

FEDERAL EMERGENCY MANAGEMENT AGENCY

44 CFR Part 61

RIN 3067-AD01

National Flood Insurance Program (NFIP); Insurance Coverage and Rates

AGENCY: Federal Emergency Management Agency (FEMA).

ACTION: Proposed rule.

SUMMARY: We (the Federal Insurance Administration of FEMA) are proposing changes to the Standard Flood Insurance Policy (SFIP). The proposed changes include: rendering the SFIP in "plain language" and restructuring its format to resemble the homeowners policy. We are also using this opportunity to propose changes in the policy's coverage.

DATES: Please send your comments on the proposal on or before July 31, 2000.

ADDRESSES: Please send your comments to the Rules Docket Clerk, Office of the General Counsel, Federal Emergency Management Agency, 500 C Street SW., room 840, Washington, DC 20472, (facsimile) 202-646-4536, or (email) rules@fema.gov.

FOR FURTHER INFORMATION CONTACT:

James S. P. Shortley, Federal Emergency Management Agency, Federal Insurance Administration, 500 C Street SW., Washington, DC 20472, 202-646-3418, (facsimile) 202-646-4327, (email) James.Shortley@fema.gov.

SUPPLEMENTARY INFORMATION:

Plain Language Initiative

On June 1, 1998, President Clinton directed the heads of Federal departments and agencies to ensure that their communications with the public be in "plain language." That directive established January 1, 1999, as the date when Federal executive agencies and departments must use plain language in all proposed and final rules published in the **Federal Register**. This proposal to revise the three separate forms of the Standard Flood Insurance Policy (SFIP)—the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy—complies with that directive.

Implementing Guidance

In drafting the proposed revisions of the SFIP, we followed the guidance on plain language developed by the National Partnership for Reinventing Government and provided on July 28, 1998 by Vice President Gore to the Federal executive agencies and departments and independent agencies.

Customer Review

On September 15, 1999, in Lancaster, Pennsylvania, we convened a focus group of eight flood insurance policyholders—four had suffered flood losses and four had never had a flood loss—to help us judge the readability of our draft revised flood insurance policy. The group compared the readability of the current Dwelling Form of the SFIP with a semi-final draft of our proposed revision. These are comments that the participants offered about our proposed rewrite: "Everything I looked at was easier." It had "more specific language" and was "worded much better." It was in "layman's terms you can understand," and it made it "easier to look up everything." Members of the focus group found that our proposed policy revision had shorter sentences than the current policy, had better organization, and used words that were easier to understand. The version of the SFIP we are proposing is essentially the version that the focus group reviewed with only minor editorial changes.

The focus group recommended several specific additions that would make the proposed rewrite even easier for policyholders to use:

- Include a table of contents,
- Add an index of key words at the end of the policy,
- Insert page headers of major section sections at the top of each page,
- Use a variety of graphic devices to highlight headings and subheadings, and
- Add a section on frequently asked questions.

We agree with most of these suggestions, which we will incorporate in the printed version of the SFIP that the policyholder receives and uses. They will not however appear in this proposed rule or in the Code of Federal Regulations.

The focus group also suggested that we post the SFIP on the internet. We are already doing that: the current Standard Flood Insurance Policy is one of the "Quick Links" found at our web site: www.fema.gov/nfip. We will continue that practice and post the revised policy too once we publish the final rule, as well as this proposed rule, on our web site.

We do not believe that adding a new section to the policy on frequently asked questions, however, is necessary. Our web site contains the link, "Basic Questions and Answers about Flood Insurance," which gives the public, policyholders, and insurance agents ready access to specific information about coverage. We have also developed printed public education and public

information materials that serve that purpose as well.

External Customers

Our two largest external customer groups that use the SFIP are: (1) Roughly four million property owners who buy flood insurance and need to understand the terms of their contract for flood insurance, and (2) hundreds of thousands of private insurance agents across the country who sell and service the SFIP. Any revision to the SFIP must serve the needs of both groups: our policyholders for an easy-to-read flood insurance policy, and licensed private insurance agents for a flood insurance policy that is organized like the more familiar homeowners policy. There are also smaller, specialized customer groups that use the SFIP such as claims adjusters, insurance underwriters, auditors, etc., who will benefit from a policy that is clearer and easier to use.

Compatibility With the Homeowners Policy

Making the SFIP conform more closely with the homeowners has been a long-standing recommendation of our partners in the insurance industry. We have received comments in the past that the flood insurance policy and coverages available under it should as nearly as possible "look" like other insurance policies which are commonly bought by the public or sold and handled by insurance agents in order to promote the greatest utilization of the NFIP.

To help us make the SFIP conform with the homeowners policy, we contracted with Insurance Services Organization (ISO), Inc. ISO restructured the proposed rewrite of the SFIP so that it "looks" more like ISO's version of the homeowners policy, specifically HO-3. ISO also provided us an initial draft of that restructuring in plain language, which we used as a starting point to meet the Administration's standards for plain language communications with the public. By making the SFIP "look" and "feel" like homeowners policies, we believe the desk level staff in insurance agencies will be more comfortable with the SFIP since it will follow the same sequence and use the same format as its industry model. This we believe will help serve the goal of having more of the nation's property owners in flood-prone areas protected from uninsured flood losses.

Summary of Proposed Coverage Changes

We are also proposing some changes in coverage for the three policy forms.

