

NATIONAL FLOOD INSURANCE PROGRAM

# CLAIMS MANUAL

OCTOBER 2021

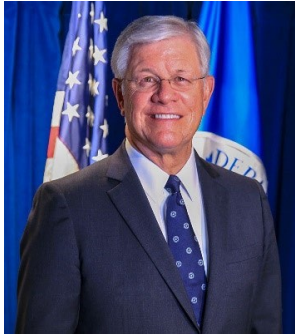


FEMA



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# Message to National Flood Insurance Program Claims Professionals



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Over the past several years, we at the Federal Emergency Management Agency (FEMA) have emphasized our commitment to our policyholders. This year, we are significantly transforming how we manage the National Flood Insurance Program (NFIP). This transformation will enable our partners, stakeholders, adjusters, and examiners, as claims professionals, to improve our policyholders' experience when they submit flood claims.

You represent the NFIP and our improved customer experience. You will likely be the first and maybe the only NFIP representative the policyholder engages with after a flood event. FEMA appreciates and depends on your continued expertise and compassion to help our policyholders recover from what may be a devastating experience.

I have been proud to observe quality adjusting while riding along on several loss adjustments. I respect how much time, effort, and care that claims adjusters put into serving our policyholders. It is a tough job entering dangerous spaces, dealing with potentially hazardous conditions, and meeting the needs of NFIP policyholders who are still processing the toll of a recent flood. I have seen firsthand just how tough this job is. Growing up, my father was a claims adjuster, and during my 20+ years as an agent, I became quite familiar with the challenges of settling property losses.

Of course, the continuing fight against COVID-19 is complicating these challenges, as is increasingly severe weather. A record-setting 30 named storms swept over the Atlantic during the 2020 hurricane season, leaving paths of destruction and flooding to add to more economic hardship. We at the NFIP have proactively adapted existing authorities to ensure the safety of policyholders, improve the program, and reduce disaster suffering. I believe FEMA's mission hinges on effectively reshaping what it means to build a culture of preparedness in an age of more intense and frequent weather events. The NFIP and our partners at all levels are uniquely positioned to gain new ground in making communities more resilient.

To that end, making things easier for customers and the professionals who serve them is essential. The NFIP is striving to make our products and processes easier to understand. We have rewritten our Claims and Underwriting Manuals in plain language so insurance professionals can offer policyholders consistent, reliable service. We have provided the flexibility of remote claims adjusting using time-tested methods without compromising quality. We have also implemented surveys on NFIP Direct claims that capture feedback from policyholders and adjusters, providing insights, trends, and improvement opportunities.

The goal of Risk Rating 2.0: Equity in Action is to deliver easy-to-understand premiums that are distributed more equitably across all policyholders based on the value of their home and individual property's flood risk. By addressing the current inequities, the new methodology puts the NFIP on solid financial footing by creating a more stable program that is accountable to taxpayers, more accurately reflects flood risk to both policyholders and non-policyholders, and helps disaster survivors recover faster after floods.

This is a transformational leap forward for the NFIP, the flood insurance industry, risk communications, and the resilience of individuals and communities nationwide. As a claims professional, you are pivotal in guiding policyholders through the NFIP policy lifecycle, including helping policyholders understand changes associated with the new pricing methodology.

Looking to the future, FEMA intends to become a world class organization through innovation and customer satisfaction. You can help by ensuring that all customers are treated equitably, adjusting each NFIP claim without unnecessary delay, and handling each claim as if it were for your own home or business. By delivering exemplary service to every customer, FEMA can increase customer satisfaction. Positive word-of-mouth to family, friends, neighbors, and the wider community regarding policyholders' claims experience can influence more individuals to purchase flood insurance.

I appreciate that you go the extra mile to make sure we treat our policyholders with integrity and respect, while ensuring they receive every dollar they are entitled to. Together we can help close the insurance gap and create more resilient communities. Thank you for representing the NFIP and supporting our policyholders.

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## Purpose

The purpose of the *NFIP Claims Manual* is to improve clarity of claims guidance to WYOs, vendors, adjusters, and examiners so that policyholders experience consistent and reliable service. The Manual provides processes for handling claims from the notice of loss to final payment.

All NFIP bulletins, other than those announcing event designation numbers, Flood Response Office locations, claims adjuster briefings, and current and future program changes, are superseded by this Manual and of no further effect.

**Disclaimer:** This document represents the current FEMA guidance on the covered topics and may assist NFIP insurers, adjusters, vendors, and policyholders apply applicable statutory and regulatory requirements, as well as the terms and conditions of the Standard Flood Insurance Policy. This document is not a substitute for applicable legal requirements, nor is it itself a rule. It is not intended to, nor does it impose, legally-binding requirements on any party, except where parties have voluntarily entered into an agreement requiring compliance with FEMA guidance. FEMA's discussion of any brand, trademark, or registered mark is not an endorsement.



## Introduction

### 1 National Flood Insurance Program

The National Flood Insurance Act of 1968 (Title XIII of the Housing and Urban Development Act of 1968, Public Law 90-448, codified as amended at 42 U.S.C § 4001 *et seq.*) created the NFIP. More broadly, the NFIP involves effective partnership between the federal government; the property and casualty insurance industry; state, local, tribal, and territorial governments; lending institutions; and property owners. The federal government develops and sets insurance rates, provides the necessary risk studies to communities, and establishes floodplain management criteria guiding construction in the floodplain.

Communities must adopt and enforce minimum floodplain management standards for new, substantially improved, and substantially damaged structures for the NFIP to provide insurance within their boundaries. Private insurance companies, under an arrangement known as the Write Your Own (WYO) program, sell and service federal flood insurance policies and retain part of the premium for their efforts. FEMA also sells and services federal flood insurance policies through the NFIP Direct Servicing Agent (NFIP Direct).

Whether written with a WYO company or the NFIP Direct, all NFIP policy forms are subject to the same guidance, rating methodology, and processes stated in the *NFIP Flood Insurance Manual* and *RR2.0 Flood Insurance Manual*.<sup>1</sup>

FEMA's Federal Insurance and Mitigation Administration (FIMA) implements a variety of programs authorized by Congress. The Federal Insurance Directorate (FID) manages the insurance aspects of the National Flood Insurance Program charged with administering flood insurance available under the NFIP.

### 2 Standard Flood Insurance Policy

FEMA must establish the terms and conditions of flood insurance coverage by regulation.<sup>2</sup> FEMA did this through the Standard Flood Insurance Policy (SFIP).<sup>3</sup> Therefore, NFIP insurers must use the SFIP. The SFIP defines the coverages, limitations, and exclusions for NFIP flood insurance policies and includes terms and conditions that are unique to the NFIP. The SFIP outlines flood insurance coverage for a one-year policy term under three different forms: the Dwelling Form,<sup>4</sup> the General Property Form,<sup>5</sup> and the Residential Condominium Building Association Policy (RCBAP) Form.<sup>6</sup>

**Table 1** shows when to use the three SFIP forms to insure a variety of residential and non-residential building and contents risks.

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1 Note that special procedures exist for the Group Flood Insurance Policy (GFIP), which is only available through the FEMA Individuals and Households Program following a major disaster declaration.

2 42 U.S.C. § 4013(a).

3 44 C.F.R. § 61.13 (2020); 44 C.F.R. pt. 61, App.A(1)-(3) (2020).

4 44 C.F.R. pt. 61, App. A(1) (2020).

5 44 C.F.R. pt. 61, App. A(2) (2020).

6 44 C.F.R. pt. 61, App. A(3) (2020).

**Table 1: Standard Flood Insurance Policy Forms**

SFIP FORM	ELIGIBLE POLICYHOLDERS	ELIGIBLE BUILDING OCCUPANCIES
Dwelling Form	Available to the following types of policyholders: <ul style="list-style-type: none"> <li>• Homeowner</li> <li>• Unit owner</li> <li>• Building owner</li> <li>• Residential renter</li> </ul>	In a regular program or emergency program community provides building or contents coverage for: <ul style="list-style-type: none"> <li>• Single-Family Home</li> <li>• Residential Manufactured/Mobile Home</li> <li>• Residential Unit</li> <li>• Two-to-Four Family Building</li> </ul> <b>Note:</b> The Dwelling Form also covers residential contents in a non-residential building insured under a separate policy from the building.
General Property Form	Available to the following types of policyholders: <ul style="list-style-type: none"> <li>• Building owner</li> <li>• Unit owner</li> <li>• Building or unit lessee</li> </ul>	In a regular program or emergency program community: <ul style="list-style-type: none"> <li>• Other Residential Building</li> <li>• Non-Residential Building</li> <li>• Non-Residential Manufactured/Mobile Building</li> <li>• Non-Residential Unit</li> </ul> <b>Note:</b> The General Property Form also covers nonresidential contents in a residential building insured under a separate policy from the building.
RCBAP	Issued to a residential condominium association on behalf of the association and unit owners	In a regular program community only: <ul style="list-style-type: none"> <li>• Residential Condominium Building</li> </ul> <b>Note:</b> The RCBAP covers contents owned by the condominium association for a residential condominium building with 75 percent or more of its total floor area in residential use.

### 3 Emergency and Regular Programs

#### 3.1 Emergency Program

The emergency program is the initial phase of a community's participation in the NFIP if no flood hazard information is available, or the community has a Flood Hazard Boundary Map (FHBM) but no Flood Insurance Rate Map (FIRM). A limited amount of flood insurance coverage is available for all residents of the community. The community must adopt minimum floodplain management standards to control future use of its floodplains. Communities convert to the regular program upon completion of a [flood elevation study](#) and issuance of a FIRM or a determination that the community has no special flood areas.

**Note:** A community's participation in the NFIP is based on an agreement between local communities and the federal government that states if a community will adopt and enforce a floodplain management ordinance to reduce future flood risks to new construction in special flood hazard areas, the federal government will make flood insurance available within the community as a financial protection against flood losses.

### 3.2 Regular Program

The community may join the regular program of the NFIP after FEMA completes a detailed engineering study for the community. The study allows FEMA to release the engineering-driven FIRM that provides flood data. The community must adopt or amend its floodplain management regulations to incorporate the new flood data contained in the FIRM. FEMA provides higher amounts of flood insurance coverage under the regular program than under the emergency program and charges new construction actuarial rates to reflect the risk of flooding.

For an up-to-date listing of communities, see the [NFIP Community Status Book](#).

## 4 Amounts of Insurance Available

Tables 2 and 3 show the maximum amounts of building and contents coverage for each property type, under the Emergency Program and Regular Program respectively. Policies may carry building coverage up to the lesser of:

- The building’s replacement cost value; *or*
- The maximum amount of coverage established by statute and regulation for each building occupancy as shown in **Table 2** and **Table 3**.

**Table 2: Maximum Coverage Limits in the Emergency Program<sup>7</sup>**

Property Type	Building Coverage	Contents Coverage
<b>Single-Family Dwelling</b>		
Single-Family Home	\$35,000	\$10,000
Residential Mobile/Manufactured Home	\$35,000	\$10,000
<b>Residential Unit</b>		
Residential Condominium Unit (in Residential Building)	\$35,000	\$10,000
All Other Building Descriptions	None	\$10,000
<b>Multi-Family Building</b>		
Two-to-Four Family Building	\$35,000	\$10,000
Other Residential Building	\$100,000	\$10,000
<b>Non-Residential</b>		
Non-Residential Building	\$100,000	\$100,000
Non-Residential Mobile/Manufactured Building	\$100,000	\$100,000
Non-Residential Unit	None	\$100,000

<sup>7</sup> If a residential condominium building is located in an emergency program community and ineligible for the residential condominium building occupancy and RCBP Form, see the *Flood Insurance Manual* for information regarding the building occupancy.

**Table 3: Maximum Coverage Limits in the Regular Program**

Property Type	Building Coverage	Contents Coverage
<b>Single-Family Dwelling</b>		
Single-Family Home	\$250,000	\$100,000
Residential Mobile/Manufactured Home	\$250,000	\$100,000
<b>Residential Unit</b>		
Residential Condominium Unit (in Residential Building)	\$250,000	\$100,000
All Other Building Descriptions	None	\$100,000
<b>Multi-Family Building</b>		
Two-to-Four Family Building	\$250,000	\$100,000
Other Residential Building	\$500,000	\$100,000
<b>Residential Condominium Building</b>		
Residential Condominium Building	Not to exceed the lesser of: <ul style="list-style-type: none"> <li>• The building's replacement value; <i>or</i></li> <li>• Total number of units multiplied by \$250,000</li> </ul>	\$100,000
<b>Non-Residential</b>		
Non-Residential Building	\$500,000	\$500,000
Non-Residential Mobile/Manufactured Building	\$500,000	\$500,000
Non-Residential Unit	None	\$500,000

## 5 Deductibles

**Table 4** shows the minimum deductibles available under the SFIP for building coverage and contents coverage, in the regular program communities.

**Table 4: Minimum Deductibles<sup>8</sup>**

Deductible Options: Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, Two-to-Four Family Building				
Standard Options Building Coverage				Contents Options
Building Coverage of \$100,000 or less	Building Coverage over \$100,000	Building Coverage of \$100,000 or less	Building Coverage over \$100,000	Contents Coverage of Any Amount
\$1,000	\$1,250	\$1,500	N/A	\$1,000

**NOTE**

- 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, the deductible amount will be two times the deductible that would otherwise apply to a completed building.
- There are no special deductibles for hurricanes under any SFIP.

Refer to the [Flood Insurance Manual](#) Section 3.II.D.3. for more information on deductibles, including maximum and optional deductibles.

## 6 Group Flood Insurance Policy

A Group Flood Insurance Policy (GFIP) is issued by the NFIP Direct Program in response to a presidential disaster declaration. The GFIP is an insurance certificate covering all individuals named by a state as recipients under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288 § 408, 42 U.S.C. § 5174) (Stafford Act). Disaster assistance applicants, in exchange for a modest premium, receive a minimum amount of building or contents coverage for three-year policy period.

**Table 5: GFIP Policy Details**

Section	Details
GFIP	The GFIP is the SFIP Dwelling Form with the same provisions, restrictions, exclusions and limitations in coverage, except: <ul style="list-style-type: none"> <li>• FEMA established by regulation separate deductibles of \$200 each to any building or personal property loss.</li> <li>• The deductible does not apply to the SFIP Section III.C.2. Loss Avoidance Measures, or Section III.C.3. Condominium Loss Assessments Coverage.</li> </ul>

<sup>8</sup> 44 C.F.R. § 61.5 (2020).



Section	Details
Coverage Amount	The amount of coverage is equivalent to the maximum grant amount established under section 408 of the Stafford Act (42 U.S.C. § 5174), which FEMA determines annually. <sup>9</sup> As of the publication of this Manual, the GFIP certificate holder has the choice of whether to use the funds solely for building damages, solely for personal property damages, or for a combination of building and personal property.
Insured Property	The GFIP is the SFIP Dwelling Form as modified by regulation. <sup>10</sup> The GFIP covers a building or personal property that is owned by a GFIP certificate holder.
Increased Cost of Compliance	There is no Increased Cost of Compliance (ICC) coverage under the GFIP.
Replacement Cost Coverage	As a result of the <a href="#">Disaster Recovery Reform Act of 2018 (DRRA)</a> , section 1212 (Expanded Individuals and Households Assistance), a GFIP certificate holder may qualify for replacement cost coverage if they meet the eligibility requirements in the SFIP, Dwelling Form, VII. R. There are no special terms in the GFIP regarding RCV eligibility. If it is the certificate holder's principle residence and the building is insured up to 80 percent or more of the RCV, they may receive replacement cost coverages as stated in the Dwelling Form, see Section VII. General Conditions, R. Loss Settlement.
Term	The term of the GFIP is for 36 months and begins 60 days after the date of the disaster declaration. <sup>11</sup> Coverage for individual grantees begins on the thirtieth day after NFIP Direct receives the required data for individual grantees and their premium payments. <sup>12</sup> The NFIP Direct will send a Certificate of Flood Insurance to each individual under the GFIP. <sup>13</sup>
Cancellation	By regulation, FEMA has established that Section VIII. Policy Nullification, Cancellation, and Non-Renewal, C. Cancellation of the Policy by You, does not apply to the GFIP. <sup>14</sup> Accordingly, a GFIP certificate holder cannot cancel their GFIP. However, at any time during the term of the GFIP, a certificate holder may purchase a SFIP and thereby void their GFIP certificate. Upon the purchase of an SFIP, the group flood certificate becomes void, and the NFIP does not refund the GFIP premium.  The amount of coverage purchased must be at least the same amount of assistance that was awarded. FEMA will not apply a waiting period to the SFIP provided the certificate holder purchases the SFIP within 30 days of the GFIP's expiration date.
Renewal	By regulation, FEMA has established that Section VII. General Conditions, E. Policy Renewal, does not apply to the GFIP. Accordingly, a GFIP certificate holder cannot renew their GFIP. <sup>15</sup> NFIP Direct will send a notice to the GFIP certificate holders approximately 60 days before the end of the 36-month term of the GFIP. FEMA's notice encourages GFIP certificate holders to obtain the flood insurance coverage necessary to maintain future disaster assistance eligibility. <sup>16</sup>

<sup>9</sup> 44 C.F.R. § 61.17(c) (2020); 42 U.S.C. § 5174(h) (setting the limit at \$25,000 with an annual adjustment). See <https://www.federalregister.gov/documents/2020/11/02/2020-24235/notice-of-maximum-amount-of-assistance-under-the-individuals-and-households-program> for the current grant amount for Fiscal Year 2020, setting \$36,000 for housing assistance and \$36,000 for other needs assistance.

<sup>10</sup> 44 C.F.R. § 61.17(g) (2020).

<sup>11</sup> 44 C.F.R. § 61.17(d) (2020).

<sup>12</sup> 44 C.F.R. § 61.17(e) (2020).

<sup>13</sup> 44 C.F.R. § 61.17(f) (2020).

<sup>14</sup> 44 C.F.R. § 61.17(g)(2) (2020).

<sup>15</sup> 44 C.F.R. § 61.17(g)(3) (2020).

<sup>16</sup> 44 C.F.R. § 61.17(h) (2020).

## 7 Disaster Response

Every year, disasters put millions of Americans in danger and cause billions of dollars of property damage. FEMA is always ready, helping communities reduce their risk, helping emergency officials prepare for all hazards, and assisting our insured survivors on their road to recovery. The following paragraphs describe FEMA's field presence following a flood disaster.

### 7.1 FEMA Joint Field Office

The FEMA Joint Field Office (JFO) is a multiagency coordination center that is a temporary federal facility established close to a disaster or a multi-state event. FEMA may establish JFOs that function as central points for federal, state, local, and tribal executives with responsibility for incident oversight, direction, or assistance to coordinate protection, prevention, preparedness, response, and recovery actions.

In addition, when the President declares a major disaster, the declaration will appoint a Federal Coordinating Officer (FCO). The FCO will manage federal resource support activities following a presidential disaster or emergency declaration under the Stafford Act. The FCO is responsible for coordinating the timely delivery of federal disaster assistance resources and programs to the affected State, local, and tribal governments, individual victims, and the private sector.

Federal Insurance assists the JFO in several capacities pre- and post-disaster. It oversees and coordinates response efforts between other divisions of FEMA and the NFIP to ensure the execution of flood response activities. In the event of multiple incidents, multiple JFOs may be established.

### 7.2 NFIP Direct Field Offices

#### A. Adjuster Control Office

NFIP Direct establishes the Adjuster Control Office, either on-site or virtual, following a major flood event to control the assignment and coordination of NFIP Direct claims, including the GFIP, and Severe Repetitive Loss (SRL) policies.

#### B. Integrated Flood Insurance Claims Office

NFIP Direct may establish an on-site or virtual Integrated Flood Insurance Claims Office following a major flooding event to process NFIP Direct flood claim payments. Examiner staff and general adjuster (GA) staff assist flood adjusters, agents, and policyholders in the handling of NFIP Direct flood claims.

#### C. FEMA Flood Response Office

FEMA may establish a Flood Response Office (FRO) to provide a local NFIP presence, or a Virtual Flood Response Office (VFRO) depending on need, as a base of operations during a flood event. General Adjusters who work directly for the NFIP (NFIP GAs) provide staff to support our industry partners including WYO companies, the NFIP Direct, NFIP insurance adjusters and firms, as well as FEMA. FRO activities are conducted in cooperation with other government operations, including JFOs.

Major activities performed when a FRO is established may include the following:

- Conduct on-site or remote flood surveys assessing the severity of damage to buildings, contents, documenting water depths, damage to infrastructure (accessibility to roads, down power lines, etc.).
- Coordinate with WYO companies and the NFIP Direct to provide guidance on the scope of coverage.
- Provide special assists on loss adjustments.
- Educate and inform the insured public, agents, adjusters, WYOs, and state and federal officials in matters related to the NFIP's total catastrophic response procedures through the distribution of notices, NFIP material, and attendance and in coordination with the JFO, such as attending Speaker Bureau community meetings with disaster survivors and local and state officials.
- Perform Random Claims Quality Checks (RCQC), and perform claim troubleshooting activities.

For a small event, FEMA may establish a satellite office.

### 7.3 Adjuster Briefings

The GAs and FEMA conduct in-person or virtual adjuster briefings immediately after major storms. These briefings inform independent adjusters, adjusting firms, and WYO company claims examiners about challenges unique to the region, known construction issues, adjuster registration, community and state ordinances, and related topics. FEMA posts the date, time, and location of the briefings at <https://nfipservices.floodsmart.gov>.

## 8 Claims Professionals Expectations

FEMA expects claim professionals who handle NFIP losses to adopt FEMA's core values of **compassion**, **fairness**, **integrity**, and **respect**.

### 8.1 FEMA Core Values

#### A. Compassion

Be empathetic to the stressful circumstances the policyholder may be experiencing and your crucial role in helping their recovery. Every interaction with the policyholder is an opportunity to cultivate a relationship.

#### B. Fairness

Strive to achieve principled, well-reasoned, and just outcomes in the execution of all claims, and adjust each claim fairly and without unnecessary delay, bias, or preference.

#### C. Integrity

Integrity is the foundation of all our actions and is central to our conduct. Maintain the highest standards of integrity by creating a culture of honesty, consistency, and predictability. Trust is the earned result of conducting our actions with integrity. Failure to adhere to the highest standards reflects poorly on the NFIP.

## D. Respect

Treat all policyholders with dignity and respect. This is not only important, but it is also their right.

## 8.2 Customer Service Standards

### A. Be Professional

FEMA expects that claims professionals:

- Know the unique reporting requirements of the NFIP;
- Communicate the coverage and limitations to policyholders during the inspection;
- Adjust all claims in compliance with the SFIP, this *Claims Manual*, and any applicable bulletin issued by FEMA after publication of this Manual;
- Help the policyholder document their loss as completely and accurately as reasonably possible;
- Respond promptly to all inquiries, be available to answer questions, update the policyholder about the status of their claim, and present clear and correct information about their claim;
- Include all allowances payable in the policy in the estimate. NFIP coverage differs from other insurance policies; therefore, claims professionals may need to spend additional time addressing differences with the policyholder;
- Explain coverage early in the claim process in a clear manner. For example, post-FIRM elevated building and basement coverage can confuse the policyholder and require additional explanation;
- Set reasonable expectations with the policyholder and ensure that they understand what is required to complete the adjustment of their claim; *and*
- Be considerate of the policyholder's time, keep appointments, and honor their commitments.

### B. Be Prepared

FEMA expects claims professionals to:

- Have their resources on hand and understand all three SFIP forms (Dwelling, General Property, and RCBAP). Policies written under the GFIP will only be assigned to adjusters by NFIP Direct. All claims professionals must have a good command of the SFIP and its application of coverages so they can successfully support the policyholder;
- Ensure adjusting software is calibrated correctly for the geographic area where the loss occurred and that it accounts for post-disaster and property-specific issues;
- Offer an advance payment to the policyholder with an eligible claim and always check for new guidance on [advance payments](#); *and*
- Know when to engage [outside professional services](#) on adjustments and, when necessary, seek the appropriate authorization in a timely manner.

### C. Be Compassionate

FEMA expects:

- Claims professionals must remember that the flood loss may create a traumatic experience and response by the policyholder. Claims professionals often work with people under stress and should recognize this and create a positive policyholder claims experience.
- Claims professionals should be flexible based on the circumstances affecting the policyholder. This may mean making reasonable changes to accommodate the needs of the policyholder when it comes to inspecting the loss, discussing the claim, and returning phone calls and emails.

## 9 NFIP Adjuster Participation

In addition to the expectations set out in the prior section, FEMA knows that adjusters are the face of the NFIP to our policyholders. Adjusters will likely be the first, and perhaps the only, NFIP representative a policyholder meets after a flood. The NFIP depends on the adjusters' expertise and compassion to help our policyholders recover from what may be a devastating experience for them.

The adjuster collaborates with the claims examiner to guide a policyholder through the NFIP claims process.

### 9.1 Role of the Adjuster

FEMA expects every adjuster handling NFIP flood losses:

- To explain the policy to the policyholder and make recommendations to the insurer;
- To communicate to the policyholder that the adjuster does not have the authority to approve or deny a claim;
- To understand that all adjustments are only recommendations subject to review by the NFIP insurer;
- Adjust all claims in compliance with the SFIP, this *Claims Manual*, and any applicable bulletin issued by FEMA after publication of this Manual;
- To review and explain the building estimates and proactively assist policyholders with the contents claim and proof of loss; *and*
- To help the policyholder to document their loss as completely and accurately as reasonably possible.

Adjusters must adhere to the WYO company's reporting procedures and guidelines for whom they received loss assignments and forward any questions requiring clarification through the WYO company's internal chain of command.

### 9.2 NFIP Knowledge

FEMA expects every adjuster handling NFIP flood losses to follow the guidance provided in this *Claims Manual* and be knowledgeable of the provisions, exclusions and restrictions of the SFIPs. If additional guidance is needed the adjuster should ask whether an NFIP bulletin was published



providing policy and claim clarifications issued after Manual publication. NFIP Bulletins are located at <https://nfipservices.floodsmart.gov>, under the Industry Resources link.

**Note:** FEMA recommends that adjusters and claims examiner subscribe to the WYO Clearinghouse Bulletin Subscription distribution list located at [NFIPWYOMailbox@fema.dhs.gov](mailto:NFIPWYOMailbox@fema.dhs.gov).

### 9.3 Required NFIP Adjuster Registration for Independent Adjusters

In order to adjust flood losses for the NFIP, independent adjusters must (1) register with the NFIP and (2) possess an active Flood Control Number (FCN). To receive an FCN, an independent adjuster must possess the requisite qualifications and attend an annual NFIP claims presentation. These claims presentations keep the adjusting community current on NFIP claims procedures and guidance.

### 9.4 Adjuster Qualifications

The NFIP requires independent adjusters to possess certain qualifications in order to adjust different property types. FEMA will verify these credentials prior to issuing an FCN to an adjuster. **Table 6** details what types of properties an adjuster can adjust for a given level of expertise.

**Table 6: Adjuster Qualifications**

Property Type	Registration Requirements
Residential, Manufactured Home, Travel Trailer, and Commercial Losses	<ul style="list-style-type: none"> <li>• Have at least four years of full-time property loss adjusting experience.</li> <li>• Be capable of preparing an accurate scope of damage and dollar estimate to \$50,000 for manufactured homes and travel trailers, \$250,000 for residential losses, and up to \$500,000 for commercial losses.</li> <li>• Attend the annual NFIP claims presentation.</li> <li>• Demonstrate knowledge of the SFIP and NFIP adjustment criteria for all policy forms.</li> <li>• Have knowledge of manufactured home and travel trailer construction and valuation.</li> </ul>
Large Commercial and RCBAP Losses	<ul style="list-style-type: none"> <li>• Have at least five years of full-time large-loss property adjusting experience.</li> <li>• For large commercial losses, be capable of preparing an accurate scope of damage and dollar estimate of \$500,000 or more.</li> <li>• For RCBAP, be capable of preparing an accurate scope of damage and dollar estimate of \$1,000,000 or more.</li> <li>• Provide written recommendations from three insurance company supervisors or claims management personnel. The recommendations must reflect the adjusting experience only.</li> </ul>

### 9.5 Adjuster Registration Process

#### A. NFIP

The NFIP issues FCNs and maintains a database of active and inactive independent flood adjusters. The NFIP maintains attendance records (including date and location) for its

annual NFIP claims presentations, as well as attendance at any FEMA-approved claims presentations conducted by independent adjusting firms or WYO companies.

## B. Adjuster Registration

The [Adjuster Registration Application](#) contains five registration categories. Adjusters may register for any or all categories for which they satisfy the qualification requirements. The categories are:

- Residential;
- Manufactured (Mobile) Home/Travel Trailer;
- Small Commercial (<\$100,000);
- Large Commercial (\$100,001 – \$500,000); *and*
- Condominium (RCBAP).

New applicants and adjusters seeking to add categories to their existing registration must submit a completed Adjuster Registration Application to the NFIP via any of the following methods:

E-mail: [NFIPAdjusterMailbox@fema.dhs.gov](mailto:NFIPAdjusterMailbox@fema.dhs.gov)

Mail: NFIP, PO Box 310, Lanham, MD 20703-0310

Adjusters in active status do not need to submit an application. The NFIP will automatically renew active adjusters when they attend the annual NFIP claims presentation.

FEMA will notify new adjusters and adjusters seeking to add a category to their classification whether FEMA approves or denies their application. This notification will occur by email. Adjusters approved or renewed by FEMA will additionally receive their FCN card via email.

**Important:** Adjusters who do not attend an annual NFIP claims presentation become inactive. Inactive adjusters cannot adjust flood claims until they attend an approved NFIP claims presentation and are reactivated by FEMA and will maintain their original FCN.

## 9.6 Independent Adjuster Registration and Code of Conduct

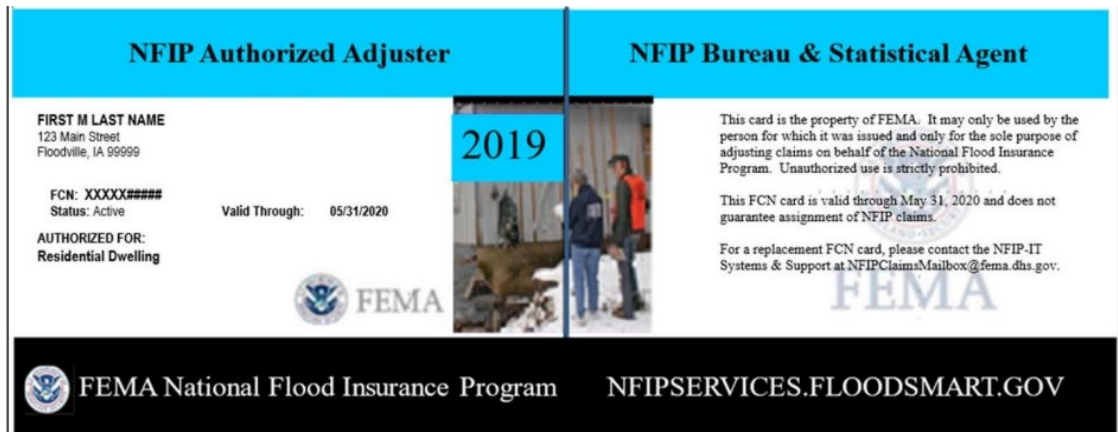
### A. Adjusting Claims on Behalf of the NFIP under the Flood Adjuster Capacity Program (FACP)

Adjusters registered under the Flood Adjuster Capacity Program (FACP) must have a FCN to work flood claims for FEMA. Adjusters may only perform flood claim inspections in the categories displayed on their FCN cards. See **Figure 1**. Through the FACP, the NFIP establishes a pool of registered adjusters for its stakeholders. The FACP classifies adjusters into levels based on a set of criteria. The intent of the FACP is to attach a measure of competence at each level, establish levels of required supervision, and to accommodate the NFIP's ability to surge based on the needs of its partners at the time of a disaster.

FACP allows their external stakeholders to customize their training, supervision, and oversight, which allows them to qualify adjusters to meet needs specific to a flood event, the insurer, the adjusting firms, or to the individual adjuster. While FACP allows for

customization, FEMA expects that all of its partners will handle NFIP claims consistently with the NFIP standards and expectations, a customer-focused quality claim handling experience. To this end, FACP requires there be (1) training, (2) documented adjuster performance, (3) active supervision, and (4) operational oversight.

Figure 1: Sample FCN Card



FCN cards are the property of FEMA, it may only be used by the person to whom it was issued and only for the sole purpose of adjusting claims on behalf of the NFIP.

## B. Code of Conduct

Individuals handling NFIP claims will maintain the highest standards of honesty, impartiality, character, and conduct to ensure the proper performance of NFIP business and the continued trust and confidence of the NFIP policyholders. Adjusters must conduct themselves with courtesy and integrity, a deep sense of responsibility for policyholder trust, and promptness in dealing with and serving the policyholder. Adjusters will display a standard of professional behavior that reflects positively upon and will be a credit to both themselves and the NFIP.

FEMA does not accept any professional conflict of interest. Any independent adjuster or adjusting firm who performs work on behalf of the NFIP, or who is registered in the FACP, may not work in any capacity that provides support, inspections, consulting, or estimating, for or as a public adjuster (licensed or not), or provide representation adverse to the NFIP. Adjusters also may not adjust claims for a property in which the adjuster (or immediate family member) owns an interest, nor can an adjuster accept any money from a third party to steer business to a specific firm or individual. Adjusters and adjusting firms may not accept monetary or non-monetary incentives from policyholders. If a conflict is identified, an adjuster's registration will be deferred for one year to ensure interests have ended and will not reoccur. In addition, the use of the FCN for any purpose other than adjusting a flood insurance claim on behalf of an NFIP insurer (WYO companies and NFIP Direct) is improper and may result in immediate suspension or revocation of the FCN. FEMA may refer to improper usage of the FCN to investigators as necessary to protect the integrity of the NFIP.

### C. Complaint Handling

FEMA will investigate all complaints asserting a violation of the Code of Conduct to confirm the validity of the complaint. WYO companies, NFIP Direct, and adjusting firms also have an obligation to protect the integrity of the NFIP. When a WYO company, NFIP Direct, or adjusting firm becomes aware of a violation, they must conduct an internal investigation. If a violation is confirmed, they will immediately notify FEMA and provide all supporting documentation, including their findings and recommendations. If FEMA determines that there was a violation of the NFIP's Code of Conduct, FEMA will act to revoke the FCN for a period of one year or longer and provide notification to the adjuster.

Documentation should be mailed to:

NFIP, Attn: Adjuster Registration  
Post Office Box 310  
Lanham, MD 20706;

Or send via email to: [NFIPAdjusterMailbox@fema.dhs.gov](mailto:NFIPAdjusterMailbox@fema.dhs.gov).

## 9.7 NFIP Fee Schedule

FEMA publishes an NFIP Adjuster Fee Schedule against which it reimburses adjusting expenses incurred by the WYO companies and NFIP Direct:

- Current Adjuster Fee Schedule effective August 24, 2017 ([Appendix A](#)).
- For ICC claims, use the ICC fee schedule effective September 1, 2004 ([Appendix B](#)).

### A. Gross Loss

The Adjuster Fee Schedule sets compensation amounts based on the claim's gross loss, which is the agreed cost of repair before application of depreciation, deductible, or other limiting causes or conditions. The gross loss applies to covered flood damage only and must not exceed all limits and sublimits contained within the SFIP.

### B. Increased Cost of Compliance (ICC) Claims

For Increased Cost of Compliance claims, use the [ICC Fee Schedule](#) whether the claim is paid or closed without payment

## 10 Examiner Participation in the NFIP

FEMA's goal is to ensure that claims professionals handle each claim fairly, without unnecessary delay, and to see that everyone involved in the flood claim process treats each policyholder with respect and empathy.

NFIP insurers have the authority to act on behalf of the NFIP to examine claims, make coverage decisions, and communicate the NFIP's position to policyholders. How the examiner handles their oversight of flood claims can positively influence the customer experience. The examiner must be knowledgeable of the NFIP, stay up to date on program guidance, and be compassionate about the situations that policyholders are facing. The examiner can help NFIP policyholders recover from what may be a devastating experience for them by being responsive to policyholder

inquiries, proactively examining reports, timely issuing payments, and providing appropriate and professional communications.

Examiners work with the adjuster to guide policyholders through the entire NFIP claims process – from the first notice of loss to their final claim determination. By sharing and communicating their knowledge of the SFIP to the policyholder, claims examiners can help policyholders understand the key actions necessary to smooth out the claims journey.

## 10.1 Authority

Examiners are the claims administrators of the NFIP insurers. Accordingly, they have the authority to pay claims and to make and confirm coverage determinations, and to deny coverage when appropriate. Examiners should provide guidance to adjusters as needed.

FEMA expects every examiner handling NFIP flood losses to:

- Understand their first obligation to a policyholder is to identify coverage under the SFIP;
- Seek comprehensive reports from adjusters allowing the examiner to resolve claims with accuracy and efficiency;
- Understand their payment decisions must be in accordance with the SFIP; *and*
- In addition, FEMA encourages but does not require WYO examiners handling flood claims to attend an annual NFIP claims presentation.

## 10.2 Responsibilities

Claims examiner responsibilities include:

- Adjuster assignment;
- Managing the claim file, including:
  - Issuing advance payments;
  - Resolving rating issues and coverage issues with their underwriting department;
  - Overseeing adjusters to ensure timely reporting of settlement recommendations;
  - Recommending and hiring experts; *and*
  - Issuing proper payments;
- Claims reporting and forms management including:
  - Pivot (NFIP system of record) reporting; *and*
  - Proper expense payments;
- Communicating with policyholders, including:
  - Partial and full denial letters; *and*
  - Other communications, as necessary.

## 10.3 Knowledge of the NFIP

FEMA expects every examiner handling NFIP flood losses to:

- Know the provisions of the three forms of the SFIP and the GFIP;
- Know this *Claims Manual*;

- Communicate coverage and limitations to policyholders; *and*
- Oversee all flood claims in compliance with these provisions.

## 11 Training for Claims Professionals

In 2016, FEMA encouraged independent adjusters to take a series of claims-specific online independent study courses offered through its Emergency Management Institute (EMI). See [NFIP Bulletin w-16005](#) (archived).

Since then, FEMA has undertaken a multi-year transformation of its flood insurance program, including recent regulatory updates to the Standard Flood Insurance Policy forms and the introduction of new pricing methodology, known as Risk Rating 2.0: Equity in Action. Accordingly, the modules require significant, substantive revisions and should not be relied upon as a training tool. FEMA has therefore removed the EMI claims modules from the *Claims Manual*.

### 11.1 Annual NFIP Claims Presentations

NFIP claims presentations keep the insurer, examiners, and the adjusting community current on claims procedures and guidance required to adjust or oversee losses under the three forms of the SFIP and the GFIP. FEMA does not charge a fee to attend the presentations, but you must register prior to attending. [Click here](#) to sign up for NFIP adjuster training emails.

### 11.2 Other Training

#### A. Associate in National Flood Insurance (ANFI)

Claims outside may obtain the designation through the American Institute for Chartered Property Casualty Underwriters, The Institutes, Risk & Insurance Knowledge Group. There may be a cost associated with the ANFI designation that is not borne by the NFIP. An ANFI designation is not required by FEMA to handle NFIP claims, and we do not endorse or control the course content.

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## Section 1: SFIP Forms

### Overview

NFIP insurers may only use the Standard Flood Insurance Policy (SFIP) established by FEMA in federal regulation to adjust NFIP claims.<sup>17</sup> The SFIP defines the coverages, limitations, and exclusions for the NFIP flood insurance policies and included terms and conditions that are unique to the NFIP. The SFIP outlines flood insurance coverage for a one-year policy term under three different forms:

- Dwelling Form<sup>18</sup>
- General Property (GP) Form<sup>19</sup>
- Residential Condominium Building Association Policy (RCBAP) Form.<sup>20</sup>

FEMA updated the SFIP forms in conformance with the requirement stipulated in the final rule FEMA published in July 2020, “Conforming Changes to Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language,” available in the [Federal Register](#). All forms are effective as of October 1, 2021.

**Note:** The rule includes regulatory changes. The majority of the changes clarify and codify existing practice, policy, or processes and improve readability and uniformity.

This Manual will detail coverages for each of the three forms. The following tables include the actual policy language in the left columns, with commentary in the right columns.

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<sup>17</sup> See 44 C.F.R. § 62.4(a) (2020) (requiring use of SFIP for NFIP Direct); *id.* § 62.23(c)-(d) (requiring use of SFIP for WYO Companies).

<sup>18</sup> 44 C.F.R. pt. 61, App. A(1) (2020).

<sup>19</sup> 44 C.F.R. pt. 61, App. A(2) (2020).

<sup>20</sup> 44 C.F.R. pt. 61, App. A(3) (2020).



## 1 Dwelling Form

Please read the policy carefully. The flood insurance provided is subject to limitations, restrictions, and exclusions.

I. AGREEMENT	
Policy Language	Additional Explanation
<p><b>A.</b> This policy insures the following types of property only:</p> <ol style="list-style-type: none"> <li>1. A one to four family residential building, not under a condominium form of ownership;</li> <li>2. A single-family dwelling unit in a condominium building; <i>and</i></li> <li>3. Personal property in a building.</li> </ol>	N/A
<p><b>B.</b> The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations.</p>	This policy is under federal law, unlike other property lines. Relevant definition of Act at II.C.1.
<p><b>C.</b> We will pay you for direct physical loss by or from flood to your insured property if you:</p> <ol style="list-style-type: none"> <li>1. Have paid the full amount due (including applicable premiums, surcharges, and fees);</li> <li>2. Comply with all terms and conditions of this policy; <i>and</i></li> <li>3. Have furnished accurate information and statements.</li> </ol>	Relevant definition of Direct Physical Loss By or From Flood at II.C.14 (direct physical loss). Policyholder requirements in case of a loss appear at VII.G.
<p><b>D.</b> We have the right to review the information you give us at any time and revise your policy based on our review.</p>	Post-loss underwriting information appears at VII.D.
<p><b>E.</b> This policy insures only one building. If you own more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application.</p>	Relevant definition of Application at II.C.3.
<p><b>F.</b> Subject to the exception in I.G below, multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if separate policies were issued through different NFIP insurers. Payment for damages may only be made under a single policy for building damages under Coverage A– Building Property.</p>	N/A
<p><b>G.</b> A Dwelling Form policy with building coverage may be issued to a unit owner in a condominium building that is also insured under a Residential Condominium</p>	No more than \$250,000 may be paid in combined benefits under Coverage A– Building Property for a single unit under the Dwelling Form and the RCBAP.

I. AGREEMENT	
Policy Language	Additional Explanation
Building Association Policy (RCBAP). However, no more than \$250,000 may be paid in combined benefits for a single unit under the Dwelling Form policy and the RCBAP. We will only pay for damage once. Items of damage paid for under an RCBAP cannot also be claimed under the Dwelling Form policy.	Insureds may not claim the same damaged items under more than one policy. The NFIP will only pay for damaged items under one policy.

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>A.</b> In this policy, “you” and “your” refer to the named insured(s) shown on the Declarations Page of this policy and the spouse of the named insured, if a resident of the same household. Insured(s) also includes: Any mortgagee and loss payee named in the Application and Declarations Page, as well as any other mortgagee or loss payee determined to exist at the time of loss, in the order of precedence. “We,” “us,” and “our” refer to the insurer.</p> <p>Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases.</p>	<p>Relevant definition of Declarations Page appears at II.C.11.</p> <p>Relevant definition of Application appears at II.C.3. Mortgage clause appears at VII.N.</p>
<p><b>B. Flood</b>, as used in this flood insurance policy, means:</p> <ol style="list-style-type: none"> <li>1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from: <ol style="list-style-type: none"> <li>a. Overflow of inland or tidal waters;</li> <li>b. Unusual and rapid accumulation or runoff of surface waters from any source;</li> <li>c. Mudflow.</li> </ol> </li> </ol>	<p>For a general condition of flood to exist, the inundation must cover two or more acres of normally dry land or two or more parcels of land, one of which can be public property (such as a roadway).</p> <p>The phrase “partial or complete inundation of two or more acres of normally dry land area or of two or more properties” means that the two or more acres must be continuous acres, and that the two or more inundated parcels of land must touch.</p> <p>Relevant definition of Mudflow appears at II.C.20. Note: a mudflow is a flow of liquified mud comprised of fine earthen materials (soil) with water that overflows the banks of a waterbody and can also be a flow of heavier earthen materials like gravel, rocks, boulders, and other debris. Various sources such as media, state geologists, or engineers may refer to an event as mudslide or debris flow. No matter what the event is called or by whom, the facts of the event must show it meets the definition of flood.</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p>2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in B.1.a above.</p>	<p>The phrase “as defined in B.1.a above” means that the collapse or subsidence as set forth in the definition must occur during a flood from the overflow of inland or tidal waters.</p> <p>The SFIP does not cover damage from any other cause, form, or type of earth movement or gradual erosion. See Exclusions at V.C.</p>
<p><b>C. The following are the other key definitions we use in this policy:</b></p>	
<p>1. <b>Act.</b> The National Flood Insurance Act of 1968 and any amendments to it.</p>	See I.B.
<p>2. <b>Actual Cash Value.</b> The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.</p>	N/A
<p>3. <b>Application.</b> 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.</p>	<p>The statement made and signed by the prospective policyholder or the agent when applying for a policy. The application contains information including the property description, information to determine eligibility, the policy form selected, the selected coverage and limits, deductible, and the premium amount.</p> <p>Relevant definition of you, your, and we appears at II.A. Relevant definition of Policy appears at II.C.22.</p>
<p>4. <b>Base Flood.</b> A flood having a one percent chance of being equaled or exceeded in any given year.</p>	<p>The Base Flood Elevation (BFE) is shown on the FIRM for Zones AE, AH, A1–A30, AR, AR/A, AR/AE, AR/A1–A30, AR/AH, AR/AO, V1–V30, and VE. It is no longer collected for rating, but the SFIP policy forms still reference BFE in defining a building’s eligibility for NFIP coverage when partially underground or under construction.</p>
<p>5. <b>Basement.</b> Any area of a building, including any sunken room or sunken portion of a room, having its floor below ground level on all sides.</p>	<p>The SFIP definition for a basement means the floor level of a room or any area of a floor level in a building that is below the ground level on all sides. Relevant definition of Building appears at II.C.6.</p> <p>The SFIP definition of a basement may differ from what policyholders consider as their “basement.” The SFIP considers a sunken room or sunken portion of a room to be a basement if the floor level is below the ground level on all sides. Further, the entire below-ground-floor-level area, including walls and the ceiling that may extend above grade, is subject to basement coverage limitations.</p>

Figure 2: Sunken Room



Photo: Amber Flooring

Ground level is the surface of the ground immediately along the perimeter of the building. If an exterior area of egress out of the building is below the ground level on all sides, it is a basement.

Figure 3: Ground Level vs. Below Ground Level



Figure 4: Egress



II. DEFINITIONS	
Policy Language	Additional Explanation
	<p>The insurer may need to engage a qualified, licensed professional (for example: a surveyor) to measure the floor level in question. See Section 2 <a href="#">Guidance on the Use of Outside Professional Services</a> of this Manual.</p> <p>Sump wells are not basements because they are not a floor level.</p>
<p><b>6. Building</b></p> <p>a. A structure with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site;</p> <p>b. A manufactured home, also known as a mobile home, is a structure: built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation; or</p> <p>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.</p> <p>Building does not mean a gas or liquid storage tank, shipping container, or a recreational vehicle, park trailer, or other similar vehicle, except as described in C.6.c above.</p>	<ul style="list-style-type: none"> <li>• The SFIP insures a building, manufactured home, or travel trailer located at the described location, as shown on the Declaration Page. The SFIP can only insure one building per policy.</li> <li>• A manufactured home is assembled off-site and towed to a location in one or more sections. See 44 C.F.R. § 59.1.</li> <li>• A mobile home is constructed before June 15, 1976.</li> <li>• A travel trailer is similar to a manufactured home but generally smaller. It is movable because it has a tow hitch and can be pulled behind a vehicle. For eligibility under the SFIP, a travel trailer must have all wheels removed. A self-propelled recreational vehicle (RV), also known as a motor home, is not a building and is not eligible for insurance under the SFIP.</li> <li>• A travel trailer must be installed and regulated under the community’s floodplain management building ordinances or laws for eligibility under the SFIP. A travel trailer installed outside of these regulations and ordinances or laws, for example in a recreational camping park (i.e., park trailer), is not eligible for coverage under the SFIP.</li> <li>• A storage or shipping container, whether used as a shed, storage, or place to live, must meet the definition of building for eligibility under the SFIP.</li> <li>• “Affixed by weight” does not mean affixed to a permanent site in the context of the SFIP definition of building. A building meets the criteria of “affixed to a permanent site,” if, for example, it is mechanically anchored to the ground or if its foundation is installed in the ground. A structure or its foundation placed on top of the ground without excavation or being mechanically secured does not meet the definition of a building.</li> </ul>
<p><b>7. Cancellation.</b> The ending of the insurance coverage provided by this policy before the expiration date.</p>	<p>The expiration date is the ending of the policy term, the period of coverage provided by the insurance policy. Relevant definition of Policy appears at II.C.22.</p>
<p><b>8. Condominium.</b> That form of ownership of one or more buildings in which each unit owner has an undivided interest in common elements.</p>	<p>N/A</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>9. Condominium Association.</b> The entity made up of the unit owners responsible for the maintenance and operation of:</p> <ul style="list-style-type: none"> <li>a. Common elements owned in undivided shares by unit owners; <i>and</i></li> <li>b. Other buildings in which the unit owners have use rights; where membership in the entity is a required condition of ownership.</li> </ul>	N/A
<p><b>10. Condominium Building.</b> A type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building.</p>	A condominium building is a building or a complex of buildings containing a number of individually-owned apartments or houses where each unit owner has an undivided interest in common elements of the building. Relevant definition of Building appears at II.C.6.
<p><b>11. Declarations Page.</b> A computer-generated summary of information you provided in your 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.</p>	Relevant definition of Application appears at II.C.3. Relevant definition of Policy appears at II.C.22.
<p><b>12. Deductible.</b> The amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy.</p>	Relevant definition of Policy appears at II.C.22.
<p><b>13. Described Location.</b> The location where the insured building(s) or personal property are found. The described location is shown on the Declarations Page.</p>	The described location may include multiple buildings; however, the SFIP insures only one building. Under the Dwelling Form, a policyholder may also apply up to 10 percent of dwelling coverage to an eligible detached garage at their option. Relevant definition of Building appears at II.C.6. Relevant definition of Declarations Page appears at II.C.11.
<p><b>14. Direct Physical Loss By or From Flood.</b> Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property.</p>	<p>The phrase “directly caused by a flood” means that a flood, defined by the SFIP at II.B, be the immediate cause of loss, damage, or change to insured property, with no intervening cause or factor after such flood leading to damage. The phrase “evidence of physical changes to the property” means there must be visible evidence showing flood ruined, damaged, or changed the property.</p> <p>In several instances, the SFIP expressly covers losses that the definition of direct physical loss by or from flood may otherwise exclude. These instances include:</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>• Losses from mudflow and collapse or subsidence of land as a result of erosion specifically covered under the SFIP definition of flood (see II.B.1.c, II.B.2, and II.C.20);</li> <li>• Direct physical loss caused by water, moisture, mildew, or mold damage that results directly by or from flood, or after floodwaters recede, provided the policyholder performed all reasonable measures within their control to inspect or maintain the property (see V.D.4.b.(3));</li> <li>• Back up of water and water-borne material through sewers or drains, where a flood is the proximate cause of the sewer or drain backup (see V.D.5.a.);</li> <li>• Discharge or overflow from a sump, sump pump, or related equipment, where a flood is the proximate cause of the sump pump discharge or overflow (see V.D.5.b.);</li> <li>• Seepage or leakage on or through the insured building, where a flood is the proximate cause of the seepage of water (see V.D.5.c.); <i>and</i></li> <li>• Pressure or weight of water, where a flood is the proximate cause of the damage from the pressure or weight of water (see V.D.6.).</li> </ul>
<b>15. Dwelling.</b> A building designed for use as a residence for no more than four families or a single-family unit in a condominium building.	Relevant definition of Building appears at II.C.6. Relevant definition of unit appears at II.C.29. Relevant definition of Condominium Building appears at II.C.10.
<b>16. Elevated Building.</b> 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.	For more information about elevated buildings, see Section 2 of this Manual, <a href="#">Lowest Floor Elevation Determination</a> . If an elevated floor in the building is in part supported by a structural slab-on-grade foundation, additional documentation may be necessary to verify the elevated rating for the building. Relevant definition of Building appears at II.C.6. Relevant definition of Basement appears at II.C.5.
<b>17. Emergency Program.</b> 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 and the regulations prescribed pursuant to the Act.	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>18. Federal Policy Fee.</b> A flat charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the National Flood Insurance Program.	See the <a href="#">Flood Insurance Manual</a> for detailed information.


