

V. STANDARD FLOOD INSURANCE POLICY

A. INTRODUCTION

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

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

1. The Three Policy Forms

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

2. Use of Policy Forms

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

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

3. Currentness of Information

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 All other earlier policy explanations, coverage interpretations, policy guidance memorandums, and letters are superseded and should not be referred to in determining coverage.

B. COVERAGE COMPARISON TABLE

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

COVERAGE COMPARISON AS OF DECEMBER 31, 2000

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

COVERAGE COMPARISON AS OF DECEMBER 31, 2000

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

C. POLICY FORMS AND COMMENTARIES

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

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

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

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Dwelling Form

FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM
STANDARD FLOOD INSURANCE POLICY

DWELLING FORM

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

THIS POLICY COVERS ONLY:

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

I. AGREEMENT

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

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

1. Have paid the correct premium;

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

3. Have furnished accurate information and statements.

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

II. DEFINITIONS

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

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

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

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

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

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

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

DWELLING FORM

COMMENTARY

LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS

The Dwelling Form covers only:

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

I. AGREEMENT

The insuring agreement states the following:

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

II. DEFINITIONS

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

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

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

6. **Building.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. DEFINITIONS (continued)

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

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

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

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

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

Described Location. Shown on the Declarations Page.

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

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

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

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

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

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

III. PROPERTY COVERED

A. COVERAGE A - BUILDING PROPERTY

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

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

- (1) Only while such work is in progress; or
- (2) If such work is halted, only for a period of up to 90 continuous days thereafter.

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

- (1) Below the **base flood** elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or
- (2) Below the **base flood** elevation adjusted to include the effect of wave action in Zones VE or V1-V30.

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

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

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

- a. By over-the-top or frame ties to ground anchors; or
- b. In accordance with the manufacturer's specifications; or
- c. In compliance with the community's floodplain management requirements;

II. DEFINITIONS (continued)

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

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

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

III. PROPERTY COVERED

COVERAGE A – BUILDING PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) Well water tanks and pumps;

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

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

b. Clean-up.

B. COVERAGE B - PERSONAL PROPERTY

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

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

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

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

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

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

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

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

III. PROPERTY COVERED (continued)

COVERAGE A – BUILDING PROPERTY (continued)

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

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

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

COVERAGE B – PERSONAL PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

C. COVERAGE C - OTHER COVERAGES

1. Debris Removal

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

2. Loss Avoidance Measures

a. Sandbags, Supplies, and Labor

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

(a) Your reasonable expenses to buy:

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

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

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

- (a) A general and temporary condition of flooding in the area near the **described location** must occur, even if the **flood** does not reach the insured **building**; or
- (b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured **building** is located calling for measures to preserve life and property from the peril of **flood**.

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

b. Property Removed to Safety

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

III. PROPERTY COVERED (continued)

COVERAGE B – PERSONAL PROPERTY (continued)

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

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

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

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

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

COVERAGE C – OTHER COVERAGES

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

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

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

a. Sandbags, Supplies, and Labor

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

This coverage applies only under Coverage A – Building Property.

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

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

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

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

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

3. Condominium Loss Assessments

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

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

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

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

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

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

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

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

D. COVERAGE D - INCREASED COST OF COMPLIANCE

1. General

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

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

2. Limit of Liability

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

III. PROPERTY COVERED (continued)

COVERAGE C – OTHER COVERAGES (continued)

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

Other provisions regarding property removed to safety are:

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

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

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

COVERAGE D – INCREASED COST OF COMPLIANCE

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

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

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

3. Eligibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Conditions

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

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

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

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

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

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

5. Exclusions

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

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the **Emergency Program**.
- b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **pollutants**.
- c. The loss in value to any insured **building** or other structure due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a **building** demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any Increased Cost of Compliance under this Coverage **D**:
 - (1) Until the **building** is elevated, floodproofed, demolished, or relocated on the same or to another premises; and
 - (2) Unless the **building** is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years (see **3.b.**).
- f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.
- g. Any compliance activities needed to bring additions or **improvements** made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the **NFIP's** minimum requirements. This includes any situation where you have received from the State or community a variance in connection with the current **flood** loss to rebuild the property to an elevation below the **base flood** elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any structure insured under an **NFIP** Group Flood Insurance Policy.
- l. Assessments made by a **condominium association** on individual **condominium unit** owners to pay increased costs of repairing commonly owned **buildings** after a **flood** in compliance with State or local floodplain management ordinances or laws.

