



National Flood Insurance Program

Adjuster Claims Manual

December 2000

Revised January 2002

Revised January 2004

Revised June 2010



FEMA

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Prepared by the Claims and Underwriting Department
NFIP Bureau and Statistical Agent

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I. NATIONAL FLOOD INSURANCE PROGRAM

A. BACKGROUND

The National Flood Insurance Program (NFIP) is a federal program that allows property owners to purchase insurance protection against losses from flooding. This insurance is designed to provide an alternative to costly, taxpayer-funded disaster assistance.

Congress established the NFIP with the passage of the National Flood Insurance Act of 1968 that provides the NFIP authority and guidelines. All changes since 1968 have been made as amendments to this act. The Federal Emergency Management Agency (FEMA) administers the NFIP.

Participation in the NFIP is based on an agreement between local participating communities and the federal government. The community agrees to implement and enforce floodplain measures (ordinances and laws) to reduce future flood damage to new construction in Special Flood Hazard Areas; the federal government will make flood insurance available within the community as financial protection against future flood losses.

B. THE WRITE YOUR OWN PROGRAM

In 1981, FEMA initiated efforts to once again involve the private-sector insurance industry in the NFIP. A cooperative effort between FEMA and insurance company representatives led to the creation of the Write Your Own (WYO) Program in July 1983. The WYO Companies issue and service federally backed Standard Flood Insurance Policies under their own names, collect premiums, and handle and pay claims. FEMA pays the WYO Companies a fee for these services. In August 1983, FEMA extended an invitation to all licensed property and casualty companies to participate in the WYO Program for fiscal year 1984.

C. THE NFIP TODAY

The NFIP now has two programs—the NFIP Direct Program and the WYO Program.

1. NFIP Direct Program

The program that deals with the issuing and servicing of flood insurance policies, and the handling of resultant claims, directly by the federal government is known as the NFIP Direct Program. The NFIP Servicing Agent assists and advises agents and adjusters who handle Direct Program policies. The NFIP Servicing Agent also manages the Group Flood Insurance Policy Program and the policies for buildings that are identified as Severe Repetitive Loss Properties.

2. WYO Program

The WYO Program now accounts for approximately 90 percent of all flood policies. The NFIP Bureau and Statistical Agent assist and advise the WYO Companies. However, this does not diminish the authority of the WYO Company or relieve the company of its obligations. The WYO Company still collects the premium, issues the policy, and provides adjustment and payment for claims.

D. FLOOD HAZARD ZONES

In addition to providing flood insurance for property, the NFIP is actively engaged in the evaluation of existing and potential flood hazards and their long-term reduction. Accordingly, various zones of flooding probability and severity have been established.

Flood Insurance Rate Maps (FIRMs) are produced to show the projected elevation to which flooding is likely to occur in a Special Flood Hazard Area (SFHA). Community officials are responsible for issuing building permits and must keep the FIRM and make the information available. In some instances, the local agent may have the maps available. Maps can also be obtained by contacting the FEMA Map Service Center at 1-800-358-9616. The zone designations currently in use and the criteria by which they are grouped are as follows:

<u>Zone Designation</u>	<u>Criteria</u>
Zone A	SFHA in which the lowest floor elevation is required and the Base Flood Elevations (BFEs) are not provided.
Zones A1-A30	SFHAs in which the lowest floor elevation is required and the BFEs are provided.
Zone AE	SFHA designation used in place of Zones A1-A30 on some maps.
Zone AH	SFHA in which shallow water depths (ponding) and/or unpredictable flow paths between 1 and 3 feet deep occur. BFEs are provided on the FIRM.
Zone AO	SFHA in which shallow water paths (sheet flow) and/or unpredictable flow paths between 1 and 3 feet deep occur. BFEs are not provided. Base flood depths may be provided.
Zone A99	SFHA in which enough progress has been made on a protective system such as dikes, dams, and levees to consider it complete for insurance rating purposes. BFEs are not provided.
Zone AR	SFHA in which there has been decertification of a previously accredited flood protection system that is being restored to provide base flood protection.
Zones AR/AE, AR/AH, AR/AO, AR/A1-A30, and AR/A	Dual-zone SFHAs in which, because of flood risk from water sources that the flood protection system does not contain, there will continue to be hazard of flooding after the flood protection system is adequately restored.
Zone V	Coastal high-hazard SFHA in which inundation by tidal floods with velocity occurs. BFEs are not provided.

<u>Zone Designation (continued)</u>	<u>Criteria (continued)</u>
Zones V1-V30	Coastal high-hazard SFHAs in which inundation by tidal floods with velocity occurs. BFEs are provided.
Zone VE	SFHA designation used in place of Zones V1-V30 on some maps.
Zone VO	SFHA in which shallow water depths and/or unpredictable flow paths between 1 and 3 feet deep with velocity occur.
Zones B, C, and X	Areas in which moderate or minimal flooding may result from severe storm activity or local drainage problems. Because they are not SFHAs, these zones may be lightly shaded or unshaded on the FIRM. Zone X is the designation for B and C Zones and is used in place of these zones on some maps.
Zone D	Area of undetermined flood hazard in which the population usually is very sparse. The designation of Zone D can also be used when one community has incorporated portions of another community's area where no map has been prepared.

E. PROGRAM PHASES AND COVERAGE LIMITS

1. Program Phases

Flood insurance may be written only in those communities that have been designated by FEMA as participating in the NFIP.

a. Emergency Program

This is the initial phase of a community's participation in the NFIP. Limited amounts of coverage are available.

b. Regular Program

This is the final phase of a community's participation in the NFIP. In this phase, a Flood Insurance Rate Map is adopted and enforced by the community and full limits of coverage are available.

2. Amounts of Insurance Available

The table on the next page shows maximum amounts of insurance available under the Standard Flood Insurance Policy (SFIP) for building coverage and contents coverage, in both Emergency Program communities and Regular Program communities.

**AMOUNTS OF INSURANCE AVAILABLE:
DWELLING FORM AND GENERAL PROPERTY FORM¹**

	EMERGENCY PROGRAM	REGULAR PROGRAM		
	Insurance Limits	Basic Insurance Limits	Additional Insurance Limits	Total Insurance Limits
BUILDING COVERAGE				
Single-Family Dwelling	\$ 35,000 ²	\$ 60,000	\$190,000	\$250,000
Two- to Four-Family Dwelling	\$ 35,000 ²	\$ 60,000	\$190,000	\$250,000
Other Residential	\$100,000 ³	\$175,000	\$75,000	\$250,000
Non-Residential	\$100,000 ³	\$175,000	\$325,000	\$500,000
CONTENTS COVERAGE				
Residential	\$ 10,000	\$ 25,000	\$ 75,000	\$100,000
Non-Residential	\$100,000	\$150,000	\$350,000	\$500,000

¹For the Residential Condominium Building Association Policy (which is written only in Regular Program communities), the amount of building coverage available is the lesser of replacement cost value or \$250,000 times the number of insured units in the building. See the CONDO section of the *Flood Insurance Manual* for contents coverage options.

²In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the amount of building coverage available in the Emergency Program for Single-Family Dwellings and Two- to Four-Family Dwellings is \$50,000.

³In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the amount of building coverage available in the Emergency Program for Other Residential and Non-Residential buildings is \$150,000.

II. ADJUSTER PARTICIPATION IN THE NFIP

A. QUALIFICATIONS

The Federal Emergency Management Agency (FEMA) requires all independent adjusters who adjust flood losses for the National Flood Insurance Program (NFIP) to be NFIP flood certified. They must attend a NFIP claims presentation annually in order to maintain their active status of certification.

The National Flood Insurance Program (NFIP) Bureau and Statistical Agent is required to maintain a database of independent adjusters who qualify to adjust flood claims under policies issued by the NFIP Direct and the Write Your Own (WYO) carriers who utilize the services of the independent adjusting community. The qualifications reflect that the NFIP, like many other insurers, has its own distinct characteristics concerning coverage and adjusting requirements.

The adjuster database is designed to reflect by Flood Certification Number or other means that the approved adjuster has attended regular or special workshops that are held throughout the country. An adjuster may also attend a FEMA-recognized approved claims presentation conducted by independent adjusting firms or WYO Companies to maintain their active certification status. The records reflect the adjuster's name and the date and location of the workshop.

The purpose of these workshops is to keep the adjusting community current with claims procedures and guidance required for adjusting losses under the three forms of the Standard Flood Insurance Policy—the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy (RCBAP). For this reason, all independent adjusters who wish to be certified must submit the Adjuster Certification Application. WYO Company staff adjusters should be guided by their particular company's procedures.

The application contains five areas of authorization. An adjuster can be authorized in all five categories or any combination thereof, if the adjuster's qualifications meet the requirements. The five categories are as follows:

- Residential
- Manufactured (Mobile) Home/Travel Trailer
- Commercial
- Large Commercial
- Condominium (RCBAP)

1. Residential, Manufactured (Mobile) Home/Travel Trailer, and Commercial Authorization

To be approved for Residential, Manufactured (Mobile) Home/Travel Trailer, or Small Commercial losses, or any combination thereof, an adjuster should:

- a. Have at least 4 consecutive years of full-time property loss adjusting experience;
- b. Be capable of preparing an accurate scope of damage and dollar estimate to \$50,000 for manufactured (mobile) home/travel trailers, and \$250,000 for residential and up to \$500,000 for commercial losses.

- c. Have attended an NFIP workshop and be able to demonstrate knowledge of the SFIP and of NFIP adjustment criteria for all policy forms; and
- d. Be familiar with manufactured (mobile) home/travel trailer and Increased Cost of Compliance coverages and criteria.

These requirements will be checked and verified prior to approval.

2. Large Commercial and RCBAP Certification

To be approved for Large Commercial or RCBAP losses, or both, an adjuster should:

- a. Have at least 5 consecutive years of full-time large-loss property adjusting experience;
- b. For Large Commercial be capable of preparing an accurate scope of damage and dollar estimate of \$ 500,000 or more
- c. For RCBAP be capable of preparing an accurate scope of damage and dollar estimate of \$ 1,000,000 or more
- d. Submit written recommendations from three insurance company supervisor's or claim management personnel. The recommendations must reflect adjusting experience only; and
- e. FEMA encourages adjusters to have Errors and Omissions (E & O) Insurance coverage. There are some WYO companies that require adjusters who are assigned to handle their claims to have E&O coverage.

These requirements will be checked and verified prior to approval.

B. AUTHORIZATION REQUIREMENTS

FEMA recognizes that specialized knowledge is required in order for the adjuster to properly adjust NFIP losses. Adjusters must know the differences between the Standard Flood Insurance Policy (SFIP) and private industry property insurance forms. They must know interpretations of coverage made by FEMA and the unique reporting requirements of the NFIP. Accordingly, FEMA has made it a contractual requirement for the NFIP Bureau and Statistical Agent to maintain a list of adjusters who are authorized to handle NFIP losses.

The requirement that independent adjusters be certified by the NFIP applies to all independent adjusters seeking to handle flood losses. FEMA also encourages, but does not require staff adjusters handling WYO claims to be certified by the NFIP Bureau and Statistical Agent. The WYO companies are free to choose whatever adjusters they wish, either, staff adjusters or independent adjusters, to adjust their flood losses and are likewise free to establish any related qualifications or requirements for adjusters. A WYO staff adjuster handling a direct loss assigned under the Single Adjuster Program (SAP) is not required to submit an application for NFIP certification. In this case, WYO staff adjusters are deemed certified to handle SAP claims by virtue of their being staff adjusters for a WYO Company and that the WYO Company assigned the claim. (For further discussion of this situation, see Single Adjuster Program and Claims Coordinating Office in Subsection III. B. of this manual, page III-2.) Independent adjusters must be flood certified in order to adjust losses under the SAP.

Adjusters seeking recertification must attend an annual presentation and submit a properly completed and signed Adjuster Certification Application, (FF81-110). This form can be found at <http://www.fema.gov/library/viewRecord.do?id=2581>.

The application can be sent via any of the following methods:

- 1) E-mailed to iservice_claims@ostglobal.com;
- 2) Faxed to (301) 577-3421; or
- 3) Mail to P.O. Box 310, Lanham, MD 20706

Adjusters who are already certified and not seeking any changes to the categories in which they are certified, only need to attend an adjuster presentation. Adjusters who do not attend one of the annual NFIP claims presentations will be placed in an inactive status until such time they attend a NFIP claims presentations.

After the application has been processed the adjusters will be notified by email of their approval, upgrade, no change or denial. The adjusters that are newly approved or requested an upgrade to their classification will receive notification by email.

All adjusters who attend an approved NFIP Claims Presentation will be e-mailed a PDF of their FCN cards confirming their “active” status to handle NFIP flood claims.

C. ADJUSTMENT STANDARD AND REQUIREMENTS

FEMA’s adjustment standards and requirements have been revised and expanded to clarify NFIP expectations of flood adjusters. What follows supersedes the “NFIP Minimum Standards and Reporting Procedures,” which have been distributed in the past and should be carefully reviewed by adjusters.

1. General Standards and Requirements

- a. **Authority of the Adjuster.** The NFIP expects every adjuster handling NFIP flood losses to understand and to communicate to the policyholders that the adjuster does not have the authority to deny a claim or to commit the NFIP or the WYO Company to pay a claim and that all adjustments are recommendations only, subject to review by the NFIP Servicing Agent or the WYO Company.
- b. **Knowledge of the Program.** The NFIP expects every adjuster handling flood losses to be thoroughly familiar with the provisions of the Standard Flood Insurance Policy (SFIP). The adjusters should also know coverage interpretations issued by FEMA, and explained during the NFIP Claims Presentations. All claims are adjusted in compliance with these provisions.
- c. **Professionalism.** Because the adjuster represents the NFIP to the policyholder and public, the NFIP expects that every adjuster will conduct themselves in accordance with the highest standards of integrity and ethics and be courteous and professional in all dealings with policyholders.

2. Specific Standards and Requirements

- a. **Adjuster Preliminary Damage Assessment.** The adjuster completes the Adjuster Preliminary Damage Assessment form (PDA) on building claims that meet the criteria for substantial damage. After the adjuster conducts the inspection of the risk, the form must be completed and submitted to the NFIP Bureau and Statistical Agent by fax at (301) 577-2421, e-mail iservice_claims@ostglobal.com, or by mail to P.O. Box 310, Lanham, MD 20706 (refer to FEMA Bulletin W-09077, issued November 20, 2009).
- b. **Building Replacement Cost (RC) Special Loss Settlement, and Actual Cash Value (ACV).** The adjuster prepares accurate calculations of the insured building's replacement cost and actual cash value and properly conclude the claim on an RC or ACV basis as applicable.
- c. **Contents Claim Adjustment.** The NFIP requires the adjuster to assist the insured when necessary with the preparation of the contents claim, to verify that all contents included in the adjustment are covered under the SFIP, and to determine or verify accurate local replacement costs and reasonable physical depreciation. Applicable depreciation should be shown separately for each item.
- d. **Special Limits.** The special limitations on some contents (jewelry, furs, contents used in business, etc.) should be properly applied. Appropriate documentation supporting the claim value should accompany the worksheets.
- e. **Loss Avoidance Measures.** Claims for removal of insured property due to the imminent danger of flooding must be documented and verified in order to be covered under the SFIP. Only the value of work performed by the insured and a member of the household is covered.
- f. **Final Report.** The NFIP Final Report is required on all NFIP Direct and WYO losses. The adjuster should not close his or her file until all items on the Final Report are completed.
- g. **Identification of Building Equipment and Major Appliances.** The NFIP requires the adjuster to provide identifying information (manufacturer, model and serial number, and whenever possible, capacity, etc.) on major building equipment such as furnaces, central air conditioning units and major appliances such as refrigerators, washers, dryers, televisions, etc.
- h. **Identification of Minor Appliances.** The adjuster should provide identifying information on certain items for claims control and validation purposes.
- i. **Inspection.** The adjuster is required to inspect the property within 48 hours of receiving the loss assignment. This is also time to complete the Adjuster Preliminary Damage Assessment Form. The Adjuster Preliminary Damage Assessment form must be completed and submitted to the NFIP Bureau and Statistical Agent by fax at (301) 577-3421, e-mail iservice_claims@ostglobal.com, or by mail to P.O. Box 310, Lanham, MD 20706 (refer to FEMA Bulletin W-09077, issued November 20, 2009). The initial inspection will include preparation of a preliminary scope of damages. The adjuster assigned to the loss must inspect it personally and should not take a contractor along to inspect or scope the loss. If it is not possible for the adjuster to inspect the loss within the required time frame, the adjuster must explain why in the NFIP Preliminary Report and

advise when the loss will be inspected. Visits to the insured risk without an appointment should be avoided.

- j. **Insured's copy.** When the claim has been concluded, the adjuster furnishes the insured with a copy of all building and contents worksheets and proof(s) of loss.
- k. **Manufactured (Mobile) Home/Travel Trailer Worksheet.** The adjuster should complete a Manufactured (Mobile) Home/Travel Trailer Worksheet for every manufactured (mobile) home/travel trailer loss.
- l. **Narrative Report.** One or more NIFP Narrative Reports may be submitted for any flood claim in which the circumstances are unusual, suspect, or especially complicated, and additional explanation is appropriate. Only facts should be included in reports. Opinions or accusations have no place in reports.
- m. **Origin of Loss Verified.** The adjuster verifies that the reported claim was caused by direct physical loss by or from flood as defined in the SFIP.
- n. **Partial (Advance) Payments.** FEMA encourages advance payments to the insured and the adjuster should advise the insured of the availability of a partial (advance) payment. If the insured requests a partial payment, the adjuster must prepare documentation necessary to support the recommendation to the insurer of the amount of payment requested, including an NFIP Proof of Loss form or advance payment receipt. The range of partial payment amounts will be approved by the WYO Companies or the NFIP Servicing Agent. The partial payment should not be for more than 50 percent of the anticipated total claim payment and preferably should be made against the contents claim. If paid under the building coverage, the mortgagee(s) must be included on the claim check.
- o. **Preliminary Report Complete.** The NFIP Preliminary Report is required on all flood losses; however, adjusters who handle losses for WYO Companies may use the company's preliminary form or comparable form provided by the company. The Preliminary Report is due to the company within 15 days after the claim has been assigned to the adjuster and the adjuster should complete all items in the Preliminary Report. Information unknown at the time the Preliminary Report is submitted must be supplied in a later report.

An estimated reserve amount (the dollar value of future payments) should be provided to the insurer. If there are changes in the value of future payments during the adjustment of the claim the adjuster should notify the insurer. The depth of flood water and its duration in the insured building are important and the duration should be verified by a local official when possible or when in the adjuster's judgment it seems necessary.

- p. **Prior Losses Checked.** The adjuster should verify that damages from any prior loss have been repaired before the subject loss occurred, and must exclude from the adjustment any unrepaired prior damages. The adjuster is expected to review to the extent necessary, using judgment, experience, and investigative skills to determine if prior damage(s) have been repaired.

In those instances, where prior loss history is warranted the WYO Company representative should contact the NFIP Bureau and Statistical Agent to determine the prior losses history on claims if the previous losses were insured through a different carrier.

- q. **Progress Notes in the File.** The adjuster's file should contain adequate notes about the progress of the claim and the scope of damages, calculations of replacement cost and actual cash value, and a diagram of the insured building with measurements. The adjuster will make his or her notes available to the NFIP General Adjuster(s) during the reinspection process.
- r. **Prompt Contact.** The adjuster initiates contact with the insured or agent by the end of the business day after receiving the loss assignment. This initial contact preferably will be by telephone; but, if contact by telephone is not possible, the adjuster should send the insured or agent a postcard or letter acknowledging the assignment. The postcard or letter should include the adjuster's telephone number where the adjuster can be reached. Also, when the insured, agent, or company staff person leaves a telephone message for the adjuster, the adjuster is expected to return the call by the end of the business day after the message was left. In the majority of flood events, these standards are easily met. However, there have been instances where the insured property was severely damaged, hindering the adjuster's ability to contact the insured within the required time. The adjuster should contact the carrier and seek guidance on how to proceed with the loss.
- s. **Proof of Loss.** The adjuster may assist the insured in completing the Proof of Loss; however, this assistance is only a courtesy. Insureds must use their own judgment concerning the amount of the loss and they must justify that amount. A fully completed NFIP Proof of Loss form, signed and sworn to, with the required documentation is required on every claim on which any payment is recommended.

Unless in very large events the Federal Insurance Administrator extends the time in writing (Bulletin) the insured must send the signed and sworn to Proof of Loss with all required supporting documentation to the insurer within 60 days after the date of loss. Only the Federal Insurance Administrator can waive this or any SFIP provision. All waiver requests are made through the insurer. Proofs of Loss and/or NFIP Final Reports are issued as follows:

- On claims up to \$7,500, the signed NFIP Final Report form will suffice for this purpose. The WYO Company may request the policyholder's signature on the Final Report to be sworn to. If the claim payment is more than \$7,500, a separate Proof of Loss form is submitted.
 - If the insured qualifies for replacement cost coverage, the adjuster submits the Statement as to Full Cost of Repair or Replacement for the additional amount recoverable under the replacement cost provisions.
 - If the insured qualifies for Increased Cost of Compliance (ICC) coverage, a signed and sworn to Increased Cost of Compliance Proof of Loss form is submitted.
- t. **Proper Building Depreciation.** Depreciation is applied reasonably and accurately. This refers both to the determination of the building's actual cash value (replacement cost less the value of physical depreciation) and the repair estimate. Depreciation is shown separately, as applicable, for each line item in the adjustment, including overhead and profit. "Lump sum" depreciation is not acceptable. Replacement cost, depreciation, and actual cash value for each item are shown in this manner on all claims, regardless of whether the claim is concluded on an RCV or ACV basis.
- u. **WYO Errors (Proper Building Scope and Estimate).** The NFIP expects the adjuster to accurately identify the covered damages caused by flood and to allow only the cost of

repairs and/or replacements reasonably caused by direct physical loss by or from flood. The WYO Companies and the NFIP Servicing Agent rely upon the judgment of adjusters in the preparation of the scope of loss and the estimate of damage. It is natural and expected that the judgment or opinion of the adjuster at the scene immediately after the disaster may differ from those reviewing estimates either on the scene at a later date or by a reviewer in a remote location after the claim has been resolved. Claim payments arising out of policies issued by the insurer are binding upon the Federal government. However, non-judgmental errors, at its discretion, are not binding on the Federal Government.

- Non-judgmental matters involving inadvertent error (e.g., payment of a loss under a policy issued on an ineligible risk, payment of a loss, twice, for the same item of damage, payment for nonexistent items of damage, payment of a loss in respect to which the damages are unverified, such as where an adjuster might scope the damage as to one building, then settle multiple, similar buildings on the same basis without actually verifying the damage, etc.) are governed by Article IX of the Arrangement, dealing with errors and omissions, in which it is provided that the responsible party (Federal Emergency Management Agency (FEMA) or the WYO Company) will rectify the error as soon as possible after discovery. FEMA management, in such cases, will resolve the manner in which the error is to be rectified with the WYO Company management. In such cases, redress may be sought, for example, from the policyholder or adjusting firm responsible for the error, either by the company, in a claim for reimbursement, or FEMA in a federal claims collect effort, as is appropriate. NFIP and WYO Company joint reinspection representatives are encouraged to highlight the above situations in their reports, thereby calling such instances to the attention of WYO Company and FEMA management.
 - Judgmental matters where there may be a difference of opinion between WYO claims Management and the Federal Emergency Management Agency (FEMA) as to whether a claim payment involved on excessive, or inadequate, loss payment (e.g., differing views on the amount of depreciation taken, whether a general condition of flooding existed, whether sufficient verification of damages was obtained, etc.) are governed by Article II (F) of the Arrangement, which provides that "The Company shall investigate, adjust, settle and defend all claims or losses arising from policies issued under this Arrangement. Payment of flood insurance claims by the Company shall be binding upon the FEMA." Such matters will be subjected of claims operational reviews and special meetings between WYO management and FEMA management. The above wording was designed primarily for reinspections of buildings and may not express the documentation requirements of large commercial contents claims. What is expressed is the long-held principal that FEMA will not recoup from the WYO Companies or the NFIP Direct Servicing Agent when an error is judgmental.
- v. **Proper Photographs.** The adjuster should take as many photographs as are necessary to portray the damage. Photographs of non-damaged property can oftentimes be as important as photographs of damaged property.
- w. **Salvage.** The salvage value of all total-loss items must be considered. Where the size of the salvageable loss makes it appropriate, a salvor should be engaged, with the authorization of the NFIP Servicing Agent or WYO Company. Otherwise, the reasonable salvage value of property left with the insured is deducted from the covered loss.

- x. **Subrogation.** When the adjuster identifies subrogation potential, he or she must determine the grounds for a possible subrogation recovery. The investigation is considered a routine part of a loss adjustment. The adjuster completes the Cause of Loss and Subrogation Report form and any details of the investigation should be provided to the insurer.
- y. **Timely Reporting.** The adjuster's NFIP Preliminary Report is submitted within 15 days after receipt of the loss assignment. The NFIP Final Report is due 30 days later. If the claim has not been concluded within 45 days, subsequent reports are due every 30 days after the Preliminary Report, or otherwise as specifically directed by the claims examiner, until the claim is concluded.

D. NFIP FEE SCHEDULE BILLING

Payment of the adjuster's service fee will be according to the NFIP fee schedule. The scheduled fee for handling a loss is based on the NFIP-approved adjustment. The fee includes all travel, photographs, reporting, telephone, and office investigation expenses to conclude the claim, including identification of possible subrogation, salvage, and fraud. Customarily, the claim file contents will include coverage verification; normal adjuster investigation documentation, including statements where necessary; building reports and investigations; damage verification; and other documentation relevant to the adjustment of the claim under the NFIP's and the WYO Company's traditional claim adjustment procedures.

There are two fee schedules (pages B-22 and B-23)—one for gross losses and one for Increased Cost of Compliance claims.

1. Gross Losses

For gross losses sustained on or after September 1, 2008, use the NFIP Fee Schedule [Gross Loss] (page B-22). Use this schedule whether the claim will be closed without payment or will be paid up to the limit of \$250,000 or more.

2. Increased Cost of Compliance (ICC) Claims

For Increased Cost of Compliance claims, use the NFIP ICC Fee Schedule (page B-23). Use this schedule whether the claim will be closed without payment or will be paid up to the increased limit of \$30,000 that became effective on May 1, 2003.

III. NFIP DISASTER RESPONSE

A. DISASTER RESPONSE FIELD OFFICES

1. Adjuster Control Office

The Adjuster Control Office (ACO) is a temporary catastrophe office set up by the NFIP-Direct Servicing Agent (DSA) that enables them to efficiently assign claims to certified flood adjusting companies.

2. Claims Coordinating Office

The Claims Coordinating Office (CCO) is the repository for receiving notices of loss involving hurricane, wind, and flood damage. The wind and flood losses are matched by property address and assigned to a single adjuster who represents both insurers. The assignments are made by the Windpools for the NFIP Servicing Agent and the WYO companies. (See Subsection III.B. of this manual, Single Adjuster Program and Claims Coordinating Office for details).

3. Flood Insurance Claims Office

The NFIP Direct Servicing Agent (DSA) will establish an on-site Flood Insurance Claims Office (FICO) following a major flood event to enable the efficient processing of flood claim payments on claims made on NFIP Direct policies. Examining staff and General Adjuster staff is present at the FICO to assist flood adjusters in properly closing DSA flood claims. The FICO only handles flood claims on DSA flood policies; FICO is unable to assist on any WYO flood claim.

4. Flood Response Office

The Flood Response Office (FRO) is established to efficiently coordinate with private-sector windpool associations, WYO companies, FIMA's Joint Field Office (JFO) and Disaster Recovery Centers, and FIMA's regional staff engaged in mitigation and floodplain management compliance activities in local communities.

Major activities of the FRO include the following:

- a. Coordination with WYO companies to provide guidance, define the scope of coverage, and facilitate the adjustment of losses sustained by policyholders of the NFIP who are insured by WYO companies.
- b. Coordination with WYO companies, the NFIP Servicing Agent, and state windpool associations under the Single Adjuster Program (SAP) and NFIP Claims Coordinating Office (CCO).
- c. Support and coordination with the JFOs to advise the Federal Coordinating Officer on flood insurance activities, help avoid duplication of benefits, provide information and assistance to NFIP policyholders, and speed the delivery of flood insurance claim payments.

- d. Distribution and utilization at the FRO and Disaster Recovery Centers of a series of educational and informational brochures to provide guidance to the flood-insured public, agents, adjusters, and federal and state officials in matters related to the NFIP's overall catastrophe response procedures.
- e. Implementation of support services such as the reinspection program, special adjuster meetings, and claim troubleshooting activities. Additional activities include surveying flood disaster areas, assessing the extent of damage, and advising FIMA of the findings.

B. SINGLE ADJUSTER PROGRAM AND CLAIMS COORDINATING OFFICE

1. Objective

In conjunction with the Claims Coordinating Office (CCO), the Single Adjuster Program (SAP) provides the most efficient use of adjusting resources in a catastrophic hurricane situation to improve service to the mutual policyholders of both wind damage and flood damage insurers.

2. Background

There are currently over a million coastal flood insurance policies at risk, many of which could be subject to a combined wind/flood loss.

Through the establishment of a CCO at the time of a catastrophe, many of these potential combined losses can be identified and assigned to adjusting companies jointly representing the WYO companies and the Coastal Plans (e.g., Windpool Associations, Fair Plans, Beach Plans, and Joint Underwriting Associations).

The purpose of the CCO is to provide a central clearinghouse for receiving notices of loss involving hurricane, wind, and flood damage. This is accomplished by the systematic identification of wind and flood losses at the same property address followed by assignment of the loss to a single adjuster who represents both insurers. Adjuster assignments are made by the Windpools for the NFIP Servicing Agent and WYO companies. The CCO, in cooperation with the WYO companies, Windpools, and other property insurers, oversees the SAP. This measure avoids duplicate assignments of losses and better deploys the available adjuster resources in a major hurricane event.

3. Implementation

FIMA and the various Windpools determine whether a catastrophic event will necessitate an SAP response. The National Weather Service's declaration of a tropical storm or hurricane event begins the watch for a possible single adjuster response. In general, FIMA approves the SAP response when the storm is 48 hours from landfall.

The NFIP deploys their team to the affected area prior to landfall of the storm. The WYO companies are advised by telephone, email or fax, through their designated Single Adjuster Liaison, as to the areas and states that will be subjected to the SAP response. At that point, the WYO companies are asked to immediately notify their agents of the SAP procedures for reporting the losses.

The telephone call, e-mail, or fax to the WYO companies is followed by a written notice directing all WYO companies to have their agency force submit all flood losses that are reasonably believed to involve wind and flood damage to the CCO. ■

Telephone contact also is made and a written notice is simultaneously sent to the participating State Coastal Plan, Joint Underwriting Association, etc., advising them of the opening of the CCO, which is co-located with or near the State Coastal Plan at a predetermined site. The on-site CCO becomes fully operational within 24 hours after the storm's landfall.

When the CCO is operational, the WYO companies are notified of all of their assigned claims. Reports reflecting the assigned claims are faxed each day. Once the assignment is made and communicated to each company, the WYO Company manages its own loss adjustment. However, the CCO personnel ensure that the adjuster receives the loss assignment containing all the relevant information.

4. Adjuster Briefing

The NFIP General Adjusters and FIMA will conduct adjusting briefings before and after major storms. These briefings will address regional problems, construction issues, adjuster certification, and community and state ordinances, etc. The adjuster briefing location, date and time will be posted through the Clearinghouse at www.nfipiservice.com. ■

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IV. POLICY CHANGES AFFECTING THE LIBERALIZATION CLAUSE

When the NFIP makes a change that broadens coverage under the current policy edition, that will not require any additional premium, then that change will automatically include the broadened coverage in similar and existing policies. However, the change will only be effectuated if the implementation date falls within 60 days before, or during, the policy term stated on the Declarations Page.

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V. STANDARD FLOOD INSURANCE POLICY

A. INTRODUCTION

The Standard Flood Insurance Policy (SFIP) specifies the terms and conditions of the agreement of insurance between either the Federal Emergency Management Agency (FEMA) as insurer (for policies issued by the NFIP Servicing Agent) or the WYO company as insurer (for policies issued by the WYO Program) and the named insurer.

Named insurers in NFIP participating communities include homeowners, renters, business owners, builders of buildings that are in the course of construction, condominium associations, owners of residential condominium units, and mortgagees/trustee (applicable to building coverage only.)

1. The Three Policy Forms

There are three policy forms – Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy. Each is used to insure a different type of property. All, however, contain certain terms and condition (e.g., Mortgage Clause, Reformation of Coverage) that are unique to flood insurance.

2. Use of Policy Forms

The SFIP policy forms must be used for all new and renewal policies that become effective on or after December 31, 2000. On the following pages, you will find a coverage comparison table and a detailed commentary on key provisions of each form.

The Liberalization Clause applies to losses occurring on or after December 31, 2000, for policies written on the *old* SFIP forms.

3. Currentness of Information

The National Flood Insurance Reform Act of 1994 substantially revised the SFIP. As noted above, FEMA revised the SFIP in December 2000. FEMA published and maintains the *Adjuster Claims Manual* with its integrated explanations of the 2000 SFIP. FEMA published and maintains Policy issuances and Claims and Underwriting Bulletins to further explain and clarify coverage under the SFIP. These are available at www.fema.gov/library. All other earlier policy explanations, coverage interpretations, policy guidance memorandums, and letters are superseded and should not be referred to in determining coverage.

B. COVERAGE COMPARISON TABLE

The table on pages V-2 and V-3 shows similarities and differences among the three SFIP forms for more than 30 coverage items.

COVERAGE COMPARISON AS OF DECEMBER 31, 2000

ITEM	DWELLING FORM	GEN. PROP. FORM	RCBAP
Additional Living Expenses	NO	NO	NO
Appurtenant Structures	YES; 10% of Building limit of liability can be applied to a qualifying detached garage at described location.	NO	NO
Awnings	ACV, if attached to bldg.	ACV, if attached to bldg.	ACV, if attached to bldg.
Building Fixtures	Listed	Listed	Listed
Carpeting	ACV; no overhead and profit	ACV; no overhead and profit	ACV; no overhead and profit
Construction Before Walled & Roofed	YES; two times the deductible	YES; two times the deductible	YES; two times the deductible
Debris Removal	YES	YES	YES
Decks	NO; limit of 16 sq. feet	NO; limit of 16 sq. feet	NO; limit of 16 sq. feet
Deductible	Applied separately to building and contents	Applied separately to building and contents	Applied separately to building and contents
Loss Avoidance Measures (Mitigation), Pre-Flood	Limited coverage, \$1,000	Limited coverage, \$1,000	Limited coverage, \$1,000
Exterior Paint	YES	YES	YES
Fences	NO	NO	NO
Hot Tubs & Spas	YES, if they are bathroom fixtures	YES, if they are bathroom fixtures or stock	YES, if they are bathroom fixtures
Hurricane Shutters	YES	YES	YES
ICC	YES, except Emergency Program and Group Policy	YES, except Emergency Program	YES, except Emergency Program
Improvements & Betterments	YES; if tenant has personal property coverage, we cover cooking stove, range, and refrigerator. 10% of personal property coverage will cover other tenant-installed improvements.	10% of personal property coverage	Yes
Loss Assessments	YES	NO	NO
Loss of Rents	NO	NO	NO
Ordinance or Law	ICC only see Exclusion A.6	ICC only see Exclusion A.6.	ICC only see Exclusion A.6.
Pollutants	YES	YES, up to \$10,000	YES
Power Failure	YES, if caused by flood on the described location	YES, if caused by flood on the described location	YES, if caused by flood on the described location
Replacement Cost, Building	YES, if insured to 80% of RC and insured lived at risk 80% of previous 365 days	NO	YES, with coinsurance provision
Replacement Cost, Personal Property	NO	NO	NO
Screened Porches	YES, unless below elevated floor (Post-FIRM)	YES	YES
Storage Sheds	NO	NO	NO

COVERAGE COMPARISON AS OF DECEMBER 31, 2000

ITEM	DWELLING FORM	GEN. PROP. FORM	RCBAP
Stove & Refrigerator	Building ACV, if tenant's contents	Building ACV, if tenant's contents	Building ACV
Swimming Pools/Hot Tubs	NO	NO	NO
Temporary Repairs	NO	NO	NO
Trees	NO	NO	NO
Venetian Blinds	Building ACV	Building ACV	Building ACV
Walkways	NO	NO	NO

C. POLICY FORMS AND COMMENTARIES

The SFIP forms, along with a commentary on each, are reproduced on the following pages in this order: Dwelling Form, General Property Form, and Residential Condominium Building Association Policy. This section of the manual uses a side-by-side format in which:

1. Each left-hand page reproduces a page of the SFIP; and
2. Each facing right-hand page provides commentary about the policy changes and other coverage issues important to claims adjusters.

The footer on each page includes the name of the policy form, so you'll know which form of the SFIP is being shown and discussed.

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Dwelling Form

FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM

STANDARD FLOOD INSURANCE POLICY

DWELLING FORM

PLEASE READ THE POLICY CAREFULLY. THE FLOOD INSURANCE PROVIDED IS SUBJECT TO LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS.

THIS POLICY COVERS ONLY:

1. A NON-CONDOMINIUM RESIDENTIAL BUILDING DESIGNED FOR PRINCIPAL USE AS A DWELLING PLACE FOR ONE TO FOUR FAMILIES, OR
2. A SINGLE-FAMILY DWELLING UNIT IN A CONDOMINIUM BUILDING.

I. AGREEMENT

The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations (CFR).

We will pay you for **direct physical loss by or from flood** to your insured property if you:

1. Have paid the correct premium;

2. Comply with all terms and conditions of this **policy**; and

3. Have furnished accurate information and statements.

We have the right to review the information you give us at any time and to revise your **policy** based on our review.