II. DEFINITIONS	
Policy Language	Additional Explanation
<b>19. Improvements.</b> Fixtures, alterations, installations, or additions comprising a part of the insured dwelling or the apartment in which you reside.	Relevant definition of Dwelling appears at II.C.15.
<b>20. Mudflow.</b> A river of liquid and flowing mud on the surface 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.	See additional explanation of Flood above.
<b>21. National Flood Insurance Program (NFIP).</b> 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.	Relevant definition of Act appears at II.C.1.
<b>22. Policy.</b> The entire written contract between you and us. It includes: <ul style="list-style-type: none"> <li>a. This printed form;</li> <li>b. The application and Declarations Page;</li> <li>c. Any endorsement(s) that may be issued; <i>and</i></li> <li>d. Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term. Only one dwelling, which you specifically described in the application, may be insured under this policy.</li> </ul>	Relevant definition of You and Us appears at II.A. Relevant definition of Declarations Page appears at II.C.11. Relevant definition of Application appears at II.C.3. Relevant definition of Dwelling appears at II.C.15.
<b>23. Pollutants.</b> Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. “Waste” includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.	Testing for or monitoring of pollutants is not covered unless required by law. See Section V.F of the SFIP.
<b>24. Post-FIRM Building.</b> 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.	Refer to the <a href="#">NFIP Community Status Book</a> to determine the community, initial FIRM dates, and program type (regular or emergency) to determine if the insured building meets the definition of a post-FIRM building.
<b>25. Principal Residence.</b> The dwelling in which you or your spouse have lived for at least 80 percent of: <ul style="list-style-type: none"> <li>a. The 365 days immediately preceding the time of loss; <i>or</i></li> </ul>	NFIP uses the term “principal residence” to determine eligibility for replacement cost loss settlement, see VII.R.





II. DEFINITIONS	
Policy Language	Additional Explanation
b. The period of ownership of you or your spouse, if either you or your spouse owned the dwelling for less than 365 days immediately preceding the time of loss.	
<b>26. Probation Surcharge.</b> A flat charge you must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24.	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>27. Regular Program.</b> 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 and the regulations prescribed pursuant to the Act.	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>28. Special Flood Hazard Area (SFHA).</b> An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1–A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1– A30, V1–V30, VE, or V.	All zones listed are SFHAs. However, the post-FIRM elevated building coverage limitations listed in III.A.8 and III.B.5 apply only to zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1– A30, V1–V30, and VE. In addition, certain SFHA zones carry specific requirements before coverage will apply. See III.A.5.b.
<b>29. Unit.</b> A single-family residential space you own in a condominium building.	Relevant definition of Condominium Building appears at II.C.10.
<b>30. Valued Policy.</b> 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.	The SFIP is not a valued policy; it is a direct physical loss policy. The insurer agrees to pay a policyholder for damage caused by direct physical loss by or from flood to the policyholder’s insured property, subject to the terms, conditions, and exclusions of the SFIP.

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<b>A. Coverage A—Building Property</b> We insure against direct physical loss by or from flood to:	
<b>1.</b> 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.	The SFIP at III.C.2.b.(1)-(4) will cover up to \$1,000 for the costs associated with the removal of property when there is a imminent threat of flood. III.A.1 applies to a situation where the dwelling is moved to another location.  The policyholder must remove the property from the described location and relocate it outside the SFHA. Coverage begins the date the policyholder removes the


III. PROPERTY INSURED	
Policy Language	Additional Explanation
	<p>property from the described location. A deductible is not applied to the costs associated with moving the property to safety.</p>
<p>2. Additions and extensions attached to and in contact with the dwelling by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the building by means of a common interior wall that is not a solid load-bearing wall are always considered part of the dwelling and cannot be separately insured.</p>	<p>A property owner has the option to separately insure an addition under its own SFIP if the addition, considered by itself, meets the definition of a building at SFIP II.C.6.</p> <p>Otherwise, the Dwelling Form covers an addition or extension as part of the building.</p> <p style="text-align: center;"><b>Figure 5: Examples of Additions and Extensions and the Five Means of Connection</b></p> <div style="display: flex; justify-content: space-around; align-items: flex-start;">  <div style="border: 1px solid black; padding: 5px; margin-left: 10px;"> <p><b>Roof</b></p> <p><b>Elevated walkways</b></p> <p><b>Exterior rigid walls</b></p> <p><b>Load-bearing (solid) interior walls</b></p> <p><b>Stairs</b></p> </div> </div>
<p>3. A detached garage at the described location. Coverage is limited to no more than 10 percent of the limit of liability on the dwelling. Use of this insurance is at your option but reduces the building limit of liability. We do not cover any detached garage used or held for use for residential (i.e., dwelling), business, or farming purposes.</p>	<p>When not separately insured, the SFIP may cover only one detached garage.</p> <p>The garage must meet the definition of a building (II.C.6). As a garage, it must have a garage door or opening large enough to physically accommodate an automobile.</p> <p>The term “residential” means used as a residence, dwelling place, or domicile. To be considered residential means an individual could live in the detached garage overnight or longer. The presence of household property, installed kitchen appliances, HVAC equipment, sink, bathroom, exercise room, hobby room, or workshop, does not necessarily disqualify a detached garage from coverage under this provision. However, this provision does disqualify a detached garage used entirely or partly as, or held for, sleeping space.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
	If the claim recommendation denies coverage to a detached garage used for residential, business, or farming purposes, the claim file must include documentation or detailed explanation that supports the decision.
<p>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.</p>	<p>The SFIP does not cover tools for construction, such as concrete forms, molds, cribbing, power tools, etc.</p> <p>Under Coverage-A Building, the SFIP does not cover tools or equipment used for construction. Such items are covered only under Coverage-B, Personal Property, provided they are owned by the policyholder and located within an enclosed building at the described location at the time of the loss.</p>
<p>5. A building under construction, alteration, or repair at the described location.</p> <p>a. If the structure is not yet walled or roofed as described in the definition for building (see II.C.6.a.) then coverage applies:</p> <p>(1) Only while such work is in progress; <i>or</i></p> <p>(2) If such work is halted, only for a period of up to 90 continuous days thereafter.</p> <p>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:</p> <p>(1) Below the base flood elevation in Zones AH, AE, A1–A30, AR, AR/AE, AR/AH, AR/A1–A30, AR/A, AR/ AO; <i>or</i></p> <p>(2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1–V30.</p> <p>The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1–V30 or the top of the floor in Zones AH, AE, A1–A30, AR, AR/AE, AR/AH, AR/A1–A30, AR/A, and AR/AO.</p>	<p>The SFIP only covers buildings in the course of construction affixed to a permanent site. For example, NFIP does not cover a building on temporary cribbing and not affixed to a permanent site.</p> <p>When a building in the course of construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, are not eligible for coverage when construction stops for more that 90 days or if the lowest floor is below the BFE, then the deductible amount will be two times the deductible that would otherwise apply to a completed building. See Dwelling Form – Section VI. Deductibles.</p> <p><b>Figure 6</b> and <b>Figure 7</b> show a dwelling elevated but temporarily supported on cribbing. The structure becomes eligible for SFIP coverage once it is affixed to a permanent site, as shown in <b>Figure 8</b>.</p> <p style="text-align: center;"><b>Figure 6: Building in the process of Elevating</b></p> 

III. PROPERTY INSURED	
Policy Language	Additional Explanation
	<p><b>Figure 7: Temporary Cribbing</b></p>  <p><b>Figure 8: Building Affixed to a Permanent Site</b></p> 
<p><b>6.</b> A manufactured home or a travel trailer, as described in the II.C.6. 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:</p> <ol style="list-style-type: none"> <li>a. By over-the-top or frame ties to ground anchors; <i>or</i></li> <li>b. In accordance with the manufacturer’s specifications; <i>or</i></li> <li>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.</li> </ol>	<p>A manufactured home (or a mobile home) is a structure built on a permanent chassis. Both a manufactured home and a travel trailer must be affixed to a permanent foundation.</p> <ul style="list-style-type: none"> <li>• A travel trailer must be installed under the regulation from floodplain management and building ordinances or laws and must have its wheels removed. A travel trailer installed outside of floodplain management and building ordinances or laws, such as in a recreational camping park (i.e. park trailer), is not eligible for coverage under the SFIP.</li> <li>• When located in a SFHA, the manufactured home or travel trailer must be secure with anchoring devices that strap or tie down the building to resist flotation or movement. If the manufactured home or travel trailer does not have anchoring devices, such as over-the-top straps or tie-down devices underneath the chassis, the manufactured home or travel trailer must be connected securely to its foundation based on manufacturer’s specifications, or in a manner that is in compliance with floodplain</li> </ul>

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	management requirements (unless it is continuously insured under the NFIP at the same location since September 30, 1982).
<p><b>7.</b> The following items of property which are insured under Coverage A only:</p> <ul style="list-style-type: none"> <li>a. Awnings and canopies;</li> <li>b. Blinds;</li> <li>c. Built-in dishwashers;</li> <li>d. Built-in microwave ovens;</li> <li>e. Carpet permanently installed over unfinished flooring;</li> <li>f. Central air conditioners;</li> <li>g. Elevator equipment;</li> <li>h. Fire sprinkler systems;</li> <li>i. Walk-in freezers;</li> <li>j. Furnaces and radiators;</li> <li>k. Garbage disposal units;</li> <li>l. Hot water heaters, including solar water heaters;</li> <li>m. Light fixtures;</li> <li>n. Outdoor antennas and aerials fastened to buildings;</li> <li>o. Permanently installed cupboards, bookcases, cabinets, paneling, and wallpaper;</li> <li>p. Plumbing fixtures;</li> <li>q. Pumps and machinery for operating pumps;</li> <li>r. Ranges, cooking stoves, and ovens;</li> <li>s. Refrigerators; <i>and</i></li> <li>t. Wall mirrors, permanently installed.</li> </ul>	<ul style="list-style-type: none"> <li>• III.A.7.b: The term “blinds” includes vertical and horizontal types. However, drapes and hardware are contents (personal property), whether physically attached to the building or not.</li> <li>• III.A.7.f: This includes building HVAC system components used for heating, cooling, ventilation, and other central air-handling equipment used for climate control within the building, including permanently-installed equipment for humidification, dehumidification, air-filtering, and ventilation. Heaters of any type must be permanently installed in building.</li> <li>• III.A.7.i: to qualify as a “walk-in,” the equipment must be permanently installed or built-in.</li> <li>• III.A.7.j: see (f).</li> <li>• III.A.7.r: Ranges, cooking stoves, and ovens include cooktops, range hoods, and built-in cooking exhaust apparatuses.</li> <li>• III.A.7.s: Refrigerators include beverage coolers and other major appliances that refrigerate.</li> </ul>
<p><b>8.</b> Items of property below the lowest elevated floor of an elevated post-FIRM building located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement regardless of the zone. Coverage is limited to the following:</p>	<ul style="list-style-type: none"> <li>• For policies issued prior to RR2.0, when the Declarations Page reflects two zones, the current zone and the rating zone, use the rating zone for coverage.</li> </ul>

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<p>a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:</p>	<ul style="list-style-type: none"> <li>• The current zone is used to determine coverage limitations for policies rated with RR2.0 for non-claim related purposes such as underwriting premiums and ICC applicability.</li> <li>• Post-FIRM elevated building limitations do not apply to SFHA Zones A, AO, A99, AR/AO, V, and VO. Basement limitations apply regardless of zones.</li> <li>• The SFIP only covers items specifically listed under this provision.</li> <li>• Basement limitations apply to the complete area defined as basement-- floors, walls, and ceilings.</li> </ul> <p>For a post-FIRM elevated building located in Zones A1-A30, AE, AH, AR, AR/A, AR/AH, AR/A1-A30, V1-V30, VE, full coverage begins at the lowest elevated floor. This is the lowest floor raised above ground, even if the pilings extend beyond it (see <a href="#">Lowest Elevated Floor Determination</a>, in Section 2 of this Manual).</p> <p>For items of property below, at, or level with the lowest elevated floor, the item(s) is subject to the coverage limitation. For example, a cabinet, door, window, or refrigerator that originates below, at, or level with the lowest elevated floor is not insured, even that portion or value at or above the lowest elevated floor.</p> <p>However, coverage can be provided for building materials and finishes installed above the lowest elevated floor, even if the item originates or overlaps the lowest elevated floor level, when the function of the building material or finish is not reduced by cutting or removing the damaged and otherwise excluded building material physically located at or below the line-level equal with the lowest elevated floor. Examples include exterior siding, wood trim, drywall, paint, or insulation, even if the same item extends below the level of the lowest elevated floor. The building materials and finishes below the line level with the lowest elevated floor are still excluded. This coverage interpretation aligns with the building code for new construction and substantially improved buildings.</p> <p>The SFIP does not cover items, interior or exterior, located below the lowest elevated floor of a post-FIRM elevated building in the stated zones.</p>
<p>(1) Central air conditioners;</p>	<p>This includes building HVAC system components used for heating, cooling, ventilation, and other central air-handling equipment used for climate control within the building, including permanently installed equipment for humidification, dehumidification, air-filtering, and ventilation. Heaters of any type must be permanently installed in building.</p>

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(2) Cisterns and the water in them;	See <a href="#">Section 2</a> Claims Processes and Guidance in this Manual.
(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;	<p>The SFIP covers unfinished, unfloated, and not taped drywall installed anywhere in a basement. The SFIP will also cover unfinished, unfloated, and not taped drywall in lieu of paneling or any finished wall or ceiling treatment.</p> <p>The SFIP does not cover non-structural building elements, including non-load bearing floor, wall, or ceiling framing components, such as when installed for the purpose of improving a basement or enclosure area with finished floors, walls, and ceilings.</p> <p>Coverage includes exterior entry doors into a basement, including but not limited to overhead or sliding-glass doors. Finishing and trimming the interior side of such doors are not insured.</p>
(4) Electrical junction and circuit breaker boxes;	<p>Electrical junction and circuit breaker boxes include a junction box, which serves as an unfinished basic light fixture.</p> <p>Any alternative power component responsible for power generation or distribution must be permanently installed and hardwired into the building’s main electrical system.</p>
(5) Electrical outlets and switches;	<p>The SFIP does not cover finished lighting. For electrical outlets and switches, coverage is limited to direct components of the building’s main electrical service. See <b>Figure 9</b> below.</p> <p style="text-align: center;"><b>Figure 9: Unfinished Basic Light Fixture and Outlet</b></p> <div style="text-align: center;">  </div>
(6) Elevators, dumbwaiters and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987;	When an elevator, dumbwaiter, or chairlift is located outside of the building, it must be attached directly to the building, or directly to the 16 square foot landing area immediately in front of a door into the building ( <b>Figure 10</b> ). A stairlift must be attached to an exterior staircase used for egress.



**Figure 10: Example of an Insured Chair Lift Attached Directly to a Building or Insured 4x4 16 SF Landing**



Photo: BFA, LLC


If an elevator, dumbwaiter, or chairlift is not attached directly to the building or directly to the 16 square foot landing area immediately in front of a door into the building, then the elevator or chairlift is not covered (**Figure 11**). The reason for this is an elevator, dumbwaiter, or chairlift installed by such method is it not accounted for during in the rating of flood insurance and the policyholder is not charged premiums to insure it. Consequently, the item is not insured property and cannot be covered on a claim.


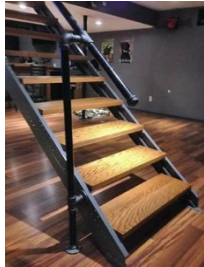
**Figure 11: Example of a Non-Insured Chair Lift**



The phrase “related equipment” means everything except the cab for an elevator or dumbwaiter, the lift platform for a chairlift, or chair with a stairlift, and the



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	related controls in or attached directly to the cab, lift platform or chair. When installed after September 30, 1987, related equipment is only covered if installed at or above the BFE.
(7) Fuel tanks and the fuel in them;	Includes a connected fuel gauge or fuel filter.
(8) Furnaces and hot water heaters;	<p>See discussion at III.A.8.a.(1) above and <a href="#">Section 2: Heating, Ventilation and Air Conditioning (HVAC) Equipment &amp; Heat Machinery</a>.</p> <p>Equipment used to heat the insured building's water supply must be affixed to or inside the insured building including an attached utility closet, inside a detached garage, or inside any building provided its services the insured building.</p> <p>Hot water heaters used to heat water for hot tubs, pools, or spas are excluded wherever installed. See <b>Figure 12</b>.</p> <p style="text-align: center;"><b>Figure 12: Example of wall-mounted tankless water heater</b></p> 
(9) Heat pumps;	See III.8.a.(1) above.
(10) Nonflammable insulation in a basement;	See <a href="#">Section 2 Claims Processes and Guidance</a> , nonflammable insulation in a basement.
(11) Pumps and tanks used in solar energy systems;	N/A
(12) Stairways and staircases attached to the building, not separated from it by elevated walkways;	The SFIP covers unfinished base support material for staircases and stairways (underneath the finished treads and risers) attached to the building, not separated from it by elevated walkways, including an exterior staircase into a basement that is

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	<p>part of the building and enclosed by an addition defined under SFIP Section III.A.2. This also includes an interior basement or post-FIRM elevated building staircases.</p> <p>The SFIP does not cover the cost to treat, paint, or stain the base support material in a basement or below the lowest elevated floor of a post-FIRM elevated building in an SFHA.</p> <p>The SFIP does not cover damage to finish materials used for a tread, riser, or stringer if such material is installed onto unfinished base support material for stairways and staircases. If the finish material is the base support material, such as with a floating staircase or step, the finish material is insured but not the cost to apply a finish coating or paint for stairways and staircases.</p> <p style="text-align: center;"><b>Figure 13: Unfinished and Finished Stairs</b></p> <div style="text-align: center;">  </div> <p>Unfinished base stairs (left) are Insured in a basement or below a post-FIRM elevated building; however, improvements to paint or add finish treads, risers, and stringers (right) are not.</p> <p style="text-align: center;"><b>Figure 14: Insured Stairs</b></p> <div style="text-align: center;">  </div> <p>Stairs where the finish material is the base material; however, no coverage to paint, stain, or coat.</p>

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	The SFIP does not cover the basement exterior egress staircase located outside of the perimeter building walls, even if covered by a roof or door. See IV.9.
(13) Sump pumps;	N/A
(14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;	The SFIP allows for a faucet that is affixed directly to the plumbing line, as opposed to a faucet that is connected to plumbing lines but mounted onto a sink as a finished fixture. See <a href="#">Section 2: Water Softeners</a> in this Manual.
(15) Well water tanks and pumps;	<p>A well water pump and related components are insured property when located inside the insured building, including underneath the insured building, inside an attached utility shed, attached pump house, or an eligible detached garage.</p> <ul style="list-style-type: none"> <li>Well water tanks and pumps include the pressure switch, pressure valve, and gauge.</li> <li>Well water tanks and pumps must be installed at or above ground level.</li> <li>A well water pump and related components are not covered if they are below the ground level or installed inside a detached pump house or inside another building or structure that is not insured property.</li> <li>Pumps and related components such as building water supply and landscaping are, eligible property. However, the SFIP does not insure pumps and related equipment for hot tubs, spas, and swimming pools.</li> </ul> <p>See <a href="#">Section 2</a> Claims Processes and Guidance Cisterns Water Softeners, and Well Water Pumps.</p>
(16) Required utility connections for any item in this list; <i>and</i>	Examples of required utility connections include an interior air-conditioning unit (III.A.8.a.(1)) may have a condensation pipe and condensate pump to send the condensation to drainage plumbing. Both items would be considered required a utility connection.
(17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building.	<p>Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building:</p> <ul style="list-style-type: none"> <li>Includes windows and doors installed in the perimeter foundation walls of an SFIP-defined basement area such as a perimeter wall basement garage door or sliding glass door. Coverage to finish or paint an exterior door or window under this provision is covered on the exterior side only.</li> </ul>

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	<ul style="list-style-type: none"> <li>Includes vents installed in and considered part of the insured foundation walls of a post-FIRM elevated building; however, there is no coverage for breakaway walls or vents in breakaway walls.</li> <li>Does not include screen or storm doors, or a door covering for enclosing an exterior egress in a basement, such as a Bilco™ door.</li> <li>Does not include doors and windows of any type in an enclosure subject to post-FIRM limitations, when located below the lowest elevated floor.</li> <li>With an elevated building subject to this provision, a 6-inch or thicker concrete slab that has steel reinforcement bar (re-bar), which is tied into piers, posts, columns, pilings, or foundation walls, the concrete slab is covered under this provision as a structural component that supports the elevated building’s foundation. The 6-inch concrete slab here does not make the elevated building non-elevated.</li> </ul> <p><b>Note:</b> Previously FEMA recognized nine foundation types under its prior rating methodologies. Under RR2.0 we have simplified rating and there are six foundations type options on the Application and Adjuster Preliminary Form. The foundations are:</p> <ul style="list-style-type: none"> <li>Slab on Grade (Non-Elevated);</li> <li>Basement (Non-Elevated);</li> <li>Elevated Without Enclosure on Posts Piles or Piers;</li> <li>Elevated With Enclosure on Posts Piles or Piers;</li> <li>Elevated With Enclosure Not on Post, Piles, Piers, (Solid Foundation Walls); <i>and</i></li> <li>Crawlspace (Elevated or non-Elevated Subgrade Crawlspace).</li> </ul>
<p>b. Clean-up.</p>	<p>Clean-up includes:</p> <ul style="list-style-type: none"> <li>Pumping out trapped floodwater;</li> <li>Labor to remove or extract spent cleaning solutions;</li> <li>Treatment for mold and mildew; <i>and</i></li> <li>Structural drying of salvageable interior foundation elements.</li> </ul> <p>The SFIP does not cover clean-up of an item or property located in areas subject to basement and post-FIRM coverage limitations – that is, the property must itself be insured under III.A.8.a. – or for items or loss otherwise excluded under this policy.</p>

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	Clean-up is not the removal of flood-damaged items or debris removal. See III.C.1 for Debris Removal.
<b>B. Coverage B—Personal Property</b>	
<p>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:</p> <p>a. The property is owned by you or your household family members; <i>and</i></p> <p>b. At your option, the property is owned by guests or servants.</p> <p>2. Personal property is also Insured for a period of 45 days at another location as set forth in III.C.2.b., Property Removed to Safety.</p> <p>3. 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.</p>	The personal property may be inside any building (as defined at II.C.6) at the described location.
<p>4. Coverage for personal property includes the following property, subject to B.1. above, which is Insured under Coverage B only:</p> <p>a. Air conditioning units, portable or window type;</p> <p>b. Carpets, not permanently installed, over unfinished flooring;</p> <p>c. Carpets over finished flooring;</p> <p>d. Clothes washers and dryers;</p> <p>e. “Cook-out” grills;</p> <p>f. Food freezers, other than walk-in, and food in any freezer; <i>and</i></p> <p>g. Portable microwave ovens and portable dishwashers.</p>	<ul style="list-style-type: none"> <li>• III.B.4.a: note that Coverage A includes permanently installed through-the-wall air conditioning units .</li> <li>• III.B.4.d: includes the dryer exhaust vent kit. However, connectors and plumbing lines for a gas dryer are Insured under Coverage A only.</li> <li>• III.B.4.f: applies to food freezers only. FEMA considers an appliance that both refrigerates and freezes as a refrigerator under Coverage A.</li> </ul>
<p>5. Coverage for items of property below the lowest elevated floor of an elevated post-FIRM building located in Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/ A1–A30, V1–V30, or VE, or in a basement regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:</p> <p>a. Air conditioning units, portable or window type;</p> <p>b. Clothes washers and dryers; <i>and</i></p>	<ul style="list-style-type: none"> <li>• This version of the SFIP removes the wording “<i>in a building enclosure.</i>”</li> <li>• The same guidance from III.B.4 applies to the specific items listed here.</li> <li>• This provision does not apply to Zones A, AO, A99, AR/AO, V, and VO.</li> </ul>

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c. Food freezers, other than walk-in, and food in any freezer.	
6. If you are a tenant and have insured personal property under Coverage B in this policy, we will cover such property, including your cooking stove or range and refrigerator. The policy will also cover improvements made or acquired solely at your expense in the dwelling or apartment in which you reside, but for not more than 10 percent of the limit of liability shown for personal property on the Declarations Page. Use of this insurance is at your option but reduces the personal property limit of liability.	Tenant-owned appliances, such as refrigerators, stoves, and ovens, are personal property, not building improvements, and therefore the 10 percent building improvement limitation does not apply to them. Adjusters should obtain evidence of ownership.
7. 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 insured under a flood insurance policy purchased by your condominium association) for not more than 10 percent of the limit of liability shown for personal property on the Declarations Page. Use of this insurance is at your option but reduces the personal property limit of liability.	This provision applies only to a condominium unit owner who purchased Coverage B. Coverage is not provided for loss assessments charged to the unit owner by a condominium association and does not require an assessment to trigger coverage (see III.C.3.and) is comparable to the provision that provides coverage to a tenant’s betterments and improvements to the building. See <a href="#">Section 2</a> for detailed information on condominium claims handling.
<p><b>8. Special Limits.</b> We will pay no more than \$2,500 for any one loss to one or more of the following kinds of personal property:</p> <ul style="list-style-type: none"> <li>a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;</li> <li>b. Rare books or autographed items;</li> <li>c. Jewelry, watches, precious and semi-precious stones, or articles of gold, silver, or platinum;</li> <li>d. Furs or any article containing fur that represents its principal value; <i>or</i></li> <li>e. Personal property used in any business.</li> </ul>	<p>Payments for these items may not exceed \$2,500 in aggregate.</p> <p>Personal clothing used for work is not personal property used in a business. For example: uniforms are the same as a business suit, or any other clothing used for work, and not subject to special limits.</p>
9. We will pay only for the functional value of antiques.	<p>The SFIP does not value an antique based on the rarity of the item, nor does it apply depreciation based solely on age or its physical condition.</p> <p><b>Example:</b> A 400-year-old fully restored chair formerly owned by a historical figure is appraised by a certified industry professional at \$25,000. The chair has seen general usage for 3-years after its restoration date. Applying judgment, a new chair with the same or similar functional design, material quality, and craftsmanship is comparably worth \$3,500. Less 10 percent depreciation, the SFIP would pay the functional value of \$3,150.</p>

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<b>C. Coverage C—Other Coverages</b>	
<p><b>1. Debris Removal</b></p> <p>a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere.</p> <p>b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage.</p> <p>c. This coverage does not increase the Coverage A or Coverage B limit of liability.</p>	<p>Insured property means the insured dwelling, an SFIP-eligible detached garage, and insured personal property.</p> <p>The SFIP does not pay for removal of:</p> <ul style="list-style-type: none"> <li>• Non-insured debris owned by the policyholder anywhere, such as non-insured damaged property or debris located in the yard, driveway, or on another parcel of land.</li> <li>• Non-insured items of property, even if the removal of the item facilitates cleanup of insured building repairs, such as the removal of carpet installed inside a basement, or the removal of plants, shrubs, or trees along the perimeter of the building to access foundation or siding repairs.</li> </ul>
<p><b>2. Loss Avoidance Measures</b></p> <p>a. <b>Sandbags, Supplies, and Labor</b></p> <p>(1) We will pay up to \$1,000 for costs you incur to protect the insured building from a flood or imminent danger of flood, for the following:</p> <p style="margin-left: 20px;">(a) Your reasonable expenses to buy:</p> <p style="margin-left: 40px;">(i) Sandbags, including sand to fill them;</p> <p style="margin-left: 40px;">(ii) Fill for temporary levees;</p> <p style="margin-left: 40px;">(iii) Pumps; <i>and</i></p> <p style="margin-left: 40px;">(iv) Plastic sheeting and lumber used in connection with these items.</p> <p style="margin-left: 20px;">(b) The value of work, at the Federal minimum wage, that you or a member of your household perform.</p> <p>(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:</p>	<p>The SFIP only covers those items specifically listed. The policyholder must provide receipts for such items.</p> <p>FEMA considers water-filled bladders, as shown in <b>Figure 15</b>, a temporary levee for the purposes of loss avoidance coverage. The SFIP will only reimburse the costs incurred for labor and materials for the subject event. If previously purchased materials used for any purpose are reused for the subject event, they are ineligible for reimbursement under this provision.</p> <p style="text-align: center;"><b>Figure 15: Water-filled Bladder</b></p> <div style="text-align: center;">  </div> <p style="text-align: center;">Photo: Randy Wagner</p>

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<p>(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; <i>or</i></p> <p>(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.</p> <p>This coverage does not increase the Coverage A or Coverage B limit of liability.</p>	
<p><b>b. Property Removed to Safety</b></p> <p>(1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood. Reasonable expenses include the value of work, at the Federal minimum wage, you or a member of your household perform.</p> <p>(2) If you move insured property to a location other than the described location that contains the property in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed building or otherwise reasonably protected from the elements.</p> <p>(3) Any property removed, including a moveable home described in II.C.6.b and c, must be placed above ground level or outside of the special flood hazard area.</p> <p>(4) This coverage does not increase the Coverage A or Coverage B limit of liability.</p>	<ul style="list-style-type: none"> <li>• The SFIP coverage of “reasonable expenses” under this provision is limited to the policyholder’s removal, storage, and return of insured building and personal property to the location described on the declarations page. The insurer may reimburse the policyholder for related expenses for the labor of the policyholder and family members at the federal minimum wage and incurred transportation and storage costs. The policyholder must itemize and support these expenses with valid proof of payment. Coverage here is limited only to the length of time that a flood or the imminent danger of flood exists. Payment under this provision does not increase Coverage A – Building Property or Coverage B – Personal Property limits of liability.</li> <li>• The SFIP will cover, from the peril of flood, the property relocated to another location for a period of 45 consecutive days from the date the policyholder began to move the property. If the policyholder does not place the property in a fully enclosed building, the guidance from III.B.3 applies, i.e., the SFIP conclusively presumes that property which floats out or away was not reasonably protected from the elements.</li> </ul>
<p><b>3. Condominium Loss Assessments</b></p> <p>a. Subject to III.C.3.b below, if this policy insures a condominium 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,</p>	<p>The SFIP covers a condominium association’s loss assessments to an insured property for direct physical damage by flood. This does not include an assessment from the condominium association for property not covered by the SFIP, such as the cleanup of debris, sand, landscape lighting, repairs to parking lots, decks, sidewalks, pools, etc.</p>



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<p>declarations and your deed. The assessment must be made because of direct physical loss by or from flood during the policy term, to the unit or to the common elements of the NFIP insured condominium building in which this unit is located.</p>	<p>The policyholder should carry insurance under Coverage A, otherwise there is no coverage for building damage to the insured unit or for assessment to the common area.</p>
<p>b. We will not pay any loss assessment:</p> <ol style="list-style-type: none"> <li>(1) Charged against you and the condominium association by any governmental body;</li> <li>(2) That results from a deductible under the insurance purchased by the condominium association insuring common elements;</li> <li>(3) That results from a loss to personal property, including contents of a condominium building;</li> <li>(4) In which the total payment combined under all policies exceeds the maximum amount of coverage available under the Act for a single unit in a condominium building where the unit is insured under both a Dwelling Policy and a RCBAP; <i>or</i></li> <li>(5) On any item of damage that has already been paid under a RCBAP where a single unit in a condominium building is insured by both a Dwelling Policy and a RCBAP.</li> </ol> <p>c. Condominium Loss Assessment coverage does not increase the Coverage A Limit of Liability and is subject to the maximum coverage limits available for a single-family dwelling under the Act, payable between all policies issued and covering the unit, under the Act.</p>	<p>The Dwelling Form does not cover assessments for non-insured items.</p> <p>This provision does not increase building limits. The SFIP will not pay more than once for any building item regardless of the number of policies. The total payments for an individual unit from all NFIP policies may not exceed \$250,000, the maximum insurance available for a single-family residence.</p>
<p><b>D. Coverage D—Increased Cost of Compliance</b></p>	
<p><b>1. General</b></p> <p>This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a building suffering flood damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your building. Eligible floodproofing activities are limited to:</p> <ol style="list-style-type: none"> <li>a. Non-residential buildings.</li> <li>b. Residential buildings with basements that satisfy FEMA’s standards published in the Code of Federal Regulations [44 CFR 60.6(b) or (c)].</li> </ol>	<p>ICC is not available in emergency program communities.</p> <ul style="list-style-type: none"> <li>• ICC only applies when the policyholder insures an eligible building under Coverage A (i.e., not contents-only policies).</li> <li>• ICC is not available for structures insured under the NFIP Group Flood Insurance Policy.</li> <li>• Condominium unit owner policies are not eligible for ICC. However, a RCBAP, which covers the building and all common areas, is eligible for ICC coverage.</li> </ul>




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	ICC coverage is available through the condominium association’s flood policy. No separate deductible applies.
<p><b>2. Limit of Liability</b></p> <p>We will pay you up to \$30,000 under this Coverage D—Increased Cost of Compliance, which only applies to policies with building coverage (Coverage A). 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.</p>	<p>ICC may provide up to \$30,000 toward the cost of bringing a flood-damaged structure into compliance with state or community floodplain management laws or ordinances governing repair or reconstruction following a flood. The amount paid for Coverage D – ICC and Coverage A – Building Property combined cannot exceed the maximum program limits of \$250,000 for the Dwelling Form.</p>
<p><b>3. Eligibility</b></p> <p>a. A building insured under Coverage A—Building Property sustaining a loss caused by a flood as defined by this policy must:</p> <p>(1) Be a “repetitive loss building.” A repetitive loss building is one that meets the following conditions:</p> <p style="margin-left: 20px;">(a) The building is insured by a contract of flood insurance issued under the NFIP.</p> <p style="margin-left: 20px;">(b) The building has suffered flood damage on two occasions during a 10-year period which ends on the date of the second loss.</p> <p style="margin-left: 20px;">(c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each flood loss.</p> <p style="margin-left: 20px;">(d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the building; <i>or</i></p> <p>(2) Be a building that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the building at the time of the flood. The State or community must</p>	<p>ICC eligibility requires the community to declare the building substantially damaged.</p> <p>For 3.b.(2) and (3) to apply, the community must first adopt and enforce new preliminary or advisory base flood elevations and an ICC claim cannot proceed until on or after the effective date of the new base flood elevations AND the policyholder receives notice from the community requiring the home to be brought into compliance with the new flood elevations. However, there are situations where the community may enforce elevation requirements in a non-SFHA and this would be specified in the ordinance.</p> <p>There are situations where the community may have its own elevation or flood-proofing requirements, which it enforces within a non-SFHA. This would be specified in the community’s floodplain ordinance, but the community must be able to demonstrate this requirement and enforcement is at least based in part on guidance from FEMA, and not entirely on its own.</p> <p><b>ICC Claims</b></p> <p>The date of loss of the ICC claim is the date of loss for the flood claim that triggers the requirement to comply with a community law or ordinance.</p> <p>Policyholders have up to six years from the date of the flood loss to complete the eligible mitigation activity. Policyholders should know that initiating a mitigation project before receiving a substantial damage declaration from the community may jeopardize their eligibility to receive an ICC payment.</p>


III. PROPERTY INSURED	
Policy Language	Additional Explanation
<p>have a substantial damage provision in its floodplain management law or ordinance being enforced against the building</p> <p>b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance Program found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:</p> <ol style="list-style-type: none"> <li>(1) 3.a.1 above.</li> <li>(2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood damaged buildings 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 building 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 buildings to elevations derived solely by the community.</li> <li>(3) Elevation or floodproofing above the base flood elevation to meet State or local “free-board” requirements, i.e., that a building must be elevated above the base flood elevation.</li> </ol> <p>c. Under the minimum NFIP criteria at 44 CFR 60.3 (b)(4), States and communities must require the elevation or floodproofing of buildings 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.</p> <p>d. Coverage D will pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a building during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Coverage D Exclusion 5.g below</p>	<p>For buildings in Zones B, C, X, D, unnumbered A and V, and A99, the adjuster must document why a building must undergo mitigation and obtain a written statement from the community to substantiate the ICC claim.</p> <p><b>Repetitive Loss Properties</b></p> <p>If a state or community adopts and enforces a cumulative substantial damage provision or repetitive loss provision requiring action by property owners to comply with floodplain management laws or ordinances, this may also qualify a structure for an ICC claim after a flood loss. The community must declare the structure to be substantially damaged and the structure must meet the NFIP’s repetitive loss structure definition.</p> <p><b>Substantial Damage</b></p> <p>Insurers may only open an ICC claim when the community declares a building substantially damaged in writing. The community has the sole authority to determine substantial damage, not FEMA nor the insurer.</p> <p>Note that a community may declare a building substantially damaged, based in whole or in part on non-flood-related damage. This is because having more than 50 percent damage may trigger a requirement to comply with the local floodplain management ordinances (see 44 C.F.R. § 59.1, definition of “substantial damage”). However, for purposes of ICC, the SFIP requires the damage to the building to be by or from flood, in an amount that exceeds 50 percent of its market value, regardless of whether the SFIP covers the damage or not.</p> <p>See Section 3 <a href="#">Increased Cost of Compliance</a> in this Manual for more detail.</p>

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Policy Language	Additional Explanation
<p>e. Coverage D will pay to bring a flood-damaged building into compliance with State or local floodplain management laws or ordinances even if the building had received a variance before the present loss from the applicable floodplain management requirements.</p>	
<p><b>4. Conditions</b></p> <p>a. When a building insured 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.</p> <p>b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws.</p>	<p>ICC pays for the following mitigation activities or a combination of the following:</p> <ul style="list-style-type: none"> <li>• Floodproofing to reduce the potential for flood damage by keeping floodwater out of a building, for nonresidential structures and for certain residential structures that satisfy FEMA’s standards under 44 C.F.R. 60.6(b) or (c).</li> <li>• Elevation to raise a building to or above the BFE plus freeboard adopted by a community, adopted Advisory Base Flood Elevations (ABFE), or the best available data provided by FEMA.</li> <li>• Demolition when a building is in such poor condition that elevation and relocation are not technically feasible or cost-effective.</li> <li>• Relocation to move a building outside of the floodplain.</li> </ul> <p>See <a href="#">Section 3 Increased Cost of Compliance</a> in this Manual for more detail.</p>
<p><b>5. Exclusions</b></p> <p>Under this Coverage D (Increased Cost of Compliance), we will not pay for:</p> <p>a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.</p> <p>b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.</p> <p>c. The loss in value to any insured building due to the requirements of any ordinance or law.</p> <p>d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.</p>	<p>III.D.5.b: ICC does not pay for testing, monitoring, clean up, removal, containment, treatment, detoxification, or neutralization of pollutants even if required by community ordinance. See Section 3 <a href="#">Increased Cost of Compliance</a> for additional details.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<p>e. Any Increased Cost of Compliance under this Coverage D:</p> <p>(1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; <i>and</i></p> <p>(2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.</p> <p>f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.</p> <p>g. Any compliance activities needed to bring additions or improvements management laws or ordinances.</p> <p>h. Loss due to any ordinance or law that you were required to comply with before the current loss.</p> <p>i. Any rebuilding activity to standards that do not meet the NFIP’s minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation.</p> <p>j. Increased Cost of Compliance for a garage or carport.</p> <p>k. Any building insured under an NFIP Group Flood Insurance Policy.</p> <p>l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws.</p>	
<p><b>6. Other Provisions</b></p> <p>a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the 80 percent insurance- to-value requirement for replacement cost coverage as set forth in Art. VII.R (“Loss Settlement”) of this policy.</p> <p>b. All other conditions and provisions of this policy apply.</p>	<p>Note that this provision is different across the three forms.</p>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<b>We do not insure any of the following:</b>	
1. Personal property not inside a building.	N/A
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.	<ul style="list-style-type: none"> <li>• The SFIP allows coverage for a building not entirely over water, for example: when part of the exterior perimeter wall and foundation of the building is on land or the landward side of mean high tide (mean high water). See <a href="#">National Tidal Datum</a> for datum on base elevation used as a reference for water heights and depths.</li> <li>• When the exterior perimeter walls of the building are completely over water and the support system or foundation underneath the insured building extends onto land, or the extension of any mechanism for access into a building (including, but not limited to, stairs, decks, walkways, piers, posts, pilings, docks, or driveways), even if the mechanism is on or partially on land, the building and the access will not be eligible for coverage.</li> <li>• If the exterior perimeter walls of a building are completely over water, but connected to another eligible building by means of an elevated walkway, stairway, roof, or rigid exterior wall, or there is an appurtenant structure on the same slab, foundation, or other continuous support systems that is on land (such as a shed or garage), III.A.2 does not apply. In other words, the fact that a connected building or appurtenant structure is on land does not allow coverage to be afforded to the building that has its exterior perimeter walls entirely over water.</li> </ul>
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.	<ul style="list-style-type: none"> <li>• The SFIP does not cover boathouses or buildings into which boats can float and personal property located within buildings used solely as boathouses.</li> <li>• When a boathouse is also used as a dwelling, the SFIP covers the dwelling portion and its foundation, even when the foundation includes the foundation and other building elements shared with the boathouse, provided the building is not located entirely in, on, or over water or seaward of mean high tide as set forth in IV.2.</li> </ul>

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Policy Language	Additional Explanation
	<p style="text-align: center;"><b>Figure 16: Open structure into which boats are floated</b></p>  <p style="text-align: center;">Photograph Credit: : Flickr</p> <p style="text-align: center;"><b>Figure 17: Structure built over water</b></p>  <p style="text-align: center;">Photograph Credit: : Fender Marine</p>
<p><b>4.</b> Recreational vehicles other than travel trailers described in the Definitions section (see II.C.6.c.) whether affixed to a permanent foundation or on wheels.</p>	<p style="text-align: center;"><b>Figure 18: A recreation vehicle is a self-propelled vehicle</b></p>  <p style="text-align: center;">Photo: Fleetwood RV</p>

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	<p><b>Figure 19: A travel trailer is not self-propelled and is towed behind a road vehicle</b></p>  <p><b>Note:</b> The term manufactured home does not include a recreational vehicle. A recreational vehicle is (a) built on a single chassis, (b) 400 square feet or less when measured at the largest horizontal projection, (c) Designed to be self-propelled or permanently towable by a light truck duty truck; and (d) Designed primarily not for use as a permanent dwelling but as a temporary living quarters for recreational, camping, travel, or seasonal use.<sup>21</sup></p>
<p>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:</p> <ul style="list-style-type: none"> <li>a. Used mainly to service the described location; <i>or</i></li> <li>b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a building at the described location.</li> </ul>	<ul style="list-style-type: none"> <li>• Under both IV.5.a and IV.5.b, the vehicle or machinery must be inside a building at the location described on the declarations page for coverage, provided all other policy terms and conditions apply.</li> <li>• Under IV.5.b the vehicle or machinery is not covered if it is not designed to assist persons with disabilities or not used by persons with disabilities. As an example, a typical golf cart is not covered under this provision, even if it is used by persons with disabilities, unless designed or modified specifically to assist persons with disabilities.</li> <li>• This exclusion does not apply to motorized toys and machinery designed, marketed, or sold for the exclusive use by youth, including children's dirt bikes solely powered by a battery. If a motorized toy or machinery can be reasonably used by an adult, it is not a youth's toy and is not covered.</li> </ul>
<p>6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals.</p>	<ul style="list-style-type: none"> <li>• The SFIP does not cover any type of live plant located inside or outside of the building.</li> <li>• This provision does not apply to artificial plants used as indoor decor.</li> </ul>

<sup>21</sup> 44 C.F.R. § 59.1



IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<p>7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers.</p>	<ul style="list-style-type: none"> <li>• Scrip is a form of money issued by a local government or private organization, such as gift cards, coupons, or any substitute for legal tender.</li> <li>• The SFIP does not cover financial loss from damage or destruction of electronic data or the cost of restoring that data.</li> <li>• Other valuable papers include stocks, certificates, and bonds.</li> </ul>
<p>8. Underground structures and equipment, including wells, septic tanks, and septic systems.</p>	<ul style="list-style-type: none"> <li>• Underground structures and equipment include, but are not limited to, wires, conduits, pipes, sewers, tanks, tunnels, sprinkler systems, similar property, and any apparatus connected beneath the surface of the ground. The SFIP provides coverage, if other SFIP requirements are met, for equipment installed and used in the operation of underground structures and equipment installed above ground and within a building, for example, a sprinkler timer.</li> <li>• When installed, a sewage grinder pump is an integral part of the building's septic system. The grinder pump pulverizes waste for discharge into the septic drainage field. This item of property is not insured; however, the SFIP covers the sewage grinder pump's alarm service panel, if installed above ground level and affixed to the building or its foundation. The SFIP does not cover the pump's alarm service panel installed to an item of property that is not insured, such as a support post to a deck.</li> </ul>
<p>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.</p>	<p>In general, the SFIP does not cover items outside the perimeter walls of the building. However, the SFIP affords limited coverage for direct physical loss by or from flood to any existing egress on the sides of a building, including underneath an elevated building.</p> <p>The SFIP pays to repair or replace damage to any existing egress on the sides of a building, including underneath an elevated building. For each existing egress, the SFIP covers one 16 square foot (SF) landing and a single set of stairs and one landing per staircase. The SFIP covers materials of a like kind and quality, such as concrete, wood, or composite wood material. Insured items include any existing hand or support rail, support posts, and hardware. The SFIP does not cover improvements such as lighting or finishing (paint or preservative stains).</p> <p><b>Figure 20</b> shows a deck with a single set of stairs providing access to the building through two doors. The SFIP would cover one 16 SF landing and the existing single set of stairs.</p>

Figure 20: Deck with Single Set of Stairs



The SFIP does not cover the second set of stairs of the double staircase, as shown in **Figure 21**, because a single set of stairs provides egress.

Figure 21: Deck with Double Staircase



The SFIP does not cover the cost to comply with Americans with Disabilities Act of 1990 (ADA) regulations; however, the SFIP will repair or replace an existing flood damaged ramp shown in **Figure 22** for egress, in lieu of the 16 SF of landing and stairs.