6. Other Provisions

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

IV. PROPERTY NOT COVERED

We do not cover any of the following property:

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

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

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

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

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

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

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

IV. PROPERTY NOT COVERED

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

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

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

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

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

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

V. EXCLUSIONS

- A. We only provide coverage for **direct physical loss by or from flood**, which means that we do not pay you for:
 1. Loss of revenue or profits;
 2. Loss of access to the insured property or **described location**;
 3. Loss of use of the insured property or **described location**;
 4. Loss from interruption of business or production;
 5. Any additional living expenses incurred while the insured **building** is being repaired or is unable to be occupied for any reason;
 6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities that we describe in Coverage **D** - Increased Cost of Compliance; or
 7. Any other economic loss.
- B. We do not insure a loss directly or indirectly caused by a **flood** that is already in progress at the time and date:
 1. The **policy** term begins; or
 2. Coverage is added at your request.
- C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by **flood**. Some examples of earth movement that we do not cover are:
 1. Earthquake;
 2. Landslide;
 3. Land subsidence;
 4. Sinkholes;
 5. Destabilization or movement of land that results from accumulation of water in subsurface land area; or
 6. Gradual erosion.

We do, however, pay for losses from **mudflow** and land subsidence as a result of erosion that are specifically covered under our definition of **flood** (see **II.A.1.c.** and **II.A.2.**).
- D. We do not insure for direct physical loss caused directly or indirectly by any of the following:
 1. The pressure or weight of ice;
 2. Freezing or thawing;
 3. Rain, snow, sleet, hail, or water spray;
 4. Water, moisture, mildew, or mold damage that results primarily from any condition:
 - a. Substantially confined to the **dwelling**; or
 - b. That is within your control, including but not limited to:
 - (1) Design, structural, or mechanical defects;

IV. PROPERTY NOT COVERED (continued)

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

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

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

V. EXCLUSIONS

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

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

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

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

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

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

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

- (2) Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or
 - (3) Failure to inspect and maintain the property after a **flood** recedes;
5. Water or waterborne material that:
- a. Backs up through sewers or drains ;
 - b. Discharges or overflows from a sump, sump pump, or related equipment; or
 - c. Seeps or leaks on or through the covered property;
- unless there is a **flood** in the area and the **flood** is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or seepage of water;
6. The pressure or weight of water unless there is a **flood** in the area and the **flood** is the proximate cause of the damage from the pressure or weight of water;
7. Power, heating, or cooling failure unless the failure results from **direct physical loss by or from flood** to power, heating, or cooling equipment on the **described location**;
8. Theft, fire, explosion, wind, or windstorm;
9. Anything you or any member of your household do or conspire to do to cause loss by **flood** deliberately; or
10. Alteration of the insured property that significantly increases the risk of flooding.
- E. We do not insure for loss to any **building** or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.
- F. We do not pay for the testing for or monitoring of **pollutants** unless required by law or ordinance.

VI. DEDUCTIBLES

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

VII. GENERAL CONDITIONS

A. Pairs and Sets

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

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

B. Concealment or Fraud and Policy Voidance

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

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

V. EXCLUSIONS (continued)

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

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

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

VI. DEDUCTIBLES

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

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

VII. GENERAL CONDITIONS

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

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

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

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

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

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

C. Other Insurance

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

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

D. Amendments, Waivers, Assignment

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

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

E. Cancellation of Policy by You

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

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

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

G. Reduction and Reformation of Coverage

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

H. Policy Renewal

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

I. Conditions Suspending or Restricting Insurance

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

J. Requirements in Case of Loss

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

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

VII. GENERAL CONDITIONS (continued)

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

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

K. Our Options After a Loss

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

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

L. No Benefit to Bailee

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

VII. GENERAL CONDITIONS (continued)

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

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

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

M. Loss Payment

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

N. Abandonment

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

O. Salvage

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

P. Appraisal

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

Each party will:

1. Pay its own appraiser; and

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

Q. Mortgage Clause

The word "mortgagee" includes trustee.

