

National Flood Insurance Program

Adjuster Claims Manual

December 2000

Revised January 2002

Revised January 2004

Revised June 2010



FEMA

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FEMA

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:

Zone Designation	Criteria
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.

Zone Designation (continued)**Criteria (continued)**

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 conditions (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

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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. ■

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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.

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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.

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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.

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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.

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(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

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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:

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

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

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

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

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

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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.

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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.

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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.

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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.

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- 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.

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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

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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

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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 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.** 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.

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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.)

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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.

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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.

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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 overflow 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

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.

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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

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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).

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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 NFIP will pay \$35,000 loss minus the \$1,000 deductible.

Note: The above example could be a non-NFIP policy that covers flood and names the condominium association, plus an NFIP 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	$\$154,984.50 + \$10,000 =$		
Total	\$164,984.50		
	\$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.

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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.

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Appendix A: NFIP Forms Used in Claims Adjustment

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Last Viewed by First Circuit Library on 06/16/2015

DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY ADJUSTER CERTIFICATION APPLICATION	NATIONAL FLOOD INSURANCE PROGRAM	O.M.B. No. 1660-0005 Expires September 30, 2010
<p style="text-align: center;">Privacy Act Statement</p> <p>The information requested is necessary to process the subject loss. The authority to collect the information is Title 42, U.S. Code, Section 4001 to 4028. It is voluntary on your part to furnish the information. However, omission of an item may preclude processing of the form. The information will not be disclosed outside of the Federal Emergency Management Agency, except to the servicing agent, acting as the government's fiscal agent; to claims adjusters to enable them to confirm coverage and the location of insured property; to certain Federal, State, and Local Government agencies for determining eligibility for benefits and for verification of nonduplication of benefits; to the Department of Justice for purposes of litigation or as required by law; and to State and Local agencies for acquisition and relocation-related projects, consistent with the National Flood Insurance Program and consistent with the routine uses described in the program's system of record. Failure by you to provide some or all of the information may result in delay in processing or denial of this claim and/or application.</p>		
<p style="text-align: center;">Paperwork Burden Disclosure Notice</p> <p>Public reporting burden for this form is estimated to average 15 minutes per response. The burden estimate includes the time, effort or financial resources expended by persons to generate, maintain, retain, disclose, or provide information to the Mitigation Division or its agent. You are not required to respond to this collection of information unless a currently valid OMB control number and expiration date is displayed in the upper right corner of the these forms. Send comments regarding the accuracy of the burden estimate and suggestions for reducing the burden to: Information Collections Management, Department of Homeland Security, Federal Emergency Management Agency, 500 C Street, S.W., Washington, DC 20472, Paperwork Reduction Project (1660-0005). NOTE: Do not send your completed form to this address.</p>		
<div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Recertification <input type="checkbox"/> New Certification <input type="checkbox"/> Staff Adjuster <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>Please complete Section I below in its entirety. Then turn the form over and complete all applicable parts in Section II. Sign and date the form and mail it to: NFIP Bureau & Statistical Agent, Certification Coordinator, P.O. Box 310, Lanham, MD 20703-0310.</p>		
SECTION I – PLEASE PRINT		
1. NAME	2. FLOOD CERTIFICATION NUMBER (FSN)	
3. STREET ADDRESS (include city, state, and zip code)	a. DAYTIME PHONE NO. b. EVENING PHONE NO. c. E-MAIL ADDRESS	
4. Are you a licensed adjuster? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, which category?	
5. Number of years of flood adjuster experience	Number of years of property adjuster experience	
6. Has your license ever been revoked? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, reason:	
7. Have you ever been suspended or terminated by the NFIP? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, reason:	
8. Have you ever attended an NFIP Claims Presentation? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, location:	
9. Did you attend a company sponsored training session? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, location: Company: Date Attended:	
10. Present Errors and Omissions Carrier:		
SECTION II – PLEASE PRINT		
Check "Yes" or "No" to indicate the category(s) in which you are seeking certification:		
11. Residential (Dwelling)	<input type="checkbox"/> Yes <input type="checkbox"/> No	
12. Manufactured (Mobile) Home/Travel Trailer	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Commercial (General Property)		
13. Small Commercial (up to \$100,00)	<input type="checkbox"/> Yes <input type="checkbox"/> No	
14. Large Commercial (from \$100,001 to \$500,000)	<input type="checkbox"/> Yes <input type="checkbox"/> No	
15. Condominium (RCBAP)	<input type="checkbox"/> Yes <input type="checkbox"/> No	

FEMA Form 81-110, OCT 07

REPLACES ALL PREVIOUS EDITION.

F-673

Exhibit 1. Adjuster Certification Application (F-673/81-110), front
 (PDF available at <http://www.fema.gov/library/viewRecord.do?id=2581>)

SECTION II - (continued)		
For the category(ies) that you have selected, answer the following questions:		
* What is the building dollar limit estimate that you have prepared in this category?		
* What is the dollar limit on contents inventory that you have prepared?		
* What is the largest combined loss and claim that you have adjusted?		
Building \$ _____	Contents \$ _____	Total Amount \$ _____
If you have adjusted a condominium loss, provide the name, date of loss, location (<i>complete address</i>), and contact individual, along with telephone number.		
If you are applying for Large Commercial or RCABAP authorization, provide the names of three insurance company claims personnel who can be contacted to reference your adjusting experience and professionalism.		
NAME	COMPANY	DATE
NAME	COMPANY	DATE
NAME	COMPANY	DATE
<p style="text-align: center;">DECLARATION AND ACKNOWLEDGEMENT.</p> <p>I declare that I have read the current Standard Insurance policies (the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy) and that all responses on this application are true and accurate.</p> <p>I acknowledge that misrepresentation of any information provided on this application is grounds for denial of certification, or for suspension or termination of certification if misrepresentation is discovered after certification has been granted.</p>		
_____ Signature		_____ Date

Exhibit 1. Adjuster Certification Application (F-673/81-110), back
(PDF available at <http://www.fema.gov/library/viewRecord.do?id=2581>)

DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY ADJUSTER PRELIMINARY DAMAGE ASSESSMENT		NATIONAL FLOOD INSURANCE PROGRAM	O.M.B. No. 1660-0005 Expires September 30, 2010
<p style="text-align: center;">Privacy Act Statement</p> <p>The information requested is necessary to process the subject loss. The authority to collect the information is Title 42, U.S. Code, Section 4001 to 4028. It is voluntary on your part to furnish the information. However, omission of an item may preclude processing of the form. The information will not be disclosed outside of the Federal Emergency Management Agency, except to the servicing agent, acting as the government's fiscal agent; to claims adjusters to enable them to confirm coverage and the location of insured property; to certain Federal, State, and Local Government agencies for determining eligibility for benefits and for verification of nonduplication of benefits; to the Department of Justice for purposes of litigation or as required by law; and to State and Local agencies for acquisition and relocation-related projects, consistent with the National Flood Insurance Program and consistent with the routine uses described in the program's system of record. Failure by you to provide some or all of the information may result in delay in processing or denial of this claim and/or application.</p>			
<p style="text-align: center;">Paperwork Burden Disclosure Notice</p> <p>Public reporting burden for this form is estimated to average 15 minutes per response. The burden estimate includes the time, effort or financial resources expended by persons to generate, maintain, retain, disclose, or provide information to the Mitigation Division or its agent. You are not required to respond to this collection of information unless a currently valid OMB control number and expiration date is displayed in the upper right corner of the these forms. Send comments regarding the accuracy of the burden estimate and suggestions for reducing the burden to: Information Collections Management, Department of Homeland Security, Federal Emergency Management Agency, 500 C Street, S.W., Washington, DC 20472, Paperwork Reduction Project (1660-0005). NOTE: Do not send your completed form to this address. Send completed forms to: NFIP Bureau & Statistical Agent, Certification Coordinator, P.O. box 310, Lanham, MD 20703-0310.</p>			
WYO COMPANY	DATE OF LOSS	ADJUSTER	FICO NUMBER
<p>This form is to be used for advisory purposes in helping FEMA and communities identify potential substantially damaged buildings. The adjuster will use "replacement cost" when completing this form; however, the community is required under the National Flood Insurance Program to use "market value" in determining substantial damage.</p>			
PLEASE PRINT LEGIBLY			
POLICY HOLDER		POLICY NUMBER	
PROPERTY ADDRESS (include zip code)			
**PROBABLE REPAIR COST	BUILDING REPLACEMENT COST VALUE	BUILDING ACTUAL CASH VALUE	
\$	\$	\$	
POLICY HOLDER		POLICY NUMBER	
PROPERTY ADDRESS (include zip code)			
**PROBABLE REPAIR COST	BUILDING REPLACEMENT COST VALUE	BUILDING ACTUAL CASH VALUE	
\$	\$	\$	
POLICY HOLDER		POLICY NUMBER	
PROPERTY ADDRESS (include zip code)			
**PROBABLE REPAIR COST	BUILDING REPLACEMENT COST VALUE	BUILDING ACTUAL CASH VALUE	
\$	\$	\$	
**This is an estimate of the cost to repair the building to its pre-flood condition.			

FEMA Form 81-109, OCT 07

REPLACES ALL PREVIOUS EDITIONS.

F-674

Exhibit 2. Adjuster Preliminary Damage Assessment (F-674/81-109)
 (PDF available at <http://www.fema.gov/library/viewRecord.do?id=2580>)

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DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY CAUSE OF LOSS SUBROGATION REPORT	See reverse side for Privacy Act Statement and Paperwork Burden Disclosure Notice	O.M.B. No. 1660-0005 Expires September 30, 2010												
NAME OF INSURED		POLICY NO.												
COMPLETE ADDRESS OF PROPERTY DAMAGED														
CAUSE OF LOSS (Check the box(es) that apply) <table style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 50%;">1. <input type="checkbox"/> IMPROPER DIVERSION OF WATER</td> <td style="width: 50%;">7. <input type="checkbox"/> NEGLIGENT MAINTENANCE OF SEWER LINES</td> </tr> <tr> <td>2. <input type="checkbox"/> IMPROPER BUILDING</td> <td>8. <input type="checkbox"/> FAILURE TO USE PUMPS</td> </tr> <tr> <td>3. <input type="checkbox"/> IMPROPER GRADING</td> <td>9. <input type="checkbox"/> INADEQUATE PUMPS</td> </tr> <tr> <td>4. <input type="checkbox"/> DEBRIS ACCUMULATION</td> <td>10. <input type="checkbox"/> EXCESSIVE DAM WATER RELEASE</td> </tr> <tr> <td>5. <input type="checkbox"/> INADEQUATE SEWER LINES</td> <td>11. <input type="checkbox"/> EXCESSIVE WATER RELEASE (Mechanical)</td> </tr> <tr> <td>6. <input type="checkbox"/> IGNORING FLOODPLAIN MANAGEMENT (Regulations)</td> <td>12. <input type="checkbox"/> ANY OTHER FACTOR THAT IDENTIFIES A RESPONSIBLE PARTY OR ACT AS THE CAUSE (Explain; use the space below)</td> </tr> </table>			1. <input type="checkbox"/> IMPROPER DIVERSION OF WATER	7. <input type="checkbox"/> NEGLIGENT MAINTENANCE OF SEWER LINES	2. <input type="checkbox"/> IMPROPER BUILDING	8. <input type="checkbox"/> FAILURE TO USE PUMPS	3. <input type="checkbox"/> IMPROPER GRADING	9. <input type="checkbox"/> INADEQUATE PUMPS	4. <input type="checkbox"/> DEBRIS ACCUMULATION	10. <input type="checkbox"/> EXCESSIVE DAM WATER RELEASE	5. <input type="checkbox"/> INADEQUATE SEWER LINES	11. <input type="checkbox"/> EXCESSIVE WATER RELEASE (Mechanical)	6. <input type="checkbox"/> IGNORING FLOODPLAIN MANAGEMENT (Regulations)	12. <input type="checkbox"/> ANY OTHER FACTOR THAT IDENTIFIES A RESPONSIBLE PARTY OR ACT AS THE CAUSE (Explain; use the space below)
1. <input type="checkbox"/> IMPROPER DIVERSION OF WATER	7. <input type="checkbox"/> NEGLIGENT MAINTENANCE OF SEWER LINES													
2. <input type="checkbox"/> IMPROPER BUILDING	8. <input type="checkbox"/> FAILURE TO USE PUMPS													
3. <input type="checkbox"/> IMPROPER GRADING	9. <input type="checkbox"/> INADEQUATE PUMPS													
4. <input type="checkbox"/> DEBRIS ACCUMULATION	10. <input type="checkbox"/> EXCESSIVE DAM WATER RELEASE													
5. <input type="checkbox"/> INADEQUATE SEWER LINES	11. <input type="checkbox"/> EXCESSIVE WATER RELEASE (Mechanical)													
6. <input type="checkbox"/> IGNORING FLOODPLAIN MANAGEMENT (Regulations)	12. <input type="checkbox"/> ANY OTHER FACTOR THAT IDENTIFIES A RESPONSIBLE PARTY OR ACT AS THE CAUSE (Explain; use the space below)													
IDENTIFICATION OF RESPONSIBLE PARTY														
NAME														
COMPLETE ADDRESS														
IS THE RESPONSIBLE PARTY INSURED? <input type="checkbox"/> YES <input type="checkbox"/> NO (If yes, by whom?)														
IDENTIFICATION OF ANY STATUTES OR POLITICAL SUBDIVISION THAT WOULD CONTROL, LIMIT, OR TIME BAR A TORT ACTION AGAINST THEM (e.g., a local notice of claim against the municipality or county statute that would preclude suit if the notice was not filed on time - usually a short period of time for filing is provided).														
MAKE IMMEDIATE TELEPHONE CONTACT WITH THE NFIP BUREAU AND STATISTICAL AGENT IF EXPIRATION OF TIME IS IMMINENT.														
STATE INVESTIGATION PERFORMED TO DATE														
PLEASE ATTACH ANY DEFINITIVE MATERIAL TO THIS REPORT.														
WHAT FURTHER INVESTIGATION IS CONTEMPLATED?														
HAS INSURED BEEN ADVISED OF SUBROGATION RESPONSIBILITIES?														
<input type="checkbox"/> YES <input type="checkbox"/> NO (If yes, by when?)														
DOES INSURED HAVE AN ATTORNEY?		NAME OF ATTORNEY												
<input type="checkbox"/> YES <input type="checkbox"/> NO														

FEMA Form 81-63, OCT 07

REPLACES ALL PREVIOUS EDITION.