II. DEFINITIONS

A. In this **policy**, "you" and "your" refer to the insured(s) shown on the **Declarations Page** of this **policy** and your spouse, if a resident of the same household. "Insured(s)" includes: Any mortgagee and loss payee named in the **Application** and **Declarations Page**, as well as any other mortgagee or loss payee determined to exist at the time of loss in the order of precedence. "We," "us," and "our" refer to the insurer.

Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. The precise definitions are intended to protect you.

Flood, as used in this flood insurance **policy**, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:
 - a. Overflow of inland or tidal waters;
 - b. Unusual and rapid accumulation or runoff of surface waters from any source;
 - c. **Mudflow**.

2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a **flood** as defined in **A.1.a.** above.

B. The following are the other key definitions that we use in this **policy**:

1. **Act.** The National Flood Insurance Act of 1968 and any amendments to it.
2. **Actual Cash Value.** The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.
3. **Application.** The statement made and signed by you or your agent in applying for this **policy**. The **application** gives information we use to determine the eligibility of the risk, the kind of **policy** to be issued, and the correct premium payment. The **application** is part of this flood insurance **policy**. For us to issue you a **policy**, the correct premium payment must accompany the **application**.
4. **Base Flood.** A **flood** having a one percent chance of being equaled or exceeded in any given year.

DWELLING FORM

COMMENTARY

LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS

The Dwelling Form covers only:

- One- to four-family dwelling not under the condominium form of ownership, and its personal property.
- Personal Property in a multi-unit building.
- A single-family dwelling unit in a condominium building, and its personal property.

I. AGREEMENT

The insuring agreement states the following:

- The Standard Flood Insurance Policy (SFIP) is based upon the National Flood Insurance Act of 1968 and all amendments, and Title 44 of the Code of Federal Regulations (CFR).
- The insured must pay the correct premium to get the requested amount of coverage.
- The insured or the insured's representative must submit accurate information.

II. DEFINITIONS

Flood. Requires surface water inundation of normally dry land from any source, including mudflow (see "Mudflow" definition). Two acres of the insured property or two or more properties (parcels of land), one of which may be a public roadway, must be inundated.

- **Actual Cash Value.** Replacement cost value of the insured building and contents less applicable depreciation (does not include antique value).
- **Application.** Part of this policy; the application paragraph states that the insured must pay the correct premium.

5. **Basement.** Any area of the **building**, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.

6. **Building.**

- a. A structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site;
- b. A manufactured home (a "manufactured home," also known as a mobile home, is a structure: built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or
- c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws.

Building does not mean a gas or liquid storage tank or a recreational vehicle, park trailer, or other similar vehicle, except as described in **B.6.c.** above.

7. **Cancellation.** The ending of the insurance coverage provided by this **policy** before the expiration date.

8. **Condominium.** That form of ownership of real property in which each **unit** owner has an undivided interest in common elements.

9. **Condominium Association.** The entity made up of the **unit** owners responsible for the maintenance and operation of:

- a. Common elements owned in undivided shares by **unit** owners; and
- b. Other real property in which the **unit** owners have use rights;

where membership in the entity is a required condition of **unit** ownership.

10. **Declarations Page.** A computer-generated summary of information you provided in the **application** for insurance. The **Declarations Page** also describes the term of the **policy**, limits of coverage, and displays the premium and our name. The **Declarations Page** is a part of this flood insurance **policy**.

11. **Described Location.** The location where the insured **building(s)** or personal property are found. The **described location** is shown on the **Declarations Page**.

12. **Direct Physical Loss By or From Flood.** Loss or damage to insured property, directly caused by a **flood**. There must be evidence of physical changes to the property.

13. **Dwelling.** A **building** designed for use as a residence for no more than four families or a single-family **unit**

in a **building** under a **condominium** form of ownership.

14. **Elevated Building.** A **building** that has no **basement** and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.

15. **Emergency Program.** The initial phase of a community's participation in the **National Flood Insurance Program**. During this phase, only limited amounts of insurance are available under the **Act**.

16. **Expense Constant.** A flat charge you must pay on each new or renewal **policy** to defray the expenses of the Federal Government related to flood insurance.

17. **Federal Policy Fee.** A flat charge you must pay on each new or renewal **policy** to defray certain administrative expenses incurred in carrying out the **National Flood Insurance Program**. This fee covers expenses not covered by the **expense constant**.

18. **Improvements.** Fixtures, alterations, installations, or additions comprising a part of the insured **dwelling** or the apartment in which you reside.

19. **Mudflow.** A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not **mudflows**.

20. **National Flood Insurance Program (NFIP).** The program of flood insurance coverage and floodplain management administered under the **Act** and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B.

21. **Policy.** The entire written contract between you and us. It includes:

- a. This printed form;
- b. The **application** and **Declarations Page**;
- c. Any endorsement(s) that may be issued; and
- d. Any renewal certificate indicating that coverage has been instituted for a new **policy** and new **policy** term.

Only one **dwelling**, which you specifically described in the **application**, may be insured under this **policy**.

22. **Pollutants.** Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.

II. DEFINITIONS (continued)

Basement. Any area having its floor below ground level (subgrade) on all sides.

Building. A building must have at least two rigid walls and a roof. Liquid storage tanks and bubbles are not covered. Grain bins and silos are covered. Travel trailers without wheels and affixed to a permanent foundation are covered if regulated by local law.

Condominium. Ownership of a building in which each unit owner has an interest in the common elements.

Condominium Association. The Residential Condominium Building Association Policy (RCBAP) may insure only Condominium Associations. The RCBAP may not insure Homeowner Associations, Cooperatives, and other forms of ownership that are not condominiums. The adjuster must review the condominium by-laws if there is a question.

Declarations Page. A summary of information provided by the policyholder on the insurance application. The adjuster must verify the accuracy of the building description, as this may affect coverage.

Described Location. Shown on the Declarations Page.

Direct Physical Loss By or From Flood. Flood waters must touch the insured building, with the exception of seepage/hydrostatic pressure.

Elevated Building. This definition requires space between ground level and the lowest floor.

Mudflow. A surface river of liquid and flowing mud. Other earth movements such as landslide, slope failure, or saturated soil moving by liquidity are not mudflows. (The word "mudslide" no longer is used in the SFIP.)

Pollutants. Testing for or monitoring of pollutants is not covered unless required by law.

- 23. Post-FIRM Building.** A **building** for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later.
- 24. Probation Premium.** A flat charge you must pay on each new or renewal **policy** issued covering property in a community that the NFIP has placed on probation under the provisions of 44 CFR 59.24.
- 25. Regular Program.** The final phase of a community's participation in the **National Flood Insurance Program**. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the **Act**.

- 26. Special Flood Hazard Area.** An area having special **flood**, or **mudflow**, and/or **flood**-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V.
- 27. Unit.** A single-family **unit** you own in a **condominium building**.
- 28. Valued Policy.** A **policy** in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a **valued policy**.

III. PROPERTY COVERED

A. COVERAGE A - BUILDING PROPERTY

We insure against **direct physical loss by or from flood** to:

1. The **dwelling** at the **described location**, or for a period of 45 days at another location as set forth in **III.C.2.b.**, Property Removed to Safety.
2. Additions and extensions attached to and in contact with the **dwelling** by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the **building** by means of a common interior wall that is not a solid load-bearing wall are always considered part of the **dwelling** and cannot be separately insured.
3. A detached garage at the **described location**. Coverage is limited to no more than 10 percent of the limit of liability on the **dwelling**. Use of this insurance is at your option but reduces the **building** limit of liability. We do not cover any detached garage used or held for use for residential (i.e., **dwelling**), business, or farming purposes.
4. Materials and supplies to be used for construction, alteration, or repair of the **dwelling** or a detached garage while the materials and supplies are stored in a fully enclosed **building** at the **described location** or on an adjacent property.
5. A **building** under construction, alteration, or repair at the **described location**.
 - a. If the structure is not yet walled or roofed as described in the definition for **building** (see **II.B.6.a.**) then coverage applies:

(1) Only while such work is in progress; or

(2) If such work is halted, only for a period of up to 90 continuous days thereafter.

b. However, coverage does not apply until the **building** is walled and roofed if the lowest floor, including the **basement** floor, of a non-elevated **building** or the lowest elevated floor of an **elevated building** is:

(1) Below the **base flood** elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or

(2) Below the **base flood** elevation adjusted to include the effect of wave action in Zones VE or V1-V30.

The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 and the top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO.

6. A manufactured home or a travel trailer as described in the Definitions section (see **II.B.6.b.** and **II.B.6.c.**).

If the manufactured home or travel trailer is in a **special flood hazard area**, it must be anchored in the following manner at the time of the loss:

a. By over-the-top or frame ties to ground anchors; or

b. In accordance with the manufacturer's specifications; or

c. In compliance with the community's floodplain management requirements;

II. DEFINITIONS (continued)

Post-FIRM Building. Start of construction or substantial improvement after December 31, 1974, or on or after the publication of the initial Flood Insurance Rate Map (FIRM), whichever is later. Note: A Pre-FIRM building would be a building constructed or substantially improved prior to December 31, 1974.

Special Flood Hazard Area (SFHA). All zones listed are SFHAs. However, the Post-FIRM coverage limitations apply only to Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1–V30, and VE.

Valued Policy. The SFIP is not a valued policy, in any state.

III. PROPERTY COVERED

COVERAGE A – BUILDING PROPERTY

This policy covers only one- to four-family dwellings.

Additions that are attached to and in contact with the risk by a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof are covered.

A solid load-bearing interior wall cannot have any openings and must not provide access from one building or room into another (partial walls). If access is available through a doorway or an opening, then the structure must be insured as one building. Other provisions are:

- At the insured's option, the additions and extensions may be insured separately.
- A common interior wall that is not solid or load bearing necessitates one policy.

Detached Garages. Coverage is limited to no more than 10 percent of liability on the dwelling. Any reimbursement for damage to detached garages would reduce the coverage. If any part of the detached garage is used for residential, business, or farming purposes, coverage for the garage is nullified.

FEMA interprets “residential” to mean “living space”, i.e., an apartment, a house, and the like. The structure retains its character as a detached garage if it is used only for parking motorized vehicles, storage, heaters, air conditioners, powder room, refrigerator with ice maker, freezer, laundry, mud sink, hot water heating in floor, workshop. What is not covered is a detached garage that is entirely or in part used as or held for use as a sleeping space. Of course, if any space is rented or held for rental, the contents owned by the policyholder and related to the rental would be limited to the \$2,500 contents used in any business.

Materials and Supplies. Those used to alter, repair, or construct the insured building or a covered detached garage must be in a fully enclosed building at the property address or an adjoining property.

Building Under Construction. The deductible is doubled (see Dwelling Form Section VI. Deductibles, second paragraph of provision A.) and, if there is no work on the building for a period of 90 continuous days, coverage ceases until such time as work is resumed. Coverage is provided for those items that will become part of the finished building. For example, rebar, footings, and concrete walls that will become part of the finished building are covered. There is no coverage for the forms used to retain the concrete. There is no coverage for a building under construction before it is walled and roofed when the building is Post-FIRM and the basement floor or lowest elevated floor is below Base Flood Elevation in any of Zones AH, AE, A1–A30, AR, AR/AE, AR/AH, AR/A1–A30, AR/A, or AR/AO, or below Base Flood Elevation adjusted for wave action in any of Zones VE or V1–V30.

unless it has been continuously insured by the **NFIP** at the same **described location** since September 30, 1982.

7. The following items of property which are covered under Coverage **A** only:

- a. Awnings and canopies;
- b. Blinds;
- c. Built-in dishwashers;
- d. Built-in microwave ovens;
- e. Carpet permanently installed over unfinished flooring;
- f. Central air conditioners;
- g. Elevator equipment;
- h. Fire sprinkler systems;
- i. Walk-in freezers;
- j. Furnaces and radiators;
- k. Garbage disposal units;
- l. Hot water heaters, including solar water heaters;
- m. Light fixtures;
- n. Outdoor antennas and aerials fastened to **buildings**;
- o. Permanently installed cupboards, bookcases, cabinets, paneling, and wallpaper;
- p. Plumbing fixtures;
- q. Pumps and machinery for operating pumps;
- r. Ranges, cooking stoves, and ovens;
- s. Refrigerators; and
- t. Wall mirrors, permanently installed.

8. Items of property in a **building** enclosure below the lowest elevated floor of an **elevated post-FIRM building** located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a **basement**, regardless of the zone. Coverage is limited to the following:

- a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:
 - (1) Central air conditioners;
 - (2) Cisterns and the water in them;
 - (3) Drywall for walls and ceilings in a **basement** and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing;
 - (4) Electrical junction and circuit breaker boxes;
 - (5) Electrical outlets and switches;
 - (6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the **base flood** elevation after September 30, 1987;
 - (7) Fuel tanks and the fuel in them;
 - (8) Furnaces and hot water heaters;
 - (9) Heat pumps;
 - (10) Nonflammable insulation in a **basement**;
 - (11) Pumps and tanks used in solar energy systems;
 - (12) Stairways and staircases attached to the **building**, not separated from it by elevated walkways;
 - (13) Sump pumps;

- (14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;
- (15) Well water tanks and pumps;
- (16) Required utility connections for any item in this list; and
- (17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a **building**.

- b. Clean-up.

B. COVERAGE B - PERSONAL PROPERTY

1. If you have purchased personal property coverage, we insure against **direct physical loss by or from flood** to personal property inside a **building** at the **described location**, if:

- a. The property is owned by you or your household family members; and
- b. At your option, the property is owned by guests or servants.

Personal property is also covered for a period of 45 days at another location as set forth in **III.C.2.b.**, Property Removed to Safety.

Personal property in a **building** that is not fully enclosed must be secured to prevent flotation out of the **building**. If the personal property does float out during a **flood**, it will be conclusively presumed that it was not reasonably secured. In that case there is no coverage for such property.

2. Coverage for personal property includes the following property, subject to **B.1.** above, which is covered under Coverage **B** only:

- a. Air conditioning units, portable or window type;
- b. Carpets, not permanently installed, over unfinished flooring;
- c. Carpets over finished flooring;
- d. Clothes washers and dryers;
- e. "Cook-out" grills;
- f. Food freezers, other than walk-in, and food in any freezer; and
- g. Portable microwave ovens and portable dishwashers.

3. Coverage for items of property in a **building** enclosure below the lowest elevated floor of an **elevated post-FIRM building** located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a **basement**, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:

- a. Air conditioning units, portable or window type;
- b. Clothes washers and dryers; and
- c. Food freezers, other than walk-in, and food in any freezer.

III. PROPERTY COVERED (continued)

COVERAGE A – BUILDING PROPERTY (continued)

The items listed in the Dwelling Form Section III.A.7. are considered building property; they cannot be paid under contents coverage unless Section III.B.4. applies. Other building items are not excluded, but the items listed are those that will be covered only as part of the building.

The items listed in Dwelling Form Section III.A.8., when installed beneath the lowest elevated floor of an elevated Post-FIRM building or in a basement, are considered building property; they cannot be paid under contents coverage.

A building enclosure and personal property items in a building enclosure below the lowest elevated floor of an elevated Post-FIRM building located in Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30 where the top of the lowest enclosure floor is at or above the Base Flood Elevation (BFE) as shown on the FIRM in effect on the date of loss, is covered.

COVERAGE B – PERSONAL PROPERTY

Contents coverage must be purchased separately, and a separate deductible is applied.

Contents must be owned by the insured or family members of the insured's household, or at the insured's option, within the limits of liability of the policy, by the insured's guests or servants.

Contents are covered while stored in the dwelling or in another fully enclosed building at the described location. Flotation of contents out of a building that has fewer than four rigid walls is not covered.

The items listed in Dwelling Form Section III.B.2., General Property Form Section III.B.3., and RCBAP Section III.B.2. are considered personal property and cannot be paid under building coverage.

The items listed in Dwelling Form Section III.B.3., when installed beneath the lowest elevated floor of an elevated Post-FIRM building or in a basement, are considered personal property items. They cannot be paid under building coverage. Also see General Property Form Section III.B.4. and RCBAP Section III.B.3.

A building enclosure and personal property items in a building enclosure below the lowest elevated floor of an elevated Post-FIRM building located in Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30 where the top of the lowest enclosure floor is at or above the BFE as shown on the FIRM in effect on the date of loss, is covered.

Note: The policy lists items that must always be considered contents (III.B.2.). The policy also lists items covered in a basement or beneath the lowest elevated floor of a Post-FIRM elevated building (III.B.3.) that must always be considered contents.

4. If you are a tenant and have insured personal property under Coverage **B** in this **policy**, we will cover such property, including your cooking stove or range and refrigerator. The **policy** will also cover **improvements** made or acquired solely at your expense in the **dwelling** or apartment in which you reside, but for not more than 10 percent of the limit of liability shown for personal property on the **Declarations Page**. Use of this insurance is at your option but reduces the personal property limit of liability.

5. If you are the owner of a **unit** and have insured personal property under Coverage **B** in this **policy**, we will also cover your interior walls, floor, and ceiling (not otherwise covered under a flood insurance **policy** purchased by your **condominium association**) for not more than 10 percent of the limit of liability shown for personal property on the **Declarations Page**. Use of this insurance is at your option but reduces the personal property limit of liability.

6. **Special Limits.** We will pay no more than \$2,500 for any one loss to one or more of the following kinds of personal property:

- a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;
- b. Rare books or autographed items;
- c. Jewelry, watches, precious and semiprecious stones, or articles of gold, silver, or platinum;
- d. Furs or any article containing fur which represents its principal value; or
- e. Personal property used in any business.

7. We will pay only for the functional value of antiques.

C. COVERAGE C - OTHER COVERAGES

1. Debris Removal

- a. We will pay the expense to remove non-owned debris on or in insured property and owned debris anywhere.
- b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage.
- c. This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

2. Loss Avoidance Measures

a. Sandbags, Supplies, and Labor

(1) We will pay up to \$1,000 for costs you incur to protect the insured **building** from a **flood** or imminent danger of **flood**, for the following:

(a) Your reasonable expenses to buy:

- (i) Sandbags, including sand to fill them;
- (ii) Fill for temporary levees;
- (iii) Pumps; and
- (iv) Plastic sheeting and lumber used in connection with these items.

(b) The value of work, at the Federal minimum wage, that you or a member of your household perform.

(2) This coverage for Sandbags, Supplies, and Labor applies only if damage to insured property by or from **flood** is imminent, and the threat of **flood** damage is apparent enough to lead a person of common prudence to anticipate **flood** damage. One of the following must also occur:

(a) A general and temporary condition of flooding in the area near the **described location** must occur, even if the **flood** does not reach the insured **building**; or

(b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured **building** is located calling for measures to preserve life and property from the peril of **flood**.

This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

b. Property Removed to Safety

(1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the **described location** that contains the property in order to protect it from **flood** or the imminent danger of **flood**.

III. PROPERTY COVERED (continued)

COVERAGE B – PERSONAL PROPERTY (continued)

Tenants. Paragraph 4. states that, if the insured is a tenant and has personal property coverage (Coverage B), the coverage extends to the insured's cooking stove, range, and refrigerator when tenant ownership can be (is) substantiated. Also, improvements made or acquired solely at the insured's expense are covered for up to 10 percent of the limit of liability for personal property. The 10 percent limit of liability for improvements does not include cooking stoves, ranges, or refrigerators.

Special Limits. A total of \$2,500 is the maximum payment allowed for artwork, rare books, jewelry, furs, or any article containing fur, which represents its principal value, as well as personal property used in any business. This maximum payment also extends to the following:

- Photographs
- Collectibles
- Memorabilia
- Porcelain or other figurines and sports cards
- Autographed items
- Watches
- Precious and semiprecious stones
- Articles of gold, silver, or platinum

This coverage is limited to personal property owned by the named insured, household family members, servants, and guests.

Antiques. Coverage is provided only for the functional value of antiques.

COVERAGE C – OTHER COVERAGES

Debris Removal. Insured property means property we insure—i.e., the described building and covered contents. The described premises include the lot, which is not covered.

Coverage extends to insured property anywhere and to non-owned debris on or in the insured property. Non-covered items such as contents in a basement are excluded from debris removal coverage.

Loss Avoidance Measures (Mitigation). Expenses are covered up to \$1,000 per measure; no deductible applies. Paid receipts are required for sandbags, supplies, and property removed to safety (truck rental, storage unit, etc.). Loss mitigation measures are described below.

a. Sandbags, Supplies, and Labor

- Sandbags, including sand
- Fill for temporary levees
- Pumps
- Plastic sheeting and lumber used in connection with these items
- Labor (Insured and members of family can be paid for labor at the federal minimum wage.)

This coverage applies only under Coverage A – Building Property.

b. Property Removed to Safety. A maximum of \$1,000 can be paid to move insured property to another place other than the described location above ground or outside the SFHA to preserve it from flood. Read Dwelling Form Section III.C.2.b. Property Removed to Safety.

Reasonable expenses include the value of work, at the Federal minimum wage, that you or a member of your household perform.

- (2) If you move insured property to a location other than the **described location** that contains the property, in order to protect it from **flood** or the imminent danger of **flood**, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed **building** or otherwise reasonably protected from the elements.

Any property removed, including a moveable home described in **II.B.6.b.** and **c.**, must be placed above ground level or outside of the **special flood hazard area**.

This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

3. Condominium Loss Assessments

- a. If this **policy** insures a **unit**, we will pay, up to the Coverage **A** limit of liability, your share of loss assessments charged against you by the **condominium association** in accordance with the **condominium association's** articles of association, declarations and your deed.

The assessment must be made as a result of **direct physical loss by or from flood** during the **policy** term, to the **building's** common elements.

- b. We will not pay any loss assessment charged against you:
- (1) And the **condominium association** by any governmental body;
 - (2) That results from a deductible under the insurance purchased by the **condominium association** insuring common elements;
 - (3) That results from a loss to personal property, including contents of a **condominium building**;
 - (4) That results from a loss sustained by the **condominium association** that was not reimbursed under a flood insurance **policy** written in the name of the association under the **Act** because the **building** was not, at the time of loss, insured for an amount equal to the lesser of:

(a) 80 percent or more of its full replacement cost; or

(b) The maximum amount of insurance permitted under the **Act**;

(5) To the extent that payment under this **policy** for a **condominium building** loss, in combination with payments under any other **NFIP policies** for the same **building** loss, exceeds the maximum amount of insurance permitted under the **Act** for that kind of **building**; or

(6) To the extent that payment under this **policy** for a **condominium building** loss, in combination with any recovery available to you as a tenant in common under any **NFIP condominium association policies** for the same **building** loss, exceeds the amount of insurance permitted under the **Act** for a single-family dwelling.

Loss assessment coverage does not increase the Coverage **A** limit of liability.

D. COVERAGE D - INCREASED COST OF COMPLIANCE

1. General

This **policy** pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering **flood** damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your structure. Eligible floodproofing activities are limited to:

- a. Nonresidential structures.
- b. Residential structures with **basements** that satisfy FEMA's standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

2. Limit of Liability

We will pay you up to \$20,000 under this Coverage **D** - Increased Cost of Compliance, which only applies to **policies** with **building** coverage (Coverage **A**). Our payment of claims under Coverage **D** is in addition to the amount of coverage which you selected on the **application** and which appears on the **Declarations Page**. But the maximum you can collect under this **policy** for both Coverage **A** - Building Property and Coverage **D** - Increased Cost of Compliance cannot exceed the maximum permitted under the **Act**. We do not charge a separate deductible for a claim under Coverage **D**.

III. PROPERTY COVERED (continued)

COVERAGE C – OTHER COVERAGES (continued)

If the property removed is a manufactured (mobile) home or travel trailer, coverage extends to it for 45 days, even if it is not on a foundation. This coverage can be used for building, contents, or both; but the total of building and contents payments cannot exceed \$1,000 each.

Other provisions regarding property removed to safety are:

- Contents must be placed in a fully enclosed building or otherwise reasonably protected and moved temporarily away from the peril of flood.
- Property must be removed to a location other than the described location. Property moved from one place to another at the described location is not covered.
- Coverage extends for 45 days at another place.
- With paid receipts, coverage is also extended to return the removed property back to the described location.
- No deductible applies.

Removed property is covered for damage by flood only. Any property removed, including a movable home described in Dwelling Form Section II.B.6.b. and c., must be placed above ground level at a location other than the described location or outside of the SFHA. See General Property Form Section III.C.2.b. and RCBAP Section III.C.2.b.

Condominium Loss Assessment: If no Residential Condominium Building Association Policy (RCBAP) is in force on the building, then the Dwelling Form will respond to covered loss assessments. The Dwelling Form will not respond to assessments if there is an RCBAP that is not insured to 80 percent of the RCV or the maximum insurable value of the building, whichever is less. See 3.b. (4)(a) and (b). The Dwelling Form will not respond to assessments of non-covered items.

COVERAGE D – INCREASED COST OF COMPLIANCE

The limit of liability for Increased Cost of Compliance (ICC) coverage was raised to \$30,000 on May 1, 2003. Any flood loss incurred prior to May 2003 will be adjusted according to the previous limit of \$20,000.

ICC coverage is used for floodproofing, demolition, elevation, or relocation of the structure, or a combination of these. It is an additional amount of insurance above building limits of liability, but we cannot pay more than the law allows (\$250,000 dwelling, \$500,000 commercial, \$250,000 x the number of units under the RCBAP).

For further information about ICC coverage, see Section VI of this manual. Subsection VI.D.3. specifically addresses assignment of Coverage D by the policyholder to the community.

3. Eligibility

a. A structure covered under Coverage **A** - Building Property sustaining a loss caused by a **flood** as defined by this **policy** must:

(1) Be a "repetitive loss structure." A repetitive loss structure is one that meets the following conditions:

(a) The structure is covered by a contract of flood insurance issued under the **NFIP**.

(b) The structure has suffered **flood** damage on two occasions during a 10-year period which ends on the date of the second loss.

(c) The cost to repair the **flood** damage, on average, equaled or exceeded 25 percent of the market value of the structure at the time of each flood loss.

(d) In addition to the current claim, the **NFIP** must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; or

(2) Be a structure that has had **flood** damage in which the cost to repair equals or exceeds 50 percent of the market value of the structure at the time of the **flood**. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure.

b. This Coverage **D** pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the **National Flood Insurance Program** found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:

(1) **3.a.(1)** above.

(2) Elevation or floodproofing in any risk zone to preliminary or advisory **base flood** elevations provided by FEMA which the State or local government has adopted and is enforcing for **flood**-damaged structures in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with **base flood** elevations. This also includes compliance activities in zones where **base flood**

elevations are being increased, and a **flood**-damaged structure must comply with the higher advisory **base flood** elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for **flood**-damaged structures to elevations derived solely by the community.

(3) Elevation or floodproofing above the **base flood** elevation to meet State or local "freeboard" requirements, i.e., that a structure must be elevated above the **base flood** elevation.

c. Under the minimum **NFIP** criteria at 44 CFR 60.3 (b)(4), States and communities must require the elevation or floodproofing of structures in unnumbered A zones to the **base flood** elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage **D**.

d. This coverage will also pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a structure during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion **D.5.g.** below.

e. This coverage will also pay to bring a **flood**-damaged structure into compliance with State or local floodplain management laws or ordinances even if the structure had received a variance before the present loss from the applicable floodplain management requirements.

4. Conditions

a. When a structure covered under Coverage **A** - Building Property sustains a loss caused by a **flood**, our payment for the loss under this Coverage **D** will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our payment for eligible demolition activities will be for the cost to demolish and clear the site of the **building** debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities.

b. When the **building** is repaired or rebuilt, it must be intended for the same occupancy as the present **building** unless otherwise required by current floodplain management ordinances or laws.

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

Structures that are in an SFHA and are declared by the local community to be substantially flood-damaged by 50 percent of their market value are eligible. An ICC claim must not be opened until the local official has declared in writing that the structure has been substantially damaged specifically by flood. ■

On ICC claims for structures in B, C, X, D, unnumbered A and V, and A99 zones, the adjuster needs to obtain a written statement from the local official that the zone is being changed to a SFHA and is requiring an ICC activity. ■

For communities that have cumulative damage language in their ordinance, the building must have sustained two flood losses in 10 years, averaging 25 percent. The adjuster must verify that the community has such cumulative damage language in the ordinance. The adjuster must also verify that NFIP claim payments were issued to the insured for both qualifying losses. ■

The date of loss for the ICC claim is the same as the date of loss of the underlying flood claim. ■

5. Exclusions

Under this Coverage **D** - Increased Cost of Compliance, we will not pay for:

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the **Emergency Program**.
- b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **pollutants**.
- c. The loss in value to any insured **building** or other structure due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a **building** demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any Increased Cost of Compliance under this Coverage **D**:
 - (1) Until the **building** is elevated, floodproofed, demolished, or relocated on the same or to another premises; and
 - (2) Unless the **building** is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years (see **3.b.**).
- f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.

- g. Any compliance activities needed to bring additions or **improvements** made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the **NFIP's** minimum requirements. This includes any situation where you have received from the State or community a variance in connection with the current **flood** loss to rebuild the property to an elevation below the **base flood** elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any structure insured under an **NFIP** Group Flood Insurance Policy.
- l. Assessments made by a **condominium association** on individual **condominium unit** owners to pay increased costs of repairing commonly owned **buildings** after a **flood** in compliance with State or local floodplain management ordinances or laws.

6. Other Provisions

- a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the 80 percent insurance-to-value requirement for replacement cost coverage as set forth in **VII. General Conditions, V. Loss Settlement**.
- b. All other conditions and provisions of this **policy** apply.

IV. PROPERTY NOT COVERED

We do not cover any of the following property:

- 1. Personal property not inside the fully enclosed **building**.
- 2. A **building**, and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982;
- 3. Open structures, including a **building** used as a boathouse or any structure or **building** into which boats are floated, and personal property located in, on, or over water;
- 4. Recreational vehicles other than travel trailers described in **II.B.6.c.**, whether affixed to a permanent foundation or on wheels;
- 5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are:
 - a. Used mainly to service the **described location**, or
 - b. Designed and used to assist handicapped persons,while the vehicles or machines are inside a **building** at the **described location**;
- 6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals;
- 7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers;

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

Under ICC, even if a local ordinance or law requires the testing, monitoring, clean-up, removal, containment, treatment, detoxification, or neutralization of pollutants, there is no coverage.

Note: FEMA Bulletin W-06019, March 14, 2006, waived the 2-year time limit for the completion of ICC activities for all claims on or after June 1, 2005, and extended the time to complete these activities to 4 years. In an upcoming revision to the SFIP, the time limit found at paragraph 5.e.(2) will be changed to 4 years. The 4-year limit for completing an ICC claim begins on the date of the written declaration by the local community official that the insured structure has been substantially damaged by flood. This means that the 4-year period that will be referenced in paragraph 5.e.(2) begins on the date of the written declaration.

The two conditions in Paragraph 5.e. refer to the total payment of an ICC claim. Partial payments of ICC claims are permitted. Partial payments may be issued before completion of the mitigation activity but cannot exceed 50 percent of the estimated reimbursable cost of the mitigation activity, up to 50 percent of the maximum ICC coverage available.

Adjusters are required to submit daily reports of possible substantially damaged properties to the NFIP Bureau and Statistical Agent by fax at 1-800-457-4232, or by mail to P.O. Box 310, Lanham, MD 20706.

See Section VI of this manual, "Increased Cost of Compliance (ICC)" for additional information.

IV. PROPERTY NOT COVERED

Building or Personal Property Entirely in, on, or over Water or Seaward of Mean High Tide. No coverage is provided if the building was constructed or substantially improved after September 30, 1982.

Recreational Vehicles. Excluded from coverage except travel trailers defined in Dwelling Form II.B.6.c.

Self-Propelled Vehicles or Machines. Excluded from coverage, except those used to service the described location or designed and used to assist handicapped persons. The vehicles or machines must be located inside the building at the described location. Such vehicles located below the lowest elevated floor of a post-FIRM elevated building or in a basement are not covered.

Land, Land Values, Lawns, Trees, Shrubs, Plants, Growing Crops, or Animals. Animals are specifically excluded from coverage by the provision in Dwelling Form Section IV.6 (also General Property Form Section IV.6 and Residential Condominium Building Association Policy Section IV.6). This exclusion applies to live bait, such as worms or minnows, sold in fishing tackle shops.

8. Underground structures and equipment, including wells, septic tanks, and septic systems;
9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured **building** or the **building** in which the insured **unit** is located;
10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids;
11. **Buildings** or **units** and all their contents if more than 49 percent of the **actual cash value** of the **building** or **unit** is below ground, unless the lowest level is at or above the **base flood** elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques;
12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks;
13. Aircraft or watercraft, or their furnishings and equipment;
14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located;
15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act and amendments to these acts;
16. Personal property you own in common with other **unit** owners comprising the membership of a **condominium association**.

V. EXCLUSIONS

A. We only provide coverage for **direct physical loss by or from flood**, which means that we do not pay you for:

1. Loss of revenue or profits;
2. Loss of access to the insured property or **described location**;
3. Loss of use of the insured property or **described location**;
4. Loss from interruption of business or production;
5. Any additional living expenses incurred while the insured **building** is being repaired or is unable to be occupied for any reason;
6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities that we describe in Coverage **D** - Increased Cost of Compliance; or
7. Any other economic loss.

B. We do not insure a loss directly or indirectly caused by a **flood** that is already in progress at the time and date:

1. The **policy** term begins; or
2. Coverage is added at your request.

C. We do not insure for loss to property caused directly by earth movement even if the earth movement is

caused by **flood**. Some examples of earth movement that we do not cover are:

1. Earthquake;
2. Landslide;
3. Land subsidence;
4. Sinkholes;
5. Destabilization or movement of land that results from accumulation of water in subsurface land area; or
6. Gradual erosion.

We do, however, pay for losses from **mudflow** and land subsidence as a result of erosion that are specifically covered under our definition of **flood** (see **II.A.1.c.** and **II.A.2.**).

D. We do not insure for direct physical loss caused directly or indirectly by any of the following:

1. The pressure or weight of ice;
2. Freezing or thawing;
3. Rain, snow, sleet, hail, or water spray;
4. Water, moisture, mildew, or mold damage that results primarily from any condition:
 - a. Substantially confined to the **dwelling**; or
 - b. That is within your control, including but not limited to:

(1) Design, structural, or mechanical defects;

IV. PROPERTY NOT COVERED (continued)

Containers. Fuel tanks and well water tanks are not covered outside a basement, elevated building enclosure, or the insured building. Tanks containing other liquids or gases are not covered.

Hot Tubs, Spas and Swimming Pools. These and their equipment are not covered, except that spas and hot tubs are covered if they are bathroom fixtures.

Coastal Barrier Resources Act (CBRA). It is the adjuster's responsibility not to recommend payment for buildings and their contents made ineligible by CBRA legislation, as it is against the law to insure such buildings. These should be referred to Underwriting for a coverage determination.

V. EXCLUSIONS

Loss of Revenue or Profit, Loss of Access, Loss of Use, Business Interruption, and Additional Living Expenses. We will not pay for these. Coverage is not provided for the cost of complying with any ordinance or law except those described in D. Coverage D – Increased Cost of Compliance.

Loss in Progress. Not covered (Paragraph B.).

Single Peril. Paragraph C. makes it clear that this is a single-peril policy. Earth movement caused by flood is excluded. This includes but is not limited to earthquake, landslide, land subsidence, sinkholes, destabilization, or movement of land resulting from the accumulation of water in subsurface land areas, and gradual erosion.

Land subsidence is covered if it is caused by erosion as specified in the definition of flood (see Dwelling Form Section II.A.2.).

Note: The adjuster should recognize and immediately report potential structural instability of the insured property to the WYO Company and recommend a qualified expert conduct an on-site inspection of the insured building. The expert should provide a comprehensive report detailing the cause and effect of the settlement/subsidence including photographs of the structure to the WYO Company that will assist in making the necessary determination as to whether or not damage is a direct physical loss by or from flood.

Water, Moisture, Mildew, Mold, Damage. Not covered when caused by a condition substantially confined to the building, or within the insured's control, which includes design, structural, or mechanical defects; failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or the insured's failure to adequately inspect and maintain the property after the flood waters recede. (For additional information about mold damage, see Subsection VIII.C' of this manual.)

Note: The insured should not be reimbursed for any pre-existing damage resulting from rotten or deteriorated wood or other framing members. The adjuster should be able to distinguish whether or not the wood members have been exposed to long-term moisture causing the wood to crumble, rot and/ or weaken. Often, the adjuster will observe infestation by termites or other insect's in the deteriorated area; the damage resultant from infestation is also not covered by the SFIP.

- (2) Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or
 - (3) Failure to inspect and maintain the property after a **flood** recedes;
5. Water or waterborne material that:
- a. Backs up through sewers or drains ;
 - b. Discharges or overflows from a sump, sump pump, or related equipment; or
 - c. Seeps or leaks on or through the covered property;
- unless there is a **flood** in the area and the **flood** is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or seepage of water;
6. The pressure or weight of water unless there is a **flood** in the area and the **flood** is the proximate cause of the damage from the pressure or weight of water;

- 7. Power, heating, or cooling failure unless the failure results from **direct physical loss by or from flood** to power, heating, or cooling equipment on the **described location**;
 - 8. Theft, fire, explosion, wind, or windstorm;
 - 9. Anything you or any member of your household do or conspire to do to cause loss by **flood** deliberately; or
 - 10. Alteration of the insured property that significantly increases the risk of flooding.
- E.** We do not insure for loss to any **building** or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.
- F.** We do not pay for the testing for or monitoring of **pollutants** unless required by law or ordinance.

VI. DEDUCTIBLES

- A.** When a loss is covered under this **policy**, we will pay only that part of the loss that exceeds your deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the **Declarations Page**.

However, when a **building** under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed **building**.
- B.** In each loss from **flood**, separate deductibles apply to the **building** and personal property insured by this **policy**.
- C.** The deductible does not apply to:
 - 1. **III.C.2.** Loss Avoidance Measures;
 - 2. **III.C.3.** Condominium Loss Assessments; or
 - 3. **III.D.** Increased Cost of Compliance.