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

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

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

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

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

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

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

R. Suit Against Us

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

S. Subrogation

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

T. Continuous Lake Flooding

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

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

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

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

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

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

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

- c. Within 90 days of approval of your claim, you must move your **building** to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show that there is sufficient reason to extend the time.
- d. Before the final payment of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your **building**.
- e. Before the approval of your claim, the community having jurisdiction over your **building** must:

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

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

- (1) Confirmation that the community and the State are in compliance with the conditions in paragraphs **T.2.e.** and **T.2.f.** above; and
- (2) The date by which you must have flood insurance in effect.

U. Duplicate Policies Not Allowed

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

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

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

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

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

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

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

V. Loss Settlement

1. Introduction

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

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

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

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

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

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

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

VII. GENERAL CONDITIONS (continued)

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

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

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

- Replacement Cost
- Special Loss Settlement
- Actual Cash Value

2. Replacement Cost Loss Settlement

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

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

3. Special Loss Settlement

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

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

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

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

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

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

4. Actual Cash Value Loss Settlement

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

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

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

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

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

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

- 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
Acting Administrator, National Flood Insurance Program
Federal Emergency Management Agency

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

VIII. LIBERALIZATION CLAUSE

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

IX. WHAT LAW GOVERNS

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

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General Property Form

FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM

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. Limit of Liability

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

III. PROPERTY COVERED (continued)

COVERAGE C – OTHER COVERAGES (continued)

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

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

This coverage applies only under Coverage A – Building Property.

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

Other provisions regarding property removed to safety are:

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

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

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

COVERAGE D – INCREASED COST OF COMPLIANCE

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

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

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

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

3. Eligibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Conditions

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

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

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

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

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

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

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

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

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

5. Exclusions

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

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

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

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

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

6. Other Provisions

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

IV. PROPERTY NOT COVERED

We do not cover any of the following property:

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

III. PROPERTY COVERED (continued)

COVERAGE D – INCREASED COST OF COMPLIANCE (continued)

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

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

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

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

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

IV. PROPERTY NOT COVERED

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

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

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

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

- b. Designed and used to assist handicapped persons,

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

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

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

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

V. EXCLUSIONS

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

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

7. Any other economic loss.

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

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

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

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

IV. PROPERTY NOT COVERED (continued)

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

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

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

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

V. EXCLUSIONS

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

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

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

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

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

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

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

6. Gradual erosion.

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

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

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

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

c. Seeps or leaks on or through insured property;

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

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

VI. DEDUCTIBLES

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

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

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

C. No deductible applies to:

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

VII. GENERAL CONDITIONS

A. Pairs and Sets

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

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

V. EXCLUSIONS (continued)

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

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

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

Note: Federal government lease exclusion.

VI. DEDUCTIBLES

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

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

VII. GENERAL CONDITIONS

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

B. Concealment or Fraud and Policy Voidance

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

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

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

- (1)** Intentionally concealed or misrepresented any material fact or circumstance;
 - (2)** Engaged in fraudulent conduct; or
 - (3)** Made false statements;
- relating to this **policy** or any other **NFIP** insurance.

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

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

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

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

C. Other Insurance

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

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

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

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

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

D. Amendments, Waivers, Assignment

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

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

E. Cancellation of Policy by You

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

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

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

G. Reduction and Reformation of Coverage

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

H. Policy Renewal

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

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

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

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

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

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

I. Conditions Suspending or Restricting Insurance

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

VII. GENERAL CONDITIONS (continued)

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

J. Requirements in Case of Loss

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

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

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

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

K. Our Options After a Loss

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

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

VII. GENERAL CONDITIONS (continued)

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

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

L. No Benefit to Bailee

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

M. Loss Payment

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

N. Abandonment

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

O. Salvage

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

P. Appraisal

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

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

Each party will:

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

Q. Mortgage Clause

The word "mortgagee" includes trustee.

