance Producers Authorized to Transact Property Insurance in Arizona, Insurance Trade Associations, Agents' Associations and Other Interested Parties

FROM: Christina Urias
Director of Insurance

DATE: November 22, 2006

RE: **Flood Insurance Training Requirements for Insurance Producers with a Property Line of Authority Selling Through the National Flood Insurance Program (NFIP)**

The purpose of this Regulatory Bulletin is to apprise Arizona licensed property insurers and producers of the National Flood Insurance Program (NFIP) training requirements.

To ensure that producers best serve their clients, Section 207 of the Flood Insurance Reform Act of 2004 ("the Act") requires proper NFIP training and education for all producers selling NFIP insurance policies. The Act² requires the Director of the Federal Emergency Management Agency (FEMA), in cooperation with the insurance industry, State insurance regulators, and other interested parties, to establish minimum training and education requirements for all insurance producers who sell flood insurance policies. FEMA and state-approved continuing education providers are developing NFIP related courses. In particular, an insurance producer who sells flood insurance

¹ This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties, you may petition the agency under A.R.S. § 41-1033 for a review of the Statement.

² SUPPLEMENTARY INFORMATION: On June 30, 2004, President Bush 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 provides: "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."

may satisfy the NFIP education requirements by completing three hours of NFIP training, which may also apply toward the producer's fulfillment of insurance continuing education requirements prescribed by Arizona Revised Statutes ("A.R.S.") §§ 20-2901 et seq. Failure to comply with NFIP education requirements may jeopardize the producer's authority to write flood insurance through the NFIP.

Although the Arizona Department of Insurance (ADOI) does not independently enforce the NFIP training requirement, pursuant to A.R.S. Title 20, Arizona-resident insurance producers who currently sell or wish to sell federal flood insurance policies must comply with the minimum training requirements of Section 207 of the Act and basic flood related education, as outlined at 70 Fed. Reg., 52117 (Sept. 1, 2005) (to be codified at ** C.F.R. pt. *****)³

If you have any questions regarding this matter, please feel free to contact Steven Fromholtz, ADOI Licensing Administrator, at (602) 364-4457 or at sfromholtz@azinsurance.gov.

³ This notice describes FEMA's implementation of Section 207 of the Act. 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/producers. 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/producers are well versed in the flood insurance program. Where possible, FEMA should work to make sure that agents/producers 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.