VII. GENERAL CONDITIONS

- A. Pairs and Sets**

In case of loss to an article that is part of a pair or set, we will have the option of paying you:
 - 1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation; or
 - 2. The amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set.
- B. Concealment or Fraud and Policy Voidance**
 - 1. With respect to all insureds under this **policy**, this **policy**:
 - a. Is void;
 - b. Has no legal force or effect;
 - c. Cannot be renewed; and
 - d. Cannot be replaced by a new **NFIP policy**;

V. EXCLUSIONS (continued)

Water or Waterborne Materials. Damage from water or waterborne materials that cause sewers or drains to back up, including the discharge or overflow of water from a sump, sump pump, or any related equipment, or seeps or leaks on or through insured property, is not covered. However, if there is a general and temporary condition of flooding in the area and the flood is the proximate cause of the sewer, drain, or sump pump back-up and is the proximate cause of the seepage of water, then coverage is provided.

Other Water Damage. Water that seeps or leaks on or through the covered property is not covered e.g., wind-driven rain.

Power Failure. Only losses resulting from power, heating, or cooling equipment failure, if the failure was caused by flood and the failing equipment was located on the described location, are covered. Power failures occurring off the described location due to flood and causing damage to insured heating or cooling equipment or any other insured property are not covered. If the power is intentionally turned off by the insured, there is no coverage.

VI. DEDUCTIBLES

The deductible is doubled for a building under construction. (Per Dwelling Form Section III.A.5.a.(2), if there is no work on the building for a period of 90 continuous days, coverage ceases until such time as work is resumed.)

There are separate deductibles for the structure and personal property ranging from \$500 to \$50,000 depending on the occupancy.

VII. GENERAL CONDITIONS

Pairs and Sets. We pay for the one item damaged less applicable depreciation, or the fair proportion of the value of the pair or set that the destroyed item bears to the pair or set.

Concealment or Fraud and Policy Voidance. Any NFIP flood policy can be voided if the insured commits fraud. The adjuster must report to the insurer any relevant facts on the Narrative Report form.

if, before or after a loss, you or any other insured or your agent have at any time:

- (1) Intentionally concealed or misrepresented any material fact or circumstance;
- (2) Engaged in fraudulent conduct; or
- (3) Made false statements;

relating to this **policy** or any other **NFIP** insurance.

2. This **policy** will be void as of the date the wrongful acts described in **B.1.** above were committed.
3. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.
4. This **policy** is also void for reasons other than fraud, misrepresentation, or wrongful act. This **policy** is void from its inception and has no legal force under the following conditions:
 - a. If the property is located in a community that was not participating in the **NFIP** on the **policy's** inception date and did not join or reenter the program during the **policy** term and before the loss occurred; or
 - b. If the property listed on the **application** is otherwise not eligible for coverage under the **NFIP**.

C. Other Insurance

1. If a loss covered by this **policy** is also covered by other insurance that includes **flood** coverage not issued under the **Act**, we will not pay more than the amount of insurance that you are entitled to for lost, damaged, or destroyed property insured under this **policy** subject to the following:
 - a. We will pay only the proportion of the loss that the amount of insurance that applies under this **policy** bears to the total amount of insurance covering the loss, unless **C.1.b.** or **c.** immediately below applies.
 - b. If the other policy has a provision stating that it is excess insurance, this **policy** will be primary.
 - c. This **policy** will be primary (but subject to its own deductible) up to the deductible in the other **flood** policy (except another policy as described in **C.1.b.** above). When the other deductible amount is reached, this **policy** will participate in the same proportion that the amount of insurance under this **policy** bears to the total amount of both policies, for the remainder of the loss.

2. If there is other insurance in the name of your **condominium association** covering the same property covered by this **policy**, then this **policy** will be in excess over the other insurance.

D. Amendments, Waivers, Assignment

This **policy** cannot be changed nor can any of its provisions be waived without the express written consent of the Federal Insurance Administrator. No action that we take under the terms of this **policy** constitutes a waiver of any of our rights. You may assign this **policy** in writing when you transfer title of your property to someone else, except under these conditions:

1. When this **policy** covers only personal property; or
2. When this **policy** covers a structure during the course of construction.

E. Cancellation of Policy by You

1. You may cancel this **policy** in accordance with the applicable rules and regulations of the **NFIP**.
2. If you cancel this **policy**, you may be entitled to a full or partial refund of premium also under the applicable rules and regulations of the **NFIP**.

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

1. If the community where your covered property is located stops participating in the **NFIP**; or
2. If your **building** has been declared ineligible under Section 1316 of the **Act**.

G. Reduction and Reformation of Coverage

1. If the premium we received from you was not enough to buy the kind and amount of coverage you requested, we will provide only the amount of coverage that can be purchased for the premium payment we received.
2. The **policy** can be reformed to increase the amount of coverage resulting from the reduction described in **G.1.** above to the amount you requested as follows:
 - a. Discovery of insufficient premium or incomplete rating information before a loss.
 - (1) If we discover before you have a **flood** loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current **policy** term (or that portion of the current **policy** term following any endorsement changing

VII. GENERAL CONDITIONS (continued)

Other Insurance. This policy is primary over all other policies that clearly state they are excess. If the other policy does not state it is excess, this policy is primary up to the other policy's deductible, subject to this policy's deductible; once our payment reaches the other deductible amount, the coverage becomes pro-rata. (See examples in Section VII. of this manual, Basic Adjustment Issues, following.)

Nonrenewal of the Policy by Us. The policy will not be renewed if the community in which the insured property is located stops participating in the NFIP or if the building has been declared ineligible under Section 1316 of the National Flood Insurance Act of 1968, as amended.

Reduction and Reformation of Coverage. The coverage amounts will be reduced if it is discovered that the premium was insufficient; if the amount of additional premium can be determined, the insured has 30 days to pay the additional premium. Only prospective premiums are to be charged. The time required to determine the additional premium must not delay the claim process.

the amount of coverage). If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the **policy** to increase the amount of coverage to the originally requested amount effective to the beginning of the current **policy** term (or subsequent date of any endorsement changing the amount of coverage).

- (2) If we determine before you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. Once we determine the amount of additional premium for the current **policy** term, we will follow the procedure in **G.2.a.(1)** above.
 - (3) If we do not receive the additional premium (or additional information) by the date it is due, the amount of coverage can only be increased by endorsement subject to any appropriate waiting period.
- b. Discovery of insufficient premium or incomplete rating information after a loss.
- (1) If we discover after you have a **flood** loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current and the prior **policy** terms. If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the **policy** to increase the amount of coverage to the originally requested amount effective to the beginning of the prior **policy** term.
 - (2) If we discover after you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information before your claim can be paid. Once we determine the amount of additional premium for the current and prior **policy** terms, we will follow the procedure in **G.2.b.(1)** above.
 - (3) If we do not receive the additional premium by the date it is due, your flood insurance claim will be settled based on the reduced amount of coverage. The amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

3. However, if we find that you or your agent intentionally did not tell us, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of Condition **B. Concealment or Fraud and Policy Voidance** apply.

H. Policy Renewal

1. This **policy** will expire at 12:01 a.m. on the last day of the **policy** term.
2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.
3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures:
 - a. If you or your agent notified us, not later than 1 year after the date on which the payment of the renewal premium was due, of nonreceipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due date, which will be 30 days after the date on which the bill is mailed.
 - b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the **policy**. In that case, the **policy** will remain an expired **policy** as of the expiration date shown on the **Declarations Page**.
4. In connection with the renewal of this **policy**, we may ask you during the **policy** term to recertify, on a Recertification Questionnaire we will provide to you, the rating information used to rate your most recent **application** for or renewal of insurance.

I. Conditions Suspending or Restricting Insurance

We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.

J. Requirements in Case of Loss

In case of a **flood** loss to insured property, you must:

1. Give prompt written notice to us;
2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it;
3. Prepare an inventory of damaged property showing the quantity, description, **actual cash value**, and amount of loss. Attach all bills, receipts, and related documents;

VII. GENERAL CONDITIONS (continued)

Requirements in Case of Loss. Claims should be investigated under a Reservation of Rights or Non-Waiver Agreement if the insured does not comply with Paragraphs J.1. through 9.

4. Within 60 days after the loss, send us a proof of loss, which is your **statement** of the amount you are claiming under the **policy** signed and sworn to by you, and which furnishes us with the following information:
 - a. The date and time of loss;
 - b. A brief explanation of how the loss happened;
 - c. Your interest (for example, "owner") and the interest, if any, of others in the damaged property;
 - d. Details of any other insurance that may cover the loss;
 - e. Changes in title or occupancy of the covered property during the term of the **policy**;
 - f. Specifications of damaged **buildings** and detailed repair estimates;
 - g. Names of mortgagees or anyone else having a lien, charge, or claim against the covered property;
 - h. Details about who occupied any insured **building** at the time of loss and for what purpose; and
 - i. The inventory of damaged personal property described in **J.3.** above.
5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.
6. You must cooperate with the adjuster or representative in the investigation of the claim.
7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.
8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.
9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.

K. Our Options After a Loss

Options we may, in our sole discretion, exercise after loss include the following:

1. At such reasonable times and places that we may designate, you must:
 - a. Show us or our representative the damaged property;
 - b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and
 - c. Permit us to examine and make extracts and copies of:
 - (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;
 - (2) **Condominium association** documents including the Declarations of the **condominium**, its Articles of Association or Incorporation, Bylaws, rules and regulations, and other relevant documents if you are a **unit** owner in a **condominium building**; and
 - (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost.
2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:
 - a. Quantities and costs;
 - b. **Actual cash values** or replacement cost (whichever is appropriate);
 - c. Amounts of loss claimed;
 - d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and
 - e. Evidence that prior **flood** damage has been repaired.
3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:
 - a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and
 - b. Take all or any part of the damaged property at the value we agree upon or its appraised value.

L. No Benefit to Bailee

No person or organization, other than you, having custody of covered property will benefit from this insurance.

VII. GENERAL CONDITIONS (continued)

Bailee Goods. Bailee Goods are the result of a bailment, which is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose under an express or implied-in-fact contract.

Example: When the bailor takes a pair of shoes to the cobbler (the bailee) for repair, a bailment is established while the bailee has the shoes. The shoes while in the possession of the bailee are bailee goods. Note: a bailment involves a change in possession but not in title.

Real property, by definition, can never be bailee goods. In addition, property that is sold (title changes) cannot be bailee goods. Therefore, real property that is sold cannot be bailee goods after the sale or before the sale.

M. Loss Payment

1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the **policy** or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files an adjuster's report signed and sworn to by you in lieu of a proof of loss) and:
 - a. We reach an agreement with you;
 - b. There is an entry of a final judgment; or
 - c. There is a filing of an appraisal award with us, as provided in **VII.P.**
2. If we reject your proof of loss in whole or in part you may:
 - a. Accept our denial of your claim;
 - b. Exercise your rights under this **policy**; or
 - c. File an amended proof of loss, as long as it is filed within 60 days of the date of the loss.

N. Abandonment

You may not abandon to us damaged or undamaged property insured under this **policy**.

O. Salvage

We may permit you to keep damaged insured property after a loss, and we will reduce the amount of the loss proceeds payable to you under the **policy** by the value of the salvage.

P. Appraisal

If you and we fail to agree on the **actual cash value** or, if applicable, replacement cost of your damaged property to settle upon the amount of loss, then either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the State where the covered property is located. The appraisers will separately state the **actual cash value**, the replacement cost, and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of **actual cash value** and loss, or if it applies, the replacement cost and loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

Q. Mortgage Clause

The word "mortgagee" includes trustee.

Any loss payable under Coverage **A** - Building Property will be paid to any mortgagee of whom we have actual notice as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

1. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;
2. Pays any premium due under this **policy** on demand if you have neglected to pay the premium; and
3. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.

All of the terms of this **policy** apply to the mortgagee.

The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the **building**.

If we decide to cancel or not renew this **policy**, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or nonrenewal.

If we pay the mortgagee for any loss and deny payment to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

R. Suit Against Us

You may not sue us to recover money under this **policy** unless you have complied with all the requirements of the **policy**. If you do sue, you must start the suit within 1 year after the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this **policy** and to any dispute that you may have arising out of the handling of any claim under the **policy**.

S. Subrogation

Whenever we make a payment for a loss under this **policy**, we are subrogated to your right to recover for that loss from any other person. That means that your right to

VII. GENERAL CONDITIONS (continued)

Loss Payment. The adjuster needs to be prompt in reporting the investigation, as the insurer has only 60 days from the date of receiving the insured's Proof of Loss to pay the claim, or within 90 days after the adjuster files a report that is signed and sworn to by the insured in lieu of the Proof of Loss. If the Proof of Loss is rejected in whole or in part or a new supplemental Proof of Loss is filed, it must be submitted and received within 60 days of the date of loss. Only FEMA has the authority to waive or extend the filing deadline.

Salvage. The insured has the option to keep damaged property after a flood, and the adjuster will reduce the amount of the loss proceeds payable to the insured.

Appraisal. The appraisal clause applies if the insured and adjuster fail to agree on the actual cash value or replacement cost of the damaged property, whichever is appropriate. In the event that the two appraisers appointed by the insured and insurer cannot agree, they should submit only their differences to an umpire. **There is no appraisal for coverage issues.**

Mortgage Clause. The mortgage clause applies to any loss payable under Coverage A – Building. ICC is Coverage D; therefore, protecting the mortgagee is not required for ICC payments. ICC payments are to help policyholders comply with local floodplain management laws or ordinances. The insurer may choose to include the mortgagee on these checks. However, the mortgage contract may allow the lender to apply claim payments to the loan and not to the paid activity. Making the insurer aware of the policy wording and any other information associated with the payment is important in their decision making process.

We will also protect the interest of any loss payee or other interested party discovered during the investigation. This protection extends to the U.S. Small Business Administration (SBA). A typical SBA Assignment of Insurance Proceeds letter states, "The U.S. Small Business Administration (SBA) has approved a loan to repair/replace your insured's damaged real estate and/or personal property...in compliance with the assignment, future payments on this claim (except payments for additional living expenses) are to name the U.S. Small Business Administration as a co-payee." This means the SBA must be included on the building check(s) (including ICC), and the contents check(s) on this claim.

Suit Against Us. The insured must file suit in the United States District Court within one year after the written denial of all or part of the claim.

Subrogation. The insured's right to recover for a loss in part or in whole for damages caused by someone else is transferred to the insurer if the loss is paid under the Standard Flood Insurance Policy.

recover for a loss that was partly or totally caused by someone else is automatically transferred to us, to the extent that we have paid you for the loss. We may require you to acknowledge this transfer in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money.

T. Continuous Lake Flooding

1. If your insured **building** has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in a covered loss to the insured **building** equal to or greater than the **building policy** limits plus the deductible or the maximum payable under the **policy** for any one **building** loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing:

- a. To make no further claim under this **policy**;
- b. Not to seek renewal of this **policy**;
- c. Not to apply for any flood insurance under the **Act** for property at the **described location**; and
- d. Not to seek a premium refund for current or prior terms.

If the **policy** term ends before the insured **building** has been flooded continuously for 90 days, the provisions of this paragraph T.1. will apply when the insured **building** suffers a covered loss before the **policy** term ends.

2. If your insured **building** is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph T.1. above or paragraph T.2. (A "closed basin lake" is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded 1 square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States, where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph T.2. we will pay your claim as if the **building** is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:

- a. Lake **flood** waters must damage or imminently threaten to damage your **building**.
- b. Before approval of your claim, you must:

(1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; and

(2) Grant the conservation easement described in FEMA's "Policy Guidance for Closed Basin Lakes," to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for **flood** damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures that it will allow on any portion of the property within the ASC are certain simple agricultural and recreational structures. If any of these allowable structures are insurable buildings under the **NFIP** and are insured under the **NFIP**, they will not be eligible for the benefits of this paragraph T.2. If a U.S. Army Corps of Engineers certified **flood** control project or otherwise certified **flood** control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and

(3) Comply with paragraphs T.1.a. through T.1.d. above.

c. Within 90 days of approval of your claim, you must move your **building** to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show that there is sufficient reason to extend the time.

d. Before the final payment of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your **building**.

e. Before the approval of your claim, the community having jurisdiction over your **building** must:

(1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance, that is consistent with the provisions specified in the easement required in paragraph T.2.b. above.

(2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the **building** can be denied; and

VII. GENERAL CONDITIONS (continued)

Continuous Lake Flooding. The structure must be inundated by lake water for 90 continuous days, and it must be reasonably certain that the continuation of this flooding will result in damage equal to or greater than policy limits, or the ACV or RCV, as applicable. If it is not reasonably certain that the flooding will cause a total loss, then we will pay only for the actual damage up to the waterline. (See Section VIII of this manual, Special Adjustment Issues, for more information about continuous lake flooding.)

Closed Basin Lakes. A closed basin lake is a natural lake from which water leaves primarily through evaporation, and whose surface area now exceeds or has exceeded one square mile at any time in the past. If an insured building is subject to continuous closed basin lake flooding, a total loss claim can be paid if lake flood waters damage or imminently threaten to damage the building and an eventual total loss appears likely.

Special reporting procedures apply to ICC claims and closed basin lake claims. Notify the NFIP Bureau and Statistical Agent upon receipt of either type of claim.

(3) Agree to maintain as deed-restricted, for purposes compatible with open space or agricultural or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of paragraph **T.2.b.** above, except that, even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant Program or the Flood Mitigation Assistance Program. If a nonprofit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph **T.2.b.** above.

- f. Before the approval of your claim, the affected State must take all action set forth in FEMA's "Policy Guidance for Closed Basin Lakes."
- g. You must have **NFIP** flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under paragraph **T.2.** If a subsequent owner buys **NFIP** insurance that goes into effect within 60 days of the date of transfer of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph **T.2.**, we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any increased coverage in the amount suggested by your insurer as an inflation adjustment.
- h. This paragraph **T.2.** will be in effect for a community when the FEMA Regional Director for the affected region provides to the community, in writing, the following:
 - (1) Confirmation that the community and the State are in compliance with the conditions in paragraphs **T.2.e.** and **T.2.f.** above; and
 - (2) The date by which you must have flood insurance in effect.

U. Duplicate Policies Not Allowed

- 1. We will not insure your property under more than one **NFIP policy.**

If we find that the duplication was not knowingly created, we will give you written notice. The notice will advise you that you may choose one of several options under the following procedures:

- a. If you choose to keep in effect the **policy** with the earlier effective date, you may also choose to add the coverage limits of the later **policy** to the limits of the earlier **policy.** The change will become effective as of the effective date of the later **policy.**

- b. If you choose to keep in effect the **policy** with the later effective date, you may also choose to add the coverage limits of the earlier **policy** to the limits of the later **policy.** The change will be effective as of the effective date of the later **policy.**

In either case, you must pay the pro rata premium for the increased coverage limits within 30 days of the written notice. In no event will the resulting coverage limits exceed the permissible limits of coverage under the **Act** or your insurable interest, whichever is less.

We will make a refund to you, according to applicable **NFIP** rules, of the premium for the **policy** not being kept in effect.

- 2. Your option under Condition **U.** Duplicate Policies Not Allowed to elect which **NFIP policy** to keep in effect does not apply when duplicates have been knowingly created. Losses occurring under such circumstances will be adjusted according to the terms and conditions of the earlier **policy.** The **policy** with the later effective date will be canceled.

V. Loss Settlement

1. Introduction

This **policy** provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and **Actual Cash Value.** Each method is used for a different type of property, as explained in **a.-c.** below.

- a. Replacement Cost loss settlement, described in **V.2.** below, applies to a single-family **dwelling** provided:

- (1) It is your principal residence, which means that, at the time of loss, you or your spouse lived there for at least 80 percent of:

- (a) The 365 days immediately preceding the loss; or
- (b) The period of your ownership, if you owned the **dwelling** for less than 365 days; and

- (2) At the time of loss, the amount of insurance in this **policy** that applies to the **dwelling** is 80 percent or more of its full replacement cost immediately before the loss, or is the maximum amount of insurance available under the **NFIP.**

- b. Special loss settlement, described in **V.3.** below, applies to a single-family **dwelling** that is a manufactured or mobile home or a travel trailer.

- c. **Actual Cash Value** loss settlement applies to a single-family **dwelling** not subject to replacement cost or special loss settlement, and to the property listed in **V.4.** below.

VII. GENERAL CONDITIONS (continued)

Duplicate Policies Not Allowed. If the insured has two policies on the same property, the insured may choose to keep either policy. However, if the insured wishes to combine coverage limits, the effective date of the policy will be that of the later of the two policies purchased.

If the insured has a Group Flood Insurance Policy as the result of a Federal Disaster Declaration, the insured may not purchase a Standard Flood Insurance Policy as excess coverage over the Group Flood Insurance Policy or to duplicate flood insurance benefits. The insured may cancel the Group Flood Insurance Policy mid-term and purchase a Standard Flood Insurance Policy to obtain higher coverage amounts. No premium refunds are given under the Group Flood Insurance Policy.

Loss Settlement. There are three methods to settle a loss under the Dwelling Form:

- Replacement Cost
- Special Loss Settlement
- Actual Cash Value

2. Replacement Cost Loss Settlement

The following loss settlement conditions apply to a single-family **dwelling** described in **V.1.a.** above:

- a. We will pay to repair or replace the damaged **dwelling** after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:
 - (1) The **building** limit of liability shown on your **Declarations Page**;
 - (2) The replacement cost of that part of the **dwelling** damaged, with materials of like kind and quality, and for like use; or
 - (3) The necessary amount actually spent to repair or replace the damaged part of the **dwelling** for like use.
- b. If the **dwelling** is rebuilt at a new location, the cost described above is limited to the cost that would have been incurred if the **dwelling** had been rebuilt at its former location.
- c. When the full cost of repair or replacement is more than \$1,000 or more than 5 percent of the whole amount of insurance that applies to the **dwelling**, we will not be liable for any loss under **V.2.a.** above or **V.4.a.(2)** below unless and until actual repair or replacement is completed.
- d. You may disregard the replacement cost conditions above and make claim under this **policy** for loss to **dwellings** on an **actual cash value** basis. You may then make claim for any additional liability according to **V.2.a.**, **b.**, and **c.** above, provided you notify us of your intent to do so within 180 days after the date of loss.
- e. If the community in which your **dwelling** is located has been converted from the **Emergency Program** to the **Regular Program** during the current **policy** term, then we will consider the maximum amount of available **NFIP** insurance to be the amount that was available at the beginning of the current **policy** term.

3. Special Loss Settlement

- a. The following loss settlement conditions apply to a single-family **dwelling** that:
 - (1) Is a manufactured or mobile home or a travel trailer, as defined in **II.B.6.b.** and **II.B.6.c.**;
 - (2) Is at least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled; and

(3) Is your principal residence, as specified in **V.1.a.(1)** above.

- b. If such a **dwelling** is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its predamage condition, we will, at our discretion, pay the least of the following amounts:

(1) The lesser of the replacement cost of the **dwelling** or 1.5 times the **actual cash value**, or

(2) The **building** limit of liability shown on your **Declarations Page**.

- c. If such a **dwelling** is partially damaged and, in our judgment, it is economically feasible to repair it to its predamage condition, we will settle the loss according to the Replacement Cost conditions in paragraph **V.2.** above.

4. Actual Cash Value Loss Settlement

The types of property noted below are subject to **actual cash value** [or in the case of **V.4.a.(2)** below, proportional] loss settlement.

- a. A **dwelling**, at the time of loss, when the amount of insurance on the **dwelling** is both less than 80 percent of its full replacement cost immediately before the loss and less than the maximum amount of insurance available under the **NFIP**. In that case, we will pay the greater of the following amounts, but not more than the amount of insurance that applies to that **dwelling**:

(1) The **actual cash value**, as defined in **II.B.2.**, of the damaged part of the **dwelling**; or

(2) A proportion of the cost to repair or replace the damaged part of the **dwelling**, without deduction for physical depreciation and after application of the deductible.

This proportion is determined as follows: If 80 percent of the full replacement cost of the **dwelling** is less than the maximum amount of insurance available under the **NFIP**, then the proportion is determined by dividing the actual amount of insurance on the **dwelling** by the amount of insurance that represents 80 percent of its full replacement cost. But if 80 percent of the full replacement cost of the **dwelling** is greater than the maximum amount of insurance available under the **NFIP**, then the proportion is determined by dividing the actual amount of insurance on the **dwelling** by the maximum amount of insurance available under the **NFIP**.

- b. A two-, three-, or four-family **dwelling**.
- c. A **unit** that is not used exclusively for single-family **dwelling** purposes.

VII. GENERAL CONDITIONS (continued)

Replacement Cost. The insured residence must be the principal residence, meaning that, at the time of loss, the insured lived there for at least 80 percent of the preceding 365 days, or 80 percent of the period of ownership if less than 365 days. Replacement cost applies if the building is insured to 80 percent or more of its full replacement cost immediately before a loss occurs, or if the maximum amount of insurance is purchased.

By FEMA Guidance W-04020, effective May 7, 2004, when the insured dwelling is eligible for replacement cost loss settlement, there is no longer any requirement to withhold the recoverable depreciation until repairs are made.

Special Loss Settlement. Replacement Cost applies to a manufactured (mobile) home or travel trailer if the dwelling is at least 16 feet wide and has an area of at least 600 square feet within its walls. The structure must also be the principal residence. If a single-family dwelling that is a manufactured (mobile) home or travel trailer is a total loss or is not economically feasible to repair, then the adjustment of the property will be the lesser of:

- The replacement cost of the dwelling or 1.5 times the actual cash value, or
- The building limit of liability.

Loss Settlement paragraph 1.a.(2) does not apply to manufactured (mobile) homes or travel trailers under Special Loss Settlement.

Only manufactured (mobile) homes and travel trailers as described in paragraph 3.a.(2) and (3) qualify for Special Loss Settlement. All other manufactured (mobile) homes and travel trailers require Actual Cash Value Loss Settlement.

If we determine that the building is repairable, the loss will be settled according to the Replacement Cost conditions stated in Dwelling Form VII.V.2.

Actual Cash Value (ACV) or Proportional Settlement. ACV is the cost to replace the insured item of property at the time of the loss, less its physical depreciation.

If proportional settlement is beneficial to the insured, no depreciation is taken and Replacement Cost is used after the deductible is taken. There are two ways to do this:

- When 80 percent of the replacement cost of the dwelling is less than the maximum amount of NFIP insurance available, then the proportion is figured as follows:

$$\frac{\text{Amount of insurance purchased}}{\text{Amount of insurance that is 80\% of RC}} \quad \times \quad \text{RC loss with deductible already taken}$$

- When 80 percent of the replacement cost of the dwelling is more than the maximum amount of NFIP insurance available, compute as follows:

$$\frac{\text{Amount of insurance purchased}}{\text{Maximum amount of NFIP insurance available}} \quad \times \quad \text{loss less the deductible}$$

The insured will receive either ACV or Proportional Settlement, whichever is higher.

- d. Detached garages.
- e. Personal property.
- f. Appliances, carpets, and carpet pads.
- g. Outdoor awnings, outdoor antennas or aerials of any type, and other outdoor equipment.
- h. Any property covered under this **policy** that is abandoned after a loss and remains as debris anywhere on the **described location**.
- i. A **dwelling** that is not your principal residence.

- a. Footings, foundations, piers, or any other structures or devices that are below the undersurface of the lowest basement floor and support all or part of the **dwelling**;
- b. Those supports listed in **V.5.a.** above that are below the surface of the ground inside the foundation walls if there is no basement; and
- c. Excavations and underground flues, pipes, wiring, and drains.

The Coverage **D** - Increased Cost of Compliance limit of liability is not included in the determination of the amount of insurance required.

5. Amount of Insurance Required

To determine the amount of insurance required for a **dwelling** immediately before the loss, do not include the value of:

VIII. LIBERALIZATION CLAUSE

If we make a change that broadens your coverage under this edition of our **policy**, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the

change, provided that this implementation date falls within 60 days before, or during, the **policy** term stated on the **Declarations Page**.

IX. WHAT LAW GOVERNS

This **policy** and all disputes arising from the handling of any claim under the **policy** are governed exclusively by the flood insurance regulations issued by FEMA, the

National Flood Insurance Act of 1968, as amended (42 U.S.C. 4001, et seq.), and Federal common law.

IN WITNESS WHEREOF, we have signed this **policy** below and hereby enter into this Insurance Agreement.



Edward L. Connor
 Acting Administrator, National Flood Insurance Program
 Federal Emergency Management Agency

VII. GENERAL CONDITIONS (continued)

The following types of property are specifically subject to Actual Cash Value loss settlements:

- A two-, three-, or four-family dwelling
- A unit that is not used exclusively for single-family dwelling purposes
- Detached garages
- Personal property
- Appliances, carpets, and carpet pads
- Outdoor awnings, outdoor antennas or aerials of any type (including policyholder-owned satellite dishes), and other outdoor equipment attached to the insured dwelling
- Abandoned property that, after a loss, remains as debris at the described location
- A dwelling that is not the principal residence

Amount of Insurance Required. When the insured, agent, and/or adjuster calculates the amount of insurance required for a dwelling before the loss, the following building components will not be considered:

- Footings, foundations, piers, or any other structures or devices that are below the undersurface of the lowest basement floor and support all or part of the dwelling
- Supports listed above that are below the surface of the ground inside the foundation walls if there is no basement
- Excavations and underground flues, pipes, wiring, and drains

The ICC limit of liability is not included in the determination of the amount of insurance required.

VIII. LIBERALIZATION CLAUSE

Liberalization with additional premium, such as ICC, does not fall into this category. The insured can choose the policy application that is most beneficial. The loss must be after the effective date of the liberalization.

IX. WHAT LAW GOVERNS

Federal law governs. This policy is not subject to state departments of insurance or state and local courts.

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General Property Form

FEDERAL EMERGENCY MANAGEMENT AGENCY
FEDERAL INSURANCE ADMINISTRATION

STANDARD FLOOD INSURANCE POLICY

GENERAL PROPERTY FORM

PLEASE READ THE POLICY CAREFULLY. THE FLOOD INSURANCE PROVIDED IS SUBJECT TO LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS.

THIS POLICY PROVIDES NO COVERAGE:

1. IN A REGULAR PROGRAM COMMUNITY, FOR A RESIDENTIAL CONDOMINIUM BUILDING, AS DEFINED IN THIS POLICY; AND
2. EXCEPT FOR PERSONAL PROPERTY COVERAGE, FOR A UNIT IN A CONDOMINIUM BUILDING.

I. AGREEMENT

The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations (CFR).

We will pay you for **direct physical loss by or from flood** to your insured property if you:

1. Have paid the correct premium;

2. Comply with all terms and conditions of this **policy**; and

3. Have furnished accurate information and statements.

We have the right to review the information you give us at any time and to revise your **policy** based on our review.

II. DEFINITIONS

A. In this **policy**, "you" and "your" refer to the insured(s) shown on the **Declarations Page** of this **policy**. "Insured(s)" includes: Any mortgagee and loss payee named in the **Application** and **Declarations Page**, as well as any other mortgagee or loss payee determined to exist at the time of loss in the order of precedence. "We," "us," and "our" refer to the insurer.

Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. The precise definitions are intended to protect you.

Flood, as used in this flood insurance **policy**, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:
 - a. Overflow of inland or tidal waters;
 - b. Unusual and rapid accumulation or runoff of surface waters from any source;
 - c. **Mudflow**.

2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a **flood** as defined in **A.1.a.** above.

B. The following are the other key definitions that we use in this **policy**:

1. **Act.** The National Flood Insurance Act of 1968 and any amendments to it.
2. **Actual Cash Value.** The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.
3. **Application.** The statement made and signed by you or your agent in applying for this **policy**. The **application** gives information we use to determine the eligibility of the risk, the kind of **policy** to be issued, and the correct premium payment. The **application** is part of this flood insurance **policy**. For us to issue you a **policy**, the correct premium payment must accompany the **application**.
4. **Base Flood.** A flood having a one percent chance of being equaled or exceeded in any given year.

GENERAL PROPERTY FORM

COMMENTARY

LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS

The General Property Form does not provide coverage for:

- A residential condominium building
- A unit in a condominium building, except for personal property coverage.

I. AGREEMENT

The insuring agreement states the following:

- The Standard Flood Insurance Policy (SFIP) is based upon the National Flood Insurance Act of 1968 and all amendments, and Title 44 of the Code of Federal Regulations (CFR).
- The insured must pay the correct premium to get the requested amount of coverage.
- The insured or the insured's representative must submit accurate information.

II. DEFINITIONS

Flood. Requires surface water inundation of normally dry land from any source, including mudflow (see "Mudflow" definition). Two acres of the insured property or two or more properties (parcels of land), one of which may be a public roadway, must be inundated.

Actual Cash Value. Replacement cost value of insured building and contents less applicable depreciation (does not include antique value).

Application. Part of the policy; the application paragraph states that the insured must pay the correct premium.

5. **Basement.** Any area of the **building**, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.

6. **Building.**

- a. A structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site;
- b. A manufactured home (a "manufactured home," also known as a mobile home, is a structure: built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or
- c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws.

Building does not mean a gas or liquid storage tank or a recreational vehicle, park trailer, or other similar vehicle, except as described in **B.6.c.**, above.

7. **Cancellation.** The ending of the insurance coverage provided by this **policy** before the expiration date.

8. **Condominium.** That form of ownership of real property in which each **unit** owner has an undivided interest in common elements.

9. **Condominium Association.** The entity made up of the **unit** owners responsible for the maintenance and operation of:

- a. Common elements owned in undivided shares by **unit** owners; and
- b. Other real property in which the **unit** owners have use rights ;

where membership in the entity is a required condition of **unit** ownership.

10. **Declarations Page.** A computer-generated summary of information you provided in the **application** for insurance. The **Declarations Page** also describes the term of the **policy**, limits of coverage, and displays the premium and our name. The **Declarations Page** is a part of this flood insurance **policy**.

11. **Described Location.** The location where the insured **building** or personal property are found. The **described location** is shown on the **Declarations Page**.

12. **Direct Physical Loss By or From Flood.** Loss or damage to insured property, directly caused by a **flood**. There must be evidence of physical changes to the property.

13. **Elevated Building.** A **building** that has no **basement** and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.

14. **Emergency Program.** The initial phase of a community's participation in the **National Flood Insurance Program**. During this phase, only limited amounts of insurance are available under the **Act**.

15. **Expense Constant.** A flat charge you must pay on each new or renewal **policy** to defray the expenses of the Federal Government related to **flood** insurance.

16. **Federal Policy Fee.** A flat charge you must pay on each new or renewal **policy** to defray certain administrative expenses incurred in carrying out the **National Flood Insurance Program**. This fee covers expenses not covered by the **expense constant**.

17. **Improvements.** Fixtures, alterations, installations, or additions comprising a part of the insured **building**.

18. **Mudflow.** A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not **mudflows**.

19. **National Flood Insurance Program (NFIP).** The program of flood insurance coverage and floodplain management administered under the **Act** and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B.

20. **Policy.** The entire written contract between you and us. It includes:

- a. This printed form;
- b. The **application** and **Declarations Page**;
- c. Any endorsement(s) that may be issued; and
- d. Any renewal certificate indicating that coverage has been instituted for a new **policy** and new **policy** term.

Only one **building**, which you specifically described in the **application**, may be insured under this **policy**.

21. **Pollutants.** Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.

22. **Post-FIRM Building.** A **building** for which construction or substantial improvement occurred

II. DEFINITIONS (continued)

Basement. Any area having its floor below ground level (subgrade) on all sides.

Building. A building must have at least two rigid walls and a roof. Liquid storage tanks and bubbles are not covered. Grain bins and silos are covered. Travel trailers without wheels and affixed to a permanent foundation are covered if regulated by local law.

Condominium Association. The Residential Condominium Building Association Policy (RCBAP) may insure only Condominium Associations. The RCBAP may not insure Homeowner Associations, Cooperatives, and other forms of ownership that are not condominiums. The adjuster must review the condominium by-laws if there is a question.

Declarations Page. A summary of information provided by the policyholder on the insurance application. The adjuster must verify the accuracy of the building description, as this may affect coverage.

Described Location. Shown on the Declarations Page.

Direct Physical Loss By or From Flood. Floodwaters must touch the insured building with the exception of seepage/hydrostatic pressure and sewage backup.

Elevated Building. This definition requires space between ground level and the lowest floor.

Mudflow. A surface river of liquid and flowing mud. Other earth movements such as landslide, slope failure, or saturated soil moving by liquidity are not mudflows. (The word "mudslide" no longer is used in the SFIP.)

Pollutants. Testing for or monitoring of pollutants is not covered unless required by law.

Post-FIRM Building. Start of construction or substantial improvement after December 31, 1974, or on or after the publication of the initial Flood Insurance Rate Map (FIRM), whichever is later. **Note:** A Pre-FIRM building would be a building constructed or substantially improved prior to December 31, 1974.

after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later.

- 23. Probation Premium.** A flat charge you must pay on each new or renewal **policy** issued covering property in a community that the NFIP has placed on probation under the provisions of 44 CFR 59.24.
- 24. Regular Program.** The final phase of a community's participation in the **National Flood Insurance Program**. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the **Act**.
- 25. Residential Condominium Building.** A **building**, owned and administered as a **condominium**, containing one or more family **units** and in which at least 75 percent of the floor area is residential.
- 26. Special Flood Hazard Area.** An area having special **flood**, or **mudflow**, and/or **flood**-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V.

27. Stock. Merchandise held in storage or for sale, raw materials, and in-process or finished goods, including supplies used in their packing or shipping. **Stock** does not include any property not covered under Section **IV**. Property Not Covered, except the following:

- a. Parts and equipment for self-propelled vehicles;
- b. Furnishings and equipment for watercraft;
- c. Spas and hot-tubs, including their equipment; and
- d. Swimming pool equipment.