Figure 22: Existing Ramp



IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<p><b>10.</b> Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids.</p>	<p>The SFIP does not cover fuel tanks, pressure tanks, and well water tanks located outside of the insured building or an eligible detached garage. The SFIP does not cover containers outside of the building, including shipping containers used for storage or residential purposes, unless the container meets the definition of a building.</p> <p>The SFIP covers fuel tanks, water tanks, and pressure tanks inside or directly underneath the building, including in a basement or crawlspace, under Coverage A – Building Property, when installed as part of a utility system that services the building.</p> <p>Under Coverage B – Personal Property, the SFIP will cover any container inside of a building that is used for household or personal purposes such as oxygen tanks for medical reasons, small fuel tanks for filling lawn equipment, or sealed portable fuel canisters for cooking such as for camping or outdoor grilling. Containers used for the storage of food do not apply to this provision. Containers such as paint cans can be Insured but only for the value of what is stored and not for the value of the container.</p> <p>Because containers and tanks are either sealed or made of material meant for contact with liquid, including corrosive liquids, the claim should take into account the proper scope of damage and, first, consider if the item is reusable after rinsing and cleaning.</p>
<p><b>11.</b> Buildings or units and all their contents if more than 49 percent of the actual cash value of the building is below ground, unless the lowest level is at or above the base flood elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques.</p>	<p>A building must have 51 percent or more of its actual cash value above ground level. This calculation relies solely upon the ACV, not on concepts like square footage, volume, or otherwise.</p> <p>Do not include items of property not insured under Coverage A in the building valuation. Claims handling should pay close attention to subterranean or earth dwellings.</p>
<p><b>12.</b> Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks.</p>	<p>Coverage may exist if the item directly supports and is integral to the building’s foundation, even if it has a secondary purpose such as a retaining wall.</p> <p>The adjuster should submit a request to the insurer for expert support such as an engineer to inspect the building and provide an evaluation of the structure’s foundation, etc., as soon as possible. See <a href="#">Section 2 Guidance on the Use of Outside Professional Services</a>.</p>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
13. Aircraft or watercraft, or their furnishings and equipment.	<ul style="list-style-type: none"> <li>• The SFIP covers remote-controlled boats, aircraft, and drones or UAVs (Unmanned Aerial Vehicles) designed and intended for recreational use only, and not used to carry people or cargo, or for commercial use. The same policy provisions that apply to other personal property apply to these items.</li> <li>• The SFIP does not cover drones or UAVs registered with the Federal Aviation Administration for purposes other than recreational model aircraft.</li> <li>• Watercraft includes any vessel that travels on water. Pool toys are not watercraft.</li> <li>• The phrase “furnishings and equipment” includes parts and other items identified for use with watercraft and aircraft.</li> </ul>
14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment, such as, but not limited to, heaters, filters, pumps, and pipes, wherever located.	N/A
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.	<p>The SFIP does not provide flood insurance coverage for a building constructed or substantially improved after the U.S. Department of Interior’s Fish and Wildlife Service designates it as within Coastal Barrier Resources System (CBRS) boundaries or as Otherwise Protected Areas (OPAs).</p> <p>Such areas designated under the CBRS are typically undeveloped coastal barriers within the boundaries of areas established under federal, state, or local law, or that are held by a qualified organization, primarily for wildlife refuge, sanctuary, recreational, or natural resources conservation purposes.</p> <p>See the <a href="#">USFWS</a> website for more information.</p>
16. Personal property you own in common with other unit owners comprising the membership of a condominium association.	N/A

V. EXCLUSIONS	
Policy Language	Additional Explanation
<p><b>A.</b> We only pay for direct physical loss by or from flood, which means that we do not pay you for:</p> <ol style="list-style-type: none"> <li>1. Loss of revenue or profits;</li> <li>2. Loss of access to the insured property or described location;</li> <li>3. Loss of use of the insured property or described location;</li> <li>4. Loss from interruption of business or production;</li> <li>5. Any additional living expenses incurred while the insured building is being repaired or is unable to be occupied for any reason;</li> <li>6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D—Increased Cost of Compliance; <i>or</i></li> <li>7. Any other economic loss you suffer.</li> </ol>	<ul style="list-style-type: none"> <li>• The SFIP does not cover the costs to pack, move, or store personal property from the insured building or return it to the building when an owner repairs the building or cannot occupy it.</li> <li>• The SFIP does not cover replacing non-flood damaged property required to comply with government codes, ordinances, or regulations. For example, the SFIP does not cover the cost of replacing an undamaged interior HVAC unit to match a replaced exterior HVAC unit because of a change in size, seasonal energy efficiency ratio (SEER)-rating, refrigerant, or any other reason even if local, state, or federal code required the upgrade.</li> </ul>
<p><b>B. Flood in Progress.</b> If this policy became effective as of the time of a loan closing, as provided by 44 CFR 61.11(b), we will not pay for a loss caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, we will not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day you submitted the application for coverage under this policy and the full amount due. We will determine the date of application using 44 CFR 61.11(f).</p>	<p>The SFIP will not pay for a loss caused by a flood that was a continuation of a flood that existed:</p> <ul style="list-style-type: none"> <li>• On or before the date the waiting period for coverage began; <i>or</i></li> <li>• If the coverage became effective as of the time of a loan closing (under the loan exception to the 30-day waiting period), before coverage became effective.</li> </ul> <p>In other words, the SFIP does not insure damage from a flood that began before a new policy’s waiting period (or coverage, if no waiting period) began, even if the flood did not damage the insured property until after the waiting period (or coverage) began. If a flood was already in progress before a policyholder requested an increase in coverage on an existing policy, the SFIP will only insure damage that occurred to the insured property from the same flood event after the waiting period (or increased coverage, if no waiting period) began, under the lesser policy limits.</p> <p>Data sources available to assist in determining the time of a flood occurrence include:</p> <ul style="list-style-type: none"> <li>• The National Oceanic and Atmospheric Administration (NOAA) for data on river and lake levels;</li> </ul>

V. EXCLUSIONS	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>• News reports and social media or other sources that may help an adjuster to determine when flooding was first reported; <i>and</i></li> <li>• The community or other officials for assistance in determining lake or river levels.</li> </ul> <p>The adjuster should interview the policyholder and conduct a neighborhood canvass to determine the location of the floodwaters in relation to the insured property location at the time the policy became effective. In the narrative, the adjuster must detail their process and evidence used for recommending coverage or denial under the SFIP. See <a href="#">Flood-in-Progress Exclusion</a> in Section 2 of this Manual.</p>
<p><b>C.</b> 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:</p> <ol style="list-style-type: none"> <li>1. Earthquake;</li> <li>2. Landslide;</li> <li>3. Land subsidence;</li> <li>4. Sinkholes;</li> <li>5. Destabilization or movement of land that results from accumulation of water in subsurface land area; <i>or</i></li> <li>6. Gradual erosion.</li> </ol> <p>We do, however, pay for losses from mudflow and land subsidence as a result of erosion that are specifically insured under our definition of flood (see II.B.1.c and II.B.2).</p>	<p>The SFIP is a single-peril policy that only pays for covered damage due to direct physical loss by or from flood (II.C.14). The SFIP does not cover damage resulting from an intervening cause of loss, even if the resulting cause is due to flooding. The SFIP does not cover damage that results when saturated soils cause the soil below ground level to sink, expand, compact, destabilize, or otherwise lose its load-bearing capacity, such as from voids or rotten organic matter when the soil dries. The SFIP does not cover earth movement; each form of earth movement is an intervening cause of loss and a separate peril.</p> <p>The SFIP’s exclusion for other perils, such as fire, exemplifies the exclusion of earth movement as a cause of loss. When a flood causes a fire, which damages the building during inundation or after floodwaters recede, the SFIP does not cover the resulting fire and smoke damage to the building even if flood directly caused the fire.</p> <p>The SFIP covers damage to a building if the damage results from the collapse or subsidence of land that is the direct result of sudden erosion or undermining to the building’s support soil underneath or directly along the perimeter foundation of the building from waves or currents of floodwater (velocity flow) during a flood from the overflow of inland or tidal waters or mudflow. This includes damage to the foundation of the building and any resulting damage to the interior and exterior finishes. The SFIP does not cover damage caused by gradual erosion.</p>
<p><b>D.</b> We do not insure for direct physical loss caused directly or indirectly by any of the following:</p> <ol style="list-style-type: none"> <li>1. The pressure or weight of ice;</li> </ol>	N/A

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Policy Language	Additional Explanation
<p>2. Freezing or thawing;</p> <p>3. Rain, snow, sleet, hail, or water spray;</p>	
<p>4. Water, moisture, mildew, or mold damage that results primarily from any condition:</p> <p style="margin-left: 20px;">a. Substantially confined to the dwelling; <i>or</i></p> <p style="margin-left: 20px;">b. That is within your control, including but not limited to:</p> <p style="margin-left: 40px;">(1) Design, structural, or mechanical defects;</p> <p style="margin-left: 40px;">(2) Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; <i>or</i></p> <p style="margin-left: 40px;">(3) Failure to inspect and maintain the property after a flood recedes;</p>	<p>When the policyholder is prevented access to promptly remove wetted building and personal property items, and this delay directly results in water, moisture, mildew or mold damage to the building and personal property items not in physical contact with surface floodwater, this damage could be insured because it is not within the control of the policyholder.</p> <p>As examples:</p> <ul style="list-style-type: none"> <li>• Local authorities restrict access to the area, <i>or</i></li> <li>• Prolonged inundation of floodwater prevents access to the area.</li> </ul> <p>The claim file must include proper documentation, such as but not limited to photographs, an acceptable explanation provided by the adjuster, or a signed statement from the policyholder or community official that supports the payment for such damages. For instances where the damage is substantially confined to the dwelling or within the policyholder’s control, the claim file should include information that documents the policyholder’s failure to inspect and maintain their insured property or take reasonable measures to reduce damage when it is feasible to do so.</p> <p>The SFIP does not cover damage caused by long-term exposure to moisture, water, rot, and insect infestation. This includes damage from the lack of climate control inside the building when the approach to repair does not include the timely repair to the building HVAC system.</p> <p>The SFIP does not cover pre-existing damage to structural building components, such as damage caused by rot, or for any resulting damage to non-structural finish building material.</p>
<p>5. Water or water-borne material that:</p> <p style="margin-left: 20px;">a. Backs up through sewers or drains;</p> <p style="margin-left: 20px;">b. Discharges or overflows from a sump, sump pump, or related equipment; <i>or</i></p> <p style="margin-left: 20px;">c. Seeps or leaks on or through the insured property;</p>	<p>The adjuster must document that a flood occurred in the area and that the flood was the proximate cause of the back-up of the sewer or drain, overflow of the sump pump, pump failure, seepage of water, or damage due to the pressure or weight of water (hydrostatic pressure) in the claim file.</p> <p>When paying a loss due to a flood in the area proximately causing discharge or overflow of water or water-borne material from a sump, sump pump, or related equipment, the insurer must document the claim file to show that a homeowner’s</p>

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unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water;	<p>policy endorsement or policy rider did not also cover the loss. If the homeowner's policy does provide coverage, the SFIP payment must apply a proportional loss distribution, as stated under VII.B. (other insurance).</p> <p>The adjuster must document that a flood occurred in the area and that the flood was the proximate cause of the back-up of the sewer or drain, overflow of the sump pump, pump failure, seepage of water, or damage caused by the pressure or weight of water (hydrostatic pressure). A flood is two or more continuous acres of normally dry land. For coverage under this provision, the condition of flood may be within the proximate area.</p>
6. The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water;	<p>Refer to V.D.5. above.</p> <p><b>Example:</b> A horizontal crack in a basement foundation block wall may be the result from hydrostatic pressure during a flood, or from non-flood related pressure due to the weight of saturated soil, the freeze-thaw cycle.</p>
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;	<p>The SFIP does not cover damage to insured property when caused by a power surge or power outage that originates from the failure or shutting down of equipment that is not located at the described location, even if the reason is a direct result of a flood. For example, the local utility operator may shut down a section of the electrical grid to avoid system damage from a flood. When the power returns to the electrical grid, the initial surge of electricity can damage insured property. Under this loss description, the damage is not covered.</p> <p>The SFIP covers damage to any Insured building or personal property item, such as the building's main service, home security system, a plugged-in television, or to the HVAC system, when a flood physically damages related system equipment installed at the described location. For example, if the flood damages power equipment at the described location, creating an electrical short within the power system that results in damage to another item of property that is part of or connected to the power system, the damage to the item is also covered even though it was not physically touched by floodwater. To cover the loss described, the adjuster must document the cause of loss in the claim file to rule out the possibility of a noncovered cause.</p>
8. Theft, fire, explosion, wind, or windstorm;	V.D.10: The SFIP will not cover a flood loss or increased flood damage to insured property that the policyholder purposely or inadvertently causes.



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<p><b>9.</b> Anything you or any member of your household do or conspire to do to deliberately cause loss by flood; <i>or</i></p> <p><b>10.</b> Alteration of the insured property that significantly increases the risk of flooding.</p>	<p>For example: a policyholder constructs a flood barrier to prevent floodwater from a river from reaching the building; however, the improvement now causes runoff during heavy rainfall events to collect behind the barrier and flood the building and a neighbor property or causes a prolonged condition of inundation creating additional damage inside the building.</p> <p>When the investigation of a loss reveals this provision might apply, the adjuster should notify the insurer at once and request immediate guidance.</p>
<p><b>E.</b> We do not insure for loss to any building or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.</p>	<p>N/A</p>
<p><b>F.</b> We do not pay for the testing for or monitoring of pollutants unless required by law or ordinance.</p>	<p>The SFIP only pays to test or monitor the removal of a pollutant when a law or ordinance requires it. Insurers must have a copy of the law or ordinance for the file to support their decision to pay for the testing for or monitoring of pollutants.</p> <p>The law or ordinance must be in effect at the date of loss to apply.</p>

VI. DEDUCTIBLES	
Policy Language	Additional Explanation
<p><b>A.</b> When a loss is insured 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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• The SFIP will only pay that portion of the loss that exceeds the applicable deductibles.</li> <li>• For building (residence and a detached garage) and personal property losses, the insurer should take the deductible from the gross loss before applying policy limits. For example, if the insured loss is \$110,000, the policy limit is \$100,000, and the deductible is \$5,000, the insurer should apply the deductible to the \$110,000 loss, which leaves \$105,000, meaning the insurer should pay the \$100,000 policy limit.</li> <li>• The SFIP does not apply coverage of excess damage from an eligible detached garage to the deductible.</li> <li>• The SFIP does not apply the excess loss to items subject to Special Limits to reduce the personal property deductible.</li> </ul>

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<p><b>B.</b> In each loss from flood, separate deductibles apply to the building and personal property insured by this policy.</p> <p><b>C.</b> The deductible does NOT apply to:</p> <ol style="list-style-type: none"> <li>1. III.C.2. Loss Avoidance Measures;</li> <li>2. III.C.3. Condominium Loss Assessments; <i>or</i></li> <li>3. III.D. Increased Cost of Compliance.</li> </ol>	<ul style="list-style-type: none"> <li>• The SFIP applies a separate deductible to both building and personal property losses.</li> </ul>

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p><b>A. Pair and Set Clause</b></p> <p>In case of loss to an article that is part of a pair or set, we will have the option of paying you:</p> <ol style="list-style-type: none"> <li>1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation, <i>or</i></li> <li>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.</li> </ol>	<p>If the damaged property item is ruined and cannot be replaced individually as a single item, and this renders the other item in the pair or the set unusable or worthless, then the SFIP pays for the pair or set.</p> <p><b>Examples:</b> A flood ruins a single (left) shoe, and the other (right) shoe is undamaged. The left shoe cannot be purchased without the right, rendering the undamaged right shoe unusable. The SFIP allows for a new pair of shoes. Other similar examples include a ruined china base cabinet and undamaged matching china base top; half the seat ruined in a sectional sofa; a ruined left window curtain and an undamaged right window curtain.</p> <p>If the damaged property item is ruined and can be replaced individually as a single item with like kind and quality, making the other undamaged item or the set usable, the SFIP will only cover the damaged or ruined item along with the reasonable cost for like kind and quality.</p> <p><b>Examples:</b> Base cabinets ruined by flood with the upper cabinets undamaged. The upper cabinets remain usable. The SFIP allows replacing the base cabinets with like kind and quality, including reasonable costs to match the new base cabinets with existing undamaged cabinets. Other similar examples include a damaged dresser and undamaged or repairable matching armoire and nightstands, a ruined dining table leaf and undamaged or repairable dining table, a ruined granite cabinet countertop, and salvageable granite island countertop.</p>

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	<p>It is not proper to invoke the pair and set clause in a case where the exclusion at V.A.6 concerning ordinance or law requirements applies.</p> <p><b>Example:</b> An outdoor heating, ventilation, and air conditioning (HVAC) unit is ruined by flood, and the interior HVAC unit is undamaged. Due to Department of Energy code requirements regarding energy efficiency, or an Environmental Protection Agency (EPA)-mandate regarding the refrigerant type, a replacement outdoor HVAC unit that works with the existing interior HVAC unit is unavailable, rendering the undamaged interior unit unusable. The pair and set clause is superseded by V.A.6, and the SFIP only allows to replace the outdoor HVAC unit with like kind and quality and does not cover replacement of the undamaged interior HVAC unit.</p>
<b>B. Other Insurance</b>	
<p>1. If a loss insured by this policy is also insured by other insurance that includes flood coverage not issued under the Act, we will not pay more than the amount of insurance you are entitled to for lost, damaged, or destroyed property insured under this policy subject to the following:</p> <ol style="list-style-type: none"> <li>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 VII.B.1.b or c immediately below applies.</li> <li>b. If the other policy has a provision stating that it is excess insurance, this policy will be primary.</li> <li>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 VII.B.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.</li> </ol> <p>2. If there is other insurance issued under the Act in the name of your condominium association covering the same property insured by this policy, then this policy will be in excess over the other insurance, except where a condominium loss assessment to the unit owner 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</p>	<p>Other insurance includes primary flood coverage provided by a private carrier or any other insurance that duplicates SFIP coverage.</p> <p><b>Note:</b> The insurer must apply this provision on the claim when the state insurance code includes an efficient proximate clause doctrine. For example, a fire insurance policy will cover what the SFIP defines is direct physical loss by or from flood, including mudflow, when fire is the efficient proximate cause of the flood or mudflow, even though flood and mudflow are excluded perils in the fire policy.</p> <p>Personal lines and commercial policies may have endorsements for sewer and sump or drain backup. Considerations include:</p> <ol style="list-style-type: none"> <li>1. The other insurance clause of the other policy would determine whether it is excess coverage.</li> <li>2. If the other policy is silent, proportion the claim.</li> <li>3. If the endorsement excludes the peril of flood, the SFIP is primary for the direct physical damage by or from flood.</li> </ol> <p>Use the following formula to determine the NFIP’s share of the loss:</p> <ul style="list-style-type: none"> <li>• <b>NFIP share</b> = ((SFIP policy limit ÷ total insurance) × loss) – other insurance deductible</li> </ul> <p>Use the following formula to determine the other insurance’s share of the loss:</p>

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<p>because the building was not, at the time of loss, insured for an amount equal to the lesser of:</p> <ul style="list-style-type: none"> <li>a. 80 percent or more of its full replacement cost; <i>or</i></li> <li>b. The maximum amount of insurance permitted under the Act.</li> </ul> <p>3. The combined coverage payment under the other NFIP insurance and this policy cannot exceed the maximum coverage available under the Act, of \$250,000 per single unit.</p>	<ul style="list-style-type: none"> <li>• <b>Other insurance share</b> = ((other insurance policy limit ÷ total insurance) × loss) – other insurance deductible</li> </ul> <p>Use the following formula to determine the NFIP payment:</p> <ul style="list-style-type: none"> <li>• <b>NFIP payment</b> = NFIP share + other insurance deductible – SFIP deductible</li> </ul> <p style="text-align: center;"><b>Table 7: Insurance Coverage and Deductibles</b></p> <table border="1" data-bbox="1136 513 1841 683"> <thead> <tr> <th>Insurance</th> <th>Coverage</th> <th>Deductible</th> </tr> </thead> <tbody> <tr> <td>NFIP</td> <td>\$250,000</td> <td>\$5,000</td> </tr> <tr> <td>Other</td> <td>\$500,000</td> <td>\$15,000</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$750,000</b></td> <td></td> </tr> </tbody> </table> <p><b>Example:</b> Below is an example of how to apply the formulas to compute the insurer’s shares and NFIP payment for a \$480,000 loss.</p> <ul style="list-style-type: none"> <li>• <b>NFIP share:</b> ((<math>\\$250,000 \div \\$750,000</math>) × <math>\\$480,000</math>) – <math>\\$15,000 = \\$145,000.00</math></li> <li>• <b>Other insurance share:</b> ((<math>\\$500,000 \div \\$750,000</math>) × <math>\\$480,000</math>) – <math>\\$15,000 = \\$305,000.00</math></li> <li>• <b>NFIP payment:</b> <math>\\$145,000.00 + \\$15,000 - \\$5,000 = \\$155,000.00</math></li> </ul> <p><b>IMPORTANT</b> – Use the order of operations as shown, starting within the innermost parentheses, for accurate calculation.</p>	Insurance	Coverage	Deductible	NFIP	\$250,000	\$5,000	Other	\$500,000	\$15,000	<b>TOTAL</b>	<b>\$750,000</b>	
Insurance	Coverage	Deductible											
NFIP	\$250,000	\$5,000											
Other	\$500,000	\$15,000											
<b>TOTAL</b>	<b>\$750,000</b>												
<p><b>C. Amendments, Waivers, Assignment</b></p>													
<p>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 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:</p> <ul style="list-style-type: none"> <li>a. When this policy insures only personal property; <i>or</i></li> <li>b. When this policy insures a building under construction</li> </ul>	<p>The SFIP does not allow the policyholder to assign a claim. The only exception to this is an ICC claim that can be transferred in conjunction with an eligible FEMA project, such as a Hazard Mitigation Grant Program (HMGP) grant. Typically, the policyholder assigns the claim to a community, which then uses the payment for the community’s required financial contribution to the project. The policyholder may only assign the part of the ICC benefit used to meet the project requirements.</p>												

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<b>D. Insufficient Premium or Rating Information</b>	
<p><b>1. Applicability.</b> The following provisions apply to all instances where the premium paid on this policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided.</p>	See the Reformation Due to Insufficient Premium or Rating Information heading in the <a href="#">Flood Insurance Manual</a> .
<p><b>2. Reforming the Policy with Reduced Coverage.</b> Except as otherwise provided in VII.D.1, if the premium we received from you was not sufficient to buy the kinds and amounts of coverage you requested, we will provide only the kinds and amounts of coverage that can be purchased for the premium payment we received.</p> <p>a. For the purpose of determining whether your premium payment is sufficient to buy the kinds and amounts of coverage you requested, we will first deduct the costs of all applicable fees and surcharges.</p> <p>b. If the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, your payment will be refunded. Unless the policy is reformed to increase the coverage amount to the amount originally requested pursuant to VII.D.3, this policy will be cancelled, and no claims will be paid under this policy.</p> <p>c. Coverage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will not exceed the amount originally requested.</p>	
<p><b>3. Discovery of Insufficient Premium or Rating Information.</b> If we discover that your premium payment was not sufficient to buy the requested amount of coverage, the policy will be reformed as described in VII.D.2. You have the option of increasing the amount of coverage resulting from this reformation to the amount you requested as follows:</p> <p>a. <b>Insufficient Premium.</b> If we discover that your premium payment was not sufficient 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 it is discovered that the initial amount charged to you for</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.

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<p>any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill.</p> <p>(1) If you or the mortgagee or trustee pays the additional premium amount due within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount, effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage).</p> <p>(2) If you or the mortgagee or trustee do not pay the additional amount due within 30 days of the date of our bill, any flood insurance claim will be settled based on the reduced amount of coverage.</p> <p>(3) As applicable, you have the option of paying all or part of the amount due out of a claim payment based on the originally requested amount of coverage.</p> <p>b. <b>Insufficient Rating Information.</b> If we determine that the rating information we have is insufficient 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.</p> <p>(1) If we receive the information within 60 days of our request, we will determine the amount of additional premium for the current policy term, and follow the procedure in VII.D.3.a above.</p> <p>(2) If we do not receive the information within 60 days of our request, no claims will be paid until the requested information is provided. Coverage will be limited to the amount of coverage that can be purchased for the payments we received, as determined when the requested information is provided.</p>	
<p>4. <b>Coverage Increases.</b> If we do not receive the amounts requested in VII.D.3.a or the additional information requested in VII.D.3.b by the date it is due, the amount of coverage under this policy can only be increased by endorsement subject to the appropriate waiting period. However, no coverage increases will be allowed until you have provided the information requested in VII.D.3.b.</p>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

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Policy Language	Additional Explanation
<p><b>5. Falsifying Information.</b> 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 VIII.A apply.</p>	N/A
<p><b>E. Policy Renewal</b></p>	
<ol style="list-style-type: none"> <li>1. This policy will expire at 12:01 a.m. on the last day of the policy term.</li> <li>2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.</li> <li>3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures:               <ol style="list-style-type: none"> <li>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.</li> <li>b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the policy. In that case, the policy will remain an expired policy as of the expiration date shown on the Declarations Page.</li> </ol> </li> <li>4. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire we will provide to you, the rating information used to rate your most recent application for or renewal of insurance.</li> </ol>	<p>The SFIP is not a continuous policy. It is a contract for a one-year term. Every policy contract expires at 12:01 a.m. on the last day of the policy term. Renewal of an expiring policy establishes a new policy term and new contractual agreement. See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>
<p><b>F. Conditions Suspending or Restricting Insurance</b></p>	
<p>We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.</p>	N/A

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<p><b>G. Requirements in Case of Loss</b></p> <p>In case of a flood loss to insured property, you must:</p> <ol style="list-style-type: none"> <li>1. Give prompt written notice to us.</li> <li>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.</li> <li>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.</li> <li>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:               <ol style="list-style-type: none"> <li>a. The date and time of loss;</li> <li>b. A brief explanation of how the loss happened;</li> <li>c. Your interest (for example, “owner”) and the interest, if any, of others in the damaged property;</li> <li>d. Details of any other insurance that may cover the loss;</li> <li>e. Changes in title or occupancy of the insured property during the term of the policy;</li> <li>f. Specifications of damaged buildings and detailed repair estimates;</li> <li>g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;</li> <li>h. Details about who occupied any insured building at the time of loss and for what purpose; <i>and</i></li> <li>i. The inventory of damaged personal property described in G.3 above.</li> </ol> </li> <li>5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.</li> <li>6. You must cooperate with the adjuster or representative in the investigation of the claim.</li> </ol>	<p>The policyholder’s claim begins with the written notice of loss. The policyholder must report the loss to the insurer immediately; failure to provide a notice of loss to the insurer could prejudice the ability of the insurer to inspect the loss, identify the cause and extent of damage, and determine applicable coverage under the SFIP. If the policyholder delays reporting a loss, adjusters cannot help policyholders protect the property and avoid further damage. A policyholder’s failure to provide timely notice of loss can be a basis for denial of a claim.</p> <p>The adjuster should document the reason for a delay in the policyholder reporting a loss to the insurer.</p> <p>The SFIP requires that the policyholder separate damaged from undamaged property putting it in the best possible order, so the adjuster may examine it. It is the policyholder’s duty to perform the separation described above and prepare an inventory of damaged property including quantity, description, and the total amount of loss claimed. Any bills, receipts, photographs of damages, and related documents should be attached to the inventory.</p> <p>If a policyholder reasonably removes flood-damaged building or contents property before the adjuster can examine it, the policyholder must photograph the items in their original location where the damage occurred prior to moving the property and prepare the inventory. A policyholder must not dispose of non-perishable or non-hazardous property prior to inspection by the adjuster.</p> <p>To minimize potential documentation issues and assist the adjuster’s investigation, the policyholder should, if possible, retain samples or swatches of carpeting, wallpaper, furniture upholstery, window treatments, and other items of exceptional value where the type and quality of material will influence the amount payable on the claim. Photographs should also include groups of items such as clothing, kitchen items, furniture, etc. The insurer will evaluate and consider these items and the policyholder’s written inventory of damaged items.</p> <p>The proof of loss is the policyholder’s statement of the amount of money they are requesting. The policyholder must sign and swear to the proof of loss and provide documentation to support that the loss is a direct physical loss by or from flood and the amount requested for the insurer to consider it completed. The</p>



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	<p>policyholder (or Executor in the case of a deceased policyholder) is the only person who can sign the proof of loss.</p> <p><b>SIGNED AND SWORN:</b></p> <p>FEMA encourages the use of electronic signatures on proof of loss and other NFIP related submissions. FEMA will not deny the legal effect, validity, or enforceability of a signature solely because it is in electronic form. Insurers should accept electronic signatures in accordance with their general business practices and applicable laws.</p> <p><b>MULTIPLE PROOFS OF LOSS ALLOWED:</b></p> <p>Policyholders must submit a completed proof of loss and documentation to support the amount requested initially and completed proofs of loss for any additional payment requests to the insurer within 60 days after the date of loss or within any extension of that deadline granted by FEMA.</p> <p><b>ONE CLAIM PER LOSS:</b></p> <p>The proof of loss is not the claim. The claim is the policyholder’s assertion that they are entitled to payment for a Insured loss under the terms of the SFIP. A policyholder has only one claim from a flood event regardless of the number of proofs of loss and amount of documentation the policyholder may submit in support of that claim. The policyholder’s ICC proof of loss is a request for benefits afforded under III.D, for the claim; it is not a separate claim.</p>
<p>7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.</p>	N/A
<p>8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.</p>	<p>Only the NFIP insurer has the authority to approve or deny a claim, to tell the policyholder if they will approve or deny a claim, or to provide approved payment details. The insurer must rely only upon the terms and conditions established by Federal statute, NFIP regulations, the Federal Insurance Administrator’s interpretations, and the express terms of the SFIP.</p>

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<p>9. At our option, we may accept the adjuster’s report of the loss instead of your proof of loss. The adjuster’s report will include information about your loss and the damages you sustained. You must sign the adjuster’s report. At our option, we may require you to swear to the report</p>	N/A
<p><b>H. Our Options After a Loss</b></p>	
<p>Options we may, in our sole discretion, exercise after loss include the following:</p>	<p>This section sets forth the steps that insurers may take to require action on the part of the policyholder. If the policyholder fails to comply with the insurer’s request, the policyholder is in breach of the insuring agreement, which may affect the payment of the claim.</p>
<p>1. At such reasonable times and places that we may designate, you must:</p> <p>a. Show us or our representative the damaged property;</p>	<p>The policyholder must make the flood-damaged property available for examination as often as needed to verify the loss and claim. Insurer representatives will give the policyholder advanced notice of the specific time and meeting place to inspect the damaged property. The policyholder should document their loss with photographs before removing or disposing of damaged items that pose a health hazard, such as perishable food.</p>
<p>b. Submit to examination under oath, while not in the presence of another insured, and sign the same; <i>and</i></p>	<p>The insurer can require the policyholder to submit to an examination under oath but not in the presence of another policyholder when there are questions concerning the claim. An examination under oath is a formal proceeding, conducted prior to a lawsuit, during which the insurer’s representative questions a policyholder under oath in the presence of a court reporter. The insurer should ask the policyholder to present information and documentation necessary to evaluate their claim when requiring an examination under oath. This can include books of accounts, financial records, receipts, property settlement records, invoices, purchase orders, affidavits, and other materials to verify the loss.</p>
<p>c. Permit us to examine and make extracts and copies of:</p> <p>(1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;</p>	<p>The SFIP will not pay more than the amount of insurance that the policyholder is entitled to for the damaged, lost, or destroyed property insured under this policy if non-NFIP insurance covers a loss Insured by the SFIP. The policyholder must confirm the availability of other insurance to determine what the NFIP will pay. Examples include a homeowner’s policy water damage or sump overflow endorsement, mobile-home owner’s policy, scheduled property policy, renter’s policy, builder’s risk policy, etc. See SFIP Section VII.B for Other Insurance.</p>

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<p>(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; <i>and</i></p>	<p>A claim involving a unit in a condominium building requires the declarations of the condominium, bylaws, etc. to determine the policyholder’s insurable interest in the building. Adjusters may have to determine if the RCBAP paid for any damages. NFIP will not pay for the same damage item twice nor pay a claim for a residential unit that exceeds the statutory limits. Adjusters must provide documentation that a condominium association owns the insured building, not a homeowners’ association or a building cooperative.</p>
<p>(3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost.</p>	<p>Insurers may require the policyholder to provide information that documents the extent of the loss and the amount of the claim. Examples include books of accounts, bills, invoices, vouchers, and items showing the actual amounts paid to stores, contractors, or others for repair or replacement of items. This may also include photographs of the flood-damaged property that sufficiently and reasonably document the damage, quality of the item, and describe the damaged property. The policyholder can provide certified copies (a true copy of the primary document) when the originals are lost or destroyed.</p>
<p>2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged or destroyed property, including:</p> <p>a. Quantities and costs;</p>	<p>“Costs” means the amount to replace a personal property item with like kind and quality at current pricing, including the price for sales tax plus any applicable shipping and product assembly.</p>
<p>b. Actual cash values or replacement cost (whichever is appropriate);</p>	<p>N/A</p>
<p>c. Amounts of loss claimed;</p>	<p>The amount of loss claimed is the amount of payment the policyholder asks to receive for the damaged and Insured property.</p>
<p>d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; <i>and</i></p>	<p>Written plans and specifications for repair of the damaged property include contractor estimates, subcontractor bids, invoices, architectural reports and drawings, engineering reports, etc. This also includes water restoration or structural drying invoices and supporting documentation.</p> <p>NFIP will not accept a non-itemized, lump sum, or single line estimate or invoice in support of a claim.</p>
<p>e. Evidence that prior flood damage has been repaired.</p>	<p>Policyholders must provide evidence that previous flood damage was repaired, whether or not they owned or insured the property at the time of the previous flood. This includes any flood damages unrepaired by a previous owner. NFIP expects policyholders to maintain proof of repairs such as receipts, canceled</p>

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	<p>checks, etc. in a safe location away from the threat of flood. When policyholders do not have proof of repairs, adjusters should request other forms of documentation such as:</p> <ul style="list-style-type: none"> <li>• Pre-flood photographs (social media or other family members) to compare old and replaced items.</li> <li>• Credit card or bank statements showing dates and dollar amounts of payments to contractors.</li> <li>• Itemized statements and paid invoices from contractors.</li> </ul>
<p><b>3.</b> If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:</p> <p style="margin-left: 20px;">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; <i>and</i></p> <p style="margin-left: 20px;">b. Take all or any part of the damaged property at the value that we agree upon or its appraised value.</p>	<p>3.a. N/A</p> <p>3.b. Refer to VII.L. and other guidance, including <a href="#">Salvage</a> in Section 2 of this Manual.</p>
<p><b>I. No Benefit to Bailee</b></p>	
<p>No person or organization, other than you, having custody of insured property will benefit from this insurance.</p>	<p>Bailment is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose, such as a service, under an expressed or implied-in-fact contract. The SFIP does not cover the bailee because bailment is a change of possession, not a change of ownership or title. An example is when a customer (bailor) takes personal clothing to the dry cleaner (bailee). A bailment exists when the bailee has the clothing. The articles of clothing in the possession of the bailee are bailee goods and are not Insured. Consignment is a written agreement where a consignor provides owned personal property to a consignee for sale and gives the consignee a percentage of the sale price when sold. The SFIP does not cover property on consignment.</p>
<p><b>J. Loss Payment</b></p>	
<p><b>1.</b> 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</p>	<p>Adjusters and examiners should work with a policyholder or their authorized representative to understand the loss, prepare the estimate, and reach an agreed value for the loss. The insurer’s obligation to pay and the timeframe to pay begins once the policyholder meets the requirements in Paragraph J, a proof of loss that</p>

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<p>after the insurance adjuster files the adjuster’s report signed and sworn to by you in lieu of a proof of loss) and:</p> <ol style="list-style-type: none"> <li>a. We reach an agreement with you;</li> <li>b. There is an entry of a final judgment; <i>or</i></li> <li>c. There is a filing of an appraisal award with us, as provided in VII.M.</li> </ol>	<p>meets all NFIP requirements, or after the signed and sworn to adjuster’s report is received, and,</p> <ul style="list-style-type: none"> <li>• Insurer and the policyholder agree on the payment amount, <i>or</i></li> <li>• There is an entry of final judgment or an appraisal award by a court of competent jurisdiction.</li> </ul> <p>The insurer should promptly process all claims and payment requests. The insurer should communicate to policyholders any unforeseen delays in the claim examination process and advance undisputed claimed amounts at the earliest opportunity.</p> <p>When the insurer cannot pay a completed proof of loss, the examiner and the adjuster should promptly communicate the necessary adjustments or documentation required to the policyholder. Insurers should work with policyholders to settle the loss without resorting to a denial of the claim by the insurer.</p> <p>See <a href="#">Section 4 Claims Appeals</a> of this Manual for information on denial letters.</p>
<p>2. If we reject your proof of loss in whole or in part you may:</p> <ol style="list-style-type: none"> <li>a. Accept our denial of your claim;</li> <li>b. Exercise your rights under this policy; <i>or</i></li> <li>c. File an amended proof of loss as long as it is filed within 60 days of the date of the loss.</li> </ol>	<p>The phrase “reject your proof of loss” may be insufficient to communicate to the policyholder that the insurer has denied their claim in whole or in part. Accordingly, insurers should not use this language to deny all or part of a claim. When the insurer issues a written denial, the policyholder has certain rights, which include filing an appeal directly to FEMA (see <a href="#">Section 4 Claims Appeals</a>), filing suit against the insurer, or submitting an amended proof of loss with the documentation to support the requested loss and payment amount.</p> <p>The one-year statute of limitations for filing suit begins when the insurer issues the first denial letter (42 U.S.C. § 4072; 44 C.F.R. § 62.22(a)). Submitting subsequent additional or amended proofs of loss does not reset the one-year statute of limitations. Adjusters and examiners must assist policyholders in identifying all opportunities for payment. This helps the policyholder recover, ensures customer satisfaction, and prevents unnecessary appeals and lawsuits.</p>
<b>K. Abandonment</b>	
You may not abandon to us damaged or undamaged property insured under this policy.	N/A

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<b>L. Salvage</b>	
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.	The insurer always has the right to seek salvage or to take possession of damaged property. Insurers should pursue opportunities for financial recovery when available. See <a href="#">Section 2: Salvage</a> of this Manual.
<b>M. Appraisal</b>	
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 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: <ol style="list-style-type: none"> <li>1. Pay its own appraiser; <i>and</i></li> <li>2. Bear the other expenses of the appraisal and umpire equally.</li> </ol>	See <a href="#">Section 2: Claims Processes and Guidance, Appraisal</a> of this Manual.
<b>N. Mortgage Clause</b>	
<ol style="list-style-type: none"> <li>1. The word “mortgagee” includes trustee.</li> <li>2. Any loss payable under Coverage A—Building Property will be paid to any mortgagee of whom we have actual notice, as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.</li> <li>3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:</li> </ol>	The SFIP pays claims for building property to the named policyholder, mortgage holders, lienholders, other loss payees for whom we have actual notice, and any loss payee determined to exist at the time of loss. The mortgage clause is a contract within a contract. It is a contract between the mortgagee and the insurer within the contract between the policyholder and the insurer. Including the name of the mortgagee on each building claim payment is the surest way to keep this promise to the mortgagee. For all building payments, except III.C and III.D, include all known mortgagees, as they are additional insureds.

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<p>a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;</p> <p>b. Pays any premium due under this policy on demand if you have neglected to pay the premium; <i>and</i></p> <p>c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.</p> <p>4. All of the terms of this policy apply to the mortgagee.</p> <p>5. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building.</p> <p>6. 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.</p> <p>7. 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.</p>	<p>The insurer may potentially include a loss payee or lienholder on Coverage B – Personal Property of whom the insurer received actual notice, such as from the <a href="#">U.S. Small Business Administration (SBA)</a>. If the insurer receives a letter of an SBA approved loan, the SBA must be included on the building check(s) and the contents check(s) if the loan is for both real estate and personal or business property.</p>
<b>O. Suit Against Us</b>	
<p>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 after the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this policy and to any dispute that you may have arising out of the handling of any claim under the policy.</p>	<p>The statute of limitations begins with the insurer’s first written denial of the claim. Subsequent denial letters do not re-start the statute of limitations. Policyholders must file suit in a U.S. District Court in the district where the loss occurred within one year after the insurer’s first written denial. Neither FEMA nor the insurer may extend the one-year statute of limitations to file suit. If the policyholder does not agree with the final decision of their claim and is insured under the Write Your Own Program, they must file suit against their insurer in the US District Court where the insured property is located.<sup>22</sup> However, NFIP Direct policyholders that do not agree with FEMA’s final decision have one year to file suit against FEMA.<sup>23</sup></p>
<b>P. Subrogation</b>	
<p>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</p>	<p>When the adjuster believes there may be potential for subrogation, the adjuster completes FEMA Form 086-0-16 – Cause of Loss and Subrogation Report, to</p>

<sup>22</sup> 44 C.F.R. § 62.23(g).

<sup>23</sup> 44 C.F.R. § 62.22.

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<p>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.</p>	<p>identify a potentially responsible third party; and characterize how their actions may have caused or worsened flood damage. When the adjuster believes the cause of loss may be completely or in part due to an intentional or human cause, the adjuster should complete the NFIP Subrogation Form. Claim handling, review, and payment should proceed as normal. The insurer should make sure the subrogation form Cause of Loss and Subrogation Report is complete and escalate the matter for a subrogation review.</p> <p>See Section 2: Claims Processes and Guidance, <a href="#">Subrogation</a>.</p>
<p><b>Q. Continuous Lake Flooding</b></p>	
<p>1. If 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 an insured loss to the insured building equal to or greater than the building policy limits plus the deductible or the maximum payable under the policy for anyone 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:</p> <ol style="list-style-type: none"> <li>a. To make no further claim under this policy;</li> <li>b. Not to seek renewal of this policy;</li> <li>c. Not to apply for any flood insurance under the Act for property at the described location;</li> <li>d. Not to seek a premium refund for current or prior terms.</li> </ol> <p>If the policy term ends before the insured building has been flooded continuously for 90 days, the provisions of this paragraph Q.1 will apply when the insured building suffers a Insured loss before the policy term ends.</p> <p>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 Q.1 above or Q.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</p>	<p>The only Closed Basin Lake recognized by FEMA at this time is Devils Lake, North Dakota. Subject to all other provisions of the SFIP, if an insured building is subject to continuous lake flooding from Devils Lake, the following requirements must be met to be eligible for coverage under the terms of all SFIP forms:</p> <ul style="list-style-type: none"> <li>• The building must be in a participating community eligible for this coverage;</li> <li>• The subject building must have had NFIP flood insurance coverage continuously beginning on November 30, 1999, and any subsequent owner on or after November 30, 1999, must have an NFIP policy in effect within 60 days of the transfer of title (see: Q.2.g.);</li> <li>• The policyholder must grant a conservation easement (see: Q.2.b.(2)) and the community must have adopted a permanent land-use ordinance on or before July 15, 2001 (see: Q.2.e.(1), (2), and(3)); <i>and</i></li> <li>• FEMA will not recognize any increases in coverage limits with effective dates on or after November 30, 1999 (see: Q.2.g.), except when offered by the insurer as a routine inflation-guard increase and purchased by the policyholder. Insured buildings not eligible for the provisions of Q.2. described above, but damaged by continuous lake flooding, will be eligible for those provisions described at Q.1. of the SFIP, subject to the terms and conditions of the Q.1. and the SFIP. Buildings in eligible communities that are subject to damage from the effects of the Closed Basin Lake, Devils Lake, North Dakota, may file claims if any portion of the insured building, as defined in the SFIP, is at the still-water level derived by official National Weather Service (NWS) still-water levels. See Appendix C in this Manual for FEMA’s <a href="#">“Policy Guidance for Closed Basin Lakes.”</a></li> </ul>



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<p>climate. These lakes may overtop their basins on rare occasions.) Under this paragraph Q.2, we will pay your claim as if the building is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:</p> <ul style="list-style-type: none"> <li>a. Lake floodwaters must damage or imminently threaten to damage your building.</li> <li>b. Before approval of your claim, you must:                             <ul style="list-style-type: none"> <li>(1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; <i>and</i></li> <li>(2) Grant the conservation easement described in FEMA’s “Policy Guidance for Closed Basin Lakes” to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures 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 Q.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; <i>and</i></li> <li>(3) Comply with paragraphs Q.1.a through Q.1.d above.</li> </ul> </li> <li>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.</li> <li>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.</li> </ul>	

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<p>e. Before the approval of your claim, the community having jurisdiction over your building must:</p> <ol style="list-style-type: none"> <li>(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 Q.2.b above;</li> <li>(2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the building can be denied; <i>and</i></li> <li>(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 Q.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 Q.2.b above.</li> </ol> <p>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.”</p> <p>g. You must have NFIP flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under paragraph Q.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 Q.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.</p>	

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<p>h. This paragraph Q.2 will be in effect for a community when the FEMA Regional Administrator for the affected region provides to the community, in writing, the following:</p> <ul style="list-style-type: none"> <li>(1) Confirmation that the community and the State are in compliance with the conditions in paragraphs Q.2.e and Q.2.f above; <i>and</i></li> <li>(2) The date by which you must have flood insurance in effect.</li> </ul>	
<b>R. Loss Settlement</b>	
<p><b>1. Introduction</b></p> <p>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 a–c below.</p> <p>a. <b>Replacement Cost Loss Settlement</b>, described in R.2 below, applies to a single-family dwelling provided:</p> <ul style="list-style-type: none"> <li>(1) It is your principal residence; <i>and</i></li> <li>(2) At the time of loss, the amount of insurance in this policy that applies to the dwelling is 80 percent or more of its full replacement cost immediately before the loss, or is the maximum amount of insurance available under the NFIP.</li> </ul>	N/A
<p>b. <b>Special Loss Settlement</b>, described in R.3 below, applies to a single-family dwelling that is a manufactured or mobile home or a travel trailer.</p>	N/A
<p>c. <b>Actual Cash Value Loss Settlement</b> applies to a single-family dwelling not subject to replacement cost or special loss settlement, and to the property listed in R.4 below.</p>	N/A
<p><b>2. Replacement Cost Loss Settlement</b></p> <p>The following loss settlement conditions apply to a single-family dwelling described in R.1.a above:</p> <p>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:</p> <ul style="list-style-type: none"> <li>(1) The building limit of liability shown on your Declarations Page;</li> </ul>	The insurer does not have to withhold the recoverable depreciation until the owner makes the building repairs as required in VII.R.2.b. and c. when the structure is eligible for replacement cost loss settlement.

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p>(2) The replacement cost of that part of the dwelling damaged, with materials of like kind and quality and for like use; <i>or</i></p> <p>(3) The necessary amount actually spent to repair or replace the damaged part of the dwelling for like use.</p> <p>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.</p> <p>c. When the full cost of repair or replacement is more than \$1,000, or more than 5 percent of the whole amount of insurance that applies to the dwelling, we will not be liable for any loss under R.2.a above or R.4.a.2 below unless and until actual repair or replacement is completed.</p> <p>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 R.2.a, b, and c above, provided you notify us of your intent to do so within 180 days after the date of loss.</p> <p>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.</p>	
<p><b>3. Special Loss Settlement</b></p> <p>a. The following loss settlement conditions apply to a single-family dwelling that:</p> <p>(1) is a manufactured or mobile home or a travel trailer, as defined in II.C.6.b and c;</p> <p>(2) is at least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled; <i>and</i></p> <p>(3) is your principal residence as specified in R.1.a.1 above.</p> <p>b. If such a dwelling is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its</p>	<p>There are two ways to settle a loss on a manufactured or mobile home or a travel trailer.</p> <ul style="list-style-type: none"> <li>• Total loss is a property that is either not repairable (i.e., destroyed) or the cost to repair exceeds the value of the property.</li> <li>• If the dwelling is 16 feet wide, at least 600 total square feet, and the principal residence, the loss adjustment is the lesser of the following:             <ul style="list-style-type: none"> <li>- Replacement cost, i.e., the value of a new manufactured or mobile home, or travel trailer of like kind and quality, delivered to and installed at the described location.</li> <li>- 1.5 times the actual cash value, i.e., 1.5 times the documented book value for the year of the existing manufactured or mobile home, or</li> </ul> </li> </ul>

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p>pre-damage condition, we will, at our discretion pay the least of the following amounts:</p> <p>(1) The lesser of the replacement cost of the dwelling or 1.5 times the actual cash value; <i>or</i></p> <p>(2) The building limit of liability shown on your Declarations Page.</p> <p>c. If such a dwelling is partially damaged and, in our judgment, it is economically feasible to repair it to its pre-damage, condition we will settle the loss according to the Replacement Cost conditions in R.2 above.</p>	<p>travel trailer, delivered to and installed at the described location.</p> <ul style="list-style-type: none"> <li>- Amount of coverage purchased under Coverage A – Building.</li> </ul> <ul style="list-style-type: none"> <li>• Repairable loss or a loss not considered a total loss:                             <ul style="list-style-type: none"> <li>- If the manufactured (mobile home) or a travel trailer is 16 feet wide, at least 600 total square feet, and the principal residence, settle the loss under Replacement Cost Loss Settlement (See VII.R.2.). If the manufactured (mobile home) or a travel trailer is not 16 feet wide, or not at least 600 total square feet, or not the principal residence, settle the loss under Actual Cash Value Loss Settlement (See VII.R.4.).The requirement for a policyholder to purchase building coverage to at least 80 percent of the manufactured or mobile home or a travel trailer’s replacement cost value does not apply under Special Loss Settlement.</li> </ul> </li> </ul>
<p><b>4. Actual Cash Value Loss Settlement</b></p> <p>The types of property noted below are subject to actual cash value (or in the case of R.4.a.2., below, proportional) loss settlement.</p> <p>a. A dwelling, at the time of loss, when the amount of insurance on the dwelling is both less than 80 percent of its full replacement cost immediately before the loss and less than the maximum amount of insurance available under the NFIP. In that case, we will pay the greater of the following amounts, but not more than the amount of insurance that applies to that dwelling:</p> <p>(1) The actual cash value, as defined in II.C.2, of the damaged part of the dwelling; <i>or</i></p>	<p>An actual cash value loss settlement is the cost to repair or replace insured building items at the time of the loss, less the building deductible and less its physical depreciation.</p> <p>Appliances include refrigerators, stoves, ovens, ranges, trash compactors, and garbage disposals.</p>
<p>(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.</p> <p>This proportion is determined as follows: If 80 percent of the full replacement cost of the dwelling is less than the maximum amount of insurance available under the NFIP, then the proportion is determined by dividing the actual amount of insurance on the dwelling by the amount of insurance that</p>	<p>When the dwelling is a single-family building and the policyholder’s principal residence, but the insurance carried does not meet the criteria for the replacement cost loss settlement (80 percent of the dwelling’s full replacement cost or maximum policy limits), proportional loss settlement can be more advantageous than the actual cash value settlement. If proportional settlement benefits the policyholder, use the following formulas to calculate a proportional loss settlement:</p> <ul style="list-style-type: none"> <li>• <b>RCV to pay</b> = (Insurance carried ÷ insurance required) × RCV loss</li> <li>• <b>Proportional loss payable</b> = RCV to pay – deductible</li> </ul>

VII. GENERAL CONDITIONS

Policy Language	Additional Explanation												
<p>represents 80 percent of its full replacement cost. But if 80 percent of the full replacement cost of the dwelling is greater than the maximum amount of insurance available under the NFIP, then the proportion is determined by dividing the actual amount of insurance on the dwelling by the maximum amount of insurance available under the NFIP.</p>	<p>Proportional loss payments should not be:</p> <ul style="list-style-type: none"> <li>• Less than the ACV payable loss, because you would then settle at ACV;</li> <li>• More than the RCV payable loss;</li> <li>• More than the policy building limit; <i>or</i></li> <li>• More than the maximum statutory amount available for the coverage.</li> </ul>												
<p>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 insured under this policy that is abandoned after a loss and remains as debris anywhere on the described location.                      i. A dwelling that is not your principal residence.</p>	<p>Appliances include refrigerators, stoves, ovens, ranges, trash compactors, garbage disposals, and the like.                      Below is an example of how to calculate a proportional loss settlement.</p> <p style="text-align: center;"><b>Table 8: Proportional Loss Settlement Example</b></p> <table border="1" data-bbox="1167 691 1845 951"> <thead> <tr> <th>Item</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Building RCV</td> <td>\$135,000</td> </tr> <tr> <td>Insurance Required (80%) RCV</td> <td>\$108,000</td> </tr> <tr> <td>Insurance Carried</td> <td>\$92,000</td> </tr> <tr> <td>Deductible</td> <td>\$2,000</td> </tr> <tr> <td>RCV Loss</td> <td>\$50,000</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• <math>((\\$92,000 + \\$108,000) \times \\$50,500) = \\$43,018.52</math></li> <li>• <math>\\$43,018.52 - \\$2,000 = \\$41,018.52</math></li> </ul> <p><b>IMPORTANT:</b> Use the order of operations as shown, starting within the innermost parentheses, for accurate calculation.</p>	Item	Value	Building RCV	\$135,000	Insurance Required (80%) RCV	\$108,000	Insurance Carried	\$92,000	Deductible	\$2,000	RCV Loss	\$50,000
Item	Value												
Building RCV	\$135,000												
Insurance Required (80%) RCV	\$108,000												
Insurance Carried	\$92,000												
Deductible	\$2,000												
RCV Loss	\$50,000												
<p><b>5. Amount of Insurance Required</b>                      To determine the amount of insurance required for a dwelling immediately before the loss, we do not include the value of:</p> <p>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 R.5.a above, that are below the surface of the ground inside the foundation walls if there is no basement; <i>and</i>                      c. Excavations and underground flues, pipes, wiring, and drains.</p>	<p>The RCV and the amount of insurance required to qualify for replacement cost loss settlement are two separate amounts. The RCV of the building is pertinent to the adjuster completing the Adjuster’s Preliminary Damage Assessment form or determining a potential total loss. Adjusters use adjustment valuation software to generate RCV, which typically includes the value to excavate and install foundation components that are below the ground level of a building with no basement, underneath the floor of a building with a basement, and the cost to install underground utility connections. The adjuster should not include the value of the items listed when determining the amount of insurance required. If the loss meets all the criteria for replacement cost loss settlement, except for the</p>												

## VII. GENERAL CONDITIONS

Policy Language	Additional Explanation
<p><b>Note:</b> The Coverage D—Increased Cost of Compliance limit of liability is not included in the determination of the amount of insurance required.</p>	<p>required amount of insurance, the adjuster and examiner must adjust the RCV to exclude the value of the items listed before adjusting the loss settlement at Actual Cash Value.</p>

## VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL

Policy Language	Additional Explanation
<b>A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements</b>	
<p>1. With respect to all insureds under this policy, this policy is void and has no legal force and effect if at any time, before or after a loss, you or any other insured or your agent have, with respect to this policy or any other NFIP insurance:</p> <ul style="list-style-type: none"> <li>a. Concealed or misrepresented any material fact or circumstance;</li> <li>b. Engaged in fraudulent conduct; <i>or</i></li> <li>c. Made false statements.</li> </ul>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>
<p>2. Policies voided under A.1 cannot be renewed or replaced by a new NFIP policy.</p> <p>3. Policies are void as of the date the acts described in A.1 above were committed.</p> <p>4. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.</p>	
<b>B. Policy Nullification for Reasons Other Than Fraud</b>	
<p>1. This policy is void from its inception, and has no legal force or effect, if:</p> <ul style="list-style-type: none"> <li>a. The property listed on the application is located in a community that was not participating in the NFIP on this policy's inception date and did not join or reenter the program during the policy term and before the loss occurred;</li> <li>b. The property listed on the application is otherwise not eligible for coverage under the NFIP at the time of the initial application;</li> </ul>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<p>c. You never had an insurable interest in the property listed on the application;</p> <p>d. You provided an agent with an application and payment, but the payment did not clear; <i>or</i></p> <p>e. We receive notice from you, prior to the policy effective date, that you have determined not to take the policy and you are not subject to a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract.</p> <p>2. In such cases, you will be entitled to a full refund of all premium, fees, and surcharges received. However, if a claim was paid for a policy that is void, the claim payment must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed.</p>	
<b>C. Cancellation of the Policy by You</b>	
<p>1. You may cancel this policy in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p> <p>2. If you cancel this policy, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>D. Cancellation of the Policy by Us</b>	
<p>1. <b>Cancellation for Underpayment of Amounts Owed on Policy.</b> This policy will be cancelled, pursuant to VII.D.2, if it is determined that the premium amount you paid is not sufficient to buy any amount of coverage, and you do not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<p>2. <b>Cancellation Due to Lack of an Insurable Interest.</b></p> <p>a. If you no longer have an insurable interest in the insured property, we will cancel this policy. You will cease to have an insurable interest if:</p> <p style="padding-left: 20px;">(1) For building coverage, the building was sold, destroyed, or removed.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.



VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<p>(2) For contents coverage, the contents were sold or transferred ownership, or the contents were completely removed from the described location.</p> <p>b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP.</p>	
<p><b>3. Cancellation of Duplicate Policies</b></p> <p>a. Except as allowed under Section I.G, your property may not be insured by more than one NFIP policy, and payment for damages to your property will only be made under one policy.</p> <p>b. Except as allowed under Section I.G, if the property is insured by more than one NFIP policy, we will cancel all but one of the policies. The policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP.</p> <p>c. If this policy is cancelled pursuant to VIII.D.4.b, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<p><b>4. Cancellation Due to Physical Alteration of Property</b></p> <p>a. If the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, we will cancel this policy.</p> <p>b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<p><b>E. Non-Renewal of the Policy by Us</b></p> <p>Your policy will not be renewed if:</p> <ol style="list-style-type: none"> <li>The community where your insured property is located is suspended or stops participating in the NFIP;</li> <li>Your building is otherwise ineligible for flood insurance under the Act;</li> </ol>	<p>When a community no longer participates in the NFIP, an active SFIP will remain in force up to the day before the policy renewal date.</p> <ul style="list-style-type: none"> <li>Coverage may not be available for a building constructed or altered in violation of state or local floodplain management laws, regulations, or ordinances.</li> </ul>

## VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL

Policy Language	Additional Explanation
<p>3. You have failed to provide the information we requested for the purpose of rating the policy within the required deadline.</p>	<ul style="list-style-type: none"> <li>Section 1316 of the Act allows a state or community to declare a building in violation of its floodplain management rules. When a state or community declares that a building is in violation of Section 1316, the building and any contents in it are not eligible for SFIP coverage.</li> <li>Insurers have a list of buildings with Section 1316 violations that are ineligible for NFIP coverage. When the owner corrects the violation, the building becomes eligible for coverage again. The examiner should verify the building's eligibility.</li> </ul>

## IX. LIBERALIZATION CLAUSE

Policy Language	Additional Explanation
<p>If we make a change that broadens your coverage under this edition of our policy, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the change, provided that this implementation date falls within 60 days before or during the policy term stated on the Declarations Page.</p>	<p>Insurers cannot apply additional coverages provided through the liberalization clause retroactively to losses that have occurred; insurers can apply it prospectively. The clause permits FEMA to give existing, active policyholders beneficial amendments without needing to endorse their policies separately, if FEMA removes coverage those changes are not applied to the current policy term.</p>

## X. WHAT LAW GOVERNS

Policy Language	Additional Explanation
<p>This policy and all disputes arising from the insurer's policy issuance, policy administration, or 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.</p>	<p>N/A</p>

## 2 General Property Form

Please read the policy carefully. The flood insurance provided is subject to limitations, restrictions, and exclusions.