The following tables compare the current coverage under the SFIP with the proposed changes:

TABLE 1.—LAND SUBSIDENCE, SEWER BACK-UP, AND SEEPAGE

Proposed change in SFIP coverage	Current SFIP coverage
The proposed changes would not affect the coverage for losses from "subsidence of land" along the shore of a lake or other body of water as a result of flood-related erosion.	Pay for losses from subsidence of land along the shore of a lake or other body of water as a result of flood-related erosion.
Not pay for any losses from other land subsidence	Pay for losses from other land subsidence under certain circumstances.
Pay for losses from sewer back-up and seepage if there is a general condition of flooding and the flood waters touch the structure.	Pay for losses from sewer back-up and seepage: If there is a general condition of flooding in the general area; If the building has replacement cost coverage; and If the loss occurs within 72 hours after the flood has receded.
Remove the current requirements for replacement cost coverage on the building and for the loss occurring within 72 hours after the flood has receded for sewer back-up and seepage losses.	Apply a separate deductible to claims for these losses.
Do not apply a separate deductible to claims for sewer back-up and seepage.	

As noted in the preceding table, we pay, in the current policy, for losses from sewer backup if flooding is "in the area." We are proposing a more verifiable standard to adjust sewer backup losses, namely, that flood waters must touch the insured building. This proposed change would give us a more objective standard for adjusting claims for sewer backup losses.

Also, as the preceding table shows, there are two references to the subsidence of land in the current policy.

The first is in our definition of "flood." Section 1370 of the National Flood Insurance Act of 1968 mandates that the term "flood" shall also include "the collapse or subsidence of land along the shore of a lake or other body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels." The second reference to land subsidence is in the Dwelling Form: currently we pay for losses from land subsidence when certain criteria are met such as

amount of insurance coverage in force on the dwelling, the duration of flooding ("no later than 72 hours after the flood has receded"), and the proximity of the flood ("in the area"). The proposed changes do not include any revision to the statutory reference to "subsidence of land" in the policy's definition of "flood." The proposed revisions would however eliminate coverage for land subsidence in any other situation.

TABLE 2.—LOSS MITIGATION MEASURES AND LOSS ASSESSMENTS

Proposed change in SFIP coverage	Current SFIP coverage
Increase the amount we will pay for the labor and materials of certain mitigation activities (e.g., sandbagging) to \$1,000.	We currently pay up to \$750 for materials and labor for mitigation efforts such as sandbagging.
Increase to \$1,000 the amount we will pay for removal of personal property from a flood-threatened building.	We currently pay up to \$500 for the removal of personal property in anticipation of the flood.

TABLE 3.—PERSONAL PROPERTY, MOTORIZED VEHICLES AND SPECIAL NEEDS

Proposed change in SFIP coverage	Current SFIP coverage
We will permit a renter to apply 10% of contents coverage to cooking stoves, ranges, or refrigerators belonging to the renter, as well as to improvements by the renter to the building.	No coverage under the Dwelling Form.
We will permit a condominium unit owner to apply 10% of the contents coverage to losses to interior walls, floors, and ceilings under the Dwelling Form.	No coverage.
We will increase to \$2500 what we will pay for flood losses to collectibles, artwork, furs, etc., and add to the list business contents.	We now pay only up to \$250 for eligible flood losses to collectibles, artwork, furs, etc.
Pay for losses to self-propelled vehicles that service the premises and assist handicapped persons provided the vehicles are in a building on the premises.	We only pay for losses to self-propelled vehicles that service the building.

TABLE 4.—LOSS SETTLEMENT FOR MANUFACTURED HOMES AND INTERPRETATION OF COMMON WALL

Proposed change in SFIP coverage	Current SFIP coverage
We propose to change how we settle losses for double-wide manufactured homes. We propose to settle losses for these structures with materials on a replacement cost basis but never more than 1.5 times the actual cash value.	Replacement cost interpreted for total losses as the value shown in NADA guide for mobile homes.

TABLE 4.—LOSS SETTLEMENT FOR MANUFACTURED HOMES AND INTERPRETATION OF COMMON WALL—Continued

Proposed change in SFIP coverage	Current SFIP coverage
We propose to treat as part of the building additions or extensions attached by a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At the insured's option, these additions and extensions may be separately insured. If the addition or extension is attached by a common interior wall, it may not be insured as a separate building.	We currently only treat, as part of the building, extensions or additions that are connected by a common wall. Additions and extensions connected by a covered breezeway, for example, are treated as separate buildings—not as part of the building.

TABLE 5.—REDUCTION AND RESTORATION (REFORMATION) OF COVERAGE LIMITS

Proposed change in SFIP coverage	Current SFIP coverage
We propose to add a policy restoration (reformation) provision for situations when an application or endorsement is received without all the necessary information. We propose to require the applicant to submit the missing information within 60 days. If the missing information is not received within 60 days, and a loss occurs, the maximum amount of insurance available is limited to the lesser of: the amount originally requested or the amount of coverage the original premium paid would buy, using the correct rating information.	No such provision.

We are also proposing to add coverage in basements and in enclosures of elevated buildings for water softeners, water filters and faucets. In addition, we are proposing to add coverage for damage from the pressure of water against the structure with the requirement that there be surface flooding in the area as well. On the other hand, we are proposing to exclude from coverage scrip and stored value cards. The revisions to the policy we are proposing would also exclude any losses caused by the policyholder's failure to inspect and maintain the property after the flood recedes. We are also proposing to eliminate the option for a "scheduled building policy." The NFIP scheduled building policy has had little use. The only incentive for the insured to select this option, if eligible, is a small saving on the expense constant.