F-092

Exhibit 3. Cause of Loss and Subrogation Report (F-092/81-63)
 (PDF available at <http://www.fema.gov/library/viewRecord.do?id=2554>)

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ELEVATION CERTIFICATE

OMB No. 1660-0008
Expires March 31, 2012

Important: Read the instructions on pages 1-9.

SECTION A - PROPERTY INFORMATION

A1. Building Owner's Name		For Insurance Company Use:	
A2. Building Street Address (including Apt., Unit, Suite, and/or Bldg. No.) or P.O. Box and City		Policy Number	
City		Company NAIC Number	
A3. Property Description (Lot and Block Number, Street Address, Subdivision, etc.)		ZIP Code	
A4. Building Use (e.g., Residential, Commercial, Industrial, etc.)			
A5. Latitude/Longitude: Lat. _____ Long. _____		Horizontal Datum: <input type="checkbox"/> NAD 1927 <input type="checkbox"/> NAD 1983	
A6. Attach at least 2 photographs of the building if the Certificate is being used to obtain flood insurance.			
A7. Building Diagram Number _____			
A8. For a building with a crawlspace or enclosure(s):		A9. For a building with an attached garage:	
a) Square footage of crawlspace or enclosure(s) _____ sq ft		a) Square footage of attached garage _____ sq ft	
b) No. of permanent flood openings in the crawlspace or enclosure(s) within 1.0 foot above adjacent grade _____		b) No. of permanent flood openings in the attached garage within 1.0 foot above adjacent grade _____	
c) Total net area of flood openings in A8.b _____ sq in		c) Total net area of flood openings in A9.b _____ sq in	
d) Engineered flood openings? <input type="checkbox"/> Yes <input type="checkbox"/> No		d) Engineered flood openings? <input type="checkbox"/> Yes <input type="checkbox"/> No	

SECTION B - FLOOD INSURANCE RATE MAP (FIRM) INFORMATION

B1. NFIP Community Name & Community Number		B2. County Name		B3. State	
B4. Map/Panel Number	B5. Suffix	B6. FIRM Index Date	B7. FIRM Panel Effective/Revised Date	B8. Flood Zone(s)	B9. Base Flood Elevation(s) (Zone AO, use base flood depth)
B10. Indicate the source of the Base Flood Elevation (BFE) data or base flood depth entered in Item B9. <input type="checkbox"/> FIS Profile <input type="checkbox"/> FIRM <input type="checkbox"/> Community Determined <input type="checkbox"/> Other (Describe) _____					
B11. Indicate elevation datum used for BFE in Item B9: <input type="checkbox"/> NGVD 1929 <input type="checkbox"/> NAVD 1988 <input type="checkbox"/> Other (Describe) _____					
B12. Is the building located in a Coastal Barrier Resources System (CBRS) area or Otherwise Protected Area (OPA)? <input type="checkbox"/> Yes <input type="checkbox"/> No Designation Date _____ <input type="checkbox"/> CBRS <input type="checkbox"/> OPA					

SECTION C - BUILDING ELEVATION INFORMATION (SURVEY REQUIRED)

C1. Building elevations are based on: ☐ Construction Drawings* ☐ Building Under Construction* ☐ Finished Construction
*A new Elevation Certificate will be required when construction of the building is complete.

C2. Elevations - Zones A1-A30, AE, AH, A (with BFE), VE, V1-V30, V (with BFE), AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO. Complete Items C2.a-h below according to the building diagram specified in Item A7. Use the same datum as the BFE.

Benchmark Utilized _____ Vertical Datum _____

Conversion/Comments _____

Check the measurement used.

a) Top of bottom floor (including basement, crawlspace, or enclosure floor)	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
b) Top of the next higher floor	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
c) Bottom of the lowest horizontal structural member (V Zones only)	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
d) Attached garage (top of slab)	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
e) Lowest elevation of machinery or equipment servicing the building (Describe type of equipment and location in Comments)	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
f) Lowest adjacent (finished) grade next to building (LAG)	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
g) Highest adjacent (finished) grade next to building (HAG)	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)
h) Lowest adjacent grade at lowest elevation of deck or stairs, including structural support	_____ feet	<input type="checkbox"/> meters (Puerto Rico only)

SECTION D - SURVEYOR, ENGINEER, OR ARCHITECT CERTIFICATION

This certification is to be signed and sealed by a land surveyor, engineer, or architect authorized by law to certify elevation information. I certify that the information on this Certificate represents my best efforts to interpret the data available. I understand that any false statement may be punishable by fine or imprisonment under 18 U.S. Code, Section 1001.

☐ Check here if comments are provided on back of form. Were latitude and longitude in Section A provided by a licensed land surveyor? ☐ Yes ☐ No

Certifier's Name	License Number
Title	Company Name
Address	City
	State
	ZIP Code
Signature	Date
	Telephone

PLACE
SEAL
HERE

Exhibit 4. Elevation Certificate (F-063/81-31), front
(PDF available at <http://www.fema.gov/library/viewRecord.do?id=1383>)

IMPORTANT: In these spaces, copy the corresponding information from Section A.		For Insurance Company Use:	
Building Street Address (including Apt., Unit, Suite, and/or Bldg. No.) or P.O. Route and Box No.		Policy Number	
City	State	ZIP Code	Company NAIC Number

SECTION D - SURVEYOR, ENGINEER, OR ARCHITECT CERTIFICATION (CONTINUED)

Copy both sides of this Elevation Certificate for (1) community official, (2) insurance agent/company, and (3) building owner.

Comments

Signature _____ Date _____ ☐ Check here if attachments

SECTION E - BUILDING ELEVATION INFORMATION (SURVEY NOT REQUIRED) FOR ZONE AO AND ZONE A (WITHOUT BFE)

For Zones AO and A (without BFE), complete Items E1-E5. If the Certificate is intended to support a LOMA or LOMR-F request, complete Sections A, B, and C. For Items E1-E4, use natural grade, if available. Check the measurement used. In Puerto Rico only, enter meters.

E1. Provide elevation information for the following and check the appropriate boxes to show whether the elevation is above or below the highest adjacent grade (HAG) and the lowest adjacent grade (LAG).

a) Top of bottom floor (including basement, crawlspace, or enclosure) is _____ ☐ feet ☐ meters ☐ above or ☐ below the HAG.

b) Top of bottom floor (including basement, crawlspace, or enclosure) is _____ ☐ feet ☐ meters ☐ above or ☒ below the LAG.

E2. For Building Diagrams 6-9 with permanent flood openings provided in Section A Items 8 and/or 9 (see pages 8-9 of Instructions), the next higher floor (elevation C2.b in the diagrams) of the building is _____ ☐ feet ☐ meters ☐ above or ☐ below the HAG.

E3. Attached garage (top of slab) is _____ ☐ feet ☐ meters ☐ above or ☐ below the HAG.

E4. Top of platform of machinery and/or equipment servicing the building is _____ ☐ feet ☐ meters ☐ above or ☐ below the HAG.

E5. Zone AO only: If no flood depth number is available, is the top of the bottom floor elevated in accordance with the community's floodplain management ordinance? ☐ Yes ☐ No ☐ Unknown. The local official must certify this information in Section G.

SECTION F - PROPERTY OWNER (OR OWNER'S REPRESENTATIVE) CERTIFICATION

The property owner or owner's authorized representative who completes Section F is certifying that the building is located in Zone AO or Zone A (without a FEMA-issued or community-issued BFE) or Zone AO must sign here. *The statements in Sections A, B, and E are based on the best information available to the property owner or owner's authorized representative.*

Property Owner's or Owner's Authorized Representative's _____

Address _____ State _____ ZIP Code _____

Signature _____ Date _____ Telephone _____

Comments

☐ Check here if attachments

SECTION G - COMMUNITY INFORMATION (OPTIONAL)

The local official who is authorized by law or ordinance to administer the community's floodplain management ordinance can complete Sections A, B, C (or E), and G of this Elevation Certificate. Complete the applicable item(s) and sign below. Check the measurement used in Items G8 and G9.

G1. ☐ The information in Section C was taken from other documentation that has been signed and sealed by a licensed surveyor, engineer, or architect who is authorized by law to certify elevation information. (Indicate the source and date of the elevation data in the Comments area below.)

G2. ☐ A community official completed Section E for a building located in Zone A (without a FEMA-issued or community-issued BFE) or Zone AO.

G3. ☐ The following information (Items G4-G9) is provided for community floodplain management purposes.

G4. Permit Number _____	G5. Date Permit Issued _____	G6. Date Certificate Of Compliance/Occupancy Issued _____
-------------------------	------------------------------	-----------------------------------------------------------

G7. This permit has been issued for: ☐ New Construction ☐ Substantial Improvement

G8. Elevation of as-built lowest floor (including basement) of the building _____ ☐ feet ☐ meters (PR) Datum _____

G9. BFE or (in Zone AO) depth of flooding at the building site _____ ☐ feet ☐ meters (PR) Datum _____

G10. Community's design flood elevation _____ ☐ feet ☐ meters (PR) Datum _____

Local Official's Name _____ Title _____

Community Name _____ Telephone _____

Signature _____ Date _____

Comments

☐ Check here if attachments

FEMA Form 81-31, Mar 09 Replaces all previous editions

Exhibit 4. Elevation Certificate (F-063/81-31), back
(PDF available at <http://www.fema.gov/library/viewRecord.do?id=1383>)

DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY INCREASED COST OF COMPLIANCE (ICC) ADJUSTERS REPORT		NATIONAL FLOOD INSURANCE PROGRAM	O.M.B. No. 1660-0005 Expires September 30, 2010
1. NAME OF INSURED		2. NAME OF INSURER	
3. PROPERTY ADDRESS (Include city, state, and zip code)			
4. COMMUNITY NAME/NUMBER		5. FLOOD ZONE	
6. POLICY NUMBER		7. POLICY TERM	
8. BUILDING POLICY LIMIT		9. DATE OF LOSS	
10. OCCUPANCE TYPE			
11. ADJUSTING COMPANY		12. ADJUSTERS FILE NO.	
13. Has the Insured received a determination from the community official that the structure must be brought into compliance with the local floodplain management ordinance? <input type="checkbox"/> Yes <input type="checkbox"/> No Date of Declaration _____			
14. Local Official's Name: _____		15. Telephone Number: _____	
16. Under the flood loss meet the NFIP/ICC 50% substantial damage or average 25% repetitive loss requirements?			
17. Under which provision is the ICC claim based?			
<input type="checkbox"/> Substantial Damage <input type="checkbox"/> Repetitive Loss <input type="checkbox"/> Demolition <input type="checkbox"/> Elevation <input type="checkbox"/> Floodproofing <input type="checkbox"/> Relocation			
Mitigation option(s): <input type="checkbox"/> Demolition/Elevation or Floodproofing <input type="checkbox"/> Relocation/Elevation or Floodproofing			
18. If relocation, indicate the following:			
New address: _____		New flood risk zone: _____	
19. Current valuation of structure as determined by the community official \$ _____			
20. Basis of valuation: _____			
21. Full cost of compliance not limited to the amount of ICC coverage		\$ _____	
22. Amount paid under the ICC Coverage D (excluding salvage and subrogation)		\$ _____	
If repetitive loss, indicate the following (paid flood building claims only):			
Date of Prior Claim within 10 yrs.	Insurer	Policy Number	Building Payment
		RCV Damages (whole dollars)	ACV Damages (whole dollars)
23. If repetitive loss, the valuation of the structure as determined by the community official near the date of the prior loss:			
\$ _____		Date of valuation: _____	
24. Basis of valuation: _____			
25. DATE OF REPORT		26. ADJUSTERS SIGNATURE	
		27. ADJUSTER'S FCN	

FEMA Form 81-98, JAN 08

Exhibit 5. Increased Cost of Compliance Adjusters Report (F-555/81-98)
 (PDF available at <http://www.fema.gov/library/viewRecord.do?id=2579>)

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DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY INCREASED COST OF COMPLIANCE PROOF OF LOSS		NATIONAL FLOOD INSURANCE PROGRAM	<i>O.M.B. No. 1660-0005 Expires September 30, 2010</i>
POLICY NUMBER	POLICY TERM	AMOUNT OF BLDG. AT TIME OF LOSS	
AGENT	AGENCY AT	DATE OF LOSS	
TO THE NATIONAL FLOOD INSURANCE PROGRAM: At time of loss, by above indicated policy of insurance, you insured the interest of _____			
against loss by flood to the property described according to the terms and conditions of said policy and of all forms, endorsements, transfers and assignments attached thereto.			
TIME AND ORIGIN.	An increased cost of compliance claim was filed on _____ . The mitigation option selected was _____		
OCCUPANCY	The described building was occupied at the time of the flood loss as follows, and for no other purpose whatever as: _____		
INTEREST	No other person or persons had any interest therein or encumbrance thereon except _____		
1. FULL AMOUNT OF ICC INSURANCE application to the property for which claim is presented is _____ 2. REPLACEMENT COST VALUE of building structure\$ _____ 3. ACTUAL CASH VALUE of building structure\$ _____ 4. FULL COST OF COMPLIANCE not limited to the amount of Coverage A\$ _____ 5. AMOUNT PAID under Coverage A\$ _____ 6. AMOUNT PAID under the ICC Coverage D (deductible, salvage and subrogation).....\$ _____			
<p>The said loss did not originate by any act, design or procurement on the part of your insured, nothing has been done by or with the privity or consent of insured to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were destroyed or damaged at the time of said loss, no property saved has in any manner been concealed, and no attempt to deceive the said insurer as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered a part of this proof.</p> <p>I understand that this insurance (policy) is issued Pursuant to the National Flood Insurance Act of 1968, or Any Act Amendatory thereof, and Applicable Federal Regulations in Title 44 of the Code of Federal Regulations, Subchapter B, and that knowingly and willfully making any false answers or misrepresentations of fact may be punishable by fine of imprisonment under applicable United State Codes.</p> <p>Subrogation - To the extent of the payment made or advanced under this policy; the insured hereby assigns, transfers and sets over the insurer all rights, claims or interest that he has against any person, firm or corporation liable for the loss or damage to the property for which payment is made or advanced. He also hereby authorizes the insurer to sue any such third party in his name.</p> <p>The insured hereby warrants that no release has been given or will be given or settlement or compromise made or agreed upon with any third party who may be liable in damages to the insured with respect to the claim being made herein.</p> <p>The furnishing of this blank or the preparation of proofs by a representative of the above insurer is not a waiver of any of its rights.</p>			
State of _____	Insured _____		
County of _____	Insured _____		
Subscribed and sworn before me this _____ day of _____, 20____			
_____ Notary Public			

FEMA Form 81-42A, OCT 07

REPLACES ALL PREVIOUS EDITION.