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

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

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

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

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

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

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

R. Suit Against Us

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

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

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

S. Subrogation

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

T. Continuous Lake Flooding

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

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

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

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

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

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

U. Duplicate Policies Not Allowed

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

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

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

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

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

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

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

V. Loss Settlement

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

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

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

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

VII. GENERAL CONDITIONS (continued)

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

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

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

VIII. LIBERALIZATION CLAUSE

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

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

IX. WHAT LAW GOVERNS

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

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

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



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

VIII. LIBERALIZATION CLAUSE

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

IX. WHAT LAW GOVERNS

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

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Residential Condominium Building Association Policy

FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL FLOOD INSURANCE PROGRAM

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.

VIII. GENERAL CONDITIONS

A. Pairs and Sets

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

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

B. Concealment or Fraud and Policy Voidance

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

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

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

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

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

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

- b. If the property listed on the **application** is otherwise not eligible for coverage under the **NFIP**.

C. Other Insurance

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

D. Amendments, Waivers, Assignment

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

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

E. Cancellation of Policy by You

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

VIII. GENERAL CONDITIONS

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

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

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

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

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

G. Reduction and Reformation of Coverage

1. If the premium we received from you was not enough to buy the kind and amount of coverage you requested, we will provide only the amount of coverage that can be purchased for the premium payment we received.
2. The **policy** can be reformed to increase the amount of coverage resulting from the reduction described in **G.1.** above to the amount you requested as follows:

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

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

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

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

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

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

- (2) If we discover after you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information before your claim can be paid. Once we determine the amount of additional premium for the current and prior **policy** terms, we will follow the procedure in **G.2.b.(1)** above.

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

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

H. Policy Renewal

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

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

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

- a. If you or your agent notified us, not later than 1 year after the date on which the payment of the renewal premium was due, of nonreceipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due

VIII. GENERAL CONDITIONS (continued)

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

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

date, which will be 30 days after the date on which the bill is mailed.

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

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

I. Conditions Suspending or Restricting Insurance

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

J. Requirements in Case of Loss

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

- 1. Give prompt written notice to us;
- 2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it;
- 3. Prepare an inventory of damaged personal property showing the quantity, description, **actual cash value**, and amount of loss. Attach all bills, receipts, and related documents;
- 4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the **policy** signed and sworn to by you, and which furnishes us with the following information:
 - a. The date and time of loss;
 - b. A brief explanation of how the loss happened;
 - c. Your interest (for example, "owner") and the interest, if any, of others in the damaged property;
 - d. Details of any other insurance that may cover the loss;
 - e. Changes in title or occupancy of the insured property during the term of the **policy**;
 - f. Specifications of damaged insured **buildings** and detailed repair estimates;
 - g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;

- h. Details about who occupied any insured **building** at the time of loss and for what purpose; and

- i. The inventory of damaged personal property described in **J.3.** above.

- 5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.
- 6. You must cooperate with the adjuster or representative in the investigation of the claim.
- 7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.
- 8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.
- 9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.

K. Our Options After a Loss

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

- 1. At such reasonable times and places that we may designate, you must:
 - a. Show us or our representative the damaged property;
 - b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and
 - c. Permit us to examine and make extracts and copies of:
 - (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;
 - (2) **Condominium association** documents including the Declarations of the **condominium**, its Articles of Association or Incorporation, Bylaws, and rules and regulations; and
 - (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining

VIII. GENERAL CONDITIONS (continued)

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

to the damaged property if the originals are lost.

2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:
 - a. Quantities and costs;
 - b. **Actual cash values** or replacement cost (whichever is appropriate);
 - c. Amounts of loss claimed;
 - d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and
 - e. Evidence that prior **flood** damage has been repaired.
3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:
 - a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and
 - b. Take all or any part of the damaged property at the value we agree upon or its appraised value.

L. No Benefit to Bailee

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

M. Loss Payment

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

- c. File an amended proof of loss, as long as it is filed within 60 days of the date of the loss.

N. Abandonment

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

O. Salvage

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

P. Appraisal

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

Each party will:

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

Q. Mortgage Clause

The word "mortgagee" includes trustee.

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

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

1. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;

VIII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

2. Pays any premium due under this **policy** on demand if you have neglected to pay the premium; and
3. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.