The proposed rule would change the "Closed Basin Lake" endorsement in all three policy forms. Currently, policyholders must have "NFIP flood insurance continuously in effect from a date established by FEMA until" the policyholder files a claim. The current rule is silent however about how much flood insurance needs to be continuously in force. This means that a policyholder could technically meet this criterion for continuous coverage by buying a minimal amount of flood coverage initially, keeping the minimal amount of coverage in effect, and then increasing the face amount of the policy when the structure is eligible for relocation. The proposed change would require that policyholders have the same amount of insurance in effect continuously from the date set by FEMA

until the policyholder files a claim. The proposed change would still allow the policyholder to buy recommended increases in coverage at policy renewal to keep pace with inflation.

We are retaining in the proposed rule coverage for detached garages, but we are proposing also to eliminate coverage for detached carports since they do not have two walls—one of the criteria under the definition of building. We are also proposing to eliminate the requirement for a minimum premium. The proposed rule would add to the definition of "flood" the criteria we currently use for an event to qualify as a "flood." Those criteria—currently included in the list of exclusions—requires that a qualifying flood event under the policy must inundate two properties or two acres. The proposed consolidation of the criteria into the definition of "flood" would be much more useful for the policyholder to understand the scope of coverage under the policy.

Of special note is the proposed change on pollutants. The current SFIP has a pollution exclusion for Increased Cost of Compliance coverage only. We are proposing to add to the SFIP a general pollution exclusion, similar to that in the industry's HO-3 policy. The HO-3 policy's pollution exclusion only applies, however, if the pollution damage is caused by a peril other than the sixteen named perils in that policy's Personal Property Coverage. Since we cover only one peril, flood, our proposed pollution exclusion is for all coverage under the SFIP, and hence is broader than the HO-3's pollution exclusion.

We are also proposing to eliminate the reference to the policy's minimum premiums at 44 CFR 61.10 since our proposed revision of the policy would eliminate references to a minimum premium as well.

In addition to these proposed coverage changes, we are proposing to change how we define loss in progress to make our intent clearer on when coverage begins in connection with loan closings. Also, we are proposing a change to the "Mortgage" clause, which follows more closely the format of HO-3. While the latter proposals are not coverage changes per se, we believe, if adopted, they would make the benefits to and responsibilities of lenders clearer.

Exclusive Federal Jurisdiction and Applicable Law

Standard Flood Insurance Policies are sold by a number of private Write Your Own (WYO) insurance companies and directly to the public by the Federal Insurance Administration. Because the National Flood Insurance Program is national in scope and accomplishes a number of programmatic missions in addition to making affordable flood insurance generally available to the public, the SFIP provides that its terms cannot be altered, varied or waived except by the written authority of the Federal Insurance Administrator. The Administrator intends that the same benefits should be available to insureds wherever the insured property is located, or whether the policy is purchased from a WYO insurance company or from the Federal Government. Thus, there is a need for uniformity in the interpretation of and

standards applicable to the policies and their administration. Therefore, we have clarified the policy language pertaining to jurisdiction, venue and applicable law to emphasize that matters pertaining to the Standard Flood Insurance Policy, including issues relating to and arising out of claims handling, must be heard in Federal court and are governed exclusively by Federal law.

National Environmental Policy Act

This proposed rule falls within the exclusion category 44 CFR 10.8(d)(2)(ii) which addresses the preparation, revision, and adoption of regulations, directives, and other guidance documents related to actions that qualify for categorical exclusions. Qualifying for this exclusion and because no other extraordinary circumstances have been identified, this proposed rule will not require the preparation of either an environmental assessment or environmental impact statement as defined by the National Environmental Policy Act.

Executive Order 12866, Regulatory Planning and Review

In the course of preparing this proposed rule we have considered the requirements of Executive Order 12866 of September 30, 1993, 58 FR 51735, and have concluded that this proposed rule is not a significant regulatory action within the meaning of section 2(f) of the Executive Order. The rule would accomplish three principal changes:

- (1) It would render the SFIP in “plain English”;
- (2) It restructures the format to resemble the basic homeowners policy; and
- (3) It would make several changes in the policy’s coverage.

In all other substantive aspects the SFIP is unchanged from its past version.

Of 18 proposed changes that affect coverage, we summarize 11 in Tables 1 through 5 of this preamble. We summarize the remaining 7 changes in the paragraphs that immediately follow the tables. The 18 proposed changes are evenly divided between changes that add or increase coverage and changes that reduce or remove coverage or require certain coverage from a date certain to the time a claim is filed for “closed basin lake” claims.

For each revised policy provision, we made two estimates: the first was the percentage of claims that would be impacted by the revised provision; the second estimate was the dollar impact that provision would have on each affected claim. We multiplied these two amounts to develop the dollar impact of each change spread over all program claims. We then summed those dollar amounts to arrive at an estimated decrease of \$83.12 in the average paid claim under these revised policy provisions. We estimate that during the first fiscal year after enactment the NFIP would have about 4.3 million policyholders and about 55,900 total flood losses. If so, that would result in

an annual savings to the Program of approximately \$4.6 million resulting from the proposed changes to the policy.

For the reasons stated we have concluded that this rule is not a significant regulatory action within the meaning of Executive Order 12866. The Office of Management and Budget has reviewed the proposed rule under the provisions of Executive Order 12866.

Paperwork Reduction Act

The Office of Management and Budget (OMB) has approved the information collection requirements in this proposed rule under the provisions of the Paperwork Reduction Act of 1980, as amended. OMB has assigned control numbers 3067-0021 and 3067-0022 to the collection of information under this proposed rule.