F-101

Exhibit 6. Increased Cost of Compliance Proof of Loss (F-554/81-42A)
 (PDF available at <http://www.fema.gov/library/viewRecord.do?id=2546>)

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DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM
MOBILE HOME/TRAVEL TRAILER WORKSHEET

O.M.B. No. 1660-0005
Expires September 30, 2010

(See Privacy Act Statement and
Paperwork Burden Disclosure Notice
on reverse side)

Insured: _____ Policy No.: _____

Location of Risk: _____ Date of Loss: _____

Year	Manufacturer	Model	Size
Serial Number	Color	No. of Bedrooms	Date of Purchase
New Or Used	Was Land Included <input type="checkbox"/> Yes <input type="checkbox"/> No	Furniture included <input type="checkbox"/> Yes <input type="checkbox"/> No	Cost
Type Of Foundation	Number Of Axels	Type Of Tie Down	Are Wheels on unit <input type="checkbox"/> Yes <input type="checkbox"/> No
Repairs Agreed <input type="checkbox"/> Yes <input type="checkbox"/> No	R/C Repair Amount	Salvage Value	Salvor Name
Other Insurance Carrier:			
Policy Number	Building Coverage	Contents Coverage	Does It Cover Flood? <input type="checkbox"/> Yes <input type="checkbox"/> No
Value New	Options R/C	Total R/C	
Depreciation	Depreciation	Depreciation	
Value Used	Addn/Options A/G	Total ACV	

Dwelling Form - Section VII, V., 3., Special Loss Settlement applies to a single family dwelling that is a manufactured or mobile home or travel trailer, which is at least 16 feet wide and has an area of at least 600 square feet within its perimeter walls, which is owner occupied, on a principal basis, and insured to value.

Special Loss Calculation

Mobile Home Used Book Value \$ _____ x 1.5 = _____

Replacement Cost Value of Actions, and or Options + _____

Maximum Amount Payable \$ _____

(Draw building diagram and dimensions of rooms below, and indicate location of tie downs)

Adjuster: _____

Examiner: _____

FEMA Form 81-96, JAN 08

Exhibit 7. Mobile Home Worksheet (F-136/81-96)
(PDF available at <http://www.fema.gov/library/viewRecord.do?id=2578>)

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DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM
MOBILE HOME CHECKLIST

O.M.B. No. 1660-0005
Expires September 30, 2010

(See Privacy Act Statement and
Paperwork Burden Disclosure Notice
on reverse side)

DATE OF THE BOOK USED _____

MANUFACTURER _____

MODEL _____ REGION _____

GRAY PAGE NUMBER LISTED _____ TO REFERENCE IN THE YELLOW PAGES

WHITE PAGE NUMBER LISTED FOR NEWEST YEAR BUILT _____ TO REFERENCE IN THE YELLOW PAGES, OR PAGE NUMBER
FOR THE OLDEST YEAR ON THAT PAGE _____ TO REFERENCE IN THE GRAY PAGES (if the older home conversion), FOR
THE CORRECT YELLOW PAGE NUMBER _____

NEW VALUE _____ USED VALUE _____

(X) LOCATION ADJ. _____ (X) CONDITION ADJ. _____

(X) COMMUNITY ADJ. _____ = TOTAL VALUE _____

ADDITIONS/OPTIONS @ SQUARE FOOT or GREEN SECTION IN WHICH location, condition and community adjustments apply.

DESCRIPTION _____ = \$ _____

REPLACEMENT COST VALUE = \$ _____

DEPRECIATION = \$ _____

ACTUAL CASH VALUE = \$ _____

FEMA Form 81-96A, JAN 08

Exhibit 8. Mobile Home Checklist (F-776/81-96A)

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DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM
THE NFIP REQUIRES THAT A PRELIMINARY REPORT BE RECEIVED WITHIN 15 DAYS OF ASSIGNMENT,
AND AN INTERIM OR FINAL REPORT NOT LATER THAN EVERY 30 DAYS THEREAFTER.
PRELIMINARY REPORT

O.M.B. No. 1660-0005
Expires September 30, 2010

See Reverse side for Privacy Act Statement and
Paperwork Burden Disclosure Notice

INSURED _____ POLICY NUMBER _____
PROPERTY ADDRESS _____ DATE OF LOSS _____
MAILING ADDRESS _____ CATASTROPHE NO. _____
INSURED TELEPHONE NUMBER: HOME _____ WORK _____ ADJ. FILE NO. _____
ADJUSTING COMPANY _____ TAX ID NUMBER _____
ADJUSTER ADDRESS _____ ADJ. PHONE NO. _____

DATE LOSS ASSIGNED _____ DATE INSURED CONTACTED _____ DATE LOSS INSPECTED _____

ENCLOSURE	Building worksheets ()	Photographs ()	<input type="checkbox"/> Proof of Loss	<input type="checkbox"/> Other
	Contents worksheets ()	Narrative (pp)	<input type="checkbox"/> R/C Proof	<input type="checkbox"/> Other
INSURANCE	Coverage verified from:	<input type="checkbox"/> NFIP <input type="checkbox"/> Agent's Daily <input type="checkbox"/> Insured's Policy	Program:	<input type="checkbox"/> Emergency <input type="checkbox"/> Regular
	Term _____ to _____		<input type="checkbox"/> Dwelling <input type="checkbox"/> General Property <input type="checkbox"/> RCBAP	
RISK	RESERVES:		Coverage	Deductible Reserve
	ADVANCE PAYMENT REQUESTED? <input type="checkbox"/> No <input type="checkbox"/> Yes:	Building		
ORIGIN	Type of Building:	<input type="checkbox"/> Single Family <input type="checkbox"/> 2-4 Family <input type="checkbox"/> Mobile Home/Travel Trailer	<input type="checkbox"/> Other Residential <input type="checkbox"/> Non- Residential	
	Occupancy:	<input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> State government owned	Unoccupied	Residency: <input type="checkbox"/> Principal <input type="checkbox"/> Seasonal
RISK	Title Verified?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Source of verification:	
	Number of floors in building including basement:	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 or more	Is building a split level?	<input type="checkbox"/> Yes <input type="checkbox"/> No
RISK	In case of multiple occupancy, indicate floor(s) occupied by insured:	Basement <input type="checkbox"/> First <input type="checkbox"/> Second and/or above		
	Type of basement:	<input type="checkbox"/> None <input type="checkbox"/> Unfinished <input type="checkbox"/> Finished	Breakway walls:	<input type="checkbox"/> Unfinished <input type="checkbox"/> Finished
RISK	Building elevated?	<input type="checkbox"/> No <input type="checkbox"/> Yes	Foundation area enclosure?	<input type="checkbox"/> None <input type="checkbox"/> Breakway walls
	Is risk under construction?	<input type="checkbox"/> No <input type="checkbox"/> New building <input type="checkbox"/> Improvement in progress		
RISK	FIRM Date	<input type="checkbox"/> Pre Firm <input type="checkbox"/> Post Firm	Building:	<input type="checkbox"/> Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Very Good
			Contents:	<input type="checkbox"/> Poor <input type="checkbox"/> Fair <input type="checkbox"/> Good <input type="checkbox"/> Very Good
RISK	Piles:	<input type="checkbox"/> Concrete <input type="checkbox"/> Wood <input type="checkbox"/> Steel	Piers:	<input type="checkbox"/> Reinf. concrete <input type="checkbox"/> Reinf. block <input type="checkbox"/> Unreinf. block <input type="checkbox"/> Brick <input type="checkbox"/> Other
	Walls:	<input type="checkbox"/> Reinf. concrete <input type="checkbox"/> Concrete slab <input type="checkbox"/> Other		<input type="checkbox"/> Block <input type="checkbox"/> Reinf. concrete shear <input type="checkbox"/> Treated plywood <input type="checkbox"/> Brick <input type="checkbox"/> Other
RISK	Exterior wall structure:	<input type="checkbox"/> Reinf. concrete <input type="checkbox"/> Concrete block <input type="checkbox"/> Wood stud	Exterior wall surface treatment:	<input type="checkbox"/> Unfinished <input type="checkbox"/> Stone/brick veneer
	<input type="checkbox"/> Steel and glass <input type="checkbox"/> Brick or stone <input type="checkbox"/> Other		<input type="checkbox"/> Stucco <input type="checkbox"/> Wood siding <input type="checkbox"/> Metal sheathing/siding	<input type="checkbox"/> Other
RISK	<input type="checkbox"/> Household <input type="checkbox"/> Other than household	Contents located in:	<input type="checkbox"/> Basement <input type="checkbox"/> First floor <input type="checkbox"/> Basement and first floor <input type="checkbox"/> First floor and above	
		<input type="checkbox"/> Second floor and above		
RISK	Nearest body of water:		Distance from risk:	
	Cause of loss:	<input type="checkbox"/> Tidal water overflow <input type="checkbox"/> Stream, river, or lake overflow <input type="checkbox"/> Alluvial fan overflow <input type="checkbox"/> Velocity flow <input type="checkbox"/> Low velocity flow or ponding <input type="checkbox"/> Wave action	<input type="checkbox"/> Yes: Indicate cause of loss <input type="checkbox"/> Accumulation of rainfall or snowmelt <input type="checkbox"/> Mudflow <input type="checkbox"/> Erosion	<input type="checkbox"/> Yes <input type="checkbox"/> No
RISK	Did other than natural cause contribute to flooding?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If "yes" to either question, complete "Cause of Loss and Subrogation Report"	
	Date/time water entered building:	Water Height or Wave Action:		
RISK	Date/time water receded building:	Length of time water remained in building:	Apt. Building/condo Unit:	

Date of Report
FEMA Form 81-57, OCT 07

Adjuster's Signature
REPLACES ALL PREVIOUS EDITIONS

Adjuster's FC Number

Exhibit 9. National Flood Insurance Program Preliminary Report (F-093/81-57)
(PDF available at <http://www.fema.gov/library/viewRecord.do?id=2551>)

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O.M.B. No. 1660-0005
Expires September 30, 2010

See reverse side for Privacy Act Statement and
Paperwork Burden Disclosure Notice

INSURED _____	POLICY NUMBER _____
PROPERTY ADDRESS _____	DATE OF LOSS _____
ADJUSTING COMPANY _____	ADJ. FILE NO. _____

FEMA Form 81-58, OCT 07

Date of Report

Adjuster's Signature
REPLACES ALL PREVIOUS EDITIONS

Adjuster's FC Number

CLAIMS FORMS

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DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY NOTICE OF LOSS				NATIONAL FLOOD INSURANCE PROGRAM		<i>O.M.B. No. 1660-0005</i> <i>Expires September 30, 2010</i>	
(See reverse side for Privacy Act Statement and Paperwork Burden Disclosure Notice)							
1. NAME OF SERVICING OFFICE				7. POLICY NUMBER		8. POLICY PERIOD (From, To)	
2. AGENCY NAME AND MAILING ADDRESS (Rubber stamp or type)				9. DATE OF LOSS		10. KIND OF LOSS <input type="checkbox"/> Flood <input type="checkbox"/> Mudslide	
				11. Probable Amount of Loss-All Perils \$ _____		12. Estimate of Loss-this Policy \$ _____	
				10. KIND OF LOSS <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Buildings <input type="checkbox"/> Contents			
3. INSURED				14. REMARKS: BRIEF DESCRIPTION OF DAMAGE (If emergency handling required, explain why)			
4. PROPERTY		PHONE NUMBER					
5. MAIL ADDRESS		PHONE NUMBER					
6. LOCATION OF PROPERTY IF REMOVED FOR PROTECTION							
15. DESCRIPTION OF PROPERTY COVERED							
ITEM NO.	AMOUNT INSURANCE	DESCRIPTION		16. MORTGAGE (Build			
1 Bldg.	\$ _____	on the _____ Family _____ Story building of _____ Construction. Basement <input type="checkbox"/> Yes <input type="checkbox"/> No					
2 Conts.	\$ _____	On the contents in the Building described above <input type="checkbox"/> or in the Building of _____ Construction. Basement <input type="checkbox"/> Yes <input type="checkbox"/> No					
17. On the _____ Contents)							
18. List any other insurance applicable to the property described in item 15 above including: Homeowners, Wind and/or excess policy; Coverage on specifically described articles, e.g., Furs, Jewelry, etc. Please provide policy numbers as applicable.							
19. COPIES SENT TO				CATASTROPHE SERIAL NO.	CAT. ZONE NO.	DATED	
20. Name of Adjuster To Whom this Notice Has Been Forwarded				21. Name of Adjuster Handling E/C or Other Insurance Loss			
THIS SPACE FOR USE BY SERVICING OFFICE							
The Standard Flood Insurance Policy is subject to the National Flood Insurance Act of 1968, and any Acts Amendatory thereof, and Regulations issued by the Federal Insurance Administration pursuant to such statute(s).							

FEMA Form 81-43, OCT 07

REPLACES ALL PREVIOUS EDITIONS.

F-102

Exhibit 12. Notice of Loss (F-102/81-43)

 (PDF is available at <http://www.fema.gov/library/viewRecord.do?id=2547>)

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POLICY NO. FL _____

POLICY TERM _____

AMT OF BLDG COV AT TIME OF LOSS _____

AMT OF CONTS COV AT TIME OF LOSS _____

DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM
PROOF OF LOSS

(See reverse side for Privacy Act Statement and
Paperwork Burden Disclosure Notice)

O.M.B. No. 1660-0005
Expires September 30, 2010

AGENT _____

AGENCY AT _____

TO THE NATION FLOOD INSURANCE PROGRAM:

At time of loss, by above indicated policy of insurance, you insured the interest of _____

against loss by flood to the property described according to the terms and conditions of said policy and of all forms, endorsements, transfers and assignments attached thereto.