I. AGREEMENT	
Policy Language	Additional Explanation
<p><b>A. Coverage Under This Policy</b></p> <ol style="list-style-type: none"> <li>1. Except as provided in I.A.2, this policy provides coverage for multifamily buildings (residential buildings designed for use by 5 or more families that are not condominium buildings), non-residential buildings, and their contents.</li> <li>2. There is no coverage for a residential condominium building in a regular program community, except for personal property coverage for a unit in a condominium building.</li> </ol>	
<p><b>B.</b> The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations.</p>	<p>This policy is under federal law, unlike other property lines. Relevant definition of Act at II.C.1.</p>
<p><b>C.</b> We will pay you for direct physical loss by or from flood to your insured property if you:</p> <ol style="list-style-type: none"> <li>1. Have paid the full amount due (including applicable premiums, surcharges, and fees);</li> <li>2. Comply with all terms and conditions of this policy; <i>and</i></li> <li>3. Have furnished accurate information and statements.</li> </ol>	<p>Relevant definition of Direct Physical Loss By or From Flood at II.C.14 (direct physical loss). Policyholder requirements in case of a loss appear at VII.G.</p>
<p><b>D.</b> We have the right to review the information you give us at any time and revise your policy based on our review</p>	<p>Post-loss underwriting information appears at VII.D.</p>
<p><b>E.</b> This policy insures only one building. If you own more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application.</p>	<p>Relevant definition of Application at II.C.3.</p>
<p><b>F.</b> Multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if issued through different NFIP insurers. Payment for damages may only be made under a single policy for building damages under Coverage A— Building Property.</p>	<p>N/A</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>A.</b> In this policy, “you” and “your” refer to the named insured(s) shown on the Declarations Page of this policy. Insured(s) also includes: Any mortgagee and loss payee named in the Application and Declarations Page, as well as any other mortgagee or loss payee determined to exist at the time of loss, in the order of precedence. “We,” “us,” and “our” refer to the insurer.</p> <p>Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases.</p>	<p>Relevant definition of Declarations Page appears at II.C.11.</p> <p>Relevant definition of Application appears at II.C.3. Mortgage clause appears at VII.N.</p>
<p><b>B. Flood</b>, as used in this flood insurance policy, means:</p> <p><b>1.</b> A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:</p> <ol style="list-style-type: none"> <li>a. Overflow of inland or tidal waters;</li> <li>b. Unusual and rapid accumulation or runoff of surface waters from any source;</li> <li>c. Mudflow.</li> </ol>	<p>For a general condition of flood to exist, the inundation must cover two or more acres of normally dry land or two or more parcels of land, one of which can be public property such as a roadway.</p> <p>The phrase “partial or complete inundation of two or more acres of normally dry land area or of two or more properties” means that the two or more acres must be continuous acres, and that the two or more inundated parcels of land must touch.</p> <p>Relevant definition of mudflow appears at II.C.19. Note: A mudflow is a flow of liquified mud comprised of fine earthen materials (soil) with water that overflows the banks of a waterbody and can also be a flow of heavier earthen materials like gravel, rocks, boulders, and other debris.</p> <p>Various sources such as media, state geologists, or engineers may refer to an event as mudslide or debris flow. No matter what the event is called or by whom, the facts of the event must show it meets the definition of flood.</p>
<p><b>2.</b> 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 B.1.a. above</p>	<p>The phrase “as defined in B.1.a above” means that the collapse or subsidence as set forth in the definition must occur during a flood from the overflow of inland or tidal waters.</p> <p>The SFIP does not cover damage from any other cause, form, or type of earth movement or gradual erosion. See Exclusions at V.C.</p>
<p><b>C. The following are the other key definitions we use in this policy:</b></p>	
<p><b>1. Act.</b> The National Flood Insurance Act of 1968 and any amendments to it.</p>	<p>See I.B.</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>2. Actual Cash Value.</b> The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.</p>	N/A
<p><b>3. Application.</b> 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</p>	<p>The statement made and signed by the prospective policyholder or the agent when applying for a policy. The application contains information including the property description, information to determine eligibility, the policy form selected, selected coverage and limits, deductible, and the premium amount.</p> <p>Relevant definition of you, your, and we appears at II.A. Relevant definition of Policy appears at II.C.21.</p>
<p><b>4. Base Flood.</b> A flood having a one percent chance of being equaled or exceeded in any given year.</p>	<p>The Base Flood Elevation (BFE) is shown on the FIRM for zones AE, AH, A1–A30, AR, AR/A, AR/AE, AR/A1–A30, AR/AH, AR/A0, V1–V30 and VE. It is no longer collected for rating but the SFIP policy forms still reference BFE in defining a building’s eligibility for NFIP coverage when partially underground or under construction.</p>
<p><b>5. Basement.</b> 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.</p>	<p>The SFIP definition for a basement means the floor level of a room or any area of a floor level in a building is below the ground level on all sides. Relevant definition of Building appears at II.C.6.</p> <p>The SFIP definition of a basement may differ from what policyholders consider as their “basement.” The SFIP considers a sunken room or sunken portion of a room is a basement if the floor level is below the ground level on all sides. Further, the entire below-ground-floor-level area, including walls and the ceiling that may extend above grade, is subject to basement coverage limitations.</p> <p>Ground level is the surface of the ground immediately along the perimeter of the building. If an exterior area of egress out of the building is below the ground level on all sides, it is a basement.</p>

II. DEFINITIONS

Policy Language

Additional Explanation

Figure 23: Ground Level vs. Below Ground Level



Figure 24: Egress



The insurer may need to engage a qualified, licensed professional (example: surveyor) to measure the floor level in question. See [Section 2. Guidance on the Use of Outside Professional Services](#) of this Manual.

Sump wells are not basements because they are not at floor level.

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>6. Building</b></p> <p>a. A structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site;</p> <p>b. A manufactured home also known as a mobile home, is a structure built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); <i>or</i></p> <p>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.</p> <p>Building does not mean a gas or liquid storage tank, shipping container, or a recreational vehicle, park trailer, or other similar vehicle, except as described in C.6.c above.</p>	<ul style="list-style-type: none"> <li>• The SFIP insures a building, manufactured home, or travel trailer located at the described location, as shown on the Declaration Page. The SFIP can only insure one building per policy.</li> <li>• A manufactured home is assembled off-site and towed to a location in one or more sections. 44 C.F.R. § 59.1.</li> <li>• A mobile home is a building, constructed before June 15, 1976.</li> <li>• For eligibility, a travel trailer must have all wheels removed. A self-propelled recreational vehicle (RV), also known as a motor home, is not a building and is not eligible for insurance under the SFIP.</li> <li>• A travel trailer must be installed and regulated under the community’s floodplain management building ordinances or laws for eligibility under the SFIP. A travel trailer installed outside of these regulations and ordinances or laws, for example in a recreational camping park (i.e., park trailer), is not eligible for coverage under the SFIP.</li> <li>• A storage or shipping container, whether used as a shed, storage, or place to live, must meet the definition of building for eligibility under the SFIP.</li> <li>• “Affixed by weight” does not mean affixed to a permanent site in the context of the SFIP definition of building. A building meets the criteria of “affixed to a permanent site,” if for example, it is mechanically anchored to the ground or if its foundation is installed in the ground. A structure or its foundation placed on top of the ground without excavation or being mechanically secured does not meet the definition of a building.</li> </ul>
<p><b>7. Cancellation.</b> The ending of the insurance coverage provided by this policy before the expiration date.</p>	<p>The expiration date is the ending of the policy term, the period of coverage provided by the insurance policy. Relevant definition of Policy appears at II.C.21.</p>
<p><b>8. Condominium.</b> That form of ownership of one or more buildings in which each unit owner has an undivided interest in common elements.</p>	<p>N/A</p>
<p><b>9. Condominium Association.</b> The entity, formed by the unit owners, responsible for the maintenance and operation of:</p> <p>a. Common elements owned in undivided shares by unit owners; <i>and</i></p> <p>b. Other buildings in which the unit owners have use rights where membership in the entity is a required condition of unit ownership.</p>	<p>N/A</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>10. Condominium Building.</b> A type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building.</p>	<p>A condominium building or a complex of buildings containing a number of individually owned apartments or houses where each unit owner has an undivided interest in common elements of the building. Relevant definition of Building appears at II.C.6.</p>
<p><b>11. Declarations Page.</b> A computer-generated summary of information you provided in your 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.</p>	<p>Relevant definition of Application appears at II.C.3. Relevant definition of Policy appears at II.C.21.</p>
<p><b>12. Deductible.</b> The fixed amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy.</p>	<p>Relevant definition of Policy appears at II.C.21.</p>
<p><b>13. Described Location.</b> The location where the insured building (s) or personal property are found. The described location is shown on the Declarations Page.</p>	<p>The described location may include multiple buildings, however, the SFIP insures only one building. Relevant definition of Building appears at II.C.6. Relevant definition of Declarations Page appears at II.C.11.</p>
<p><b>14. Direct Physical Loss By or From Flood.</b> Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property.</p>	<p>The phrase “directly caused by a flood” means that a flood, defined by the SFIP at II.B, is the immediate cause of loss, damage, or change to insured property, with no intervening cause or factor after such flood leading to damage. The phrase “evidence of physical changes to the property” means there must be visible evidence showing flood ruined, damaged, or changed the property.</p> <p>In several instances, the SFIP expressly covers losses that the definition of direct physical loss by or from flood may otherwise exclude. These instances include:</p> <ul style="list-style-type: none"> <li>• Losses from mudflow and collapse or subsidence of land as a result of erosion specifically covered under the SFIP definition of flood (see II.B.1.c, II.B.2, and II.C.19).</li> <li>• Direct physical loss caused by water, moisture, mildew, or mold damage that results directly by or from flood, or after floodwaters recede, provided the policyholder performed all reasonable measures within their control to inspect or maintain the property (see V.D.4.b.(3)).</li> </ul>



II. DEFINITIONS	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>• Back up of water and water-borne material through sewers or drains, where a flood is the proximate cause of the sewer or drain backup (see V.D.5.a.).</li> <li>• Discharge or overflow from a sump, sump pump, or related equipment, where a flood is the proximate cause of the sump pump discharge or overflow (see V.D.5.b.).</li> <li>• Seepage or leakage on or through the insured building, where a flood is the proximate cause of the seepage of water (see V.D.5.c.).</li> <li>• Pressure or weight of water, where a flood is the proximate cause of the damage from the pressure or weight of water (see V.D.6.).</li> </ul>
<p><b>15. Elevated Building.</b> A building that has no basement and has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.</p>	<p>For more information about elevated buildings, see Section 2 of this Manual, <a href="#">Lowest Elevated Floor Determination</a>. If an elevated floor in the building is in part supported by a structural slab-on-grade foundation, additional documentation may be necessary to verify the elevated rating for the building.</p> <p>Relevant definition of Building appears at II.C.6. Relevant definition of Basement appears at II.C.5.</p>
<p><b>16. Emergency Program.</b> 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 and the regulations prescribed pursuant to the Act.</p>	<p>The emergency program is the initial phase of a community’s participation in the NFIP if no flood hazard information is available or the community has a Flood Hazard Boundary Map (FHBM), but no Flood Insurance Rate Map (FIRM). A limited amount of flood insurance coverage at less than actuarial rates is available for all residents of the community.</p> <p>The community is required to adopt minimum floodplain management standards to control future use of its floodplains. Communities are converted to the regular program upon completion of a flood insurance study and issuance of a FIRM or a determination that the community has no special flood areas (NSFHA). Under the regular program, more comprehensive floodplain management requirements are required of the community and higher amounts of flood insurance coverage are provided.</p>
<p><b>17. Federal Policy Fee.</b> A flat rate charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the National Flood Insurance Program.</p>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

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Policy Language	Additional Explanation
<b>18. Improvements.</b> Fixtures, alterations, installations, or additions comprising a part of the building.	Relevant definition of Building at II.C.6.
<b>19. Mudflow.</b> A river of liquid and flowing mud on the surface 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.	See additional explanation of Flood above.
<b>20. National Flood Insurance Program (NFIP).</b> 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.	Relevant definition of Act appears at II.C.1.
<b>21. Policy.</b> The entire written contract between you and us. It includes: <ul style="list-style-type: none"> <li>a. This printed form;</li> <li>b. The application and Declarations Page;</li> <li>c. Any endorsement(s) that may be issued; <i>and</i></li> </ul> Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term. Only one building, which you specifically described in the application, may be insured under this policy.	Relevant definition of you and us appears at II.A. Relevant definition of Declarations Page appears at II.C.11. Relevant definition of Application appears at II.C.3. Relevant definition of Building appears at II.C.6.
<b>22. Pollutants.</b> Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.	The policy covers up to \$10,000 damage caused by pollutants to covered property if the discharge, seepage, migration, release, or escape of the pollutants is caused by or results from flood. Testing for or monitoring of pollutants is not insured unless required by law. See III.C.3.
<b>23. Post-FIRM Building.</b> 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.	Refer to the <a href="#">NFIP Community Status Book</a> to determine the community, initial FIRM dates, and program type (regular or emergency) to determine if the insured building meets the definition of a post-FIRM building.
<b>24. Probation Surcharge.</b> A flat charge you must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24.	See the <a href="#">Flood Insurance Manual</a> for detailed information.

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Policy Language	Additional Explanation
<p><b>25. Regular Program.</b> 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 and the regulations prescribed pursuant to the Act.</p>	<p>A community without a Flood Insurance Rate Map that enters the National Flood Insurance Program (NFIP) as an emergency program community. Once a detailed engineering study is completed for the community and a Flood Insurance Rate Map (FIRM) issued, the community is brought into the regular program of the NFIP.</p> <p>The community is required to adopt or amend its floodplain management regulations to incorporate the new flood data on the FIRM. Under the regular program, higher amounts of flood insurance coverage are provided than under the emergency program.</p>
<p><b>26. Residential Condominium Building.</b> A condominium building, containing one or more family units and in which at least 75 percent of the floor area is residential.</p>	<p>Relevant definition of Condominium Building appears at II.C.10.</p>
<p><b>27. Special Flood Hazard Area (SFHA).</b> An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1–A30, AE, A99, AH, AR, AR/A, AR/AE, AR/ AH, AR/AO, AR/A1–A30, V1–V30, VE, or V.</p>	<p>All zones listed are SFHAs. However, the post-FIRM elevated building coverage limitations listed in III.A.8 and III.B.5 apply only to zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1– A30, V1–V30, and VE. In addition, certain SFHA zones carry specific requirements before coverage will apply. See III.A.5.b. All zones listed are SFHAs. However, the post-FIRM elevated building coverage limitations apply only to zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1–V30, and VE, at SFIP Section III.A.8.</p>
<p><b>28. Stock.</b> 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 insured under Section IV. Property Not Insured, except the following:</p> <ol style="list-style-type: none"> <li>a. Parts and equipment for self-propelled vehicles;</li> <li>b. Furnishings and equipment for watercraft;</li> <li>c. Spas and hot-tubs, including their equipment; <i>and</i></li> <li>d. Swimming pool equipment.</li> </ol>	<p>N/A</p>
<p><b>29. Unit.</b> A single-family residential or non-residential space you own in a condominium building.</p>	<p>Relevant definition of Condominium Building appears at II.B.10.</p>




II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>30. Valued Policy.</b> 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.</p>	<p>The SFIP is not a valued policy; it is a direct physical loss policy. The insurer agrees to pay a policyholder for insured property damaged by direct physical by or from flood, subject to the terms, conditions, and exclusion of the SFIP.</p>

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Policy Language	Additional Explanation
<p><b>A. Coverage A—Building Property</b> We insure against direct physical loss by or from flood to:</p>	
<p><b>1.</b> The building described on the Declarations Page at the described location. If the building is a condominium building and the named insured is the condominium association, Coverage A includes all units within the building and the improvements within the units, provided the units are owned in common by all unit owners.</p>	<p>The NFIP insures several building types such as cooperative buildings. There are distinct differences between a condominium building and cooperative buildings, as described below:</p> <ul style="list-style-type: none"> <li>Corporations own and manage cooperative buildings. Their ownership differs from the condominium form of ownership. Residents within cooperative buildings buy shares of the corporation, rather than the real estate (building, land, or both building and land). A cooperative building must have at least 75 percent of the total floor area used for residential purposes to qualify as a residential occupancy. Cooperative buildings are not eligible for the RCBAP.</li> </ul>
<p><b>2.</b> Building property located at another location for a period of 45 days at another location, as set forth in III.C.2.b, Property Removed to Safety.</p>	<p>The SFIP at III.C.2.b.(1)-(4) will cover up to \$1,000 for the costs associated with the removal of property when there is a imminent threat of flood. For III.A.2, the policyholder must remove the property from the described location and relocate it outside the SFHA. Coverage begins the date the policyholder removes property from the described location. A deductible is not applied to the costs associated with moving the property to safety.</p>
<p><b>3.</b> 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</p>	<p>A property owner has the option to separately insure an SFIP-defined addition if the insured property meets the definition of a building. Otherwise, an addition or extension meeting the requirements of III.A.3 is covered under the General Property Form as part of the building.</p>

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Policy Language	Additional Explanation
<p>common interior wall that is not a solid load-bearing wall are always considered part of the building and cannot be separately insured.</p>	<p><b>Figure 24: Examples of Additions and Extensions and the Five Means of Connection</b></p>  <p><b>Roof</b>  <b>Elevated walkways</b>  <b>Exterior rigid walls</b>  <b>Load-bearing (solid) interior walls</b>  <b>Stairs</b></p>
<p>4. The following fixtures, machinery, and equipment, which are insured under Coverage A only:</p> <ul style="list-style-type: none"> <li>a. Awnings and canopies;</li> <li>b. Blinds;</li> <li>c. Carpet permanently installed over unfinished flooring;</li> <li>d. Central air conditioners;</li> <li>e. Elevator equipment;</li> <li>f. Fire extinguishing apparatus;</li> <li>g. Fire sprinkler systems;</li> <li>h. Walk-in freezers;</li> <li>i. Furnaces;</li> <li>j. Light fixtures;</li> <li>k. Outdoor antennas and aerials attached to buildings;</li> <li>l. Permanently installed cupboards, bookcases, paneling, and wallpaper;</li> <li>m. Pumps and machinery for operating pumps;</li> <li>n. Ventilating equipment; and</li> </ul>	<p>III.A.4.b: The term “blinds” includes vertical and horizontal types. However, drapes and hardware are contents (personal property), whether physically attached to the building or not.</p> <p>III.A.4.d: This includes building HVAC system components used for heating, cooling, ventilation, and other central air-handling equipment used for climate control within the building, including permanently installed equipment for humidification, dehumidification, air-filtering, and ventilation. Heaters of any type must be permanently installed in building.</p> <p>III.A.4.h: to qualify as a “walk-in,” the equipment must be permanently installed or built-in.</p> <p>III.A.4.i: See commentary for III.A.4.d.</p> <p>III.A.4.p.(8): Ranges, cooking stoves, and ovens include cooktops, range hoods, and built-in cooking exhaust apparatuses.</p> <p>III.A.4.p (1)-(10) are fixtures, machinery, and equipment and insured under Coverage A when in a single-family residential or non-residential space “you” (as defined in II.A) own in a condominium building and in any other insured building described on the declarations page at the described location.</p>

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Policy Language	Additional Explanation
<p>o. Wall mirrors, permanently installed; <i>and</i></p> <p>p. In the units within the building, installed:</p> <ul style="list-style-type: none"> <li>(1) Built-in dishwashers;</li> <li>(2) Built-in microwave ovens;</li> <li>(3) Garbage disposal units;</li> <li>(4) Hot water heaters, including solar water heaters;</li> <li>(5) Kitchen cabinets;</li> <li>(6) Plumbing fixtures;</li> <li>(7) Radiators;</li> <li>(8) Ranges;</li> <li>(9) Refrigerators; <i>and</i></li> <li>(10) Stoves.</li> </ul>	
<p>5. Materials and supplies to be used for construction, alteration, or repair of the insured building while the materials and supplies are stored in a fully enclosed building at the described location or on an adjacent property.</p>	<p>The SFIP does not cover tools for construction, such as concrete forms, molds, cribbing, power tools, etc.</p> <p>Under Coverage A — Building Property, the SFIP does not cover tools or equipment used for construction. Such items are covered only under Coverage B- Personal Property, provided they are owned by the policyholder and located within an enclosed building at the described location at the time of the loss.</p>
<p>6. A building under construction, alteration, or repair at the described location:</p> <p>a. If the structure is not yet walled or roofed as described in the definition for building (see II.B.6.a.), then coverage applies:</p> <ul style="list-style-type: none"> <li>(1) Only while such work is in progress; <i>or</i></li> <li>(2) If such work is halted, only for a period of up to 90 continuous days thereafter.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>(1) Below the base flood elevation in Zones AH, AE, A1– A30, AR, AR/AE, AR/AH, AR/ A1–A30, AR/A, AR/AO; <i>or</i></li> </ul>	<p>The SFIP only covers buildings in the course of construction affixed to a permanent site. For example, NFIP does not cover a building on temporary cribbing and not affixed to a permanent site.</p> <p>When a building in the course of construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, it is not eligible for coverage when construction stops for more that 90 days or if the lowest floor is below the BFE, then the deductible amount will be two times the deductible that would otherwise apply to a completed building See VI.A. _</p> <p><b>Figure 25</b> and <b>Figure 26</b> show a dwelling elevated but temporarily supported on cribbing. The structure becomes eligible for SFIP coverage once it is affixed to a permanent site, as shown in <b>Figure 27</b>.</p>


III. PROPERTY INSURED


Policy Language	Additional Explanation
<p>(2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1–V30.</p> <p>The lowest floor level is based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1–V30 or the top of the floor in Zones AH, AE, A1–A30, AR, AR/AE, AR/ AH, AR/A1–A30, AR/A, and AR/AO.</p>	<p><b>Figure 25: Building in the process of Elevating</b></p>  <p><b>Figure 26: Temporary Cribbing</b></p>  <p><b>Figure 27: Building Affixed to a Permanent Site</b></p> 
<p>7. A manufactured home or a travel trailer, as described in the II.C.6. 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:</p> <ul style="list-style-type: none"> <li>a. By over-the-top or frame ties to ground anchors; <i>or</i></li> <li>b. In accordance with the manufacturer’s specifications; <i>or</i></li> </ul>	<p>Coverage under the General Property Form for a manufactured home or a travel trailer carries the identical interpretation as stated in the Dwelling Form, III.A.5.</p>


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Policy Language	Additional Explanation
<p>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</p>	
<p><b>8.</b> Items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building located in zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1– V30, or VE, or in a basement regardless of the zone. Coverage is limited to the following:</p> <p>a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:</p>	<ul style="list-style-type: none"> <li>• For policies issued prior to RR2.0, when the Declarations Page reflects two zones, the current zone and the rating zone, use the rating zone for coverage.</li> <li>• The current zone is used to determine coverage limitations for policies rated with RR2.0 for non-claim related purposes such as underwriting premiums and ICC applicability.</li> <li>• Post-FIRM elevated building limitations do not apply to SFHA zones A, AO, A99, AR/AO, V, and VO. Basement limitations apply regardless of zone.</li> <li>• The SFIP only covers items specifically listed under this provision.</li> <li>• Basement limitations apply to the complete area defined as a basement-- floors, walls, and ceilings.</li> </ul> <p>For a post-FIRM elevated building located in an SFHA, full coverage begins at the lowest elevated floor. This is the lowest floor raised above ground, even if the pilings extend beyond it (see Section 2, <a href="#">Lowest Elevated Floor Determination</a> in this Manual).</p> <p>For items of property below, at, or level with the lowest elevated floor, the item(s) is subject to the coverage limitation. For example, a cabinet, door, window, or refrigerator that originates below, at, or level with the lowest elevated floor is not insured, even that portion or value at or above the lowest elevated floor.</p> <p>However, coverage can be provided for building materials and finishes installed above the lowest elevated floor, even if the items originate or overlap the lowest elevated floor level, when the function of the building material or finish is not reduced by cutting or removing the damaged and otherwise excluded building material physically located at or below the line level equal with the lowest elevated floor. Examples include exterior siding, wood trim, drywall, paint, or insulation, even if the same item extends below the level of the lowest elevated floor. The building materials and finishes below the line level with the lowest elevated floor are still excluded. This coverage interpretation aligns with the building codes for new construction and substantially improved buildings.</p>




III. PROPERTY INSURED	
Policy Language	Additional Explanation
	The SFIP does not cover items, interior or exterior, located below the lowest elevated floor of a post-FIRM elevated building in the stated zones.
(1) Central air conditioners;	This includes building HVAC system components used for heating, cooling, ventilation, and other central air-handling equipment used for climate control within the building, including permanently installed equipment for humidification, dehumidification, air-filtering, and ventilation. Heaters of any type must be permanently installed in building.
(2) Cisterns and the water in them;	See Section 2: <a href="#">Cisterns, Water Softeners, and Well Water Pumps</a> in this Manual.
(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;	<p>The SFIP covers unfinished, unfloated, and not taped drywall installed anywhere in a basement. The SFIP will also cover unfinished, unfloated, and not taped drywall in lieu of paneling or any finished wall or ceiling treatment.</p> <p>The SFIP does not cover non-structural building elements, including non-load bearing floor, wall, or ceiling framing components, such as when installed for the purpose to improve a basement or enclosed area with finish floors, walls, and ceilings.</p> <p>Coverage includes exterior entry doors into a basement, including but not limited to overhead or sliding-glass doors. Finishing and trimming the interior side of such doors are not insured.</p>
(4) Electrical junction and circuit breaker boxes;	Electrical junction and circuit breaker boxes include a junction box, which serves as an unfinished basic light fixture. Any alternative power component responsible for power generation or distribution must be permanently installed and hardwired into the building's main electrical system.
(5) Electrical outlets and switches;	The SFIP does not cover finished lighting. For electrical outlets and switches, coverage is limited to direct components of the building's main electrical service. See <b>Figure 28</b> below.

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Policy Language	Additional Explanation
	<p><b>Figure 28: Unfinished Basic Light Fixture and Outlet</b></p> 
<p>(6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987;</p>	<p>When an elevator, dumbwaiter, or chairlift is located outside of the building, it must be attached directly to the building, or directly to the 16 square foot landing area immediately in front of a door into the building (see <b>Figure 29</b>). A stairlift must be attached to an exterior staircase used for egress.</p> <ul style="list-style-type: none"> <li>• If an elevator, dumbwaiter, or chairlift is not attached directly to the building or directly to the 16 square foot landing area immediately in front of a door into the building, then the elevator or chairlift is not covered (see <b>Figure 30</b>). The reason for this is an elevator, dumbwaiter, or chairlift installed by such method is not accounted for during in the rating of flood insurance and the policyholder is not charged premiums to insure it. Consequently, the item is not insured property and cannot be covered on a claim.</li> <li>• The phrase "related equipment" means everything except the cab for an elevator or dumbwaiter, the lift platform for a chairlift, or chair with a stairlift, and the related controls in or attached directly to the cab, lift platform or chair. When installed after September 30, 1987, related equipment is only covered if installed at or above the BFE (see <b>Figure 29</b> and <b>Figure 30</b>).</li> </ul>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
	<p style="text-align: center;"><b>Figure 29: Example of an Insured Chair Lift</b></p>  <p style="text-align: center;">Photo: BFA, LLC</p> <p style="text-align: center;"><b>Figure 30: Example of a Non-Insured Chair Lift.</b></p> 
(7) Fuel tanks and the fuel in them;	Includes a connected fuel gauge or fuel filter.
(8) Furnaces and hot water heaters;	<p>See discussion at III.A.8.a.(1) above and Section 2: Heating, Ventilation, and Air Conditioning (HVAC) Equipment &amp; Heat Machinery.</p> <p>Equipment used to heat the insured building’s water supply must be affixed to or inside the insured building including an attached utility closet, inside a detached garage, or inside any building provided its services the insured building.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
(9) Heat pumps;	See III.A.8.a.(1) above.
(10) Nonflammable insulation in a basement;	See Section 2: Insulation in a Basement and Protective Barriers for Insulation in Basements or Elevated Post-FIRM Buildings
(11) Pumps and tanks used in solar energy systems;	N/A
(12) Stairways and staircases attached to the building, not separated from it by elevated walkways;	<p>The SFIP covers unfinished base support material for staircases and stairways (underneath the finished treads and risers) attached to the building, not separated from it by elevated walkways, includes an exterior staircase into a basement that is part of the building and enclosed by an addition defined under SFIP Section III.A.3. This also includes interior basement or post-FIRM elevated building staircases.</p> <p>The SFIP does not cover the cost to treat, paint, or stain the base support material in a basement, or below the lowest elevated floor of a post-FIRM elevated building in an SFHA.</p> <p>The SFIP does not cover damage to finish materials used for a tread, riser, or stringer, if such material is installed onto unfinished base support material for stairways and staircases.</p> <p style="text-align: center;"><b>Figure 31: Unfinished Base Stairs and Finished Stairs</b></p> <div style="text-align: center;">  </div> <p>Unfinished base stairs (left) are Insured in a basement or below a post-FIRM elevated building; however, improvements to paint or add finish treads, risers, and stringers (right) are not.</p>

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	<p><b>Figure 32: Insured Stairs</b></p>  <p>Stairs where the finish material is the base material; however, no coverage to paint, stain, or coat.</p> <p>The SFIP does not cover the basement exterior egress staircase located outside of the perimeter building walls, even if covered by a roof or door. See IV.9.</p>
(13) Sump pumps	N/A
(14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;	The SFIP allows for a faucet that is affixed directly to the plumbing line, as opposed to a faucet that is connected to plumbing lines but mounted onto a sink as a finished fixture. See Section 2, <a href="#">Cisterns, Water Softeners, and Well Water Pumps</a> in this Manual.
(15) Well water tanks and pumps;	<p>A well water pump and related components are insured property when located inside the insured building, including underneath the insured building, inside an attached utility shed, attached pump house, or an eligible detached garage.</p> <ul style="list-style-type: none"> <li>• Well water tanks and pumps include the pressure switch, pressure valve, and gauge.</li> <li>• Well water tanks and pumps must be installed at or above ground level.</li> <li>• A well water pump and related components are not covered if they are below the ground level or installed inside a detached pump house or inside another building or structure that is not insured property.</li> </ul>

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	<ul style="list-style-type: none"> <li>Pumps and related components such as building water supply, and landscaping are eligible property. However, the SFIP does not insure pumps and related equipment for hot tubs, spas, and swimming pools.</li> </ul> <p>See Section 2, <a href="#">Cisterns, Water Softeners, and Well Water Pumps</a>.</p>
(16) Required utility connections for any item in this list; <i>and</i>	Examples of required utility connections include an interior air-conditioning unit (III.A.8.a.(1)) may have a condensation pipe and condensate pump to send the condensation to drainage plumbing. Both items would be considered required a utility connection.
(17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building.	<p>Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building.</p> <ul style="list-style-type: none"> <li>Includes windows and doors installed in the perimeter foundation walls of an SFIP-defined basement area such as a perimeter wall basement garage door or sliding glass door. Coverage to finish or paint an exterior door or window under this provision is covered on the exterior side only.</li> <li>Includes vents installed in and considered part of the insured foundation walls of a post-FIRM elevated building; however, there is no coverage for breakaway walls or vents in breakaway walls.</li> <li>Does not include screen or storm doors, or a door covering for enclosing an exterior egress into a basement, such as a Bilco™ door.</li> </ul> <p>With an elevated building subject to this provision, a 6-inch or thicker concrete slab that has steel reinforcement bar (re-bar), which is tied into piers, posts, columns, pilings, or foundation walls, the concrete slab is covered under this provision as a structural component that supports the elevated building's foundation. The 6-inch concrete slab here does not make the elevated building non-elevated.</p> <p><b>Note:</b> Previously FEMA recognized nine foundation types under its prior rating methodologies. Under RR2.0 we have simplified rating and there are six foundations type options on the Application and Adjuster Preliminary Form. The foundations are:</p> <ul style="list-style-type: none"> <li>Slab on Grade (Non-Elevated);</li> <li>Basement (Non-Elevated);</li> <li>Elevated Without Enclosure on Posts Piles or Piers;</li> </ul>


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	<ul style="list-style-type: none"> <li>• Elevated With Enclosure on Posts Piles or Piers;</li> <li>• Elevated With Enclosure Not on Post, Piles, Piers, (Solid Foundation Walls); <i>and</i></li> <li>• Crawlspace (Elevated or non-Elevated Subgrade Crawlspace).</li> </ul> <p>With an elevated building subject to this provision, a 6-inch or thicker concrete slab that has steel reinforcement bar (re-bar), which is tied into piers, posts, columns, pilings, or foundation walls, the concrete slab is covered under this provision as a structural component that supports the elevated building’s foundation. The 6-inch concrete slab here does not make the elevated building non-elevated.</p>
b. Clean-up.	<p>Clean-up includes:</p> <ul style="list-style-type: none"> <li>• Pumping out trapped floodwater;</li> <li>• Labor to remove or extract spent cleaning solutions;</li> <li>• Treatment for mold and mildew; <i>and</i></li> <li>• Structural drying of salvageable interior foundation elements.</li> </ul> <p>The SFIP does not cover clean-up of an item or property located in areas subject to basement and post-FIRM coverage limitations – that is, the property must itself be Insured under III.A.8.a–or for items or loss otherwise excluded under this policy.</p> <p>Clean-up is not the removal of flood-damaged items or debris.</p> <p>See III.C.1. for Debris Removal.</p>
<b>B. Coverage B—Personal Property</b>	
<p>1. If you have purchased personal property coverage, we insure, subject to if you if you are a tenant B.2–4 below, against direct physical loss by or from flood to personal property inside the fully enclosed insured building:</p> <p style="margin-left: 20px;">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</p> <p style="margin-left: 20px;">b. Owned in common by the unit owners of the condominium association.</p> <p>2. 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.</p>	<ul style="list-style-type: none"> <li>• The SFIP does not cover personal property items not within the fully enclosed insured building at the described location. This differs from the Dwelling Form in that the Dwelling Form covers personal property within any SFIP-defined building at the described location.</li> </ul> <p>See Section 2: <a href="#">Insurable Interest</a>, explanation on property leased under a Capital Lease.</p>

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<p><b>3.</b> When this policy insures personal property, coverage will be either for household personal property or other than household personal property, while within the insured building, but not both.</p> <p><b>a.</b> If this policy insures household personal property, it will insure household personal property usual to a living quarters, that:</p> <p>(1) Belongs to you, or a member of your household, or at your option:</p> <p style="padding-left: 20px;">(a) Your domestic worker;</p> <p style="padding-left: 20px;">(b) Your guest; <i>or</i></p> <p>(2) You may be legally liable for.</p> <p><b>b.</b> If this policy insures other than household personal property, it will insure your:</p> <p>(1) Furniture and fixtures;</p> <p>(2) Machinery and equipment;</p> <p>(3) Stock; <i>and</i></p> <p>(4) Other personal property owned by you and used in your business, subject to IV. Property Not Insured.</p>	<ul style="list-style-type: none"> <li>• The SFIP does not cover personal property items not within the building, as defined by the policy.</li> <li>• Church pews are furniture and fixtures, whether attached to the building or not.</li> </ul>
<p><b>4.</b> Coverage for personal property includes the following property, subject to B.1.a and B.1.b above, which is insured under Coverage B, only:</p> <p><b>a.</b> Air conditioning units, portable or window type;</p> <p><b>b.</b> Carpets, not permanently installed, over unfinished flooring;</p> <p><b>c.</b> Carpets over finished flooring;</p> <p><b>d.</b> Clothes washers and dryers;</p> <p><b>e.</b> “Cook-out” grills;</p> <p><b>f.</b> Food freezers, other than walk-in, and food in any freezer;</p> <p><b>g.</b> Outdoor equipment and furniture stored inside the insured building;</p> <p><b>h.</b> Ovens and the like; <i>and</i></p> <p><b>i.</b> Portable microwave ovens and portable dishwashers.</p>	<ul style="list-style-type: none"> <li>• III.B.4.a: note that Coverage A includes permanently installed through-the-wall air conditioning units.</li> <li>• III.B.4.d: includes the dryer exhaust vent kit. However, connectors and plumbing lines for a gas dryer are Insured under Coverage A only.</li> <li>• III.B.4.f: applies to food freezers only. FEMA considers an appliance that both refrigerates and freezes as a refrigerator under Coverage A.</li> </ul>
<p><b>5.</b> Coverage for items of property below the lowest elevated floor of an elevated post-FIRM building located in Zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/ AH, AR/A1–A30, V1–V30, or VE, or in a basement regardless of</p>	<ul style="list-style-type: none"> <li>• III.B.5.a: note that Coverage A includes permanently installed through-the-wall air conditioning units.</li> </ul>



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<p>the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:</p> <ol style="list-style-type: none"> <li>Air conditioning units, portable or window type;</li> <li>Clothes washers and dryers; <i>and</i></li> <li>Food freezers, other than walk-in, and food in any freezer.</li> </ol>	<ul style="list-style-type: none"> <li>III.B.5.c: Coverage B applies to food freezers only. NFIP FEMA considers an appliance that both refrigerates and freezes as a refrigerator and covers it under Coverage A.</li> </ul>
<p><b>6. Special Limits:</b> We will pay no more than \$2,500 for any loss to one or more of the following kinds of personal property:</p> <ol style="list-style-type: none"> <li>Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;</li> <li>Rare books or autographed items;</li> <li>Jewelry, watches, precious and semi-precious stones, articles of gold, silver, or platinum;</li> <li>Furs or any article containing fur which represents its principal value.</li> </ol>	<p>Payments for these items may not exceed \$2,500 in aggregate.</p>
<p><b>7.</b> We will pay only for the functional value of antiques.</p>	<p>The SFIP does not value an antique based on the rarity of the item, nor does it apply depreciation based solely on age or its physical condition.</p> <p><b>Example:</b> A 400-year-old fully restored chair formerly owned by a historical figure is appraised by a certified industry professional at \$25,000. The chair has seen general usage for 3-years after its restoration date. Applying judgment, a new chair with the same or similar functional design, material quality, and craftsmanship is comparably worth \$3,500. Less 10 percent depreciation, the SFIP would pay the functional value of \$3,150.</p>
<p><b>8.</b> If you are a tenant, you may apply up to 10 percent of the Coverage B limit to improvements:</p> <ol style="list-style-type: none"> <li>Made a part of the building you occupy; <i>and</i></li> <li>You acquired, or made at your expense, even though you cannot legally remove.</li> </ol> <p>This coverage does not increase the amount of insurance that applies to insured personal property.</p>	<p>The SFIP does not allow duplication of benefits with another NFIP policy. Insurers may not pay for property as tenant improvements and pay for the same scope for the same items under a building owner’s policy. The insurer must obtain the lease agreement to verify the insurable interest before making a payment under this provision. For policyholders who are tenants, appliances such as refrigerators, stoves, ovens, ranges, and dishwashers are not subject to the 10 percent limitation.</p>
<p><b>9.</b> If you are a condominium unit owner, you may apply up to 10 percent of the Coverage B limit to cover loss to interior:</p>	<p>N/A</p>

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<p>a. walls, b. floors, <i>and</i> c. ceilings, that are not insured 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.</p>	
<p>10. If you are a tenant, personal property must be inside the fully enclosed building.</p>	N/A
<p><b>C. Coverage C—Other Coverages</b></p>	
<p><b>1. Debris Removal</b> a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere. b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage. This coverage does not increase the Coverage A or Coverage B limit of liability.</p>	<p>Insured property means the insured building and insured personal property. The SFIP does not pay for removal of:</p> <ul style="list-style-type: none"> <li>• Non-insured debris owned by the policyholder anywhere, such as a non-insured damaged property or debris located in the yard, driveway, or on another parcel of land.</li> <li>• Non-insured items of property, even if the removal of the item facilitates cleanup of insured building repairs, such as the removal of carpet installed inside a basement, or the removal of plants, shrubs, or trees along the perimeter of the building to access foundation or siding repairs.</li> </ul>
<p><b>2. Loss Avoidance Measures</b> a. <b>Sandbags, Supplies, and Labor</b> (1) We will pay up to \$1,000 for the costs you incur to protect the insured building from a flood or imminent danger of flood, for the following: (a) Your reasonable expenses to buy: (i) Sandbags, including sand to fill them; (ii) Fill for temporary levees; (iii) Pumps; <i>and</i> (iv) Plastic sheeting and lumber used in connection with these items.</p>	<p>The SFIP only covers those items specifically listed. The policyholder must provide receipts for such items.</p> <p>FEMA considers water-filled bladders, as shown in <b>Figure 33</b>, a temporary levee for the purposes of loss avoidance coverage. The SFIP will only reimburse the cost for labor and materials obtained for the subject event. If previously purchased materials used for any purpose are reused for the subject event, they are ineligible for reimbursement under this provision.</p>

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<p>(b) The value of work, at the Federal minimum wage, that you perform.</p> <p>(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:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul> <p>This coverage does not increase the Coverage A or Coverage B limit of liability.</p>	<p><b>Figure 33: Water-Filled Bladder</b></p>  <p>Photo: Randy Wagner</p>
<p><b>b. Property Removed to Safety</b></p> <p>(1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood. Reasonable expenses include the value of work, at the Federal minimum wage, you or a member of your household perform.</p> <p>(2) If you move insured property to a location other than the described location that contains the property in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed building or otherwise reasonably protected from the elements.</p> <p>(3) Any property removed, including a moveable home described in II.C.6, must be placed above ground level or outside of the special flood hazard area.</p>	<p>The SFIP coverage of “reasonable expenses” under this provision is limited to the policyholder’s removal, storage, and return of Insured building and personal property to the location described on the declarations page. The insurer may reimburse the policyholder for related expenses for the labor of the policyholder and family members at federal minimum wage and incurred transportation and storage costs. The policyholder must itemize and support these expenses with valid proof of payment. Coverage here is limited only to the length of time that a flood or the imminent danger of flood exists. Payment under this provision does not increase Coverage A – Building Property or Coverage B – Personal Property limits of liability.</p> <p>The SFIP will cover from the peril of flood, the property relocated to another location for a period of 45 consecutive days from the date the policyholder began to move the property.</p> <p>Personal property must be in a fully enclosed building.</p>

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(4) This coverage does not increase the Coverage A or Coverage B limit of liability.	
<p><b>3. Pollution Damage</b></p> <p>We will pay for damage caused by pollutants to insured property if the discharge, seepage, migration, release, or escape of the pollutants is caused by or results from flood. The most we will pay under this coverage is \$10,000. This coverage does not increase the Coverage A or Coverage B limits of liability. Any payment under this provision when combined with all other payments for the same loss cannot exceed the replacement cost or actual cash value, as appropriate, of the insured property. This coverage does not include the testing for or monitoring of pollutants unless required by law or ordinance.</p>	<p>The SFIP only pays to test or monitor the removal of a pollutant when a law or ordinance requires it. Insurers must have a copy of the law or ordinance for the file to support their decision to pay for the testing for or monitoring of pollutants.</p> <p>The law or ordinance must be in effect at the date of loss to apply.</p>
<b>D. Coverage D— Increased Cost of Compliance</b>	
<p><b>1. General</b></p> <p>This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a building suffering flood damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your building. Eligible floodproofing activities are limited to:</p> <ol style="list-style-type: none"> <li>a. Non-residential buildings.</li> <li>b. Residential buildings with basements that satisfy FEMA’s standards published in the Code of Federal Regulations [44 CFR 60.6(b) or (c)].</li> </ol>	<p>ICC is not available in emergency program communities. ICC is only available when the policyholder insures an eligible building under coverage A (i.e., not contents-only policies).</p>
<p><b>2. Limits of Liability</b></p> <p>We will pay you up to \$30,000 under this Coverage D (Increased Cost of Compliance), which only applies to policies with building coverage (Coverage A). 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. However, 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</p>	<p>ICC may provide up to \$30,000 toward the cost of bringing a flood-damaged structure into compliance with state or community floodplain management laws or ordinances, governing repair or reconstruction following a flood. The amount paid for Coverage D – ICC and Coverage A – Building Property combined cannot exceed the maximum program limits of \$500,000 for the General Property form.</p>

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<p>under the Act. We do NOT charge a separate deductible for a claim under Coverage D.</p>	
<p><b>3. Eligibility</b></p> <p>a. A building insured under Coverage A (Building Property) sustaining a loss caused by a flood as defined by this policy must:</p> <p>(1) Be a “repetitive loss building.” A repetitive loss building is one that meets the following conditions:</p> <ul style="list-style-type: none"> <li>(a) The building is insured by a contract of flood insurance issued under the NFIP.</li> <li>(b) The building has suffered flood damage on two occasions during a 10-year period which ends on the date of the second loss.</li> <li>(c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each flood loss.</li> <li>(d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the building; <i>or</i></li> </ul> <p>(2) Be a building that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the building 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 building.</p>	<p>ICC eligibility requires the community to declare the building substantially damaged.</p> <p>For 3.b.(2) and (3) to apply, the community must first adopt and enforce new preliminary or advisory elevations and an ICC claim cannot proceed until on or after the effective date of the new base flood elevations AND the policyholder receives notice from the community requiring the home to be brought into compliance with the new flood elevations. However, there are situations where the community may enforce elevation requirements in a non-SFHA and this would be specified in the ordinance.</p>
<p>b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance Program found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:</p> <p>(1) 3.a.1 above.</p>	<p>There are situations where the community may have its own elevation or floodproofing requirements, which it enforces within a non-SFHA. This would be specified in the community’s floodplain ordinance, but the community must be able to demonstrate this requirement and enforcement is at least based in part on guidance from FEMA, and not entirely on its own.</p>


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<p>(2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged buildings 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 building 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 buildings to elevations derived solely by the community.</p> <p>(3) Elevation or floodproofing above the base flood elevation to meet State or local “free-board” requirements, i.e., that a building must be elevated above the base flood elevation.</p> <p>c. Under the minimum NFIP criteria at 44 CFR 60.3(b)(4), States and communities must require the elevation or floodproofing of buildings 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.</p> <p>d. This coverage will pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a building during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to the exclusion at III.D.5.g.</p> <p>e. This coverage will pay to bring a flood-damaged building into compliance with State or local floodplain management laws or ordinances even if the building had received a variance before the present loss from the applicable floodplain management requirements.</p>	<p><b>ICC Claims</b></p> <p>The date of loss of the ICC claim is the date of loss for the flood claim that triggers the requirement to comply with a community law or ordinance.</p> <p>Policyholders have up to six years from the date of the flood loss to complete the eligible mitigation activity. Policyholders should know that initiating a mitigation project before receiving a substantial damage declaration from the community may jeopardize their eligibility to receive an ICC payment.</p> <p>For buildings in zones B, C, X, D, unnumbered A and V, and A99, the adjuster must document why a building must undergo mitigation and obtain a written statement from the community to substantiate the ICC claim.</p> <p><b>Repetitive Loss Properties</b></p> <p>If a state or community adopts and enforces a cumulative substantial damage provision or repetitive loss provision requiring action by property owners to comply with floodplain management laws or ordinances, this may also qualify a structure for an ICC claim after a flood loss. The community must declare the structure to be substantially damaged and the structure must meet the NFIP’s repetitive loss structure definition.</p> <p><b>Substantial Damage</b></p> <p>Insurers may only open an ICC claim when the community declares a building substantially damaged in writing. The community has the sole authority to determine substantial damage, not FEMA nor the insurer.</p> <p>Note that a community may declare a building substantially damaged, based in whole or in part on non-flood-related damage. This is because having more than 50 percent damage may trigger a requirement to comply with the local floodplain management ordinances (see 44 C.F.R. § 59.1, definition of “substantial damage”). However, for purposes of ICC, the SFIP requires the damage to the building to be by or from flood, in an amount that exceeds 50% of its market value, regardless of whether the SFIP covers the damage or not.</p> <p>See Section 3 <a href="#">Increased Cost of Compliance</a> in this Manual for more detail.</p>
<p><b>4. Conditions</b></p>	<p>ICC pays for the following mitigation activities or combination thereof:</p>




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<p>a. When a building insured 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.</p> <p>b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws.</p>	<ul style="list-style-type: none"> <li>• Floodproofing to reduce the potential for flood damage by keeping floodwater out of a building, for nonresidential structures and for certain residential structures that satisfy FEMA’s standards under 44 C.F.R. 60.6(b) or (c).</li> <li>• Elevation to raise a building to or above the BFE plus freeboard adopted by a community, adopted Advisory Base Flood Elevations (ABFE), or the best available data provided by FEMA.</li> <li>• Demolition when a building is in such poor condition that elevation and relocation are not technically feasible or cost-effective.</li> <li>• Relocation to move a building outside of the floodplain.</li> </ul> <p>See Section 3: <a href="#">Increased Cost of Compliance</a> in this Manual for more detail.</p>
<p><b>5. Exclusions</b></p> <p>Under this Coverage D (Increased Cost of Compliance), we will not pay for:</p> <p>a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.</p> <p>b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.</p> <p>c. The loss in value to any insured building due to the requirements of any ordinance or law.</p> <p>d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.</p> <p>e. Any Increased Cost of Compliance under this Coverage D:</p> <p style="padding-left: 20px;">(1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; <i>and</i></p>	<p>III.D.5.b: ICC does not pay for testing, monitoring, clean up, removal, containment, treatment, detoxification, or neutralization of pollutants even if required by community ordinance. See Section 3: <a href="#">Increased Cost of Compliance</a> for additional details.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<p>(2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.</p> <p>f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.</p> <p>g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances.</p> <p>h. Loss due to any ordinance or law that you were required to comply with before the current loss.</p> <p>i. Any rebuilding activity to standards that do not meet the NFIP's minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation.</p> <p>j. Increased Cost of Compliance for a garage or carport.</p> <p>k. Any building insured under an NFIP Group Flood Insurance Policy.</p> <p>l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws.</p>	
<p><b>6. Other Provisions</b> All other conditions and provisions of the policy apply.</p>	<ul style="list-style-type: none"> <li>Note that this provision is different across the three forms.</li> </ul>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
We do not insure any of the following property:	
1. Personal property not inside the fully enclosed building.	N/A



IV.PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<p>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.</p>	<ul style="list-style-type: none"> <li>The SFIP allows coverage for a building not entirely over water, for example: when part of the exterior perimeter wall and foundation of the building is on land or on the landward side of mean high tide (mean high water). See <a href="#">National Tidal Datum</a> for datum on base elevation used as a reference for water heights and depths.</li> <li>When the exterior perimeter walls of the building are completely over water and the support system or foundation underneath the insured building extends onto land, or the extension of any mechanism for access into a building (including, but not limited to, stairs, decks, walkways, piers, posts, pilings, docks, or driveways), even if the mechanism is on or partially on land, the building and the access will not be eligible for coverage.</li> <li>If the exterior perimeter walls of a building are completely over water, but connected to another eligible building by means of an elevated walkway, stairway, roof, or rigid exterior wall, or there is an appurtenant structure on the same slab, foundation, or other continuous support system that is on land (such as a shed or garage), III.A.3 does not apply. In other words, the fact that a connected building or appurtenant structure is on land does not allow coverage to be afforded to the building that has its exterior perimeter walls entirely over water.</li> </ul>
<p>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.</p>	<p>The SFIP does not cover boathouses or buildings into which boats can float and personal property located within buildings used solely as boathouses.</p> <p style="text-align: center;"><b>Figure 34: Open structure into which boats are floated</b></p> <div style="text-align: center;">  </div> <p style="text-align: center;">Photo: Flickr</p>

IV.PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	<p style="text-align: center;"><b>Figure 35: Structure build over water</b></p>  <p style="text-align: center;">Photo: Fender Marine</p>
<p>4. Recreational vehicles other than travel trailers described in the II.C.6.c, whether affixed to a permanent foundation or on wheels.</p>	<p style="text-align: center;"><b>Figure 36: A recreation vehicle is a self-propelled vehicle</b></p>  <p style="text-align: center;">Photo: Fleetwood RV</p> <p style="text-align: center;"><b>Figure 37: A travel trailer is not self-propelled and is towed behind a road vehicle</b></p>  <p style="text-align: center;">Photo: Fleetwood RV</p> <p><b>Note:</b> The term manufactured home does not include a recreational vehicle. A recreational vehicle is (a) built on a single chassis, (b) 400 square feet or less when measured at the largest horizontal projection, (c) Designed to be self-propelled or permanently towable by a light truck duty truck, and (d) Designed primarily not for</p>

IV.PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	use as a permanent dwelling but as a temporary living quarters for recreational, camping, travel, or seasonal use.
<p>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 and are:</p> <p>a. Used mainly to service the described location; or</p> <p>b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a building at the described location.</p>	<p>In general, the SFIP does not cover self-propelled vehicles or machinery.</p> <p><b>Used mainly to service the described location:</b> For this exception to apply, the vehicle or machinery must satisfy both of the following prongs: (1) it must not be licensed for use on public roads and (2) the policyholder must provide specific documentation is provided to support the claim. Under IV.5.a, the described location must be the type that would reasonably require service by means of the vehicle or machinery in question. Secondly, there must be evidence the described location is routinely serviced in support of what is claimed under this provision. Vehicles and machinery that are part of or service a business operation at the described location do not qualify for coverage under this provision.</p> <p><b>Designed and used to assist handicapped persons:</b> Under IV.5.b, a vehicle or machinery is insured if it is designed and used as mobility vehicles for persons with disabilities. The vehicle or machinery is not insured if it is not specifically designed or modified to assist persons with disabilities, or not used by persons with disabilities. As an example, a typical golf cart is not covered under this provision, even if it is used by persons with disabilities, unless it is designed or modified specifically to assist persons with disabilities.</p> <p>Under both IV.5.a and IV.5.b, the vehicle or machinery must be inside a building at the described location for coverage.</p> <p>This exclusion does not apply to motorized toys and machinery designed, marketed, or sold for the exclusive use by a youth, including children's dirt bikes solely powered by a battery. If a motorized toy or machinery can be reasonably used by an adult, it is not a youth's toy and is not insured property.</p>
6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals.	The SFIP does not cover any type of live plant located inside or outside of the building. This provision does not apply to artificial plants used as indoor decor.
7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers.	<ul style="list-style-type: none"> <li>• Scrip is a form of money issued by a local government or private organization, such as gift cards, coupons, or any substitute for legal tender.</li> <li>• The SFIP does not cover financial loss from damage or destruction of electronic data or the cost of restoring that data.</li> </ul>

IV.PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>Other valuable papers include stocks, certificates, and bonds.</li> </ul>
<p>8. Underground structures and equipment, including wells, septic tanks, and septic systems.</p>	<ul style="list-style-type: none"> <li>Underground structures and equipment include, but are not limited to, wires, conduits, pipes, sewers, tanks, tunnels, sprinkler systems, similar property, and any apparatus connected beneath the surface of the ground. The SFIP provides coverage if other SFIP requirements are met for equipment installed used in the operation of underground structures and equipment installed above ground and within a building, for example, sprinkler timer.</li> <li>When installed, a sewage grinder pump is an integral part of the building's septic system. The grinder pump pulverizes waste for discharge into the septic drainage field. This item of property is not insured. However, the SFIP covers the sewage grinder pump's alarm service panel if installed above ground level and affixed to the building or its foundation. The SFIP does not cover the pump's alarm service panels installed to an item of property that is not insured, such as a support post to a deck.</li> </ul>
<p>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.</p>	<p>In general, the SFIP does not cover items outside the perimeter walls of the building. However, the SFIP affords limited coverage for direct physical loss by or from flood to any existing egress on the sides of a building, including underneath an elevated building</p> <p>The SFIP pays to repair or replace damage to any existing egress on the sides of a building, including underneath an elevated building. For each existing egress, the SFIP covers one 16 square foot (SF) landing and a single set of stairs, one landing per staircase. The SFIP covers materials of a like kind and quality, such as concrete, wood or composite wood material. Insured items include any existing hand or support rail, support posts, and hardware. The SFIP does not cover improvements such as lighting or finishing (paint or preservative stains).</p> <p><b>Figure 38</b> shows a deck with a single set of stairs providing access to the building through two doors. The SFIP would cover one 16 SF landing and the existing single set of stairs.</p>

Figure 38: Deck with Single Set of Stairs



The SFIP does not cover the second set of stairs of the double staircase, as shown in **Figure 39**, because a single set of stairs provides egress.