We estimate that the public reporting and recordkeeping burden for the collection of information titled “Claims for National Flood Insurance Program” to average 4.0 hours per claim. The estimate includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information requirements. The information required under the terms of the Standard Flood Insurance Policy described in appendices A(1), A(2), and A(3) of the proposed rule is collected using the following FEMA forms:

FEMA Form No.	Title	Burden estimate
81-16	Application.	
and		
81-67	Preferred Risk Application	12 minutes.*
81-17	Cancellation	7.5 minutes.
81-18	Endorsement	9 minutes.
81-25	V-Zone Risk Factor	15 minutes.
81-40	Worksheet-contents-personal property	2.5 hours.
81-41	Worksheet-building	2.5 hours.
81-41A	Worksheet-building (Cont'd)	1.0 hour.
81-42	Proof of loss	5-6 minutes.
81-42A	Increased Cost of Compliance Proof of Loss	2.0 hours.
81-43	Notice of loss	4 minutes.
81-44	Statement as to full cost to repair	6-7 minutes.
81-57	National Flood Insurance Program Preliminary report	4 minutes.
81-58	National Flood Insurance Program Final report	4 minutes.
81-59	National Flood Insurance Program Narrative report	5-6 minutes.
81-63	Cause of Loss and Subrogation report	45 minutes to 1 hour.
81-98	Increased Cost of Compliance Adjuster Report	15 minutes.
N/A	Renewal Premium Notice	3 minutes.
N/A	Request for Policy Processing and Renewal Information Letter	9 minutes.

* The Preferred Risk Applications and the regular Flood Insurance Applications are now processed and recorded together. There is no breakdown available to separate the burden of each application.

Executive Order 13132, Federalism

This proposed rule involves no policies that have federalism implications under Executive Order 13132, Federalism, dated August 4, 1999.

Executive Order 12778, Civil Justice Reform

This proposed rule meets the applicable standards of section 2(b)(2) of Executive Order 12778.

List of Subjects in 44 CFR Part 61

Claims, Flood insurance.

Accordingly, we propose to amend 44 CFR Part 61 as follows:

PART 61—INSURANCE COVERAGE AND RATES

1. The authority citation for part 61 continues to read as follows:

Authority: 42 U.S.C. 4001 *et seq.*; Reorganization Plan No. 3 of 1978, 43 FR 41943, 3 CFR, 1978 Comp., p. 329; E.O. 12127 of Mar. 31, 1979, 44 FR 19367, 3 CFR, 1979 Comp., p.376.

§ 61.10 [Removed]

2. We remove § 61.10.

3. We revise Appendix A(1) to Part 61, Dwelling Form, to read as follows:

APPENDIX A(1) TO PART 61**Federal Emergency Management Agency, Federal Insurance Administration****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 of one to four families, or

2. A single family dwelling unit in a condominium building.

I. Agreement

The Federal Emergency Management Agency 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.

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. “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 at least two or more properties (one of which is your property) from:

a. The overflow of inland or tidal waters.

b. The unusual and rapid accumulation or runoff of surface waters from any source.

c. Mudflows.

2. The 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 which result in a flood as defined in *Flood*, paragraph A.1.a above.

B. The following are the other key definitions 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.

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 that is built on a permanent chassis and affixed to a permanent foundation and that is transported to its site in one or more sections); 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 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;

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 furnish 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 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. Direct physical loss must be evidenced by 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 that 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 that 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 unit 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 endorsements 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, specifically described by you in the application, may be insured under this policy.

22. *Pollutants.* Includes, but is 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.

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 has been 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, A1-30, AE, A99, AH, AR,

AR/A, AR/AE, AR/AH, AR/AO, AR/A1-30, V1-30, 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 may not be separately insured.

3. A detached garage, used as such, at the described location. Coverage is limited to no more than 10% of the limit of liability on the dwelling. Use of this insurance is at your option but reduces the building limit of liability.

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 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, A1-30, AR, AR/AE, AR/AH, AR/A1-30, AR/A, AR/AO; or

(2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1-30.

The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-30 and the top of the floor in Zones AH, AE, A1-30, AR, AR/AE, AR/AH, AR/A1-30, 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 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. Freezers, walk-in.
- 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 lower than 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, V1-30, 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 unfloat and not taped, to the framing;

(4) Electrical junction and circuit breaker boxes;

(5) Electrical outlets and switches;

(6) Elevators, dumbwaiters and related equipment, unless 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) Oil tanks and oil in them;

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

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

(14) Sump pumps;

(15) Water softeners, water filters and faucets installed as an integral part of the plumbing system;

(16) Well water tanks and pumps;

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

(18) 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 and 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 paragraph 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 lower than 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-A30, V1-30, 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. 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 unit in which you reside, but for not more than 10% 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% 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, manuscripts or autographed items;

c. Jewelry, watches, precious and semi-precious stones, 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.

We will pay reasonable expenses to remove debris directly caused by flood, provided the debris is:

a. Debris from property:

(1) That you do not own;

(2) That originates from beyond the boundaries of the described location, and

(3) That is physically on or in the insured building; or

b. Debris of the insured property anywhere.

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.

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, including:

(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 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 building; or

(b) A legally authorized official must issue an evacuation order or other civil order for the community in which the 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 another 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 or a member of your household perform.

(2) If you move insured property to another 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 first 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 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.

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% 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

A. 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:

1. Non-residential structures.

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

B. Limit of Liability.

\$20,000 is the maximum we will pay you for 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.

C. Eligibility.

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

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

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

(2) The structure has suffered flood damage on 2 occasions during a 10-year period which ends on the date of the second loss.

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

(4) 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

b. Be a structure that has had flood damage in which the cost to repair equals or exceeds 50% 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.