28. Unit. A **unit** in a **condominium building**.

29. Valued Policy. A **policy** in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a **valued policy**.

III. PROPERTY COVERED

A. COVERAGE A - BUILDING PROPERTY

We insure against **direct physical loss by or from flood** to:

- 1.** The **building** described on the **Declarations Page** at the **described location**. If the **building** is a **condominium building** and the named insured is the **condominium association**, Coverage **A** includes all **units** within the **building** and the **improvements** within the **units**, provided the **units** are owned in common by all **unit** owners.
- 2.** We also insure **building** property for a period of 45 days at another location, as set forth in **III.C.2.b.**, Property Removed to Safety.
- 3.** Additions and extensions attached to and in contact with the **building** by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the **building** by means of a common interior wall that is not a solid load-bearing wall are always considered part of the **building** and cannot be separately insured.
- 4.** The following fixtures, machinery, and equipment, which are covered under Coverage **A** only:
 - a. Awnings and canopies;

- b. Blinds;
- c. Carpet permanently installed over unfinished flooring;
- d. Central air conditioners;
- e. Elevator equipment;
- f. Fire extinguishing apparatus;
- g. Fire sprinkler systems;
- h. Walk-in freezers;
- i. Furnaces;
- j. Light fixtures;
- k. Outdoor antennas and aerials attached to **buildings**;
- l. Permanently installed cupboards, bookcases, paneling, and wallpaper;
- m. Pumps and machinery for operating pumps;
- n. Ventilating equipment;
- o. Wall mirrors, permanently installed; and
- p. In the **units** within the **building**, installed:
 - (1) Built-in dishwashers;
 - (2) Built-in microwave ovens;
 - (3) Garbage disposal units;
 - (4) Hot water heaters, including solar water heaters;
 - (5) Kitchen cabinets;
 - (6) Plumbing fixtures;
 - (7) Radiators;
 - (8) Ranges;
 - (9) Refrigerators; and
 - (10) Stoves.

II. DEFINITIONS (continued)

Special Flood Hazard Area (SFHA). All zones listed are SFHAs. However, the Post-FIRM coverage limitations apply only to Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1–V30, and VE.

Stock. Merchandise that is stored or for sale, raw materials, and in-process or finished goods, inclusive of supplies used for their packing and shipping, are covered. However, coverage is not provided for property listed in General Property Form Section IV. Property Not Covered, with the exception of the following:

- Parts and equipment for self-propelled vehicles
- Furnishings and equipment for watercraft
- Spas and hot tubs, including their equipment
- Swimming pool equipment.

Valued Policy. This is not a valued policy, in any state.

III. PROPERTY COVERED

COVERAGE A – BUILDING PROPERTY

If the insured building is a condominium building in the name of the condominium association, coverage is provided for all units and the improvements, if the units are owned in common by all unit owners.

Additions that are attached to and in contact with the risk by a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof are covered.

A solid load-bearing interior wall cannot have any openings and must not provide access from one building or room into another (partial walls). If access is available through a doorway or opening, then the structure must be insured as one building. Other provisions are:

- At the insured's option, at the time of the flood application for coverage, the additions and extensions may be insured separately.
- A common interior wall that is not solid or load bearing necessitates one policy.

Fixtures, Machinery, and Equipment. The items in this list (General Property Form Section III. Property Covered, A. Coverage A – Building Property, 4.) are defined as building property and cannot be paid under contents coverage. The list of items in Paragraph 4 is not exclusive. If there are other items that fit this coverage, they can be included.

5. Materials and supplies to be used for construction, alteration, or repair of the insured **building** while the materials and supplies are stored in a fully enclosed **building** at the **described location** or on an adjacent property.

6. A **building** under construction, alteration, or repair at the **described location**.

a. If the structure is not yet walled or roofed as described in the definition for **building** (see **II.B.6.a.**), then coverage applies:

(1) Only while such work is in progress; or

(2) If such work is halted, only for a period of up to 90 continuous days thereafter.

b. However, coverage does not apply until the **building** is walled and roofed if the lowest floor, including the **basement** floor, of a non-elevated **building** or the lowest elevated floor of an **elevated building** is:

(1) Below the **base flood** elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or

(2) Below the **base flood** elevation adjusted to include the effect of wave action in Zones VE or V1-V30.

The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 and the top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO.

7. A manufactured home or a travel trailer as described in the Definitions section (see **II.B.6.b.** and **II.B.6.c.**).

If the manufactured home or travel trailer is in a **special flood hazard area**, it must be anchored in the following manner at the time of the loss:

a. By over-the-top or frame ties to ground anchors; or

b. In accordance with the manufacturer's specifications; or

c. In compliance with the community's floodplain management requirements

unless it has been continuously insured by the **NFIP** at the same **described location** since September 30, 1982.

8. Items of property in a **building** enclosure below the lowest elevated floor of an **elevated post-FIRM building** located in Zones A1-A30, AE, AH, AR,

AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a **basement**, regardless of the zone. Coverage is limited to the following:

a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:

(1) Central air conditioners;

(2) Cisterns and the water in them;

(3) Drywall for walls and ceilings in a **basement** and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing;

(4) Electrical junction and circuit breaker boxes;

(5) Electrical outlets and switches;

(6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the **base flood** elevation after September 30, 1987;

(7) Fuel tanks and the fuel in them;

(8) Furnaces and hot water heaters;

(9) Heat pumps;

(10) Nonflammable insulation in a **basement**;

(11) Pumps and tanks used in solar energy systems;

(12) Stairways and staircases attached to the **building**, not separated from it by elevated walkways;

(13) Sump pumps;

(14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;

(15) Well water tanks and pumps;

(16) Required utility connections for any item in this list; and

(17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a **building**.

b. Clean-up.

B. COVERAGE B - PERSONAL PROPERTY

1. If you have purchased personal property coverage, we insure, subject to **B.2.**, **3.**, and **4.** below, against **direct physical loss by or from flood** to personal property inside a fully enclosed insured **building**:

a. Owned solely by you, or in the case of a **condominium**, owned solely by the **condominium association** and used exclusively in the conduct of the business affairs of the **condominium association**; or

b. Owned in common by the **unit** owners of the **condominium association**.

We also insure such personal property for 45 days while stored at a temporary location, as set forth in **III.C.2.b.** Property Removed to Safety.

III. PROPERTY COVERED (continued)

COVERAGE A – BUILDING PROPERTY (continued)

Materials and Supplies. Those used to alter, repair, or construct the insured building must be in a fully enclosed building at the property address or an adjacent property.

Building Under Construction. The deductible is doubled (see General Property Form Section VI. Deductibles, second paragraph of provision A.) and, if there is no work on the building for a period of 90 continuous days, coverage ceases until such time as work is resumed. Coverage is provided for those items that will become part of the finished building. For example, rebar, footings, and concrete walls that will become part of the finished building are covered. There is no coverage for the forms used to retain the concrete. There is no coverage for a building under construction before it is walled and roofed when the building is Post-FIRM and the basement floor or lowest elevated floor is below Base Flood Elevation in any of Zones AH, AE, A1–A30, AR, AR/AE, AR/AH, AR/A1–A30, AR/A, or AR/AO, or below Base Flood Elevation adjusted for wave action in any of Zones VE or V1–V30.

A building enclosure and personal property items in a building enclosure below the lowest elevated floor of an elevated Post-FIRM building located in Zones A1–30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–30 where the top of the lowest enclosure floor is at or above the Base Flood Elevation as shown on the FIRM in effect on the date of loss, is covered.

COVERAGE B – PERSONAL PROPERTY

Contents owned solely by the insured or by a condominium are covered.

Contents are covered while stored in the building. Flotation of contents out of a building that has fewer than four rigid walls is not covered.

The items listed in General Property Form Section III.B.3., Dwelling Form Section III.B.2., and RCBAP Section III.B.2. are considered personal property and cannot be paid under building coverage.

The items listed in General Property Form Section III.B.4., when installed beneath the lowest elevated floor of an elevated Post-FIRM building or in the basement, are considered personal property items. They cannot be paid under building coverage. Also see Dwelling Form Section III.B.3. and RCBAP Section III.B.3.

A building enclosure and personal property items in a building enclosure below the lowest elevated floor of an elevated Post-FIRM building located in Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30 where the top of the lowest enclosure floor is at or above the Base Flood Elevation as shown on the FIRM in effect on the date of loss, is covered.

2. When this **policy** covers personal property, coverage will be either for household personal property or other than household personal property, while within the insured **building**, but not both.

a. If this policy covers household personal property, it will insure household personal property usual to a living quarters, that:

(1) Belongs to you, or a member of your household, or at your option:

(a) Your domestic worker;

(b) Your guest; or

(2) You may be legally liable for.

b. If this policy covers other than household personal property, it will insure your:

(1) Furniture and fixtures;

(2) Machinery and equipment;

(3) **Stock**; and

(4) Other personal property owned by you and used in your business, subject to **IV. Property Not Covered**.

3. Coverage for personal property includes the following property, subject to **B.1.a.** and **B.1.b.** above, which is covered under Coverage **B** only:

- a. Air conditioning units installed in the **building**;
- b. Carpet, not permanently installed, over unfinished flooring;
- c. Carpets over finished flooring;
- d. Clothes washers and dryers;
- e. "Cook-out" grills;
- f. Food freezers, other than walk-in, and food in any freezer;
- g. Outdoor equipment and furniture stored inside the insured **building**;
- h. Ovens and the like; and
- i. Portable microwave ovens and portable dishwashers.

4. Coverage for items of property in a **building** enclosure below the lowest elevated floor of an **elevated post-FIRM building** located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a **basement**, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:

- a. Air conditioning units, portable or window type;
- b. Clothes washers and dryers; and
- c. Food freezers, other than walk-in, and food in any freezer.

5. **Special Limits.** We will pay no more than \$2,500 for any loss to one or more of the following kinds of personal property:

a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;

b. Rare books or autographed items;

c. Jewelry, watches, precious and semiprecious stones, or articles of gold, silver, or platinum;

d. Furs or any article containing fur which represents its principal value.

6. We will pay only for the functional value of antiques.

7. If you are a tenant, you may apply up to 10 percent of the Coverage **B** limit to **improvements**:

a. Made a part of the **building** you occupy; and

b. You acquired or made at your expense, even though you cannot legally remove them.

This coverage does not increase the amount of insurance that applies to insured personal property.

8. If you are a **condominium unit** owner, you may apply up to 10 percent of the Coverage **B** limit to cover loss to interior:

a. Walls;

b. Floors; and

c. Ceilings;

that are not covered under a **policy** issued to the **condominium association** insuring the **condominium building**.

This coverage does not increase the amount of insurance that applies to insured personal property.

9. If you are a tenant, personal property must be inside the fully enclosed **building**.

C. COVERAGE C - OTHER COVERAGES

1. Debris Removal

a. We will pay the expense to remove non-owned debris on or in insured property and owned debris anywhere.

b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage.

c. This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

III. PROPERTY COVERED (continued)

COVERAGE B – PERSONAL PROPERTY (continued)

Coverage is extended for either household contents or commercial contents. The policy will not respond to both. Commercial contents coverage is subject to all limitations and exclusions of this policy. The policy does not cover any types of stock listed in General Property Form Section IV. Property Not Covered, except those specifically mentioned in the definition of stock. The list of items in Paragraph 2.b. is not exclusive. If there are other items that fit this coverage, they can be included.

Stock. Spas and hot tubs, including their equipment, are covered if held in storage or for sale. Refer to Section II. Definitions, 27, for covered items inside the described location.

Special Limits. A total of \$2,500 is the maximum payment allowed for artwork, rare books, jewelry, furs, or any article containing fur, which represents its principal value, as well as personal property used in any business. This maximum payment also extends to the following:

- Photographs
- Collectibles
- Memorabilia
- Porcelain or other figurines; sports cards
- Autographed items
- Watches
- Precious and semiprecious stones
- Articles of gold, silver, or platinum

These special limits apply even if the items are stock. Personal property is defined as either household personal property or other than household personal property, while within the insured building, but not both.

Antiques. Coverage is provided only for the functional value of antiques.

Improvements. For tenant-occupied properties, the insured tenant may apply up to 10 percent of the limit of liability for personal property to tenant-installed improvements. This includes items that the insured tenant purchased and that are permanently installed and considered part of the building. (Refer to Section VII – BASIC ADJUSTMENT ISSUES, Point K on page VII-3 of this manual.)

Interior Walls, Floors, and Ceilings. If the policyholder is a condominium unit owner and has insured personal property under Coverage B, the unit's interior walls, floors, and ceilings (not otherwise covered under a flood insurance policy purchased by the condominium association) are covered for up to 10 percent of the limit of liability shown for personal property on the Declarations Page. The use of this insurance is at the insured's option but reduces the personal property limit of liability. The 10 percent coverage cannot be applied and no coverage is available if the RCBAP or a combination of coverages pays the statutory limit.

COVERAGE C – OTHER COVERAGES

Debris Removal. Insured property means property we insure—i.e., the described building and covered contents. The described premise includes the lot, which is not covered.

Coverage extends to insured property anywhere and to non-owned debris on or in the insured premises or on or in the insured property. Non-covered items such as contents in a basement are excluded from debris removal coverage.

2. Loss Avoidance Measures

a. Sandbags, Supplies, and Labor

(1) We will pay up to \$1,000 for the costs you incur to protect the insured **building** from a **flood** or imminent danger of **flood**, for the following:

(a) Your reasonable expenses to buy:

(i) Sandbags, including sand to fill them;

(ii) Fill for temporary levees;

(iii) Pumps; and

(iv) Plastic sheeting and lumber used in connection with these items; and

(b) The value of work, at the Federal minimum wage, that you perform.

(2) This coverage for Sandbags, Supplies, and Labor only applies if damage to insured property by or from **flood** is imminent and the threat of **flood** damage is apparent enough to lead a person of common prudence to anticipate **flood** damage. One of the following must also occur:

(a) A general and temporary condition of flooding in the area near the **described location** must occur, even if the **flood** does not reach the insured **building**; or

(b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured **building** is located calling for measures to preserve life and property from the peril of **flood**.

This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

b. Property Removed to Safety

(1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the **described location** that contains the property in order to protect it from **flood** or the imminent danger of **flood**.

Reasonable expenses include the value of work, at the Federal minimum wage, that you perform.

(2) If you move insured property to a location other than the **described location** that contains the property, in order to protect it from **flood** or the imminent danger of **flood**, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed **building** or otherwise reasonably protected from the elements.

Any property removed, including a moveable home described in **II.B.6.b.** and **c.**, must be placed above ground level or outside of the **special flood hazard area**.

This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

3. Pollution Damage

We will pay for damage caused by **pollutants** to covered property if the discharge, seepage, migration, release, or escape of the **pollutants** is caused by or results from **flood**. The most we will pay under this coverage is \$10,000. This coverage does not increase the Coverage **A** or Coverage **B** limits of liability. Any payment under this provision when combined with all other payments for the same loss cannot exceed the **replacement cost** or **actual cash value**, as appropriate, of the covered property. This coverage does not include the testing for or the monitoring of **pollutants** unless required by law or ordinance.

D. COVERAGE D - INCREASED COST OF COMPLIANCE

1. General

This **policy** pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering **flood** damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your structure. Eligible floodproofing activities are limited to:

a. Nonresidential structures.

b. Residential structures with **basements** that satisfy FEMA's standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

2.

We will pay you up to \$30,000 under this Coverage **D** -Increased Cost of Compliance, which only applies to **policies** with **building** coverage (Coverage **A**).

III. PROPERTY COVERED (continued)

COVERAGE C – OTHER COVERAGES (continued)

Loss Avoidance Measures (Mitigation). Expenses are covered up to \$1,000 per measure; no deductible applies. Paid receipts are required for sandbags, supplies, and property removed to safety (truck rental, storage unit, etc.). Loss mitigation measures are described below.

- a. Sandbags, Supplies, and Labor**
- Sandbags, including sand
 - Fill for temporary levees
 - Pumps
 - Plastic sheeting and lumber used in connection with these items
 - Labor (Insured and members of family can be paid for labor at the federal minimum wage.)

This coverage applies only under Coverage A – Building Property.

- b. Property Removed to Safety.** A maximum of \$1,000 can be paid to move insured property to another place other than the described location above ground or outside the SFHA to preserve it from flood. If the property removed is a manufactured (mobile) home or travel trailer, coverage extends to it for 45 days even if it is not on a foundation. This coverage can be used for building, contents, or both; but the total of building and contents payments cannot exceed \$1,000 each.

Other provisions regarding property removed to safety are:

- Contents must be placed in a fully enclosed building or otherwise reasonably protected and moved temporarily away from the peril of flood.
- Coverage extends for 45 days at another place.
- With paid receipts, coverage is also extended to return the removed property back to the described location
- No deductible applies.

Removed property is covered for damage by flood only. Any property removed, including a movable home described in General Property Form Section II.B.6.b. and c., must be placed above ground level at a location other than the described location or outside of the SFHA. See Dwelling Form Section III.C.2.b. and RCBAP Section III.C.2.b.

Pollution Expenses. Damages to insured property caused by pollutants are covered if the discharge, seepage, migration, release, or escape of the pollutants is caused by flood. The maximum allowed under this coverage is \$10,000. Testing for or monitoring of pollutants is excluded unless required by law or ordinance. This is not an additional amount of insurance.

COVERAGE D – INCREASED COST OF COMPLIANCE

The limit of liability for Increased Cost of Compliance (ICC) coverage was raised to \$30,000 on May 1, 2003. Any flood loss incurred prior to May 2003 will be adjusted according to the previous limit of \$20,000.

ICC coverage is used for floodproofing, demolition, elevation, or relocation of the structure, or a combination of these. It is an additional amount of insurance above building limits of liability, but we cannot pay more than the law allows (\$250,000 dwelling, \$500,000 commercial, and \$250,000 x the number of units under the RCBAP).

For further information about ICC coverage, see Section VI. of this manual. Subsection VI.D.3. specifically addresses assignment of Coverage D by the policyholder to the community.

Our payment of claims under Coverage **D** is in addition to the amount of coverage which you selected on the **application** and which appears on the **Declarations Page**. But the maximum you can collect under this **policy** for both Coverage **A** - Building Property and Coverage **D** - Increased Cost of Compliance cannot exceed the maximum permitted under the **Act**. We do not charge a separate deductible for a claim under Coverage **D**.

3. Eligibility

a. A structure covered under Coverage **A** - Building Property sustaining a loss caused by a **flood** as defined by this **policy** must:

(1) Be a "repetitive loss structure." A repetitive loss structure is one that meets the following conditions:

(a) The structure is covered by a contract of flood insurance issued under the **NFIP**.

(b) The structure has suffered **flood** damage on two occasions during a 10-year period which ends on the date of the second loss.

(c) The cost to repair the **flood** damage, on average, equaled or exceeded 25 percent of the market value of the structure at the time of each **flood** loss.

(d) In addition to the current claim, the **NFIP** must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; or

(2) Be a structure that has had **flood** damage in which the cost to repair equals or exceeds 50 percent of the market value of the structure at the time of the **flood**. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure.

b. This Coverage **D** pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the **National Flood Insurance Program** found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:

(1) **3.a.(1)** above.

(2) Elevation or floodproofing in any risk zone to preliminary or advisory **base flood**

elevations provided by FEMA which the State or local government has adopted and is enforcing for **flood**-damaged structures in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with **base flood** elevations. This also includes compliance activities in zones where **base flood** elevations are being increased, and a **flood**-damaged structure must comply with the higher advisory **base flood** elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for **flood**-damaged structures to elevations derived solely by the community.

(3) Elevation or floodproofing above the **base flood** elevation to meet State or local "freeboard" requirements, i.e., that a structure must be elevated above the **base flood** elevation.

c. Under the minimum **NFIP** criteria at 44 CFR 60.3 (b)(4), States and communities must require the elevation or floodproofing of structures in unnumbered A zones to the **base flood** elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage **D**.

d. This coverage will also pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a structure during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion **D.5.g.** below.

e. This coverage will also pay to bring a **flood**-damaged structure into compliance with State or local floodplain management laws or ordinances even if the structure had received a variance before the present loss from the applicable floodplain management requirements.

4. Conditions

a. When a structure covered under Coverage **A** - Building Property sustains a loss caused by a **flood**, our payment for the loss under this Coverage **D** will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our payment for eligible demolition activities will be for the cost to demolish and clear the site of the **building** debris or a portion thereof caused by the

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

Structures that are in an SFHA and are declared by the local community to be substantially flood-damaged by 50 percent of their market value are eligible. An ICC claim must not be opened until the local official has declared in writing that the structure has been substantially damaged specifically by flood.

On ICC claims for structures in B, C, X, D, unnumbered A and V, and A99 zones, the adjuster needs to obtain a written statement from the local official that the zone is being changed to a SFHA and is requiring ICC activity.

For communities that have cumulative damage language in their ordinance, the building must have sustained two flood losses in 10 years, averaging 25 percent. The adjuster must verify that the community has such cumulative damage language in the ordinance. The adjuster must also verify that NFIP claim payments were issued to the insured for both qualifying losses.

The date of loss for the ICC claim is the same as the date of loss for the underlying flood claim.

For further information about ICC coverage, see Section VI of this manual. Subsection VI.D.3. specifically addresses assignment of Coverage D by the policyholder to the community.

enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities.

- b. When the **building** is repaired or rebuilt, it must be intended for the same occupancy as the present **building** unless otherwise required by current floodplain management ordinances or laws.

5. Exclusions

Under this Coverage **D** - Increased Cost of Compliance we will not pay for:

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the **Emergency Program**.
- b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **pollutants**.
- c. The loss in value to any insured **building** or other structure due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a **building** demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any Increased Cost of Compliance under this Coverage **D**:

- (1) Until the **building** is elevated, floodproofed, demolished, or relocated on the same or to another premises; and

- (2) Unless the building is elevated, flood-proofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years.

- f. Any code upgrade requirements, e. g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.
- g. Any compliance activities needed to bring additions or **improvements** made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the **NFIP's** minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the **base flood** elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any structure insured under an **NFIP** Group Flood Insurance Policy.
- l. Assessments made by a **condominium association** on individual **condominium unit** owners to pay increased costs of repairing commonly owned **buildings** after a **flood** in compliance with State or local floodplain management ordinances or laws.

6. Other Provisions

All other conditions and provisions of this **policy** apply.

IV. PROPERTY NOT COVERED

We do not cover any of the following property:

- 1. Personal property not inside the fully enclosed **building**
- 2. A **building**, and personal property in it, located entirely in, on, or over water or seaward of mean high tide, if it was constructed or substantially improved after September 30, 1982;
- 3. Open structures, including a **building** used as a boathouse or any structure or **building** into which boats are floated, and personal property located in, on, or over water;
- 4. Recreational vehicles other than travel trailers described in **II.B.6.c.**, whether affixed to a permanent foundation or on wheels;
- 5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are:
 - a. Used mainly to service the **described location**, or

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

Under ICC, even if a local ordinance or law requires the testing, monitoring, clean-up, removal, containment, treatment, detoxification, or neutralization of pollutants, there is no coverage.

Note: FEMA Bulletin W-06019, March 14, 2006, waived the 2-year time limit for the completion of ICC activities for all claims on or after June 1, 2005, and extended the time to complete these activities to 4 years. In an upcoming revision to the SFIP, the time limit found at paragraph 5.e.(2) will be changed to 4 years. The 4-year limit for completing an ICC claim begins on the date of the written declaration by the local community official that the insured structure has been substantially damaged by flood. This means that the 4-year period that will be referenced in paragraph 5.e.(2) begins on the date of the written declaration.

The two conditions in Paragraph 5.e. refer to the total payment of an ICC claim. Partial payments of ICC claims are permitted. Partial payments may be issued before completion of the mitigation activity but cannot exceed 50 percent of the estimated reimbursable cost of the mitigation activity, up to 50 percent of the maximum ICC coverage available.

Adjusters are required to submit daily reports of possible substantially damaged properties to the NFIP Bureau and Statistical Agent by fax at 1-301-577-3421 or by mail to P.O. Box 310, Lanham, MD 20706.

See Section VI of this manual, "Increased Cost of Compliance (ICC)" for additional information.

IV. PROPERTY NOT COVERED

Building or Personal Property Entirely in, on, or over Water or Seaward of Mean High Tide.

No coverage is provided if the building was constructed or substantially improved after September 30, 1982.

Recreational Vehicles. Excluded from coverage except travel trailers defined in General Property Form II.B.6.c.

Self-Propelled Vehicles or Machines. Excluded from coverage, except those used to service the described location or designed and used to assist handicapped persons. The vehicles or machines must be located inside the building at the described location. Such vehicles located below the lowest elevated floor of a Post-FIRM elevated building or in a basement are not covered.

b. Designed and used to assist handicapped persons,

while the vehicles or machines are inside a **building** at the **described location**;

6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals;
7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers;
8. Underground structures and equipment, including wells, septic tanks, and septic systems;
9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured **building**;
10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids;
11. **Buildings** or **units** and all their contents if more than 49 percent of the **actual cash value** of the **building** or **unit** is below ground, unless the lowest level is at or above the **base flood** elevation and is below

ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques;

12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks;
13. Aircraft or watercraft, or their furnishings and equipment;
14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located;
15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act of 1990 and amendments to these acts;
16. Personal property owned by or in the care, custody, or control of a **unit** owner, except for property of the type and under the circumstances set forth under Coverage **B** - Personal Property;
17. A **residential condominium building** located in a **Regular Program** community.

V. EXCLUSIONS

A. We only provide coverage for **direct physical loss by or from flood**, which means that we do not pay you for:

1. Loss of revenue or profits;
2. Loss of access to the insured property or **described location**;
3. Loss of use of the insured property or **described location**;
4. Loss from interruption of business or production;
5. Any additional living expenses incurred while the insured **building** is being repaired or is unable to be occupied for any reason;
6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities that we describe in Coverage **D** - Increased Cost of Compliance; or

7. Any other economic loss.

B. We do not insure a loss directly or indirectly caused by a **flood** that is already in progress at the date and time:

1. The **policy** term begins; or
2. Coverage is added at your request.

C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by **flood**. Some examples of earth movement that we do not cover are:

1. Earthquake;
2. Landslide;
3. Land subsidence;
4. Sinkholes;
5. Destabilization or movement of land that results from accumulation of water in subsurface land areas; or

IV. PROPERTY NOT COVERED (continued)

Land, Land Values, Lawns, Trees, Shrubs, Plants, Growing Crops, or Animals. Animals are specifically excluded from coverage by the provision in General Property Form Section IV.6 (also Dwelling Form Section IV.6 and Residential Condominium Building Association Policy Section IV.6). This exclusion applies to live bait, such as worms or minnows, sold in fishing tackle shops.

Containers. Fuel tanks and well water tanks are not covered outside a basement, elevated building enclosure, or the insured building. Tanks containing other liquids or gases are not covered.

Hot Tubs, Spas, and Swimming Pools. These and their equipment are not covered, except that spas and hot tubs are covered if they are bathroom fixtures or stock and inventory held for sale.

Coastal Barrier Resources Act (CBRA). It is the adjuster's responsibility not to recommend payment for buildings and their contents made ineligible by CBRA legislation, as it is against the law to insure such buildings. These should be referred to Underwriting for a coverage determination.

V. EXCLUSIONS

Loss of Revenue or Profit, Loss of Access, Loss of Use, Business Interruption, and Additional Living Expenses. We will not pay for these. Coverage is not provided for the cost of complying with any ordinance or law except those described in D. Coverage D – Increased Cost of Compliance and C. Coverage C – Other Coverages, 3. Pollution Damage.

Loss in Progress. Not covered (Paragraph B.).

Single Peril. Paragraph C. makes it clear that this is a single-peril policy. Earth movement caused by flood is excluded. This includes but is not limited to earthquake, landslide, land subsidence, sinkholes, destabilization, or movement of land resulting from the accumulation of water in subsurface land areas, and gradual erosion.

Land subsidence is covered if it is caused by erosion as specified in the definition of flood (see General Property Form Section II.A.2.).

Note: The adjuster should recognize and immediately report potential structural instability of the insured property to the WYO Company and recommend a qualified expert conduct an on-site inspection of the insured building. The expert should provide a comprehensive report detailing the cause and effect of the settlement/subsidence including photographs of the structure to the WYO Company that will assist in making the necessary determination as to whether or not damage is a direct physical loss by or from flood.

Water, Moisture, Mildew, Mold, Damage. Not covered when caused by a condition substantially confined to the building, or within the insured's control, which includes design, structural, or mechanical defects; failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or the insured's failure to adequately inspect and maintain the property after the flood waters recede. (For additional information about mold damage, see Subsection VIII.C' of this manual.)

Note: The insured should not be reimbursed for any pre-existing damage resulting from rotten or deteriorated wood or other framing members. The adjuster should be able to distinguish whether or not the wood members have been exposed to long-term moisture causing the wood to crumble, rot and/ or weaken. Often, the adjuster will observe infestation by termites or other insect's in the deteriorated area; the damage resultant from infestation is also not covered by the SFIP.

6. Gradual erosion.

We do, however, pay for losses from **mudflow** and land subsidence as a result of erosion that are specifically covered under our definition of **flood** (see **II.A.1.c.** and **II.A.2.**).

D. We do not insure for direct physical loss caused directly or indirectly by:

- 1.** The pressure or weight of ice;
- 2.** Freezing or thawing;
- 3.** Rain, snow, sleet, hail, or water spray;
- 4.** Water, moisture, mildew, or mold damage that results primarily from any condition:
 - a.** Substantially confined to the insured **building**; or
 - b.** That is within your control including, but not limited to:
 - (1)** Design, structural, or mechanical defects ;
 - (2)** Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or
 - (3)** Failure to inspect and maintain the property after a **flood** recedes;
- 5.** Water or waterborne material that:
 - a.** Backs up through sewers or drains ;

b. Discharges or overflows from a sump, sump pump, or related equipment; or

c. Seeps or leaks on or through insured property;

unless there is a **flood** in the area and the **flood** is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water;

- 6.** The pressure or weight of water unless there is a **flood** in the area and the **flood** is the proximate cause of the damage from the pressure or weight of water;
 - 7.** Power, heating, or cooling failure unless the failure results from **direct physical loss by or from flood** to power, heating, or cooling equipment situated on the **described location**;
 - 8.** Theft, fire, explosion, wind, or windstorm;
 - 9.** Anything you or your agent do or conspire to do to cause loss by **flood** deliberately; or
 - 10.** Alteration of the insured property that significantly increases the risk of flooding.
- E.** We do not insure for loss to any **building** or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.

VI. DEDUCTIBLES

A. When a loss is covered under this **policy**, we will pay only that part of the loss that exceeds the applicable deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the **Declarations Page**.

However, when a **building** under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed **building**.

B. In each loss from **flood**, separate deductibles apply to the **building** and personal property insured by this **policy**.

C. No deductible applies to:

- 1.** **III.C.2.** Loss Avoidance Measures; or
- 2.** **III.D.** Increased Cost of Compliance.

VII. GENERAL CONDITIONS

A. Pairs and Sets

In case of loss to an article that is part of a pair or set, we will have the option of paying you:

- 1.** An amount equal to the cost of replacing the lost, damaged, or destroyed article, less depreciation; or
- 2.** An amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set.

V. EXCLUSIONS (continued)

Water or Waterborne Materials. Damage from water or waterborne materials that cause sewers or drains to back up, including the discharge or overflow of water from a sump, sump pump, or any related equipment, or seeps or leaks on or through insured property, is not covered. However, if there is a general and temporary condition of flooding in the area and the flood is the proximate cause of the sewer, drain, or sump pump back-up and is the proximate cause of the seepage of water, then coverage is provided.

Other Water Damage. Water that seeps or leaks on or through the covered property is not covered e.g., wind-driven rain.

Power Failure. Only losses resulting from power, heating, or cooling equipment failure, if the failure was caused by flood and the failing equipment was located on the described location, are covered. Power failures occurring off the described location due to flood and causing damage to insured heating or cooling equipment or any other insured property are not covered. If the power is intentionally turned off by the insured, there is no coverage.

Note: Federal government lease exclusion.

VI. DEDUCTIBLES

The deductible is doubled for a building under construction. (Per General Property Form III.A.6.a.(2), if there is no work on the building for a period of 90 continuous days, coverage ceases until such time as work is resumed.)

There are separate deductibles for the structure and personal property ranging from \$500 to \$50,000 depending on the occupancy.

VII. GENERAL CONDITIONS

Pairs and Sets. We pay for the one item damaged less applicable depreciation, or the fair proportion of the value of the pair or set that the destroyed item bears to the pair or set.

B. Concealment or Fraud and Policy Voidance

1. With respect to all insureds under this **policy, this **policy**:**

- a.** Is void;
- b.** Has no legal force or effect;
- c.** Cannot be renewed; and
- d.** Cannot be replaced by a new **NFIP policy**;

if, before or after a loss, you or any other insured or your agent have at any time:

- (1)** Intentionally concealed or misrepresented any material fact or circumstance;
- (2)** Engaged in fraudulent conduct; or
- (3)** Made false statements;

relating to this **policy** or any other **NFIP** insurance.

2. This **policy will be void as of the date the wrongful acts described in **B.1.** above were committed.**

3. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.

4. This **policy is also void for reasons other than fraud, misrepresentation, or wrongful act. This **policy** is void from its inception and has no legal force under the following conditions:**

- a.** If the property is located in a community that was not participating in the **NFIP** on the **policy's** inception date and did not join or reenter the program during the **policy** term and before the loss occurred; or
- b.** If the property listed on the **application** is otherwise not eligible for coverage under the **NFIP**.

C. Other Insurance

1. If a loss covered by this **policy is also covered by other insurance that includes **flood** coverage not issued under the **Act**, we will not pay more than the amount of insurance that you are entitled to for lost, damaged, or destroyed property insured under this **policy** subject to the following:**

- a.** We will pay only the proportion of the loss that the amount of insurance that applies under this **policy** bears to the total amount of insurance covering the loss, unless **C.1.b.** or **c.** immediately below applies.

- b.** If the other policy has a provision stating that it is excess insurance, this **policy** will be primary.

- c.** This **policy** will be primary (but subject to its own deductible) up to the deductible in the other **flood** policy (except another policy as described in **C.1.b.** above). When the other deductible amount is reached, this **policy** will participate in the same proportion that the amount of insurance under this **policy** bears to the total amount of both policies, for the remainder of the loss.

2. If this **policy covers a **condominium association** and there is a flood insurance **policy** in the name of a **unit** owner that covers the same loss as this **policy**, then this **policy** will be primary.**

D. Amendments, Waivers, Assignment

This **policy** cannot be changed nor can any of its provisions be waived without the express written consent of the Federal Insurance Administrator. No action that we take under the terms of this **policy** can constitute a waiver of any of our rights. You may assign this **policy** in writing when you transfer title of your property to someone else, except under these conditions:

- 1.** When this **policy** covers only personal property; or
- 2.** When this **policy** covers a structure during the course of construction.

E. Cancellation of Policy by You

- 1.** You may cancel this **policy** in accordance with the applicable rules and regulations of the **NFIP**.
- 2.** If you cancel this **policy**, you may be entitled to a full or partial refund of premium also under the applicable rules and regulations of the **NFIP**.

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

- 1.** If the community where your covered property is located stops participating in the **NFIP**; or
- 2.** If your **building** has been declared ineligible under Section 1316 of the **Act**.

G. Reduction and Reformation of Coverage

- 1.** If the premium we received from you was not enough to buy the kind and amount of coverage you requested, we will provide only the amount of coverage that can be purchased for the premium payment we received.

VII. GENERAL CONDITIONS (continued)

Concealment or Fraud and Policy Voidance. Any NFIP flood policy can be voided if the insured commits fraud. The adjuster must report to the insurer any relevant facts on the Narrative Report form.

Other Insurance. This policy is primary over all other policies that clearly state they are excess. If the other policy does not state it is excess, this policy is primary up to the other policy's deductible, subject to this policy's deductible; once our payment reaches the other deductible amount, the coverage becomes pro-rata. (See examples in Section VII. of this manual, Basic Adjustment Issues, following.)

Nonrenewal of the Policy by Us. The policy will not be renewed if the community in which the insured property is located stops participating in the NFIP or if the building has been declared ineligible under Section 1316 of the National Flood Insurance Act of 1968, as amended.

Reduction and Reformation of Coverage. The coverage amounts will be reduced if it is discovered that the premium was insufficient; if the amount of additional premium can be determined, the insured has 30 days to pay the additional premium. Only prospective premiums are to be charged. The time required to determine the additional premium must not delay the claim process.

2. The **policy** can be reformed to increase the amount of coverage resulting from the reduction described in **G.1.** above to the amount you requested as follows:

a. Discovery of insufficient premium or incomplete rating information before a loss.

(1) If we discover before you have a **flood** loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current **policy** term (or that portion of the current **policy** term following any endorsement changing the amount of coverage). If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the **policy** to increase the amount of coverage to the originally requested amount effective to the beginning of the current **policy** term (or subsequent date of any endorsement changing the amount of coverage).

(2) If we determine before you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. Once we determine the amount of additional premium for the current **policy** term, we will follow the procedure in **G.2.a.(1)** above.

(3) If we do not receive the additional premium (or additional information) by the date it is due, the amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

b. Discovery of insufficient premium or incomplete rating information after a loss.

(1) If we discover after you have a **flood** loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current and the prior **policy** terms. If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the **policy** to increase the amount of coverage to the originally requested amount effective to the beginning of the prior **policy** term.

(2) If we discover after you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must

submit the information before your claim can be paid. Once we determine the amount of additional premium for the current and prior **policy** terms, we will follow the procedure in **G.2.b.(1)** above.

(3) If we do not receive the additional premium by the date it is due, your flood insurance claim will be settled based on the reduced amount of coverage. The amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

3. However, if we find that you or your agent intentionally did not tell us, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of Condition **B. Concealment or Fraud and Policy Voidance** apply.

H. Policy Renewal

1. This **policy** will expire at 12:01 a.m. on the last day of the **policy** term.

2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.

3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures:

a. If you or your agent notified us, not later than one year after the date on which the payment of the renewal premium was due, of nonreceipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due date, which will be 30 days after the date on which the bill is mailed.

b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the **policy**. In that case, the **policy** will remain an expired **policy** as of the expiration date shown on the **Declarations Page**.