TIME AND ORIGIN. A _____ loss occurred about the hour of _____ o'clock _____ M.,
on the _____ day of _____ 20 ____ . The cause of said loss was: _____

OCCUPANCY The premises described, or containing the property described, was occupied at the time of the loss as follows, and for no
other purpose whatever: _____

INTEREST No other person or persons had any interest therein or encumbrance thereon as of _____

1. FULL AMOUNT OF INSURANCE applied to the loss which is presented is \$ _____
2. ACTUAL CASH VALUE of building structure \$ _____
3. ADD ACTUAL CASH VALUE OF CONTENTS of personal property insured \$ _____
4. ACTUAL CASH VALUE OF ALL PROPERTY \$ _____
5. FULL COST OF REPAIR OR REPLACEMENT (Building and Contents) \$ _____
6. LESS APPLICABLE DEPRECIATION \$ _____
7. ACTUAL CASH VALUE LOSS is \$ _____
8. LESS DEDUCTIBLES \$ _____
9. NET AMOUNT CLAIMED under above numbered policy is \$ _____

The said loss did not originate by any act, design or procurement on the part of your insured, nothing has been done by or with the privity or consent of insured to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were destroyed or damaged at the time of said loss, no property saved has in any manner been concealed, and no attempt to deceive the said insurer as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered a part of this proof.

I understand that this insurance (policy) is issued Pursuant to the National Flood Insurance Act of 1968, or Any Act Amendatory thereof, and Applicable Federal Regulations in Title 44 of the Code of Federal Regulations, Subchapter B, and that knowingly and willfully making any false answers or misrepresentations of fact may be punishable by fine of imprisonment under applicable United State Codes.

Subrogation - To the extent of the payment made or advanced under this policy; the insured hereby assigns, transfers and sets over the insurer all rights, claims or interest that he has against any person, firm or corporation liable for the loss or damage to the property for which payment is made or advanced. He also hereby authorizes the insurer to sue any such third party in his name.

The insured hereby warrants that no release has been given or will be given or settlement or compromise made or agreed upon with any third party who may be liable in damages to the insured with respect to the claim being made herein.

The furnishing of this blank or the preparation of proofs by a representative of the above insurer is not a waiver of any of its rights.

State of _____ Insured _____

County of _____ Insured _____

Subscribed and sworn before me this _____ day of _____, 20 ____

Notary Public

FEMA Form 81-42, OCT 07

REPLACES ALL PREVIOUS EDITIONS.

F-101

Exhibit 13. Proof of Loss (F-101/81-42)

(PDF is available at <http://www.fema.gov/library/viewRecord.do?id=2545>)

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DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM

O.M.B. No. 1660-0005
Expires September 30, 2010

Statement as to full cost of repair or replacement
under the replacement cost coverage, subject
to the terms and conditions of this policy*
(See reverse side for Privacy Act Statement and Paperwork Burden Disclosure Notice)

Policy No. _____
FL _____

Agency at _____ Agent _____

Insured _____

Location _____

Type of property involved in claim _____

Date of loss _____

1. Full Amount of Insurance applicable to the property for which claim is presented was \$ _____

2. Full Replacement Cost of the said property at the time of the loss was \$ _____

3. The Full cost of Repair or Replacement is \$ _____

4. Applicable Depreciation is \$ _____

5. Actual Cash Value is (Line 3 minus Line 4) \$ _____

6. Less deductibles and/or participation by the insured \$ _____

7. Actual Cash Value Claim is (Line 5 minus Line 6) \$ _____

8. **Supplemental Claim**, to be filled in accordance with the terms and conditions of the Replacement Cost Coverage within _____ days from date of loss as shown above, will not exceed \$ _____

(This figure will be that portion of the amounts shown on Lines 4 and 6 which is recoverable)

* The Standard Flood Insurance Policy is subject to the National Flood Insurance Act of 1968 and any Acts Amending thereof, and Regulations issued by the Federal Insurance Administration pursuant to such statute(s).

Insured

Adjuster

FEMA Form 81-44, OCT 07

REPLACES ALL PREVIOUS EDITIONS.

F-103

Exhibit 14. Statement as to Full Cost of Repair or Replacement (F-103/81-44)
(PDF is available at <http://www.fema.gov/library/viewRecord.do?id=2548>)

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O.M.B. No. 1660-0005
Expires September 30, 2010

See reverse side for Privacy Act Statement and Paperwork Burden Disclosure Notice

F-099

REVISÉ JUNE 2010

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Expires September 30, 2010

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Appendix B: FEMA Bulletins

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FEMA

Memorandum

W-04011

To: WYO Company Principal Coordinators and
NFIP Servicing Agent

From: Anthony S. Lowe 
Director
Mitigation Division
Emergency Preparedness and Response Directorate

Date: March 10, 2004

Re.: Claim Payments on Enclosures at or above the Base Flood Elevation (BFE)

Recent claims adjustments from Hurricane Isabel have shown that some elevated buildings in A zones are situated on land that is at or above the BFE. Payments for enclosures and their contents for such buildings are being limited based on the elevated building coverage limitation in the Standard Flood Insurance Policy (III. Property Covered, A.8.). The elevated building coverage limitation will not apply if owners of such buildings apply for and receive a Letter of Map Amendment (LOMA) or a Letter of Map Revision (LOMR) removing the property from the Special Flood Hazard Area (SFHA), even if the LOMA or LOMR application is made after the claim. (See attached Policy Issuance.) LOMAs and LOMRs are granted only if the elevation of the lowest adjacent grade next to the building is at or above the BFE.

NFIP insurers should immediately begin reviewing closed and open claims resulting from Hurricane Isabel to see if any meet these criteria:

Qualifying insureds should be notified of the LOMA or LOMR opportunity and the process involved in obtaining one. Information for this can be found on the NFIP portion of FEMA's web site for flood hazard mapping at www.fema.gov/fhm/ot_lmreq.shtml, where information, tutorials, and the necessary forms can be downloaded. For those with questions or without access to the Internet, the FEMA Map Assistance Center at 1-877-336-2627 should be contacted. Depending on what form is required, there may be charges or fees for processing the request.

In addition, insureds should be informed that removing a building from the SFHA with a LOMA or LOMR could increase their premium. If so, they will be required to pay additional premium for the policy term applying to the loss as well as one prior policy term if one existed. To expedite processing of requests for

www.fema.gov

Exhibit 1. Claims Payments on Enclosures at or above the Base Flood Elevation
(W-04011), page 1 of 3

LOMAs or LOMRs in this situation, the insured should not send the request to the address on the web site or on the forms. Instead, completed forms, with fees if appropriate, should be sent to the following address: FEMA, 500 C Street, SW, Room 433, Washington, DC 20472 to the attention of the Underwriting Section. Applying to FEMA for a LOMA or LOMR should not stop any open claim payment from proceeding based on the elevated building coverage limitation. In the event the request is approved, a supplemental claim payment can be made.

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee,
Government Technical Representative

Required Routing: Claims, Underwriting

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Exhibit 1. Claims Payments on Enclosures at or above the Base Flood Elevation
(W-04011), page 2 of 3

National Flood Insurance Program

Policy Issuance 1-2004

Subject: Elevated Building Coverage Limitations – Map Changes

Background: The NFIP has received Hurricane Isabel claims for elevated buildings with enclosures in A zones with lowest adjacent grade elevations at or above the Base Flood Elevation.

Under the Standard Flood Insurance Policy (SFIP), limited coverage exists for enclosures below the lowest elevated floor of an elevated building for Post-FIRM buildings located in Special Flood Hazard Areas (SFHAs), which include the A zones listed in the elevated building coverage limitation of the SFIP (III. Property Covered, A.8.). Correctly, NFIP insurers have been applying the elevated building coverage limitation to these enclosures and their contents.

Policy Decision: Where the NFIP map shows a property as being in the A zones listed in the elevated building coverage limitation of the SFIP, so that the elevated building coverage limitation applies, that limitation will not apply if the insured obtains a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) removing the property from the SFHA, even though application for the LOMA or LOMR is made after the claim.

March 9, 2004

Date



Anthony S. Lowe
Director
Mitigation Division
Emergency Preparedness
and Response Directorate

Exhibit 1. Claims Payments on Enclosures at or above the Base Flood Elevation
(W-04011), page 3 of 3

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FEMA

Memorandum

W-04020

To: Write Your Own (WYO) Company Principal Coordinators, WYO Vendors,
NFIP Servicing Agent, and Independent Adjusting Firms

From: James S. P. Shortley
Director of Claims
Mitigation Division

Date: May 7, 2004

Re: Flood Insurance Claims Guidance

Over the last 6 months we have made the following flood insurance coverage determinations to the benefit of the policyholder:

- 1. Increased Cost of Compliance (ICC) Claims** – We require only one contractor's estimate.
- 2. Post-Claim Letters Of Map Amendment (LOMA) and Letters of Map Revision (LOMR)** – A LOMA or LOMR for an elevated building, obtained after the loss, will be considered effective as of the date of the loss. The LOMA or LOMR removes the elevated building from the Special Flood Hazard Area, and the elevated building restrictions of the Standard Flood Insurance Policy then do not apply to the area beneath the lowest elevated floor.
- 3. Coverage of Connected Heating Machinery** – Heating machinery, in a building, connected to and servicing the insured building, is covered. Reminder: air conditioning compressors in the open, connected to and servicing the building, are covered.
- 4. Replacement Cost Loss Settlement** – When insured property is eligible for replacement cost loss settlement, there is no longer any requirement to hold back the recoverable depreciation.

Also, please pay particular attention to the following existing guidance:

- 1. Water, Moisture, Mildew, or Mold Damage** – When this damage occurs in connection with a covered direct physical loss by or from flood, it will be covered unless there is clear evidence of the policyholder's failure to inspect and maintain the insured property, where it was feasible to do so. If such damage is the result of wicking, it is covered.

Exhibit 2. Flood Insurance Claims Guidance
(W-04020), page 1 of 2

2. **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 ground, even if the pilings extend beyond it.
3. **Repair Estimating and Pricing Guidelines** – We expect that the repair estimate be based on current local prices and that the pricing guidelines be used with discretion and flexibility. Repair estimates and corresponding settlements are always to be adjusted in accordance with special conditions (like kind and quality), local pricing, and actual costs as provided by policyholders and their selected contractor.
4. **Unit Cost and File Documentation** – We expect unit costs to include all materials, sales tax, disposable equipment, rented equipment, and any overhead of the contractor. Additionally, we expect estimated costs of personal property to include any delivery costs, setup fees, and sales tax. These are standard practices within the insurance industry. When actual documented costs such as repair invoices from service contractors, receipts, and replacement quotes differ from this standard practice, reasonable additional costs should be paid.

Cc: IBHS, FIPNC, Government Technical Monitor

Suggested Routing: Claims, Underwriting, Data Processing, Marketing

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Exhibit 2. Flood Insurance Claims Guidance
(W-04020), page 2 of 2



FEMA

W-04091

November 19, 2004

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators, WYO
Vendors, NFIP Servicing Agent, and Independent Adjusting Firms

FROM: James S. P. Shortley, Director of Claims
Claims Section, Risk Insurance Branch
Mitigation Division
Emergency Preparedness and Response Directorate

SUBJECT: Flood Insurance Claims Guidance

1. Limited Coverage for Elevated Building Slabs

The Standard Flood Insurance Policy (SFIP) provides limited coverage for elevated Post-FIRM buildings located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, and VE (see SFIP III. Property Covered A.8.a. (1)-(17)).

Specifically, SFIP III. A.8.a. (17) states that coverage is limited to "Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building."

Slabs are covered only if they are part of the foundation. To be part of the foundation, a slab must be at least 6 inches thick containing rebar and tied into the posts, pilings, piers, or other foundation walls required to support the building.

2. Waiver of Elevated Building Coverage Limitation

In our previous Flood Insurance Claims Guidance of May 7, 2004, you were informed that a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) for a Post-FIRM elevated building, obtained after the loss, will be considered effective as of the date of the loss. The LOMA or LOMR removes the Post-FIRM elevated building from the Special Flood Hazard Area, and the elevated building limitations of the SFIP then do not apply to the area beneath the lowest elevated floor.

However, if the lowest adjacent grade of the property is below the Base Flood Elevation (BFE), this will prevent a LOMA or LOMR from being issued to the property owner, so that the property owner will not be able to obtain full coverage for the enclosure.

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Exhibit 3. Flood Insurance Claims Guidance(Elevated Building Slabs) (W-04091), page 1 of 2

We have discovered some buildings where the lowest adjacent grade is below the BFE, but the lowest floor (enclosure floor) is above the BFE. Such buildings comply with the NFIP Floodplain Management Regulations, in that the lowest floor of the building is elevated to or above the community's BFE. This means the enclosure does not have the higher risk of flooding that elevated building enclosures normally have. Claims for such buildings should be sent to FEMA with a request for a waiver of the elevated building coverage limitation.

3. No Coverage for Sewage Grinder Pumps

Properties constructed in the majority of the coastal areas have a sewage grinder pump, which is an integral part of the septic system. The sewage grinder pump pulverizes sewage and converts the sewage to a slurry for pumping. These systems require earth excavation for installation. SFIP IV, Property Not Covered 8, excludes coverage for "Underground structures and equipment, including wells, septic tanks, and septic systems." Thus, sewage grinder pumps are not covered by the SFIP.

cc: IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Data Processing, Marketing, Underwriting,




FEMA

W-06019

March 14, 2006

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators, WYO Vendors, NFIP Servicing Agent, and Independent Adjusting Firms

FROM: 
David I. Maurstad
Acting Director
Mitigation Division

SUBJECT: Waiver of the Two-Year Time Limit for Increased Cost of Compliance Coverage

The National Flood Insurance Program (NFIP) provides Increased Cost of Compliance (ICC) coverage to pay up to \$30,000 for the cost of compliance with State or local floodplain management laws or ordinances (III.D of the Standard Flood Insurance Policy (SFIP)). In the event the required mitigation measures are not completed within two years from the date of the State's or community's declaration of substantial damage and order that mitigation measures be taken, the ICC claim cannot be paid and any advance payment received by the policyholder must be returned (III.D.5 of the SFIP).

In the aftermath of the major hurricanes of last year, we expect a large number of ICC claims in connection with FEMA mitigation grant projects. The mitigation grant process often exceeds the two-year time frame. FEMA is planning to increase the two-year time frame to four years in an upcoming revision to the SFIP. Therefore, in the interim I am waiving the provisions of III.D.5 of the SFIP and granting an additional two years to complete the required mitigation measures. This means policyholders will have four years to complete the required mitigation measures starting from the date of the substantial damage declaration by the State or community. This waiver is effective for all claims on or after June 1, 2005.