2. 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:

a. Paragraph C. 1. a. above.

b. 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.

c. 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.

3. 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.

4. 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 E.7. below.

5. 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.

D. Conditions.

1. 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.

2. 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.

E. Exclusions.

Under this Coverage D (Increased Cost of Compliance) we will not pay for:

1. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.

2. 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.

3. The loss in value to any insured building or other structure due to the requirements of any ordinance or law.

4. 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.

5. Any Increased Cost of Compliance under this Coverage D:

a. Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and

b. Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.

6. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.

7. 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.

8. Loss due to any ordinance or law that you were required to comply with before the current loss.

9. 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.

10. Increased Cost of Compliance for a garage or carport.

11. Any structure insured under an NFIP Group Flood Insurance Policy.

12. 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.

F. Other Provisions.

1. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the 80% insurance-to-value requirement for replacement cost coverage as set forth in Section VII. V. Loss Settlement.

2. All other conditions and provisions of the policy apply.

IV. Property Not Covered

We do not cover any of the following:

1. Personal property not inside a 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 the Definitions Section (see 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 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% 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. Swimming pools, hot tubs, spas, 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. 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.

17. A detached garage used or held for use for residential (*i.e.* dwelling), business or farming purposes;

18. Personal property you own in common with other unit owners comprising the membership of a condominium association.

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;

6. The cost of complying with any ordinance or law:

a. 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

b. Requiring you or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effect of, any pollutant; or

7. Any other economic loss you suffer.

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 erosion and mudflows that are specifically covered under our definition of flood.

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;

(2) Failures, stoppages, 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 water-borne 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 the property has been, at the same time, damaged by flood;

6. The pressure or weight of water unless the damaged property has been, at the same time, damaged by flood;

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. Discharge, dispersal, seepage, migration, release, or escape of pollutants;

9. Theft, fire, explosion, wind, or windstorm;

10. Anything that you or any member of your household do or conspires to do to deliberately cause loss by flood; or

11. Alteration of the insured property that significantly increases the risk of flooding.

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 Coverage; or

3. III.D. Increased Cost of Compliance Coverage.

VII. General Conditions

A. Pair and Set Clause.

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 flood 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 wrongful acts of 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 re-enter 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 b. or c. 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 Paragraph 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 the Policy by You.

1. You may cancel this policy at any time.
2. If you cancel this policy, you may be entitled to a full or partial refund of premium under our applicable rules and regulations.

F. Non-Renewal 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. Your building has been declared ineligible under section 1316 of the Act.

G. Reduction and Restoration 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 amount of coverage resulting from the reduction described in 1. above can be restored 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 restore 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 (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 restored by endorsement with 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 of the date of our bill, we will restore 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 (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 restored 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. above 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 your renewal notice was not placed into the U.S. Postal Service, or if it was mailed properly, it was prepared in a way, *e.g.*, with an incorrect, incomplete, or illegible address, to delay 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 non-receipt 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 as 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 re-certify, 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.

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 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 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 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 our 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 to complete it. However, this is matter of courtesy only and you must still send us a proof of loss within sixty 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 an 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; and

d. Any written plans and specifications for repair of the damaged property that you can make reasonably available to us.

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 that 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 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 or within any extension of time allowed by the Administrator.

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 property insured under this policy 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 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 will then apply directly to the mortgagee.

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 non-renewal.

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 claim, and you must file the suit in the United States District Court of the district in which the covered 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. Where an 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 an 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 an insured building has been flooded continuously for 90 days, the provisions of this paragraph 1. will apply as long as 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 1. above or this paragraph 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 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 contained in the Federal Emergency Management Agency's (FEMA) "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 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 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 Sec. 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 non-profit 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 e. and 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 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.

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 paragraphs V.1. a., b., and c. below.

a. Replacement Cost Loss Settlement described in 2. below applies to a single-family dwelling provided:

(1) It is your principal residence, which means, at the time of loss, you or your spouse lived there for 80% 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% 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 3. below applies to a single-family dwelling that is a travel trailer or a manufactured or mobile home.

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 paragraph V.4. below.

2. Replacement Cost Loss Settlement.

The following loss settlement conditions apply to a single-family dwelling described in paragraph 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 in the declarations;

(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 \$1000 or more than 5% of the whole amount of insurance that applies to the dwelling, we will not be liable for any loss under paragraph V.2.a. above or paragraph 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 paragraphs 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.

The following loss settlement conditions apply to a dwelling that is a manufactured or mobile home or a travel trailer, as defined in Section II Definitions, B., paragraphs 6.b. and c.:

a. If such a dwelling is at least 16 feet wide when fully assembled and has at least 600 square feet within its perimeter walls when fully assembled, and is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its pre-damaged condition, we will, at our discretion:

(1) Pay the least of the following amounts:

(a) The lesser of the replacement cost of the dwelling or 1.5 times the actual cash value.

(b) The Building Limit of liability shown on your Declarations Page.

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

4. Actual Cash Value.

The types of property noted below are subject to actual cash value (or in the

case of V.a.(2), proportional) loss settlement. "Actual cash value" is defined in Section II—Definitions.

a. A dwelling, at the time of loss, when the amount of insurance on the dwelling is both less than 80% 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 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% 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% of its full replacement cost. But if 80% 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.

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 the principal residence of the insured.

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:

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 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.

Note: The Coverage D limit of liability is not included in the determination of the amount of insurance required.

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 in 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.

Jo Ann Howard,
Administrator,

Federal Insurance Administration.