4. In connection with the renewal of this **policy**, we may ask you during the **policy** term to recertify, on a Recertification Questionnaire that we will provide to you, the rating information used to rate your most recent **application** for or renewal of insurance.

I. Conditions Suspending or Restricting Insurance

We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.

VII. GENERAL CONDITIONS (continued)

Policy Renewal. The policy expires at 12:01 a.m. on the final day of the policy term. For renewal, premium must be received within 30 days of the expiration date.

J. Requirements in Case of Loss

In case of a **flood** loss to insured property, you must:

1. Give prompt written notice to us;
2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it;
3. Prepare an inventory of damaged property showing the quantity, description, **actual cash value**, and amount of loss. Attach all bills, receipts, and related documents;
4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the **policy** signed and sworn to by you, and which furnishes us with the following information:
 - a. The date and time of loss;
 - b. A brief explanation of how the loss happened;
 - c. Your interest (for example, "owner") and the interest, if any, of others in the damaged property;
 - d. Details of any other insurance that may cover the loss;
 - e. Changes in title or occupancy of the insured property during the term of the **policy**;
 - f. Specifications of damaged **buildings** and detailed repair estimates;
 - g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;
 - h. Details about who occupied any insured **building** at the time of loss and for what purpose; and
 - i. The inventory of damaged property described in **J.3.** above.
5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.
6. You must cooperate with the adjuster or representative in the investigation of the claim.
7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.

8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.

9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.

K. Our Options After a Loss

Options we may, in our sole discretion, exercise after loss include the following:

1. At such reasonable times and places that we may designate, you must:
 - a. Show us or our representative the damaged property;
 - b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and
 - c. Permit us to examine and make extracts and copies of:
 - (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;
 - (2) **Condominium association** documents including the Declarations of the **condominium**, its Articles of Association or Incorporation, Bylaws, and rules and regulations; and
 - (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost.
2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:
 - a. Quantities and costs;
 - b. **Actual cash values**;
 - c. Amounts of loss claimed;
 - d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and
 - e. Evidence that prior **flood** damage has been repaired.
3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:

VII. GENERAL CONDITIONS (continued)

Requirements in Case of Loss. Claims should be investigated under a Reservation of Rights or Non-Waiver Agreement if the insured does not comply with Paragraphs J.1. through 9.

- a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and
- b. Take all or any part of the damaged property at the value we agree upon or its appraised value.

L. No Benefit to Bailee

No person or organization, other than you, having custody of covered property will benefit from this insurance.

M. Loss Payment

- 1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the **policy** or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files an adjuster's report signed and sworn to by you in lieu of a proof of loss) and:
 - a. We reach an agreement with you;
 - b. There is an entry of a final judgment; or
 - c. There is a filing of an appraisal award with us, as provided in **VII.P.**
- 2. If we reject your proof of loss in whole or in part you may:
 - a. Accept such denial of your claim ;
 - b. Exercise your rights under this **policy**, or
 - c. File an amended proof of loss, as long as it is filed within 60 days of the date of the loss.

N. Abandonment

You may not abandon damaged or undamaged insured property to us.

O. Salvage

We may permit you to keep damaged insured property after a loss, and we will reduce the amount of the loss proceeds payable to you under the **policy** by the value of the salvage.

P. Appraisal

If you and we fail to agree on the **actual cash value** of the damaged property so as to determine the amount of loss, either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the State where the insured property is

located. The appraisers will separately state the **actual cash value** and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of **actual cash value** and loss.

Each party will:

- 1. Pay its own appraiser; and
- 2. Bear the other expenses of the appraisal and umpire equally.

Q. Mortgage Clause

The word "mortgagee" includes trustee.

Any loss payable under Coverage **A - Building Property** will be paid to any mortgagee of whom we have actual notice as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

- 1. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;
- 2. Pays any premium due under this **policy** on demand if you have neglected to pay the premium; and
- 3. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.

All of the terms of this **policy** apply to the mortgagee.

The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the **building**.

If we decide to cancel or not renew this **policy**, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or nonrenewal.

If we pay the mortgagee for any loss and deny payment to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

R. Suit Against Us

You may not sue us to recover money under this **policy** unless you have complied with all the requirements of the **policy**. If you do sue, you must start the suit within one year of the date of the written denial of all or part of the

VII. GENERAL CONDITIONS (continued)

Bailee Goods. Bailee Goods are the result of a bailment, which is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose under an express or implied-in-fact contract.

Example: When the bailor takes a pair of shoes to the cobbler (the bailee) for repair, a bailment is established while the bailee has the shoes. The shoes while in the possession of the bailee are bailee goods. Note: a bailment involves a change in possession but not in title.

Real property, by definition can never be bailee goods. In addition, property that is sold (title changes) cannot be bailee goods. Therefore, real property that is sold cannot be bailee goods after the sale or before the sale.

Loss Payment. The adjuster needs to be prompt in reporting the investigation, as the insurer has only 60 days from the date of receiving the insured's Proof of Loss to pay the claim, or within 90 days after the adjuster files a report that is signed and sworn to by the insured in lieu of the Proof of Loss. If the Proof of Loss is rejected in whole or in part or a new supplemental Proof of Loss is filed, it must be submitted and received within 60 days of the date of loss. Only FEMA has the authority to waive or extend the filing deadline.

Salvage. The insured has the option to keep damaged property after a flood, and the adjuster will reduce the amount of the loss proceeds payable to the insured.

Appraisal. The appraisal clause is much like that in the homeowner's policy. There is no appraisal for coverage issues. The appraisal clause applies if the insured and adjuster fail to agree on the actual cash value or replacement cost of the damaged property, whichever is appropriate. In the event that the two appraisers appointed by the insured and insurer cannot agree, they should submit only their differences to an umpire. **There is no appraisal for coverage issues.**

Mortgage Clause. The mortgage clause applies to any loss payable under Coverage A – Building; therefore protecting the mortgagee is not required for ICC payments. ICC payments are to help policyholders comply with local floodplain management laws or ordinances. The insurer may choose to include the mortgagee on these checks. However, the mortgage contract may allow the lender to apply claim payments to the loan and not to the paid activity. Making the insurer aware of the policy wording and any other information associated with the payment is important in their decision making process.

We will also protect the interest of any loss payee or other interested party discovered during the investigation. This protection extends to the U.S. Small Business Administration (SBA). A typical SBA Assignment of Insurance Proceeds letter states, "The U.S. Small Business Administration (SBA) has approved a loan to repair/replace your insured's damaged real estate and/or personal property...in compliance with the assignment, future payments on this claim (except payments for additional living expenses) are to name the U.S. Small Business Administration as a co-payee." This means the SBA must be included on the building check(s) and the contents check(s) on this claim.

Suit Against Us. The insured must file suit in the United States District Court within one year after the written denial of all or part of the claim.

claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this **policy** and to any dispute that you may have arising out of the handling of any claim under the **policy**.

S. Subrogation

Whenever we make a payment for a loss under this **policy**, we are subrogated to your right to recover for that loss from any other person. That means that your right to recover for a loss that was partly or totally caused by someone else is automatically transferred to us, to the extent that we have paid you for the loss. We may require you to acknowledge this transfer in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money.

T. Continuous Lake Flooding

1. If your insured **building** has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in a covered loss to the insured **building** equal to or greater than the **building policy** limits plus the deductible or the maximum payable under the **policy** for any one **building** loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing:
 - a. To make no further claim under this **policy**;
 - b. Not to seek renewal of this **policy**;
 - c. Not to apply for any flood insurance under the **Act** for property at the **described location**; and
 - d. Not to seek a premium refund for current or prior terms.

If the **policy** term ends before the insured **building** has been flooded continuously for 90 days, the provisions of this paragraph **T.1.** will apply when the insured **building** suffers a covered loss before the **policy** term ends.

2. If your insured **building** is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph **T.1.** above or this paragraph **T.2.** (A "closed basin lake" is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded one square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States, where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation

due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph **T.2.** we will pay your claim as if the **building** is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:

- a. Lake **flood** waters must damage or imminently threaten to damage your **building**.
- b. Before approval of your claim, you must:
 - (1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; and
 - (2) Grant the conservation easement described in FEMA's "Policy Guidance for Closed Basin Lakes," to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for **flood** damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures that it will allow on any portion of the property within the ASC are certain simple agricultural and recreational structures. If any of these allowable structures are insurable **buildings** under the **NFIP** and are insured under the **NFIP**, they will not be eligible for the benefits of this paragraph **T.2.** If a U.S. Army Corps of Engineers certified **flood** control project or otherwise certified **flood** control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and
 - (3) Comply with paragraphs **T.1.a.** through **T.1.d.** above.
- c. Within 90 days of approval of your claim, you must move your **building** to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show that there is sufficient reason to extend the time.
- d. Before the final payment of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your **building**.
- e. Before the approval of your claim, the community having jurisdiction over your **building** must:

VII. GENERAL CONDITIONS (continued)

Subrogation. The insured's right to recover for a loss in part or in whole for damages caused by someone else is transferred to the insurer if the loss is paid under the Standard Flood Insurance Policy.

Continuous Lake Flooding. The structure must be inundated by lake water for 90 continuous days, and it must be reasonably certain that the continuation of this flooding will result in damage equal to or greater than policy limits, or the ACV or RCV, as applicable. If it is not reasonably certain that the flooding will cause a total loss, then we will pay only for the actual damage up to the waterline. (See Section VIII. of this manual, Special Adjustment Issues, for more information about continuous lake flooding.)

Closed Basin Lakes. A closed basin lake is a natural lake from which water leaves primarily through evaporation, and whose surface area now exceeds or has exceeded one square mile at any time in the past. If an insured building is subject to continuous closed basin lake flooding, a total loss claim can be paid if lake floodwaters damage or imminently threaten to damage the building, and an eventual total loss appears likely.

Special reporting procedures apply to ICC claims and closed basin lake claims. Notify the NFIP Bureau and Statistical Agent upon receipt of either type of claim.

(1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance, that is consistent with the provisions specified for the easement required in paragraph **T.2.b.** above;

(2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the **building** can be denied; and

(3) Agree to maintain as deed-restricted, for purposes compatible with open space or agricultural or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of paragraph **T.2.b.** above, except that, even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant Program or the Flood Mitigation Assistance Program. If a nonprofit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph **T.2.b.** above.

f. Before the approval of your claim, the affected State must take all action set forth in FEMA's "Policy Guidance for Closed Basin Lakes."

g. You must have **NFIP** flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under this paragraph **T.2.** If a subsequent owner buys **NFIP** insurance that goes into effect within 60 days of the date of transfer of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph **T.2.**, we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any increased coverage in the amount suggested by your insurer as an inflation adjustment.

h. This paragraph **T.2.** will be in effect for a community when the FEMA Regional Director for the affected region provides to the community, in writing, the following:

(1) Confirmation that the community and the State are in compliance with the conditions in paragraphs **T.2.e.** and **T.2.f.** above; and

(2) The date by which you must have flood insurance in effect.

U. Duplicate Policies Not Allowed

1. We will not insure your property under more than one **NFIP policy.**

If we find that the duplication was not knowingly created, we will give you written notice. The notice will advise you that you may choose one of several options under the following procedures:

a. If you choose to keep in effect the **policy** with the earlier effective date, you may also choose to add the coverage limits of the later **policy** to the limits of the earlier **policy.** The change will become effective as of the effective date of the later **policy.**

b. If you choose to keep in effect the **policy** with the later effective date, you may also choose to add the coverage limits of the earlier **policy** to the limits of the later **policy.** The change will be effective as of the effective date of the later **policy.**

In either case, you must pay the pro rata premium for the increased coverage limits within 30 days of the written notice. In no event will the resulting coverage limits exceed the permissible limits of coverage under the **Act** or your insurable interest, whichever is less.

We will make a refund to you, according to applicable **NFIP** rules, of the premium for the **policy** not being kept in effect.

2. The insured's option under this Condition **U. Duplicate Policies Not Allowed** to elect which **NFIP policy** to keep in effect does not apply when duplicates have been knowingly created. Losses occurring under such circumstances will be adjusted according to the terms and conditions of the earlier **policy.** The **policy** with the later effective date must be canceled.

V. Loss Settlement

We will pay the least of the following amounts after application of the deductible:

1. The applicable amount of insurance under this **policy;**

2. The **actual cash value;** or

3. The amount it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the loss.

VII. GENERAL CONDITIONS (continued)

Duplicate Policies Not Allowed. If the insured has two policies on the same property, the insured may choose to keep either policy. However, if the insured wishes to combine coverage limits, the effective date of the policy will be that of the later of the two policies issued.

If the insured has a Group Flood Insurance Policy as the result of a Federal Disaster Declaration, the insured may not purchase a Standard Flood Insurance Policy as excess coverage over the Group Flood Insurance Policy or to duplicate flood insurance benefits. The insured may cancel the Group Flood Insurance Policy mid-term and purchase a Standard Flood Insurance Policy to obtain higher coverage amounts. No premium refunds are given under the Group Flood Insurance Policy.

Loss Settlement. Under the General Property Form, building and contents claims must be settled on an Actual Cash Value basis.

VIII. LIBERALIZATION CLAUSE

If we make a change that broadens your coverage under this edition of our **policy**, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the

change, provided that this implementation date falls within 60 days before, or during, the **policy** term stated on the **Declarations Page**.

IX. WHAT LAW GOVERNS

This **policy** and all disputes arising from the handling of any claim under the **policy** are governed exclusively by the flood insurance regulations issued by FEMA, the

National Flood Insurance Act of 1968, as amended (42 U.S.C. 4001, et seq.), and Federal common law.

IN WITNESS WHEREOF, we have signed this **policy** below and hereby enter into this Insurance Agreement.



Edward L. Connor
Acting Administrator, National Flood Insurance Program
Federal Emergency Management Agency

VIII. LIBERALIZATION CLAUSE

Liberalization with additional premium, such as ICC, does not fall into this category. The insured can choose the policy application that is most beneficial. The loss must be after the effective date of the liberalization.

IX. WHAT LAW GOVERNS

Federal law governs. This policy is not subject to state departments of insurance or state and local courts.

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Residential Condominium Building Association Policy

FEDERAL EMERGENCY MANAGEMENT AGENCY
FEDERAL INSURANCE ADMINISTRATION

STANDARD FLOOD INSURANCE POLICY

**RESIDENTIAL CONDOMINIUM BUILDING
ASSOCIATION POLICY**

PLEASE READ THE POLICY CAREFULLY. THE FLOOD INSURANCE PROVIDED IS SUBJECT TO LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS.

THIS POLICY COVERS ONLY A RESIDENTIAL CONDOMINIUM BUILDING IN A REGULAR PROGRAM COMMUNITY. IF THE COMMUNITY REVERTS TO EMERGENCY PROGRAM STATUS DURING THE POLICY TERM AND REMAINS AN EMERGENCY PROGRAM COMMUNITY AT TIME OF RENEWAL, THIS POLICY CANNOT BE RENEWED.

I. AGREEMENT

The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations (CFR).

We will pay you for **direct physical loss by or from flood** to your insured property if you:

1. Have paid the correct premium;

2. Comply with all terms and conditions of this **policy**; and

3. Have furnished accurate information and statements.

We have the right to review the information you give us at any time and to revise your **policy** based on our review.

II. DEFINITIONS

A. In this **policy**, "you" and "your" refer to the insured(s) shown on the **Declarations Page** of this **policy**. "Insured(s)" includes: Any mortgagee and loss payee named in the **Application** and **Declarations Page**, as well as any other mortgagee or loss payee determined to exist at the time of loss in the order of precedence. "We," "us," and "our" refer to the insurer.

Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. The precise definitions are intended to protect you.

Flood, as used in this flood insurance **policy**, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:
 - a. Overflow of inland or tidal waters;
 - b. Unusual and rapid accumulation or runoff of surface waters from any source;
 - c. **Mudflow**.
2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water

exceeding anticipated cyclical levels that result in a **flood** as defined in **A.1.a.** above.

B. The following are the other key definitions that we use in this **policy**:

1. **Act.** The National Flood Insurance Act of 1968 and any amendments to it.
2. **Actual Cash Value.** The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.
3. **Application.** The statement made and signed by you or your agent in applying for this **policy**. The **application** gives information that we use to determine the eligibility of the risk, the kind of **policy** to be issued, and the correct premium payment. The **application** is part of this flood insurance **policy**. For us to issue you a **policy**, the correct premium payment must accompany the **application**.
4. **Base Flood.** A **flood** having a one percent chance of being equaled or exceeded in any given year.

RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY

COMMENTARY

LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS

The Residential Condominium Building Association Policy (RCBAP) covers only a residential condominium building in a Regular Program community.

Cooperatives and other forms of ownership cannot be insured by the RCBAP.

I. AGREEMENT

The insuring agreement states the following:

- The Standard Flood Insurance Policy (SFIP) is based upon the National Flood Insurance Act of 1968 and all amendments, and Title 44 of the Code of Federal Regulations (CFR).
- The insured must pay the correct premium to get the requested amount of coverage.
- The insured or the insured's representative must submit accurate information.

II. DEFINITIONS

Flood. Requires surface water inundation of normally dry land from any source, including mudflow (see "Mudflow" definition). Two acres of the insured property or two or more properties (parcels of land), one of which may be a public roadway, must be inundated.

Actual Cash Value. Replacement cost value of the insured building and contents less applicable depreciation (does not include antique value).

Application. Part of the policy; the application paragraph states that the insured must pay the correct premium.

5. Basement. Any area of the **building**, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.

6. Building.

- a. A structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site;
- b. A manufactured home (a "manufactured home," also known as a mobile home, is a structure built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or
- c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws.

Building does not mean a gas or liquid storage tank or a recreational vehicle, park trailer, or other similar vehicle, except as described in **B.6.c.** above.

7. Cancellation. The ending of the insurance coverage provided by this **policy** before the expiration date.

8. Condominium. That form of ownership of real property in which each **unit** owner has an undivided interest in common elements.

9. Condominium Association. The entity made up of the **unit** owners responsible for the maintenance and operation of:

- a. Common elements owned in undivided shares by **unit** owners; and
- b. Other real property in which the **unit** owners have use rights;

where membership in the entity is a required condition of **unit** ownership.

10. Declarations Page. A computer-generated summary of information you provided in the **application** for insurance. The **Declarations Page** also describes the term of the **policy**, limits of coverage, and displays the premium and our name. The **Declarations Page** is a part of this flood insurance **policy**.

11. Described Location. The location where the insured **building** or personal property are found. The **described location** is shown on the **Declarations Page**.

12. Direct Physical Loss By or From Flood. Loss or damage to insured property, directly caused by a **flood**. There must be evidence of physical changes to the property.

13. Elevated Building. A **building** that has no **basement** and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.

14. Emergency Program. The initial phase of a community's participation in the **National Flood Insurance Program**. During this phase, only limited amounts of insurance are available under the **Act**.

15. Expense Constant. A flat charge you must pay on each new or renewal **policy** to defray the expenses of the Federal Government related to flood insurance.

16. Federal Policy Fee. A flat charge you must pay on each new or renewal **policy** to defray certain administrative expenses incurred in carrying out the **National Flood Insurance Program**. This fee covers expenses not covered by the **expense constant**.

17. Improvements. Fixtures, alterations, installations, or additions comprising a part of the **residential condominium building**, including **improvements** in the **units**.

18. Mudflow. A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows.

19. National Flood Insurance Program (NFIP). The program of flood insurance coverage and floodplain management administered under the **Act** and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B.

20. Policy. The entire written contract between you and us. It includes:

- a. This printed form;
- b. The **application** and **Declarations Page**;
- c. Any endorsement(s) that may be issued; and
- d. Any renewal certificate indicating that coverage has been instituted for a new **policy** and new **policy** term.

Only one **building**, which you specifically described in the **application**, may be insured under this **policy**.

21. Pollutants. Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.

II. DEFINITIONS (continued)

Basement. Any area having its floor below ground level (subgrade) on all sides.

Building. A building must have at least two rigid walls and a roof. Liquid storage tanks and bubbles are not covered. Grain bins and silos are covered. Travel trailers without wheels and affixed to a permanent foundation are covered if regulated by local law.

Condominium Association. The association is composed of unit owners who are responsible for the maintenance and operation of the common elements owned by the unit owners and other real property. The RCBAP may not insure Homeowner Associations, Cooperatives, and other forms of ownership that are not condominiums. The adjuster must review the condominium by-laws if there is a question.

Declarations Page. A summary of information provided by the policyholder on the insurance application. The adjuster must verify the accuracy of the building description, as this may affect coverage.

Described Location. Shown on the Declarations Page.

Direct Physical Loss By or From Flood. Floodwaters must touch the insured building with the exception of seepage/hydrostatic pressure.

Elevated Building. This definition requires space between ground level and the lowest floor.

Mudflow. A surface river of liquid and flowing mud. Other earth movements such as landslide, slope failure, or saturated soil moving by liquidity are not mudflows. (The word "mudslide" no longer is used in the SFIP.)

Pollutants. Testing for or monitoring of pollutants is not covered unless required by law.

- 22. Post-FIRM Building.** A **building** for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later.
- 23. Probation Premium.** A flat charge you must pay on each new or renewal **policy** issued covering property in a community that the NFIP has placed on probation under the provisions of 44 CFR 59.24.
- 24. Regular Program.** The final phase of a community's participation in the **National Flood Insurance Program**. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the **Act**.
- 25. Residential Condominium Building.** A **building**, owned and administered as a **condominium**,

containing one or more family **units** and in which at least 75 percent of the floor area is residential.

- 26. Special Flood Hazard Area.** An area having special **flood**, or **mudflow**, and/or **flood-related** erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V.
- 27. Unit.** A single-family **unit** in a **residential condominium building**.
- 28. Valued Policy.** A **policy** in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a **valued policy**.

III. PROPERTY COVERED

A. COVERAGE A - BUILDING PROPERTY

We insure against **direct physical loss by or from flood** to:

1. The **residential condominium building** described on the **Declarations Page** at the **described location**, including all **units** within the **building** and the **improvements** within the **units**.
2. We also insure such **building** property for a period of 45 days at another location, as set forth in **III.C.2.b.**, Property Removed to Safety.
3. Additions and extensions attached to and in contact with the **building** by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the **building** by means of a common interior wall that is not a solid load-bearing wall are always considered part of the **building** and cannot be separately insured.
4. The following fixtures, machinery, and equipment, which are covered under Coverage **A** only:
 - a. Awnings and canopies;
 - b. Blinds;
 - c. Carpet permanently installed over unfinished flooring;
 - d. Central air conditioners;
 - e. Elevator equipment;
 - f. Fire extinguishing apparatus;
 - g. Fire sprinkler systems;
 - h. Walk-in freezers;
 - i. Furnaces;
 - j. Light fixtures;

- k. Outdoor antennas and aerials fastened to **buildings**;
- l. Permanently installed cupboards, bookcases, paneling, and wallpaper;
- m. Pumps and machinery for operating pumps;
- n. Ventilating equipment;
- o. Wall mirrors, permanently installed; and
- p. In the **units** within the **building**, installed:
 - (1) Built-in dishwashers;
 - (2) Built-in microwave ovens;
 - (3) Garbage disposal units;
 - (4) Hot water heaters, including solar water heaters;
 - (5) Kitchen cabinets;
 - (6) Plumbing fixtures;
 - (7) Radiators;
 - (8) Ranges;
 - (9) Refrigerators; and
 - (10) Stoves.

5. Materials and supplies to be used for construction, alteration, or repair of the insured **building** while the materials and supplies are stored in a fully enclosed **building** at the **described location** or on an adjacent property.
6. A **building** under construction, alteration, or repair at the **described location**.
 - a. If the structure is not yet walled or roofed as described in the definition for **building** (see **II.B.6.a.**), then coverage applies:
 - (1) Only while such work is in progress; or
 - (2) If such work is halted, only for a period of up to 90 continuous days thereafter.

II. DEFINITIONS (continued)

Post-FIRM Building. Start of construction or substantial improvement after December 31, 1974, or on or after the publication of the initial Flood Insurance Rate Map (FIRM), whichever is later. **Note:** A Pre-FIRM structure would be a building constructed or substantially improved prior to December 31, 1974.

Special Flood Hazard Area (SFHA). All zones listed are SFHAs. However, the Post-FIRM coverage limitations apply only to Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1–V30, and VE.

Valued Policy. This is not a valued policy, in any state.

III. PROPERTY COVERED

COVERAGE A – BUILDING PROPERTY

This policy covers only a residential condominium building including the units within the building and the improvements within the units.

Additions that are attached to and in contact with the risk by a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof are covered.

A solid load-bearing interior wall cannot have any openings and must not provide access from one building or room into another (partial walls). If access is available through a doorway or an opening, then the structure must be insured as one building. Other provisions are:

- At the insured's option, at the time of the flood application for coverage, the additions and extensions may be insured separately.
- A common interior wall that is not solid or load bearing necessitates one policy.

Fixtures, Machinery, and Equipment. The items in this list (RCBAP Section III. Property Covered, A. Coverage A – Building Property, 4.) are defined as building property and cannot be paid under contents coverage. The list of items in Paragraph 4 is not exclusive. If there are other items that fit this coverage, they can be included.

Materials and Supplies. Those used to alter, repair, or construct the insured building must be in a fully enclosed building at the property address or an adjacent property.

Building Under Construction. The deductible is doubled (see RCBAP Section VI. Deductibles, second paragraph of provision A.) and, if there is no work on the building for a period of 90 continuous days, coverage ceases until such time as work is resumed. Coverage is provided for those items that will become part of the finished building. For example, rebar, footings, and concrete walls that will become part of the finished building are covered. There is no coverage for the forms used to retain the concrete. There is no coverage for a building under construction before it is walled and roofed when the building is Post-FIRM and the basement floor or lowest elevated floor is below Base Flood Elevation in any of Zones AH, AE, A1–A30, AR, AR/AE, AR/AH, AR/A1–A30, AR/A, or AR/AO, or below Base Flood Elevation adjusted for wave action in any of Zones VE or V1–V30.

b. However, coverage does not apply until the **building** is walled and roofed if the lowest floor, including the **basement** floor, of a non-**elevated building** or the lowest elevated floor of an **elevated building** is:

- (1) Below the **base flood** elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or
- (2) Below the **base flood** elevation adjusted to include the effect of wave action in Zones VE or V1-V30.

The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 and the top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO.

7. A manufactured home or a travel trailer as described in the Definitions section (see **II.B.6.b.** and **II.B.6.c.**)

If the manufactured home is in a **special flood hazard area**, it must be anchored in the following manner at the time of the loss:

- a. By over-the-top or frame ties to ground anchors; or
- b. In accordance with the manufacturer's specifications; or
- c. In compliance with the community's floodplain management requirements;

unless it has been continuously insured by the **NFIP** at the same **described location** since September 30, 1982.

8. Items of property in a **building** enclosure below the lowest elevated floor of an **elevated post-FIRM building** located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a **basement**, regardless of the zone. Coverage is limited to the following:

- a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:
 - (1) Central air conditioners;
 - (2) Cisterns and the water in them;
 - (3) Drywall for walls and ceilings in a **basement** and the cost of labor to nail it, unfinished and unfloats and not taped, to the framing;
 - (4) Electrical junction and circuit breaker boxes;
 - (5) Electrical outlets and switches;
 - (6) Elevators, dumbwaiters and related equipment, except for related equipment installed below the **base flood** elevation after September 30, 1987;
 - (7) Fuel tanks and the fuel in them;

- (8) Furnaces and hot water heaters;
- (9) Heat pumps;
- (10) Nonflammable insulation in a **basement**;
- (11) Pumps and tanks used in solar energy systems;
- (12) Stairways and staircases attached to the **building**, not separated from it by elevated walkways;
- (13) Sump pumps;
- (14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;
- (15) Well water tanks and pumps;
- (16) Required utility connections for any item in this list; and
- (17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a **building**.

b. Clean-up.

B. COVERAGE B - PERSONAL PROPERTY

1. If you have purchased personal property coverage, we insure, subject to **B.2.** and **B.3.** below, against **direct physical loss by or from flood** to personal property that is inside the fully enclosed insured **building** and is:

- a. Owned by the **unit** owners of the **condominium association** in common, meaning property in which each **unit** owner has an undivided ownership interest; or
- b. Owned solely by the **condominium association** and used exclusively in the conduct of the business affairs of the **condominium association**.

We also insure such personal property for 45 days while stored at a temporary location, as set forth in **III.C.2.b.**, Property Removed to Safety.

2. Coverage for personal property includes the following property, subject to paragraph **B.1.** above, which is covered under Coverage **B** only:

- a. Air conditioning units, portable or window type;
- b. Carpet, not permanently installed, over unfinished flooring;
- c. Carpets over finished flooring;
- d. Clothes washers and dryers;
- e. "Cook-out" grills;
- f. Food freezers, other than walk-in, and food in any freezer;
- g. Outdoor equipment and furniture stored inside the insured **building**;
- h. Ovens and the like; and
- i. Portable microwave ovens and portable dishwashers.

III. PROPERTY COVERED (continued)

COVERAGE B – PERSONAL PROPERTY

Contents coverage must be purchased separately, and a separate deductible is applied.

Contents must be owned by the unit owner who has ownership interest, or be owned solely by the condominium association and used exclusively for the association's business.

Contents are covered while stored in the enclosed building at the property address. Flotation of contents out of a building that has fewer than four rigid walls is not covered.

Read RCBAP Section III.C.2.b. Property Removed to Safety.

The policy lists items that must always be considered contents (RCBAP Section III.B.2.). The policy also lists contents items covered in a basement or beneath the lowest elevated floor of a Post-FIRM elevated building (RCBAP Section III.B.3.).

A building enclosure and personal property items in a building enclosure below the lowest elevated floor of an elevated Post-FIRM building located in Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30 where the top of the lowest enclosure floor is at or above the Base Flood Elevation as shown on the FIRM in effect on the date of loss, are covered.

3. Coverage for items of property in a **building** enclosure lower than the lowest elevated floor of an **elevated post-FIRM building** located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a **basement**, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:

- a. Air conditioning units, portable or window type;
- b. Clothes washers and dryers; and
- c. Food freezers, other than walk-in, and food in any freezer.

4. **Special Limits.** We will pay no more than \$2,500 for any one loss to one or more of the following kinds of personal property:

- a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;
- b. Rare books or autographed items;
- c. Jewelry, watches, precious and semiprecious stones, or articles of gold, silver, or platinum; or
- d. Furs or any article containing fur which represents its principal value.

5. We will pay only for the functional value of antiques.

C. COVERAGE C - OTHER COVERAGES

1. Debris Removal

- a. We will pay the expense to remove non-owned debris on or in insured property and owned debris anywhere.
- b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage.
- c. This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

2. Loss Avoidance Measures

a. Sandbags, Supplies, and Labor

(1) We will pay up to \$1,000 for the costs you incur to protect the insured **building** from a **flood** or imminent danger of **flood**, for the following:

- (a) Your reasonable expenses to buy:
 - (i) Sandbags, including sand to fill them;

(ii) Fill for temporary levees;

(iii) Pumps; and

(iv) Plastic sheeting and lumber used in connection with these items; and

(b) The value of work, at the Federal minimum wage, that you perform.

(2) This coverage for Sandbags, Supplies, and Labor applies only if damage to insured property by or from **flood** is imminent and the threat of **flood** damage is apparent enough to lead a person of common prudence to anticipate **flood** damage. One of the following must also occur:

(a) A general and temporary condition of flooding in the area near the **described location** must occur, even if the **flood** does not reach the insured **building**; or

(b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured **building** is located calling for measures to preserve life and property from the peril of **flood**.

This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

b. Property Removed to Safety

(1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the **described location** that contains the property in order to protect it from **flood** or the imminent danger of **flood**.

Reasonable expenses include the value of work, at the Federal minimum wage, that you perform.

(2) If you move insured property to a location other than the **described location** that contains the property, in order to protect it from **flood** or the imminent danger of **flood**, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed **building** or otherwise reasonably protected from the elements.

III. PROPERTY COVERED (continued)

COVERAGE B – PERSONAL PROPERTY (continued)

Special Limits. A total of \$2,500 is the maximum payment allowed for artwork, rare books, jewelry, furs, or any article containing fur, which represents its principal value. This maximum payment also extends to the following:

- Photographs
- Collectibles
- Memorabilia
- Porcelain or other figures and sports cards
- Autographed items
- Watches
- Precious and semiprecious stones
- Articles of gold, silver, or platinum

Antiques. Coverage is provided only for the functional value of antiques.

COVERAGE C – OTHER COVERAGES

Debris Removal. Insured property means property we insure—i.e., the described building and covered contents. The described premises includes the lot, which is not covered. ■

Coverage extends to insured property anywhere and to non-owned debris on or in the insured property. Non-covered items such as contents in a basement are excluded from debris removal coverage. ■

Loss Avoidance Measures (Mitigation). Expenses are covered up to \$1,000 per measure; no deductible applies. Paid receipts are required for sandbags, supplies and property removed to safety (truck rental, storage unit, etc.) Loss mitigation measures are described below. ■

a. Sandbags, Supplies, and Labor

- Sandbags, including sand
- Fill for temporary levees
- Pumps
- Plastic sheeting and lumber used in connection with these items
- Labor (Unit owners and members of their families can be paid for labor at the federal minimum wage.) ■

This coverage applies only under Coverage A – Building Property.

b. Property Removed to Safety. A maximum of \$1,000 can be paid to move insured property to another place other than the described location above ground or outside the SFHA to preserve it from flood. If the property removed is a manufactured (mobile) home or travel trailer, coverage extends to it for 45 days even if it is not on a foundation. This coverage can be used for building, contents, or both; but the total of building and contents payments cannot exceed \$1,000 each.

Any property removed, including a moveable home described in Definition **6. Building**, paragraphs **b.** and **c.**, must be placed above ground level or outside of the **special flood hazard area**.

This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

D. COVERAGE D - INCREASED COST OF COMPLIANCE

1. General

This **policy** pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering **flood** damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your structure. Eligible floodproofing activities are limited to:

- a. Nonresidential structures.
- b. Residential structures with **basements** that satisfy FEMA's standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

2. Limit of Liability

We will pay you up to \$20,000 under this Coverage **D** - Increased Cost of Compliance, which only applies to **policies** with **building** coverage (Coverage **A**). Our payment of claims under Coverage **D** is in addition to the amount of coverage which you selected on the **application** and which appears on the **Declarations Page**. But the maximum you can collect under this **policy** for both Coverage **A** - Building Property and Coverage **D** - Increased Cost of Compliance cannot exceed the maximum permitted under the **Act**. We do not charge a separate deductible for a claim under Coverage **D**.

3. Eligibility

- a. A structure covered under Coverage **A** - Building Property sustaining a loss caused by a **flood** as defined by this **policy** must:
 - (1) Be a "repetitive loss structure." A repetitive loss structure is one that meets the following conditions:
 - (a) The structure is covered by a contract of flood insurance issued under the **NFIP**.
 - (b) The structure has suffered **flood** damage on two occasions during a 10-year period which ends on the date of the second loss.

- (c) The cost to repair the **flood** damage, on average, equaled or exceeded 25 percent of the market value of the structure at the time of each **flood** loss.

- (d) In addition to the current claim, the **NFIP** must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; or

- (2) Be a structure that has had **flood** damage in which the cost to repair equals or exceeds 50 percent of the market value of the structure at the time of the **flood**. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure.

- b. This Coverage **D** pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the **National Flood Insurance Program** found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:

- (1) **3.a.(1)** above.

- (2) Elevation or floodproofing in any risk zone to preliminary or advisory **base flood** elevations provided by FEMA which the State or local government has adopted and is enforcing for **flood**-damaged structures in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with **base flood** elevations. This also includes compliance activities in zones where **base flood** elevations are being increased, and a **flood**-damaged structure must comply with the higher advisory **base flood** elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for **flood**-damaged structures to elevations derived solely by the community.

- (3) Elevation or floodproofing above the **base flood** elevation to meet State or local "freeboard" requirements, i.e., that a structure must be elevated above the **base flood** elevation.

III. PROPERTY COVERED (continued)

COVERAGE C – OTHER COVERAGES (continued)

Other provisions regarding property removed to safety are:

- Contents must be placed in a fully enclosed building or otherwise reasonably protected and moved temporarily away from the peril of flood.
- Coverage extends for 45 days at another place.
- With paid receipts, coverage is also extended to return the removed property back to the described location.
- No deductible applies.

Removed property is covered for damage by flood only. Any property removed, including a moveable home described in RCBAP Section II.B.6.b. and c., must be placed above ground level at a location other than the described location or outside of the SFHA. See Dwelling Form Section III.C.2.b. and General Property Form Section III.C.2.b.

COVERAGE D – INCREASED COST OF COMPLIANCE

The limit of liability for Increased Cost of Compliance (ICC) coverage was raised to \$30,000 on May 1, 2003. Any flood loss incurred prior to May 2003 will be adjusted according to the previous limit of \$20,000.

ICC coverage is used for floodproofing, demolition, elevation, or relocation of the structure, or a combination of these. It is an additional amount of insurance above building limits of liability, but we cannot pay more than the law allows.

Structures that are in an SFHA and are declared by the local community to be substantially flood-damaged by 50 percent of their market value are eligible. An ICC claim must not be opened until the local official has declared in writing that the structure has been substantially damaged specifically by flood.

On ICC claims for structures in B, C, X, D, unnumbered A and V, and A99 zones, the adjuster needs to obtain a written statement from the local official that the zone is being changed to a SFHA and is requiring an ICC activity.

For communities that have cumulative damage language in their ordinance, the building must have sustained two flood losses in 10 years, averaging 25 percent. The adjuster must verify that the community has such cumulative damage language in the ordinance. The adjuster must also verify that NFIP claim payments were issued to the insured for both qualifying losses.

The date of loss for the ICC claim is the same as the date of loss for the underlying flood claim.