Figure 39: Deck with Double Staircase



Figure 40: Existing Ramp



The SFIP does not cover the cost to comply with Americans with Disabilities Act of 1990 (ADA) regulations; however, the SFIP will repair or replace an existing flood damaged ramp shown in **Figure 40** for egress, in lieu of the 16 SF landing and stairs.

IV.PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<p><b>10.</b> Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids.</p>	<p>The SFIP does not insure fuel tanks, pressure tanks, and well water tanks located outside of the insured building. The SFIP does not cover containers outside of the building, including shipping containers used for storage or residential purposes, unless the container meets the definition of a building.</p> <p>The SFIP covers fuel tanks, water tanks, and pressure tanks inside or directly underneath the building, including in a basement or crawlspace, under Coverage A – Building Property, when installed as part of a utility system that services the building.</p> <p>Under Coverage B – Personal Property, the SFIP will cover any container inside of a building that is used for household or personal purposes such as oxygen tanks for medical reasons, small fuel tanks for filling lawn equipment, or sealed portable fuel canisters for cooking such as for camping or outdoor grilling. Containers used for the storage of food do not apply to this provision. Containers such as paint cans can be insured but only for the value of what is stored, and not for the value of the container.</p> <p>Because containers and tanks are either sealed or made of material meant for contact with liquid, including corrosive liquids, the claim should take into account the proper scope of damage and first consider if the item is reusable after rinsing and cleaning.</p>
<p><b>11.</b> Buildings or units and all their contents if more than 49 percent of the actual cash value of the building is below ground, unless the lowest level is at or above the base flood elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques.</p>	<p>A building must have 51 percent or more of its actual cash value above ground level. This calculation relies solely upon the ACV, not on concepts like square footage, volume, or otherwise.</p> <p>Do not include items of property not insured under Coverage A in the building valuation. Claims handling should pay close attention to certain buildings located at sanitation facilities and pumping stations.</p>
<p><b>12.</b> Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks.</p>	<p>Coverage may exist if the item directly supports and is integral to the building's foundation, even if it has a secondary purpose such as a retaining wall.</p> <p>The adjuster should submit a request to the insurer for expert support such as an engineer to inspect the building and provide an evaluation of the structure's foundation, etc., as soon as possible. <a href="#">See Section 2: Guidance on the Use of Outside Professional Service.</a></p>

IV.PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<p><b>13.</b> Aircraft or watercraft, or their furnishings and equipment.</p>	<ul style="list-style-type: none"> <li>• SFIP covers remote-controlled boats, aircraft, and drones or UAVs (Unmanned Aerial Vehicles) designed and intended for recreational use only, and not used to carry people or cargo, or for commercial use. The same policy provisions that apply to other personal property apply to these items.</li> <li>• The SFIP does not cover drones or UAVs registered with the Federal Aviation Administration for purposes other than recreational model aircraft.</li> <li>• Watercraft includes any vessel that travels on water. Pool toys are not watercraft.</li> <li>• The phrase “furnishings and equipment” includes parts and other items identified for use with watercraft or aircraft.</li> <li>• This exclusion does not apply to fishing equipment like fishing poles, lures, and the like, whether or not used on watercraft.</li> </ul>
<p><b>14.</b> Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment, such as, but not limited to, heaters, filters, pumps, and pipes, wherever located.</p>	N/A
<p><b>15.</b> 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.</p>	<p>The SFIP does not provide flood insurance coverage for a building constructed or substantially improved after the U.S. Department of Interior’s Fish and Wildlife Service (USFWS) designates it as within Coastal Barrier Resources System (CBRS) boundaries or as Otherwise Protected Areas (OPAs).</p> <p>Such areas designated under the CBRS are typically undeveloped coastal barriers within the boundaries of areas established under federal, state, or local law, or that are held by a qualified organization, primarily for wildlife refuge, sanctuary, recreational, or natural resources conservation purposes.</p> <p>See the <a href="#">USFWS website</a> for more information.</p>
<p><b>16.</b> 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.</p>	<p>The SFIP covers household property usually found in living quarters (See III.B.3.a.)</p>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
17. A residential condominium building located in a Regular Program community.	

V. EXCLUSIONS	
Policy Language	Additional Explanation
<p><b>A. We only pay for “direct physical loss by or from flood,” which means that we do not pay you for:</b></p> <ol style="list-style-type: none"> <li>1. Loss of revenue or profits;</li> <li>2. Loss of access to the insured property or described location;</li> <li>3. Loss of use of the insured property or described location;</li> <li>4. Loss from interruption of business or production;</li> <li>5. Any additional living expenses incurred while the insured building is being repaired or is unable to be occupied for any reason;</li> <li>6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D—Increased Cost of Compliance; <i>or</i></li> <li>7. Any other economic loss you suffer.</li> </ol>	<p>The SFIP does not cover the costs to pack, move, or store personal property from the insured building or return it to the building when an owner repairs the building or cannot occupy it.</p> <p>The SFIP does not cover replacing non-flood damaged property required to comply with government codes, ordinances, or regulations. For example, the SFIP does not cover the cost of replacing an undamaged interior HVAC unit to match a replaced exterior HVAC unit because of a change in size, seasonal energy efficiency ratio (SEER)-rating, refrigerant, or any other reason even if local, state, or federal code required the upgrade.</p>
<p><b>B. Flood in Progress.</b> If this policy became effective as of the time of a loan closing, as provided by 44 CFR 61.11(b), we will not pay for a loss caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, we will not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day you submitted the application for coverage under this policy and the correct premium. We will determine the date of application using 44 CFR 611.11(f).</p>	<p>The SFIP will not pay for a loss caused by a flood that was a continuation of a flood that existed:</p> <ul style="list-style-type: none"> <li>• On or before the date the waiting period for coverage began; or</li> <li>• If the coverage became effective as of the time of a loan closing (under the loan exception to the 30-day waiting period), before coverage became effective.</li> </ul> <p>In other words, the SFIP does not insure damage from a flood that began before a new policy’s waiting period (or coverage, if no waiting period) began, even if the flood did not damage the insured property, until after the waiting period (or coverage) began. If a flood was already in progress before a policyholder requested an increase in coverage on an existing policy, the SFIP will only insure</p>



V. EXCLUSIONS	
Policy Language	Additional Explanation
	<p>damage that occurred to the insured property from the same flood event after the waiting period (or increased coverage, if no waiting period) began, under the lesser policy limits.</p> <p>Data sources available to assist in determining the time of a flood occurrence include:</p> <ul style="list-style-type: none"> <li>• The National Oceanic and Atmospheric Administration (NOAA) for data on river and lake levels;</li> <li>• News reports and social media or other sources that may help an adjuster to determine when flooding was first reported; <i>and</i></li> <li>• The community or other officials for assistance in determining lake or river levels.</li> </ul> <p>The adjuster should interview the policyholder and conduct a neighborhood canvass to determine the location of the floodwaters in relation to the insured property location at the time the policy became effective. In the narrative, the adjuster must detail their process and evidence used for recommending coverage or denial under the SFIP. See <a href="#">Flood-in-Progress Exclusion</a> in Section 2 of this Manual.</p>
<p><b>C.</b> 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:</p> <ol style="list-style-type: none"> <li>1. Earthquake;</li> <li>2. Landslide;</li> <li>3. Land subsidence;</li> <li>4. Sinkholes;</li> <li>5. Destabilization or movement of land that results from accumulation of water in subsurface land areas; <i>or</i></li> <li>6. Gradual erosion.</li> </ol> <p>We do, however, pay for losses from mudflow and land subsidence as a result of erosion that are specifically insured under our definition of flood (see II.B.1.c and II.B.2).</p>	<p>The SFIP is a single-peril policy that only pays for covered damage due to direct physical loss by or from flood (II.C.14). The SFIP does not cover damage resulting from an intervening cause of loss, even if the resulting cause is due to flood. The SFIP does not cover damage that results when saturated soils cause the soil below ground level to sink, expand, compact, destabilize, or otherwise lose its load-bearing capacity such as from voids or rotten organic matter when the soil dries. The SFIP does not cover earth movement; each form of earth movement is an intervening cause of loss and a separate peril.</p> <p>The SFIP's exclusion for other perils, such as fire, exemplifies the exclusion of earth movement as a cause of loss. When a flood causes a fire, which damages the building during inundation or after floodwaters recede, the SFIP does not cover the resulting fire and smoke damage to the building even if flood directly caused the fire.</p> <p>The SFIP covers damage to a building if the damage results from the collapse or subsidence of land that is the direct result of sudden erosion or undermining to the</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
	<p>building’s support soil underneath or directly along the perimeter foundation of the building from waves or currents of floodwater (velocity flow) during a flood from the overflow of inland or tidal waters or mudflow. This includes damage to the foundation of the building and any resulting damage to the interior and exterior finishes. The SFIP does not cover damage caused by gradual erosion.</p>
<p><b>D.</b> We do not insure for direct physical loss caused directly or indirectly by:</p> <ol style="list-style-type: none"> <li>1. The pressure or weight of ice;</li> <li>2. Freezing or thawing;</li> <li>3. Rain, snow, sleet, hail, or water spray;</li> <li>4. Water, moisture, mildew, or mold damage that results primarily from any condition:                             <ol style="list-style-type: none"> <li>a. Substantially confined to the insured building; <i>or</i></li> <li>b. That is within your control including, but not limited to:                                     <ol style="list-style-type: none"> <li>(1) Design, structural, or mechanical defects;</li> <li>(2) Failures, stoppages, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; <i>or</i></li> <li>(3) Failure to inspect and maintain the property after a flood recedes;</li> </ol> </li> </ol> </li> </ol>	<p>When the policyholder is prevented access to promptly remove wetted building and personal property items, and this delay directly results in water, moisture, mildew or mold damage to building and personal property items not in physical contact with surface floodwater, this damage could be insured because it is not within the control of the policyholder.</p> <p>As examples:</p> <ul style="list-style-type: none"> <li>• Local authorities restrict access to the area, <i>or</i></li> <li>• Prolonged inundation of floodwater prevents access to the area.</li> </ul> <p>The claim file must include proper documentation, such as but not limited to photographs, an acceptable explanation provided by the adjuster, or a signed statement from the policyholder or community official that supports the payment for property damages.</p> <p>For instances where the damage is substantially confined to the building or within the policyholder’s control, the claim file should include information that documents the policyholder’s failure to inspect and maintain their insured property or take reasonable measures to reduce damage when it is feasible to do so.</p> <p>The SFIP does not cover damage caused by long-term exposure to moisture, water, rot, and insect infestation. This includes damage from the lack of climate control inside the building when the approach to repair does not include the timely repair to the building HVAC system.</p> <p>The SFIP does not cover pre-existing damage to structural building components, such as damage caused by rot, or for any resulting damage to non-structural finish building material.</p>
<ol style="list-style-type: none"> <li>5. Water or water-borne material that:                             <ol style="list-style-type: none"> <li>a. Backs up through sewers or drains;</li> </ol> </li> </ol>	<p>The adjuster must document that a flood occurred in the area and that the flood was the proximate cause of the back-up of the sewer or drain, overflow of the</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
<p>b. Discharges or overflows from a sump, sump pump, or related equipment; <i>or</i></p> <p>c. Seeps or leaks on or through the insured property;</p> <p>unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water;</p>	<p>sump pump, pump failure, seepage of water, or damage due to the pressure or weight of water (hydrostatic pressure), in the claim file.</p> <p>When paying a loss due to a flood in the area proximately causing discharge or overflow of water or water-borne material from a sump, sump pump, or related equipment, the insurer must document the claim file to show that a property policy endorsement or policy rider did not also cover the loss. If the property policy does provide coverage, the SFIP payment must apply a proportional loss distribution, as stated under VII.B. (Other Insurance).</p> <p>The adjuster must document a flood occurred in the area, and that the flood was the proximate cause of the back-up of the sewer or drain, overflow of the sump pump, pump failure, seepage of water, or damage due to the pressure or weight of water (hydrostatic pressure). A flood is two or more continuous acres of normally dry land. For coverage under this provision, the condition of flood may be within the proximate area.</p>
<p>6. The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water;</p>	<p>Refer to V.D.5 above</p> <ul style="list-style-type: none"> <li>• Example: A horizontal crack in a basement foundation block wall may be the result from hydrostatic pressure during a flood, or from non-flood related pressure due to the weight of saturated soil, the freeze-thaw cycle.</li> </ul>
<p>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;</p>	<p>The SFIP does not cover damage to insured property when caused by a power surge or power outage that originates from the failure or shutting down of equipment that is not located at the described location, even if the reason is a direct result of a flood. For example, the local utility operator may shut down a section of the electrical grid to avoid system damage from a flood. When the power returns to the electrical grid, the initial surge of electricity can damage insured property. Under this loss description, the damage is not covered.</p> <p>The SFIP covers damage to any insured building or personal property item, such as the building's main service, home security system, a plugged-in television, or to the HVAC system, when a flood physically damages related system equipment installed at the described location. For example, if the flood damages power equipment at the described location creating an electrical short within the power system that results in damage to another item of property that is part of or connected to the power system, the damage to the item is also insured, even though it was not physically touched by floodwater. To cover the loss described, the adjuster must</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
	document the cause of loss in the claim file to rule out the possibility of a noncovered cause.
<p><b>8.</b> Theft, fire, explosion, wind, or windstorm;</p> <p><b>9.</b> Anything you or any member of your household do or conspires to do to deliberately cause loss by flood; <i>or</i></p> <p><b>10.</b> Alteration of the insured property that significantly increases the risk of flooding.</p>	<p>V.D.10: The SFIP will not cover a flood loss or increased flood damage to insured property that the policyholder purposely or inadvertently causes.</p> <p>For example: a policyholder constructs a flood barrier to prevent floodwater from a river from reaching the building; however, the improvement now causes runoff during heavy rainfall events to collect behind the barrier and flood the building and a neighbor property or causes a prolonged condition of inundation creating additional damage inside the building.</p> <p>When the investigation of a loss reveals this provision might apply, the adjuster should notify the insurer at once and request immediate guidance.</p>
<p><b>E.</b> We do not insure for loss to any building or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.</p>	N/A

VI. DEDUCTIBLES	
Policy Language	Additional Explanation
<p><b>A.</b> When a loss is insured 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.</p> <p>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.</p>	<p>The SFIP will only pay that portion of the loss that exceeds the applicable deductibles.</p> <p>For building and personal property losses, the insurer should take the deductible from the gross loss before applying policy limits. For example, if the insured loss is \$110,000, the policy limit is \$100,000, and the deductible is \$5,000, the insurer should apply the deductible to the \$110,000 loss, which leaves \$105,000, meaning the insurer should pay the \$100,000 policy limit.</p> <p>The SFIP does not apply the excess loss to items subject to Special Limits to reduce the personal property deductible.</p>
<p><b>B.</b> In each loss from flood, separate deductibles apply to the building and personal property insured by this policy.</p>	<p>The SFIP applies a separate deductible to both building and personal property losses.</p>
<p><b>C.</b> The deductible does NOT apply to:</p> <ol style="list-style-type: none"> <li>1. III.C.2. Loss Avoidance Measures; <i>or</i></li> <li>2. III.D. Increased Cost of Compliance.</li> </ol>	

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p><b>A. Pair and Set Clause</b></p>	
<p>In case of loss to an article that is part of a pair or set, we will have the option of paying you:</p> <ol style="list-style-type: none"> <li>1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation; <i>or</i></li> <li>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.</li> </ol>	<p>If the damaged property item is ruined, and cannot be replaced individually as a single item, and this renders the other item in the pair or the set unusable or worthless, then the SFIP pays for the pair or set.</p> <p><b>Examples:</b> A flood ruins a single (left) shoe, and the other (right) shoe is undamaged. The left shoe cannot be purchased without the right, rendering the undamaged right shoe unusable. The SFIP allows for a new pair of shoes. Other similar examples include a ruined china base cabinet and undamaged matching china base top; half the seat ruined in a sectional sofa; a ruined left window curtain and an undamaged right window curtain.</p>

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	<p>If the damaged property item is ruined and can be replaced individually as a single item with like kind and quality, making the other undamaged item or the set usable, the SFIP will only cover the damaged or ruined item along with the reasonable cost for like kind and quality.</p> <p><b>Examples:</b> Base cabinets ruined by flood with the upper cabinets undamaged. The upper cabinets remain usable. The SFIP allows replacing the base cabinets with like kind and quality, including reasonable costs to match the new base cabinets with existing undamaged cabinets. Other similar examples include a damaged dresser and undamaged or repairable matching armoire and nightstands, a ruined dining table leaf and undamaged or repairable dining table, a ruined granite cabinet countertop, and salvageable granite island countertop.</p> <p>It is not proper to invoke the pair and set clause in a case where the exclusion at V.A.6 concerning ordinance or law requirements applies.</p> <p><b>Example:</b> An outdoor heating, ventilation, and air conditioning (HVAC) unit is ruined by flood, and the interior HVAC unit is undamaged. Due to Department of Energy code requirements regarding energy efficiency, or an Environmental Protection Agency (EPA)-mandate regarding refrigerant type, a replacement outdoor HVAC unit that works with the existing interior HVAC unit is unavailable, rendering the undamaged interior unit unusable. The pair and set clause superseded by V.A.6, and the SFIP only allows to replace the outdoor HVAC unit with like kind and quality and does not cover replacement of the undamaged interior HVAC unit.</p>
<b>B. Other Insurance</b>	
<p>1. If a loss insured by this policy is also insured 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:</p> <ul style="list-style-type: none"> <li>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 VII.B.1.b or c below applies.</li> <li>b. If the other policy has a provision stating that it is excess insurance, this policy will be primary.</li> </ul>	<p>Other insurance includes primary flood coverage provided by a private carrier or any other insurance that duplicates SFIP coverage.</p> <p><b>Note:</b> The insurer must apply this provision on the claim when the state insurance code includes an efficient proximate clause doctrine. For example, a fire insurance policy will cover what the SFIP defines is direct physical loss by or from flood, including mudflow, when fire is the efficient proximate cause of the flood or mudflow, even though flood and mudflow are excluded perils in the fire policy.</p>

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<p>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 VII.B.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.</p>	<p>Personal lines and commercial policies may have endorsements for sewer and sump or drain backup. Considerations include:</p> <ol style="list-style-type: none"> <li>1. The other insurance clause of the other policy would determine whether it is excess coverage.</li> <li>2. If the other policy is silent, proportion the claim.</li> <li>3. If the endorsement excludes the peril of flood, the SFIP is primary for the direct physical damage by or from flood.</li> </ol> <p>Use the following formula to determine the NFIP’s share of the loss:</p> <ul style="list-style-type: none"> <li>• <b>NFIP share</b> = ((SFIP policy limit ÷ total insurance) × loss) – other insurance deductible</li> </ul> <p>Use the following formula to determine the other insurance’s share of the loss:</p> <ul style="list-style-type: none"> <li>• <b>Other insurance share</b> = ((other insurance policy limit ÷ total insurance) × loss) – other insurance deductible</li> </ul> <p>Use the following formula to determine the NFIP payment:</p> <ul style="list-style-type: none"> <li>• <b>NFIP payment</b> = NFIP share + other insurance deductible – SFIP deductible</li> </ul> <p><b>Table 9: Insurance Coverage and Deductibles</b></p> <table border="1" data-bbox="1131 974 1839 1159"> <thead> <tr> <th>Insurance</th> <th>Coverage</th> <th>Deductible</th> </tr> </thead> <tbody> <tr> <td>NFIP</td> <td>\$250,000</td> <td>\$5,000</td> </tr> <tr> <td>Other</td> <td>\$500,000</td> <td>\$15,000</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$750,000</b></td> <td></td> </tr> </tbody> </table> <p><b>Example:</b> Below is an example of how to apply the formulas to compute the insurer’s shares and NFIP payment for a \$480,000 loss.</p> <ul style="list-style-type: none"> <li>• <b>NFIP share:</b> ((\$250,000 ÷ \$750,000) × \$480,000) – \$15,000 = \$145,000.00</li> <li>• <b>Other insurance share:</b> ((\$500,000 ÷ \$750,000) × \$480,000) – \$15,000 = \$305,000.00</li> <li>• <b>NFIP payment:</b> \$145,000.00 + \$15,000 – \$5,000 = \$155,000.00</li> </ul>	Insurance	Coverage	Deductible	NFIP	\$250,000	\$5,000	Other	\$500,000	\$15,000	<b>TOTAL</b>	<b>\$750,000</b>	
Insurance	Coverage	Deductible											
NFIP	\$250,000	\$5,000											
Other	\$500,000	\$15,000											
<b>TOTAL</b>	<b>\$750,000</b>												

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	<b>IMPORTANT</b> – Use the order of operations as shown, starting within the innermost parentheses, for accurate calculation.
2. Where this policy insures a condominium association and there is a National Flood Insurance Program flood insurance policy in the name of a unit owner that insures the same loss as this policy, then this policy will be primary.	
<b>C. Amendments, Waivers, Assignment</b>	
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: <ol style="list-style-type: none"> <li>1. When this policy insures only personal property; <i>or</i></li> <li>2. When this policy insures a building under construction.</li> </ol>	The SFIP does not allow the policyholder to assign a claim. The only exception to this is an ICC claim that can transfer in conjunction with a FEMA project, such as a Hazard Mitigation Grant Program (HMGP) grant. Typically, the policyholder assigns the claim to a community, which uses the payment for the community's required financial contribution to the project. The policyholder may only assign the part of the ICC benefit used to meet the project requirements.
<b>D. Insufficient Premium or Rating Information</b>	
1. <b>Applicability.</b> The following provisions apply to all instances where the premium paid on this policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided.	See the Reformation Due to Insufficient Premium or Rating Information heading in the <a href="#">Flood Insurance Manual</a> .
2. <b>Reforming the Policy with Reduced Coverage.</b> Except as otherwise provided in VII.D.1 and VII.D.4, if the premium we received from you was not sufficient to buy the kinds and amounts of coverage you requested, we will provide only the kinds and amounts of coverage that can be purchased for the premium payment we received. <ol style="list-style-type: none"> <li>a. For the purpose of determining whether your premium payment is sufficient to buy the kinds and amounts of coverage you requested, we will first deduct the costs of all applicable fees and surcharges.</li> <li>b. If the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, your payment will be refunded. Unless the policy is reformed to increase the coverage amount to the amount originally requested pursuant to</li> </ol>	



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<p>VII.D.3, this policy will be cancelled, and no claims will be paid under this policy.</p> <p>c. Coverage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will not exceed the amount originally requested.</p>	
<p><b>3. Discovery of Insufficient Premium or Rating Information.</b> If we discover that your premium payment was not sufficient to buy the requested amount of coverage, the policy will be reformed as described in VII.D.2. You have the option of increasing the amount of coverage resulting from this reformation to the amount you requested as follows:</p> <p>a. <b>Insufficient Premium.</b> If we discover that your premium payment was not sufficient 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 it is discovered that the initial amount charged to you for any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill.</p> <p>(1) If you or the mortgagee or trustee pay the additional amount due within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount, effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage).</p> <p>(2) If you or the mortgagee or trustee do not pay the additional amount due within 30 days of the date of our bill, any flood insurance claim will be settled based on the reduced amount of coverage.</p> <p>(3) As applicable, you have the option of paying all or part of the amount due out of a claim payment based on the originally requested amount of coverage.</p> <p>b. <b>Insufficient Rating Information.</b> If we determine that the rating information we have is insufficient and prevents us from calculating the</p>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

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<p>additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request.</p> <p>(1) If we receive the information within 60 days of our request, we will determine the amount of additional premium for the current policy term and follow the procedure in VII.D.3.a above.</p> <p>(2) If we do not receive the information within 60 days of our request, no claims will be paid until the requested information is provided. Coverage will be limited to the amount of coverage that can be purchased for the payments we received, as determined when the requested information is provided.</p>	
<p><b>4. Coverage Increases.</b> If we do not receive the amounts requested in VII.D.3.a or the additional information requested in VII.D.3.b by the date it is due, the amount of coverage under this policy can only be increased by endorsement subject to the appropriate waiting period. However, no coverage increases will be allowed until you have provided the information requested in VII.D.3.b is provided.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<p><b>5. Falsifying Information.</b> 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 VIII.A apply.</p>	N/A
<p><b>E. Policy Renewal</b></p>	
<p>1. This policy will expire at 12:01 a.m. on the last day of the policy term.</p> <p>2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.</p> <p>3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures:</p> <p>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-</p>	<p>The SFIP is not a continuous policy. It is a contract for a one-year term. Every policy contract expires at 12:01 a.m. on the last day of the policy term. Renewal of an expiring policy establishes a new policy term and new contractual agreement. See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

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<p>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.</p> <p>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.</p> <p>4. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire that we will provide to you, the rating information used to rate your most recent application for or renewal of insurance.</p>	
<b>F. Conditions Suspending or Restricting Insurance</b>	
We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.	N/A
<b>G. Requirements in Case of Loss</b>	
<p>In case of a flood loss to insured property, you must:</p> <ol style="list-style-type: none"> <li>1. Give prompt written notice to us.</li> <li>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.</li> <li>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.</li> <li>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:               <ol style="list-style-type: none"> <li>a. The date and time of loss;</li> <li>b. A brief explanation of how the loss happened;</li> <li>c. Your interest (for example, “owner”) and the interest, if any, of others in the damaged property;</li> </ol> </li> </ol>	<p>The policyholder’s claim begins with the written notice of loss. The policyholder must report the loss to the insurer immediately; failure to provide a notice of loss to the insurer could prejudice the ability of the insurer to inspect the loss, identify the cause and extent of damage, and determine applicable coverage under the SFIP. If the policyholder delays reporting a loss, adjusters cannot help policyholders protect the property and avoid further damage. A policyholder’s failure to provide timely notice of loss can be a basis for denial of a claim.</p> <p>The adjuster should document the reason for a delay in the policyholder reporting a loss to the insurer.</p> <p>The SFIP requires that the policyholder separate damaged from undamaged property putting it in the best possible order, so the adjuster may examine it. It is the policyholder’s duty to perform the separation described above and prepare an inventory of damaged property including quantity, description, and the total</p>

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<p>d. Details of any other insurance that may cover the loss;</p> <p>e. Changes in title or occupancy of the insured property during the term of the policy;</p> <p>f. Specifications of damaged buildings and detailed repair estimates;</p> <p>g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;</p> <p>h. Details about who occupied any insured building at the time of loss and for what purpose; <i>and</i></p> <p>i. The inventory of damaged personal property described in G.3 above.</p> <p>5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.</p> <p>6. You must cooperate with the adjuster or representative in the investigation of the claim.</p> <p>7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.</p>	<p>amount of loss claimed. Any bills, receipts, photographs of damages, and related documents should be attached to the inventory.</p> <p>If a policyholder reasonably removes flood-damaged building or contents property before the adjuster can examine it, the policyholder must photograph the items in their original location where the damage occurred prior to moving the property and prepare the inventory. A policyholder must not dispose of non-perishable or non-hazardous property prior to inspection by the adjuster.</p> <p>To minimize potential documentation issues and assist the adjuster’s investigation, the policyholder should, if possible, retain samples or swatches of carpeting, wallpaper, furniture upholstery, window treatments, and other items of exceptional value where the type and quality of material will influence the amount payable on the claim. Photographs should also include groups of items such as clothing, kitchen items, furniture, etc. The insurer will evaluate and consider these items and the policyholder’s written inventory of damaged items.</p> <p>The proof of loss is the policyholder’s statement of the amount of money they are requesting. The policyholder must sign and swear to the proof of loss and provide documentation to support that the loss is a direct physical loss by or from flood and the amount requested for the insurer to consider it completed. The policyholder (or Executor in the case of a deceased policyholder) is the only person who can sign the proof of loss.</p> <p><b>SIGNED AND SWORN:</b> FEMA encourages the use of electronic signatures on proof of loss and other NFIP related submissions. FEMA will not deny the legal effect, validity, or enforceability of a signature solely because it is in electronic form. Insurers should accept electronic signatures in accordance with their general business practices and applicable laws.</p> <p><b>MULTIPLE PROOFS OF LOSS ALLOWED:</b> Policyholders must submit a completed proof of loss and documentation to support the amount requested initially and completed proofs of loss for any additional payment requests to the insurer within 60 days after the date of loss or within any extension of that deadline granted by FEMA.</p> <p><b>ONE CLAIM PER LOSS:</b> The proof of loss is not the claim. The claim is the policyholder’s assertion that they are entitled to payment for a Insured loss under the terms of the SFIP. A policyholder has only one claim from a flood</p>

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	event regardless of the number of proofs of loss and amount of documentation the policyholder may submit in support of that claim. The policyholder's ICC proof of loss is a request for benefits afforded under III.D for the claim; it is not a separate claim.
8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.	<p>Only the NFIP insurer has the authority to approve or deny a claim, to tell the policyholder if they will approve or deny a claim, or to provide approved payment details.</p> <p>The insurer must rely only upon the terms and conditions established by Federal statute, NFIP regulations, the Federal Insurance Administrator's interpretations, and the express terms of the SFIP.</p>
9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.	N/A
<b>H. Our Options After a Loss</b>	
Options we may, in our sole discretion, exercise after loss include the following:	This section sets forth the steps that insurers may take to require action on the part of the policyholder. If the policyholder fails to comply with the insurer's request, the policyholder is in breach of the insuring agreement, which may affect the payment of the claim.
1. At such reasonable times and places that we may designate, you must:	The policyholder must make the flood-damaged property available for examination as often as needed to verify the loss and claim. Insurer representatives will give the policyholder advanced notice of the specific time and meeting place to inspect the damaged property.
a. Show us or our representative the damaged property;	The policyholder should document their loss with photographs before removing or disposing of damaged items that pose a health hazard, such as perishable food.
b. Submit to examination under oath, while not in the presence of another insured, and sign the same; <i>and</i>	The insurer can require the policyholder to submit to an examination under oath but not in the presence of another policyholder when there are questions concerning the claim. An examination under oath is a formal proceeding, conducted prior to a lawsuit, during which the insurer's representative questions a policyholder under oath in the presence of a court reporter. The insurer should ask

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	the policyholder to present information and documentation necessary to evaluate their claim when requiring an examination under oath. This can include books of accounts, financial records, receipts, property settlement records, invoices, purchase orders, affidavits, and other materials to verify the loss.
<p>c. Permit us to examine and make extracts and copies of:</p> <p>(1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;</p>	The SFIP will not pay more than the amount of insurance that the policyholder is entitled to for the damaged, lost, or destroyed property insured under this policy if non-NFIP insurance covers a loss insured by the SFIP. The policyholder must confirm the availability of other insurance to determine what the NFIP will pay. Examples include a homeowner's policy water damage or sump overflow endorsement, mobile-homeowner's policy, scheduled property policy, renter's policy, builder's risk policy, etc. See VII.B. for Other Insurance.
<p>(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; <i>and</i></p>	A claim involving a unit in a condominium building requires the declarations of the condominium, bylaws, etc. to determine the policyholder's insurable interest in the building. Adjusters may have to determine if the RCBAP paid for any damages. NFIP will not pay for the same damage item twice nor pay a claim for a residential unit that exceeds the statutory limits. Adjusters must provide documentation that a condominium association owns the insured building, not a homeowners' association or a building cooperative.
<p>(3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost.</p>	Insurers may require the policyholder to provide information that documents the extent of the loss and the amount of the claim. Examples include books of accounts, bills, invoices, vouchers, and items showing the actual amounts paid to stores, contractors, or others for repair or replacement of items. This may also include photographs of the flood-damaged property that sufficiently and reasonably document the damage, quality of the item, and describe the damaged property. The policyholder can provide certified copies (a true copy of the primary document) when the originals are lost or destroyed.
<p>2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged or destroyed property, including:</p> <p>a. Quantities and costs;</p>	"Costs" means the amount to replace a personal property item with like kind and quality at current pricing, including the price for sales tax plus any applicable shipping and product assembly.
<p>b. Actual cash values or replacement cost (whichever is appropriate);</p>	N/A

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c. Amounts of loss claimed;	The amount of loss claimed is the amount of payment the policyholder asks to receive for the damaged and Insured property.
d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; <i>and</i>	Written plans and specifications for repair of the damaged property include contractor estimates, subcontractor bids, invoices, architectural reports and drawings, engineering reports, etc. This also includes water restoration or structural drying invoices and supporting documentation.  NFIP will not accept a non-itemized, lump sum, or single line estimate or invoice in support of a claim.
e. Evidence that prior flood damage has been repaired.	Policyholders must provide evidence that previous flood damage was repaired, whether or not they owned or insured the property at the time of the previous flood. This includes any flood damages unrepaired by a previous owner. NFIP expects policyholders to maintain proof of repairs such as receipts, canceled checks, etc. in a safe location away from the threat of flood.  When policyholders do not have proof of repairs, adjusters should request other forms of documentation such as: <ul style="list-style-type: none"> <li>• Pre-flood photographs (social media or other family members) to compare old and replaced items.</li> <li>• Credit card or bank statements showing dates and dollar amounts of payments to contractors.</li> <li>• Itemized statements and paid invoices from contractors.</li> </ul>
<p>3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:</p> <p>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; <i>and</i></p> <p>b. Take all or any part of the damaged property at the value that we agree upon or its appraised value.</p>	<p>3.a. N/A</p> <p>3.b. Refer to VII.L. and other guidance, including Salvage in Section 2 of this Manual.</p>

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<b>I. No Benefit to Bailee</b>	
No person or organization, other than you, having custody of insured property will benefit from this insurance.	<p>Bailment is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose, such as a service, under an expressed or implied-in-fact contract.</p> <p>The SFIP does not cover the bailee because bailment is a change of possession, not a change of ownership or title. An example is when a customer (bailor) takes personal clothing to the dry cleaner (bailee). A bailment exists when the bailee has the clothing. The articles of clothing in the possession of the bailee are bailee goods and are not insured.</p> <p>Consignment is a written agreement where a consignor provides owned personal property to a consignee for sale and gives the consignee a percentage of the sale price when sold. The SFIP does not cover property on consignment.</p>
<b>J. Loss Payment</b>	
<p>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 the adjuster’s report signed and sworn to by you in lieu of a proof of loss) and:</p> <ul style="list-style-type: none"> <li>a. We reach an agreement with you;</li> <li>b. There is an entry of a final judgment; <i>or</i></li> <li>c. There is a filing of an appraisal award with us, as provided in VII.M.</li> </ul> <p>2. If we reject your proof of loss in whole or in part you may:</p> <ul style="list-style-type: none"> <li>a. Accept our denial of your claim;</li> <li>b. Exercise your rights under this policy; <i>or</i></li> <li>c. File an amended proof of loss as long as it is filed within 60 days of the date of the loss.</li> </ul>	<p>Adjusters and examiners should work with a policyholder or their authorized representative to understand the loss, prepare the estimate, and reach an agreed value for the loss. The insurer’s obligation to pay and the timeframe to pay begins once the policyholder meets the requirements in Paragraph J, a proof of loss that meets all NFIP requirements, or after the signed and sworn to adjuster’s report is received, and,</p> <ul style="list-style-type: none"> <li>• Insurer and the policyholder agree on the payment amount, or</li> <li>• There is an entry of final judgment or an appraisal award by a court of competent jurisdiction.</li> </ul> <p>The insurer should promptly process all claims and payment requests. The insurer should communicate to policyholders any unforeseen delays in the claim examination process and advance undisputed claimed amounts at the earliest opportunity.</p> <p>When the insurer cannot pay a completed proof of loss, the examiner and the adjuster should promptly communicate the necessary adjustments or documentation required to the policyholder. Insurers should work with policyholders to settle the loss without resorting to a denial of the claim by the insurer.</p>



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	See <a href="#">Section 4 NFIP Claims Appeals</a> of this Manual for information on denial letters.
<b>K. Abandonment</b>	
You may not abandon damaged or undamaged insured property to us.	N/A
<b>L. Salvage</b>	
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.	The insurer always has the right to seek salvage or to take possession of damaged property. Insurers should pursue opportunities for financial recovery when available.  See <a href="#">Section 2: Salvage</a> in of this Manual
<b>M. Appraisal</b>	
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: <ol style="list-style-type: none"> <li>1. Pay its own appraiser; <i>and</i></li> <li>2. Bear the other expenses of the appraisal and umpire equally.</li> </ol>	See <a href="#">Section 2: Appraisal</a> of this Manual.
<b>N. Mortgage Clause</b>	
<ol style="list-style-type: none"> <li>1. The word “mortgagee” includes trustee.</li> <li>2. Any loss payable under Coverage A—Building Property will be paid to any mortgagee of whom we have actual notice, as well as any other mortgagee</li> </ol>	The SFIP pays claims for building property to the named policyholder, mortgage holders, lienholders, other loss payees for whom we have actual notice, and any loss payee determined to exist at the time of loss. The mortgage clause is a contract within a contract. It is a contract between the mortgagee and the insurer

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<p>or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.</p> <p>3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:</p> <ul style="list-style-type: none"> <li>a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;</li> <li>b. Pays any premium due under this policy on demand if you have neglected to pay the premium; <i>and</i></li> <li>c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.</li> </ul> <p>4. All terms of this policy apply to the mortgagee.</p> <p>5. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building.</p> <p>6. 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.</p> <p>7. 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.</p>	<p>within the contract between the policyholder and the insurer. Including the name of the mortgagee on each building claim payment is the surest way to keep this promise to the mortgagee. For all building payments, except III.C and III.D, include all known mortgagees, as they are additional insureds.</p> <p>The insurer may potentially include a loss payee or lienholder on Coverage B – Personal Property of whom the insurer received actual notice, such as from the U.S. Small Business Administration (SBA). If the insurer receives a letter of an SBA approved loan, the SBA must be included on the building check(s) and the contents check(s) if the loan is for both real estate and personal or business property.</p>
<b>O. Suit Against Us</b>	
<p>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.</p>	<p>The statute of limitations begins with the insurer’s first written denial of the claim. Subsequent denial letters do not re-start the statute of limitations. Policyholders must file suit in a U.S. District Court in the district where the loss occurred within one year after the insurer’s first written denial. Neither FEMA nor the insurer may extend the one-year statute of limitations to file suit.</p> <p>If the policyholder does not agree with the final decision of their claim and is insured under the Write Your Own Program, they must file suit against their insurer in the U.S. District Court where the insured property is located.<sup>24</sup> However, NFIP</p>

<sup>24</sup> 44 C.F.R. § 62.23(g).

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
	Direct policyholders that do not agree with FEMA's final decision have one-year to file suit against FEMA. <sup>25</sup>
<b>P. Subrogation</b>	
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	When the adjuster believes there may be potential for subrogation, the adjuster completes <a href="#">FEMA Form 086-0-16 – Cause of Loss and Subrogation Report</a> , to identify a potentially responsible third party; and characterize how their actions may have caused or worsened flood damage. When the adjuster believes the cause of loss may be completely or in part due to an intentional or human cause, the adjuster should complete the NFIP Subrogation Form. Claim handling, review, and payment should proceed as normal. The insurer should make sure the subrogation form Cause of Loss and Subrogation Report is complete and escalate the matter for a subrogation review.  See <a href="#">Subrogation</a> in Section 2 of this Manual.
<b>Q. Continuous Lake Flood</b>	
<p>1. If 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 an insured loss to the insured building equal to or greater than the building policy limits plus the deductible or the maximum payable under the policy for any one building loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing:</p> <ol style="list-style-type: none"> <li>To make no further claim under this policy;</li> <li>Not to seek renewal of this policy;</li> <li>Not to apply for any flood insurance under the Act for property at the described location;</li> <li>Not to seek a premium refund for current or prior terms.</li> </ol> <p>If the policy term ends before the insured building has been flooded continuously for 90 days, the provisions of this paragraph Q.1 will</p>	The only Closed Basin Lake recognized by FEMA at this time is Devils Lake, North Dakota. Subject to all other provisions of the SFIP, if an insured building is subject to continuous lake flooding from Devils Lake, the following requirements must be met to be eligible for coverage under the terms of all SFIP forms: <ul style="list-style-type: none"> <li>The building must be in a participating community eligible for this coverage;</li> <li>The subject building must have had NFIP flood insurance coverage continuously beginning on November 30, 1999, and any subsequent owner on or after November 30, 1999, must have an NFIP policy in effect within 60 days of the transfer of title (see: Q.2.g.); <i>and</i></li> <li>The policyholder must grant a conservation easement (see: Q.2.b.(2)), and the community must have adopted a permanent land-use ordinance on or before July 15, 2001 (see: Q.2.e.(1), (2), and (3)).</li> </ul>

<sup>25</sup> 44 C.F.R. § 62.22.

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p>apply when the insured building suffers a Insured loss before the policy term ends.</p>	
<p>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 Q.1 above or Q.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 Q.2, we will pay your claim as if the building is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:</p> <ul style="list-style-type: none"> <li>a. Lake floodwaters must damage or imminently threaten to damage your building.</li> <li>b. Before approval of your claim, you must:                             <ul style="list-style-type: none"> <li>(1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; <i>and</i></li> <li>(2) Grant the conservation easement described in FEMA’s “Policy Guidance for Closed Basin Lakes” to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures 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 Q.2. If a U.S. Army Corps of Engineers certified flood control project or</li> </ul> </li> </ul>	<p>FEMA will not recognize any increases in coverage limits with effective dates on or after November 30, 1999 (see: Q.2.g.), except when offered by the insurer as a routine inflation-guard increase and purchased by the policyholder. Insured buildings not eligible for the provisions of Q.2. described above, but damaged by continuous lake flooding, will be eligible for those provisions described at Q.1. of the SFIP, subject to the terms and conditions of the Q.1. and the SFIP. Buildings in eligible communities that are subject to damage from the effects of the Closed Basin Lake, Devils Lake, North Dakota, may file claims if any portion of the insured building, as defined in the SFIP, is at the still-water level derived by official National Weather Service (NWS) still-water levels.</p> <p>See Appendix C in this Manual, <a href="#">“Policy Guidance for Closed Basin Lakes”</a></p>

## VII. GENERAL CONDITIONS

Policy Language	Additional Explanation
<p>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; <i>and</i></p> <p>(3) Comply with paragraphs Q.1.a through Q.1.d above.</p> <p>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.</p> <p>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.</p> <p>e. Before the approval of your claim, the community having jurisdiction over your building must:</p> <p>(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 Q.2.b above;</p> <p>(2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the building can be denied; and</p> <p>(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 Q.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 Q2.b. above.</p>	

VII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p>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.”</p> <p>g. You must have NFIP flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under paragraph Q.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 Q.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.</p> <p>h. This paragraph Q.2 will be in effect for a community when the FEMA Regional Administrator for the affected region provides to the community, in writing, the following:</p> <p style="margin-left: 40px;">(1) Confirmation that the community and the State are in compliance with the conditions in paragraphs Q.2.e and Q.2.f above; <i>and</i></p> <p style="margin-left: 40px;">(2) The date by which you must have flood insurance in effect.</p>	
<b>R. Loss Settlement</b>	
<p>We will pay the least of the following amounts after application of the deductible:</p> <ol style="list-style-type: none"> <li>1. The applicable amount of insurance under this policy;</li> <li>2. The actual cash value; or</li> <li>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.</li> </ol>	<p>An actual cash value loss settlement is the cost to repair or replace insured building items at the time of the loss, less the building deductible and less its physical depreciation.</p>

VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<b>A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements</b>	
<p>1. With respect to all insureds under this policy, this policy is void and has no legal force and effect if at any time, before or after a loss, you or any other insured or your agent have, with respect to this policy or any other NFIP insurance:</p> <ul style="list-style-type: none"> <li>a. Concealed or misrepresented any material fact or circumstance;</li> <li>b. Engaged in fraudulent conduct; <i>or</i></li> <li>c. Made false statements.</li> </ul> <p>2. Policies voided under A.1 cannot be renewed or replaced by a new NFIP policy.</p> <p>3. Policies are void as of the date the acts described in A.1 above were committed.</p> <p>4. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>B. Policy Nullification for Reasons Other Than Fraud</b>	
<p>1. This policy is void from its inception, and has no legal force or effect, if:</p> <ul style="list-style-type: none"> <li>a. The property listed on the application is located in a community that was not participating in the NFIP on this policy's inception date and did not join or reenter the program during the policy term and before the loss occurred;</li> <li>b. The property listed on the application is otherwise not eligible for coverage under the NFIP at the time of the initial application;</li> <li>c. You never had an insurable interest in the property listed on the application;</li> <li>d. You provided an agent with an application and payment, but the payment did not clear; <i>or</i></li> <li>e. We receive notice from you, prior to the policy effective date, that you have determined not to take the policy and you are not subject to a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract.</li> </ul>	See the <a href="#">Flood Insurance Manual</a> for detailed information.

VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<p>2. In such cases, you will be entitled to a full refund of all premium, fees, and surcharges received. However, if a claim was paid for a policy that is void, the claim payment must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed.</p>	
<b>C. Cancellation of Policy by You</b>	
<p>1. You may cancel this policy in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p> <p>2. If you cancel this policy, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>D. Cancellation of the Policy by Us</b>	
<p>1. <b>Cancellation for Underpayment of Amounts Owed on Policy.</b> This policy will be cancelled, pursuant to VII.D.2, if it is determined that the premium amount you paid is not sufficient to buy any amount of coverage, and you do not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period.</p> <p>2. <b>Cancellation Due to Lack of an Insurable Interest.</b></p> <p>a. If you no longer have an insurable interest in the insured property, we will cancel this policy. You will cease to have an insurable interest if:</p> <p style="margin-left: 40px;">(1) For building coverage, the building was sold, destroyed, or removed.</p> <p style="margin-left: 40px;">(2) For contents coverage, the contents were sold or transferred ownership, or the contents were completely removed from the described location.</p> <p>b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP.</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.



VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<p><b>3. Cancellation of Duplicate Policies.</b></p> <p>a. Your property may not be insured by more than one NFIP policy, and payment for damages to your property will only be made under one policy.</p> <p>b. If the property is insured by more than one NFIP policy, we will cancel all but one of the policies. The policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP.</p> <p>c. If this policy is cancelled pursuant to VIII.D.4.b, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p> <p><b>4. Cancellation Due to Physical Alteration of Property</b></p> <p>a. If the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, we will cancel this policy.</p> <p>b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p>	
<p><b>E. Non-Renewal of the Policy by Us</b></p>	
<p>Your policy will not be renewed if:</p> <ol style="list-style-type: none"> <li>1. The community where your insured property is located is suspended or stops participating in the NFIP;</li> <li>2. Your building is otherwise ineligible for flood insurance under the Act;</li> <li>3. You have failed to provide the information we requested for the purpose of rating the policy within the required deadline.</li> </ol>	<p>When a community no longer participates in the NFIP, an active SFIP will remain in force up to the day before the policy renewal date.</p> <ul style="list-style-type: none"> <li>• Coverage may not be available for a building constructed or altered in violation of state or local floodplain management laws, regulations, or ordinances.</li> <li>• Section 1316 of the Act allows a state or community to declare a building in violation of its floodplain management rules. When a state or community declares that a building is in violation of Section 1316, the building and any contents in it are not eligible for SFIP coverage.</li> <li>• Insurers have a list of buildings with Section 1316 violations that are ineligible for NFIP coverage. When the owner corrects the violation, the</li> </ul>

## VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL

Policy Language	Additional Explanation
	building becomes eligible for coverage again. The examiner should verify the building's eligibility.

## IX. LIBERALIZATION CLAUSE

Policy Language	Additional Explanation
If we make a change that broadens your coverage under this edition of our policy, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the change, provided that this implementation date falls within 60 days before or during the policy term stated on the Declarations Page.	Insurers cannot apply additional coverages provided through the liberalization clause retroactively to losses that have occurred; insurers can apply it prospectively. The clause permits FEMA to give existing, active policyholders beneficial amendments without needing to separately endorse their policies but does not provide any retroactive effect.