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

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

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

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

R. Suit Against Us

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

S. Subrogation

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

T. Continuous Lake Flooding

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

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

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

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

- a. Lake **flood** waters must damage or imminently threaten to damage your building.
- b. Before approval of your claim, you must:
 - (1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; and
 - (2) Grant the conservation easement described in FEMA's "Policy Guidance for Closed Basin Lakes," to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for **flood** damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will 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.

circumstances will be adjusted according to the terms and conditions of the earlier **policy**. The **policy** with the later effective date will be canceled.

V. Loss Settlement

1. Introduction

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

- a.** Replacement Cost loss settlement, described in **V.2.** below, applies to **buildings** other than manufactured homes or travel trailers.
- b.** Special loss settlement, described in **V.3.** below, applies to a **residential condominium building** that is a travel trailer or a manufactured home.
- c.** **Actual Cash Value** loss settlement applies to all other property covered under this **policy**, as outlined in **V.4.** below.

2. Replacement Cost Loss Settlement

- a.** We will pay to repair or replace a damaged or destroyed **building**, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:
 - (1)** The amount of insurance in this **policy** that applies to the **building**;
 - (2)** The replacement cost of that part of the **building** damaged, with materials of like kind and quality, and for like occupancy and use; or
 - (3)** The necessary amount actually spent to repair or replace the damaged part of the **building** for like occupancy and use.
- b.** We will not be liable for any loss on a Replacement Cost Coverage basis unless and until actual repair or replacement of the damaged **building** or parts thereof is completed.
- c.** If a **building** is rebuilt at a location other than the **described location**, we will pay no more than it would have cost to repair or rebuild at the **described location**, subject to all other terms of Replacement Cost loss settlement.

3. Special Loss Settlement

- a.** The following loss settlement conditions apply to a **residential condominium building** that is:

- (1)** A manufactured home or a travel trailer, as defined in **II.B.6.b.** and **c.**; and

- (2)** At least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled.

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

- (1)** The lesser of the replacement cost of the manufactured home or travel trailer or 1.5 times the **actual cash value**; or

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

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

4. Actual Cash Value Loss Settlement

- a.** The types of property noted below are subject to **Actual Cash Value** loss settlement.

- (1)** Personal property;

- (2)** Insured property abandoned after a loss and that remains as debris at the **described location**;

- (3)** Outside antennas and aerials, awnings, and other outdoor equipment;

- (4)** Carpeting and pads;

- (5)** Appliances; and

- (6)** A manufactured or mobile home or a travel trailer as defined in **II.B.6.b.** or **c.** that does not meet the condition for Special Loss Settlement in **V.3.** above.

- b.** We will pay the least of the following amounts:

- (1)** The applicable amount of insurance under this **policy**;

- (2)** The **actual cash value** (as defined in **II.B.2.**); or

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

VIII. GENERAL CONDITIONS (continued)

Loss Settlement. There are three methods to settle a loss under the Residential Condominium Building Association Policy:

- Replacement Cost
- Special Loss Settlement
- Actual Cash Value

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

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

Special Loss Settlement. If the residential condominium building is a manufactured (mobile) home or travel trailer, is at least 16 feet wide, and has an area of at least 600 square feet within its walls, then the loss will be settled on a Replacement Cost basis. If a single-family dwelling that is a manufactured (mobile) home or travel trailer is a total loss or is not economically feasible to repair, then the adjustment of the property will be the lesser of:

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

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

Actual Cash Value (ACV). ACV is the cost to replace the insured item of property at the time of the loss, less its physical depreciation. The types of property that are subject to ACV Settlement are:

- The insured's personal property
- Abandoned property that, after a loss, remains as debris at the described location
- Outdoor awnings, outdoor antennas or aerials of any type (including policyholder-owned satellite dishes) and other outdoor equipment attached to the insured dwelling
- Carpeting and pads
- Appliances
- A manufactured (mobile) home or travel trailer that is not at least 16 feet wide or does not have an area of at least 600 square feet within its walls

IX. LIBERALIZATION CLAUSE

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

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

X. WHAT LAW GOVERNS

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

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

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



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

IX. LIBERALIZATION CLAUSE

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

X. WHAT LAW GOVERNS

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

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