- c. Under the minimum **NFIP** criteria at 44 CFR 60.3 (b)(4), States and communities must require the elevation or floodproofing of structures in unnumbered A zones to the **base flood** elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage **D**.
- d. This coverage will also pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a structure during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion **D.5.g.** below.
- e. This coverage will also pay to bring a **flood**-damaged structure into compliance with State or local floodplain management laws or ordinances even if the structure had received a variance before the present loss from the applicable floodplain management requirements.

4. Conditions

- a. When a structure covered under Coverage A - Building Property sustains a loss caused by a **flood**, our payment for the loss under this Coverage D will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our payment for eligible demolition activities will be for the cost to demolish and clear the site of the **building** debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities.
- b. When the **building** is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws.

5. Exclusions

Under this Coverage **D** - Increased Cost of Compliance we will not pay for:

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the **Emergency Program**.
- b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **pollutants**.

- c. The loss in value to any insured **building** or other structure due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a **building** demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any Increased Cost of Compliance under this Coverage **D**:
 - (1) Until the **building** is elevated, floodproofed, demolished, or relocated on the same or to another premises; and
 - (2) Unless the **building** is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years.
- f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.
- g. Any compliance activities needed to bring additions or **improvements** made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the **NFIP's** minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any structure insured under an **NFIP** Group Flood Insurance Policy.
- l. Assessments made by a **condominium association** on individual **condominium unit** owners to pay increased costs of repairing commonly owned **buildings** after a flood in compliance with State or local floodplain management ordinances or laws.

6. Other Provisions

- a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the coinsurance

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

Under ICC, even if a local ordinance or law requires the testing, monitoring, clean-up, removal, containment, treatment, detoxification, or neutralization of pollutants, there is no coverage.

Note: FEMA Bulletin W-06019, March 14, 2006, waived the 2-year time limit for the completion of ICC activities for all claims on or after June 1, 2005, and extended the time to complete these activities to 4 years. In an upcoming revision to the SFIP, the time limit found at paragraph 5.e.(2) will be changed to 4 years. The 4-year limit for completing an ICC claim begins on the date of the written declaration by the local community official that the insured structure has been substantially damaged by flood. This means that the 4-year period that will be referenced in paragraph 5.e.(2) begins on the date of the written declaration.

The two conditions in Paragraph 5.e. refer to the total payment of an ICC claim. Partial payments of ICC claims are permitted. Partial payments may be issued before completion of the mitigation activity but cannot exceed 50 percent of the estimated reimbursable cost of the mitigation activity, up to 50 percent of the maximum ICC coverage available.

Adjusters are required to submit daily reports of possible substantially damaged properties to the NFIP Bureau and Statistical Agent by fax at 301-577-3421, by mail to P.O. Box 310, Lanham, MD 20706.

See Section VI. of this manual, "Increased Cost of Compliance (ICC)", for additional information.

IV. PROPERTY NOT COVERED

We do not cover any of the following property:

1. Personal property not inside the fully enclosed **building**;
2. A **building**, and personal property in it, located entirely in, on, or over water or seaward of mean high tide, if constructed or substantially improved after September 30, 1982;
3. Open structures, including a **building** used as a boathouse or any structure or **building** into which boats are floated, and personal property located in, on, or over water;
4. Recreational vehicles other than travel trailers described in **II.B.6.c.**, whether affixed to a permanent foundation or on wheels;
5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are:
 - a. Used mainly to service the **described location**, or
 - b. Designed and used to assist handicapped persons,while the vehicles or machines are inside a **building** at the **described location**;
6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals;
7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers;
8. Underground structures and equipment, including wells, septic tanks, and septic systems;
9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured **building**;
10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids;
11. **Buildings** and all their contents if more than 49 percent of the **actual cash value** of the **building** is below ground, unless the lowest level is at or above the **base flood** elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques;
12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks ;
13. Aircraft or watercraft, or their furnishings and equipment;
14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located;
15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act of 1990 and amendments to these acts;
16. Personal property used in connection with any incidental commercial occupancy or use of the **building**.

V. EXCLUSIONS

- A. We only pay for **direct physical loss by or from flood**, which means that we do not pay you for:
 1. Loss of revenue or profits;
 2. Loss of access to the insured property or **described location**;
 3. Loss of use of the insured property or **described location**;
 4. Loss from interruption of business or production;
 5. Any additional living expenses incurred while the insured **building** is being repaired or is unable to be occupied for any reason;

IV. PROPERTY NOT COVERED

Building or Personal Property Entirely in, on, or over Water or Seaward of Mean High Tide.

No coverage is provided if the building was constructed or substantially improved after September 30, 1982.

Recreational Vehicles. Excluded from coverage except travel trailers defined in RCBAP II.B.6.c.

Self-Propelled Vehicles or Machines. Excluded from coverage, except those used to service the described location or designed and used to assist handicapped persons. The vehicles or machines must be located inside the building at the described location. Such vehicles located below the lowest elevated floor of a post-FIRM elevated building or in a basement are not covered.

Land, Land Values, Lawns, Trees, Shrubs, Plants, Growing Crops, or Animals. Animals are specifically excluded from coverage by the provision in RCBAP Section IV.6 (also Dwelling Form Section IV.6 and General Property Form Section IV.6). This exclusion applies to live bait, such as worms or minnows, sold in fishing tackle shops.

Containers. Fuel tanks and well water tanks are not covered outside a basement, elevated building enclosure, or the insured building. Tanks containing other liquids or gases are not covered.

Hot Tubs, Spas and Swimming Pools. These and their equipment are not covered, except that spas and hot tubs are covered if they are bathroom fixtures.

Coastal Barrier Resources Act (CBRA). It is the adjuster's responsibility not to recommend payment for buildings and their contents made ineligible by CBRA legislation, as it is against the law to insure such buildings. These should be referred to Underwriting for a coverage determination.

V. EXCLUSIONS

Loss of Revenue or Profit, Loss of Access, Loss of Use, Business Interruption, and Additional Living Expenses. We will not pay for these.

6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities that we describe in Coverage **D** - Increased Cost of Compliance; or

7. Any other economic loss.

B. We do not insure a loss directly or indirectly caused by a **flood** that is already in progress at the time and date:

1. The **policy** term begins; or
2. Coverage is added at your request.

C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by **flood**. Some examples of earth movement that we do not cover are:

1. Earthquake;
2. Landslide;
3. Land subsidence;
4. Sinkholes;
5. Destabilization or movement of land that results from accumulation of water in subsurface land areas; or
6. Gradual erosion.

We do, however, pay for losses from **mudflow** and land subsidence as a result of erosion that are specifically covered under our definition of **flood** (see **II.A.1.c.** and **II.A.2.**).

D. We do not insure for direct physical loss caused directly or indirectly by:

1. The pressure or weight of ice;
2. Freezing or thawing;
3. Rain, snow, sleet, hail, or water spray;
4. Water, moisture, mildew, or mold damage that results primarily from any condition:

a. Substantially confined to the insured **building**; or

b. That is within your control including, but not limited to:

- (1) Design, structural, or mechanical defects;
- (2) Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or
- (3) Failure to inspect and maintain the property after a **flood** recedes;

5. Water or waterborne material that:

- a.** Backs up through sewers or drains;
- b.** Discharges or overflows from a sump, sump pump, or related equipment; or
- c.** Seeps or leaks on or through insured property;

unless there is a **flood** in the area and the **flood** is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water;

6. The pressure or weight of water unless there is a **flood** in the area and the **flood** is the proximate cause of the damage from the pressure or weight of water;

7. Power, heating, or cooling failure unless the failure results from **direct physical loss by or from flood** to power, heating, or cooling equipment situated on the **described location**;

8. Theft, fire, explosion, wind, or windstorm;

9. Anything you or your agents do or conspire to do to cause loss by **flood** deliberately; or

10. Alteration of the insured property that significantly increases the risk of flooding.

E. We do not insure for loss to any **building** or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.

F. We do not pay for the testing for or monitoring of **pollutants** unless required by law or ordinance.

VI. DEDUCTIBLES

A. When a loss is covered under this **policy**, we will pay only that part of the loss that exceeds the applicable deductible amount, subject to the limit of insurance that applies. The deductible amount is shown on the **Declarations Page**.

However, when a **building** under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed **building**.

V. EXCLUSIONS (continued)

Coverage is not provided for the cost of complying with any ordinance or law except those described in D. Coverage D – Increased Cost of Compliance.

Loss in Progress. Not covered (Paragraph B.).

Single Peril. Paragraph C. makes it clear that this is a single-peril policy. Earth movement caused by flood is excluded. This includes but is not limited to earthquake, landslide, land subsidence, sinkholes, destabilization, or movement of land resulting from the accumulation of water in subsurface land areas, and gradual erosion.

Land subsidence is covered if it is caused by erosion as specified in the definition of flood (see RCBAP Section II.A.2.).

Note: The adjuster should recognize and immediately report potential structural instability of the insured property to the WYO Company and recommend a qualified expert conduct an on-site inspection of the insured building. The expert should provide a comprehensive report detailing the cause and effect of the settlement/subsidence including photographs of the structure to the WYO Company that will assist in making the necessary determination as to whether or not damage is a direct physical loss by or from flood.

Water, Moisture, Mildew, Mold, Damage. Not covered when caused by a condition substantially confined to the building, or within the insured's control, which includes design, structural, or mechanical defects; failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or the insured's failure to adequately inspect and maintain the property after the flood waters recede. (For additional information about mold damage, see Subsection VIII.C 'of this manual.)

Note: The insured should not be reimbursed for any pre-existing damage resulting from rotten or deteriorated wood or other framing members. The adjuster should be able to distinguish whether or not the wood members have been exposed to long-term moisture causing the wood to crumble, rot and/ or weaken. Often, the adjuster will observe infestation by termites or other insect's in the deteriorated area; the damage resultant from infestation is also not covered by the SFIP.

Water or Waterborne Materials. Damage from water or waterborne materials that cause sewers or drains to back up, including the discharge or overflow of water from a sump, sump pump, or any related equipment, or seeps or leaks on or through insured property, is not covered. However, if there is a general and temporary condition of flooding in the area and the flood is the proximate cause of the sewer, drain, or sump pump back-up and is the proximate cause of the seepage of water, then coverage is provided.

Other Water Damage. Water that seeps or leaks on or through the covered property is not covered e.g., wind-driven rain.

Power Failure. Only losses resulting from power, heating, or cooling equipment failure, if the failure was caused by flood and the failing equipment was located on the described location, are covered. Power failures occurring off the described location due to flood and causing damage to insured heating or cooling equipment or any other insured property are not covered. If the power is intentionally turned off by the insured, there is no coverage.

Note: Federal government lease exclusion.

Pollutants. Testing for or monitoring of pollutants is not covered unless required by law.

VI. DEDUCTIBLES

The deductible is doubled for a building under construction. (Per RCBAP Section III.A.6.a.(2), if there is no work on the building for a period of 90 continuous days, coverage ceases until such time as work is resumed.)

B. In each loss from **flood**, separate deductibles apply to the **building** and personal property insured by this **policy**.

C. No deductible applies to:

1. **III.C.2.** Loss Avoidance Measures; or
2. **III.D.** Increased Cost of Compliance.

VII. COINSURANCE

A. This Coinsurance section applies only to coverage on the **building**.

B. We will impose a penalty on loss payment unless the amount of insurance applicable to the damaged **building** is:

1. At least 80 percent of its replacement cost; or
2. The maximum amount of insurance available for that **building** under the **NFIP**,

whichever is less.

C. If the actual amount of insurance on the **building** is less than the required amount in accordance with the terms of **VII.B.** above, then loss payment is determined as follows (subject to all other relevant conditions in this **policy**, including those pertaining to valuation, adjustment, settlement, and payment of loss):

1. Divide the actual amount of insurance carried on the **building** by the required amount of insurance.
2. Multiply the amount of loss, before application of the deductible, by the figure determined in **C.1.** above.
3. Subtract the deductible from the figure determined in **C.2.** above.

We will pay the amount determined in **C.3.** above, or the amount of insurance carried, whichever is less. The amount of insurance carried, if in excess of the applicable maximum amount of insurance available under the **NFIP**, is reduced accordingly.

Examples

Example #1 (Inadequate Insurance)

Replacement value of the building	\$250,000
Required amount of insurance (80% of replacement value of \$250,000)	\$200,000
Actual amount of insurance carried	\$180,000
Amount of the loss	\$150,000
Deductible	\$500

Step 1: $180,000 \div 200,000 = .90$
(90% of what should be carried)

Step 2: $150,000 \times .90 = 135,000$

Step 3: $135,000 - 500 = 134,500$

We will pay no more than \$134,500. The remaining \$15,500 is not covered due to the coinsurance penalty (\$15,000) and application of the deductible (\$500).

Example #2 (Adequate Insurance)

Replacement value of the building	\$500,000
Required amount of insurance (80% of replacement value of \$500,000)	\$400,000
Actual amount of insurance carried	\$400,000
Amount of the loss	\$200,000
Deductible	\$500

In this example there is no coinsurance penalty, because the actual amount of insurance carried meets the required amount. We will pay no more than \$199,500 (\$200,000 amount of loss minus the \$500 deductible).

D. In calculating the full replacement cost of a **building**:

1. The replacement cost value of any covered **building** property will be included;
2. The replacement cost value of any **building** property not covered under this **policy** will not be included; and
3. Only the replacement cost value of **improvements** installed by the **condominium association** will be included.

VI. DEDUCTIBLES (continued)

As in the past, there are separate deductibles for the structure and personal property ranging from \$500 to \$50,000 depending on the occupancy. █

VII. COINSURANCE

Coinsurance is applied only to the building portion of the claim.

We will reduce any loss payment unless the amount of insurance applicable to the damaged building is the lesser of:

- At least 80 percent of its replacement cost; or
- The maximum amount of insurance available for that building under the RCBAP.

VIII. GENERAL CONDITIONS

A. Pairs and Sets

In case of loss to an article that is part of a pair or set, we will have the option of paying you:

1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, less depreciation; or
2. An amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set.

B. Concealment or Fraud and Policy Voidance

1. With respect to all insureds under this **policy**, this **policy**
 - a. Is void;
 - b. Has no legal force or effect;
 - c. Cannot be renewed; and
 - d. Cannot be replaced by a new **NFIP policy**;

if, before or after a loss, you or any other insured or your agent have at any time:

- (1) Intentionally concealed or misrepresented any material fact or circumstance;
- (2) Engaged in fraudulent conduct; or
- (3) Made false statements;

relating to this **policy** or any other **NFIP** insurance.

2. This **policy** will be void as of the date the wrongful acts described in **B.1.** above were committed.
3. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.
4. This **policy** is also void for reasons other than fraud, misrepresentation, or wrongful act. This **policy** is void from its inception and has no legal force under the following conditions:
 - a. If the property is located in a community that was not participating in the **NFIP** on the **policy's** inception date and did not join or reenter the program during the **policy** term and before the loss occurred; or

- b. If the property listed on the **application** is otherwise not eligible for coverage under the **NFIP**.

C. Other Insurance

1. If a loss covered by this **policy** is also covered by other insurance that includes **flood** coverage not issued under the **Act**, we will not pay more than the amount of insurance that you are entitled to for lost, damaged, or destroyed property insured under this **policy** subject to the following:
 - a. We will pay only the proportion of the loss that the amount of insurance that applies under this **policy** bears to the total amount of insurance covering the loss, unless **C.1.b.** or **c.** immediately below applies.
 - b. If the other policy has a provision stating it is excess insurance, this **policy** will be primary.
 - c. This **policy** will be primary (but subject to its own deductible) up to the deductible in the other **flood** policy (except another policy as described in **C.1.b.** above). When the other deductible amount is reached, this **policy** will participate in the same proportion that the amount of insurance under this **policy** bears to the total amount of both policies, for the remainder of the loss.
2. If there is a flood insurance policy in the name of a **unit** owner that covers the same loss as this **policy**, then this **policy** will be primary.

D. Amendments, Waivers, Assignment

This **policy** cannot be changed nor can any of its provisions be waived without the express written consent of the Federal Insurance Administrator. No action that we take under the terms of this **policy** constitutes a waiver of any of our rights. You may assign this **policy** in writing when you transfer title of your property to someone else, except under these conditions:

1. When this **policy** covers only personal property; or
2. When this **policy** covers a structure during the course of construction.

E. Cancellation of Policy by You

1. You may cancel this **policy** in accordance with the applicable rules and regulations of the **NFIP**.
2. If you cancel this **policy**, you may be entitled to a full or partial refund of premium also under the applicable rules and regulations of the **NFIP**.

VIII. GENERAL CONDITIONS

Pairs and Sets. We pay for the one item damaged less applicable depreciation, or the fair proportion of the value of the pair or set that the destroyed item bears to the pair or set. ■

Concealment or Fraud and Policy Voidance. Any NFIP flood policy can be voided if the insured commits fraud. The adjuster must report to the insurer any relevant facts on the Narrative Report form. ■

Other Insurance. This policy is primary over all other policies that clearly state they are excess. If the other policy does not state it is excess, this policy is primary up to the other policy's deductible, subject to this policy's deductible; once our payment reaches the other deductible amount, the coverage becomes pro-rata. (See examples in Section VII. of this manual, Basic Adjustment Issues, following.)

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

1. If the community where your covered property is located stops participating in the **NFIP**; or
2. If your **building** has been declared ineligible under Section 1316 of the **Act**.

G. Reduction and Reformation of Coverage

1. If the premium we received from you was not enough to buy the kind and amount of coverage you requested, we will provide only the amount of coverage that can be purchased for the premium payment we received.
2. The **policy** can be reformed to increase the amount of coverage resulting from the reduction described in **G.1.** above to the amount you requested as follows:

- a. Discovery of insufficient premium or incomplete rating information before a loss.

- (1) If we discover before you have a **flood** loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current **policy** term (or that portion of the current **policy** term following any endorsement changing the amount of coverage). If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the **policy** to increase the amount of coverage to the originally requested amount effective to the beginning of the current **policy** term (or subsequent date of any endorsement changing the amount of coverage).

- (2) If we determine before you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. Once we determine the amount of additional premium for the current **policy** term, we will follow the procedure in **G.2.a.(1)** above.

- (3) If we do not receive the additional premium (or additional information) by the date it is due, the amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

- b. Discovery of insufficient premium or incomplete rating information after a loss.

- (1) If we discover after you have a **flood** loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current and the prior **policy** terms. If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the **policy** to increase the amount of coverage to the originally requested amount effective to the beginning of the prior **policy** term.

- (2) If we discover after you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information before your claim can be paid. Once we determine the amount of additional premium for the current and prior **policy** terms, we will follow the procedure in **G.2.b.(1)** above.

- (3) If we do not receive the additional premium by the date it is due, your flood insurance claim will be settled based on the reduced amount of coverage. The amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

3. However, if we find that you or your agent intentionally did not tell us, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of Condition **B. Concealment or Fraud and Policy Voidance** apply.

H. Policy Renewal

1. This **policy** will expire at 12:01 a.m. on the last day of the **policy** term.

2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.

3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures:

- a. If you or your agent notified us, not later than 1 year after the date on which the payment of the renewal premium was due, of nonreceipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due

VIII. GENERAL CONDITIONS (continued)

Nonrenewal of the Policy by Us. The policy will not be renewed if the community in which the insured property is located stops participating in the NFIP or if the building has been declared ineligible under Section 1316 of the National Flood Insurance Act of 1968, as amended.

Reduction and Reformation of Coverage. The coverage amounts will be reduced if it is discovered that the premium was insufficient; if the amount of additional premium can be determined, the insured has 30 days to pay the additional premium. Only prospective premiums are to be charged. The time required to determine the additional premium must not delay the claim process.

date, which will be 30 days after the date on which the bill is mailed.

- b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the **policy**. In that case, the **policy** will remain an expired **policy** as of the expiration date shown on the **Declarations Page**.

- 4. In connection with the renewal of this **policy**, we may ask you during the **policy** term to recertify, on a Recertification Questionnaire that we will provide you, the rating information used to rate your most recent **application** for or renewal of insurance.

I. Conditions Suspending or Restricting Insurance

We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.

J. Requirements in Case of Loss

In case of a **flood** loss to insured property, you must:

- 1. Give prompt written notice to us;
- 2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it;
- 3. Prepare an inventory of damaged personal property showing the quantity, description, **actual cash value**, and amount of loss. Attach all bills, receipts, and related documents;
- 4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the **policy** signed and sworn to by you, and which furnishes us with the following information:
 - a. The date and time of loss;
 - b. A brief explanation of how the loss happened;
 - c. Your interest (for example, "owner") and the interest, if any, of others in the damaged property;
 - d. Details of any other insurance that may cover the loss;
 - e. Changes in title or occupancy of the insured property during the term of the **policy**;
 - f. Specifications of damaged insured **buildings** and detailed repair estimates;
 - g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;

- h. Details about who occupied any insured **building** at the time of loss and for what purpose; and

- i. The inventory of damaged personal property described in **J.3.** above.

- 5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.
- 6. You must cooperate with the adjuster or representative in the investigation of the claim.
- 7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.
- 8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.
- 9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.

K. Our Options After a Loss

Options that we may, in our sole discretion, exercise after loss include the following:

- 1. At such reasonable times and places that we may designate, you must:
 - a. Show us or our representative the damaged property;
 - b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and
 - c. Permit us to examine and make extracts and copies of:
 - (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;
 - (2) **Condominium association** documents including the **Declarations of the condominium**, its Articles of Association or Incorporation, Bylaws, and rules and regulations; and
 - (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining

VIII. GENERAL CONDITIONS (continued)

Requirements in Case of Loss. Claims should be investigated under a Reservation of Rights or Non-Waiver Agreement if the insured does not comply with Paragraphs J.1. through 9.

to the damaged property if the originals are lost.

2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:
 - a. Quantities and costs;
 - b. **Actual cash values** or replacement cost (whichever is appropriate);
 - c. Amounts of loss claimed;
 - d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and
 - e. Evidence that prior **flood** damage has been repaired.
3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:
 - a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and
 - b. Take all or any part of the damaged property at the value we agree upon or its appraised value.

L. No Benefit to Bailee

No person or organization, other than you, having custody of covered property will benefit from this insurance.

M. Loss Payment

1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the **policy** or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files an adjuster's report signed and sworn to by you in lieu of a proof of loss) and:
 - a. We reach an agreement with you;
 - b. There is an entry of a final judgment; or
 - c. There is a filing of an appraisal award with us, as provided in **VIII.P.**
2. If we reject your proof of loss in whole or in part you may:
 - a. Accept such denial of your claim;
 - b. Exercise your rights under this **policy**, or

- c. File an amended proof of loss, as long as it is filed within 60 days of the date of the loss.

N. Abandonment

You may not abandon damaged or undamaged insured property to us.

O. Salvage

We may permit you to keep damaged insured property after a loss, and we will reduce the amount of the loss proceeds payable to you under the **policy** by the value of the salvage.

P. Appraisal

If you and we fail to agree on the **actual cash value** or, if applicable, replacement cost of the damaged property so as to determine the amount of loss, then either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the State where the insured property is located. The appraisers will separately state the **actual cash value**, the replacement cost, and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of **actual cash value** and loss, or if it applies, the replacement cost and loss.

Each party will:

1. Pay its own appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

Q. Mortgage Clause

The word "mortgagee" includes trustee.

Any loss payable under Coverage **A** - Building will be paid to any mortgagee of whom we have actual notice as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

1. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;

VIII. GENERAL CONDITIONS (continued)

Bailee Goods. Bailee Goods are the result of a bailment, which is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose under an express or implied-in-fact contract.

Example: When the bailor takes a pair of shoes to the cobbler (the bailee) for repair, a bailment is established while the bailee has the shoes. The shoes while in the possession of the bailee are bailee goods. Note: a bailment involves a change in possession but not in title.

Real property, by definition can never be bailee goods. In addition, property that is sold (title changes) cannot be bailee goods. Therefore, real property that is sold cannot be bailee goods after the sale or before the sale.

Loss Payment. The adjuster needs to be prompt in reporting the investigation, as the insurer has only 60 days from the date of receiving the insured's Proof of Loss to pay the claim, or within 90 days after the adjuster files a report that is signed and sworn to by the insured in lieu of the Proof of Loss. If the Proof of Loss is rejected in whole or in part or a new supplemental Proof of Loss is filed, it must be submitted and received within 60 days of the date of loss. Only FEMA has the authority to waive or extend the filing deadline.

Salvage. The insured has the option to keep damaged property after a flood, and the adjuster will reduce the amount of the loss proceeds payable to the insured.

Appraisal. The appraisal clause is much like that in the homeowner's policy. There is no appraisal for coverage issues. The appraisal clause applies if the insured and adjuster fail to agree on the actual cash value or replacement cost of the damaged property, whichever is appropriate. In the event that the two appraisers appointed by the insured and insurer cannot agree, they should submit only their differences to an umpire. **There is no appraisal for coverage issues.**

Mortgage Clause. The mortgage clause applies to any loss payable under Coverage A – Building. ICC is Coverage D; therefore protecting the mortgagee is not required for ICC payments. ICC payments are to help policyholders comply with local floodplain management laws or ordinances. The insurer may choose to include the mortgagee on these checks. However, the mortgage contract may allow the lender to apply claim payments to the loan and not to the paid activity. Making the insurer aware of the policy wording and any other information associated with the payment is important in their decision making process.

We will also protect the interest of any loss payee or other interested party discovered during the investigation. This protection extends to the U.S. Small Business Administration (SBA). A typical SBA Assignment of Insurance Proceeds letter states, "The U.S. Small Business Administration (SBA) has approved a loan to repair/replace your insured's damaged real estate and/or personal property...in compliance with the assignment, future payments on this claim (except payments for additional living expenses) are to name the U.S. Small Business Administration as a co-payee." This means the SBA must be included on the building check(s) and the contents check(s) on this claim.

2. Pays any premium due under this **policy** on demand if you have neglected to pay the premium; and
3. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.

All of the terms of this **policy** apply to the mortgagee.

The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the **building**.

If we decide to cancel or not renew this **policy**, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or nonrenewal.

If we pay the mortgagee for any loss and deny payment to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

R. Suit Against Us

You may not sue us to recover money under this **policy** unless you have complied with all the requirements of the **policy**. If you do sue, you must start the suit within 1 year after the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this **policy** and to any dispute that you may have arising out of the handling of any claim under the **policy**.

S. Subrogation

Whenever we make a payment for a loss under this **policy**, we are subrogated to your right to recover for that loss from any other person. That means that your right to recover for a loss that was partly or totally caused by someone else is automatically transferred to us, to the extent that we have paid you for the loss. We may require you to acknowledge this transfer in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money.

T. Continuous Lake Flooding

1. If your insured **building** has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in a covered loss to the insured **building** equal to or greater than the **building policy** limits plus the deductible or the maximum payable under the **policy** for any one **building** loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing:

- a. To make no further claim under this **policy**;
- b. Not to seek renewal of this **policy**;
- c. Not to apply for any flood insurance under the **Act** for property at the **described location**; and
- d. Not to seek a premium refund for current or prior terms.

If the **policy** term ends before the insured **building** has been flooded continuously for 90 days, the provisions of this paragraph **T.1.** will apply when the insured **building** suffers a covered loss before the **policy** term ends.

2. If your insured **building** is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph **T.1.** above or this paragraph **T.2.** (A "closed basin lake" is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded one square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States, where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph **T.2.** we will pay your claim as if the **building** is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:

- a. Lake **flood** waters must damage or imminently threaten to damage your building.
- b. Before approval of your claim, you must:
 - (1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; and
 - (2) Grant the conservation easement described in FEMA's "Policy Guidance for Closed Basin Lakes," to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for **flood** damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures that it will allow on any portion of the property within the ASC are certain simple agricultural and recreational structures. If any of these allowable structures are insurable **buildings** under the **NFIP** and are insured under the

VIII. GENERAL CONDITIONS (continued)

Suit Against Us. The insured must file suit in the United States District Court within one year after the written denial of all or part of the claim.

Subrogation. The insured's right to recover for a loss in part or in whole for damages caused by someone else is transferred to the insurer if the loss is paid under the Standard Flood Insurance Policy.

Continuous Lake Flooding. The structure must be inundated by lake water for 90 continuous days, and it must be reasonably certain that the continuation of this flooding will result in damage equal to or greater than policy limits, or the ACV or RCV, as applicable. If it is not reasonably certain that the flooding will cause a total loss, then we will pay only for the actual damage up to the waterline. (See Section VIII. of this manual, Special Adjustment Issues, for more information about continuous lake flooding.)

Closed Basin Lakes. A closed basin lake is a natural lake from which water leaves primarily through evaporation, and whose surface area now exceeds or has exceeded 1 square mile at any time in the past. If an insured building is subject to continuous closed basin lake flooding, a total loss claim can be paid if lake flood waters damage or imminently threaten to damage the building and an eventual total loss appears likely.

Special reporting procedures apply to ICC claims and closed basin lake claims. Notify the NFIP Bureau and Statistical Agent upon receipt of either type of claim.

NFIP, they will not be eligible for the benefits of this paragraph **T.2**. If a U.S. Army Corps of Engineers certified **flood** control project or otherwise certified **flood** control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and

- (3) Comply with paragraphs **T.1.a.** through **T.1.d.** above.
- c. Within 90 days of approval of your claim, you must move your **building** to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show that there is sufficient reason to extend the time.
- d. Before the final payment of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your **building**.
- e. Before the approval of your claim, the community having jurisdiction over your **building** must:
 - (1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance, that is consistent with the provisions specified for the easement required in paragraph **T.2.b.** above;
 - (2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, **flood** insurance to the **building** can be denied; and
 - (3) Agree to maintain as deed-restricted, for purposes compatible with open space or agricultural or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of **T.2.b.** above, except that, even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant Program or the Flood Mitigation Assistance Program. If a nonprofit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph **T.2.b.** above.
- f. Before the approval of your claim, the affected State must take all action set forth in FEMA's "Policy Guidance for Closed Basin Lakes."

- g. You must have **NFIP** flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under this paragraph **T.2**. If a subsequent owner buys **NFIP** insurance that goes into effect within 60 days of the date of transfer of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph **T.2**, we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any increased coverage in the amount suggested by your insurer as an inflation adjustment.
- h. This paragraph **T.2** will be in effect for a community when the FEMA Regional Director for the affected region provides to the community, in writing, the following:
 - (1) Confirmation that the community and the State are in compliance with the conditions in paragraphs **T.2.e.** and **T.2.f.** above; and
 - (2) The date by which you must have flood insurance in effect.

U. Duplicate Policies Not Allowed

1. We will not insure your property under more than one **NFIP policy**.

If we find that the duplication was not knowingly created, we will give you written notice. The notice will advise you that you may choose one of several options under the following procedures:

- a. If you choose to keep in effect the **policy** with the earlier effective date, you may also choose to add the coverage limits of the later **policy** to the limits of the earlier **policy**. The change will become effective as of the effective date of the later **policy**.
- b. If you choose to keep in effect the **policy** with the later effective date, you may also choose to add the coverage limits of the earlier **policy** to the limits of the later **policy**. The change will be effective as of the effective date of the later **policy**.

In either case, you must pay the pro rata premium for the increased coverage limits within 30 days of the written notice. In no event will the resulting coverage limits exceed the permissible limits of coverage under the **Act** or your insurable interest, whichever is less.

We will pay a refund to you, according to applicable **NFIP** rules, of the premium for the **policy** not being kept in effect.

2. Your option under this Condition **U. Duplicate Policies Not Allowed** to elect which **NFIP policy** to keep in effect does not apply when duplicates have been knowingly created. Losses occurring under such

VIII. GENERAL CONDITIONS (continued)

Duplicate Policies Not Allowed. If the insured has two policies on the same property, the insured may choose to keep either policy. However, if the insured wishes to combine coverage limits, the effective date of the policy will be that of the later of the two policies purchased.

If the insured has a Group Flood Insurance Policy as the result of a Federal Disaster Declaration, the insured may not purchase a Standard Flood Insurance Policy as excess coverage over the Group Flood Insurance Policy or to duplicate flood insurance benefits. The insured may cancel the Group Flood Insurance Policy mid-term and purchase a Standard Flood Insurance Policy to obtain higher coverage amounts. No premium refunds are given under the Group Flood Insurance Policy.

circumstances will be adjusted according to the terms and conditions of the earlier **policy**. The **policy** with the later effective date will be canceled.

V. Loss Settlement

1. Introduction

This **policy** provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and **Actual Cash Value**. Each method is used for a different type of property, as explained in **a.-c.** below.

- a. Replacement Cost loss settlement, described in **V.2.** below, applies to **buildings** other than manufactured homes or travel trailers.
- b. Special loss settlement, described in **V.3.** below, applies to a **residential condominium building** that is a travel trailer or a manufactured home.
- c. **Actual Cash Value** loss settlement applies to all other property covered under this **policy**, as outlined in **V.4.** below.

2. Replacement Cost Loss Settlement

- a. We will pay to repair or replace a damaged or destroyed **building**, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:
 - (1) The amount of insurance in this **policy** that applies to the **building**;
 - (2) The replacement cost of that part of the **building** damaged, with materials of like kind and quality, and for like occupancy and use; or
 - (3) The necessary amount actually spent to repair or replace the damaged part of the **building** for like occupancy and use.
- b. We will not be liable for any loss on a Replacement Cost Coverage basis unless and until actual repair or replacement of the damaged **building** or parts thereof is completed.
- c. If a **building** is rebuilt at a location other than the **described location**, we will pay no more than it would have cost to repair or rebuild at the **described location**, subject to all other terms of Replacement Cost loss settlement.

3. Special Loss Settlement

- a. The following loss settlement conditions apply to a **residential condominium building** that is:

- (1) A manufactured home or a travel trailer, as defined in **II.B.6.b.** and **c.**; and
- (2) At least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled.

- b. If such a **building** is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its predamage condition, we will, at our discretion, pay the least of the following amounts:

- (1) The lesser of the replacement cost of the manufactured home or travel trailer or 1.5 times the **actual cash value**; or
- (2) The **building** limit of liability shown on your **Declarations Page**.

- c. If such a manufactured home or travel trailer is partially damaged and, in our judgment, it is economically feasible to repair it to its predamage condition, we will settle the loss according to the Replacement Cost loss settlement conditions in **V.2.** above.

4. Actual Cash Value Loss Settlement

- a. The types of property noted below are subject to **Actual Cash Value** loss settlement.
 - (1) Personal property;
 - (2) Insured property abandoned after a loss and that remains as debris at the **described location**;
 - (3) Outside antennas and aerials, awnings, and other outdoor equipment;
 - (4) Carpeting and pads;
 - (5) Appliances; and
 - (6) A manufactured or mobile home or a travel trailer as defined in **II.B.6.b.** or **c.** that does not meet the condition for Special Loss Settlement in **V.3.** above.
- b. We will pay the least of the following amounts:
 - (1) The applicable amount of insurance under this **policy**;
 - (2) The **actual cash value** (as defined in **II.B.2.**); or
 - (3) The amount it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the loss.

VIII. GENERAL CONDITIONS (continued)

Loss Settlement. There are three methods to settle a loss under the Residential Condominium Building Association Policy:

- Replacement Cost
- Special Loss Settlement
- Actual Cash Value

Replacement Cost. The insured residence must be the principal residence, meaning that, at the time of loss, the insured lived there for at least 80 percent of the preceding 365 days, or 80 percent of the period of ownership if less than 365 days. Replacement cost applies if the building is insured to 80 percent or more of its full replacement cost immediately before a loss occurs, or if the maximum amount of insurance is purchased.

By FEMA Guidance W-04020, effective May 7, 2004, when the insured dwelling is eligible for replacement cost loss settlement, there is no longer any requirement to withhold the recoverable depreciation until repairs are made.

Special Loss Settlement. If the residential condominium building is a manufactured (mobile) home or travel trailer, is at least 16 feet wide, and has an area of at least 600 square feet within its walls, then the loss will be settled on a Replacement Cost basis. If a single-family dwelling that is a manufactured (mobile) home or travel trailer is a total loss or is not economically feasible to repair, then the adjustment of the property will be the lesser of:

- The replacement cost of the dwelling or 1.5 times the actual cash value, or
- The building limit of liability.

If we determine that the building is repairable, the loss will be settled according to the Replacement Cost conditions stated in Paragraph VIII.V.2.

Actual Cash Value (ACV). ACV is the cost to replace the insured item of property at the time of the loss, less its physical depreciation. The types of property that are subject to ACV Settlement are:

- The insured's personal property
- Abandoned property that, after a loss, remains as debris at the described location
- Outdoor awnings, outdoor antennas or aerials of any type (including policyholder-owned satellite dishes) and other outdoor equipment attached to the insured dwelling
- Carpeting and pads
- Appliances
- A manufactured (mobile) home or travel trailer that is not at least 16 feet wide or does not have an area of at least 600 square feet within its walls

IX. LIBERALIZATION CLAUSE

If we make a change that broadens your coverage under this edition of our **policy**, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the

change, provided that this implementation date falls within 60 days before, or during, the **policy** term stated on the **Declarations Page**.

X. WHAT LAW GOVERNS

This **policy** and all disputes arising from the handling of any claim under the **policy** are governed exclusively by the flood insurance regulations issued by FEMA, the

National Flood Insurance Act of 1968, as amended (42 U.S.C. 4001, et seq.), and Federal common law.

IN WITNESS WHEREOF, we have signed this **policy** below and hereby enter into this Insurance Agreement.



Edward L. Connor
Acting Federal Insurance Administrator
National Flood Insurance Program

IX. LIBERALIZATION CLAUSE

Liberalization with additional premium, such as ICC, does not fall into this category. The insured can choose the policy application that is most beneficial. The loss must be after the effective date of the liberalization.

X. WHAT LAW GOVERNS

Federal law governs. This policy is not subject to state departments of insurance or state and local courts.

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VI. INCREASED COST OF COMPLIANCE (ICC)

A. PRINCIPAL FEATURES OF ICC COVERAGE

The limit of liability for Increased Cost of Compliance (ICC) coverage was raised to \$30,000 on May 1, 2003. Any flood loss prior to May 2003 will be adjusted according to the previous limit of \$20,000.