## X. WHAT LAW GOVERNS

Policy Language	Additional Explanation
This policy and all disputes arising from the insurer's policy issuance, policy administration, or 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.	N/A

### 3 Residential Condominium Building Association Policy

*Please read the policy carefully. The flood insurance provided is subject to limitations, restrictions, and exclusions.*

I. AGREEMENT	
Policy Language	Additional Explanation
<b>A.</b> This policy insures 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.	N/A
<b>B.</b> The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations.	This policy is under federal law, unlike other property lines. Relevant definition of Act at II.C.1.
<b>C.</b> We will pay you for direct physical loss by or from flood to your insured property if you: <ol style="list-style-type: none"> <li>1. Have paid the full amount due (including applicable premiums, surcharges, and fees);</li> <li>2. Comply with all terms and conditions of this policy; <i>and</i></li> <li>3. Have furnished accurate information and statements.</li> </ol>	Relevant definition of Direct Physical Loss By or From Flood at II.C.14 (direct physical loss). Policyholder requirements in case of a loss appear at VII.G.
<b>D.</b> We have the right to review the information you give us at any time and revise your policy based on our review.	Post-loss underwriting information appears at VII.D.
<b>E.</b> This policy insures only one building. If you own more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application	Relevant definition of Application at II.C.3.
<b>F.</b> Subject to the exception in Section I.G below, multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if issued through different NFIP insurers. Payment for damages may only be made under a single policy for building damages under Coverage A—Building Property	N/A

I. AGREEMENT	
Policy Language	Additional Explanation
<p><b>G.</b> A Dwelling Form policy with building coverage may be issued to a unit owner in a condominium building that is also insured under a Residential Condominium Building Association Policy (RCBAP). However, no more than \$250,000 may be paid in combined benefits for a single unit under the Dwelling Form and the RCBAP. We will only pay for damage once. Items of damage paid for under a RCBAP cannot also be claimed under the Dwelling Form policy.</p>	<p>No more than \$250,000 may be paid in combined benefits under Coverage A— Building Property for a single unit under the Dwelling Form and the RCBAP. Insureds may not claim the same damaged items under more than one policy. The NFIP will only pay for damaged items under one policy.</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p><b>A.</b> In this policy, “you” and “your” refer to the named insured(s) shown on the Declarations Page of this policy and the spouse of the named insured, if a resident of the same household. Insured(s) also includes: Any mortgagee and loss payee named in the Application and Declarations Page, as well as any other mortgagee or loss payee determined to exist at the time of loss, in the order of precedence. “We,” “us,” and “our” refer to the insurer.</p> <p>Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases.</p>	<p>Relevant definition of Declarations Page appears at II.C.11.</p> <p>Relevant definition of Application appears at II.C.3. Mortgage clause appears at VIII.N.</p>
<p><b>B. Flood, as used in this flood insurance policy, means:</b></p> <p><b>1.</b> A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:</p> <ol style="list-style-type: none"> <li>Overflow of inland or tidal waters,</li> <li>Unusual and rapid accumulation or runoff of surface waters from any source,</li> <li>Mudflow.</li> </ol>	<p>For a general condition of flood to exist, the inundation must cover two or more acres of normally dry land or two or more parcels of land, one of which can be public property such as a roadway.</p> <p>The phrase “partial or complete inundation of two or more acres of normally dry land area or two or more properties” requires that the two or more acres must be continuous acres, and that the two or more inundated parcels of land must touch.</p> <p>Relevant definition of Mudflow appears at II.C.19. Note: A mudflow is a flow of liquified mud comprised of fine earthen materials (soil) with water that overflows the banks of a waterbody and can also be a flow of heavier earthen materials like gravel, rocks, boulders, and other debris. Various sources such as media, state geologists, or engineers may refer to an event as mudslide or debris flow. No matter what the event is called or by whom, the facts of the event must show it meets the definition of flood.</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
<p>2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion undermining caused by waves or currents of water exceeding anticipated cyclical levels which result in a flood as defined in B.1.a. above.</p>	<p>The phrase “as defined in B.1.a above” means that the collapse or subsidence as set forth in the definition must occur during a flood from the overflow of inland or tidal waters.</p> <p>The SFIP does not cover damage from any other cause, form, or type of earth movement. It also does not cover gradual erosion. See Exclusions at V.C.</p>
<p><b>C. The following are the other key definitions we use in this policy:</b></p>	
<p>1. <b>Act.</b> The National Flood Insurance Act of 1968 and any amendments to it.</p>	See I.B.
<p>2. <b>Actual Cash Value.</b> The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.</p>	N/A
<p>3. <b>Application.</b> 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.</p>	<p>The statement made and signed by the prospective policyholder or the agent when applying for a policy. The application contains information including the property description, information to determine eligibility, the policy form chosen, selected coverage and limits, deductible, and the premium amount.</p> <p>Relevant definition of you, your, and we appears at II.A. Relevant definition of Policy appears at II.C.21.</p>
<p>4. <b>Base Flood.</b> A flood having a one percent chance of being equaled or exceeded in any given year.</p>	<p>The Base Flood Elevation (BFE) is shown on the FIRM for zones AE, AH, A1–A30, AR, AR/A, AR/AE, AR/A1–A30, AR/AH, AR/A0, V1–V30 and VE. It is no longer used in underwriting, but the SFIP policy forms still reference BFE in defining a building’s eligibility for NFIP coverage when partially underground or under construction.</p>
<p>5. <b>Basement.</b> Any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level on all sides.</p>	<p>The SFIP definition for a basement means the floor level of a room or any area of a floor level in a building is below the ground level on all sides. Relevant definition of Building appears at II.C.6.</p> <p>The SFIP definition of a basement may differ from what policyholders consider as their “basement.” The SFIP considers a sunken room or sunken portion of a room to be a basement if the floor level is below the ground level on all sides. Further, the entire below-ground-floor-level area, including walls and ceiling that may extend above grade, is subject to basement coverage limitations.</p>

Figure 41: Sunken Room



Photo: Amber Flooring

Ground level is the surface of the ground immediately along the perimeter of the building. If an exterior area of egress out of the building is below the ground level on all sides, it is a basement.

Figure 42: Ground Level vs. Below Ground Level



Figure 43: Egress



II. DEFINITIONS	
Policy Language	Additional Explanation
	<p>The insurer may need to engage a qualified, licensed professional (for example: surveyor) to measure the floor level in question. See <a href="#">Section 2 Guidance on the Use of Outside Professional Service</a> in this Manual.</p> <p>Sump wells are not basements because they are not at floor level.</p>
<p><b>6. Building</b></p> <p>a. A structure with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site;</p> <p>b. A manufactured home, also known as a mobile home, is a structure built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); <i>or</i></p> <p>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.</p> <p>Building does not mean a gas or liquid storage tank, shipping container, or a recreational vehicle, park trailer, or other similar vehicle, except as described in C.6.c above</p>	<p>The SFIP insures a building, manufactured home, or travel trailer located at the described location, as shown on the Declaration Page. The SFIP can only insure one building per policy.</p> <ul style="list-style-type: none"> <li>• A manufactured home is assembled off-site and towed to a location in one or more sections. See 44 C.F.R. § 59.1.</li> <li>• A mobile home is a building constructed before June 15, 1976.</li> <li>• A travel trailer is similar to a manufactured home but generally smaller. It is movable because it has a tow hitch and can be pulled behind a vehicle. For eligibility under the SFIP, a travel trailer must have all wheels removed. A self-propelled recreational vehicle (RV), also known as a motor home, is not a building and is not eligible for insurance under the SFIP.</li> <li>• A travel trailer must be installed and regulated under the community’s floodplain management building ordinances or laws for eligibility under the SFIP. A travel trailer installed outside of these regulations and ordinances or laws, for example in recreational camping park (i.e. park trailer), is not eligible for coverage under the SFIP.</li> <li>• A storage or shipping container, whether used as a shed, storage, or place to live, must meet the definition of building for eligibility under the SFIP.</li> <li>• “Affixed by weight” does not mean affixed to a permanent site in the context of the SFIP definition of building.</li> </ul>
<p><b>7. Cancellation.</b> The ending of the insurance coverage provided by this policy before the expiration date.</p>	<p>The expiration date is the ending of the policy term, the period of coverage provided by the insurance policy. Relevant definition of Policy appears at II.C.21.</p>
<p><b>8. Condominium.</b> That form of ownership of one or more buildings in which each unit owner has an undivided interest in common elements.</p>	N/A
<p><b>9. Condominium Association.</b> The entity made up of the unit owners responsible for the maintenance and operation of:</p>	N/A

II. DEFINITIONS	
Policy Language	Additional Explanation
<p>a. Common elements owned in undivided shares by unit owners; <i>and</i></p> <p>b. Other buildings in which the unit owners have use rights; where membership in the entity is a required condition of ownership.</p>	
<p><b>10. Condominium Building.</b> A type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building.</p>	<p>A condominium building is a building or a complex of buildings containing a number of individually owned apartments or houses where each unit owner has an undivided interest in common elements of the building. Residential condominium buildings must be insured under the RCBAP. Relevant definition of Building appears at II.C.6.</p>
<p><b>11. Declarations Page.</b> A computer-generated summary of information you provided in your 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.</p>	<p>Relevant definition of Application appears at II.C.3. Relevant definition of Policy appears at II.C.21.</p>
<p><b>12. Deductible.</b> The fixed amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy</p>	<p>Relevant definition of Policy appears at II.C.21.</p>
<p><b>13. Described Location.</b> The location where the insured building(s) or personal property are found. The described location is shown on the Declarations Page.</p>	<p>The described location may include multiple buildings, however, the SFIP insures only one building. Relevant definition of Building appears at II.C.6. Relevant definition of Declarations Page appears at II.C.11.</p>
<p><b>14. Direct Physical Loss By or From Flood.</b> Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property.</p>	<p>The phrase “directly caused by a flood” means that a flood, defined by the SFIP at II.B, be the immediate cause of loss, damage, or change to insured property, with no intervening cause or factor after such flood leading to damage. The phrase “evidence of physical changes to the property” means there must be visible evidence showing flood ruined, damaged, or changed the property.</p> <p>In several instances, the SFIP expressly covers losses that the definition of direct physical loss by or from flood may otherwise exclude. These instances include:</p> <ul style="list-style-type: none"> <li>• Losses from mudflow and collapse or subsidence of land as a result of erosion specifically covered under the SFIP definition of flood (see II.B.1.c, II.B.2, and II.C.20).</li> </ul>

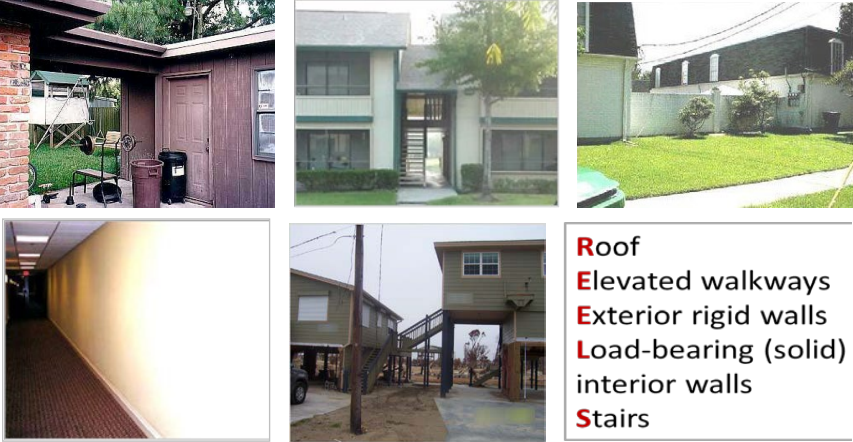


II. DEFINITIONS	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>• Direct physical loss caused by water, moisture, mildew, or mold damage that results directly by or from flood, or after floodwaters recede, provided the policyholder performed all reasonable measures within their control to inspect or maintain the property (see V.D.4.b.(3)).</li> <li>• Back up of water and water-borne material through sewers or drains, where a flood is the proximate cause of the sewer or drain backup (see V.D.5.a.).</li> <li>• Discharge or overflow from a sump, sump pump, or related equipment, where a flood is the proximate cause of the sump pump discharge or overflow (see V.D.5.b).</li> <li>• Seepage or leakage on or through the insured building, where a flood is the proximate cause of the seepage of water (see V.D.5.c).</li> <li>• Pressure or weight of water, where a flood is the proximate cause of the damage from the pressure or weight of water (see V.D.6).</li> </ul>
<p><b>15. Elevated Building.</b> 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.</p>	<p>For more information about elevated buildings, see <a href="#">Section 2: Lowest Elevated Floor Determination</a> of this Manual. If an elevated floor in the building is in part supported by a structural slab-on-grade foundation, additional documentation may be necessary to verify the elevated rating for the building. Relevant definition of Building appears at II.C.6. Relevant definition of Basement appears at II.C.5.</p>
<p><b>16. Emergency Program.</b> 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 and the regulations prescribed pursuant to the Act.</p>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>
<p><b>17. Federal Policy Fee.</b> A flat rate charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the National Flood Insurance Program.</p>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>
<p><b>18. Improvements.</b> Fixtures, alterations, installations, or additions comprising a part of the residential condominium building, including improvements in the units.</p>	<p>Relevant definition of Residential Condominium Building appears at II.C.26. Relevant definition of Unit appears at II.C.28.</p>
<p><b>19. Mudflow.</b> A river of liquid and flowing mud on the surface of normally dry land areas, as when earth is carried by a current of water. Other</p>	<p>See additional explanation of Flood above.</p>

II. DEFINITIONS	
Policy Language	Additional Explanation
earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows.	
<b>20. National Flood Insurance Program (NFIP).</b> 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.	Relevant definition of Act appears at II.C.1.
<b>21. Policy.</b> The entire written contract between you and us. It includes: <ul style="list-style-type: none"> <li>a. This printed form;</li> <li>b. The application and Declarations Page;</li> <li>c. Any endorsement(s) that may be issued; <i>and</i></li> <li>d. Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term. Only one building, which you specifically described in the application, may be insured under this policy.</li> </ul>	Relevant definition of you and us appears at II.A. Relevant definition of Declarations Page appears at II.C.11. Relevant definition of Application appears at II.C.3. Relevant definition of Building appears at II.C.6.
<b>22. Pollutants.</b> Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.	Testing for or monitoring of pollutants is not covered unless required by law. See V.F.
<b>23. Post-FIRM Building.</b> 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.	Refer to the <a href="#">NFIP Community Status Book</a> to determine the community, initial FIRM dates, and program type (regular or emergency) to determine if the insured building meets the definition of a post-FIRM building.
<b>24. Probation Surcharge.</b> A flat charge you must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24.	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<b>25. Regular Program.</b> 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 and the regulations prescribed pursuant to the Act.	See the <a href="#">Flood Insurance Manual</a> for detailed information.

II. DEFINITIONS	
Policy Language	Additional Explanation
<b>26. Residential Condominium Building.</b> A building, condominium, containing one or more family units and in which at least 75 percent of the floor area is residential.	A residential condominium building in that form of ownership in which each unit owner has an undivided interest in common elements.
<b>27. Special Flood Hazard Area (SFHA).</b> An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1–A30, AE, A99, AH, AR, AR/A, AR/AE, AR/ AH, AR/AO, AR/A1–A30, V1–V30, VE, or V.	All zones listed are SFHAs. However, the post-FIRM elevated building coverage limitations listed in III.A.8 and III.B.4 apply only to zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1– A30, V1–V30, and VE. In addition, certain SFHA zones carry specific requirements before coverage will apply. See III.A.6.b.
<b>28. Unit.</b> A single-family residential space in a residential condominium building.	Relevant definition of Residential Condominium Building appears at II.C.26.
<b>29. Valued Policy.</b> 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.	The SFIP is not a valued policy; it is a direct physical loss policy. The insurer agrees to pay a policyholder for damage caused by direct physical loss by or from flood to the policyholder’s insured property, subject to the terms, conditions, and exclusions of the SFIP.


III. PROPERTY INSURED	
Policy Language	Additional Explanation
<b>A. Coverage A—Building Property</b> We insure against direct physical loss by or from flood to:	
<b>1.</b> The residential condominium building described on the Declarations Page at the described location, including all units within the building and the improvements within the units.	N/A
<b>2.</b> 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.	<p>The SFIP at III.C.2.b.(1)-(4) will cover up to \$1,000 for the costs associated with the removal of property when there is a imminent threat of flood. III.A.1 applies to a situation where the dwelling is moved to another location.</p> <p>The policyholder must remove the property from the described location and relocate it outside the SFHA for up to 45 consecutive days. Coverage begins the date the policyholder removes the property from the described location. A deductible is not applied to the costs associated with moving the property to safety.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<p><b>3.</b> Additions and extensions attached to and in contact with the building by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the building by means of a common interior wall that is not a solid load-bearing wall are always considered part of the building and cannot be separately insured.</p>	<p>A property owner has the option to separately insure an addition under its own SFIP if the addition, considered by itself, meets the definition of a building; otherwise, an addition or extension is insured under the RCBAP as part of the building.</p> <p><b>Figure 44: Examples of Additions and Extensions and the Five Means of Connection</b></p> 
<p><b>4.</b> The following fixtures, machinery and equipment, including its units, which are insured under Coverage A only:</p> <ol style="list-style-type: none"> <li>a. Awnings and canopies;</li> <li>b. Blinds;</li> <li>c. Carpet permanently installed over unfinished flooring;</li> <li>d. Central air conditioners;</li> <li>e. Elevator equipment;</li> <li>f. Fire extinguishing apparatus;</li> <li>g. Fire sprinkler systems;</li> <li>h. Walk-in freezers;</li> <li>i. Furnaces;</li> <li>j. Light fixtures;</li> </ol>	<ul style="list-style-type: none"> <li>• Blinds include vertical and horizontal types.</li> <li>• Central air conditioners include related built-in equipment for dehumidification, air filtering, and ventilation.</li> <li>• Walk-in freezers and coolers must be permanently installed or built-in. Furnaces and radiators include heat pumps, boilers, and related installed equipment for humidification, air filtering, and ventilation.</li> <li>• Ranges, cooking stoves, ovens include cooktops, range hoods, and built-in cooking exhaust apparatuses.</li> <li>• Refrigerators include beverage coolers and other major appliances that refrigerate</li> <li>• Refurbished collectible or major antique appliances, such as a refrigerator, stove, and the like, are paid at a functional value with less depreciation.</li> </ul>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<ul style="list-style-type: none"> <li>k. Outdoor antennas and aerials fastened to buildings;</li> <li>l. Permanently installed cupboards, bookcases, paneling, and wallpaper;</li> <li>m. Pumps and machinery for operating pumps;</li> <li>n. Ventilating equipment;</li> <li>o. Wall mirrors, permanently installed; <i>and</i></li> <li>p. In the units within the building, installed:                             <ul style="list-style-type: none"> <li>(1) Built-in dishwashers;</li> <li>(2) Built-in microwave ovens;</li> <li>(3) Garbage disposal units;</li> <li>(4) Hot water heaters, including solar water heaters;</li> <li>(5) Kitchen cabinets;</li> <li>(6) Plumbing fixtures;</li> <li>(7) Radiators;</li> <li>(8) Ranges;</li> <li>(9) Refrigerators; <i>and</i></li> <li>(10) Stoves.</li> </ul> </li> </ul>	
<p><b>5.</b> Materials and supplies to be used for construction, alteration or repair of the insured building while the materials and supplies are stored in a fully enclosed building at the described location or on an adjacent property.</p>	<p>The SFIP does not cover tools for construction, such as concrete forms, molds, cribbing, power tools, etc. Under Coverage A- Building Property, the SFIP does not cover tools or equipment used for construction. Such items are covered only under Coverage B- Personal Property, provided they are owned by the policyholder and located within an enclosed building at the described location at the time of the loss.</p>
<p><b>6.</b> A building under construction, alteration or repair at the described location.</p> <ul style="list-style-type: none"> <li>a. If the structure is not yet walled or roofed as described in the definition for building (see II.B.6.a.) then coverage applies:                             <ul style="list-style-type: none"> <li>(1) Only while such work is in progress; <i>or</i></li> <li>(2) If such work is halted, only for a period of up to 90 continuous days thereafter.</li> </ul> </li> <li>b. However, coverage does not apply until the building is walled and roofed if the lowest floor, including the basement floor, of a non-</li> </ul>	<p>The SFIP only covers buildings under construction affixed to a permanent site. For example, NFIP does not cover a building on temporary cribbing and not affixed to a permanent site.  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. See RCBAP – Section VI.A.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<p>elevated building or the lowest elevated floor of an elevated building is:</p> <p>(1) Below the base flood elevation in Zones AH, AE, A1–30, AR, AR/AE, AR/AH, AR/A1–30, AR/A, AR/AO; <i>or</i></p> <p>(2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1–30.</p> <p>The lowest floor level is based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1–V30 or top of the floor in Zones AH, AE, A1–A30, AR, AR/AE, AR/AH, AR/A1–A30, AR/A, and AR/AO.</p>	<p>The SFIP covers building materials and supplies for the insured building under construction stored in a fully enclosed building up to building policy limits per RCBAP Section III.A.5.</p>
<p>7. A manufactured home or a travel trailer, as described in the II.C.5. 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:</p> <p>a. By over-the-top or frame ties to ground anchors; <i>or</i></p> <p>b. In accordance with the manufacturer's specifications; <i>or</i></p> <p>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.</p>	<p>A manufactured home (or a mobile home) is a structure built on a permanent chassis. Both a manufactured home and a travel trailer must be affixed to a permanent foundation.</p> <ul style="list-style-type: none"> <li>• A travel trailer must be installed under the regulation from floodplain management and building ordinances or laws and must have its wheels removed. A travel trailer installed outside of floodplain management and building ordinances or laws, such as in a recreational camping park (i.e. park trailer), is not eligible for coverage under the SFIP.</li> <li>• When located in a SFHA, the manufactured home or travel trailer must be secure with anchoring devices that strap or tie down the building to resist flotation or movement. If the manufactured home or travel trailer does not have anchoring devices, such as over-the-top straps or tie-down devices underneath the chassis, the manufactured home or travel trailer must be connected securely to its foundation based on manufacturer's specifications, or in a manner that is in compliance with floodplain management requirements (unless it is continuously insured under the NFIP at the same location since September 30, 1982).</li> </ul>
<p>8. Items of property below the lowest elevated floor of an elevated post-FIRM building located in zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1–V30, or VE, or in a basement, regardless of the zone. Coverage is limited to the following:</p>	<p>For a post-FIRM elevated building located in zones A1-A30, AE, AH, AR, AR/A, AR/AH, AR/A1-A30, V1-V30, VE, full coverage begins at the lowest elevated floor. This is the lowest floor raised above ground, even if the pilings extend beyond it (see Section 2: <a href="#">Lowest Elevated Floor Determination</a> in Section 2 of this Manual).</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
<p>a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:</p>	<p>For items of property below, at, or level with the lowest elevated floor, the item(s) is subject to the coverage limitation. For example, a cabinet, door, window, or refrigerator that originates below, at, or level with the lowest elevated floor is not Insured, even that portion or value at or above the lowest elevated floor.</p> <p>However, coverage can be provided for building materials and finishes installed above the lowest elevated floor, even if the item originates or overlaps the lowest elevated floor level, when the function of the building material or finish is not reduced by cutting or removing the damaged and otherwise excluded building material physically located at or below the line- level equal with the lowest elevated floor. Examples include exterior siding, wood trim, drywall, paint, or insulation, even if the same item extends below the level of the lowest elevated floor. The building materials and finishes below the line level with the lowest elevated floor are still excluded. This coverage interpretation aligns with the building code for new construction and substantially improved buildings.</p> <p>The SFIP does not cover items, interior or exterior, located below the lowest elevated floor of a post-FIRM elevated building in the stated zones.</p>
<p>(1) Central air conditioners;</p>	<p>This includes building HVAC system components used for heating, cooling, ventilation, and other central air-handling equipment used for climate control within the building, including permanently installed equipment for humidification, dehumidification, air-filtering, and ventilation. Heaters of any type must be permanently installed building.</p>
<p>(2) Cisterns and the water in them;</p>	<p>See Section 2: <a href="#">Cisterns, Water Softeners, and Well Water Pumps</a> in this Manual.</p>
<p>(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;</p>	<p>The SFIP covers unfinished, unfloated, and not taped drywall installed anywhere in a basement. The SFIP will also cover unfinished, unfloated, and not taped drywall in lieu of paneling or any finished wall or ceiling treatment.</p> <p>The SFIP does not cover non-structural building elements, including non-load bearing floor, wall, or ceiling framing components, such as when installed for the purpose of improving a basement or enclosure area with finished floors, walls, and ceilings.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
	Coverage includes exterior entry doors into a basement, including but not limited to overhead or sliding-glass doors. Finishing and trimming the interior side of such doors are not insured.
(4) Electrical junction and circuit breaker boxes;	Electrical junction and circuit breaker boxes include a junction box, which serves as an unfinished basic light fixture. Any alternative power component responsible for power generation or distribution must be permanently installed and hardwired into the building's main electrical system.
(5) Electrical outlets and switches;	The SFIP does not cover finished lighting. For electrical outlets and switches, coverage is limited to direct components of the building's main electrical service. See <b>Figure 45</b> below.  <b>Figure 45: Unfinished Basic Light Fixture and Outlet</b>  
(6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987;	An elevator, dumbwaiter, chairlift, or stairlift is covered if it is inside the building enclosure or basement. When an elevator, dumbwaiter, or chairlift is located outside of the building, it must be attached directly to the building, or directly to the 16 square foot landing area immediately in front of a door into the building. (See <b>Figure 46</b> ). A stairlift must be attached to an exterior staircase used for egress.



**Figure 46: Example of an Insured Chair Lift**



Photo: BFA, LLC

If an elevator, dumbwaiter, or chairlift is not attached directly to the building or directly to the 16 square foot landing area immediately in front of a door into the building, then the elevator or chairlift is not covered. (See **Figure 47**). The reason for this is an elevator, dumbwaiter, or chairlift installed by such method is it not accounted for during in the rating of flood insurance and the policyholder is not charged premiums to insure it. Consequently, the item is not insured property and cannot be covered on a claim.

**Figure 47: Example of a Non-Insured Chair Lift.**

The phrase “related equipment” is everything except the cab for an elevator or dumbwaiter, the lift platform for a chairlift, or chair with a stairlift, and the related controls in or attached directly to the cab, lift platform or chair. If an elevator,

III. PROPERTY INSURED	
Policy Language	Additional Explanation
	dumbwaiter, chairlift, or stairlift is installed after September 30, 1987, related equipment is only covered if installed at or above the BFE.
(7) Fuel tanks and the fuel in them;	Fuel tanks and the fuel in them include a connected fuel gauge or fuel filter.
(8) Furnaces and hot water heaters;	See discussion at III.A.8.a.(1) above and <a href="#">Section 2: Heating, Ventilation and Air Conditioning (HVAC) Equipment &amp; Heat Machinery</a> .  Equipment used to heat the insured building's water supply must be affixed to or inside the insured building including an attached utility closet, inside a detached garage, or inside any building provided its services the insured building.
(9) Heat pumps	See (1) above
(10) Nonflammable insulation in a basement;	See <a href="#">Section 2: Nonflammable insulation in a Basement and Protective Barriers for Insulation in Basements or Elevated Post-FIRM Buildings</a>
(11) Pumps and tanks used in solar energy systems;	N/A
(12) Stairways and staircases attached to the building, not separated from it by elevated walkways;	The SFIP covers unfinished base support material for staircases and stairways (underneath the finished treads and risers) attached to the building, not separated from it by elevated walkways, includes an exterior staircase into a basement that is part of the building and enclosed by an addition defined under III.A.2. This also includes an interior basement or post-FIRM elevated building staircases.  The SFIP does not pay to treat, paint, or stain the base support material in a basement, or below the lowest elevated floor of a post-FIRM elevated building in an SFHA.  The SFIP does not cover damage to finish materials used for a tread, riser, or stringer if such material is installed onto unfinished base support material for stairways and staircases. If the finish material is the base support material, such as with a floating staircase or step, the finish material is insured but not the cost to apply a finish coating, or paint.


III. PROPERTY INSURED	
Policy Language	Additional Explanation
	<p data-bbox="1289 315 1724 342"><b>Figure 48: Unfinished and Finished Stairs</b></p>  <p data-bbox="1062 699 1892 789">Unfinished base stairs (left) are Insured in a basement or below a post-FIRM elevated building; however, improvements to paint or add finish treads, risers, and stringers (right) are not.</p> <p data-bbox="1377 813 1640 841"><b>Figure 49: Insured Stairs</b></p>  <p data-bbox="1062 1247 1877 1305">Stairs where the finish material is the base material are insured; however, no coverage to paint, stain, or coat.</p> <p data-bbox="1062 1328 1934 1386">The SFIP does not cover the basement exterior egress staircase located outside of the perimeter building walls, even if Insured by a roof or door. See IV.9.</p>

III. PROPERTY INSURED	
Policy Language	Additional Explanation
(13) Sump pumps;	The SFIP allows for a faucet that is affixed directly to the plumbing line, as opposed to a faucet that is connected to plumbing lines but mounted onto a sink as a finished fixture.
(14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;	See <a href="#">Section 2: Cisterns, Water Softeners, and Well Water Pumps</a> in this Manual.
(15) Well water tanks and pumps;	Well water tanks and pumps include the pressure switch, pressure valve, and gauge.
(16) Required utility connections for any item in this list; <i>and</i>	Examples of required utility connections include an interior air-conditioning unit (III.A.8.a.(1)) may have a condensation pipe and condensate pump to send the condensation to drainage plumbing. Both items would be considered required a utility connection.
(17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building.	<p>Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building:</p> <ul style="list-style-type: none"> <li>• Include windows and doors installed in the perimeter foundation walls of an SFIP-defined basement area such as a perimeter wall basement garage door or sliding glass door.</li> <li>• Include vents installed in and considered part of the Insured foundation walls of a post-FIRM elevated building. However, there is no coverage for breakaway walls or vents in breakaway walls.</li> <li>• Does not include screen or storm doors, or a door covering or enclosing an exterior egress in a basement, such as a Bilco™ door.</li> <li>• Does not include doors and windows of any type in an enclosure subject to post-FIRM limitations when located below the lowest elevated floor.</li> <li>• With an elevated building subject to this provision, a 6-inch or thicker concrete slab that has steel reinforcement bar (re-bar), which is tied into piers, posts, columns, pilings, or foundation walls, the concrete slab is covered under this provision as a structural component that supports the elevated building's foundation. The 6-inch concrete slab here does not make the elevated building non-elevated.</li> </ul> <p><b>Note:</b> Previously FEMA recognized nine foundation types under its prior rating methodologies. Under RR2.0 we have simplified rating and there are six</p>

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	<p>foundations type options on the Application and Adjuster Preliminary Form. The foundations are:</p> <ul style="list-style-type: none"> <li>• Slab on Grade (Non-Elevated);</li> <li>• Basement (Non-Elevated);</li> <li>• Elevated Without Enclosure on Posts Piles or Piers;</li> <li>• Elevated With Enclosure on Posts Piles or Piers;</li> <li>• Elevated With Enclosure Not on Post, Piles, Piers, (Solid Foundation Walls); <i>and</i></li> <li>• Crawlspace (Elevated or non-Elevated Subgrade Crawlspace).</li> </ul>
b. Clean-up	<p>Clean-up includes:</p> <ul style="list-style-type: none"> <li>• Pumping out trapped floodwater;</li> <li>• Labor to remove or extract spent cleaning solutions;</li> <li>• Treatment for mold and mildew; <i>and</i></li> <li>• Structural drying of salvageable interior foundation elements.</li> </ul> <p>The SFIP does not cover clean-up of an item or property located in areas subject to basement and post-FIRM coverage limitations – that is, the property must itself be Insured under III.A.8 – or for items or loss otherwise excluded under this policy.</p> <p>Clean-up is not the removal of flood-damaged items or debris removal. See III.C.1 for Debris Removal.</p>
<b>B. Coverage B—Personal Property</b>	
1. If you have purchased personal property coverage, we insure, subject to B.2 and B.3 below, against direct physical loss by or from flood to personal property that is inside the fully enclosed insured building and is:	The SFIP does not cover personal property items that are not within the fully enclosed insured building at the described location. This differs from the Dwelling Form in that the Dwelling Form covers personal property within any SFIP-defined building at the described location.
a. Owned by the unit owners of the condominium association in common, meaning property in which each unit owner has an undivided ownership interest; <i>or</i>	Property leased under a “ <a href="#">capital lease</a> ,” a contract that entitles a renter the temporary use of an item and to account for the financial effect of ownership on their balance sheet, qualifies as an insurable interest and can be claimed, even if the property is not solely owned by the policyholder.

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<p>b. Owned solely by the condominium association and used exclusively in the conduct of the business affairs of the condominium association.</p> <p>2. 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.</p>	<p>In contrast, an “operating lease” is a contract that entitles a renter the temporary use of an item but does not convey ownership rights. According to Generally Accepted Accounting Principles (GAAP), property in possession of a policyholder obtained through an operating lease cannot be represented in balancing sheet financials; therefore, it is not Insured under Coverage B-Personal Property.</p>
<p>3. Coverage for personal property includes the following property, subject to B.1. above, which is insured under Coverage B only:</p> <p>a. Air conditioning units-portable or window type;</p> <p>b. Carpet, not permanently installed, over unfinished flooring;</p> <p>c. Carpets over finished flooring;</p> <p>d. Clothes washers and dryers;</p> <p>e. "Cook-out" grills;</p> <p>f. Food freezers, other than walk-in, and the food in any freezer;</p> <p>g. Outdoor equipment and furniture stored inside the insured building;</p> <p>h. Ovens and the like; <i>and</i></p> <p>i. Portable microwave ovens and portable dishwashers</p>	<ul style="list-style-type: none"> <li>• III.B.3.a: note that Coverage A includes permanently installed through-the-wall air conditioning units.</li> <li>• III.B.3.d: includes the dryer exhaust vent kit. However, connectors and plumbing lines for a gas dryer are insured under Coverage A only.</li> <li>• III.B.3.f: applies to food freezers only. FEMA considers an appliance that both refrigerates and freezes as a refrigerator under Coverage A.</li> </ul>
<p>4. Coverage for items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building located in zones A1–A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1–A30, V1– V30, or VE, or in a basement, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:</p> <p>a. Air conditioning units-portable or window type;</p> <p>b. Clothes washers and dryers; <i>and</i></p> <p>c. Food freezers, other than walk-in, and food in any freezer.</p>	<ul style="list-style-type: none"> <li>• The same guidance from III.B.3 applies to the specific items listed here.</li> <li>• This provision does not apply to zones A, AO, A99, AR/AO, V, and VO.</li> </ul>
<p>5. <b>Special Limits.</b> We will pay no more than \$2,500 for any one loss to one or more of the following kinds of personal property:</p> <p>a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;</p> <p>b. Rare books or autographed items;</p>	<ul style="list-style-type: none"> <li>• Payments for these items may not exceed \$2,500 in aggregate.</li> </ul>

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<p>c. Jewelry, watches, precious and semi-precious stones, or articles of gold, silver, or platinum;</p> <p>d. Furs or any article containing fur which represents its principal value.</p>	
<p>6. We will pay only for the functional value of antiques.</p>	<p>The SFIP does not value an antique based on the rarity of the item, nor does it apply depreciation based solely on age or its physical condition.</p> <p><b>Example:</b> A 400-year-old fully restored chair formerly owned by a historical figure is appraised by a certified industry professional at \$25,000. The chair has seen general usage for 3-years after its restoration date. Applying judgment, a new chair with the same or similar functional design, material quality, and craftsmanship is comparably worth \$3,500. Less 10 percent depreciation, the SFIP would pay the functional value of \$3,150.</p>
<p><b>C. Coverage C—Other Coverages</b></p>	
<p><b>1. Debris Removal</b></p> <p>a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere.</p> <p>b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage.</p> <p>c. This coverage does not increase the Coverage A or Coverage B limit of liability.</p>	<p>Insured property means the insured dwelling and insured personal property. The SFIP does not pay for removal of:</p> <ul style="list-style-type: none"> <li>• Non-insured debris anywhere, such as a non-insured damaged property or debris located in the yard, driveway, or on another parcel of land.</li> <li>• Non-insured items of property, even if the removal of the item facilitates cleanup of insured building repairs, such as the removal of carpet installed inside a basement, or the removal of plants, shrubs, or trees along the perimeter of the building to access foundation or siding repairs.</li> </ul>
<p><b>2. Loss Avoidance Measures</b></p> <p>a. <b>Sandbags, Supplies, and Labor</b></p> <p>(1) We will pay up to \$1,000 for costs you incur to protect the insured building from a flood or imminent danger of flood, for the following:</p> <p style="margin-left: 20px;">(a) Your reasonable expenses to buy:</p> <p style="margin-left: 40px;">(i) Sandbags, including sand to fill them;</p> <p style="margin-left: 40px;">(ii) Fill for temporary levees;</p> <p style="margin-left: 40px;">(iii) Pumps; <i>and</i></p>	<p>The SFIP only covers those items specifically noted. The policyholder must provide receipts for insured materials they purchased. Additionally, the NFIP reimburses the policyholder and members of the policyholder’s household labor at the Federal minimum wage at the time of the loss.</p> <p>Water-filled bladders, as shown in <b>Figure 50</b>, are considered a temporary levee for the purposes of loss avoidance coverage; however, because these are reusable, the SFIP will pay the cost to purchase the bladder once, but only when the initial purchase is in connection to the claimed flood event. After that event, any future claim for loss avoidance here is limited to the labor and fill material.</p>

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<p>(iv) Plastic sheeting and lumber used in connection with these items;</p> <p>(b) The value of work, at the Federal minimum wage, that you perform.</p> <p>(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:</p> <p>(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</p> <p>(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.</p>	<p><b>Figure 50: Water-filled Bladder</b></p>  <p>Photo: Randy Wagner</p>
<p>b. <b>Property Removed to Safety</b></p> <p>(1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood. Reasonable expenses include the value of work, at the Federal minimum wage, you or a member of your household perform.</p> <p>(3) If you move insured property to a location other than the described location that contains the property, in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there.</p> <p>(4) 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.6.b and c, must be placed above ground level or outside of the special flood hazard area.</p>	<ul style="list-style-type: none"> <li>• The SFIP coverage of “reasonable expenses” under this provision is limited to the policyholder’s removal, storage, and return of insured building and personal property to the location described on the declarations page. The insurer may reimburse the policyholder for related expenses for the labor of the policyholder and family members at the Federal minimum wage and incurred transportation and storage costs. The policyholder must itemize and support these expenses with valid proof of payment. Coverage here is limited only to the length of time that a flood or the imminent danger of flood exists. Payment under this provision does not increase Coverage A – Building Property or Coverage B – Personal Property limits of liability.</li> <li>• The SFIP will cover, from the peril of flood, the property relocated to another location for a period of 45 consecutive days from the date the policyholder began to move the property. If the policyholder does not place the property in a fully enclosed building, the guidance from III.B.3 applies, i.e., the SFIP conclusively presumes that property which floats out or away was not reasonably protected from the elements.</li> </ul>



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(5) This coverage does not increase the Coverage A or Coverage B limit of liability.	
<b>D. Coverage D—Increased Cost of Compliance</b>	
<p><b>1. General</b></p> <p>This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a building suffering flood damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your building. Eligible floodproofing activities are limited to:</p> <ol style="list-style-type: none"> <li>a. Non-residential buildings.</li> <li>b. Residential buildings with basements that satisfy FEMA’s standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].</li> </ol>	<ul style="list-style-type: none"> <li>• ICC is not available in emergency program communities.</li> <li>• ICC only applies when the policyholder insures an eligible building under Coverage A (i.e., not contents-only policies).</li> <li>• Condominium unit owner policies are not eligible for ICC. However, a RCBAP, which covers the building and all common areas, is eligible for ICC coverage.</li> <li>• ICC coverage is available through the condominium association’s flood policy. No separate deductible applies.</li> </ul>
<p><b>2. Limit of Liability</b></p> <p>We will pay you up to \$30,000 under this Coverage D—Increased Cost of Compliance, which only applies to policies with building coverage (Coverage A). 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.</p>	<p>All three SFIP forms provide Increased Cost of Compliance (ICC) benefits as Coverage D. Increased Cost of Compliance. ICC provides up to \$30,000 toward the cost of bringing a flood-damaged structure into compliance with state or community floodplain management laws or ordinances governing repair or reconstruction following a flood.</p>
<p><b>3. Eligibility</b></p> <ol style="list-style-type: none"> <li>a. A building insured under Coverage A (Building Property) sustaining a loss caused by a flood as defined by this policy must:             <ol style="list-style-type: none"> <li>(1) Be a “repetitive loss building.” A repetitive loss building is one that meets the following conditions:                 <ol style="list-style-type: none"> <li>(a) The building is insured by a contract of flood insurance issued under the NFIP.</li> </ol> </li> </ol> </li> </ol>	<p>ICC eligibility requires the community to declare the building substantially damaged.</p> <p>For 3.b.(2) and (3) to apply, the community must first adopt and enforce new preliminary or advisory base flood elevations and an ICC claim cannot proceed until on or after the effective date of the new base flood elevations AND the policyholder receives notice from the community requiring the home to be brought into compliance with the new flood elevations. However, there are situations where the community may enforce elevation requirements in a non-SFHA and this would be specified in the ordinance.</p>


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<p>(b) The building has suffered flood damage on two occasions during a 10-year period which ends on the date of the second loss.</p> <p>(c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each flood loss.</p> <p>(d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the building; <i>or</i></p> <p>(2) Be a building that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the building 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 building.</p> <p>b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance Program found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:</p> <p>(1) 3.a.1 above.</p> <p>(2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged buildings 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 building 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</p>	<p>There are situations where the community may have its own elevation or flood-proofing requirements, which it enforces within a non-SFHA. This would be specified in the community’s floodplain ordinance, but the community must be able to demonstrate this requirement and enforcement is at least based in part on guidance from FEMA, and not entirely on its own.</p> <p>For 3.b.(2) and (3) to apply, the community must first adopt and enforce new preliminary or advisory base flood elevations, and an ICC claim cannot proceed until on or after the effective date of the new base flood elevations AND the policyholder receives notice from the community requiring the home to be brought into compliance with the new flood elevations. However, there are situations where the community may enforce elevation requirements in a non-SFHA, and this would be specified in the ordinance.</p> <p>There are situations where the community may have its own elevation or floodproofing requirements, which it enforces within a non-SFHA. This would be specified in the community’s floodplain ordinance, but the community must be able to demonstrate this requirement and enforcement is at least based in part on guidance from FEMA, and not entirely on its own.</p> <p><b>ICC Claims</b></p> <p>The date of loss of the ICC claim is the date of loss for the flood claim that triggers the requirement to comply with a community law or ordinance. Policyholders have up to six years from the date of the flood loss to complete the eligible mitigation activity. Policyholders should know that initiating a mitigation project before receiving a substantial damage declaration from the community may jeopardize their eligibility to receive an ICC payment.</p> <p>For buildings in zones B, C, X, D, unnumbered A and V, and A99, the adjuster must document why a building must undergo mitigation and obtain a written statement from the community to substantiate the ICC claim.</p> <p><b>Repetitive Loss Properties</b></p> <p>If a state or community adopts and enforces a cumulative substantial damage provision or repetitive loss provision requiring action by property owners to comply with floodplain management laws or ordinances, this may also qualify a structure for an ICC claim after a flood loss. The community must declare the structure to be</p>




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Policy Language	Additional Explanation
<p style="padding-left: 40px;">floodproofing requirements for flood damaged buildings to elevations derived solely by the community.</p> <p>(3) Elevation or floodproofing above the base flood elevation to meet State or local “freeboard” requirements, i.e., that a building must be elevated above the base flood elevation.</p> <p>c. Under the minimum NFIP criteria at 44 CFR 60.3(b)(4), States and communities must require the elevation or floodproofing of buildings 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.</p> <p>d. Coverage D will pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a building during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion D.5.g below relating to improvements.</p> <p>e. Coverage D will pay to bring a flood-damaged building into compliance with State or local floodplain management laws or ordinances even if the building had received a variance before the present loss from the applicable floodplain management requirements.</p>	<p>substantially damaged and the structure must meet the NFIP’s repetitive loss structure definition.</p> <p><b>Substantial Damage</b></p> <p>Insurers may only open an ICC claim when the community declares a building substantially damaged in writing. The community has the sole authority to determine substantial damage not FEMA nor the insurer.</p> <p>Note that a community may declare a building substantially damaged, based in whole or in part on non-flood-related damage. This is because having more than 50 percent damage may trigger a requirement to comply with the local floodplain management ordinances (see 44 C.F.R. § 59.1, definition of “substantial damage”), However, for purposes of ICC, the SFIP requires the damage to the building to be by or from flood, in an amount that exceeds 50 percent of its market value, regardless of whether the SFIP covers the damage or not.</p> <p>See <a href="#">Section 3 Increased Cost of Compliance</a>, of this Manual for more detail.</p>
<p><b>4. Conditions</b></p> <p>a. When a building insured 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.</p>	<p>ICC pays for the following mitigation activities or combination thereof:</p> <ul style="list-style-type: none"> <li>• Floodproofing to reduce the potential for flood damage by keeping floodwater out of a building.</li> <li>• Elevation to raise a building to or above the BFE plus freeboard adopted by a community, adopted Advisory Base Flood Elevations (ABFE), or the best available data provided by FEMA.</li> <li>• Demolition when a building is in such poor condition that elevation and relocation are not technically feasible or cost-effective.</li> <li>• Relocation to move a building outside of the floodplain.</li> </ul> <p>See <a href="#">Section 3 Increased Cost of Compliance</a>, of this Manual for more detail.</p>

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<p>b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws.</p>	
<p><b>5. Exclusions</b>                      Under this Coverage D (Increased Cost of Compliance) we will not pay for:</p> <ul style="list-style-type: none"> <li>a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.</li> <li>b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.</li> <li>c. The loss in value to any insured building due to the requirements of any ordinance or law.</li> <li>d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.</li> <li>e. Any Increased Cost of Compliance under this Coverage D:                             <ul style="list-style-type: none"> <li>(1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; <i>and</i></li> <li>(2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.</li> </ul> </li> <li>f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.</li> <li>g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances.</li> <li>h. Loss due to any ordinance or law that you were required to comply with before the current loss.</li> <li>i. Any rebuilding activity to standards that do not meet the NFIP’s minimum requirements. This includes any situation where the insured</li> </ul>	<p>III.D.5.b: ICC does not pay for testing, monitoring, clean up, removal, containment, treatment, detoxification, or neutralization of pollutants even if required by community ordinance. <a href="#">See Section 3: Increased Cost of Compliance</a> for additional details.</p>

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<p>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.</p> <p>j. Increased Cost of Compliance for a garage or carport.</p> <p>k. Any building insured under an NFIP Group Flood Insurance Policy.</p> <p>l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws.</p>	
<p><b>6. Other Provisions</b></p> <p>a. 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 Art. VIII.R. (“Loss Settlement”).</p> <p>b. All other conditions and provisions of the policy apply.</p>	<ul style="list-style-type: none"> <li>Note that this provision is different across the three forms.</li> </ul>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
<b>We do not insure any of the following:</b>	
<p>1. Personal property not inside the fully enclosed building;</p>	N/A
<p>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;</p>	<ul style="list-style-type: none"> <li>The SFIP allows coverage for a building not entirely over water, for example: when part of the exterior perimeter wall and foundation of the building is on land or on the landward side of mean high tide (mean high water). See <a href="#">National Tidal Datum</a> for datum on base elevation used as a reference for water heights and depths.</li> <li>When the exterior perimeter walls of the building are completely over water and the support system or foundation underneath the insured building extends onto land, or the extension of any mechanism for access into a building (including, but not limited to, stairs, decks, walkways, piers,</li> </ul>

IV. PROPERTY NOT INSURED	
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	<p>posts, pilings, docks, or driveways), even if the mechanism is on or partially on land, the building and the access will not be eligible for coverage.</p> <ul style="list-style-type: none"> <li>• If the exterior perimeter walls of a building are completely over water, but connected to another eligible building by means of an elevated walkway, stairway, roof, and/or rigid exterior wall, or there is an appurtenant structure on the same slab, foundation, or other continuous support system that is on land (such as a shed or garage), III.A.2 does not apply. In other words connected building or appurtenant structure on land does not allow coverage to be afforded to the building that has its exterior perimeter walls entirely over water.</li> </ul>
<p><b>3.</b> 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;</p>	<p>The SFIP does not cover boathouses or buildings into which boats can float and personal property located within buildings used solely as boathouses.</p> <p>The SFIP does not cover a building and personal property within it, located in, on, or over water or seaward of mean high tide if the building was constructed or substantially improved after September 30, 1982.</p> <p style="text-align: center;"><b>Figure 51: Open structure into which boats are floated</b></p> <div style="text-align: center;">  </div> <p style="text-align: center;">Photo: Fender Marine</p>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	<p style="text-align: center;"><b>Figure 52: House located over water and boat floated underneath</b></p>  <p style="text-align: center;">Photo: Flickr</p>
<p>4. Recreational vehicles other than travel trailers described in the Definitions Section (see II.C.6.c.) whether affixed to a permanent foundation or on wheels;</p>	<p>A recreational vehicle is a self-propelled vehicle (see <b>Figure 53</b>). A travel trailer is not self-propelled and is towed behind a road vehicle (see <b>Figure 54</b>).</p> <p style="text-align: center;"><b>Figure 53: A recreation vehicle is a self-propelled vehicle</b></p>  <p style="text-align: center;">Photo: Fleetwood RV</p> <p style="text-align: center;"><b>Figure 54: A travel trailer is not self-propelled and is towed behind a road vehicle</b></p>  <p><b>Note:</b> The term manufactured home does not include a recreational vehicle. A recreational vehicle is (a) built on a single chassis, (b) 400 square feet or less when</p>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	measured at the largest horizontal projection, (c) Designed to be self-propelled or permanently towable by a light truck duty truck; and (d) Designed primarily not for use as a permanent dwelling but as a temporary living quarters for recreational, camping, travel, or seasonal use.
<p>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 and are:</p> <p>a. Used mainly to service the described location <i>or</i></p> <p>b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a building at the described location;</p>	<ul style="list-style-type: none"> <li>• Under both IV.5.a and IV.5.b, the vehicle or machinery must be inside a building at the location described on the declarations page for coverage, provided all other policy terms and conditions apply.</li> <li>• Under IV.5.b the vehicle or machinery is not covered if it is not designed to assist persons with disabilities or not used by persons with disabilities. As an example, a typical golf cart is not covered under this provision, even if it is used by persons with disabilities, unless designed or modified specifically to assist persons with disabilities.</li> <li>• This exclusion does not apply to motorized toys and machinery designed, marketed, or sold for the exclusive use by youth, including children's dirt bikes solely powered by a battery. If a motorized toy or machinery can be reasonably used by an adult, it is not a youth's toy and is not covered.</li> </ul>
6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals;	The SFIP does not cover any type of live plant located inside or outside of the building. This provision does not apply to artificial plants used as indoor decor.
7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers;	<ul style="list-style-type: none"> <li>• Scrip is a form of money issued by a local government or private organization, such as gift cards, coupons, or any substitute for legal tender.</li> <li>• The SFIP does not cover financial loss from damage or destruction of electronic data or the cost of restoring that data.</li> <li>• Other valuable papers include stocks, certificates, and bonds.</li> </ul>
8. Underground structures and equipment, including wells, septic tanks, and septic systems;	<ul style="list-style-type: none"> <li>• Underground structures and equipment include, but are not limited to, wires, conduits, pipes, sewers, tanks, tunnels, sprinkler systems, similar property, and any apparatus connected beneath the surface of the ground. The SFIP provides coverage if other SFIP requirements are met for equipment installed used in the operation of underground structures and equipment installed above ground and within a building (for example: sprinkler timer).</li> </ul>



IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>When installed, a sewage grinder pump is an integral part of the building’s septic system. The grinder pump pulverizes waste for discharge into the septic drainage field. This item of property is not insured; however, the SFIP covers the sewage grinder pump’s alarm service panel if installed above ground level and affixed to the building or its foundation. The SFIP does not cover the pump’s alarm service panels installed to an item of property that is not Insured, such as a support post to a deck.</li> </ul>
<p>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;</p>	<p>In general, the SFIP does not cover items outside the perimeter walls of the building. However, the SFIP affords limited coverage for direct physical loss by or from flood to any existing egress on the sides of a building, including underneath an elevated building.</p> <p>The SFIP pays to repair or replace damage to any existing egress on the sides of a building, including underneath an elevated building. For each existing egress, the SFIP covers one 16 square foot (SF) landing and a single set of stairs and one landing per staircase. The SFIP covers materials of a like kind and quality, such as concrete, wood, or composite wood material. Insured items include any existing hand or support rail, support posts, and hardware. The SFIP does not cover improvements such as lighting or finishing (paint or preservative stains).</p> <p><b>Figure 55</b> shows a deck with a single set of stairs providing access to the building through two doors. The SFIP would cover one 16 SF landing and the existing single set of stairs.</p> <p style="text-align: center;"><b>Figure 55: Deck with Single Set of Stairs</b></p> 

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	<p>The SFIP does not cover the cost to comply with Americans with Disabilities Act of 1990 (ADA) regulations; however, the SFIP will repair or replace an existing flood damaged handicap ramp for egress, in lieu of the 16 SF of landing and steps.</p>
<p><b>10.</b> Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids;</p>	<p>The SFIP does not cover fuel tanks, pressure tanks, and well water tanks located outside of the insured building. The SFIP does not cover containers outside of the building, including shipping containers used for storage or residential purposes, unless the container meets the definition of a building.</p> <p>The SFIP covers fuel tanks, water tanks, and pressure tanks inside or directly underneath the building, including in a basement or crawlspace, under Coverage A – Building Property, when installed as part of a utility system that services the building.</p> <p>Under Coverage B – Personal Property, the SFIP will cover any container inside of a building that is used for household or personal purposes such as oxygen tanks for medical reasons, small fuel tanks for filling lawn equipment, or sealed portable fuel canisters for cooking such as for camping or outdoor grilling. Containers used for the storage of food do not apply to this provision. Containers such as paint cans can be insured but only for the value of what is stored, and not for the value of the container.</p> <p>Because containers and tanks are either sealed or made of material meant for contact with liquid, including corrosive liquids, the claim should take into account the proper scope of damage and, first, consider if the item is reusable after rinsing and cleaning.</p>
<p><b>11.</b> Buildings and all their contents if more than 49 percent of the actual cash value of the building is below ground, unless the lowest level is at or above the base flood elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques;</p>	<p>A building must have 51 percent or more of its actual cash value above ground level. This calculation relies solely upon the ACV, not on concepts like square footage, volume, or otherwise.</p> <p>Do not include items of property not insured under Coverage A in the building valuation. Claims handling should pay close attention to subterranean or earth dwellings.</p>
<p><b>12.</b> Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks;</p>	<p>Coverage may exist if the item directly supports and is integral to the building’s foundation, even if it has a secondary purpose such as a retaining wall.</p>

IV. PROPERTY NOT INSURED	
Policy Language	Additional Explanation
	The adjuster should submit a request to the insurer for expert support such as an engineer to inspect the building and provide an evaluation of the structure's foundation, etc., as soon as possible. <a href="#">See Section 2: Guidance on the Use of Outside Professional Services.</a>
<b>13.</b> Aircraft or watercraft, or their furnishings and equipment;	<ul style="list-style-type: none"> <li>• The SFIP covers remote-controlled boats, aircraft, and drones or UAVs (Unmanned Aerial Vehicles) designed and intended for recreational use only and not used to carry people or cargo, or commercial use. The same policy provisions that apply to other personal property apply to these items.</li> <li>• The SFIP does not cover drones or UAVs registered with the Federal Aviation Administration for purposes other than recreational model aircraft.</li> <li>• Watercraft includes any vessel that travels on water. Pool toys are not watercraft.</li> <li>• The phrase “furnishings and equipment” includes parts and other items identified for use with watercraft and aircraft.</li> </ul>
<b>14.</b> Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located;	N/A
<b>15.</b> 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;	<p>The SFIP cannot provide flood insurance coverage for a building constructed or substantially improved after the U.S. Department of Interior’s Fish and Wildlife Service designates it as within Coastal Barrier Resources System (CBRS) boundaries or as Otherwise Protected Areas (OPAs).</p> <p>Such areas designated under the CBRS are typically undeveloped coastal barriers within the boundaries of areas established under federal, state, or local law, or that are held by a qualified organization, primarily for wildlife refuge, sanctuary, recreational, or natural resources conservation purposes.</p> <p>See the <a href="#">USFWS website</a> for more information.</p>
<b>16.</b> Personal property used in connection with any incidental commercial occupancy or use of the building.	N/A

V. EXCLUSIONS	
Policy Language	Additional Explanation
<p><b>A. We only pay for “direct physical loss by or from flood,” which means that we do not pay you for:</b></p> <ol style="list-style-type: none"> <li>1. Loss of revenue or profits;</li> <li>2. Loss of access to the insured property or described location;</li> <li>3. Loss of use of the insured property or described location;</li> <li>4. Loss from interruption of business or production;</li> <li>5. Any additional living expenses incurred while the insured building is being repaired or is unable to be occupied for any reason;</li> <li>6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D—Increased Cost of Compliance; <i>or</i></li> <li>7. Any other economic loss you suffer.</li> </ol>	<ul style="list-style-type: none"> <li>• The SFIP does not cover the costs to pack, move, or store personal property from the insured building or return it to the building when an owner repairs the building or cannot occupy it.</li> <li>• The SFIP does not cover replacing non-flood damaged property required to comply with government codes, ordinances, or regulations. For example, the SFIP does not cover the cost of replacing an undamaged interior HVAC unit to match a replaced exterior HVAC unit because of a change in size, SEER-rating, refrigerant, or any other reason, even if local, state, or federal code required the upgrade.</li> </ul>
<p><b>B. Flood In Progress.</b> If this policy became effective as of the time of a loan closing, as provided by 44 CFR 61.11(b), we will not pay for a loss caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, we will not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day you submitted the application for coverage under this policy and the correct premium. We will determine the date of application using 44 CFR 611.11(f).</p>	<p>The SFIP will not pay for a loss caused by a flood that was a continuation of a flood that existed:</p> <ul style="list-style-type: none"> <li>• On or before the date the waiting period for coverage began; <i>or</i></li> <li>• If the coverage became effective as of the time of a loan closing (under the loan exception to the 30-day waiting period), before coverage became effective.</li> </ul> <p>In other words, the SFIP does not insure damage from a flood that began before a new policy’s waiting period (or coverage, if no waiting period) began, even if the flood did not damage the insured property, until after the waiting period (or coverage) began. If a flood was already in progress before a policyholder requested an increase in coverage on an existing policy, the SFIP will only insure damage that occurred to the insured property from that same flood event after the waiting period (or increased coverage, if no waiting period) began, under the lesser policy limits.</p> <p>Data sources available to assist in determining the time of a flood occurrence include:</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>The National Oceanic and Atmospheric Administration (NOAA) for data on river and lake levels;</li> <li>News reports and social media or other sources that may help an adjuster to determine when flooding was first reported; <i>and</i></li> <li>The community or other officials for assistance in determining lake or river levels.</li> </ul> <p>The adjuster should interview the policyholder and conduct a neighborhood canvass to determine the location of the floodwaters in relation to the insured property location at the time the policy became effective. In the narrative, the adjuster must detail their process and evidence used for recommending coverage or denial under the SFIP. See <a href="#">Flood-in-Progress Exclusion</a> in Section 2 of this Manual.</p>
<p><b>C.</b> 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:</p> <ol style="list-style-type: none"> <li>1. Earthquake;</li> <li>2. Landslide;</li> <li>3. Land subsidence;</li> <li>4. Sinkholes;</li> <li>5. Destabilization or movement of land that results from accumulation of water in subsurface land areas; <i>or</i></li> <li>6. Gradual erosion</li> </ol> <p>We do, however, pay for losses from mudflow and land subsidence as a result of erosion that are specifically Insured under our definition of flood (see II.B.1.c and II.B.2.).</p>	<p>The SFIP is a single-peril policy that only pays for covered damage due to direct physical loss by or from flood (II.C.14). The SFIP does not cover damage resulting from an intervening cause of loss, even if the resulting cause is due to flooding. The SFIP does not cover damage that results when saturated soils cause the soil below ground level to sink, expand, compact, destabilize, or otherwise lose its load-bearing capacity, such as from voids or rotten organic matter when the soil dries. The SFIP does not cover earth movement; each form of earth movement is an intervening cause of loss and a separate peril.</p> <p>The SFIP’s exclusion for other perils, such as fire, exemplifies the exclusion of earth movement as a cause of loss. When a flood causes a fire, which damages the building during inundation or after floodwaters recede, the SFIP does not cover the resulting fire and smoke damage to the building even if flood directly caused the fire.</p> <p>The SFIP covers damage to a building if the damage results from the collapse or subsidence of land that is the direct result of sudden erosion or undermining to the building’s support soil underneath or directly along the perimeter foundation of the building from waves or currents of floodwater (velocity flow) during a flood from the overflow of inland or tidal waters or mudflow. This includes damage to the foundation of the building and any resulting damage to the interior and exterior finishes. The SFIP does not cover damage caused by gradual erosion.</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
<p><b>D.</b> We do not insure for direct physical loss caused directly or indirectly by:</p> <ol style="list-style-type: none"> <li>1. The pressure or weight of ice;</li> <li>2. Freezing or thawing;</li> <li>3. Rain, snow, sleet, hail, or water spray;</li> <li>4. Water, moisture, mildew, or mold damage that results primarily from any condition:                             <ol style="list-style-type: none"> <li>a. Substantially confined to the insured building; <i>or</i></li> <li>b. That is within your control including, but not limited to:                                     <ol style="list-style-type: none"> <li>(1) Design, structural, or mechanical defects;</li> <li>(2) Failures, stoppages, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; <i>or</i></li> <li>(3) Failure to inspect and maintain the property after a flood recedes;</li> </ol> </li> </ol> </li> </ol>	<p>When the policyholder is prevented access to promptly remove wetted building and personal property items, and this delay directly results in water, moisture, mildew or mold damage to building, and personal property items not in physical contact with surface floodwater, this damage could be Insured.</p> <p>As examples:</p> <ul style="list-style-type: none"> <li>• Local authorities restrict access to the area; <i>or</i></li> <li>• Prolonged inundation of floodwater prevents access to the area.</li> </ul> <p>The claim file must include proper documentation, such as but not limited to photographs, an acceptable explanation provided by the adjuster, or a signed statement from the policyholder or community official that supports the payment for such damages.</p> <p>For instances where the damage is substantially confined to the dwelling or within the policyholder’s control, the claim file should include information that documents the policyholder’s failure to inspect and maintain their insured property or take reasonable measures to reduce damage when it is feasible to do so.</p> <p>The SFIP does not cover damage caused by long-term exposure to moisture, water, rot, and insect infestation. This includes damage from the lack of climate control inside the building when the approach to repair does not include the timely repair to the building HVAC system.</p> <p>The SFIP does not cover pre-existing damage to structural building components, such as damage caused by rot, or for any resulting damage to the non-structural finish building materials.</p>
<ol style="list-style-type: none"> <li>5. Water or water-borne material that:                             <ol style="list-style-type: none"> <li>a. Backs up through sewers or drains;</li> <li>b. Discharges or overflows from a sump, sump pump, or related equipment; <i>or</i></li> <li>c. Seeps or leaks on or through insured property;</li> <li>d. unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water;</li> </ol> </li> </ol>	<p>The adjuster must document in the claim file that a flood occurred in the area and that the flood was the proximate cause of the back-up of the sewer or drain, overflow of the sump pump, pump failure, seepage of water, or damage due to the pressure or weight of water (hydrostatic pressure). See II.A and related commentary under the definition of flood.</p> <p>When paying a loss due to a flood in the area proximately causing discharge or overflow of water or water-borne material from a sump, sump pump, or related equipment, the insurer must document the claim file to show that a homeowner’s policy endorsement or policy rider did not also cover the loss. If the homeowner’s</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
	<p>policy does provide coverage, the SFIP payment must apply a proportional loss distribution, as stated under VIII.C. Other Insurance.</p> <p>The adjuster must document that a flood occurred in the area and that the flood was the proximate cause of the back-up of the sewer or drain, overflow of the sump pump, pump failure, seepage of water, or damage caused by the pressure or weight of water (hydrostatic pressure). A flood is two or more continuous acres of normally dry land. For coverage under this provision, the condition of flood may be within the proximate area.</p>
<p>6. The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water;</p>	<p>Refer to V.D.5. above.</p> <p><b>Example:</b> A horizontal crack in a basement foundation block wall may be the result from hydrostatic pressure during a flood, or from non-flood related pressure due to the weight of saturated soil, the freeze-thaw cycle.</p>
<p>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;</p>	<p>The SFIP does not cover damage to insured property when caused by a power surge or power outage that originates from the failure or shutting down of equipment that is not located at the described location, even if the reason is a direct result of a flood. For example, the local utility operator may shut down a section of the electrical grid to avoid system damage from a flood. When the power returns to the electrical grid, the initial surge of electricity can damage insured property. Under this loss description, the damage is not covered.</p> <p>The SFIP covers damage to any Insured building or personal property item, such as the building's main service, home security system, a plugged-in television, or to the HVAC system, when a flood physically damages related system equipment installed at the described location. For example, if the flood damages power equipment at the described location, creating an electrical short within the power system that results in damage to another item of property that is part of or connected to the power system, the damage to the item is also covered even though it was not physically touched by floodwater. To cover the loss described, the adjuster must document the cause of loss in the claim file to rule out the possibility of a noncovered cause.</p>
<p>8. Theft, fire, explosion, wind, or windstorm;</p>	<p>V.D.10: The SFIP will not cover a flood loss or increased flood damage to insured property that the policyholder purposely or inadvertently causes.</p>

V. EXCLUSIONS	
Policy Language	Additional Explanation
<p><b>9.</b> Anything you or your agents do or conspire to do to cause loss by flood deliberately; <i>or</i></p> <p><b>10.</b> Alteration of the insured property that significantly increases the risk of flooding.</p>	<p>For example: a policyholder constructs a flood barrier to prevent floodwater from a river from reaching the building; however, the improvement now causes runoff during heavy rainfall events to collect behind the barrier and flood the building and a neighbor property or causes a prolonged condition of inundation creating additional damage inside the building.</p> <p>When the investigation of a loss reveals this provision might apply, the adjuster should notify the insurer at once and request immediate guidance.</p>
<p><b>E.</b> We do not insure for loss to any building or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.</p>	N/A
<p><b>F.</b> We do not pay for the testing for or monitoring of pollutants unless required by law or ordinance.</p>	<p>The SFIP only pays to test or monitor the removal of a pollutant when a law or ordinance requires it. Insurers must have a copy of the law or ordinance for the file to support their decision to pay for the testing for or monitoring of pollutants.</p> <p>The law or ordinance must be in effect at the date of loss to apply.</p>

VI. DEDUCTIBLES	
Policy Language	Additional Explanation
<p><b>A.</b> When a loss is insured 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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• The SFIP will only pay that portion of the loss that exceeds the applicable deductibles.</li> <li>• For building (residence and a detached garage) and personal property losses, the insurer should take the deductible from the gross loss before applying policy limits. For example, if the insured loss is \$110,000, the policy limit is \$100,000, and the deductible is \$5,000, the insurer should apply the deductible to the \$110,000 loss, which leaves \$105,000, meaning the insurer should pay the \$100,000 policy limit.</li> <li>• The SFIP does not apply coverage of excess damage from an eligible detached garage to the deductible.</li> </ul>



VI. DEDUCTIBLES	
Policy Language	Additional Explanation
	<ul style="list-style-type: none"> <li>The SFIP does not apply the excess loss to items subject to Special Limits to reduce the personal property deductible.</li> </ul>
B. In each loss from flood, separate deductibles apply to the building and personal property insured by this policy.	The SFIP applies a separate deductible to both building and personal property losses.
C. No deductible applies to: <ol style="list-style-type: none"> <li>III.C.2. Loss Avoidance Measures; <i>or</i></li> <li>III.D. Increased Cost of Compliance.</li> </ol>	N/A

VII. COINSURANCE	
Policy Language	Additional Explanation
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: <ol style="list-style-type: none"> <li>At least 80 percent of its replacement cost; <i>or</i></li> <li>The maximum amount of insurance available for that building under the NFIP, whichever is less.</li> </ol>	Refer to policy definition.
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):	
<ol style="list-style-type: none"> <li>Divide the actual amount of insurance carried on the building by the required amount of insurance.</li> <li>Multiply the amount of loss, before application of the deductible, by the figure determined in C.1. above.</li> <li>Subtract the deductible from the figure determined in C.2. above.</li> </ol>	Do not use the formula on the RCBP form to determine the proportional loss amount. Use the formula below. <ul style="list-style-type: none"> <li><b>Proportional loss amount</b> = ((insurance purchased ÷ required insurance) × (ACV plus recoverable depreciation)) – deductible</li> </ul> <b>IMPORTANT</b> – Use the order of operations as shown, starting within the innermost parentheses, for accurate calculation.

VII. COINSURANCE

Policy Language

Additional Explanation

We will pay the amount determined in C.3. above, or the amount of insurance carried, whichever is less. 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 – \$200,000

(80 percent of replacement value of \$250,000)

Actual amount of insurance carried – \$180,000

Amount of the loss – \$150,000

Deductible – \$500

Step 1:  $180,000 / 200,000 = .90$

(90 percent 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 Insured due to the coinsurance penalty (\$15,000) and application of the deductible (\$500).

**Table 10: Example of Inadequate Insurance**

Item	Value
Building RCV	\$2,499,872.60
Insurance Required (80%) RCV	\$1,999.898.08
Insurance Carried	\$1,800,000.00
ACV plus Recoverable Depreciation	\$46,132.16

- $((\$1,800,000.00 \div \$1,999,898.08) \times 46,132.16) = \$41,521.06 - \$5,000 \text{ deductible} = \$36,521.06 \text{ Amount Owed.}$

**Example #2** (Adequate Insurance)

Replacement value of the building – \$500,000

Required amount of insurance – \$400,000

(80 percent of replacement value of \$500,000)

Actual amount of insurance carried – \$400,00

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).

**Table 11: Example of Adequate Insurance**

Item	Value
Building RCV	\$2,500,000
Insurance Required (80%) RCV	\$2,000,000
Insurance Carried	\$2,500,000
ACV plus Recoverable Depreciation	\$46,132.16
Deductible	\$5,000
Amount Owed	\$41,132

VII. COINSURANCE	
Policy Language	Additional Explanation
<p>D. In calculating the full replacement cost of a building:</p> <ol style="list-style-type: none"> <li>1. The replacement cost value of any insured building property will be included;</li> <li>2. The replacement cost value of any building property not insured under this policy will not be included; <i>and</i></li> <li>3. Only the replacement cost value of improvements installed by the condominium association will be included.</li> </ol>	Refer to policy definition.

VIII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p>A. Pair and Set Clause</p> <p>In case of loss to an article that is part of a pair or set, we will have the option of paying you:</p> <ol style="list-style-type: none"> <li>1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation, <i>or</i></li> <li>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.</li> </ol>	<p>If the damaged property item is ruined and cannot be replaced individually as a single item, and this renders the other item in the pair or the set unusable or worthless, then the SFIP pays for the pair or set.</p> <p><b>Examples:</b> A flood ruins a single (left) shoe, and the other (right) shoe is undamaged. The left shoe cannot be purchased without the right, rendering the undamaged right shoe unusable. The SFIP allows for a new pair of shoes. Other similar examples include a ruined china base cabinet and undamaged matching china base top; half the seat ruined in a sectional sofa; a ruined left window curtain and an undamaged right window curtain.</p> <p>If the damaged property item is ruined and can be replaced individually as a single item with like kind and quality, making the other undamaged item or the set usable, the SFIP will only cover the damaged or ruined item along with the reasonable cost for like kind and quality.</p> <p><b>Examples:</b> Base cabinets ruined by flood with the upper cabinets undamaged. The upper cabinets remain usable. The SFIP allows replacing the base cabinets with like kind and quality, including reasonable costs to match the new base cabinets with existing undamaged cabinets. Other similar examples include a damaged dresser and undamaged or repairable matching armoire and nightstands, a ruined dining table leaf and undamaged or repairable dining table, a ruined granite cabinet countertop, and salvageable granite island countertop.</p>

VIII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
	<p>It is not proper to invoke the pair and set clause in a case where the exclusion at V.A.6 concerning ordinance or law requirements applies.</p> <p><b>Example:</b> An outdoor heating, ventilation, and air conditioning (HVAC) unit is ruined by flood, and the interior HVAC unit is undamaged. Due to Department of Energy code requirements regarding energy efficiency, or an Environmental Protection Agency (EPA)-mandate regarding the refrigerant type, a replacement outdoor HVAC unit that works with the existing interior HVAC unit is unavailable, rendering the undamaged interior unit unusable. The pair and set clause is superseded by V.A.6, and the SFIP only allows to replace the outdoor HVAC unit with like kind and quality and does not cover replacement of the undamaged interior HVAC unit.</p>
<b>B. Other Insurance</b>	
<p>1. If a loss insured by this policy is also insured 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:</p> <ol style="list-style-type: none"> <li>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 VIII.B.1.b or c immediately below applies.</li> <li>b. If the other policy has a provision stating that it is excess insurance, this policy will be primary.</li> <li>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 VIII.B.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.</li> </ol> <p>2. If there is a National Flood Insurance Program flood insurance policy in the name of a unit owner that covers the same loss as this policy, then this policy will be primary.</p>	<p>Other insurance includes primary flood coverage provided by a private carrier or any other insurance that duplicates SFIP coverage.</p> <p><b>Note:</b> The insurer must apply this provision on the claim when the state insurance code includes an <i>efficient proximate cause doctrine</i>. For example, a fire insurance policy will cover what the SFIP defines is direct physical loss by or from flood, including mudflow, when fire is the efficient proximate cause of the flood or mudflow, even though flood and mudflow are excluded perils in the fire policy.</p> <p>Personal lines and commercial policies may have endorsements for sewer and sump or drain backup. Considerations include:</p> <ol style="list-style-type: none"> <li>1. The other insurance clause of the other policy would determine whether it is excess coverage..</li> <li>2. If the other policy is silent, proportion the claim.</li> <li>3. If the endorsement excludes the peril of flood, the SFIP is primary for the direct physical damage by or from flood.</li> </ol> <p>Use the following formula to determine the NFIP’s share of the loss:</p> <ul style="list-style-type: none"> <li>• <b>NFIP share</b> = ((SFIP policy limit ÷ total insurance) × loss) – other insurance deductible</li> </ul> <p>Use the following formula to determine the other insurance’s share of the loss:</p>

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	<ul style="list-style-type: none"> <li>• <b>Other insurance share</b> = ((other insurance policy limit ÷ total insurance) × loss) – other insurance deductible</li> </ul> <p>Use the following formula to determine the NFIP payment:</p> <ul style="list-style-type: none"> <li>• <b>NFIP payment</b> = NFIP share + other insurance deductible – SFIP deductible</li> </ul> <p>Below is an example of how to apply the formulas to compute the insurer’s shares and NFIP payment for a \$480,000 loss.</p> <p style="text-align: center;"><b>Table 12: Insurance Coverage and Deductibles</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #1a3d54; color: white;">Insurance</th> <th style="background-color: #1a3d54; color: white;">Coverage</th> <th style="background-color: #1a3d54; color: white;">Deductible</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">NFIP</td> <td style="text-align: center;">\$250,000</td> <td style="text-align: center;">\$5,000</td> </tr> <tr> <td style="text-align: center;">Other</td> <td style="text-align: center;">\$500,000</td> <td style="text-align: center;">\$15,000</td> </tr> <tr> <td style="text-align: center;"><b>TOTAL</b></td> <td style="text-align: center;"><b>\$750,000</b></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• <b>NFIP share:</b> ((<math>\\$250,000 \div \\$750,000</math>) × <math>\\$480,000</math>) - <math>\\$15,000</math> = <math>\\$145,000.00</math></li> <li>• <b>Other insurance share:</b> ((<math>\\$500,000 \div \\$750,000</math>) × <math>\\$480,000</math>) - <math>\\$15,000</math> = <math>\\$305,000.00</math></li> <li>• <b>NFIP payment:</b> <math>\\$145,000.00 + \\$15,000 - \\$5,000 = \\$155,000.00</math></li> </ul> <p><b>IMPORTANT</b> – Use the order of operations as shown, starting within the innermost parentheses, for accurate calculation.</p>	Insurance	Coverage	Deductible	NFIP	\$250,000	\$5,000	Other	\$500,000	\$15,000	<b>TOTAL</b>	<b>\$750,000</b>	
Insurance	Coverage	Deductible											
NFIP	\$250,000	\$5,000											
Other	\$500,000	\$15,000											
<b>TOTAL</b>	<b>\$750,000</b>												
<b>C. Amendments, Waivers, Assignments</b>													
<p>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 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:</p> <ol style="list-style-type: none"> <li>1. When this policy insures only personal property; <i>or</i></li> <li>2. When this policy insures a building under construction.</li> </ol>	<p>The SFIP does not allow the policyholder to assign a claim. The only exception to this is an ICC claim that can be transferred in conjunction with an eligible FEMA project, such as a Hazard Mitigation Grant Program (HMGP) grant. Typically, the policyholder assigns the claim to a community, which then uses the payment for the community’s required financial contribution to the project. The policyholder may only assign the part of the ICC benefit used to meet the project requirements.</p>												

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<b>D. Insufficient Premium or Rating Information</b>	
<p><b>1. Applicability.</b> The following provisions apply to all instances where the premium paid on this policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided.</p>	See the Reformation Due to Insufficient Premium or Rating Information heading in the <a href="#">Flood Insurance Manual</a> .
<p><b>2. Reforming the Policy with Reduced Coverage.</b> Except as otherwise provided in VIII.D.1 and VIII.D.4, if the premium we received from you was not sufficient to buy the kinds and amounts of coverage you requested, we will provide only the kinds and amounts of coverage that can be purchased for the premium payment we received.</p> <p>a. For the purpose of determining whether your premium payment is sufficient to buy the kinds and amounts of coverage you requested, we will first deduct the costs of all applicable fees and surcharges.</p> <p>b. If the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, your payment will be refunded. Unless the policy is reformed to increase the coverage amount to the amount originally requested pursuant to VIII.E.3, this policy will be cancelled, and no claims will be paid under this policy.</p> <p>c. Coverage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will amount of premium submitted per type of coverage, but will not exceed the amount originally requested.</p>	N/A
<p><b>3. Discovery of Insufficient Premium or Rating Information.</b> If we discover that your premium payment was not sufficient to buy the requested amount of coverage, the policy will be reformed as described in VIII.D.2. You have the option of increasing the amount of coverage resulting from this reformation to the amount you requested as follows:</p> <p>a. <b>Insufficient Premium.</b> If we discover that your premium payment was not sufficient 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</p>	See the <a href="#">Flood Insurance Manual</a> for detailed information.

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<p>of coverage). If it is discovered that the initial amount charged to you for any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill.</p> <p>(1) If you or the mortgagee or trustee pay the additional amount due within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount, effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage).</p> <p>(2) If you or the mortgagee or trustee do not pay the additional amount due within 30 days of the date of our bill, any flood insurance claim will be settled based on the reduced amount of coverage.</p> <p>(3) As applicable, you have the option of paying all or part of the amount due out of a claim payment based on the originally requested amount of coverage.</p> <p>b. <b>Insufficient Rating Information.</b> If we determine that the rating information we have is insufficient 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.</p> <p>(1) If we receive the information within 60 days of our request, we will determine the amount of additional premium for the current policy term and follow the procedure in VIII.D.3.a above.</p> <p>(2) If we do not receive the information within 60 days of our request, no claims will be paid until the requested information is provided. Coverage will be limited to the amount of coverage that can be purchased for the payments we received, as determined when the requested information is provided.</p>	
<p><b>4. Coverage Increases.</b> If we do not receive the amount requested in VIII.D.3.a or VIII.D.4.a, or the additional information requested in VIII.D.3.b or VIII.D.4.b by the date it is due, the amount of coverage under this policy can only be increased by endorsement subject to the appropriate waiting period.</p>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

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However, no coverage increases will be allowed until you have provided the information requested in VIII.D.3.b or VIII.D.4.b.	
<b>5. Falsifying Information.</b> 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 IX.A apply.	N/A
<b>E. Policy Renewal</b>	
<ol style="list-style-type: none"> <li>1. This policy will expire at 12:01 a.m. on the last day of the policy term.</li> <li>2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.</li> <li>3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures: <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>c. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire that we will provide you, the rating information used to rate your most recent application for or renewal of insurance.</li> </ol> </li> </ol>	<p>The SFIP is not a continuous policy. It is a contract for a one-year term. Every policy contract expires at 12:01 a.m. on the last day of the policy term. Renewal of an expiring policy establishes a new policy term and new contractual agreement. See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>



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<b>F. Conditions Suspending or Restricting Insurance</b>	
We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.	N/A
<b>G. Requirements in Case of Loss</b>	
In case of a flood loss to insured property, you must: <ol style="list-style-type: none"> <li>1. Give prompt written notice to us;</li> </ol>	<p>The policyholder’s claim begins with the written notice of loss. The policyholder must report the loss to the insurer immediately; failure to provide a notice of loss to the insurer could prejudice the ability of the insurer to inspect the loss, identify the cause and extent of damage, and determine applicable coverage under the SFIP. If the policyholder delays reporting a loss, the adjuster cannot help the policyholder protect the property and avoid further damage. A policyholder’s failure to provide timely notice of loss can be a basis for denial of a claim.</p> <p>The adjuster should document the reason for a delay in the policyholder reporting a loss to the insurer.</p> <p>The SFIP requires that the policyholder separate damaged from undamaged property putting it in the best possible order, so the adjuster may examine it. It is the policyholder’s duty to perform the separation described above and prepare an inventory of damaged property including quantity, description, and the total amount of loss claimed. Any bills, receipts, photographs of damages, and related documents should be attached to the inventory.</p> <p>To minimize potential documentation issues and assist the adjuster’s investigation, the policyholder should, if possible, retain samples or swatches of carpeting, wallpaper, furniture upholstery, window treatments, and other items of exceptional value where the type and quality of material will influence the amount payable on the claim. Photographs should also include groups of items such as clothing, kitchen items, furniture, etc. The insurer will evaluate and consider these items and the policyholder’s written inventory of damaged items.</p>
<ol style="list-style-type: none"> <li>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;</li> </ol>	<p>The SFIP requires that the policyholder separate damaged from undamaged property, putting it in the best possible order, so the adjuster may examine it. It is the policyholder’s duty to perform the separation described above and prepare an inventory of damaged property, including quantity, description, and the total</p>

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<p>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;</p>	<p>amount of loss claimed. Any bills, receipts, photographs of damages, and related documents should be attached to the inventory.</p> <p>If flood-damaged building or contents property is removed before the adjuster can examine it, the policyholder must photograph the items in their damaged location prior to moving the property and prepare the inventory.</p> <p>To minimize potential documentation issues, if possible, the policyholder should retain for the adjuster, samples or swatches of carpeting, wallpaper, furniture upholstery, window treatments, and other items of exceptional value where the type and quality of material will influence the amount payable on the claim.</p>
<p>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:</p> <ul style="list-style-type: none"> <li>a. The date and time of loss;</li> <li>b. A brief explanation of how the loss happened;</li> <li>c. Your interest (for example, “owner”) and the interest, if any, of others in the damaged property;</li> <li>d. Details of any other insurance that may cover the loss;</li> <li>e. Changes in title or occupancy of the insured property during the term of the policy;</li> <li>f. Specifications of damaged buildings and detailed repair estimates;</li> <li>g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;</li> <li>h. Details about who occupied any insured building at the time of loss and for what purpose; <i>and</i></li> <li>i. The inventory of damaged personal property described in G.3 above.</li> </ul> <p>5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.</p>	<p>The proof of loss is the policyholder’s statement of the amount of money they are requesting. The policyholder must sign and swear to the proof of loss and provide documentation to support that direct physical loss by or from flood occurred to Insured property and the amount requested for the insurer to consider it completed. The policyholder (or Executor in the case of a deceased policyholder) is the only person who can sign the proof of losses or legally appointed representative.</p> <p><b>SIGNED AND SWORN:</b></p> <p>FEMA encourages the use of electronic signatures on proof of loss and other NFIP related submissions. FEMA will not deny the legal effect, validity, or enforceability of a signature solely because it is in electronic form. Insurers should accept electronic signatures in accordance with their general business practices and applicable laws.</p> <p><b>MULTIPLE PROOFS OF LOSS ALLOWED:</b></p> <p>Policyholders must submit a completed proof of loss and documentation to support the amount requested initially and completed proofs of loss for any additional payment requests to the insurer within 60 days after the date of loss or within any extension of that deadline granted by FEMA.</p> <p><b>ONE CLAIM PER LOSS:</b></p> <p>The proof of loss is not the claim. The claim is the policyholder’s assertion that they are entitled to payment for a Insured loss under the terms of the SFIP. A policyholder has only one claim from a flood event regardless of the number of proofs of loss and documentation the policyholder may submit in support of that</p>

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	claim. The policyholder's ICC proof of loss is a request for benefits afforded under Coverage D – ICC, for that claim; it is not a separate claim.
<p>6. You must cooperate with the adjuster or representative in the investigation of the claim.</p> <p>7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.</p>	N/A
<p>8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.</p>	Only the NFIP insurer has the authority to approve or deny a claim, to tell the policyholder if they will approve or deny a claim, or to provide approved payment details. The insurer must rely only upon the terms and conditions established by Federal statute, NFIP regulations, the Federal Insurance Administrator's interpretations, and the express terms of the SFIP.
<p>9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.</p>	N/A
<b>H. Our Options After a Loss</b>	
Options we may, in our sole discretion, exercise after loss include the following:	This section sets forth the steps that insurers may take to require action on the part of the policyholder. If the policyholder fails to comply with the insurer's request, the policyholder is in breach of the insuring agreement, which may affect the payment of the claim.
<p>1. At such reasonable times and places that we may designate, you must:</p> <p>a. Show us or our representative the damaged property;</p>	The policyholder must make the flood-damaged property available for examination as often as needed to verify the loss and claim. Insurer representatives will give the policyholder advance notice of the specific time and meeting place to inspect the damaged property. The policyholder should document their loss with photographs before removing or disposing of damaged items that pose a health hazard, such as perishable food.

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<p>b. Submit to examination under oath, while not in the presence of another insured, and sign the same; <i>and</i></p>	<p>The insurer can require the policyholder to submit to an examination under oath but not in the presence of another insured when there are questions concerning the claim. An examination under oath is a formal proceeding, typically conducted prior to a lawsuit, during which the insurer’s representative questions an insured under oath in the presence of a court reporter. The insurer should ask the policyholder to present information and documentation necessary to evaluate their claim when requiring an examination under oath. This can include books of accounts, financial records, receipts, property settlement records, invoices, purchase orders, affidavits, and other materials to verify the loss.</p>
<p>c. Permit us to examine and make extracts and copies of:</p> <p>(1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;</p>	<p>The SFIP will not pay more than the amount of insurance that the policyholder is entitled to for the damaged, lost, or destroyed property insured under this policy if non-NFIP insurance covers a loss Insured by the SFIP.</p> <p>The policyholder must confirm the availability of other insurance to determine what the NFIP will pay. Examples include a homeowner’s policy water damage or sump overflow endorsement, mobile homeowner’s policy, scheduled property policy, renter’s policy, builder’s risk policy, etc.</p> <p>See SFIP Section VIII.B. for Other Insurance.</p>
<p>(2) Condominium association documents including the Declarations of the condominium, its Articles of Association or Incorporation, Bylaws, and rules and regulations; <i>and</i></p>	<p>A claim involving a unit in a condominium building requires the declarations of the condominium, bylaws, etc. to determine the policyholder’s insurable interest in the building.</p> <ul style="list-style-type: none"> <li>• Adjusters may have to determine if the RCBAP paid for any damages.</li> <li>• NFIP will not pay for the same damaged item twice nor pay a claim for a residential unit that exceeds the statutory limits.</li> </ul> <p>Adjusters must provide documentation that a condominium association owns the insured building, not a homeowners’ association or a building cooperative.</p>
<p>(3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost.</p>	<p>Insurers may require the policyholder to provide information that documents the extent of the loss and the amount of the claim. Examples include books of accounts, bills, invoices, vouchers, and items showing the actual amounts paid to stores, contractors, or others for repair or replacement of items. This may also include photographs of the flood-damaged property that sufficiently and reasonably document the damage, quality of the item, and describe the damaged</p>

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	property. The policyholder can provide certified copies(a true copy of the primary document) when the originals are lost or destroyed.
2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:	“Costs” means the amount to replace a personal property item with like kind and quality at current pricing, including the price for sales tax plus any applicable shipping and product assembly.
a. Quantities and costs;	
b. Actual cash values or replacement cost (whichever is appropriate);	N/A
c. Amounts of loss claimed;	The amount of loss claimed is the amount of payment the policyholder asks to receive for the damaged and insured property.
d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; <i>and</i>	Written plans and specifications for repair of the damaged property include contractor estimates, subcontractor bids, invoices, architectural reports and drawings, engineering reports, etc. This also includes water restoration or structural drying invoices and supporting documentation.  NFIP will not accept a non-itemized, lump sum, or single line estimate or invoice in support of a claim.
e. Evidence that prior flood damage has been repaired.	Policyholders must provide evidence that previous flood damage was repaired whether or not they owned or insured the property. This includes any flood damages unrepaired by a previous owner. NFIP expects policyholders to maintain proof of repairs such as receipts, canceled checks, etc. in a safe location away from the threat of flood. When policyholders do not have proof of repairs, adjusters should request other forms of documentation such as: <ul style="list-style-type: none"> <li>• Pre-flood photographs (social media or other family members) to compare old and replaced items;</li> <li>• Credit card or bank statements showing dates and dollar amounts of payments to contractors; <i>and</i></li> <li>• Itemized statements and paid invoices from contractors.</li> </ul>
3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:	3.a. N/A 3.b. Refer to VII.O. and other guidance, including <a href="#">Salvage</a> in Section 2 of this Manual.

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<p>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; <i>and</i></p> <p>b. Take all or any part of the damaged property at the value that we agree upon or its appraised value.</p>	
<b>I. No Benefits to Bailee</b>	
<p>No person or organization, other than you, having custody of insured property will benefit from this insurance.</p>	<p>Bailment is the delivery of personal property by one person (the bailor) to another (the bailee) who holds the property for a certain purpose, such as service, under an expressed or implied-in-fact contract.</p> <p>The SFIP does not cover the bailee because bailment is a change of possession, not a change of ownership or title. When a customer (bailor) takes personal clothing to the dry cleaner (bailee) illustrates a good example. A bailment exists when the bailee has the clothing. The articles of clothing in the possession of the bailee are bailee goods and are not Insured.</p> <p>Consignment is a written agreement where a consignor provides owned personal property to a consignee for sale and gives the consignee a percentage of the sale price when sold. The SFIP does not cover property on consignment.</p>
<b>J. Loss Payment</b>	
<p>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 the adjuster’s report signed and sworn to by you in lieu of a proof of loss) and:</p> <p style="margin-left: 20px;">a. We reach an agreement with you;</p> <p style="margin-left: 20px;">b. There is an entry of a final judgment; <i>or</i></p> <p style="margin-left: 20px;">c. There is a filing of an appraisal award with us, as provided in VIII.M.</p> <p>2. If we reject your proof of loss in whole or in part you may:</p> <p style="margin-left: 20px;">a. Accept our denial of your claim;</p> <p style="margin-left: 20px;">b. Exercise your rights under this policy; or</p>	<p>Adjusters and examiners should work with a policyholder or their authorized representative to understand the loss, prepare the estimate, and reach an agreed value for the loss.</p> <p>The insurer’s obligation to pay and the 60-day timeframe to pay begin once the policyholder meets the requirements in VIII. J, a proof of loss that meets all NFIP requirements, or after the signed and sworn to adjuster’s report is received, and</p> <ul style="list-style-type: none"> <li>• Insurer and the policyholder agree on the payment amount, <i>or</i></li> <li>• There is an entry of final judgment or an appraisal award by a court of competent jurisdiction.</li> </ul> <p>The insurer should promptly process all claims and payment requests. The insurer should communicate to policyholders any unforeseen delays in the</p>

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<p>c. File an amended proof of loss as long as it is filed within 60 days of the date of the loss.</p>	<p>claim examination process and advance undisputed claimed amounts at the earliest opportunity.</p> <p>When the insurer cannot pay a completed proof of Loss, the examiner and the adjuster should promptly communicate the necessary adjustments or documentation required to the policyholder. Insurers should work with policyholders to settle the loss without resorting to a denial of the of the claim by the insurer.</p> <p>See <a href="#">Section 4: NFIP Claims Appeals</a> of this Manual for information on denial letters.</p> <p>The phrase “reject your proof of loss” may be sufficient to communicate to the policyholder that the insurer has denied their claim in whole or in part. Accordingly, insurers should not use this language to deny all or part of a claim. When the insurer issues a written denial, the policyholder has certain rights, which include filing an appeal directly to FEMA (see <a href="#">Section 4: NFIP Claims Appeals</a>), filing suit against the insurer, or submitting an amended proof of loss with the documentation to support the requested loss and payment amount.</p> <p>The one-year statute of limitations for filing suit begins when the insurer issues the first denial letter (42 U.S.C. § 4072; 44 C.F.R. § 62.22(a)). Submitting subsequent additional or amended proofs of loss does not reset the one-year statute of limitations. Adjusters and examiners must assist policyholders in identifying all opportunities for payment. This helps the policyholder recover, ensures customer satisfaction, and prevents unnecessary appeals and lawsuits.</p>
<b>K. Abandonment</b>	
You may not abandon damaged or undamaged insured property to us.	N/A
<b>L. Salvage</b>	
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.	The insurer always has the right to seek salvage or to take possession of damaged property. Insurers should pursue opportunities for financial recovery when available. See <a href="#">Salvage</a> in Section 2 of this Manual.

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<b>M. Appraisal</b>	
<p>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.</p> <p>Each party will:</p> <ol style="list-style-type: none"> <li>1. Pay its own appraiser; <i>and</i></li> <li>2. Bear the other expenses of the appraisal and umpire equally.</li> </ol>	<p>See <a href="#">Appraisal</a> in Section 2 of this Manual.</p>
<b>N. Mortgage Clause</b>	
<ol style="list-style-type: none"> <li>1. The word “mortgagee” includes trustee.</li> <li>2. Any loss payable under Coverage A—Building Property will be paid to any mortgagee of whom we have actual notice, as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.</li> <li>3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:             <ol style="list-style-type: none"> <li>a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;</li> <li>b. Pays any premium due under this policy on demand if you have neglected to pay the premium; <i>and</i></li> </ol> </li> </ol>	<p>The SFIP pays claims for building property to the named policyholder, mortgage holders, lienholders, other loss payees for whom we have actual notice, and any loss payee determined to exist at the time of loss. The mortgage clause is a contract within a contract. It is a contract between the mortgagee and the insurer within the contract between the policyholder and the insurer. Including the name of the mortgagee on each building claim payment is the surest way to keep this promise to the mortgagee. For all building payments, except III.C and III.D, include all known mortgagees, as they are additional insureds.</p> <p>The insurer may potentially include a loss payee or lienholder on Coverage B – Personal Property of whom the insurer received actual notice, such as from the U.S. Small Business Administration (SBA). If the insurer receives a letter of an SBA approved loan, the SBA must be included on the building check(s) and the contents check(s) if the loan is for both real estate and personal or business property.</p>



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Policy Language	Additional Explanation
<p>c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.</p> <p>4. All terms of this policy apply to the mortgagee.</p> <p>5. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building.</p> <p>6. 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.</p> <p>7. 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.</p>	
<b>O. Suit Against US.</b>	
<p>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.</p>	<p>The statute of limitations begins with the insurer’s first written denial of the claim. Subsequent denial letters do not re-start the statute of limitations. Policyholders must file suit in a U.S. District Court in the district where the loss occurred within one year after the insurer’s first written denial. Neither FEMA nor the insurer may extend the one-year statute of limitations to file suit. If the policyholder does not agree with the final decision of their claim and is insured under the Write Your Own Program, they must file suit against their insurer in the U.S. District Court where the insured property is located. <sup>26</sup> However, NFIP Direct policyholders that do not agree with FEMA’s final decision have one year to file suit against FEMA. <sup>27</sup></p>
<b>P. Subrogation</b>	
<p>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</p>	<p>When the adjuster believes there may be potential for subrogation, the adjuster completes <a href="#">FEMA Form 086-0-16 – Cause of Loss and Subrogation Report</a>, to identify a potentially responsible third party; and characterize how their actions may have caused or worsened flood damage. When the adjuster believes the cause of loss may be completely or in part due to an intentional or human cause, the adjuster should complete the NFIP Subrogation Form. Claim handling, review, and</p>

<sup>26</sup> 44 C.F.R. § 62.23(g).

<sup>27</sup> 44 C.F.R. § 62.22.

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Policy Language	Additional Explanation
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.	payment should proceed as normal. The insurer should make sure the subrogation form Cause of Loss and Subrogation Report is complete and escalate the matter for a subrogation review.  See <a href="#">Section 2: Subrogation</a> .
<b>Q. Continuous Lake Flood</b>	
<p>1. If 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 an insured loss to the insured building equal to or greater than the building policy limits plus the deductible or the maximum payable under the policy for any one building loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing:</p> <ol style="list-style-type: none"> <li>To make no further claim under this policy;</li> <li>Not to seek renewal of this policy;</li> <li>Not to apply for any flood insurance under the Act for property at the described location;</li> <li>Not to seek a premium refund for current or prior terms.</li> </ol> <p>If the policy term ends before the insured building has been flooded continuously for 90 days, the provisions of this paragraph Q.1 will apply when the insured building suffers a Insured loss before the policy term ends.</p> <p>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 Q.1 above or this paragraph Q.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 Q.2, we will pay your claim as if the</p>	<p>The only Closed Basin Lake recognized by FEMA at this time is Devils Lake, North Dakota. Subject to all other provisions of the SFIP, if an insured building is subject to continuous lake flooding from Devils Lake, the following requirements must be met to be eligible for coverage under the terms of all SFIP forms:</p> <ul style="list-style-type: none"> <li>The building must be in a participating community eligible for this coverage;</li> <li>The subject building must have had NFIP flood insurance coverage continuously beginning on November 30, 1999, and any subsequent owner on or after November 30, 1999, must have an NFIP policy in effect within 60 days of the transfer of title (see: Q.2.g.);</li> <li>The policyholder must grant a conservation easement (see: Q.2.b.(2)); <i>and</i></li> <li>The community must have adopted a permanent land-use ordinance on or before July 15, 2001 (see: Q.2.e.(1), (2), and (3)).</li> <li>FEMA will not recognize any increases in coverage limits with effective dates on or after November 30, 1999 (see: Q.2.g.), except when offered by the insurer as a routine inflation-guard increase and purchased by the policyholder. Insured buildings not eligible for the provisions of Q.2. described above, but damaged by continuous lake flooding, will be eligible for those provisions described at Q.1. of the SFIP, subject to the terms and conditions of the Q1. and the SFIP. Buildings in eligible communities that are subject to damage from the effects of the Closed Basin Lake, Devils Lake, North Dakota, may file claims if any portion of the insured building, as defined in the SFIP, is at the still-water level derived by official National Weather Service (NWS) still-water levels.</li> <li>See Appendix C in this Manual for FEMA’s <a href="#">“Policy Guidance for Closed Basin Lakes.”</a></li> </ul>

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Policy Language	Additional Explanation
<p>building is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:</p> <ol style="list-style-type: none"> <li>a. Lake floodwaters must damage or imminently threaten to damage your building.</li> <li>b. Before approval of your claim, you must:               <ol style="list-style-type: none"> <li>(1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; <i>and</i></li> <li>(2) Grant the conservation easement contained in FEMA’s “Policy Guidance for Closed Basin Lakes,” to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures that it will allow on any portion of the property within the ASC are certain simple agricultural and recreational structures. If any of these allowable structures are insurable buildings under the NFIP and are insured under the NFIP, they will not be eligible for the benefits of this paragraph Q.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; <i>and</i></li> <li>(3) Comply with paragraphs Q.1.a through Q.1.d above.</li> </ol> </li> <li>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.</li> </ol>	

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<p>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.</p> <p>e. Before the approval of your claim, the community having jurisdiction over your building must:</p> <ol style="list-style-type: none"> <li>(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 Q.2.b above;</li> <li>(2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the building can be denied; <i>and</i></li> <li>(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 Q.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 Q.2.b above.</li> </ol> <p>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.”</p> <p>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 Q.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 Q.2, we will not consider to be in effect</p>	

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Policy Language	Additional Explanation
<p>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.</p> <p>h. This paragraph Q.2 will be in effect for a community when the FEMA Regional Administrator for the affected region provides to the community, in writing, the following:</p> <ol style="list-style-type: none"> <li>(1) Confirmation that the community and the State are in compliance with the conditions in paragraphs Q2.e and Q.2.f above, <i>and</i></li> <li>(2) The date by which you must have flood insurance in effect.</li> </ol>	
<b>R. Loss Settlement</b>	
<p><b>1. Introduction</b></p> <p>This policy provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and Actual Cash Value. Each method is used for a different type of property, as explained in a–c below.</p> <ol style="list-style-type: none"> <li>a. <b>Replacement Cost Loss, Settlement</b>, described in R.2 below, applies to building other than manufactured homes or travel trailers.</li> <li>b. <b>Special Loss Settlement</b>, described in R.3 below applies to a residential condominium building that is a travel trailer or a manufactured home.</li> <li>c. <b>Actual Cash Value loss settlement</b> applies to all other property insured under this policy, as outlined in R.4. below.</li> </ol>	N/A
<p><b>2. Replacement Cost Loss Settlement</b></p> <ol style="list-style-type: none"> <li>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: <ol style="list-style-type: none"> <li>(1) The amount of insurance in this policy that applies to the building;</li> <li>(2) The replacement cost of that part of the building damaged, with materials of like kind and quality, and for like occupancy and use; <i>or</i></li> <li>(3) The necessary amount actually spent to repair or replace the damaged part of the building for like occupancy and use.</li> </ol> </li> </ol>	The insurer does not have to withhold the recoverable depreciation until the owner makes the building repairs as required in VIII.R.2.c above when the building is eligible for replacement cost loss settlement.