4. We revise Appendix A(2) to Part 61, General Property Form, to read as follows:

APPENDIX A(2) TO PART 61

Federal Emergency Management Agency, Federal Insurance Administration

Standard Flood Insurance Policy

GENERAL PROPERTY POLICY

Please read the policy carefully. The flood insurance coverage 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 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.

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. "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 at least two or more properties (one of which is your property) from:

- a. The overflow of inland or tidal waters.
- b. The unusual and rapid accumulation or runoff of surface waters from any source.
- c. Mudflows.

2. The 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 which result in a flood as defined in paragraph A.1.a. above.

B. The following are the other key definitions 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.

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 that is built on a permanent chassis and affixed to a permanent foundation and that is transported to its site in one or more sections); 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.

d. *Building* does not mean a gas or liquid storage tank or a recreational vehicle, park trailer or other similar vehicle, except as described in paragraph 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, formed by 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 when membership in the entity is a required condition of unit ownership.

10. *Declarations Page*. A computer-generated summary of information you furnish 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 building or personal property is 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. Direct physical loss must be evidenced by 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 that 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 that 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 endorsements 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, specifically described by you in the application, may be insured under this policy.

21. *Pollutants.* Includes, but is 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 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 has been 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% 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, A1-30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-30, V1-30, VE, V.

27. *Stock* means 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. A building described in 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 may not be separately insured.

4. The following fixtures, machinery and equipment, all while within the building or fastened to the building, and owned by the named insured, 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. Freezers, walk-in;
- i. Furnaces;
- j. Light fixtures;
- k. Outdoor antennas and aerials attached to buildings;
- l. Permanently installed corner cupboards, bookcases, paneling, and wallpaper;
- m. Pumps and machinery for operating pumps;
- n. Ventilating equipment; and
- o. Wall mirrors, permanently installed.

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 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.6.a.), then coverage applies:

- (1) Only while such work is in progress; or
- (2) The 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, A1-30, AR, AR/AE, AR/AH, AR/A1-30, AR/A, AR/AO; or

(2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1-30.

7. The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-30 and the top of the floor in Zones AH, AE, A1-30, AR, AR/AE, AR/AH, AR/A1-30, AR/A, AR/AO.

8. 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.

9. Items of property in a building enclosure lower than 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-A30, V1-30, 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, unless 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) Oil tanks and oil in them;
- (12) Pumps and tanks used in solar energy system;
- (13) Stairways and staircases attached to the building, not separated from it by elevated walkways;
- (14) Sump pumps;
- (15) Water softeners, water filters and faucets installed as an integral part of the plumbing system;
- (16) Well water tanks and pumps;
- (17) Required utility connections for any item in this list; and
- (18) 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

paragraphs 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.

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) All other personal property owned by you and used in your business.

3. Coverage for personal property includes the following property, subject to paragraphs 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 the food in any freezer;
- g. Outdoor equipment and furniture stored inside the insured building;
- h. Ovens and the like;
- i. Portable microwave ovens and portable dishwashers; and
- j. Refrigerators.

4. Items of property in a building enclosure lower than 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-A30, V1-30, 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, manuscripts or autographed items;

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

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

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

7. If you are a tenant, you may apply up to 10% 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.

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% 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 a fully enclosed building.

C. Coverage C—Other Coverages

1. Debris Removal.

We will pay reasonable expenses to remove debris directly caused by flood provided the debris is:

a. Debris from property:

- (1) That you do not own;
- (2) That originates from beyond the boundaries of the described location, and
- (3) That is physically on or in the insured building; or

b. Debris of the insured property anywhere.

If you perform the removal work, the value of your work will be based on the Federal minimum wage.

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, including:

(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 another 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 another 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 first 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. Definitions, 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 Coverage

A. 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:

1. Non-residential structures.

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

B. Limit of Liability.

\$20,000 is the maximum we will pay you for 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.

C. Eligibility.

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

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

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

(2) The structure has suffered flood damage on 2 occasions during a 10-year period which ends on the date of the second loss.

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

(4) 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

b. Be a structure that has had flood damage in which the cost to repair equals or exceeds 50% 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.

2. 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:

a. C.1.a. above.

b. 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.

c. 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.

3. 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.

4. 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 E.7. below.

5. 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.

D. Conditions.

1. 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.

2. 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.

E. Exclusions.

Under this Coverage D (Increased Cost of Compliance) we will not pay for:

1. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.

2. 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.

3. The loss in value to any insured building or other structure due to the requirements of any ordinance or law.

4. 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.

5. Any Increased Cost of Compliance under this Coverage D:

a. Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and

b. Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.

6. Any code upgrade requirements, *e.g.*, plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.

7. 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.

8. Loss due to any ordinance or law that you were required to comply with before the current loss.

9. 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.

10. Increased Cost of Compliance for a garage or carport.

11. Any structure insured under an NFIP Group Flood Insurance Policy.

12. 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.

F. Other Provisions.

All other conditions and provisions of the policy apply.

IV. Property Not Covered

A. We do not cover any of the following property:

1. Personal property not inside a 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 the II. Definitions, Building, paragraph 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, provided they are not licensed for use on public roads and 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 portions;

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% 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. Swimming pools, hot tubs, spas, 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; and

16. 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.

17. Personal property used in connection with any incidental commercial occupancy or use of the building;

18. 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 III. Coverage B—Personal Property of this policy;

19. 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 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:

a. 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

b. Requiring you or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effect of, any pollutant; or

7. Any other economic loss.

B. We do not insure a loss directly or indirectly caused by a flood that is 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 erosion and mudflows that are specifically covered under our definition of flood.