This waiver is made pursuant to the provisions dealing with amendments, waivers, and assignments of the SFIP (VII.D of the SFIP Dwelling Form and General Property Form and VIII.D of the SFIP Residential Condominium Building Association Policy Form).

cc: IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Underwriting

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Exhibit 4. Waiver of the Two-Year Time Limit for ICC (06019)

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FEMA

W-08008

February 25, 2008

MEMORANDUM TO: Write Your Own (WYO) Company Principal Coordinators
National Flood Insurance Program (NFIP) Servicing Agent

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: *Wind/Water Investigative Tips*

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 such as those provided in the attached document, which was adapted from the 1998 NFIP pamphlet, *Wind/Water Investigative Tips*. These tips will be included in the revised *NFIP Claims Adjuster Manual*, when published.

Attachment

cc: Vendors, IBHS, Government Technical Representative

Suggested Distribution: Claims Department, Adjusting Firms, Independent Adjusters, and Staff Adjusters Handling NFIP Claims

www.fema.gov

Exhibit 5. Elevation Wind/Water Investigative Tips (W-08008), page 1 of 4

Wind/Water Investigative Tips

Important Things to Do When Investigating a Claim

- Research local newspapers and/or check with the local weather service, the U.S. Weather Bureau, or other agencies to determine the specific data relative to the storm.
- When damage is caused by a hurricane, tropical storm, nor'easter, or other event that may cause both wind and flood damage, determine and record the following (*check and record the timing and duration for each*):

<u>Data Element</u>	<u>Measurement</u>	<u>Timing</u>	<u>Duration</u>
Highest Wind Speed	_____	_____	_____
Barometric Pressure	_____	_____	_____
Amount of Rainfall	_____	_____	_____
Tidal Heights	_____	_____	_____
Storm Surge	_____	_____	_____
Wave Heights	_____	_____	_____

- Record the distance and direction of the insured risk relative to the eye of the storm. Remember that the waves are higher to the right of the storm's path.
- Research and record site conditions:
 - Original ground elevation
 - Distance from body of water
 - After-storm ground elevation or other indications of scour
 - Amount and type of storm debris
- Canvas the neighborhood for eye-witnesses and take their recorded or signed statements. Be certain to identify where each witness was at the time of the storm, the amounts or descriptions of wind and flood each witness saw, and the time of day that each saw it. Record in the claims files only what each witness actually says—not hearsay or your opinion.
- Check for and photograph the debris line. Measure and record how many feet the debris line is from the shoreline and from the insured risk. Be sure to describe the topography in detail.

Exhibit 5. Elevation Wind/Water Investigative Tips (W-08008), page 2 of 4

- Check for and photograph houses and objects adjacent to the insured risk. If damage appears to be different from that of the insured risk, determine why and record the reason in the claim files. Usually, the damage is different for one of two reasons:
 - Different cause of damage (e.g., a tornado can cut a relatively narrow path, leaving neighboring buildings relatively undamaged).
 - Different building construction and anchoring. Look for connectors or tie-down straps for elevated buildings and enclosures beneath elevated buildings. Check the pilings for evidence of scouring. Photograph the remaining pilings, showing patterns of the leaning pilings. Determine how deep the pilings were installed and measure the distance between pilings.
- Determine and record in the claim file a complete description of the damaged or demolished building, including the type of construction; whether elevated (if elevated with an enclosure, be sure to indicate the type of enclosure — breakaway walls, open lattice work, vents, etc.); number of floors (including basement); roof covering and pitch; windows, carports, etc.; and the building's relative position to the wind. It is also important to include a description of the foundation type (slab, piles, piers, etc.) and damage.
- Photograph (close-up) the remains of connectors or tie-downs. Be sure to describe the size, type, brand, method of installation, and if possible the brand name.
- Make a notation in the initial report where evidence suggests the insured risk was not built as securely as neighboring buildings. The flood insurer or coastal plan, for example, may want to check the local building codes to determine if a building construction violation has occurred and document the claim files, both with copies of the code and the evidence of a violation. The age of the building and the effective dates of the building codes need to be documented.
- Check for and photograph any wind-caused openings in the building and/or missing roof shingles.
- Check for and photograph all possible wind-related water marks or stains visible on both the exterior and interior walls and ceilings of the building.
- Check for and photograph all possible flood-related water marks or stains visible on both the exterior and interior of the building.
- Check for and photograph any water marks visible on nearby trees or fence posts, or other buildings.

Exhibit 5. Elevation Wind/Water Investigative Tips (W-08008), page 3 of 4

- Check for and photograph any uprooted trees or trees snapped off at a high level.
- Check for, photograph, and note in the claim files any evidence of severe erosion such as leaning pilings or houses "nosed down" in the ground. Leaning or bent pilings can occur both as a result of flooding and as a result of a building being pushed over by wind forces or blown off its pilings.

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Exhibit 5. Elevation Wind/Water Investigative Tips (W-08008), page 4 of 4

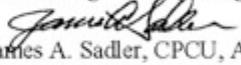


FEMA

W-08043

July 8, 2008

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators
and the NFIP Servicing Agent
for Dissemination to all Claims Managers, Independent Adjusters,
and Mailing List Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: CLAIMS GUIDANCE – DETACHED GARAGES, ETC.
1. Detached Garages
2. ICC and Cumulative Substantial Damage or
Repetitive Loss Ordinances
3. Formal Appeals Process – Denial Letters
4. Demands for Appraisal
5. Discontinue Use of the Term "SHEETROCK"
6. Property Removed to Safety

FEMA is issuing the following claims guidance to clarify appropriate handling of the six areas noted in the subject line of this bulletin. THE PROVISIONS OF THIS BULLETIN ARE RETROACTIVELY EFFECTIVE TO JUNE 1, 2008.

1. Detached Garages

The Standard Flood Insurance Policy (SFIP) – Dwelling Form at III.A.3. on page 3 of 19 states:

A. COVERAGE A – BUILDING PROPERTY

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

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.

WYO companies and the NFIP Servicing Agent should use 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. Insurers will no longer broadly apply these words that 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.

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Exhibit 6. Claims Guidance-Detached Garages (W-08043), page 1 of 4

2. ICC Claims Involving a Cumulative Substantial Damage Provision or Repetitive Loss Provision of a Community's Floodplain Management Ordinance

The SFIP – Dwelling Form at III.D.3.a.(1)(a)-(d), on page 7 of 19 states:

D. COVERAGE D – INCREASED COST OF COMPLIANCE

3. Eligibility

- a. A structure covered under Coverage A – Building Property sustaining a loss caused by a **flood** as defined in 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 . . .

A community's substantial damage ordinance includes "damage from any origin." However, the insurer's Increased Cost of Compliance (ICC) decisions consider only damage by or from flood. If the community floodplain management ordinance includes a cumulative substantial damage provision or repetitive loss provision, the insurer should verify that flood damages that resulted in the two NFIP claim payments averaged 25 percent of the market value of the building at the time of the loss.

The second (i.e., current) qualifying flood loss is considered much like ICC losses typically encountered, with no cumulative damage or repetitive loss provision. It is the first qualifying flood loss that should be carefully scrutinized. The first qualifying flood loss may be up to 10 years prior to the second (current) qualifying loss. The SFIP's ICC provisions require that both flood losses must have resulted in paid NFIP claims.

If the community declares a building substantially damaged under the terms of a cumulative substantial damage provision or repetitive loss provision of the community's ordinance, but the records of the insurer and/or the NFIP verify that the first qualifying loss was not a paid NFIP loss, or that the first qualifying loss occurred more than 10 years prior to the second qualifying loss, the community should be tactfully notified of this information.

Also, a community may amend its floodplain management ordinance and cease to enforce a cumulative substantial damage provision or repetitive loss provision after a flood event. When adopted and enforced, the amended provisions apply only forward and may not be retroactively enforced. Permits issued before the community withdraws its cumulative, substantial damage provision or repetitive loss provision will be considered valid. However, if allowed by the community's ordinance, permits may be withdrawn (voided) and reissued after the cumulative, substantial damage provision or repetitive loss provision is withdrawn.

3. Formal Appeals Process – Issuance of the Denial Letter

WYO Clearinghouse Bulletin W-06079, issued on October 13, 2006, announced the Formal Appeals Process and advised the WYO Companies and the NFIP Servicing Agent of the proper procedures regarding issuances of denial letters. We are finding that many companies are not adhering to the specifics of the Bulletin. To reiterate, "... the WYO Companies and the NFIP Servicing Agent must make sure that they provide a written denial letter to policyholders when their claim, in whole or in part, is denied. The denial letter should provide specific information on the reasons why the claim was denied."

In the appeals process, we have seen far too many denial letters that simply state "upon conclusion of our investigation, your claim is being denied." This is an unacceptable denial as it does not provide a basis for denial. Denial letters should specifically state all reasons for denial known at the time the letter is written and refer the insured to the applicable section(s) of the SFIP.

The Bulletin goes on to state, "In order for the Federal Insurance Administrator to provide a timely written final appeal decision to the policyholder, it is imperative that any request made to a WYO Company and the NFIP Servicing Agent by FEMA or the NFIP Bureau and Statistical Agent for information is fulfilled within 48 hours. In most cases, a copy of the claim file will be requested (the copy, including all photographs, must be legible). In all cases, the response to a request for information must include a detailed synopsis of the claim handling that focuses on the issues related to the denial."

In many cases, the NFIP Bureau and Statistical Agent is not receiving a legible copy of the file within the required 48-hour time period. If there are time constraint issues, the insurer should immediately advise the requestor.

4. Demands for Appraisal

Requests for appeals are being made through the Formal Appeals Process when insurers refuse the policyholder's and/or his representative's demand for appraisal. Demands for appraisal should be honored when the issue is strictly pricing. All coverage and scoping issues should be resolved prior to agreeing to the appraisal process. Unless these issues are first resolved, both parties could waive any coverage and scoping defenses. The SFIP – Dwelling Form at VII.P. states that "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." Requests for appraisals should be responded to within 20 days after receiving a written request and the claim file properly documented with the details of the reason(s) that the request is to be honored or denied.

Please refer to the NFIP *Flood Insurance Claims Handbook* at page 12, which states:

1. Disputes that are or have been subject to appraisal as provided for in the SFIP cannot be appealed.
2. If you file an appeal on any issue, that issue is no longer subject to resolution by appraisal or other pre-litigation remedies.
3. If you file suit against an insurer on the flood insurance claim issue, you are prohibited from filing an appeal. All appeals submitted for decision but not resolved shall be terminated upon notice of the commencement of litigation regarding the claim.

Note that, although appraisal is allowed after commencement of litigation, the filing of an appeal is not allowed after suit is filed and pending appeals are closed.

5. Discontinue Use of the Term "SHEETROCK®"

In WYO Clearinghouse Bulletin W-05014, April 14, 2005, WYO Companies and the NFIP Servicing Agent were advised that we had been notified of the possibility of copyright infringement for use of the term "SHEETROCK®," a registered trademark of USG Corporation's United States Gypsum Company for its brand of gypsum board and related products. This is a reminder that only the generic term "drywall" should be used.

6. Property Removed to Safety

The Property Removed to Safety coverage described in the SFIP – Dwelling Form at III.C.2.b. on page 5 of 19 shall apply both to the cost of removing the covered property from the described location and also to any cost of returning the same covered property to the described location. If there are costs associated with uninstalling and reinstalling the covered property to be removed and returned, these costs are also covered. All such costs must be reasonable and are subject to the \$1,000 limit of liability; any payments under this coverage do not increase either the Coverage A or Coverage B limits of liability.

If you have questions about any of the six areas addressed in this claims guidance, please contact the NFIP Bureau and Statistical Agent Claims Department.

cc: Vendors, IBHS, FIRPC, Government Technical Representative

Required Routing: Claims and Underwriting



FEMA

W-08052

August 19, 2008

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,
NFIP Servicing Agent, and Independent Adjusting Firms

FROM: WYO Clearinghouse

SUBJECT: NFIP Adjuster Fee Schedule – 2008 Revision

David I. Maurstad, the Federal Insurance Administrator, has approved revisions to the Adjuster Fee Schedule affecting Allocated Loss Adjustment Expense payments (including claims involving Group Flood Policies) to Independent Adjusting Firms hired by the Write Your Own Companies and the NFIP Servicing Agent. Please note that four of the ranges have been compressed to two ranges.

There are no changes to the separate Increased Cost of Compliance (ICC) fee schedule.

The new Adjuster Fee Schedule will be effective for dates of loss on or after September 1, 2008. Please distribute this information to the appropriate personnel in your organization.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Data Processing, Claims, Marketing

www.fema.gov

Exhibit 7. NFIP Adjuster Fee Schedule – 2008 Revision (W-08052), page 1 of 3

NFIP Fee Schedule

For Claims with Dates of Loss on or after September 1, 2008

Claim Range	Fee
Erroneous Assignment	\$70.00
Closed Without Payment (CWOP)	275.00
.01 - \$1,000.00	375.00
1,000.01 - 5,000.00	600.00
5,000.01 - 10,000.00	800.00
10,000.01 - 15,000.00	925.00
15,000.01 - 25,000.00	1,025.00
25,000.01 - 35,000.00	1,175.00
35,000.01 - 50,000.00	1,400.00
50,000.01 - 100,000.00	3% but not less than \$1,600
100,000.01 - 250,000.00	2.3%, but not less than \$3,000
250,000.01 and up	2.1%, but not less than \$5,750

Note: Based on Gross Loss

Gross loss shall mean the agreed cost to repair before application of depreciation, deductible, or other limiting clauses or conditions.

For the purpose of this schedule, should the loss exceed the available coverage, gross loss shall mean the total amount of coverage available.

If the claim involves salvage "buy-back," gross loss shall mean the amount of the claim before the salvage value is deducted.

The Closed Without Payment (CWOP) fee should only be paid after an adjuster site visit, with accompanying photos, and completion of the required forms.

The NFIP reserves the right to withhold compensation on adjustment work that is deemed:

- 1) Not to comply with NFIP's standards; or
- 2) Improperly prepared, thereby requiring the claim to be substantially readjusted; or
- 3) Not timely adjusted, thereby requiring reassignment.

Increased Cost of Compliance (ICC) Fee Schedule – Allocated LAE
(Used for ICC Claims with Dates of Loss of September 1, 2004, and Later)

Claim Range	Fee
Erroneous Assignment	\$60.00
Closed Without Payment (CWOP)	225.00
.01 - \$1,000.00	300.00
1,000.01 – 2,500.00	425.00
2,500.01 – 5,000.00	500.00
5,000.01 – 7,500.00	575.00
7,500.01 – 10,000.00	650.00
10,000.01 – 15,000.00	750.00
15,000.01 – 25,000.00	850.00
25,000.01 – 30,000.00	1,000.00

Upon FEMA request, WYO company must provide supporting detail for the reported expense.