When a building covered by a Standard Flood Insurance Policy (SFIP) sustains “repetitive losses” or “substantial damage” caused by a flood, the NFIP will pay up to \$30,000 for losses sustained on or after May 1, 2003, and up to \$20,000 for losses sustained prior to May 1, 2003, for the cost to elevate, floodproof (for nonresidential buildings only), demolish, or relocate the building, or any combination thereof, when any of these actions are undertaken to comply with the enforcement of state or local floodplain management laws or ordinances. ICC coverage is available on residential and nonresidential buildings (this category includes public and government buildings, such as schools, libraries, and municipal buildings) insured under the SFIP.

The National Flood Insurance Reform Act of 1994 authorizes ICC coverage only for flood-damaged buildings. Therefore, ICC coverage does not pay for the increased cost of repairing or altering buildings damaged by wind, fire, earthquake, or other perils.

ICC coverage was included as Coverage D in every SFIP written or renewed on and after June 1, 1997. The premium charged for ICC coverage varies depending on the type of building, whether the building is Pre-FIRM or Post-FIRM, the flood zone, and other factors.

The maximum amount collectible under the SFIP for both the ICC payment and the direct loss payment for flood cannot be greater than the maximum limits of coverage for that class of buildings authorized under the National Flood Insurance Act of 1968, as amended. The maximum limit available of flood insurance building coverage are \$250,000 for residential buildings and \$500,000 for nonresidential buildings. For a residential condominium building, the maximum limit available of flood insurance building coverage is \$250,000 times the number of insured units.

B. COVERAGE QUESTIONS AND ANSWERS

1. *Does ICC coverage extend beyond the building itself?*

No. ICC coverage is provided only on the building covered by an SFIP. Under the SFIP, a “building” is defined as a walled and roofed structure, other than a gas or liquid storage tank that is principally above ground and affixed to a permanent site. Land, land values, lawns, trees, shrubs, plants, and growing crops are not covered. In addition, items such as portions of walks, walkways, decks, driveways, patios, and other surfaces located outside the perimeter exterior walls of the insured building or units are not covered.

2. *Is ICC coverage available for appurtenant (accessory) buildings?*

Yes. ICC coverage is available for an appurtenant (accessory) building but only when a separate flood insurance policy is written on the appurtenant building. An appurtenant structure is one on the same parcel of property as the principal structure and the use of

which is incidental to the use of the principal structure. The SFIP does not provide coverage for direct physical loss from flood for an appurtenant structure except in the Dwelling Form. The Dwelling Form extends coverage for direct physical loss from flood to a detached garage located on the premises of a one- to four-family dwelling. However, ICC coverage does not apply to these or any other appurtenant buildings indicated in the "Exclusions" section of the ICC coverage. Therefore, a separate flood insurance policy must be written on any appurtenant structure to obtain ICC coverage.

3. *What buildings have ICC coverage?*

All buildings in Regular Program communities have ICC coverage except the following:

- a. Buildings insured under the Group Flood Insurance Policy, which covers recipients awarded an Individual and Family Grant for flood damage under §411 of the Stafford Act (42 U.S.C. § 5178) as a result of a Presidential major disaster declaration.
- b. Units insured under a condominium unit owner policy.

Buildings located in communities participating in the Emergency Program do not have ICC coverage.

C. ELIGIBILITY QUESTIONS AND ANSWERS

1. *When is an insured building eligible for an ICC claim payment?*

An insured building (note exceptions in 3, a, and b above) is eligible for an ICC claim payment when a new SFIP is issued or upon the renewal of an SFIP on or after June 1, 1997. Canceling a policy to obtain ICC coverage is prohibited.

2. *Will an ICC claim be paid on a building that is less than 50 percent damaged but must comply with a state or community floodplain management law or ordinance that has a substantial damage threshold below 50 percent of the market value of the building?*

No. Buildings must be damaged by flood to at least 50 percent of market value in order to be eligible for an ICC claim payment.

3. *Once an ICC claim for demolition is paid, can the insured, at a later date and once it is decided to rebuild on the same or at another site, make an additional ICC claim for elevation?*

Yes, but the total payment (demolition plus elevation) is limited to the ICC limit at the time of loss, currently \$30,000. Also, the elevation activity must be completed within 4 years of the community's original declaration of substantial damage (see below). The elevation activity may be accomplished at the original lot or at another lot where there is a requirement to elevate.

4. *What conditions must be met for a repetitively damaged building to be eligible for an ICC claim payment?*

A building is eligible for an ICC claim payment for repetitive damage if it is in an SFHA (A and V zones), is a repetitive loss structure, and is subject to state or community floodplain management laws or ordinances.

There are two additional conditions that must be met in order for an ICC claim to be paid under the SFIP for a repetitive loss structure.

- a. The state or community must have adopted and be currently enforcing a repetitive loss provision or a cumulative substantial damage provision requiring action by the property owner to comply with the state or community floodplain management laws or ordinances.

States and communities are not required to adopt a repetitive loss provision. Adoption of a cumulative substantial damage provision or a repetitive loss provision is voluntary. In the event that a state or community adopts a repetitive loss provision or a cumulative substantial damage provision, this provision must be enforced on all buildings in the community irrespective of whether the buildings are covered by flood insurance.

- b. The building must have a history of NFIP claim payments that satisfies the National Flood Insurance Reform Act of 1994 definition of a “repetitive loss structure”:

“a building covered by a contract for flood insurance that has incurred flood-related damages on 2 occasions during a 10-year period ending on the date of the event for which a second claim is made, in which the cost of repairing the flood damage, on the average, equaled or exceeded 25% of the market value of the building at the time of each such flood event.”

The date on which the first loss occurred, even if the loss occurred before June 1, 1997, is immaterial as to eligibility for an ICC claim payment, so long as the state or community enforced a repetitive loss or cumulative substantial damage requirement and the loss occurred within the 10-year period and the insured building satisfies the definition of “repetitive loss structure” under the National Flood Insurance Reform Act of 1994.

5. *What conditions must be met for a substantially damaged building to be eligible for an ICC claim payment?*

A building is eligible for an ICC claim payment for substantial damage if the community determines that it has been damaged by flood and the cost of restoring the building to its before-damaged condition would equal or exceed 50 percent of the market value of the building before damage occurred.

All states and communities participating in the NFIP must have a substantial damage provision in their floodplain management laws or Substantial Damage is deemed to have occurred when:

“damage of any origin is sustained by a building whereby the cost of restoring the building to its before damaged condition would equal or exceed 50 percent of the market value of the building before the damage occurred.”

The NFIP substantial damage definition applies to building damage from any origin, such as fire, wind, earthquake, etc. In cases where the damage is due to a combination of hazards, such as wind and flood, an ICC claim is paid only when the flood component of the damage equals or exceeds 50 percent of the market value of the building. In order for a payment to

be made under ICC, the claim representative must verify that the damage was caused solely by flood or that the cost to repair the flood component of the damage to the building equals or exceeds 50 percent of the market value of the building.

6. *How long does an insured have to complete the approved ICC mitigation measure(s) and what is the correct date of loss for an ICC claim?*

Note: FEMA Bulletin W-06019, March 14, 2006, waived the 2-year time limit for the completion of ICC activities for all claims on or after June 1, 2005, and extended the time to complete these activities to 4 years. The time limit found at paragraph 5.e. (2) will be changed to 4 years.

The date of loss for an ICC claim is the same as the date of loss for the underlying flood claim. However, the time limit for completing an ICC claim (4 years for claims on or after June 1, 2005) begins on the date of the declaration by the local community official that the insured structure has been substantially damaged by flood.

7. *Will a handicapped insured's ICC elevation claim that includes the cost of installing an elevator or chair lift to access the now elevated building be paid when a covered elevator or chairlift was not previously installed?*

No. If these items existed at the time of loss coverage would be afforded in the underlying direct physical damage claim subject to all SFIP policy limitations and exclusions that apply.

8. *If a building is compliant at the time of loss, but after the loss the community adopts a freeboard ordinance or the Advisory BFE, would the otherwise compliant building be eligible for ICC benefits?*

Yes, if the mitigation activity was taken after the community adopted and enforced the new ordinance and height requirement(s).

D. CLAIMS ADJUSTMENT QUESTIONS AND ANSWERS

1. *What is the process for adjusting a claim under ICC coverage?*

When a flood event has occurred, an adjuster is assigned to adjust the direct physical damages. The adjuster advises the policyholder of ICC coverage in the SFIP if it appears that damages may exceed 50 percent or more of the value of the structure and the building is in an SFHA.

Because ICC claims are paid only when the property owner is required to rebuild in compliance with a community's substantial damage or repetitive loss provision, a determination must be made by the community whether the flood damages to the building result in substantial damage or repetitive loss that requires compliance with state or community floodplain management laws or ordinances. The adjuster must obtain the substantial damage or repetitive loss determination in writing before adjusting the ICC claim. The policyholder and the community should discuss the floodplain management requirements and the mitigation options (elevation, floodproofing, demolition, or relocation of the building, or any combination of these) once a determination by the community has been made.

Once a determination has been made by the community that the building has been substantially or repetitively damaged by flooding, the policyholder notifies the insurer of the determination. The adjuster advises the property owner that a signed construction contract, one itemized cost breakdown of the work (see FEMA Bulletin W-04020, May 7, 2004,1.), and a start and completion date for the work will be needed.

Once the policyholder has notified the insurer of the substantial damage or repetitive loss determination, the insurer creates a claim file and assignment to an adjuster. The adjuster must obtain information from the community regarding the community's substantial damage or repetitive loss determination. The adjuster uses this information to confirm that the flood-related damage for the current building claim (and prior claim, if it is a repetitive loss structure) supports the community's substantial damage or repetitive loss determination. In addition, the adjuster will verify whether the claim meets all other eligibility requirements for payment under ICC coverage.

The adjuster confirms that the damage meets the requirements for making an ICC claim payment and that the policyholder has provided a signed contract and one cost estimate for the mitigation measure. The adjuster provides the policyholder with the ICC Proof of Loss form. The adjuster also explains to the policyholder how payments will be made and advises the policyholder that, if the mitigation measure is not completed within the required time frame, any payments issued under the ICC claim must be returned to the insurer. In addition, the adjuster advises the policyholder that a permit issued by the community to undertake the work will be needed prior to making the initial ICC claim payment. For buildings that are to be elevated or floodproofed in SFHAs, the permit must indicate the level of protection to which the building is to be elevated or floodproofed.

After the ICC Proof of Loss form and a permit from the community have been returned to the adjuster, the adjuster advises the property owner that the request for initial payment toward the ICC claim will be submitted to the insurer for review and payment authorization.

When the mitigation measure is completed, the adjuster obtains an elevation certificate, (if warranted), a copy of the certificate of occupancy, letter, or written official notice from the community that the mitigation measure has been satisfactorily completed and that no variance was granted. The claim representative issues the final ICC claim payment after all documentation of satisfactory completion has been submitted.

2. *Can partial payment be issued on an ICC claim?*

Paragraph 5.e. of SFIP Coverage D – Increased Cost of Compliance provides that an ICC claim cannot be paid (1) until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises, and (2) unless the building is elevated, flood proofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years. The question has arisen as to whether this provision precludes the issuance of partial payments for ICC claims.

The two conditions in SFIP paragraph 5.e. refer to the total payment of an ICC claim, which means partial payments are permitted. Partial payments may be issued in advance of completion of the mitigation activity but cannot exceed 50 percent of the total estimated reimbursable cost of the mitigation activity.

3. Should mortgagee name(s) be included on the ICC partial and final payment checks?

No. The SFIP Dwelling Form - Mortgagee Clause, Section VII, General Conditions. Q., states that any loss payable under Coverage A. will be paid to any mortgagee of whom the insurer has actual knowledge. ICC payments are subject to Coverage D and do not require naming a mortgagee.

4. What does “assignment of Coverage D” mean? What is the process involved?

If a community plans to pursue a FEMA-approved mitigation project, such as a project under the Hazard Mitigation Grant Program, the policyholder can assign the eligible portion of Coverage D (ICC) claim to the community. The insured must complete the Assignment of Coverage D form and return it to the community official. The community official will submit a copy of the completed form and a written Declaration of Substantial Damage to the NFIP Bureau and Statistical Agent. The Bureau and Statistical Agent will enter the data into a tracking system and send both documents to the insurer, with instructions.

Specific steps for assignment of the ICC claim benefit to the community are itemized below.

- a. Policyholder consents to assignment of the ICC claim payment.
- b. Community official provides the policyholder with an Assignment of Coverage D form.
- c. Policyholder completes the form and returns it to the community official.
- d. Community official sends a copy of the form, along with the community’s signed Declaration of Substantial Damage, to the NFIP Bureau and Statistical Agent at the following address:

NFIP Bureau and Statistical Agent
PO Box 310
Lanham MD 20706

Fax: (301) 577-3421
E-mail: iservice_claims@ostglobal.com

- e. Bureau and Statistical Agent enters the ICC information submitted by the community into a database. The Bureau then sends the documents to the appropriate WYO Company, with instructions. The company assigns an adjuster.
- f. Assigned adjuster contacts the policyholder to confirm receipt of the claim, and then contacts the community official to help coordinate the claim.
- g. Adjuster reviews the contract for demolition, elevation, relocation, or floodproofing to determine the covered cost.
- h. Adjuster has the community official sign the ICC Proof of Loss form once the claim value has been determined.
- i. Adjuster sends the NFIP Final Report form and the Proof of Loss to the insurance company for payment.

- j. Insurance company issues the check to the community and advises the NFIP Bureau and Statistical Agent of the amount of the claim payment.

E. OTHER FREQUENTLY ASKED QUESTIONS AND ANSWERS

1. *When an estimate for demolition of a dwelling includes the cost to demolish the garage, is coverage for the garage provided under ICC?*

The cost to demolish the home is covered. If the garage is detached, then coverage will not apply. The garage should have its own policy.

2. *Is ICC coverage provided for the slab, walkway, and driveway?*

Coverage is afforded for the slab. However, there is no coverage for the walkway and driveway.

3. *Fill dirt is required to stabilize the lot. Is this covered under ICC?*

If the cost is to grade the lot, then coverage will apply. The *Interim Guidance for ICC – Part 4, Demolition*, paragraph 2, states “Once the building is removed from the site, steps should be taken to clear the site of any remaining materials such as the foundation, remove any utility systems, and grade and stabilize the site in accordance with any State or local regulations.”

4. *If the lot is littered with trash such as tires, cans, etc., will this be considered ICC-covered debris?*

No coverage applies.

5. *The SFIP excludes coverage for septic systems. If the building is demolished under ICC, will the cost to remove the septic system be covered?*

Yes. First, all applicable permits to demolish the building must be obtained. Once the building is removed from the site, steps should be taken to clear the site of any remaining materials such as the foundation, remove any utility systems, and grade and stabilize the site in accordance with any State or local regulations.

6. *Are well water plugs covered under ICC?*

If the well water plug is part of the abandonment of on-site utilities, coverage will be afforded.

7. *What conditions must be met for a substantially damaged building to be eligible for an ICC claim ?*

A building is eligible for an ICC claim payment if it is in a Special Flood Hazard Area, and the community determines that the building has been damaged by flood to such an extent that the cost of restoring the building to its pre-damage condition would equal or exceed 50 percent of its pre-damage market value. At the time of loss, the building must be out of compliance with the local floodplain management construction guidelines (typically, the lowest floor for rating purposes is below the BFE).

8. ***A flood claim was processed in accordance with the policy provisions. In the interim, the policy expired and was not renewed. The community then declared the building substantially damaged by flood. Will an ICC claim be honored even though the policy expired?***

Yes. The date of loss for the ICC claim is the date of loss for the underlying flood claim.

9. ***Is a CBRA property that has been declared substantially damaged by the community eligible for ICC benefits?***

Yes, but once substantially damaged, the property is no longer eligible for flood insurance coverage in the CBRA and the policy must be cancelled.

10. ***Are Condominium Single-Family Detached Units eligible for ICC benefits under the SFIP program?***

Yes, ICC coverage is available on a Single-Family Detached Condominium Unit as long as the ICC premium was charged and insured paid for ICC coverage.

11. ***Is the cost to fill in a sub-grade basement area to grade covered under ICC?***

Yes, there is coverage for this type of mitigation if this activity is what is required by the community enforcing their floodplain management ordinance as it relates to elevation.

12. ***The community has deemed the insured risk substantially damaged. The insured is going to demolish the structure by burning it down. The cost incurred by the insured for this is a donation to the Fire Department to stand by and make sure there is no other damaged caused. Will the insured's cost be considered covered demolition cost under ICC?***

Yes, the insured's cost would be allowed as a covered mitigation expense, including possibly other costs incurred to haul away the remaining debris and capping off utilities.

13. ***Is an Elevation Certificate relating to ICC required before and after elevating a flood-damaged structure?***

There is only the need to provide the elevation certificate after the building has been elevated, unless the adjuster cannot determine that an existing elevated building is at or above the BFE. When the elevated floor is visible and recognizable, some written documentation from the local official stating that the elevation meets code is necessary to enable the insured to receive the final 50 percent payment. The letter from the building department should indicate that the elevation was completed in accordance with the local building Floodplain Management guidelines.

14. ***If the insured property is not located in a SFHA, but the community is adopting AFBE's, is the insured risk eligible for ICC benefits?***

Yes, coverage is available if the community is enforcing an elevation requirement based on FEMA provided ABFEs.

15. Can communities withdraw and reissue permits?

If a policyholder is provided a building permit, but does not start construction, and the community withdraws the permit and reissues after the ABFE is adopted and enforced, ICC benefits are allowable to comply with the new ABFE requirement.

16. Are historic building and buildings on the National Register eligible for ICC benefits?

Yes, historic structures can meet limited floodproofing guidelines established in their ordinances. The file must be fully documented.

17. Are ICC benefits available for properties relocated from a location within a SFHA to a non-SFHA?

Relocation expenses are covered under ICC to relocate a structure on the same site where the risk of flooding is less; to another site in the SFHA where the risk of flooding is less; or to a non SFHA.

18. What is considered covered incremental costs associated with elevating or floodproofing of the replacement building at the same or another site within a SFHA?

Incremental costs would include any additional height requirement concerning pilings; even if required to be driven deeper; plumbing, wiring, any additional charges for bracing and other costs directly associated with the required elevation. However, the ICC payment will be limited to the costs to mitigate the insured building as it was at the time of loss and there is no coverage for any additional costs associated with structural modifications, upgrades, or any change in size.

19. Would a policyholder have ICC coverage if their flood insurance policy was cancelled and not renewed applying for other programs available to them? After two years the policyholders decide they want to demolish the flood damaged structure using ICC funds from the lapsed policy and rebuild a new home on the same site.

The structure must have been covered by an NFIP policy on the date of loss, no eligibility for GFIP or Condo Unit Owner's policies. If all other eligibility requirements under Coverage D have been met, as long as the policy was in force on the date of the underlying flood claim and the time limit- authorized by the SFIP- from the date of the declaration has not expired, the claim can be made. If the time period for completing the mitigation measure has expired, the insurer may request a review by FEMA based upon the individual merits of the claim. These requests would be reviewed by FEMA on a case-by-case basis.

20. What ICC benefit is payable for a structure that is demolished and the property owner chooses to build a replacement building outside the SFHA?

Demolition costs only. Since there would be no requirement to reduce the risk of flooding, ICC would not be paid for the replacement building unless the community enforces elevations in non-SFHA. A copy of the ordinance would need to be provided to document the ICC claim.

21. *Is a claim eligible for ICC benefits if the substantial damage declaration from the community does not state that the substantial damage was caused solely by flood?*

If the letter from the local official is not sufficient, the carrier, through the adjuster, insured or other reasonable means should contact the local official to determine the market value used to determine the structure was substantially damaged; once obtained, the carrier can compare the total flood damage to the market value and determine if the flood damage is 50 percent or more. If this is the case, they can proceed with the normal ICC claim procedures. The claim file should ascertain damage from other perils.

If the structure has been washed off its foundation, the carrier can assume it is substantially damaged by flood. (Refer to FEMA Bulletin W-06067, issued September 20, 2006).

22. *Can an ICC claim be assigned?*

The SFIP does not provide for the assignment of a claim but will allow for the assignment of the policy when the title to the property is transferred to a new property owner. The only time an ICC claim can be transferred is when it is conjunction with a FEMA project. (Refer to FEMA Bulletin W-07003, issued January 16, 2007).

VII. BASIC ADJUSTMENT ISSUES

A. ACTUAL CASH VALUE (ACV)

The NFIP defines ACV as the replacement cost of an insured item at the time of loss, less the value of physical depreciation.

B. ADDITIONS AND EXTENSIONS

Buildings that are connected by a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof can be insured as part of the dwelling. The insured has the option of obtaining separate coverage for these building items.

C. ADJUSTER *PRELIMINARY* DAMAGE ASSESSMENT (APDA)

Capturing claims data on buildings that will probably be substantially damaged has become increasingly important to FEMA and to the officials of affected communities. Adjusters should report as soon as possible after it appears that the building is substantially damaged (50 percent of the building's value). After the adjuster conducts the inspection of the risk, the APDA form must be completed and faxed to iServices claims department at (301) 577-3421.

D. ADVANCE PAYMENTS

FEMA has always encouraged advance payments. Typically, such payments are made after the physical inspection of the property reveals flood damage (less the amounts of estimated depreciation and the deductible) is greater than the advance payment. Advance payments are generally made against the Personal Property claim, but if the advance is to be made against the Building Property claim, the mortgagee must be named on the advance payment check.

To the extent that any advance payment exceeds the payable flood damage (after depreciation and policy deductible), it will not be reimbursed.

E. BASEMENTS

Exterior Windows and Doors – In “daylight” basements or basements with exterior windows and/or doors, the windows and doors that are installed in exterior foundation walls are covered. However, they can be painted or otherwise finished on the exterior surfaces only.

Baseboard Heaters – Baseboard heaters installed in basements are not covered. Only building items listed in SFIP Section III.A.8.a. (1)–(17) are covered.

F. CONTENTS MANIPULATION

If the policyholder has not purchased Personal Property (Contents) Coverage, there is no coverage for contents manipulation.

FEMA recognizes that, in certain instances, manipulation of undamaged insured contents may be necessary to perform covered building repair. These charges are often included in the contractor's unit cost(s) for items being repaired or replaced and not as a separate charge to the insured. FEMA also recognizes that, in some instances, a contractor may present a more

detailed breakdown of his or her charges and bill contents manipulation as a separate line-item. In these instances, an adjuster may allow for contents manipulation separately in the estimate subject to the conditions below.

Adjusters may no longer make lump-sum allowances or room-by-room allowances in the estimate for contents manipulation without providing supporting documentation of these costs. FEMA does not expect to see estimated allowances for contents manipulation. All reasonable and necessary costs for contents manipulation will need to be supported by an invoice or receipt clearly indicating the actual incurred expense.

These documented expenses may be included under the building coverage, even when contents coverage is available when they are a function of the covered building repair.

This coverage does not include the removal and/or storage of the contents away from the insured location.

When contents manipulation is allowed under Coverage A – Building Property, the insured must also carry contents coverage on the policy and the contents items being manipulated must be covered by the SFIP. Coverage for manipulation of tenants' personal property and non-covered personal property located in a Post-FIRM elevated building enclosure or basement remains unchanged and is not allowed under the building or contents coverage of the SFIP.

G. DEPRECIATION

To accurately determine the ACV of an item, the adjuster must consider the replacement cost along with the depreciation, as well as the average useful life of the item. The condition of the item prior to loss must also be considered. The NFIP will not accept lump-sum depreciation figures. Replacement costs on contents items need to be validated with a reliable source when they appear to be inaccurate.

1. Building Physical Depreciation

If an adjuster is removing and replacing a building item that is not new, appropriate depreciation must be applied.

2. Contents Physical Depreciation

Contents depreciation must be line by line and item by item. Each item is considered on its own merit. Things to consider include replacement cost of the item, age of the item, and condition of the item prior to the flood, and anticipated useful life.

H. EVIDENCE OF LOSS

1. Insured's Responsibilities

The insured's responsibilities in the event of loss (which adjusters should remind the policyholder of) are as follows:

- a. Immediately notify the agent or the company of the flood loss.
- b. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that the adjuster can examine it and properly substantiate the loss.

- c. Place all account books, financial records, receipts, and other loss verification material in a safe place for examination and evaluation by the adjuster.
- d. Within 60 days after the loss, submit an NFIP Proof of Loss Form (FF81-42, a sample of which is included on page A-27 of this manual) to the WYO Company or the NFIP Servicing Agent.

2. Adjuster's Responsibilities

The adjuster's responsibilities in the event of a loss are as follows:

- a. Determine whether there was a general condition of flooding as defined by the policy.
- b. Determine how the water entered the building.
- c. Check for exterior and interior waterlines and provide the height of each in the report as well as photographs.
- d. Investigate and document all other evidence of loss.
- e. Document that prior flood damage has been repaired in the event that the building sustained previous flood damage.

I. FLOOD DEFINITION

Requires surface water inundation of normally dry land from any source, including mudflow (see "Mudflow" definition). Two acres of the insured property or two or more properties (parcels of land), one of which may be a public roadway, must be inundated.

J. IMPROVEMENTS AND BETTERMENTS

If the insured is a tenant and has personal property coverage (Coverage B) under the Dwelling Form, the coverage extends to the insured's cooking stove, range, and refrigerator. Also, improvements made or acquired solely at the insured's expense are covered for up to 10 percent of the limit of liability for personal property. Improvements do not include cooking stoves, ranges, or refrigerators.

K. LEASE AGREEMENTS/INSURABLE INTEREST

If the policyholder is the tenant and is carrying building coverage under a General Property Form for non-residential property, the adjuster must obtain the lease agreement. The lease agreement requires the tenant policyholder to:

- 1. Purchase the flood insurance (building);
- 2. Be financially responsible for any flood damage (building); and
- 3. State that the property must be returned to the owner at the end of the lease with all flood damage repaired.

These lease provisions can establish the tenant policyholder's insurable interest in the building. The building owner should be named as an additional payee on the building check. Only one policy may be written on any one building in the maximum amount, in the aggregate of \$500,000 regardless of the number of interested parties.

L. NON-WAIVER AGREEMENT

When the adjuster identifies a problem that could affect coverage or result in denial, a non-waiver agreement must be secured from the insured. Failure to secure a non-waiver agreement might hinder the company from denial of claim when denial would be in order.

Examples of circumstances that require a non-waiver agreement include the following:

1. The policy has lapsed in coverage.
2. By action of the insured, the policy has become void.
3. More than one building is on a policy (except when scheduled), or there is more than one building at the property address. (Blanket coverage is not provided under the SFIP.)
4. The address of the risk is different from that listed on the policy.
5. The insured has not complied with the policy requirements.
6. Possibility of fraud.
7. Late reporting.
8. Any other situation for which the adjuster believes that a non-waiver agreement is needed.

In the event a non-waiver cannot be obtained in a timely manner, a detailed Reservation of Rights letter must be sent to the policyholder.

M. OTHER INSURANCE CLAUSE

1. Introduction

Where there is another insurance policy that covers flood damage and that is not an NFIP SFIP, and the other policy has a provision stating that it is excess insurance, the SFIP will be primary.

In all other cases where there is another insurance policy covering flood and an SFIP, the SFIP will be primary (subject to its deductible) up to the deductible of the other policy covering flood. Once the other deductible is reached, the NFIP policy will pay in the same proportion that the amount of SFIP insurance covering the loss bears to the total amount of insurance covering the loss. For large losses, when the SFIP's pro-rata share equals or exceeds the SFIP limit plus the deductible, the SFIP limit is paid.

Note: Duplicate NFIP policies are not allowed. Therefore, except in the case of an RCBAP and a Building Property SFIP naming a condominium unit owner, the other insurance should never be another SFIP. In the instance of commercial properties under the General Property Policy, both the property owner and tenant may purchase building coverage, if the tenant can demonstrate insurable interest in the building, as may be required in the lease agreement.

If the SFIP covers a condominium association and there is an insurance policy that covers flood in the name of a unit owner and both policies cover the same loss, the policy naming the condominium association will be primary.

2. Examples

- a. Where there is another insurance policy in addition to the SFIP and the other policy has a provision stating it is excess insurance, the SFIP will be primary.

Loss: \$ 35,000			
SFIP Coverage	\$ 50,000	Deductible	\$ 1,000
Other Insurance	\$250,000	Deductible	\$50,000

The SFIP is primary and the other insurance is excess. The SFIP will pay \$35,000 loss minus the \$1,000 deductible.

Note: The above example could be a non-SFIP policy that covers flood and names the condominium association, plus an SFIP that names a unit owner. If the other policy is excess, the unit owner's SFIP would be primary. In such cases, the condominium association's by-laws should be reviewed to determine what the unit owner owns.

- b. For any other flood insurance policy, the SFIP will be primary (subject to its own deductible) up to the other flood policy's deductible. When the other deductible amount is reached, the SFIP will pro-rate for the remainder of the loss.

Loss: \$480,000			
SFIP Coverage	\$250,000	Deductible	\$ 5,000
Other Insurance	\$500,000	Deductible	\$15,000

The SFIP is primary up to \$15,000 of the loss. The SFIP \$5,000 deductible will be deducted from the amount for which the SFIP is primary. In this case, the result of the calculation is \$10,000. We will pro-rate the loss that exceeds the amount for which the SFIP is primary (\$15,000). The other insurance equation will be used to pro-rate the remainder of the loss (i.e., \$480,000 - \$15,000 = \$465,000).

SFIP Coverage	$\$250,000/\$750,000 = .3333 \times \$465,000 = \$154,984.50$		
Other Insurance	$\$500,000/\$750,000 = .6667 \times \$465,000 = \$310,015.50$		
SFIP Pays	$\$154,984.50 + \$10,000 =$ \$164,984.50		
Total	\$475,000.00		

- c. The limit of liability under the Residential Condominium Building Association Policy (RCBAP) depends upon the coinsurance calculation.

Value of Building	\$1,500,000	
Other Insurance	\$1,000,000	Deductible \$200,000
SFIP Coverage	\$ 500,000	Deductible \$ 5,000
Insurance Required	\$1,200,000	(80% of \$1,500,000)
Loss	\$ 625,000	

The RCBAP coinsurance calculation is as follows:

$$\frac{\text{Insurance carried} \times \text{the amount of the loss}}{\text{Insurance Required}} = \text{RCBAP available limit}$$

$$\frac{\$500,000}{\$1,200,000} = .4167 \times \$625,000 = \$260,437.50$$

\$260,437.50 is the available RCBAP limit of liability.

The RCBAP will be primary (subject to its deductible) up to the deductible amount of the other flood insurance, or: \$200,000 - \$5,000 (RCBAP deductible) = \$195,000.

The remaining loss will be prorated

$$\frac{\$500,000}{\$1,500,000} = .3333 \times \$425,000 (\$625,000 - \$200,000) = \$141,652.$$

The RCBAP will not pay \$336,652.50 (\$195,000 + \$141,652.50), but will pay up to \$260,437.50, which is its available limit of liability after the coinsurance calculation. If the loss exceeds the combined policy limits, the RCBAP deductible will disappear.

N. OVERHEAD AND PROFIT

The overhead and profit percentage must be applied to the depreciation total and reflected in the ACV loss figure. Overhead and profit is not applied to the following items:

1. Carpeting
2. Insured's own labor
3. Outside service charges such as plumber, electrician, or appliance service calls
4. Repairs made by the insured (however, an allowance can be made for the insured's time and expense in purchasing materials, not to exceed 10 percent)

Overhead and profit is warranted only if a general contractor has been hired to make repairs. The adjuster must document the general contractor's involvement. The NFIP Servicing Agent or the WYO Company has the option of withholding the overhead and profit until the repairs are completed or until a contract is signed.

In the event the policyholder functions as general contractor, a reasonable allowance may be added for the policyholder's time and effort in coordinating subcontracted repairs.

O. POLLUTION DAMAGE

The SFIP covers direct physical loss by or from flood. Therefore, when floodwaters contain pollutants or cause release of pollutants that damage insured property, the cleanup, repair, and mitigation costs associated with such pollutants are covered under the General Property Form up to \$10,000.

If vinyl tile containing asbestos is damaged by flood (the asbestos does not damage insured property), the claim for removal and replacement of the flood-damaged tile is limited only by the Building Property policy limit less the deductible.

See FEMA Bulletin W-10065a (included on page B-55 of this manual) regarding basic claims procedures with handling claims involving oil in water.

P. PROOF OF LOSS REQUIREMENTS AND WAIVER

The NFIP Proof of Loss Form (FF81-42, a sample of which is included on page A-27 of this manual) is required on all advance payments, as well as on any paid claim. However, the Proof of Loss may be waived on claims under \$7,500. When a Proof of Loss is waived, the insured's signature must be obtained on the NFIP Final Report Form (FF81-58, a sample of which is included on page A-23 of this manual) after the loss and the claim have been determined. A copy of the signed Final Report must be left with the insured. In the absence of a local witness, the adjuster may witness the form. If the loss is over \$7,500, the Final Report must still be completed and a Proof of Loss must be obtained.

Two forms are used for documenting losses. The Proof of Loss Form is used for actual cash value claims. The Statement as to Full Cost of Repair or Replacement is used for replacement cost claims.

All signatures obtained on a Proof of Loss or NFIP Final Report should be signed and sworn to by the insured.

Q. REPAIR VS. REPLACEMENT

This is an area where adjuster improvement is needed. Everything that becomes wet is not necessarily a total loss. In these instances, the expertise of the adjuster is essential. Consideration must be given to the type of floodwaters involved (clear, muddy, fresh, salt, contaminated) and to the length of time the water remained in the building. Many buildings and contents items will respond to cleaning and need not be replaced. Some examples of "repair vs. replacement" are presented below.

1. Appliances

Always consider having the item checked and serviced rather than replaced. Even if a service technician states that the appliance will break down in the future, do not total the unit out if it is working. Advise the insured that a supplemental claim can be presented within a reasonable period of time (30–60 days) if the insured can prove that the flood caused the breakdown.

2. Furniture

Refinish, rather than replace, when possible.

On re-inspections conducted weeks and months after losses, NFIP General Adjusters have discovered appliances and furniture that were still being used after they had been declared total losses in the adjustment.

Remediation, drying, emergency service contractors

Water remediation, drying charges, emergency service charges should be reviewed to limit their scope to repairing only direct loss from flooding. This would include charges to properly dry the salvageable building materials. Particular care should be taken to exclude charges to dry material that is non-salvageable. Charges not considered a direct loss from flood should not be allowed.

Additionally, the effort put forth by the restoration company to salvage the flood-damaged items should preclude the need to replace those salvageable items. If repair or restoration cost is incurred for an item, an additional claim for replacement of that item will not be considered.

The SFIP provides up to three loss settlement methods, depending on the policy form under which the risk is insured. See Dwelling Form and General Property Form VII.V. Loss Settlement and RCBAP VIII.V. Loss Settlement.

R. REPLACEMENT COST COVERAGE (RCC) AND HOLD BACK

For single-family residences, including doublewide manufactured (mobile) homes, RCC is applicable only to building coverage. Under the Residential Condominium Building Association Policy, a co-insurance clause requires the condominium association to insure its building to at least 80 percent of the replacement cost value, in order to avoid suffering uninsured losses and charging assessments to members.

When insured property is eligible for replacement cost loss settlement, it is no longer required to hold back the recoverable depreciation (see FEMA Bulletin W-04020, included on page B-7 of this manual). Any amounts that would have currently been held back should be paid as part of the claim. The Bulletin, however, does not preclude the need to support the allowable depreciation. While RCC is paid upfront, adjusters should continue to indicate line-by-line depreciation on all estimates, and the ACV amount should continue to be referenced in reports and included in the Proof of Loss. The allowable depreciation amount may continue to be reflected in the signed Statement as to full cost of repair or replacement under the replacement cost coverage and the signed Final Report; however, if you do not choose to utilize these methods, you may include the allowable depreciation amount in the signed ACV Proof of Loss.

S. RESERVATION OF RIGHTS LETTER

A Reservation of Rights letter from the insurer to the insured is a notice that, even though the company is investigating the claim, certain losses might not be covered by the SFIP. By means of this letter, the company reserves its legal right to deny coverage later, as additional information about the loss becomes available.

T. RESERVES

The reserving system mandates that reports must be timely and reflect true reserves. The initial case loss reserve may be a system-generated amount based on criteria established by the WYO Company or it may be an individually set reserve based on the best knowledge of the loss at the time the reserve is set. A company may also set a bulk catastrophe reserve. The NFIP

Preliminary Report and each subsequent adjuster report should refine the case loss reserve amount as the company becomes aware of additional facts, inspections, and estimates. The goal is that this knowledge along with any reductions of partial or advance payments will result in a case loss reserve that closely reflects the value of all future payments and ultimately the value of the final payment. See FEMA Bulletin W-08095, included on page B-29 of this manual.

U. SALVAGE

On residential and small mercantile losses, adequate salvage credit is taken when the insured retains possession of totally damaged items. The contents inventory must specifically denote those items that have been considered salvageable and left with the insured. A professional salvor must be used to handle items of significant value.

Salvage on large commercial losses must be promptly identified and inventoried by an approved professional salvor. Salvage agreements are executed in all cases where the stock has been taken over by a salvage company.

Permission to secure the services of a salvor must be authorized by the WYO Company or NFIP Servicing Agent.

V. SELF-PROPELLED VEHICLES

Coverage is provided for self-propelled vehicles that service the described location and for self-propelled vehicles used to assist handicapped persons, so long as the vehicles are inside the building at the described location. Such vehicles below the lowest elevated floor of a Post-FIRM elevated building are not covered.

W. SPECIAL LOSS SETTLEMENT

Replacement cost applies to manufactured (mobile) homes or travel trailers if the dwelling is at least 16 feet wide and has an area of at least 600 square feet within its walls. The structure must also be the principal residence. If a single-family dwelling that is a manufactured (mobile) home or travel trailer and that qualifies for replacement cost is a total loss or is not economically feasible to repair, then the adjustment of the property will be the lesser of:

1. The replacement cost of the dwelling or 1.5 times the actual cash value, or
2. The building limit of liability.

Loss Settlement paragraph 1.a. (2) does not apply to manufactured (mobile) homes or travel trailers under Special Loss Settlement.