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) Failures, stoppages, 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 water-borne 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 the damaged insured property has been, at the same time, damaged by flood;

6. The pressure or weight of water unless the damaged insured property has been, at the same time, damaged by flood;

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. Discharge, dispersal, seepage, migration, release, or escape of pollutants;

9. Theft, fire, explosion, wind, or windstorm;

10. Anything that you or your agents do or conspire to do to deliberately cause loss by flood; or

11. Alteration of the insured property that significantly increases the risk of flooding.

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 Coverage.

VII. General Conditions

A. Pair and Set Clause.

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 which 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 flood 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 listed on the application is not eligible for coverage under the NFIP; or

b. 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 re-enter the program during the policy term and before the loss occurred.

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 b. or c. 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. Where 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 at any time.

If you cancel this policy, you may be entitled to a full or partial refund of premium under our applicable rules and regulations.

F. Non-Renewal 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. Your building has been declared ineligible under section 1316 of the Act.

G. Reduction and Restoration 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 amount of coverage resulting from the reduction described in 1. above can be restored 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 restore 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 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 (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 restored 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 of the date of our bill, we will restore 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 (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 restored 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. above 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 your renewal notice was not placed into the U.S. Postal Service, or if it was mailed properly, it was prepared in a such a way, e.g., with an incorrect, incomplete, or illegible address, as to delay 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 as 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 re-certify, 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.

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 as to 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 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 our 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 to complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within sixty days after the loss even if the adjuster does not furnish the form or help you to 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 an 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 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 value;

c. Amounts of loss claimed; and

d. Any written plans and specifications for repair of the damaged property that you can make reasonably available to us.

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 that 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 or within any extension of time allowed by the Administrator.

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 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 will then apply directly to the mortgagee.

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 non-renewal.

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 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 which 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. Where an 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 an 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 an insured building has been flooded continuously for 90 days, the provisions of this paragraph 1. will apply as long as 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 1. above or this paragraph 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 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 contained in the Federal Emergency Management Agency's (FEMA) "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 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 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 your 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 T.2.b. above.

(2) Agree to declare and report any violations of this ordinance to FEMA so that under Sec. 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 non-profit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of 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 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 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. Property may not be insured 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.

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 in 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.

Jo Ann Howard,

Administrator, Federal Insurance Administration.

5. We revise Appendix A(3) to Part 61, Residential Condominium Building Association Policy, to read as follows:

APPENDIX A(3) TO PART 61

Federal Emergency Management Agency, Federal Insurance Administration

Standard Flood Insurance Policy

RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY

I. Agreement

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 as an emergency program community at time of renewal, this policy cannot be renewed.

The Federal Emergency Management Agency 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.

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. "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 at least two or more properties (one of which is your property) from:
 - a. The overflow of inland or tidal waters.
 - b. The unusual and rapid accumulation or runoff of surface waters from any source.
 - c. Mudflows.
2. The 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 which result in a flood as

defined in "Flood" paragraph A.1.a above.

B. The following are the other key definitions 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.

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 that is built on a permanent chassis and affixed to a permanent foundation and that is transported to its site in one or more sections); 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 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, formed by 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; when membership in the entity is a required condition of unit ownership.

10. *Declarations Page*. A computer-generated summary of information you furnish 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 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. Direct physical loss must be evidenced by 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 that 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 that 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 endorsements 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, specifically described by you in the application, may be insured under this policy.

21. *Pollutants.* Includes, but is 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 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 has been 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% 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, A1-30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-30, V1-30, VE, 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 in 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 may not be separately insured.

4. The following fixtures, machinery and equipment, all while within the building or fastened to the building, including its units, 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. Freezers, walk-in;
- i. Furnaces;
- j. Light fixtures;
- k. Outdoor antennas and aerials fastened to buildings;

l. Permanently installed corner cupboards, bookcases, paneling, and wallpaper;

- m. Pumps and machinery for operating pumps;
- n. Ventilating equipment; and
- o. Wall mirrors, permanently installed.

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 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. Definitions, B.6. Building, paragraph 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.

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:

(3) Below the base flood elevation in Zones AH, AE, A1-30, AR, AR/AE, AR/AH, AR/A1-30, AR/A, AR/AO; or

(4) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1-30.

The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-30 and the top of the floor in Zones AH, AE, A1-30, AR, AR/AE, AR/AH, AR/A1-30, AR/A, AR/AO.

7. A manufactured home or a travel trailer as described in the Definitions Section (See II. Definitions, B. Building, paragraphs b. and 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 lower than 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, V1-30, 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, unless 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) Oil tanks and oil in them;

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

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

(14) Sump pumps;

(15) Water softeners, water filters and faucets installed as an integral part of the plumbing system;

(16) Well water tanks and pumps;

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

(18) 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 paragraphs 2. and 3. below, against direct physical loss by or from flood to personal property that is inside a 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 the food in any freezer;

g. Outdoor equipment and furniture stored inside the insured building;

h. Ovens and the like;

i. Portable microwave ovens and portable dishwashers; and

j. Refrigerators.

3. Items of property in a building enclosure lower than 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, V1-30, 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 the 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, manuscripts or autographed items;

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

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.

We will pay reasonable expenses to remove debris directly caused by flood provided the debris is:

a. Debris from property:

(1) That you do not own;

(2) That originates from beyond the boundaries of the described location; and

(3) That is physically on or in the insured building; or

b. Debris of the insured property anywhere.

If you perform the removal work, the value of your work will be based on the Federal minimum wage.

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, including:

(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 is subject to the following: 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 another 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 another 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 first 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 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 Coverage

A. 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:

1. Non-residential structures.

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

B. Limit of Liability.

\$20,000 is the maximum we will pay you for 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.