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Exhibit 7. NFIP Adjuster Fee Schedule – 2008 Revision (W-08052), page 3 of 3

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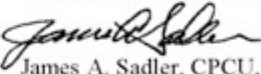


FEMA

W-08070

September 25, 2008

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,
Vendors, NFIP Servicing Agent, and Selected Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program
DHS/FEMA-MT-RN-CA

SUBJECT: Flood Insurance Claims Guidance

In areas affected by **both** Hurricane Gustav and Hurricane Ike, FEMA has learned of many instances in which a claim caused by Gustav could not be inspected prior to the arrival of Ike. Therefore, the following claims guidance is issued for the benefit of policyholders, claim adjusters, WYO companies, and the NFIP Servicing Agent.

1. Policyholders:

Should report all flood damage from either or both of the hurricanes to their carrier. Whether or not insured against flood, property owners and renters who need assistance in addition to or other than that provided by the NFIP should be referred to the Disaster Support Resources area of the FEMA Website at http://www.fema.gov/business/nfip/disaster_res.shtm.

2. Claim Adjusters:

- A. Must address prior losses, particularly from Hurricanes Katrina and Rita.
- B. Where possible, should separate, itemize, and document the damages from each hurricane.
- C. Must recognize and avoid duplication of coverage and payment for overlapping damage from prior losses or Hurricanes Gustav and Ike.
- D. Should use proven investigative methods to document windstorm damage to building or contents. See WYO Bulletin W-08008, dated February 25, 2008, for a discussion of Wind/Water Investigative Tips.

In approaching a flood claim that may also include wind damage, an adjuster should continue to recognize any excluded damages. If there is wind and flood damage, the adjuster should comment on the rationale of his/her decision regarding the separation of wind and flood

www.fema.gov

Exhibit 8. Claims Guidance-Hurricanes Gustav and Ike (W-08070), page 1 of 3

damage. Most of the time this is simple – water line and below is flood; above the waterline is wind. However, when a building has been heavily damaged or destroyed by storm forces, an engineer may be needed to determine causation. Adjusters should photograph the wind damage generally. Photos of wind damage do not have to be exhaustive, unless necessary to document that flood damage is minor or absent.

3. WYO Companies and the NFIP Servicing Agent – Ike and Gustav Overlap:

- A. If damages resulting from Hurricane Ike exceed the Hurricane Gustav damages, and the combined damages do not exceed the policy limit of liability, the Hurricane Gustav claim should be closed without payment. All covered damage should be considered under the Hurricane Ike claim.
- B. If the covered damage from either event exceeds the policy limit of liability, the adjuster should, to the best of his/her ability, separate and document the damage.
- C. The policy limits reinstate after each occurrence.
- D. Each claim will be subject to the deductible(s) applicable in the policy.
- E. This guidance is applicable to both building and personal property losses.

4. Existing Guidance for Adjusters and Carriers:

- A. Coverage of Connected Heating Machinery – Heating machinery, in a building, connected to and servicing the insured building, is covered. Reminder: air conditioning compressors in the open, connected to and servicing the building, are covered.
- B. Replacement Cost Loss Settlement – When insured property is eligible for replacement cost loss settlement, there is no longer any requirement to hold back the recoverable depreciation.
- C. Water, Moisture, Mildew, or Mold Damage – When this damage occurs in connection with a covered direct physical loss by or from flood, it will be covered unless there is clear evidence of the policyholder's failure to inspect and maintain the insured property, where it was feasible to do so. If such damage is the result of wicking, it is covered.
- D. 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 ground, even if the pilings extend beyond it.
- E. Repair Estimating and Pricing Guidelines – We expect that the repair estimate be based on current local prices and that the pricing guidelines are used with discretion and flexibility. Repair estimates and corresponding settlements are always to be adjusted in accordance with

special conditions of the Standard Flood Insurance Policy[?] (e.g., the requirement for repair or replacement with material of like kind and quality), local pricing, and actual costs as provided by the policyholder and the selected contractor.

- F. Unit Cost and File Documentation – We expect unit costs to include all materials, sales tax, disposable equipment, rented equipment, and any overhead of the contractor. Additionally, we expect estimated costs of personal property to include any delivery costs, setup fees, and sales tax. These are standard practices within the insurance industry. When actual documented costs for items of like kind and quality, such as repair invoices from service contractors, receipts, and replacement quotes differ from this standard practice, reasonable additional costs should be considered.

cc: IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Underwriting, Data Processing, Marketing

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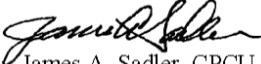


FEMA

W-08095

December 22, 2008

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,
NFIP Servicing Agent, and Selected Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: NFIP Case Loss Reserving Procedures

Each year KPMG conducts a Department of Homeland Security (DHS) review of internal control processes within various Agencies that are under the DHS umbrella. For 2008, this review included the National Flood Insurance Program (NFIP) claims and policy files of several WYO Companies and the NFIP Servicing Agent.

The KPMG findings this year indicated that some insurers were not complying with the NFIP case-reserving procedures. Therefore, in response to this review, FEMA's Claims & Appeals Branch has determined that the *NFIP Adjuster Claims Manual*, which KPMG cited as the source of the requirement, incorrectly characterized case reserves and the reserving process that is common throughout the insurance industry and is intended to be followed by the NFIP. The Manual is currently being revised.

This bulletin will serve as a correction and clarification of the reserving process to be used going forward until the revised Manual is published. In addition, reserving practices will be an area of concern during future Operation Reviews. Case loss reserves have little or no effect on the NFIP's balance sheet; therefore, any findings will not be considered critical. Also, we will review other NFIP publications and plans to determine if any reference to case reserving can be clarified to provide KPMG and other auditors of the NFIP with the correct NFIP case reserve procedure.

Case Loss Reserves

The case loss reserve (case reserve) is the Company's estimate of the value of future payments for an individual claim. The incurred loss is the sum of all payments plus any outstanding case reserve.

NFIP case reserves do not include reserves for Allocated Loss Adjustment Expenses (ALAE), Unallocated Loss Adjustment Expenses (ULAE), or reserves for losses that have been Incurred But Not Reported (IBNR).

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Exhibit 9. NFIP Case Loss Reserving Procedures (W-08095), page 1 of 2

The initial case reserve may be a system-generated amount based on criteria established by the Company or it may be an individually set case reserve based on the best knowledge of the loss at the time the initial reserve is set. Subsequent adjuster reports should refine the case reserve amount (increase or decrease) as the Company becomes aware of additional facts, inspections, and estimates of damage.

Advance payments and other partial payments will decrease the case reserve. However, at the time an advance payment or other partial payment is made, the Company's estimate of the value of future payments should be reevaluated and the case reserve revised. The goal is that the Company's knowledge of the claim along with any advance or other partial payments will result in a case loss reserve that closely reflects the value of future payments. For example, when the final payment is made it should be in an amount close to the outstanding case reserve just before payment.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims, Data Processing

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FEMA

W-09002

January 12, 2009

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,
the National Flood Insurance Program (NFIP) Servicing Agent,
and Selected Adjusting Firms

FROM: James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: Formal Appeals Process – Issuance of Denial Letter (Revised)

WYO Clearinghouse Bulletin W-06079, issued on October 13, 2006, announced the Formal Appeals Process – Issuance of Denial Letter as instruction to the WYO Companies and the NFIP Servicing Agent of their role in the Formal Appeals Process. The purpose of the current Bulletin is to reiterate the process, to emphasize the importance of an adequate denial letter, and to provide a revised address for the Federal Insurance Administrator.

As you know, both the Flood Insurance Reform Act (FIRA) of 2004 and the Standard Flood Insurance Policy (SFIP) allow an insured who is dissatisfied with an insurer's decision to deny a claim, in whole or in part, to file a lawsuit in Federal district court for the disallowed portion of the claim, or to invoke the appraisal provision of the SFIP. A final rule published in the Federal Register on October 13, 2006, provides an additional avenue, the formal appeals process, for resolving flood insurance disputes. The formal appeals process is not available to an insured who has filed suit or whose claim is or has been subject to appraisal. Also, the appeals process outlined in the final rule does not abolish or replace the right to file a lawsuit against the insurer pursuant to the National Flood Insurance Act of 1968 as amended, nor does it expand or change the 1-year statute of limitation to file suit against the insurer for the disallowed portion of the insured's claim.

The appeals process is available after the issuance of the insurer's final claim determination, which is the insurer's written denial, in whole or in part, of the insured's claim after the insurer's full and complete investigation of the claim. Therefore, in order for the policyholder to comply with the requirements of the appeals process, the WYO Companies and the NFIP Servicing Agent must make sure that they provide a written denial letter to policyholders when their claim, in whole or in part, is denied. The denial letter should provide specific information on the reasons why the claim was denied. When the reasons given in the denial letter do not agree with the actual facts of the claim, then that letter could be faulty and may not trigger the appeals process required by FIRA 2004. In

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Exhibit 10. Formal Appeals Process – Issuance of Denial Letter (W-09002), page 1 of 2

such a case, FEMA will forward the policyholder's letter to the insurer requesting that they deal directly with the policyholder to close the matter until a final determination is made and an adequate denial letter is sent.

The WYO Companies and the NFIP Servicing Agent should immediately begin to include in their final claim determination denial letters, wording that announces the formal appeals process. FEMA recommends the following language:

If you do not agree with your insurer's decision to deny your claim or any part of the claim, Federal law allows you to appeal that decision within 60 days of the date of this denial letter. Your appeal must be in writing and include: a copy of this letter, a copy of the completed Proof of Loss form you submitted to the insurer, your written statement of the basis for the appeal in as much detail as possible including relevant policy and claim information, and all the documentation that supports your written statement. The appeal must be sent to: **Federal Emergency Management Agency, Mitigation Directorate, Federal Insurance Administrator, 1800 South Bell Street, Arlington, VA 20598-3010.** To avoid delays, it is critical that you use the complete ZIP + 4 Code given here. You may not appeal if your dispute is or has been subject to appraisal or you have filed suit on the matter(s) upon which the insurer's denial of your claim or any part thereof is based.

In order for the Federal Insurance Administrator to provide a timely written final appeal decision to the policyholder, it is imperative that any request made to a WYO Company or the NFIP Servicing Agent by FEMA or the NFIP Bureau and Statistical Agent for information is fulfilled within 48 hours. In most cases, a copy of the claim file will be requested; the copy, including all photographs, must be legible. In all cases, the response to a request for information must include a detailed synopsis of the claim handling that focuses on the issues related to the denial.

I want to thank each of you again for your continued cooperation in this important endeavor.

Please note that the new mailing address for the Federal Insurance Administrator in the recommended language above is to be used for all correspondence to all branches of the Mitigation Directorate's Risk Insurance Division, including Claims and Appeals, Industry and Public Relations, Operations Management, and Underwriting:

**Federal Emergency Management Agency
Mitigation Directorate
[Branch Name Here]
1800 South Bell Street
Arlington, VA 20598-3010**

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Legal, Underwriting



FEMA

W-09077

November 20, 2009

MEMORANDUM FOR: Write Your Own Principal Coordinators and the
NFIP Servicing Agent for Dissemination to all Claims Managers

FROM: James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: Substantially Damaged Structures

On November 11 – 15, 2009, the Nor'easter produced torrential rains which caused moderate to extensive flood damage to residential and commercial properties in the state of Virginia. Early reports indicate that substantially damaged property may result. Please ensure that your claims adjusters follow the guidelines below. Their cooperation will help expedite the community officials' determination of substantially damaged buildings.

- It is mandatory for adjusters to continue to report the statistics promptly.
- After conducting the inspection of the building and identifying it as possibly meeting the criteria for substantial damage, the adjuster is required to enter the information for that building on the attached "**Adjuster Preliminary Damage Assessment**" (APDA) form. An interactive version of this form is available on the FEMA web site at <http://www.fema.gov/library/viewRecord.do?id=2580>. The form will continue to be used to capture critical information during the adjustment phase.
- Even though the form allows entries for two separate policies, adjuster should not hold the form while awaiting additional or final claims information. **The form must be submitted to the NFIP Bureau and Statistical Agent as soon as the information is completed for a single policy.**
- 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, email to iservice_claims@ostglobal.com, or by mail to P.O. Box 310, Lanham, MD 20706.
- There may be buildings that were damaged in previous flood events, such as Hurricane Isabel in September 2003. Adjusters should be aware of pre-existing damage and ask specific questions regarding repairs of this damage. Receipts and invoices to support prior repairs may be needed if there are questions. In previous flood events there were many substantially damaged buildings. The adjuster should be aware that these buildings should now be Post-

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Exhibit 11. Substantially Damaged Structures (W-09077), page 1 of 4

Substantially Damaged Structures
November 20, 2009
Page 2

FIRM and in compliance with the community's floodplain management law and ordinance. Any questions should be referred to the Company.

We recognize the formidable job that community officials have in handling the substantial damage issue. In many instances, they must survey widespread areas of damage with limited resources. However, by observing the guidelines above, adjusters can help us provide community officials with timely, accurate information that will allow them to make expeditious determinations of substantially damaged buildings.

We ask for your full support. If there are any questions, please contact the NFIP Bureau and Statistical Agent Claims Department.