Only manufactured (mobile) homes and travel trailers as described in paragraphs 3.a. (2) and (3) qualify for Special Loss Settlement. All other manufactured (mobile) homes and travel trailers require Actual Cash Value Loss Settlement.

If we determine that the building is repairable, the loss will be settled according to the replacement cost conditions stated in Dwelling Form VII.V.2. and RCBAP VIII.V.2.

X. SUBROGATION

The identification of subrogation lies initially with the adjuster assigned to the flood loss and, ultimately, with the claims representative responsible for the file. The adjuster must identify on the NFIP Preliminary Report, in the "Origin" section, the cause of loss, whether the loss was associated with failure of a dam, pumps, a storm drain system, or other flood control measure, and whether a non-natural cause contributed to the loss. The Cause of Loss and Subrogation Report (FF81-63, a sample of which is included on page A-7 of this manual) then must be completed.

VIII. SPECIAL ADJUSTMENT ISSUES

A. AIR CONDITIONING CONDENSERS AND SOLAR HEATING ELEMENTS

Building coverage extends to the insured building and additions and extensions attached to and in contact with it by means of a common wall. Air conditioning condensers and solar heating panels are considered building property even if they are located apart from the structure and are not attached in accordance with the policy definition. Condensers are eligible for replacement cost coverage if the structures they service are eligible for it.

Coverage does not apply to other equipment, such as generators, air compressors, and substation transformers owned by the policyholder that may service the building, but are located apart from the structure and are not attached. If a generator or other such equipment is attached in accordance with the policy definition or are in a fully-enclosed structure, coverage would apply. If generators and other such equipment not listed in the coverage are in a basement, they are not covered.

B. BAILEE GOODS

Bailee Goods are the result of a bailment, which is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose under an express or implied-in-fact contract.

Example: When the bailor takes a pair of shoes to the cobbler (the bailee) for repair, a bailment is established while the bailee has the shoes. The shoes while in the possession of the bailee are bailee goods. Note: a bailment involves a change in possession but not in title.

Real property, by definition can never be bailee goods. In addition, property that is sold (title changes) cannot be bailee goods. Therefore, real property that is sold cannot be bailee goods after the sale or before the sale.

C. BOATHOUSES: COVERAGE FOR NON-BOATHOUSE PARTS OF BUILDING INTO WHICH BOATS ARE FLOATED

FEMA has determined that non-boathouse parts of a building into which boats are floated are not excluded from coverage. This means that, with respect to a building, a part of which is used for boathouse purposes and a part of which is used for other than boathouse purposes (e.g., residential, commercial, or municipal), non-covered items are limited to the following:

1. The ceiling and roof over the boathouse portion of the building into which boats are floated (unless there is an area above the boathouse used for purposes unrelated to the boathouse use, e.g., residential, in which case the upper area is covered, from the floor joists to and including the upper area walls and roof)
2. Floors, walkways, etc., within the boathouse area, or outside the area but pertaining to the boathouse use
3. Exterior walls and doors of the boathouse area not common to the rest of the building

4. Interior walls and coverings within the boathouse area (although a common wall between the boathouse area and the other part of the building is covered)
5. Contents located with the boathouse area, including furnishings and equipment, relating to the operation and storage of boats and other boathouse uses.

However, when the building is entirely in, on, or over water, there is no coverage at all if it was constructed or substantially improved after September 30, 1982.

D. CARPETING AND DRAPES

Carpeting is considered building property if it is installed over an unfinished floor surface. Carpeting over finished floors is considered personal property (contents), even if it is wall to wall or affixed to the floor. All carpet losses, whether building property coverage or personal property coverage, are adjusted on an ACV basis. When a carpet loss is paid, overhead and profit is not allowed, unless a general contractor is responsible for installation and such responsibility is documented for the claim file. ■

Drapes are always treated as contents items, even if they are custom-made and fit only a specific window. However, window blinds of all kinds are considered building property (See Dwelling Form III.A.7.b.).

E. CISTERNS

In certain communities, especially in the Virgin Islands, cisterns are fundamental parts of residential buildings. These are often the only source for storing water. Methods of construction of cisterns include beneath the structure, on the roof, above ground and physically attached to a side of a structure by a common wall or as a separate unit detached from the structure. The SFIP provides coverage only if the cistern is an integral part of the insured building, such as above ground and connected by a common wall, on the roof, or within the perimeter walls. There is no coverage if the cistern is under ground unless it is contained in the basement. If the cistern is covered by the SFIP, the water in it also is covered.

F. CLOSED BASIN LAKES AND CONTINUOUS LAKE FLOODING

1. Closed Basin Lakes

A closed basin lake is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded 1 square mile at any time in the past. If an insured building is subject to closed basin lake flooding, a total loss claim can be paid if lake flood waters damage or imminently threaten to damage the building and an eventual total loss appears likely.

2. Continuous Lake Flooding

In a few areas of the United States, lake waters have risen to long-term record levels. Devil's Lake, North Dakota, is a primary example of this condition. The insured building must be inundated by rising lake waters continuously for 90 days or more, and it must appear reasonably certain that the loss and damage will reach or exceed the policy building limits including the deductible, or the maximum amount payable under the policy for any one building loss.

The current position of the National Flood Insurance Program (NFIP) is that occurrences of long-term, continuous lake flooding, loss, and damage to property will be settled on a one-time basis by paying the lesser of the two amounts mentioned above, if the insured signs a release agreeing to the following:

- a. To make no further claim under the SFIP
- b. Not to seek renewal of the policy
- c. Not to apply for any NFIP flood insurance for the property at the property location of the insured building

G. COASTAL BARRIER RESOURCES SYSTEM (CBRS)

1. Introduction

To determine whether a building (the insurable property) is eligible for flood insurance coverage when the building appears to be located in a Coastal Barrier Resources System (CBRS) area, the adjuster should consult the community's Flood Insurance Rate Map (FIRM) panel or a community code office (for example, the Tax Assessor's Office or the Building and Zoning Office) to determine which coastal barriers act applies to the property in question. In CBRS areas, eligibility for flood insurance coverage depends on this determination. (See IV. Property Not Covered, 15. in the SFIP.)

When handling any claim that may be in a CBRS area, the adjuster should:

- a. Identify the location of the risk on the FIRM;
- b. Determine when the risk was constructed;
- c. Comment on substantial improvement; and
- d. Provide photographs of all sides of the risk.

If any building you are adjusting appears to be subject to one of the laws discussed below, write a brief summary of your findings on the NFIP Narrative Report form and send it to the NFIP Servicing Agent or the WYO company for the claims examiners to evaluate.

2. Coastal Barrier Resources Act

Congress passed the Coastal Barrier Resources Act (CBRA) on October 1, 1982. The act became effective on October 1, 1983. Congress's intent was to reduce or restrict the federal government's direct involvement in encouraging development of certain undeveloped "coastal barriers." The act defined a coastal barrier as "a naturally occurring island, sandbar, or other strip of land, including coastal mainland that protects the coast from severe wave wash."

CBRA does not prohibit development of designated undeveloped coastal barrier islands; nor does it affect private funding or investment for development of such areas. Instead, the act attempts to eliminate the use of "federal funds" (specifically, loans) for such development.

Under the terms of the Act, FEMA is prohibited from providing NFIP flood insurance protection for structures built or substantially improved after October 1, 1983, in any area designated an undeveloped coastal barrier. However, structures in such areas that were built (walled and roofed) before October 1, 1983, remain eligible for coverage until such time as they are substantially damaged or substantially improved.

3. Coastal Barrier Improvement Act

The Coastal Barrier Improvement Act (CBIA) was enacted and made effective on November 16, 1990. The CBIA greatly expanded the identified land in the Coastal Barrier Resources System established pursuant to the CBRA of 1982.

4. Substantial Improvement: The 50 Percent Rule

Substantial improvement, as defined in public law (44 Code of Federal Regulations 59.1) means:

“any reconstruction, rehabilitation, addition, or other improvement of a structure, the cost of which requires or exceeds 50 percent of the market value of the structure before the ‘start of construction’ of the improvement. This term includes structures which have incurred ‘substantial damage,’ regardless of the value of or actual cost of repair work performed. The term does not, however, include either (1) any project for improvement of a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the local code enforcement official and which are the minimum necessary to assure safe living conditions or (2) any alterations of a ‘historical structure,’ provided that the alteration will not preclude the structure’s continued designation as a historical structure.”

In other words, if the damage or improvement equals 50 percent of the market value of the structure before damage, the insured building could be considered substantially damaged. If any building you are adjusting appears to be subject to the 50 percent rule, write a brief summary of your findings on the NFIP Narrative Report form and send it to the NFIP Servicing Agent or the WYO company for the underwriters to evaluate. In your report, use the replacement cost of the building less fair depreciation to obtain actual cash value (market value). Land values and outside improvements are not considered in the determination of market value.

The community that has jurisdiction over the area is the only authority that can make the final determination as to substantial improvement or substantial damage.

H. COMMERCIAL LOSSES

When you encounter an unusual commodity or type of business, with which you are not familiar, notify the examiner or claims management immediately for assistance and guidance.

On commercial stock losses, the quantity and insured’s cost must be established and documented for the claim file. Adjusters should not assume that all stock and business property on the premises is owned by the insured. The adjuster must verify ownership, especially for manufacturing, repairing, and high-end sales businesses. The SFIP insures only property owned solely by the insured. There is no bailee, consignment, or floor plan coverage. The SFIP does not provide coverage for property of others in the care, custody, and control of the insured under any policy form. The use of a CPA and/or other expert(s) is highly encouraged for large and/or complex claims.

I. CONDEMNATION OF PROPERTY

Communities may condemn flood-damaged properties as the result of ordinance enforcement or for loss mitigation. The SFIP covers only direct physical damage caused by flood and not loss of use or access. A flood claim for a structure with less than total damage but not repairable due to a condemnation order or ordinance receives coverage only for the direct physical loss by or from flood.

J. CONDOMINIUM UNIT OWNER – DWELLING FORM

Personal Property – If direct physical damage by or from flood is limited to the first floor of the condominium building, and a unit owner's insured personal property on an upper floor has sustained no covered loss, the personal property is not covered even if access to the personal property is denied by local officials or by damage to the first floor (see Section V. Exclusions. A.2. &3.).

Assessment Coverage – Assessment coverage applies only to building property that is covered by the SFIP. Assessments for swimming pools and their equipment, hot tubs and spas that are not bathroom fixtures, parking lots, landscaping, etc. cannot be covered.

Association assessments to unit owners representing a co-insurance penalty made because the association was not insured to at least 80% of the replacement cost of the RCBAP insured building, cannot be covered. Assessments made because the association was not insured from 80% to 100% of the building's replacement cost are covered, but only to the extent of that underinsurance (for example, if insured to 90% of value, then only 10% is covered). If the association has purchased insurance only to 50% of the building's replacement cost and assesses unit owners for the remaining 50%, only an amount equal to 20% (80%-100%) would be covered. The statutory limit of \$250,000 per unit would apply to the combination of RCBAP and unit owner (Dwelling Form) payments.

Association assessments to unit owners made to recover the RCBAP deductible are not covered.

K. CONSTRUCTIVE TOTAL LOSS

Sometimes, when a flood-damaged building is less than a total loss, the insured will ask to be paid on the basis that a constructive total loss has occurred, so as to use the loss proceeds to move the insured building away from the peril of flood. FEMA has concluded that the SFIP does not and should not provide for such payments.

L. DECKS

Since 1994, the SFIP has specifically excluded coverage for decks. However, stairways and staircases are still covered, if they are attached directly to the insured building. We also cover stairways or staircases attached to decks or walkways for the purpose of ingress and egress. If there are two staircases attached to the same deck or walkway, then there is coverage for only one of the staircases. The SFIP allows for payment of steps and a landing. The maximum allowable area is 16 square feet.

M. ELEVATED BUILDINGS

1. Coverage Restrictions

An “elevated building” is defined as a non-basement building in which the lowest elevated floor is raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns. post-FIRM elevated buildings in certain SFHAs are subject to coverage restrictions specified in the Standard Flood Insurance Policy. A manufactured (mobile) home may be an elevated building.

Determination of the Lowest Elevated Floor – Full coverage for post-FIRM elevated buildings begins at the lowest elevated floor. This is the lowest floor raised above the ground, even if the pilings extend above it (see FEMA Bulletin W-04020, May 7, 2004, page 2 included in Appendix 2).

Some confusion has been reported about the applicability of the elevated building coverage restrictions to a non-elevated post-FIRM building located in an SFHA and constructed with its lowest floor below the Base Flood Elevation. Such a building is not subject to the elevated building coverage restrictions. The rating of any structure must be based on the correct elevation difference between the lowest floor and the Base Flood Elevation. Structures that are misrated should be reported to the company’s underwriting department as soon as possible after the potential error is discovered.

The restrictions apply only to post-FIRM, Regular Program, elevated buildings in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE. “post-FIRM” means that a building was constructed or substantially improved on or after the community’s initial FIRM date or after December 31, 1974, whichever is later. The coverage restrictions apply to any area of an elevated building that is lower than the lowest elevated floor.

Coverage will respond for the building and personal property items listed in the policy, provided that these items are connected to a power source and installed in their functioning locations and that the insured has purchased appropriate coverage.

Floor insulation and the underpinning material used to hold it in place against the underside of the lowest elevated floor of a post-FIRM elevated building is covered. No finish of the underpinning material is allowed.

2. Coverage for Garages and Contents

a. Attached Garage

If a post-FIRM elevated building located in zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE has an attached garage with a floor lower than the lowest elevated floor, the coverage restrictions apply to that area. Any contents located above the level of the lowest elevated floor (such as hanging from the ceiling or on the garage walls) are covered.

b. Detached Garage

If a dwelling is post-FIRM elevated and there is a detached garage present with a floor lower than the lowest elevated floor of the insured dwelling, the garage is fully covered. Also, contents inside the garage are covered, subject to all other policy provisions (such as the requirement that they be secured against flotation if the structure is not fully enclosed).

No coverage will apply to any detached garage used or held for use for residential (i.e., dwelling), business, or farming purposes. The ordinary dictionary meanings of the words “residential” (e.g. suitable for or used as a residence or dwelling) and “dwelling” (e.g., a place to live in, abode) when applying coverage to detached garages. These words should no longer be broadly applied to limit coverage. However, for the purpose of this limitation, kitchen facilities are not required for the space to qualify as residential use or a place to live in. If any space is rented or held for rental, the contents owned by the policyholder and related to the rental would be limited to the \$2,500 contents used in any business. Otherwise covered contents in such detached garages are covered.

The General Property Form and RCBAP do not provide coverage for appurtenant private structures. Coverage for a detached garage responds only in the case of 1-4 family residential buildings insured under the Dwelling Form. The insured may elect to apply up to 10 percent of the building coverage limit for a detached garage. This is not an additional amount of insurance.

As indicated in the “Exclusions” section of the ICC coverage (Coverage D), ICC coverage does not apply to a garage. To obtain ICC coverage on an appurtenant structure, a separate flood insurance policy must be written. For example, a detached garage that has been converted for residential purposes, receives no ICC coverage unless it is insured under a separate policy.

3. Coverage for Building Property in a Building Enclosure below the Lowest Elevated Floor or in a Basement

Paragraph III.A.8. of the SFIP provides coverage for certain items of building property (and related clean-up) in an enclosure below the lowest elevated floor of an elevated post-FIRM building in any of Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement regardless of zone. Coverage is limited to:

- a.** Clean-up expenses
- b.** Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:
 - Central air conditioners
 - Cisterns and the water in them
 - Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing
 - Electrical junction and circuit breaker boxes
 - Electrical outlets and switches

- Elevators, dumbwaiters, and related equipment, except for related equipment installed below the Base Flood Elevation after September 30, 1987
- Fuel tanks and the fuel in them
- Furnaces and hot water heaters
- Heat pumps
- Nonflammable insulation in a basement
- Pumps and tanks used in solar energy systems
- Stairways and staircases attached to the building, not separated from it by elevated walkways
- Sump pumps
- Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system
- Well water tanks and pumps
- Required utility connections for any item in this list
- Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building

If an area below grade on all sides is within a room, such as a living room, then coverage is not provided for the “finished walls” of the area below grade. When the area extends above grade, or if there are contents located in the sunken area, coverage limitations will apply. When the entire room is below grade, even if the walls extend above grade, as in a daylight basement, there is no coverage for contents on the floor or coverage for the walls except those listed in the policy. The coverage limitations apply to the whole area, including the “finished walls.”

If an elevated building, subject to the coverage limitations, has an attached garage with a floor lower than the lowest elevated floor of the building, the coverage restrictions apply to that area. Any contents located above the level of the lowest elevated floor (such as hanging from the ceiling or on garage walls) are covered.

N. ELEVATORS

The SFIP provides coverage for elevators, dumbwaiters, and related equipment. When these items are located in a basement or the enclosed area below an elevated building, there is no coverage for the related equipment below the Base Flood Elevation unless it was installed on or before September 30, 1987.

Elevators and chairlifts installed outside of the perimeter of the insured building are not covered.

O. EROSION AND WAVE WASH

The SFIP states that loss and damage from wave action along a lake or other body of water is considered direct physical loss by flood. Loss and damage from spray consequent to wash-over, whether wind driven or not, is not covered. Loss and damage to structures arising from ongoing erosion is not covered under the SFIP. However, collapse or subsidence of land along

the shore of a lake or other body of water as a result of erosion or undermining caused by waves or currents of water exceeding cyclical levels which result in flooding is included in the definition of "flood" (SFIP II.A.2.) and, thus, is covered.

Replacement of soil lost through erosion is covered only when the erosion results from an overflow of inland or tidal waters and not from the unusual and rapid accumulation or runoff of surface waters from any source. Soil replacement must be confined to within the perimeter of, and related to the support of, the building. Soil replacement beyond this perimeter is not payable under the SFIP. Rip-rap, armoring, and retaining walls are not covered.

P. FIBERBOARD SHEATHING/BLACKBOARD

When the flooding of buildings consisting of wood frame construction and brick veneer occurs, complete demolition is not always required. There are alternative methods of repair or replacement of fiberboard sheathing.

Q. FOOD IN FREEZERS

When food is located in a post-FIRM building enclosure below the lowest elevated floor or in a basement and subject to restrictive coverage outlined in Section III.B.3. of the SFIP, coverage is only provided for food located in food freezers. Damage to food in refrigerator/freezers is excluded from coverage.

R. FOUNDATIONS

Floods can cause significant foundation damage, but so can settlement, improper construction, earth movement, tree roots, and sinkholes. Many times an insured will claim normal settlement cracks in slabs and foundations as flood related. The insured will indicate that he or she never noticed the foundation and slab damage until after the flood. This neither proves nor disproves that the damage resulted from flood.

Most slab and foundation damage occurs because of a lack of moisture in the ground. The soil shrinks away from the foundation, allowing the grade beams to settle downward under the supported weight. This results in a bowing effect and cracks. Excess water in the ground exerts upward pressure on the slab floor and inward pressure on the subgrade foundation walls. This also results in cracks and displacement. Damage of this kind is considered the result of hydrostatic pressure and is not covered under the SFIP, unless there is a general condition of flooding in the area.

Flooding with sufficient water movement to carry the subsoil away (scouring) from the slab or foundation walls generally leaves visible signs. Claims for foundation damage without any visible indication of scouring or land subsidence bear close scrutiny. Most foundation and slab damage that occurs without any visible signs of soil displacement may have resulted from causes other than flooding and is not covered by the SFIP. The adjuster must carefully check the perimeter and underneath the building for soil washout from velocity water flow. When finding no indication, the adjuster must resist a claim for foundation damage. The insured then has the responsibility to prove that the damage was caused by flood. Use of structural engineers must be limited to losses with visible indications of flood damage or of floodwaters' having exacerbated preexisting damage.

There is limited coverage for slabs under post-FIRM elevated buildings. Coverage provided at SFIP III. A.8.a. (17) is limited to "footings, foundations, posts, pilings, piers, or other foundation

walls and anchorage systems required to support the building.” These slabs are covered only if they are part of the foundation. To be part of the foundation, a slab must be at least 6” thick containing rebar and tied into the posts, pilings, piers, or other foundation walls and anchorage systems required to support the building (see FEMA Bulletin W-04091, November 19, 2004).

S. FREEZERS

Walk-in freezers attached to the building are considered part of the building.

T. GARAGES

If a garage is in contact with the insured dwelling (elevated or not) by means of rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof, the policyholder has the option of insuring the garage separately. However, if connected by a common interior wall that is not a solid load-bearing wall; the addition is always considered part of the building and cannot be separately insured. (See SFIP Dwelling Form III.A.2 and 3.) Otherwise, the garage will be considered detached and subject to the 10% of Coverage A (Dwelling) limit. The General Property Form and RCBAP do not cover detached garages or other appurtenant structures, but do provide coverage for qualifying additions and extensions. *See, also, “M. Elevated Buildings” above.*

U. HYDROSTATIC PRESSURE

The SFIP excludes damages resulting from hydrostatic pressure unless there is surface flooding in the area and the flood is the proximate cause of the damage from the pressure of water against the insured structure.

V. ICE AND DEBRIS IMPACT DAMAGE

Damage sustained from freezing or thawing of water, along with damage sustained from and by the weight and pressure of ice, is not covered unless the property itself is under direct contact by flood as defined in the SFIP. Damage to property elements by freeze or thaw after the surface water has receded from the property is not covered.

W. LOMA AND LOMR

A Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) effectively removes a post-FIRM elevated building from the Special Flood Hazard Area (SFHA). If the LOMA or LOMR is obtained after the loss, its effective date is as of the loss. This means that the coverage limitations to areas beneath the lowest elevated floor do not apply.

A LOMA or LOMR may not be issued if the lowest adjacent grade of the property is below the Base Flood Elevation (BFE). But, if such a property has its lowest floor (enclosure floor) above the BFE, the property may comply with the NFIP Floodplain Management Regulations. Claims involving such buildings should be sent to FEMA with a request for a waiver of the elevated building coverage limitation (See FEMA Bulletin W-04091, November 19, 2004 2).

X. MANUFACTURED (MOBILE) HOMES AND TRAVEL TRAILERS

The replacement cost for a manufactured (mobile) home will not exceed 1.5 times its actual cash value (see Special Loss Settlement – SFIP Dwelling Form, Section VII (VIII RCBAP) V.3.).

Unless the manufactured home meets the requirement of this section, settlement is limited to its Actual Cash Value.

Only community-compliant travel trailers without wheels are covered, even if the community ordinance allows wheels to be installed (see Section II. Definitions 6. c.). For the purpose of coverage determination, “without wheels” means with no wheels.

Y. MUDFLOW

Mudflow is the only form of earth movement covered by the SFIP. (The word “mudslide” no longer is used in the SFIP.) A mudflow is a “river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water.”

Mudflow is unforeseeable, is less common than earth movement from landslide or erosion, and has characteristics markedly similar to those of a flood. Landslide and slope failure are not covered under the policy. However, coverage is provided for subsidence of land along the shore of a lake or similar body of water which results from the erosion or undermining of the shoreline caused by waves or currents of water which results in a flood.

Z. PROPERTY REMOVED TO SAFETY

If coverage has been purchased both for personal property (contents) and for the building, the SFIP covers direct physical loss by flood to each while the property is located at the property address shown on the application or endorsement. Coverage is available for 45 days at another place above ground or outside of a Special Flood Hazard Area to which any insured property (including a moveable building) is removed in order to protect and preserve it from a flood or from the imminent danger of flood. Personal property that has been removed must be placed in a fully enclosed building or otherwise reasonably protected from the elements to be insured against loss. The reasonable expense incurred by the insured, including the value of the insured’s own labor at prevailing federal minimum wage in moving the insured property away from the peril of flood and storing the property at the temporary location, will be reimbursed to the insured, up to \$1,000.

AA. REFORMATION OF COVERAGE

If at the time of loss it is discovered that the premium collected is insufficient to provide the coverage originally purchased because the policy was misrated, after May 19,2005, retrospective (looking back) collection of additional premium will no longer be required. Prospective (looking forward) additional premium will be required to be paid, but the time required to collect information to calculate the additional premium will not delay the claims process (see FEMA Bulletin W-05021, May 23, 2006, that includes FEMA Policy Issuance 1-2005, May 19,2005).

BB. REPETITIVE LOSS STRUCTURES AND PREVIOUS CLAIMS

1. Repetitive Loss Structures

A repetitive loss structure is one that has sustained flood damage on two occasions during a 10-year period ending on the date of the event for which a second claim is made, and for which the cost of repairing the flood damage, on the average, equaled or exceeded 25 percent of the market value of the structure at the time of each such flood event. Repetitive

losses are a major challenge to the NFIP. Since 1980, \$1.2 billion has been paid on risks with a repetitive loss history.

2. Previous Claims

It is imperative for the adjuster to be alert to the possibility that any loss property may have been involved in previous claim activity. Where there is evidence of repetitive flood loss, the adjuster must request the prior loss file from the WYO company or the NFIP Servicing Agent. To identify the previous carrier, the adjuster should call the NFIP Bureau and Statistical Agent.

In such cases, analyze prior loss file photographs and compare previous data to current conditions. Photographs from different dates of loss that show the same paneling, appliances, fixtures, machinery, and equipment indicating non-replacement for the prior flood event should be brought to the attention of the claims examiner. When investigating possible repetitive loss, always:

- a. Look for similarities in furniture color and style.
- b. Look for the same design, pattern, and texture in paneling.
- c. Check appliances and mechanical apparatuses for manufacturer names, model classifications, and serial numbers. (The same serial numbers between two events show non-replacement of these items after a previous flood.)

CC. SCRIP AND STORED VALUE CARDS

Coverage is specifically excluded for these items.

DD. SEEPAGE AND HIGH WATER TABLE

The SFIP does not provide coverage for losses related to high water tables or seepage unless there was a general condition of flooding in the area.

EE. STOCK (PERSONAL PROPERTY) LOSSES – GENERAL PROPERTY FORM

Once the insured declares personal property as “other than household personal property,” Stock, which is defined in the General Property Form at II. 27, is covered. However, Stock is subject to the Special Limits at III.B.5. a.-d. This means that jewelry and other listed items qualifying as Stock are covered only up to the special limit of \$2,500. Dealers of such items typically have separate property coverage for stock that includes flood as a covered peril.

Similarly, bait intended to be sold alive (i.e., worms, crickets, minnows, etc.) by bait and tackle shops and others is not covered as stock since animals are excluded (see SFIP General Property Form IV.6.). However, bait that is to be sold frozen, preserved, or otherwise not alive may be covered as stock.

FF. SWIMMING POOLS, HOT TUBS, AND SPAS

Coverage for swimming pools, hot tubs, spas, and their equipment is excluded, except that spas and hot tubs are covered if they are bathroom fixtures. Spas and hot tubs are covered under the General Property Form if they are bathroom fixtures or stock and inventory held for sale.

GG. TRAVEL TRAILERS

Travel trailers without wheels, built on a chassis, affixed to a permanent foundation, and regulated under the community's floodplain management and building ordinances or laws are covered.

HH. BLINDS

The SFIP covers all types of window blinds. Blinds are covered under SFIP Coverage A. only.

II. WATER, MOISTURE, MILDEW, OR MOLD DAMAGE

The SFIP covers reasonable costs for remediation of mold damage except when the damage results from a condition "confined to the insured building" or "within [the insured's] control," such as "failure to inspect and maintain the property after a flood recedes." Four examples of SFIP coverage are provided below. If such damage is caused by "wicking," it is covered.

1. If a building was inundated but not evacuated, the SFIP will pay reasonable expenses for water extraction, dehumidifier and fan rental, and mildicide and anti-microbial application.
2. If, after the insured has taken the mitigation measures in example 1 above, mold reappears and causes damage to the upper portions of walls, ceilings, etc., the NFIP will honor such claims if the insured can show that mitigation attempts were made.
3. If a local official requires testing for mold, and has legal authority to do so, the SFIP will pay reasonable costs for the test. No other testing is necessary because the SFIP pays for reasonable remediation of mold damage (except as noted above). Therefore, the cost of other testing, except as described here and in example 4 below, will not be covered.
4. If, during inspection of a claim for mold damage, the adjuster believes that such damage is not the result of the recent flood but is a long-term, recurring problem, it may be necessary to obtain a testing report from a Certified or Licensed Hygienist or Microbiologist. The report must be specific as to whether the mold is a recent problem or a long-term, recurring problem.

Obviously, there can be other scenarios: situations where waist-deep water has inundated the building and remained for several days or situations where the insured was not allowed to return to the building for an extended period of time. In such cases, apply common sense and good adjusting principles. Use these examples as a guide in the handling of the more complex cases.

JJ. WATER SOFTENERS

If the water softener is installed at the described location and connected to a power source, coverage is provided for the water softener and the chemicals in it.

KK. WELL WATER PUMPS

The Dwelling Form provides coverage for well pumps located below the lowest elevated floor of an elevated building and in basements. Well pumps are described as building items and therefore cannot be construed as content items. If the well pump is located in an unattached shed or building, then there is no coverage.

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IX. WIND VS. FLOOD ISSUES

Hurricanes and other severe storms may result in damage caused by both wind and flood. When handling these claims, adjusters should use proven investigative methods.

The NFIP provides adjuster specific guidance in the form of wind or water investigative tips as a tool to help determine the damage was caused by wind or water or a combination of both. The adjuster should use the proven methods to document windstorm damage to buildings or contents. See FEMA Bulletin W-08008, dated February 25, 2008, for a discussion of Wind/Water Investigative Tips; this document can be obtained at www.nfipiservice.com.

In those instances where wind is coupled with the flood loss, the adjuster typically has little difficulty when scoping the loss in separating the flood from the wind damage. A flood leaves a clearly visible watermark and/or debris line on the exterior and in the interior of buildings. Damage at and below that watermark is attributable to flood. Damage above that watermark is attributable to wind, in this example.

As the line of separation between the losses caused by wind and flood narrows, and particularly when they overlap, it becomes increasingly challenging for the adjuster to estimate the flood damage at the margins. In these cases, expert engineers are often hired by the insurer and at times by the policyholder to make the determination. In the extreme, such as in coastal Mississippi, all that may be left of a policyholder's home or business is a slab or other foundation elements. The flood adjuster is trained in recognizing signs of flood versus wind damage. When, like in coastal Mississippi, the storm surge depth and its intensity is sufficient to cause the observed damage and there is no evidence of pre-surge wind damage, the flood adjuster will determine the pre-loss value of the building and recommend payment as a total loss limited by this value and the flood policy limit.

The NFIP requires the WYO Companies and the NFIP Servicing Agent to investigate and adjust each claim by hiring flood certified independent adjusters. WYO Companies may use their staff adjusters, but due to the specialized nature of both the flood claims and also Federal requirements, this is not widely practiced.

The adjuster should contact the policyholder within 24 hours after receiving the assignment from the insurer and set a date to meet with the policyholder to "scope" the loss or to discuss the claims process with the policyholder, take photographs, measurements, and note the type and severity of the damage caused by flood.

Once the estimate is prepared it is delivered to the policyholder with the required Proof of Loss. As a courtesy, the adjuster may assist the policyholder in preparing the Proof of Loss; the policyholder should submit their statement of the amount they are claiming. The adjuster has no authority to indicate to the policyholder what will and won't be covered or what will be paid. The adjuster's recommendation is reviewed by the insurer and when the agreed upon Proof of Loss is received, payment is made.

The NFIP only pays for direct physical loss by or from flood as defined in the Standard Flood Insurance Policy (SFIP). The scoping process described, records the information needed to prepare a line-by-line and room-by-room detailed estimate using unit costs to value the damage, for instance, in a typical room so many square feet of drywall may be removed and replaced at a unit cost per square foot. This unit-cost includes the cost of labor and materials, as well as any applicable taxes.

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X. MAINTAINING THE INTEGRITY OF THE NFIP

A. QUALITY ASSURANCE REINSPECTIONS

The purpose of reinspections is to maintain the high quality of claims processing in the WYO program. There are two types of reinspections:

- Routine
- Special Assist

1. Routine Reinspections

Routine reinspections are conducted principally on open claim files. During a flooding event, the NFIP Bureau and Statistical Agent will select a WYO Company for reinspections, determine the number of claims, and select the claims to be reinspected.

The General Adjuster uses the three-part Reinspection Report form. The form is completed in full and signed by both the WYO Company representative and the General Adjuster. If the WYO Company representative disagrees with the reinspection results, the representative must indicate the reasons for disagreement at the bottom of the form.

The General Adjuster then forwards copies of the Reinspection Report for review by FEMA's Government Technical Monitor in the offices of the NFIP Bureau and Statistical Agent. If overpayments are noted, the Monitor will correspond with the WYO Company for collection. If, over time, patterns of adjustment errors or oversights are noted, Bureau and Statistical Agent staff will determine what additional training is needed.

2. Special Assist Reinspections

Special assist reinspections are precipitated by a written request from the WYO Company claim coordinator or direction (oral or written) from FIMA. These involve specific claim situations that require a General Adjuster's intervention.

B. FRAUD PREVENTION

Fraud or misrepresentation is a continuing problem in the National Flood Insurance Program. Any case where it is reasonably believed that there is the possibility of fraud, the adjuster is responsible for immediately reporting fraud to NFIP Servicing Agent or WYO Company.

1. Detecting Possible Fraud

The following are common indications of possible fraud:

- a. Changes of dates or amounts on receipts
- b. Dated receipts or invoices that have their printed serial numbers out of sequence
- c. Recent, multiple changes of ownership of real property (Check for relationship of parties involved.)
- d. Repeated changing of policies by insured

- e. Multiple waterlines in a building (This possible indicator of previous flooding may demonstrate that the insured is trying to collect for repairs not completed from a prior flood.)
- f. Bringing in damaged property not owned by the insured to be submitted in the claim
- g. Fraudulent cause of loss
- h. Deliberate misrating
- i. Photocopied receipts
- j. Price quotes rather than receipts of purchase

2. Reporting Possible Fraud

As noted above, all instances of possible fraud must immediately be reported to the NFIP Servicing Agent or the WYO Company.

Other improper or wasteful practices should be reported to FEMA's Waste and Abuse Hotline at 1-800-323-8603.

C. FLOOD INSURANCE REFORM ACT OF 2004 (FIRA)

The FIRA provisions inform policyholders about the claims process and what to expect from adjusters. In addition, the *Flood Insurance Claims Handbook* outlines the FEMA Claims Appeal Process and instructs the policyholder on the 4 steps required to appeal their claim after the WYO Company has made the final determination and the insured refutes their decision. In addition, policyholders will receive the Summary of Coverage that provides assistance for policyholders in determining what will be covered and what will not be covered by the SFIP.

Since Adjusters may receive questions from policyholders regarding these documents, they should be familiar with their provisions. The *Flood Insurance Claims Handbook* can be obtained via the FEMA web at: <http://www.fema.gov/library/viewRecord.do?id=2184>

D. AUDITS

WYO Companies and the NFIP Servicing Agent are responsible for handling and processing NFIP claims. Since the NFIP is a Federal program, it is subject to the scrutiny of the Department of Homeland Security (DHS) and other Federal agencies, including the Government Accountability Office (GAO), the DHS Office of Inspector General (OIG), and the Office of Management and Budget (OMB). In addition, FEMA conducts claims and underwriting Operation Reviews and claims reinspections. WYO Companies engage CPA firms to perform biennial audits that include a claims section.

It is in the interest of the all stakeholders including adjusters to be aware of findings from the following audits: DHS Improper Payment Information Act (IPIA) Audit, DHS Financial Audit, various GAO studies and reports, as well as the Operation Reviews, reinspections and biennial audits.

Many of the findings can be avoided simply by adherence to good claims handling practices and knowing the terms and provisions of the Standard Flood Insurance Policy (SFIP). Best practice tips will be included with the findings.

The following will identify findings and best practices when indicated:

1. Incorrect Estimate/Worksheet Calculation

- Estimates are line-by-line, room-by-room using unit costs
- Depreciation to both building and contents are taken on a line-by-line basis
- Rooms should be described and identified and the adjuster should verify that the estimate/worksheet and the building diagram match.
- Typically overhead and profit is not applied unless there is a general contractor supervising at least three trades. Exceptions to this general rule should be fully explained by the adjuster.
- The adjuster should be careful to include only building items on the building estimate/worksheet; for instance, clothes washers and dryers are always contents and should not be included as building items.
- Qualifications for Replacement Cost Loss Settlement should be clearly documented, including single family residence, principal residence, insurance to at least 80% of full replacement cost or maximum available.

2. Insufficient Damage documentation

- Invoices may be needed to adequately support a commercial inventory or other complicated claim. A salvor or CPA may be required and must be approved by the WYO Company or the NFIP Servicing Agent.
- Photographs should adequately document the claimed damage – photographs of undamaged building elements and contents are also important.

3. Payment Processing Errors

The adjuster should make all payment recommendations clear. Other claim documents including the estimate/worksheet, Final Report, and the Proof of Loss should support the recommendations.

4. Covered loss exceeded the value of certain items

- Care is taken when items with Special Limits are claimed, not to exceed the amount of special limits in the aggregate.
- Loss Avoidance Measures should be supported with invoices or other documentation.
- Property Removed to Safety claims should be supported with invoices or other documentation.

5. Case Loss Reserving

The reserving system mandates that reports must be timely and reflect true reserves. The initial case loss reserve may be a system generated amount based on criteria established by the Company or it may be an individually set reserve based on the best knowledge of the loss at the time the reserve is established. A company may also set a bulk catastrophe reserve. The NFIP Preliminary Report and each subsequent adjuster report should refine the case loss reserve amount as the company becomes aware of additional facts, inspections, and estimates. The goal is that this knowledge along with any reductions of partial or advance payments will result in a case loss reserve that closely reflects the value of all future payments and ultimately the value of the final payment. See FEMA Bulletin W-08095, December 22, 2008 included on page B-29.