C. Eligibility.

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

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

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

(2) The structure has suffered flood damage on 2 occasions during a 10-year period which ends on the date of the second loss.

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

(4) 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

b. Be a structure that has had flood damage in which the cost to repair equals or exceeds 50% 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.

2. 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:

a. C.1.a. above.

b. 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.

c. 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.

3. 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.

4. 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 E.7. below relating to improvements.

5. 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.

D. Conditions.

1. 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.

2. 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.

E. Exclusions.

Under this Coverage D (Increased Cost of Compliance) we will not pay for:

1. The cost to comply with any floodplain management law or

ordinance in communities participating in the Emergency Program.

2. 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.

3. The loss in value to any insured building or other structure due to the requirements of any ordinance or law.

4. 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.

5. Any Increased Cost of Compliance under this Coverage D:

a. Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and

b. Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.

6. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.

7. 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.

8. Loss due to any ordinance or law that you were required to comply with before the current loss.

9. 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.

10. Increased Cost of Compliance for a garage or carport.

11. Any structure insured under an NFIP Group Flood Insurance Policy.

12. 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.

F. Other Provisions.

1. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the coinsurance requirement for replacement cost

coverage under VIII. General Conditions, V. Loss Settlement.

2. All other conditions and provisions of the policy apply.

IV. Property Not Covered

We do not cover any of the following:

1. Personal property not inside a 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 the Definitions Section (see 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, provided they are 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% 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. Swimming pools, hot tubs, spas, 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 Improvements Act of 1990 and amendments to these Acts.

16. 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.

17. 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;

6. The cost of complying with any ordinance or law:

a. 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

b. Requiring you or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effect of, any pollutant; or

7. Any other economic loss.

B. We do not insure a loss directly or indirectly caused by a flood that is 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 erosion and mudflows that are specifically covered under our definition of flood.

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) Failures, stoppages, 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 water-borne material that:
a. Backs up through sewers or drains; or

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

c. Seeps or leaks on or through insured property, unless the damaged insured property has been, at the same time, damaged by flood;

6. The pressure or weight of water unless the damaged insured property has been, at the same time, damaged by flood;

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. Discharge, dispersal, seepage, migration, release, or escape of pollutants;

9. Theft, fire, explosion, wind, or windstorm;

10. Anything that you or your agents do or conspire to do to deliberately cause loss by flood; or

11. Alteration of the insured property that significantly increases the risk of flooding.

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.

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 Coverage.

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% 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
(80% of replacement value is \$400,000)	
Required amount of insurance	\$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.

VIII. General Conditions

A. Pair and Set Clause.

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 which 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 flood 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 listed on the application is not eligible for coverage under the NFIP; or
- b. 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 re-enter the program during the policy term and before the loss occurred.

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 paragraph C.1.b. or paragraph C.1.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 paragraph 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.

Where 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 at any time.

2. If you cancel this policy, you may be entitled to a full or partial refund of premium under our applicable rules and regulations.

F. Non-Renewal 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. Your building has been declared ineligible under section 1316 of the Act.

G. Reduction and Restoration 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 amount of coverage resulting from the reduction described in 1. above can be restored 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 restore 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 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 (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 restored 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 of the date of our bill, we will restore 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 (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 restored 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 paragraph B. Concealment or Fraud and Policy Voidance above 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 your renewal notice was not placed into the U.S. Postal Service, or if it was mailed properly, it was prepared in such a way, e.g., with an incorrect, incomplete, or illegible address, as to delay 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 as 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 re-certify, 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.

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 as to 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 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 our 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 to complete it. However, this is a matter of courtesy only and you must still send us a proof of loss within sixty 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 an 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 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; and
 - d. Any written plans and specifications for repair of the damaged property that you can make reasonably available to us.

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 that 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 or within any extension of time allowed by the Administrator.

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 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 will then apply directly to the mortgagee. 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 non-renewal.

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 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. Where an 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 an 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 an insured building has been flooded continuously for 90 days, the provisions of this paragraph T.1. will apply as long as 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 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 contained in the Federal Emergency Management Agency's (FEMA) "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 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 your 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 Sec. 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 non-profit land trust organization receives the property as a donation, that organization must maintain the property as deed-

restricted, consistent with the provisions of 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.

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 paragraphs V.1.a., b., and c. below.

a. Replacement Cost Loss Settlement described in paragraph V.2. below applies to buildings.

b. Special Loss Settlement described in paragraph V.3. below applies to 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 paragraph 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.

The following loss settlement conditions apply to a manufactured home or a travel trailer, as defined in Section II—Definitions, B., paragraphs 6.b. and c.:

a. If such a manufactured home or travel trailer is at least 16 feet wide when fully assembled and has at least 600 square feet within its perimeter walls when fully assembled, and is totally destroyed or damaged to such an extent that, in our judgment, it is not

economically feasible to repair, at least to its pre-damaged 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.

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

4. Actual Cash Value.

a. The types of property noted below are subject to actual cash value loss settlement. "Actual cash value" is defined in II. Definitions.

(1) Personal property;

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

(3) Outside antennas and aerials, awning, and other outdoor equipment, all whether attached to the buildings or not;

(4) Carpeting and pads; and

(5) Appliances.

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

(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.

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 in 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.

Jo Ann Howard,
Administrator,

Federal Insurance Administration.
(Catalog of Federal Domestic Assistance
No. 83.100, "Flood Insurance")

Dated: May 18, 2000.

Jo Ann Howard,

*Administrator, Federal Insurance
Administration.*

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