Attachment

cc: Vendors, IBHS, FIPNC, and Government Technical Representative

Required Routing: Claims and Underwriting

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Exhibit 11. Substantially Damaged Structures (W-09077), page 2 of 4

DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY ADJUSTER PRELIMINARY DAMAGE ASSESSMENT		NATIONAL FLOOD INSURANCE PROGRAM	O.M.B. No. 1660-0005 Expires September 30, 2010
Privacy Act Statement The information requested is necessary to process the subject loss. The authority to collect the information is Title 42, U.S. Code, Section 4001 to 4028. It is voluntary on your part to furnish the information. However, omission of an item may preclude processing of the form. The information will not be disclosed outside of the Federal Emergency Management Agency, except to the servicing agent, acting as the government's fiscal agent; to claims adjusters to enable them to confirm coverage and the location of insured property; to certain Federal, State, and Local Government agencies for determining eligibility for benefits and for verification of nonduplication of benefits; to the Department of Justice for purposes of litigation or as required by law; and to State and Local agencies for acquisition and relocation-related projects, consistent with the National Flood Insurance Program and consistent with the routine uses described in the program's system of record. Failure by you to provide some or all of the information may result in delay in processing or denial of this claim and/or application.			
Paperwork Burden Disclosure Notice Public reporting burden for this form is estimated to average 15 minutes per response. The burden estimate includes the time, effort or financial resources expended by persons to generate, maintain, retain, disclose, or provide information to the Mitigation Division or its agent. You are not required to respond to this collection of information unless a currently valid OMB control number and expiration date is displayed in the upper right corner of these forms. Send comments regarding the accuracy of the burden estimate and suggestions for reducing the burden to: Information Collections Management, Department of Homeland Security, Federal Emergency Management Agency, 500 C Street, S.W., Washington, DC 20472, Paperwork Reduction Project (1660-0005). NOTE: Do not send your completed form to this address. Send completed forms to: NFIP Bureau & Statistical Agent, Certification Coordinator, P.O. box 310, Lanham, MD 20703-0310.			
WYO COMPANY	DATE OF LOSS	ADJUSTER	FICO NUMBER
This form is to be used for advisory purposes in helping FEMA and communities identify potential substantially damaged buildings. The adjuster will use "replacement cost" when completing this form; however, the community is required under the National Flood Insurance Program to use "market value" in determining substantial damage.			
PLEASE PRINT LEGIBLY			
POLICY HOLDER		POLICY NUMBER	
PROPERTY ADDRESS (include zip code)			
**PROBABLE REPAIR COST	BUILDING REPLACEMENT COST VALUE	BUILDING ACTUAL CASH VALUE	
	\$	\$	
POLICY HOLDER		POLICY NUMBER	
PROPERTY ADDRESS (include zip code)			
**PROBABLE REPAIR COST	BUILDING REPLACEMENT COST VALUE	BUILDING ACTUAL CASH VALUE	
	\$	\$	
POLICY HOLDER		POLICY NUMBER	
PROPERTY ADDRESS (include zip code)			
**PROBABLE REPAIR COST	BUILDING REPLACEMENT COST VALUE	BUILDING ACTUAL CASH VALUE	
	\$	\$	
**This is an estimate of the cost to repair the building to its pre-flood condition.			

FEMA Form 81-109, OCT 07

REPLACES ALL PREVIOUS EDITIONS.

F-674

Exhibit 11. Substantially Damaged Structures (W-09077), page 3 of 4

Privacy Act Statement

The information requested is necessary to process the subject loss. The authority to collect the information is Title 42, U.S. Code, Section 4001 to 4028. It is voluntary on your part to furnish the information. However, omission of an item may preclude processing of the form. The information will not be disclosed outside of the Federal Emergency Management Agency, except to the servicing agent, acting as the government's fiscal agent; to claims adjusters to enable them to confirm coverage and the location of insured property; to certain Federal, State, and Local Government agencies for determining eligibility for benefits and for verification of agencies for acquisition and relocation-related projects, consistent with the National Flood Insurance Program and consistent with the routine uses described in the program's system of record. Failure by you to provide some or all of the information may result in delay in processing or denial of this claim and/or application.

PAPERWORK BURDEN DISCLOSURE NOTICE

Public reporting burden for the collection of information titled Claims for National Flood Insurance Program (NFIP) is estimated to average 6 hours per response. The burden estimate includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and submitting these forms. You are not required to respond to this collection of information unless a currently valid OMB control number and expiration date is displayed in the upper right corner of the these forms. Send comments regarding the accuracy of the burden estimate and suggestions for reducing the burden to: Information Collections Management, Department of Homeland Security, Federal Emergency Management Agency, 500 C Street, S.W., Washington, DC 20472, Paperwork Reduction Project (1660-0005). **NOTE: Do not send your completed form to this address.**

FEMA Form No.	Title	Burden Hours
81-40	Worksheet-Contents-Personal Property	2.5 Hours
81-41	Worksheet-Building	2.5 Hours
81-41A	Worksheet-Building (Cont'd)	1.0 Hours
81-42	Proof of Loss	.08 Hours
81-42A	Increased Cost of Compliance	2.0 Hours
81-43	Notice of Loss	.07 Hours
81-44	Statement as to Full Cost to Repair or Replacement Cost Coverage, Subject to the Terms and Conditions of this Policy	.10 Hours
81-57	National Flood Insurance Program Preliminary Report	.07 Hours
81-58	National Flood Insurance Program Final Report	.07 Hours
81-59	National Flood Insurance Program Narrative Report	.08 Hours
81-63	Cause of Loss and Subrogation Report	1 Hour
81-96	Manufactured (Mobile) Home/Travel Trailer Worksheet	.50 Hours
81-96A	Mobile Home/Travel Trailer Worksheet (Continued)	.25 Hours
81-98	Increased Cost of Compliance (ICC) Adjuster Report	.42 Hours
81-109	Adjuster Preliminary Damage Assessment	.25 Hours
81-110	Adjuster Certification Application	.25 Hours

Exhibit 11. Substantially Damaged Structures (W-09077), page 4 of 4

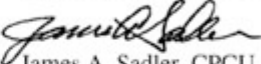


FEMA

W-10008

February 4, 2010

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,
NFIP Servicing Agent, and Selected Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: Update - NFIP Case Loss Reserving Procedures

This is an update to Bulletin W-08095 dated December 22, 2008, and makes minor revisions that clarify the reserving process to be used going forward.

Each year, the Department of Homeland Security (DHS) conducts an independent, external review of internal control processes within various Agencies that are under the DHS umbrella. For 2008 and 2009, this review was performed by KPMG. Their review included the National Flood Insurance Program (NFIP) claims and policy files of several WYO Companies and the NFIP Servicing Agent.

The KPMG 2008 findings indicated that some insurers were not complying with the NFIP case-reserving procedures. That finding was not material and, in our opinion, has no effect on the operations of the NFIP. However, in reviewing that finding, FEMA's Claims & Appeals Branch determined that the *NFIP Adjuster Claims Manual*, which KPMG cited as the source of the requirement, incorrectly characterized case reserves and the reserving process that is common throughout the insurance industry. Since it is, and always has been, the intention of the NFIP to follow that industry practice, we are therefore issuing this revision. The Manual is currently being updated and will include this revision.

In addition, reserving practices has been an area of interest during Operation Reviews beginning with the FY 2009 cycle. Case loss reserves have no direct effect on the NFIP's balance sheet, therefore, any findings will not be considered critical. Also, we will review other NFIP publications and plans to determine if any reference to case reserving can be clarified to provide future auditors of the NFIP with the correct case reserve procedure.

Beginning with the FY 2011 Claims Operation Review cycle, reserving issues will be considered non-critical errors at the discretion of the reviewer.

Exhibit 12. NFIP Case Loss Reserving Procedures (W-10008), page 1 of 2

Case Loss Reserves

The case loss reserve (case reserve) is the company's estimate of the value of future payments for an individual claim. The incurred loss is the sum of all payments plus any outstanding case reserve.

NFIP case reserves do not include reserves for Allocated Loss Adjustment Expenses (ALAE), Unallocated Loss Adjustment Expenses (ULAE), or reserves for losses that have been Incurred But Not Reported (IBNR). The initial case reserve may be a system-generated amount based on criteria established by the Company or it may be an individually set case reserve based on the best knowledge of the loss at the time the initial reserve is set. Subsequent adjuster reports should refine the case reserve amount (increase or decrease) as the company becomes aware of additional facts, inspections, and estimates of damage.

Following a catastrophe, instead of case loss reserves for individual claims, a company may bulk reserve for catastrophe losses. The bulk reserve is reduced as payments are made. Bulk reserving for catastrophe losses is an accepted industry option.

Advance payments and other partial payments will normally decrease the case loss reserve. However, at the time an advance payment or other partial payment is made, the company's estimate of the value of future payments should be reevaluated and the case reserve revised. The goal is that the company's knowledge of the claim along with any advance or other partial payments will result in a case loss reserve that closely reflects the value of future payments. For example, when the final payment is made it should be in an amount close to the outstanding case reserve just before payment.

It is understood that reserving is not an exact science. Consistency is more important than target accuracy. WYO Companies and the NFIP Servicing Agent should have established procedures that enable this consistency.

Another reserve issue pointed out during audits is the merging of policies from one company or vendor to another. The procedures for transferring policies and claims from one to another vendor or company should include guidance regarding the preservation of reserves during the transfer.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims, Data Processing



FEMA

W-10010

February 16, 2010

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators and the
National Flood Insurance Program (NFIP) Servicing Agent

FROM: NFIP Clearinghouse

SUBJECT: Policy Interpretation 2010-1 – Buildings Over Water That Were
Originally Constructed Over Land

Please see the attached Policy Interpretation concerning flood insurance coverage for NFIP-insured buildings that were constructed over land or partially over water on or after October 1, 1982, but are now completely over water because of erosion.

Attachment

cc: Vendors, IBHS, FIPNC, and Government Technical Representative

Required Routing: Underwriting and Claims

Suggested Routing: Marketing and Training

www.fema.gov

Exhibit 13. Buildings Over Water That Were Originally Constructed Over Land
(W-10010), page 1 of 2

Policy Interpretation 2010-1

Subject: Buildings Over Water That Were Originally Constructed Over Land

Background: This Policy Interpretation addresses the Property Not Covered Clause in the Standard Flood Insurance Policy (SFIP), Section IV, Paragraph 2. This paragraph specifically excludes flood insurance coverage if a building is located entirely in, on, or over water or seaward of mean high tide if it was constructed over water or substantially improved after September 30, 1982.

However, FEMA has become aware of situations where NFIP-insured buildings constructed over land or partially over water on or after October 1, 1982, are now completely over water because of erosion. A strict interpretation of the policy language would result in denial of coverage for these buildings, even though they may have had NFIP policies prior to being located entirely over water.

Policy Interpretation: If a building was originally constructed on land or partially over water, and later becomes entirely over water because of erosion, it is eligible for coverage only if the building has had continuous coverage:

- (1) from the period beginning at least 1 year prior to the building being located entirely over water, regardless of any changes in the ownership of the building, or
- (2) from the date of construction if less than 1 year.

Acceptable documentation of a building's continued eligibility for coverage includes the following:

- A letter from the community official stating that the building originally was constructed on land or only partially over water
- Photographs of the building over land, if available
- The approximate date when the building became located entirely over water
- Proof of continuous flood insurance coverage from the period beginning 1 year prior to the building being located entirely over water, or from the date of construction if less than 1 year.

In accordance with the SFIP provisions, the policy will pay only for direct physical loss by or from flood.

February 4, 2010

(Date)



Edward L. Connor
Acting Federal Insurance Administrator
National Flood Insurance Program
Mitigation Directorate

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Exhibit 13. Buildings Over Water That Were Originally Constructed Over Land (W-10010), page 1 of 2

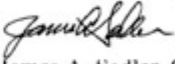


FEMA

W-10017

March 4, 2010

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators, the National Flood Insurance Program (NFIP) Servicing Agent, and Selected Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program
DHS/FEMA-MT-RN-CA

SUBJECT: Wind vs. Water – Adjusting Practice

In previous bulletins, FEMA discussed wind and flood investigative tips and a logical approach in addressing claims that involve both perils. Attached for your review are previous bulletins that address adjusting practices: WYO Bulletins W-08008, dated February 25, 2008 "Wind/Water Investigative Tips"; and W-08070, dated September 25, 2008 "Flood Insurance Claims Guidance."

The following will not ask adjusters to do much more than they currently do when approaching any flood or wind damaged building. There is no requirement for the flood adjuster to estimate the wind damage.

When adjusting wind/water losses, the adjuster should use established and proven investigative methods when documenting flood and wind damage to buildings and/or contents occurring during hurricane or storm events. "Wind/Water Investigative Tips" can be helpful.

The adjuster is asked to record the process they always use when approaching a wind/water claim. In addition to looking for signs of flood damage and/or a General Condition of Flood and documenting the exterior water line, the adjusters should note any exterior wind damage, such as missing shingles, turbine or fascia damage. The adjuster should also photograph this damage and mention what was observed in the narrative report.

Remember, **the Standard Flood Insurance Policy (SFIP) Pays Only For Direct Physical Loss by or From Flood to Insured Property.** Once inside the building, the adjuster should always document the flood water line. Damage below this line is typically flood damage (exceptions like wicking should be noted in the narrative report). Damage above the flood water line is typically wind damage, such as water-stained ceilings or water damage at broken windows or exterior doors. This damage should also be photographed and mentioned in the narrative report.

Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 1 of 9

Wind vs. Water – Adjusting Practice
March 4, 2010
Page 2

Auditors of the NFIP have asked that adjusters explain their rationale or the adjuster's basis for identifying the separation of wind and water damage. Typically, this rationale is as simple as:

- Shingles damaged at the right front of roof;
- Interior water line three feet;
- Damage below the water line is caused by flood;
- Damage above the water line is caused by wind to include water-stained ceiling in the area of roof damage.

As this separation becomes narrower, the basis may be more detailed, but it should be kept concise. When the cause of damage overlaps, the basis must be clearly explained in the narrative report; otherwise, the adjuster may approach the insurer to request an engineer to provide a professional opinion on causation.

As always, any known unusual circumstances should be recorded in the narrative report.

Again, we ask for your full support. Any questions or comments regarding the wind verse water adjusting practices should be directed to James A. Sadler, CPCU, AIC, Director of Claims, National Flood Insurance Program. Mr. Sadler may be reached by email at James.Sadler@dhs.gov.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Training, Underwriting, Adjusting Firms, Independent Flood Adjusters

Attachments

www.fema.gov

Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 2 of 9




FEMA

W-08008

February 25, 2008

MEMORANDUM TO: Write Your Own (WYO) Company Principal Coordinators
National Flood Insurance Program (NFIP) Servicing Agent

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: *Wind/Water Investigative Tips*

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 such as those provided in the attached document, which was adapted from the 1998 NFIP pamphlet, *Wind/Water Investigative Tips*. These tips will be included in the revised *NFIP Claims Adjuster Manual*, when published.

Attachment

cc: Vendors, IBHS, Government Technical Representative

Suggested Distribution: Claims Department, Adjusting Firms, Independent Adjusters, and Staff Adjusters Handling NFIP Claims

www.fema.gov

Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 3 of 9

Wind/Water Investigative Tips

Important Things to Do When Investigating a Claim

- Research local newspapers and/or check with the local weather service, the U.S. Weather Bureau, or other agencies to determine the specific data relative to the storm.
- When damage is caused by a hurricane, tropical storm, nor'easter, or other event that may cause both wind and flood damage, determine and record the following (*check and record the timing and duration for each*):

<u>Data Element</u>	<u>Measurement</u>	<u>Timing</u>	<u>Duration</u>
Highest Wind Speed	_____	_____	_____
Barometric Pressure	_____	_____	_____
Amount of Rainfall	_____	_____	_____
Tidal Heights	_____	_____	_____
Storm Surge	_____	_____	_____
Wave Heights	_____	_____	_____

- Record the distance and direction of the insured risk relative to the eye of the storm. Remember that the waves are higher to the right of the storm's path.
- Research and record site conditions:
 - Original ground elevation
 - Distance from body of water
 - After-storm ground elevation or other indications of scour
 - Amount and type of storm debris
- Canvas the neighborhood for eye-witnesses and take their recorded or signed statements. Be certain to identify where each witness was at the time of the storm, the amounts or descriptions of wind and flood each witness saw, and the time of day that each saw it. Record in the claims files only what each witness actually says—not hearsay or your opinion.
- Check for and photograph the debris line. Measure and record how many feet the debris line is from the shoreline and from the insured risk. Be sure to describe the topography in detail.

Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 4 of 9

- Check for and photograph houses and objects adjacent to the insured risk. If damage appears to be different from that of the insured risk, determine why and record the reason in the claim files. Usually, the damage is different for one of two reasons:
 - Different cause of damage (e.g., a tornado can cut a relatively narrow path, leaving neighboring buildings relatively undamaged).
 - Different building construction and anchoring. Look for connectors or tie-down straps for elevated buildings and enclosures beneath elevated buildings. Check the pilings for evidence of scouring. Photograph the remaining pilings, showing patterns of the leaning pilings. Determine how deep the pilings were installed and measure the distance between pilings.
- Determine and record in the claim file a complete description of the damaged or demolished building, including the type of construction; whether elevated (if elevated with an enclosure, be sure to indicate the type of enclosure — breakaway walls, open lattice work, vents, etc.); number of floors (including basement); roof covering and pitch; windows, carports, etc.; and the building's relative position to the wind. It is also important to include a description of the foundation type (slab, piles, piers, etc.) and damage.
- Photograph (close-up) the remains of connectors or tie-downs. Be sure to describe the size, type, brand, method of installation, and if possible the brand name.
- Make a notation in the initial report where evidence suggests the insured risk was not built as securely as neighboring buildings. The flood insurer or coastal plan, for example, may want to check the local building codes to determine if a building construction violation has occurred and document the claim files, both with copies of the code and the evidence of a violation. The age of the building and the effective dates of the building codes need to be documented.
- Check for and photograph any wind-caused openings in the building and/or missing roof shingles.
- Check for and photograph all possible wind-related water marks or stains visible on both the exterior and interior walls and ceilings of the building.
- Check for and photograph all possible flood-related water marks or stains visible on both the exterior and interior of the building.
- Check for and photograph any water marks visible on nearby trees or fence posts, or other buildings.

Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 5 of 9

- Check for and photograph any uprooted trees or trees snapped off at a high level.
- Check for, photograph, and note in the claim files any evidence of severe erosion such as leaning pilings or houses "nosed down" in the ground. Leaning or bent pilings can occur both as a result of flooding and as a result of a building being pushed over by wind forces or blown off its pilings.

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Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 6 of 9

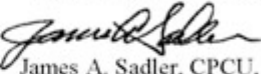


FEMA

W-08070

September 25, 2008

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators,
Vendors, NFIP Servicing Agent, and Selected Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program
DHS/FEMA-MT-RN-CA

SUBJECT: Flood Insurance Claims Guidance

In areas affected by **both** Hurricane Gustav and Hurricane Ike, FEMA has learned of many instances in which a claim caused by Gustav could not be inspected prior to the arrival of Ike. Therefore, the following claims guidance is issued for the benefit of policyholders, claim adjusters, WYO companies, and the NFIP Servicing Agent.

1. Policyholders:

Should report all flood damage from either or both of the hurricanes to their carrier. Whether or not insured against flood, property owners and renters who need assistance in addition to or other than that provided by the NFIP should be referred to the Disaster Support Resources area of the FEMA Website at http://www.fema.gov/business/nfip/disaster_res.shtm.

2. Claim Adjusters:

- A. Must address prior losses, particularly from Hurricanes Katrina and Rita.
- B. Where possible, should separate, itemize, and document the damages from each hurricane.
- C. Must recognize and avoid duplication of coverage and payment for overlapping damage from prior losses or Hurricanes Gustav and Ike.
- D. Should use proven investigative methods to document windstorm damage to building or contents. See WYO Bulletin W-08008, dated February 25, 2008, for a discussion of Wind/Water Investigative Tips.

In approaching a flood claim that may also include wind damage, an adjuster should continue to recognize any excluded damages. If there is wind and flood damage, the adjuster should comment on the rationale of his/her decision regarding the separation of wind and flood

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Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 7 of 9

damage. Most of the time this is simple – water line and below is flood; above the waterline is wind. However, when a building has been heavily damaged or destroyed by storm forces, an engineer may be needed to determine causation. Adjusters should photograph the wind damage generally. Photos of wind damage do not have to be exhaustive, unless necessary to document that flood damage is minor or absent.

3. WYO Companies and the NFIP Servicing Agent – Ike and Gustav Overlap:

- A. If damages resulting from Hurricane Ike exceed the Hurricane Gustav damages, and the combined damages do not exceed the policy limit of liability, the Hurricane Gustav claim should be closed without payment. All covered damage should be considered under the Hurricane Ike claim.
- B. If the covered damage from either event exceeds the policy limit of liability, the adjuster should, to the best of his/her ability, separate and document the damage.
- C. The policy limits reinstate after each occurrence.
- D. Each claim will be subject to the deductible(s) applicable in the policy.
- E. This guidance is applicable to both building and personal property losses.

4. Existing Guidance for Adjusters and Carriers:

- A. Coverage of Connected Heating Machinery – Heating machinery, in a building, connected to and servicing the insured building, is covered. Reminder: air conditioning compressors in the open, connected to and servicing the building, are covered.
- B. Replacement Cost Loss Settlement – When insured property is eligible for replacement cost loss settlement, there is no longer any requirement to hold back the recoverable depreciation.
- C. Water, Moisture, Mildew, or Mold Damage – When this damage occurs in connection with a covered direct physical loss by or from flood, it will be covered unless there is clear evidence of the policyholder's failure to inspect and maintain the insured property, where it was feasible to do so. If such damage is the result of wicking, it is covered.
- D. 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 ground, even if the pilings extend beyond it.
- E. Repair Estimating and Pricing Guidelines – We expect that the repair estimate be based on current local prices and that the pricing guidelines are used with discretion and flexibility. Repair estimates and corresponding settlements are always to be adjusted in accordance with

special conditions of the Standard Flood Insurance Policy[?] (e.g., the requirement for repair or replacement with material of like kind and quality), local pricing, and actual costs as provided by the policyholder and the selected contractor.

- F. Unit Cost and File Documentation – We expect unit costs to include all materials, sales tax, disposable equipment, rented equipment, and any overhead of the contractor. Additionally, we expect estimated costs of personal property to include any delivery costs, setup fees, and sales tax. These are standard practices within the insurance industry. When actual documented costs for items of like kind and quality, such as repair invoices from service contractors, receipts, and replacement quotes differ from this standard practice, reasonable additional costs should be considered.

cc: IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Underwriting, Data Processing, Marketing

Exhibit 14. Wind Vs Water – Adjusting Process (W-10017), page 9 of 9

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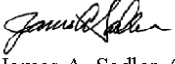


FEMA

W-10035

March 31, 2010

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators, National
Flood Insurance Program (NFIP) Servicing Agent and Selected
Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program

SUBJECT: Flood Insurance Guidance Concerning Contents Manipulation

FEMA has recently been requested to clarify the coverage for Contents Manipulation Costs under the Standard Flood Insurance Policy (SFIP).

To be eligible for coverage for contents manipulation, the policyholder must have purchased both **COVERAGE A. BUILDING** (Building) coverage and **COVERAGE B. PERSONAL PROPERTY** (Contents) coverage. Coverage for contents manipulation is subject to the following:

- Only reasonable and necessary charges for contents manipulation will be allowed.
- Contents manipulation does not extend to items being replaced in the adjuster's estimate.
- If the contents item(s) is not covered, the cost to manipulate it is not covered.

Note: Coverage for the manipulation of non-covered personal property located below the lowest elevated floor of a Post-FIRM elevated building in a designated SFHA or in a basement regardless of Zone is not covered.

- Manipulation of tenant's personal property, to perform building repairs that are the responsibility of the building owner, is not covered even when the tenant has purchased contents coverage.
- Contents manipulation does not extend to the removal and/or storage of contents away from the insured location.
- Documented contents manipulation expenses may be charged against Building coverage when they are a function of the covered building repair.

Note: Both Building and Contents coverage must be purchased under the same policy for the same insured.

**Exhibit 15. Flood Insurance Guidance Concerning
Contents Manipulation (W-10035), page 1 of 2**

FEMA recognizes that 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 are not a separate charge to the policyholder. When contractors present an itemized breakdown of their charges and contents manipulation is a separate line item, the adjuster may separately allow for contents manipulation. Adjusters should be instructed that they may no longer make lump sum allowances or room-by-room contents manipulation allowances in the estimate without providing supporting documentation of those costs.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Legal, Underwriting

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Exhibit 15. Flood Insurance Guidance Concerning
Contents Manipulation (W-10035), page 2 of 2




FEMA

W-10060

May 19, 2010

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators, the
National Flood Insurance Program (NFIP) Servicing Agent, and
Adjusting Firms

FROM: 
James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program
Federal Insurance and Mitigation Administration
DHS/FEMA-MT-RN-CA

SUBJECT: Wind vs. Water – Adjusting Practices Clarification

In previous bulletins, FEMA discussed wind and flood investigative tips and a logical approach in addressing claims that involve both perils. Please review our previous bulletins that address wind vs. water adjusting practices. They are WYO Bulletins W-08008, dated February 25, 2008 “Wind/Water Investigative Tips”; W-08070, dated September 25, 2008 “Flood Insurance Claims Guidance”; and W-10017, dated March 4, 2010 “Flood Insurance Claims Guidance.”

During the 2010 National Flood Conference the concept of flood adjusters mentioning, photographing, and providing a rationale or basis for the separation of wind and flood damage was presented. During a discussion following the workshop presentation the point was raised that the flood adjuster was not hired to recognize or document wind damage and by doing so could be seen as outside of his or her scope of engagement. While this may be overridden by our series of bulletins, it is true that the flood adjuster is not asked to closely investigate the wind damage. The cursory notice, photographing, and mentioning in a narrative report may expose the adjuster to legal difficulties if what was seen as wind damage was actually a maintenance issue or anything other than wind damage.

With this in mind, FEMA asks that WYO Companies suggest to adjusting firms that adjusters do not refer to a specific peril or condition relating to other than flood damage, i.e. maintenance. For example: in the narrative an adjuster could say, “Several singles were missing from the roof over the living room.” or “The fascia was missing from the west side of the building at the storage room.” If damage must be mentioned it could be referred to as “damage other than flood damage.”

Exhibit 16. Wind Vs Water – Adjusting Process Clarification (W-10060), page 1 of 2

This suggestion does not apply to an expert providing a professional opinion regarding causation, damages, or repair methods. All other provisions of the bulletins apply.

Again, we ask for your full support. Any questions regarding wind verse water adjusting practices should be directed to James A. Sadler, CPCU, AIC, Director of Claims, National Flood Insurance Program, Federal Insurance and Mitigation Administration. Mr. Sadler may be reached by email at James.Sadler@dhs.gov.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Training, Underwriting, Adjusting Firms

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Exhibit 16. Wind Vs Water – Adjusting Process Clarification (W-10060), page 2 of 2



FEMA

W-10065a

June 7, 2010

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the
National Flood Insurance Program (NFIP) Servicing Agent

FROM: James A. Sadler, CPCU, AIC
Director of Claims
National Flood Insurance Program
Federal Insurance and Mitigation Administration
DHS/FEMA-MT-RN-CA

SUBJECT: Oil in Flood Water

FEMA has been asked to provide a position on potential oil mixed with flood waters. The following are bullet points that have been used to respond to specific questions. This is not a comprehensive claims procedure, and, if needed, FEMA will provide a more in-depth process description. The current claims process relies upon the expertise of flood certified adjusters, adjusting firm expertise, and insurer expertise, supported by engineering or other expert opinions regarding causation and damages.

Oil in flood water is not new for the NFIP, especially in riverine flooding. In the past, the mixing of oil and other pollutants in flood waters resulted from damage caused by a storm.

Below are some bullet points that address the concerns of the Gulf Coast:

- There must first be a defined flood* (see below) as described in the Standard Flood Insurance Policy (SFIP). Damage caused by the oil in flood waters is covered subject to the provisions of the SFIP.
- Under the terms of the *General Property Form* of the SFIP (commercial buildings and contents coverages must be purchased separately), damage caused by pollutants is limited to \$10,000.
- The *Dwelling Form* and the *Residential Condominium Building Association Policy Form* limit damage to the building and contents (both coverages must be purchased separately)

Exhibit 17. Oil in Flood Water (W-10065a), page 1 of 2

from pollutants to the policy limits. This coverage does not increase the Coverage A or Coverage B limit of liability.

- Damage to ground, soil, or land caused by flood, oil, or flood water mixed with oil is not covered.
- The cost of complying with any local or State ordinance including one that requires special removal methods for oil is specifically excluded (certain floodplain management mitigation requirements are exceptions). This exclusion would also apply to local or state condemnations; the NFIP only pays for direct physical loss by or from flood*.
- For all three forms there is no coverage for testing or monitoring of pollutants unless there is a law or ordinance requiring it.
- If payment is made, FEMA or the WYO is automatically subrogated to the policyholder's right to recover the payment from a responsible party. The policyholder may not give up the right of FEMA or the WYO to recover or do anything to impede recovery. If the policyholder makes a claim against an entity who caused a loss and recovers any money, the policyholder must pay FEMA or the WYO back before they may keep any of the money.

*Flood is a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or two or more properties (parcels of land) at least one of which is the policyholder's property (parcel of land) from:

- Overflow of inland or tidal waters
- Unusual and rapid accumulation of runoff or surface waters from any source
- Mudflow

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Claims, Training, Underwriting, Adjusting Firms

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