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Policy Language	Additional Explanation
<p>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.</p> <p>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.</p>	
<p><b>3. Special Loss Settlement</b></p> <p>a. The following loss settlement conditions apply to a residential condominium building that is:</p> <ol style="list-style-type: none"> <li>(1) a manufactured home or travel trailer, as defined in II.C.6.b and c, <i>and</i></li> <li>(2) at least 16 feet wide when fully assembled and has at least 600 square feet within its perimeter walls when fully assembled.</li> </ol> <p>b. If such a building is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its pre-damaged condition, we will, at our discretion, pay the least of the following amounts:</p> <ol style="list-style-type: none"> <li>(1) The lesser of the replacement cost of the manufactured home or travel trailer or 1.5 times the actual cash value; <i>or</i></li> <li>(2) The Building Limit of liability shown on your Declarations Page.</li> </ol> <p>c. If such a manufactured home or travel trailer is partially damaged and, in our judgment, it is economically feasible to repair it to its pre-damaged condition, we will settle the loss according to the Replacement Cost Loss Settlement conditions in R.2 above.</p>	<p>There are two ways to settle a loss on a manufactured or mobile home or a travel trailer:</p> <ul style="list-style-type: none"> <li>• Total loss is a property that is either not repairable (example: destroyed) or the cost to repair exceeds the value of the property:</li> <li>• If the dwelling is <i>16 feet wide</i>, at least 600 total square feet, and the principal residence, the loss adjustment is the lesser of the following:             <ul style="list-style-type: none"> <li>– Replacement cost, i.e., the value of a new manufactured or mobile home, or travel trailer of like kind and quality, delivered to and installed at the described location.</li> <li>– 1.5 times the actual cash value, i.e., 1.5 times the documented book value for the year of the existing manufactured or mobile home, or travel trailer, delivered to and installed at the described location.</li> <li>– Amount of coverage purchased under Coverage A – Building.</li> </ul> </li> <li>• Repairable loss or a loss not considered a total loss:             <ul style="list-style-type: none"> <li>– If the manufactured or mobile home or a travel trailer is 16 feet wide, at least 600 total square feet, and the principal residence, settle the loss under Replacement Cost Loss Settlement. (See VIII.R.2). If the manufactured (mobile) home or a travel trailer is not 16 feet wide, or not at least 600 total square feet, or not the principal residence, settle the loss under Actual Cash Value Loss Settlement. (See VII.V.4). The requirement for a policyholder to purchase building coverage to at least 80 percent of the manufactured or mobile home or a travel trailer’s replacement cost value does not apply under Special Loss Settlement.</li> </ul> </li> </ul>

VIII. GENERAL CONDITIONS	
Policy Language	Additional Explanation
<p><b>4. Actual Cash Value Loss Settlement</b></p> <p>a. The types of property noted below are subject to actual cash value loss settlement:</p> <ul style="list-style-type: none"> <li>(1) Personal property;</li> <li>(2) Insured property abandoned after a loss and that remains as debris at the described location;</li> <li>(3) Outside antennas and aerials, awning, and other outdoor equipment;</li> <li>(4) Carpeting and pads;</li> <li>(5) Appliances; <i>and</i></li> <li>(6) A manufactured home or mobile home or a travel trailer as defined in II.C.6.b or c that does not meet the conditions for special loss settlement in R.3 above.</li> </ul> <p>b. We will pay the least of the following amounts:</p> <ul style="list-style-type: none"> <li>(1) The applicable amount of insurance under this policy;</li> <li>(2) The actual cash value, as defined in II.C.2; <i>or</i></li> <li>(3) The amount it would cost to repair or replace the property with the material of like kind and quality within a reasonable time after the loss.</li> </ul>	<p>An actual cash value loss settlement is the cost to repair or replace insured building items at the time of the loss, less the building deductible and less its physical depreciation.</p> <p>Appliances include refrigerators, stoves, ovens, ranges, trash compactors, garbage disposals.</p>

IX. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<p><b>A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements</b></p> <p>1. With respect to all insureds under this policy, this policy is void and has no legal force and effect if at any time, before or after a loss, you or any other insured or your agent have, with respect to this policy or any other NFIP insurance:</p> <ul style="list-style-type: none"> <li>a. Concealed or misrepresented any material fact or circumstance;</li> <li>b. Engaged in fraudulent conduct; <i>or</i></li> </ul>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

IX. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<ul style="list-style-type: none"> <li>c. Made false statements.</li> <li>2. Policies voided under A.1 cannot be renewed or replaced by a new NFIP policy.</li> <li>3. Policies are void as of the date the acts described in A.1.above were committed.</li> <li>4. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.</li> </ul>	
<b>B. Policy Nullification for Reasons Other Than Fraud</b>	
<ul style="list-style-type: none"> <li>1. This policy is void from its inception, and has no legal force or effect, if:               <ul style="list-style-type: none"> <li>a. The property listed on the application is located in a community that was not participating in the NFIP on this policy's inception date and did not join or reenter the program during the policy term and before the loss occurred;</li> <li>b. The property listed on the application is otherwise not eligible for coverage under the NFIP at the time of the initial application;</li> <li>c. You never had an insurable interest in the property listed on the application;</li> <li>d. You provided an agent with an application and payment, but the payment did not clear; or</li> <li>e. We receive notice from you, prior to the policy effective date, that you have determined not to take the policy and you are not subject a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract.</li> </ul> </li> </ul>	See the <a href="#">Flood Insurance Manual</a> for detailed information.
<ul style="list-style-type: none"> <li>2. In such cases, you will be entitled to a full refund of all premium, fees, and surcharges received. However, if a claim was paid for a policy that is void, the claim payment must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed.</li> </ul>	



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Policy Language	Additional Explanation
<b>C. Cancellation of the Policy by You</b>	
<ol style="list-style-type: none"> <li>1. You may cancel this policy in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</li> <li>2. If you cancel this policy, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP</li> </ol>	<p>Policyholders must have a valid reason to cancel their flood insurance coverage during a policy term. See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>
<b>D. Cancellation of the Policy by Us</b>	
<ol style="list-style-type: none"> <li>1. <b>Cancellation for Underpayment of Amounts Owed on This Policy.</b> This policy will be cancelled, pursuant to VIII.D.2, if it is determined that the premium amount you paid is not sufficient to buy any amount of coverage, and you do not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period.</li> <li>2. <b>Cancellation Due to Lack of an Insurable Interest.</b> <ol style="list-style-type: none"> <li>a. If you no longer have an insurable interest in the insured property, we will cancel this policy. You will cease to have an insurable interest if:           <ol style="list-style-type: none"> <li>(1) For building coverage, the building was sold, destroyed, or removed.</li> <li>(2) For contents coverage, the contents were sold or transferred ownership, or the contents were completely removed from the described location.</li> </ol> </li> <li>b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP.</li> </ol> </li> <li>3. <b>Cancellation of Duplicate Policies.</b> <ol style="list-style-type: none"> <li>a. Except as allowed under Section I.F, your property may not be insured by more than one NFIP policy, and payment for damages to your property will only be made under one policy.</li> <li>b. Except as allowed under Section I.G, if the property is insured by more than one NFIP policy, we will cancel all but one of the policies. The policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP.</li> </ol> </li> </ol>	<p>See the <a href="#">Flood Insurance Manual</a> for detailed information.</p>

IX. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL	
Policy Language	Additional Explanation
<p>c. If this policy is cancelled pursuant to VIII.D.3.a, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p> <p><b>4. Cancellation Due to Physical Alteration of Property</b></p> <p>a. If the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, we will cancel this policy.</p> <p>b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.</p>	
<b>E. Non-Renewal of the Policy by Us</b>	
<p>Your policy will not be renewed if:</p> <ol style="list-style-type: none"> <li>1. The community where your insured property is located is suspended or stops participating in the NFIP;</li> <li>2. Your building is otherwise ineligible for flood insurance under the Act;</li> <li>3. You have failed to provide the information we requested for the purpose of rating the policy within the required deadline.</li> </ol>	<p>When a community no longer participates in the NFIP, an active SFIP will remain in force up to the day before the policy renewal date.</p> <ul style="list-style-type: none"> <li>• Coverage may not be available for a building constructed or altered in violation of state or local floodplain management laws, regulations, or ordinances.</li> <li>• Section 1316 of the Act allows a state or community to declare a building in violation of its floodplain management rules. When a state or community declares that a building is in violation of Section 1316, the building and any contents in it are not eligible for SFIP coverage.</li> <li>• Insurers have a list of buildings with Section 1316 violations that are ineligible for NFIP coverage. When the owner corrects the violation, the building becomes eligible for coverage again. The examiner should verify the building's eligibility.</li> </ul>

## X. LIBERALIZATION CLAUSE

Policy Language	Additional Explanation
<p>If we make a change that broadens your coverage under this edition of our policy, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the change, provided that this implementation date falls within 60 days before or during the policy term stated on the Declarations Page.</p>	<p>Insurers cannot apply additional coverages provided through the liberalization clause retroactively to losses that have occurred; insurers can apply it prospectively. The clause permits FEMA to give existing, active policyholders beneficial amendments without needing to separately endorse their policies but does not provide any retroactive effect.</p>

## XI. WHAT LAW GOVERNS

Policy Language	Additional Explanation
<p>This policy and all disputes arising from the insurer's policy issuance, policy administration, or 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.</p>	

## Section 2: Claims Processes and Guidance

This section provides FEMA claims processes and guidance. The primary audience is claims adjusters with call-out boxes denoting the claims examiners' roles and responsibilities.

### 1 Adjuster Fees

FEMA uses the current NFIP Adjuster Fee Schedule to make payment to insurers; the insurers, in turn, make payment to the adjusters.

- Current Adjuster Fee Schedule effective August 24, 2017 (See [Appendix A](#)).
- For ICC claims, use the ICC fee schedule, effective September 1, 2004 (See [Appendix B](#)).



#### Claims Examiners

**Important:** FEMA expects examiners to take appropriate action when the adjuster's work performance is deficient and:

1. Does not comply with NFIP standards;
2. Is improperly prepared, thereby requiring the claim to be substantially readjusted; or
3. When the claim handling is not timely or responsive to expectation with customer service and requires reassignment.

### 2 Adjuster Preliminary Damage Assessment

The adjuster completes the [Adjuster Preliminary Damage Assessment \(APDA\) form](#) when there is possible substantial damage to the insured building directly from flood, non-insured flood damage, or damage from other perils.

Substantial damage is defined as damage, from any origin, where the cost to repair the structure to its pre-damaged condition equals or exceeds 50 percent of the market value of the structure before the damage occurred.<sup>28</sup> Only communities can determine substantial damage. The adjuster should know that some communities have adopted a percentage threshold of less than 50 percent. Community officials can efficiently direct resources for substantial damage inspection when APDAs are received early in the flood disaster recovery process.

All adjusters should adhere to the following:

- FEMA updated the NFIP claims forms for use by policyholders and adjusters. The previous APDA was designed to include entries for two claims even though it was recommended to submit one claim per form to help avoid confusion during the review process for the community officials. The APDA has been revised to allow only one claim.
- For the purpose of claim handling, the adjuster should complete and submit an APDA when the estimated cost to repair damage approaches or exceeds 50 percent of the Replacement Cost Value (RCV) of the building.

<sup>28</sup> 44 C.F.R. § 59.1. Note that a community may adopt a lower percentage for substantial damage purposes.

- The timely submission of the APDA is important. FEMA requests that adjusters submit the APDA as soon as possible following the initial inspection. Email the APDA forms to the NFIP at [NFIPClaimsMailbox@fema.dhs.gov](mailto:NFIPClaimsMailbox@fema.dhs.gov). The subject line should read “APDA Enclosed.” Submit a copy of the APDA to the company along with the Preliminary Report. When emailing sensitive PII, the information should be saved in a separate document and encrypted or password protected.



## Claims Examiners

The examiner should confirm the adjuster submits an APDA on applicable claims in a timely manner by checking for a copy of the APDA with the Preliminary Report. When an APDA is not included with the Preliminary Report the examiner should assume the adjuster did not submit an APDA. The examiner should contact the adjusting firm to ensure the APDA is submitted to the NFIP and to request a copy for the claim file.

**Note:** The local building official is the authority who determines if a building is substantially damaged and the requirement for compliance with the local floodplain management ordinance.

## 3 Advance Payments

In a large flooding event, FEMA will generally authorize advance payments to policyholders.<sup>29</sup> When this occurs, the adjuster should notify the policyholder that the adjuster may request an advance payment on their behalf, and to expect the payment through their local U.S. mail carrier or express mail service. The adjuster must verify the mailing address the payment is to be sent to. FEMA recommends two advance payment opportunity types for insurers to use as they find suitable.

### 3.1 Advance Payment Opportunity One: Pre-Inspection

#### A. \$5,000 pre-inspection advance.

To accommodate the needs of its policyholders during major flood events, pursuant to any conditional waiver issued by FEMA, NFIP insurers may offer policyholders an advance payment before an adjuster inspects the loss.

FEMA will allow a payment of this type up to \$5,000 on building and contents losses combined less deductibles. Before issuing payment, the insurer must:

1. Receive a notice of loss from the policyholder in accordance with VII.G.1;
2. Verify that the subject property is insured by an active flood insurance policy and confirm current coverage terms, amounts, and deductibles; *and*

<sup>29</sup> In such instances, pursuant to the current delegation of authority, the Deputy Associate Administrator for the Federal Insurance and Mitigation Administration will conditionally waive the requirement to receive a signed and sworn proof of loss or adjuster’s report prior to the issuance of payment. The conditional waiver of Article VII.G (Requirements In Case of Loss) and Article VII.J (Loss Payment) is authorized under 44 C.F.R. § 61.13(d), 44 C.F.R. §§ 61, Appendices A(1) and A(2) at Article VII. General Condition (C), and A(3) at Article VIII. General Condition (C); 44 C.F.R. § 62.23(k); WYO Financial Assistance/Subsidy Arrangement at Article III(G), V(B); and 42 U.S.C. § 4019.

3. Obtain verbal or written statements from the policyholder. The adjuster or examiner should document these statements and provide additional information as follows:
  - a. Relating to the flood:
    - i. A flood, as defined at II.B, directly damaged the insured property;
    - ii. The source of the flood is identified;
    - iii. A brief description of how the flood occurred, with supporting documentation from an official weather bureau or reputable news media as necessary; *and*
    - iv. An explanation of other effects from the flood event to support that the loss is in excess of the advanced amount; e.g., was the street flooded, or were neighboring properties and buildings also flooded?
  - b. Relating to flood depth and damage:
    - i. The approximate depth of floodwater on the exterior of the building and the approximate depth inside the interior floor level;
    - ii. The extent of damage is limited to an area subject to coverage limitations such as a basement or lower enclosure, or the extent of damage is in a ground-level floor or elevated floor level;
    - iii. A brief description of damage to the building and personal property items; *and*
    - iv. Any prior loss is addressed to avoid a duplication of payment of non-repaired property items.

#### B. \$20,000 pre-inspection advance.

When authorized by FEMA, an NFIP insurer may issue a larger advance payment amount before the loss is inspected by an adjuster when the insurer obtains more substantive documentation.

The NFIP allows a payment of this type up to \$20,000 on building and contents losses combined less deductibles. For this type of pre-inspection advance payment, in addition to obtaining and verifying the items set forth in the discussion of the \$5,000 advance payment, the insurer should also obtain:

1. **Photographs** depicting floodwater depths and damage to the building and personal property items; *and*
2. **Verification of any out-of-pocket expenses** related to the repair or replacement of insured property such as paid receipts, invoices, estimates with canceled checks, or an estimate on letterhead signed by the contractor that itemizes the repair or the facilitation of repairs to insured property.

## 3.2 Advance Payment Opportunity Two: Post-Inspection

### A. 25 percent advance.

NFIP insurers may issue an advance payment amount once the adjuster inspects the property and provides the insurer with the Preliminary Report and any other applicable documentation that is normally submitted or required with the Preliminary Report. This includes, but is not limited to:

- Photographs;
- An Advance Payment Request form signed by the policyholder;
- Any underwriting memoranda;
- An APDA; *and*
- An adjuster narrative addressing any prior NFIP paid loss.

The NFIP allows a payment of this type up to 25 percent of the reserve amount indicated on the Preliminary Report for each coverage type, i.e., building or contents, less deductible(s).

### B. 50 percent advance.

The insurer may issue a larger advance payment amount when they obtain more substantive documentation. The NFIP allows a payment of this type up to 50 percent of the reserve amount indicated on the Preliminary Report for building coverage only, less deductible. For this type of post-inspection advance payment, in addition to obtaining and verifying the documentation listed in the preceding paragraph, the insurer should also obtain a signed contract between the policyholder and the contractor, along with the estimate of repair. The estimate should itemize the repair and cost to insured property.

### C. Building Valuation Loss Assessment.

The insurer may issue a post-inspection advance payment based on the FEMA-authorized Building Valuation Loss Assessment (BVLA) advance payment method. In addition to the Preliminary Report and any other applicable documentation that is normally submitted or required with the Preliminary Report, including but not limited to:

- The proper photographs;
- An Advance Payment Request form signed by the policyholder,
- Any underwriting memoranda;
- An APDA; *and*
- An adjuster narrative addressing any prior NFIP paid loss.

The adjuster must also submit a properly completed BVLA worksheet to the insurer. See [Appendix J](#) in this Manual for the BVLA method and frequently asked questions.

#### D. WYO's proprietary approach.

The insurer may issue a post-inspection advance payment based on the WYO company's own proprietary estimation approach. This approach and payment method may not broaden or change any coverage term in the SFIP. The insurer must document any deviations from normal FEMA processes and include a reference to the proprietary process in the claim file. As with the BVLA advance payment method, a claim payment under the insurer's own proprietary estimation approach is subject to all FEMA claim documentation and payment standards and requirements.

### 3.3 Procedures for Issuing Advance Payment



#### Claims Examiners

An NFIP insurer may offer an advance payment upon written, verbal, or electronic request by the policyholder. With any advance payment, the insurer must include a written notice conditioning the advance payment on the policyholder's acknowledgment that:

1. The NFIP advance payment is not intended to provide reimbursement to the policyholder for non-SFIP insured expenses, such as costs related to evacuation, temporary housing while the home is non-inhabitable, a rental car to cover the loss of a personal vehicle, or any other expense not insured by the SFIP.
2. The issuance and acceptance of an advance payment does not prejudice or waive any claim or defense available to either the policyholder or insurer.
3. The issuance and acceptance of an advance payment does not constitute an admission of coverage under the policy.
4. The policyholder must assert the insured property has suffered a insured loss.
5. If the insurer determines the claim is not a insured loss, or if the advance payment exceeds the amount of the insured loss, the policyholder is ineligible for the payment and agrees to repay the advanced payment in excess of the insured loss.
6. Acceptance of an advance payment will not affect the policyholder's right to seek additional payment under the terms and conditions of the SFIP.
7. After the claim is settled, the insurer will reduce the final payment by the amount of any advance(s) payment made to the policyholder.
8. Building coverage only: the insurer must include as co-payee any mortgagee shown on the Declaration Page of the policy or any known mortgagee on any advance payment for building coverage.
9. To finalize the claim, the policyholder must execute a proof of loss meeting the requirements of the SFIP for all amounts received, including the amount of the advance payment, except as may otherwise be authorized by the Administrator under any applicable waiver.

### 3.4 Advance Payments Exceeding the Insured Loss

Adjusters and examiners must avoid recommending and issuing advance payments that exceed the final total claim payment. Adjusters and examiners should account for the



following factors when determining the amount of an advance payment in order to avoid issuing an advance payment in excess of the insured loss:

- Amount of deductible(s);
- Interior water depth;
- Other non-flood related damage such as wind, water, etc.;
- Pre-loss condition and ACV of damaged property, especially if a previous flood payment was issued;
- Scope of damage such as when limited to a basement or lower enclosure with a post-FIRM elevated building subject to coverage limitations; *and*
- Use of flood avoidance measures, such as sandbags or property removed to safety.



### Claims Examiners

If an NFIP insurer issues an advance payment to the policyholder in excess of the insured loss, the NFIP insurer must attempt to recoup the funds. The following are the minimum steps the NFIP insurer must perform under such circumstances:

1. The insurer must send a letter via certified mail or equivalent trackable delivery service to the policyholder containing the following information:
  - a. The amount due;
  - b. A description of the charges;
  - c. A description of the remedies available to the NFIP upon failure to repay the amount due by the deadline, including but not limited to federal debt collection, see 31 C.F.R. part 901, *Standards for the Administrative Collection of Claims*;
  - d. The deadline for either submitting payment or disputing the validity of the overpayment, which must be at least 30 days from the date of the letter; *and*
  - e. Contact information for an individual representing the insurer that the policyholder can contact directly to dispute the validity of the overpayment or seek more information.
2. If the policyholder does not pay the amount due by the stated deadline, the insurer must attempt to contact the policyholder via phone and then send a follow-up letter via certified mail or equivalent trackable delivery service to the policyholder's last known address.

If an NFIP insurer is not able to recoup the overpayment after making their best efforts, the NFIP insurer must provide FEMA with the following documentation:

1. A narrative explaining the basis of the overpayment determination and identifying the insurer's efforts to recoup the funds;
2. Copies of all written correspondence with the policyholder regarding the overpayment; *and*
3. A copy of the claim file.

See [Claim Overpayment Recovery](#) for more information.

## 4 Appraisal

The SFIP provides both the policyholder and the insurer with the option to demand appraisal.<sup>30</sup> Claims professionals should only use appraisal to resolve disputes involving the amount to pay for flood damages. The Appraisal Clause cannot be used to determine the scope, coverage, or causation of damage. FEMA encourages the policyholder and the insurer to exhaust all other avenues available to determine the fair price of the agreed loss before invoking appraisal. For example, prior to appraisal, the policyholder should provide the insurer with contractors' estimates, receipts, invoices, photographs, and any other relevant documentation or a written explanation to support their claim.

However, when a pricing dispute remains, the SFIP allows appraisal under the following conditions:

- The policyholder and the insurer must agree on the scope of loss (i.e., covered damage). There must be an agreed list of insured items damaged by flood. Appraisal is not available if the policyholder and insurer cannot agree on the scope of loss.
- Policyholders and insurers cannot use appraisal if the policyholder submits an appeal to FEMA or initiates litigation.<sup>31</sup> Appraisal must result in a complete resolution of the entire claim.
- The policyholder must submit a timely and completed proof of loss with supporting documentation for the items subject to appraisal. If the policyholder submitted a signed and sworn proof of loss and the insurer paid the amount in full, there is no dispute regarding pricing and no need for appraisal.
- A condition precedent to appraisal is a proof of loss, signed by the policyholder, that includes adequate documentation to justify the increased unit costs and pricing. An estimate, not supported by any other information (e.g., from a public adjuster or contractor), is not adequate. Absent this information, appraisal is not proper. Appraisal is only available for differences with unit pricing, meaning the scope of damage is agreed upon. Price differences related to different approaches to repair the agreed-to damage may arise in appraisal.
- If the policyholder invokes appraisal and then attempts to resolve issues regarding eligibility, coverage, or scoping of loss, issue, then the policyholder did not properly invoke appraisal, rendering the appraisal process, including any award, invalid. If the WYO inappropriately issues payment to the policyholder or if the WYO inappropriately used the Appraisal Clause, the WYO is responsible to FEMA for any erroneous payments, including fees.

Appraisers must be competent and impartial. Appraisers and umpires cannot profit from a higher claim payment made to a policyholder. If the policyholder hires a public adjuster or attorney, and the basis of their fee is securing a higher claims payment for the policyholder, no one employed, affiliated with, or related to the public adjuster or attorney can serve as the appraiser or the umpire. The same rule applies to the insurer. In order to avoid a conflict of interest, no one

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<sup>30</sup> See 44 C.F.R. part 61, Appendices A(1) and A(2) at VII. General Condition (M), A(3) at VIII. General Condition (M).

<sup>31</sup> See 44 C.F.R. § 62.20(c); 44 C.F.R. part 61, Appendices A(1) and A(2) at VII. General Condition (J)(1), A(3) at VIII. General Condition (J)(1).

employed, affiliated with, or related to the adjuster or owner of the adjusting company who receives a fee based upon the policyholder receiving a higher payment can serve as an appraiser or umpire.

## 5 Building Replacement Cost Value

The adjuster must determine the building replacement cost at the time of loss, pursuant to the conditions established in the loss settlement procedures of the SFIP. The building replacement cost value is collected at the time of application and renewal, and used for rating purposes. It does not impact the amount of coverage a policyholder can purchase, nor does it factor into the replacement cost calculations following a notice of loss.

## 6 Cisterns, Water Softeners, and Well Water Pumps

### 6.1 Cisterns

The SFIP at III.A.8.a.(2) insures cisterns, their components, and the water in them when installed or located within the building, an eligible detached garage, or an enclosed porch, including within an enclosure or basement. The SFIP does not cover these items when installed or located outside of the areas defined above, including underground.

Figure 56: Example of a Insured Cistern in a Basement



Photo: Port City Daily

Figure 57: Example of a Non-Insured Cistern Outside



Figure 58: Example of a Non-Insured Cistern Below Ground



Photo: www.well-water-report.com

## 6.2 Water Softeners

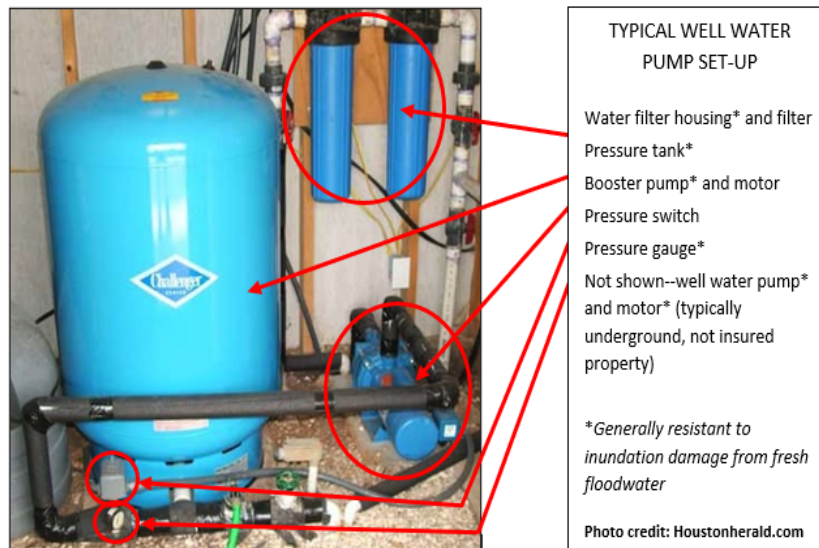
The SFIP at III.A.8.a.(14) insures water softeners and the chemicals in them if installed in a building at the described location and connected to and servicing the insured building.

## 6.3 Well Water Pumps

The SFIP at III.A.8.a.(15) insures well water pumps and related components when located inside the insured building, including underneath the insured building, inside an attached utility shed, attached pump house, or an eligible detached garage. This equipment must be installed at or above ground level. The pumps and related components for building water supply or landscaping are eligible property.

The SFIP does not cover a well water pump or its related components if they are below the ground level or installed inside a detached pump house or inside another building or structure that is not insured property. The SFIP does not insure pumps or related equipment used for hot tubs, spas, or swimming pools.

Figure 59: Example of a Well Water Pump



## 7 Claims Adjustment

A claim may involve numerous factors. The adjuster must understand which factors affect the insured scope of loss and the dollar amount to repair or replace an item, and be able to explain these factors in detail in the narrative to support their recommendation.

### 7.1 Determine Cause of Loss

On every flood claim, the adjuster must confirm a general and temporary condition of flooding occurred (see II.B). This may require canvassing the neighborhood to identify if other properties flooded, interviewing neighbors, or reviewing news articles or videos documenting the flood. For some events, contacting the nearest police or fire department may help to confirm the existence of general and temporary condition of flood.

The adjuster must document:

- When the flooding began and the source of the water;<sup>32</sup> *and*
- Whether the flood caused direct physical loss to insured property.

During the claim process, the adjuster should consider utilizing information provided by FEMA (e.g.: GIS products), from state or county government websites (e.g.: online community building property assessor pages), from publicly-available information (e.g.: online real estate listings), or from open-source map products that show the property in its pre-disaster condition.

### 7.2 Building Scope and Estimate

Before adjusting losses, the adjuster must ensure the estimating software is properly calibrated for the geographic area where the loss occurred and accounts for post-disaster pricing factors and property-specific issues. The adjuster must consistently document all state and local sales tax on applicable goods or services, subject to applicable depreciation. The adjuster must document the scope of loss and provide notations for scope, quantity, and quality. The adjuster must also take or obtain meaningful photographs of the loss that clearly document the damaged and non-damaged items and support the recommendation for payment or non-payment of the claim or any portion thereof.

The adjuster must identify insured flood-damaged building components and estimate the reasonable and necessary cost of repair or replacement of the damaged property. The scope of damage includes room measurements, preliminary damage findings, and photographs that document and describe the quantity, quality, and extent of damage to insured property. The adjuster should account for conditions unique to the loss or location and factors such as exceptional quantities, craftsmanship, or assemblies, which may require an adjustment to the scope and price to repair. Adjustments of this nature should be documented by the adjuster with a notation in the estimate under the applicable line item. The adjuster should determine if damaged items are salvageable, requiring cleaning, refinishing, repair, or if the damages are non-salvageable, requiring replacement. In the estimate of loss, the adjuster should include the itemized listing of all damaged property

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<sup>32</sup> See [16 Flood-in-Progress Exclusion](#).

items, organized room-by-room, in the unit-cost style of estimating. The unit pricing should include all costs related to labor, material, and equipment usage, and only include the expense which restores the property with like kind and quality material and labor. The pricing should be reasonable and customary to the loss and location.

Once the policyholder obtains a signed agreement with the contractor, if differences exist with the insurance estimate, it may be necessary for the adjuster, supervising adjuster, or the claim examiner to communicate with the policyholder and the contractor to understand the pricing differences or explain coverage issues to reach a claim settlement.



## Claims Examiners

The examiner should conduct a timely review of the estimate to confirm:

- The photographs reasonably document the estimated scope and that additional photographs or a re-inspection were requested when there is a question and provide the status to the policyholder;
- There are no entry errors, example: ensure the quantity and quality matches what is in the dwelling;
- Contents manipulation is estimated under building coverage and is limited to insured and undamaged personal items and the policyholder must have purchased personal property coverage. See [Contents Manipulation](#) in Section 2 of this Manual, for more information;
- The estimate appropriately addresses necessary structural drying and makes allowances for it;
- The estimate written for insured items, such as bids used to substantiate value or repair cost, does not include undamaged items or matching equipment, example: replacing undamaged air handlers to match external HVAC units due to change in SEER ratings or refrigerant;
- The estimate is written on a room-by-room, line item, unit cost basis with reasonable recoverable and non-recoverable depreciation applied based on age and condition;
- The adjuster has identified the proper quantity, measurements, and unit costs for items;
- Building or applicable line items qualify for replacement cost or actual cash value settlement;
- Proper deductible was applied;
- No non-insured structures, such as sheds, garages with living quarters, carports, decks (over 16 square feet), etc. are considered in the estimate;
- Applicable coverage limitations are applied for basements and post-FIRM elevated buildings in the SFHA zones listed in Coverage A and Coverage B;
- The adjuster's quantity and unit cost calculations are accurate based on item, area, and room; *and*
- All exceptions are fully explained by the adjuster in the narrative report.

### 7.3 Contents (Personal Property)

FEMA expects the adjuster to list, document, and value the entire contents loss and provide the list to the policyholder for review. If a policyholder elects to complete the inventory, the adjuster is expected to start the inventory and ensure that the policyholder understands how to document the remaining contents.

The adjuster must include documentation to support the claimed loss by photographing the extent of damages, quantities, qualities, and value. The adjuster must ensure coverage and depreciation are appropriately applied to their recommendation. Adjusters must also explain their judgment regarding recommending repair or replacement when it may not be

apparent to the policyholder or the examiner. The contents inventory should include notations specific to the applicable line item regarding descriptions of quality, make, model, serial number (when applicable), quantity, age, special limit item, and cost to replace with like kind and quality at current pricing.

The adjuster should list damages room-by-room, priced individually with like kind and quality, and include all costs related to applicable tax, removal, shipping, assembly, etc. Each replaced item must individually include a fair and reasonable rate of depreciation, representing the age or physical condition of the item at the time of loss.

The adjuster should promptly address any salvage or buy-back opportunity with the policyholder or with a third-party, and provide an explanation in the interim or narrative report. When the policyholder agrees to buy-back items, and this should be fully disclosed in the content loss as a credit under the applicable property line item.

#### 7.4 Special Limits

The adjuster must apply the \$2,500 special limit to the aggregate ACV of all applicable contents described in the Dwelling Form at III.B.8, General Property Form at III.B.8, and the RCBAF at III.B.5, such as jewelry, furs, contents used in business, etc. The adjuster should add documentation to support the payment recommended under this provision. The aggregate ACV is subject to the policy deductible, and any excess loss to items subject to the \$2,500 special limits cannot be applied to the contents deductible.

#### 7.5 Depreciation

The adjuster should apply depreciation based on the age and physical condition of each item replaced in the building and personal property (contents) estimates. Because items of property come in a variety of materials, are purchased or installed on different dates, and are used for different purposes, the life-expectancy of property items vary. Therefore, the application of the same rate of depreciation (lump-sum) to all building and personal property items is not an acceptable practice. The adjuster should apply depreciation to the material, labor, and equipment usage, including overhead and profit and sales tax, on all claimed replacement items of property. All claimed replacement items must reflect depreciation, regardless of whether the loss qualifies for replacement cost or ACV loss settlement. The adjuster should document the claim file to support the rate of depreciation or the lack of depreciation. Where the adjuster applies minimal or no depreciation, the narrative should include the underlying rationale.

When considering the rate of depreciation for any replaced item of property, the adjuster should take into account previous repairs or modifications, which may have extended the life of the item beyond its original condition.

#### 7.6 Progress Notes in File

The adjuster must note information in the file that:

- Adequately reflects the progress of the claim and communications with the policyholder;



- Details the scope of damage, calculations of replacement cost and ACV, and a diagram of the insured building with measurements; *and*
- Confirms receipt of documents or information provided by the policyholder.



## Claims Examiners

The examiner should conduct a timely review of the estimate to confirm:

- The contents inventory includes description, age, and cost to replace with like kind and quality at current year pricing;
- The photographs reasonably document the damage to support repairing or replacing an item and should request additional photographs or a re-inspection in a timely manner when there is a question and provide a status to the policyholder. Photographs should document contents items of exceptional value and quality;
- The adjuster considered a reasonable repair allowance, or the policyholder provided a repair estimate to supplement the settlement amount;
- The adjuster determined or verified local replacement costs of the damaged property based on like kind and quality;
- \$2,500 special limits was applied to the aggregate of applicable contents (jewelry, furs, contents used in business, etc.);
- The adjuster applied reasonable non-recoverable physical depreciation based on the age and condition of the item at the time of loss; *and*
- The adjuster added appropriate sales tax and the proper deductible.



## 8 Claim Closed Without Payment Reasons



### Claims Examiners

The examiner should carefully review the adjuster's report for claims that are to be closed without payment, and use the correct Closed Without Payment (CWOP) reason code in accordance with Pivot (NFIP System of Record). Proper coding is necessary to ensure the appropriate expense payment is issued. Use the erroneous assignment code when the adjuster receives an assignment in error prior to inspection.

**Table 13: CWOP Reasons**

Code	Reason
01	Claim denied that was less than deductible
02	Seepage
03	Backup drains
04	Shrubs not covered
05	Sea wall
06	Not actual flood
07	Loss in progress
08	Failure to pursue claim
09	Debris removal only
10	Fire
11	Fence damage
12	Hydrostatic pressure
13	Drainage clogs
14	Boat piers
15	Not insured, damage before inception of policy
16	Not insured, wind damage
17	Type of erosion not included in definition of flood or flooding
18	Landslide
19	Type of mudflow not included in definition of flood or flooding
20	No demonstrable damage
97	Other
98	Error delete claim (no assignment)
99	Erroneous assignment

## 9 Claim Overpayment Recovery

### 9.1 Claim Overpayment Recovery Process

Reimbursement to the NFIP of claim overpayments is not contingent upon recovery from the respective policyholder(s). Specifically, the insurer is responsible for the recovery of erroneous claim overpayments.

Upon receipt of written notification of flood claim overpayments, the respective insurer's flood insurance principal coordinator has 30 days to respond to the notification from the NFIP using one of the two options below:

- Submit the entire amount of the overpaid claim to the NFIP using one of two acceptable methods to avoid the creation of a federal debt collection item (see 9.2 below); *or*
- Appeal this matter in writing to the NFIP and submit relevant, reliable, and verifiable supporting documentation. Additional time to gather supporting documentation for the purpose of the appeal must be requested, in writing, by the principal coordinator within 30 days of the date of the notification from the NFIP. A maximum of 60 days from the date of the notification may be granted by the NFIP for an appeal.

### 9.2 Methods of Claim Overpayment Reimbursement to the NFIP

#### A. Method A

1. Reduce the claim payment by the overpaid amount on the financial statement, [Write Your Own Accounting Procedures Manual](#), Exhibit I, Line 115.
2. Reduce the claim payment by the overpaid amount on Pivot (NFIP system of record).
3. Issue a disbursement for the overpayment amount to the U.S. Treasury via ACH, internet, or wire transfer
4. Report the disbursement on the appropriate Exhibit VIII schedule.
5. Submit the supporting documents (policy number, date of loss, original loss payment, adjusted loss payment, original error code generated, and original error code date) to:

DHS-FEMA Debt Collection Office  
Attn: NFIP/Debt Collection Officer  
400 C Street SW 6th Floor, SW  
Washington, D.C. 20472-3010

#### B. Method B

1. Reduce the claim payment by the overpaid amount on the financial statement, [Write Your Own Accounting Procedures Manual](#), Exhibit I, Line 115.

2. Reduce the claim payment by the overpaid amount on Pivot (NFIP system of record)
3. Payment can be issued in the amount of overpayment by wire transfer or manual check made payable to NFIP. Record the payment check as a disbursement to the U.S. Treasury and report on the appropriate Exhibit VIII schedule.
4. Submit the manual check and supporting documents (policy number, date of loss, original loss payment, adjusted loss payment, original error code generated, and original error code date) to:

DHS-FEMA-Debt Collection Office  
 Attention: NFIP/Debt Collection Officer  
 400 C Street, SW 6<sup>th</sup> Floor  
 Washington, DC 20472-3010

## 10 Communications from Policyholder Representatives

Adjusters should notify the insurer promptly when they become aware that a policyholder has a representative (e.g., attorney, public adjuster, relative, translator). The adjuster should forward this notification with the Preliminary Report or as an interim status report and include any documents received related to this representation. Adjusters and examiners should always put forth a courteous effort with policyholder representatives during the entire flood claim process. As a federal program, all stakeholders, including FEMA, must adhere to the Privacy Act. The relevant DHS regulation (applicable to FEMA) regarding privacy appears at 6 C.F.R. § 5.21.

**Letter of Representation.** Whenever the policyholder authorizes a party to speak with an NFIP stakeholder about their claim, the policyholder will need to do so in writing. By law, the NFIP stakeholder must obtain this authorization to protect the policyholder's privacy. See [45.3 Letters of Representation](#) for details.

**Privacy Release.** To authorize another individual to represent the policyholder(s), the policyholder(s) must also submit documentation that includes all named policyholders' full name(s), address(es), date(s) and place(s) of birth, the name(s) of the representative(s), and the policyholder(s) signature(s). The policyholder(s) must have this document notarized or include the following statement:

*"I declare under penalty of perjury that the foregoing is true and correct.  
 Executed on <DATE>. <SIGNATURE>."*

**Attorney representation.** When the policyholder becomes represented by an attorney, and the proper letter of representation and privacy release signed by the policyholder is obtained, adjusters and examiners must ensure all verbal and written communications are held directly with the attorney, unless the attorney approves communication directly with the policyholder.

**Public adjusters.** A public adjuster is an individual who negotiates coverage, scope, and price on behalf of the policyholder. When the policyholder is represented by a public adjuster, and the proper letter of representation and privacy release signed by the policyholder is obtained, FEMA recommends that the adjuster and examiner send all written communications, including the

proof of loss prepared by the adjuster working for the insurer to both the public adjuster and the policyholder. A best practice after verbally communicating with the public adjuster, whether during an inspection or over the telephone, is to follow up with a written correspondence or email to the public adjuster copying the policyholder. Keep in mind that a public adjuster must be licensed and in good standing in the state and have a signed contract with the policyholder before they may communicate with NFIP representatives regarding the claim.



## Claims Examiners

When an insurer receives a communication that contains a time demand (a specific action by a specific date), a request to reopen the claim, a request for additional payment, or a proof of loss submission, the examiner should promptly review the request and determine the appropriate action.

When a policyholder or representative submits a proof of loss, the examiner should review to determine if the proof of loss supports payment of the claim, in part or in whole, and issue the appropriate payment. If the proof of loss is received after the 60 days (or after any extension granted by the Administrator), a proof of loss waiver is required before payment can be made. See [Proof of Loss Waiver](#) in Section 2 of this Manual.

When the information provided does not support the request for payment outlined in the proof of loss, the examiner should reject the proof of loss, in whole or in part, and communicate the decision to the policyholder or representative, along with a partial denial letter when appropriate. In the communication, the claims examiner should include what the policyholder or their representative needs to provide to consider an additional payment under the existing claim.

## 11 Condominium Claims Handling

Section 1312 of the National Flood Insurance Act (42 U.S.C. § 4019) prohibits the NFIP insurer from denying a payment requested by the condominium unit owner who has building coverage under the Dwelling Form, when insured damages under the Dwelling Form are not payable under the association's RCBAP due to policy limits or the application of coinsurance. In general, the law permits the unit owner's building coverage under the Dwelling Form to act as excess flood insurance coverage after the RCBAP addresses the building loss and the condominium association's claim is settled.

In a situation where the coinsurance provision of the RCBAP applies, the Dwelling Form may respond as if the RCBAP coverage is exhausted. In all other cases, the RCBAP will continue to be primary, and the Dwelling Form will act as an excess flood insurance policy.

The limits of coverage established under 42 U.S.C. § 4013 continue to apply, and the SFIP does not allow more than one payment for the same damaged item. Accordingly, the combined building coverage of the RCBAP and the Dwelling Forms for units within the building insured by the RCBAP cannot exceed \$250,000 times the number of units, nor can the payment for any one unit exceed \$250,000 respectively.

## 12 Contents Manipulation

When a building or room in a building suffers damage, and undamaged contents items stored within the building or area require movement to facilitate building repairs, the task is known as "contents manipulation." To be eligible for coverage for contents manipulation and payment

under the building estimate, the policyholder must have purchased both Coverage A – Building Property (building) and Coverage B – Personal Property (contents).

When the contractor presents an itemized estimate to repair the building and a charge for contents manipulation is included as a separate line item, the adjuster may allow the estimated or invoiced price for the contents manipulation. Adjusters may not make a lump-sum allowances or room-by-room contents manipulation allowances in the estimate without providing supporting documentation of those costs, such as with a signed contractor’s estimate or invoice. Coverage for contents manipulation is subject to the following stipulations:

- The SFIP will only cover reasonable and necessary charges for contents manipulation.
- Coverage does not extend to items already included in the contents claim as a repair or as a replacement.
- Coverage does not include the costs to manipulate any of the following:
  - Non-insured or otherwise excluded property,
  - Property in an area of the building subject to coverage limitations (e.g., basement, certain lower enclosures), *or*
  - Property exceeding the special limit coverage.
- Manipulation of the tenant’s personal property is not insured under the owner’s building policy, even when the tenant has purchased contents coverage. In such cases when a tenant has contents coverage and the tenant incurs reasonable costs to move contents to facilitate flood damage repairs, the charge is insured only under the tenant’s contents policy.
- Coverage for contents manipulation does not include the additional labor or cost to remove or store contents outside of the insured building or another appurtenant building at the described location (Dwelling Form only), such as a portable storage container placed at the described location, or personal property moved to storage at a building at another location. The SFIP will only consider reasonable costs to move personal property items within the insured building or within an appurtenant structure (Dwelling Form only), to facilitate flood repairs to the building.

Figure 60: Example of a Portable Storage Container



Photo: Pod.com

- Contents manipulation is not “property removed to safety,” as described in III.C.b.
- Documented contents manipulation expenses may be charged against the building coverage when they are a function of the insured building repair.

## 13 Cooperative Buildings

Buildings in a cooperative form of ownership (referred to by FEMA as “cooperative buildings”) are typically owned and managed by a corporation. Their ownership is different from the condominium form of ownership. Residents within cooperative buildings typically buy shares of the corporation, rather than the real estate (building, land, or both building and land).

Shareholders of the cooperative corporation are provided a preferential lease agreement from the corporation, which affords them the right to occupy a specific space or “unit” within the cooperative building. Under the rules of the NFIP, cooperative-owned buildings where at least 75 percent of the area is used for residential purposes are considered residential occupancies.

In a regular program community, a cooperative building can be insured for the maximum building coverage of \$500,000 under the General Property Form in the corporation’s name. These cooperative buildings are not eligible for insurance under the RCBAP Form because they are not in the condominium form of ownership. In an emergency program, a cooperative building can be insured for the maximum building coverage of \$100,000 under the General Property form.

Similar to tenants of non-condominium apartment buildings, the shareholders of a cooperative building cannot purchase building coverage under an SFIP Dwelling Form to cover their individual units. Shareholders of a residential cooperative building can only access the maximum amount of contents coverage under the Dwelling Form. Under certain circumstances, at the policyholder’s option, 10 percent of the content’s coverage may be applied to betterments or improvements to the unit made at the insured shareholder’s expense.

FEMA is aware that there may be unusual forms of cooperative ownership. Contact the insurer to determine the entities with an insurable interest. In a situation where the policyholder is found to have an interest, it may be necessary to include the cooperative corporation as an additional loss payee, as its interest may appear, and any mortgagee should also be named as an additional payee. Claims on SFIPs issued to individuals or businesses owning buildings in such cooperatives are payable, subject to all other requirements and limitations.



### Claims Examiners

FEMA encourages insurers to review underlying cooperative documents to determine how cooperative buildings are owned, as other cooperative arrangements may exist that allow an individual to actually own the building, and, therefore, be able to purchase building coverage.

## 14 Countertops

### 14.1 Common Countertop Types and their Repair or Replacement

FEMA developed the following guidelines to enhance the adjuster’s knowledge of the various types of materials and precautions regarding removal and resetting countertops.

- ***Post-form, roll-top laminate countertops.*** These countertops are manufactured prior to installation. The plastic resin laminated surface is sometimes referred to as Formica®. The common identifier for this type is that the laminated surface is

molded over and around the front edge and backsplash. The front edge of this type may have a more ornate style than the common bullnose or rounded edge. Removal of single straight length roll-top countertops can be performed without damage; however, if a single section of the countertop has a mitered corner joint creating an “L-shape,” the removal process may cause delamination of the top finish surface or separation of the mitered corner joint, exposing the seam and requiring replacement.

- ***Job-built, laid flat, or self-edge laminate countertops.*** These countertops are similar in material to the above described “roll-top,” but are built at the job site to exact specifications. Its common identifier is that the front edge and sides are always squared. When removal is necessary to facilitate repairs, replacement is often required, as the finished surface may partially delaminate, resulting in damage to the substrate base material or the backsplash. When a job-built laminate countertop layout design is curved or L-shaped, the difficulty involved in removing the countertop increases. If unavoidable, and damage occurs during the removal, replacement is required.
- ***Formed concrete and ceramic tile countertops.*** These countertops are built on the job site to exact specifications. They are constructed over a wood or rock-board type substrate material that may be screwed or glued to the cabinet framing, or both. When removal is possible, handling may cause twisting or bending of the countertop, which will crack mortar or separate the finish material from the substrate. Replacing the top may be necessary.
- ***Natural or man-made stone materials such as granite and Silestone®.*** These countertops can typically be removed and reinstalled without damage. If the top is joined by two or more individual pieces, a chemical is applied to the seam to dissolve the polymer, which bonds the material together prior to removal. If two or more slabs of this type of countertop are installed over a wooden substrate, typically two centimeters thick type, then the likelihood of successful removal decreases. If a backsplash is made of the same material and set over top of the countertop’s rear edge, it is also possible to remove it without damage; however, if the backsplash is a material such as ceramic tile, its removal is necessary to prevent damage to the countertop, and replacement of the backsplash is required. Only supervised labor experienced in handling this material should attempt to remove this type of countertop, as the SFIP does not cover avoidable damage resulting from poor handling.
- ***Corian® and other solid-surface (acrylic polymer) countertops.*** These countertops can typically be removed and reinstalled without damage. If the material cracks or breaks off during removal or handling, the countertop material can be successfully repaired with the application of an epoxy applied to the surface of each crack, creating an invisible or near-invisible bond.

FEMA is aware of unique instances when a countertop can be damaged beyond repair directly by or from the flood. In cases in which an adjuster recommends replacement of the countertop, the claim file must include documentation that explains and supports the judgment to replace, rather than remove and reset.

## 14.2 Countertop Adjustment Concerns

### A. Adjuster Documentation

At the initial loss inspection, the adjuster should examine, photograph, and document the condition of the surface, edge, and underside of the countertop in a narrative report. The adjuster should note the number of adjoining seams of the countertop, as well as the material thickness. Typically, the thickness of the granite is in centimeters. The adjuster should also note substrate material covering any cabinet framing located underneath the countertop. This documentation process applies to any countertop, sink, toilet, vanity top, bathtub, shower stall, or other such fixture.

### B. Discussion with Policyholder

The adjuster should discuss removal and re-installation with the policyholder and contractor (if present) at the initial loss inspection. The adjuster should set the expectation that the policyholder and contractor salvage any countertop, sink, toilet, vanity top, bathtub, shower stall, or other similar items for re-use. The adjuster should inform the policyholder that the policyholder should notify the adjuster immediately if damage occurs during removal and provide photographs when necessary. The policyholder must not discard items damaged during removal.

### C. Determining Unavoidable Damage

Policyholders and contractors repairing or replacing damaged items must use reasonable care when removing undamaged items. When the removal process irreparably damages a previously undamaged item, the removal effort must support a finding that the damage was unavoidable. The SFIP covers direct physical loss by or from a flood. The SFIP will not cover avoidable damage.

### D. Policyholder Documentation

The policyholder can best support a request for payment when unavoidable damage occurs during the removal and replacement process with:

1. Clear photographs of the damage at the time of occurrence; *and*
2. A signed detailed statement from the removal or repair contractor.
  - a. The signed detailed statement must:
    - Explain the action taken to remove the item;
    - State how the damage occurred; *and*
    - Address salvage.

### E. Completing the Adjustment

Once the policyholder provides the documentation noted above, the adjuster should adjust the claim accordingly. Adjusters should factor in the additional time and labor to safely remove and reset salvageable items. The adjustment should also apply the appropriate credit reflecting any previously estimated allowance to



reinstall. If the adjuster recommends no payment, the adjuster should include an explanation in the estimate and narrative report.

## 15 Electronic Signatures

FEMA expects insurers to handle NFIP claims in a customer-centric manner as part of their normal business practices. To improve the policyholder's experience and to reduce administrative burden, FEMA approves and encourages use of electronic signatures on proofs of loss and other NFIP-related transactions. FEMA will not deny the legal effect, validity, or enforceability of a signature solely because it is in electronic form.<sup>33</sup> Insurers should accept electronic signatures in accordance with their general business practices and applicable laws. Electronic signatures must comply with the following requirements:

- The signer must use an acceptable electronic form of signature;
- The electronic form of signature must be executed or adopted by a person with the intent to sign the electronic document;
- The electronic form of signature must be attached to or associated with the electronic document being signed;
- There must be a means to identify and authenticate a particular person as the signer; *and*
- There must be a means to preserve the integrity of the signed document.

## 16 Flood-In-Progress Exclusion

When a flood claim is reported, the insurer must determine when the flood started and if the flood-in-progress exclusion applies. The adjuster must investigate if a flood is already in progress on or before the date the policyholder submitted the application for coverage under the SFIP and the correct premium paid. FEMA is providing this guidance to help ensure consistency in adjusting and evaluating claims involving the flood-in-progress exclusion.

### 16.1 When the Flood-in-Progress Exclusions May Apply

SFIP Section V.B. excludes a loss directly or indirectly caused by a flood that is already in progress on or before the date the policyholder submitted the application for coverage under the SFIP and the correct premium. In other words, damage from a flood that begins on or before the date the policyholder submitted the application for coverage under the SFIP and the correct premium is not insured, even if the flood event does not damage the insured property until after the policy's first term begins.

When coverage is added to an existing policy at the request of the policyholder and a flood is already in progress, damage that occurs to insured property from that same flood event on or before the date the policyholder submitted a request for additional coverage under the SFIP and the correct premium of any increased coverage will only be insured at the prior policy limits.

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<sup>33</sup> See Gov't Paperwork Elimination Act (GPEA), Pub. L. 105-277 § 1707 (44 U.S.C. § 3504 note); Electronic Signatures in Glob. & Nat'l Commerce Act (E-SIGN), Pub. L. 106-229 § 101(a) (15 U.S.C. § 7001(a)).

Whether a flood is in progress for a claim is evaluated on an individual basis. Evidence that a flood may be in progress on or before the date the policyholder submitted the application for coverage or request for additional coverage under the SFIP and the correct premium may include:

- A flood in the area where the insured building is located caused by the same source of flooding as the flood on the insured property; *or*
- An event initiating a flood that causes damage, such as:
  - A spillway opening;
  - A levee breaching;
  - A dam releasing water; *or*
  - Water escaping from the banks of a waterway (stream, river, creek, etc.).

FEMA will apply the V.B. exclusion regardless of individual property, city, county, or parish boundaries.

FEMA does not interpret the V.B. exclusion as triggered only when floodwaters physically touch the insured building.

## 16.2 Flood-in-Progress Exclusion Adjustment Concerns

In addition to adhering to the claims adjustment guidance in [Section 2.7](#) of this Manual, when a loss occurs on or before the date the waiting period for coverage began or when there is evidence that a flood may have been in progress on or before the date the policyholder submitted a request for additional coverage under the SFIP and the correct premium, the adjuster should identify and investigate the following:

- The date the policy was purchased;
- The date the policy or additional coverage went into effect;
- The date the flooding as defined by the policy at II.A began;
- Evidence of flood prevention prior to the effective date of the policy, for example: temporary levees, sandbagging, constructed berms, pumps, etc.; *and*
- Data sources, including:
  - National Oceanic and Atmospheric Administration (NOAA) for data on river and lake levels;
  - News reports and social media or other sources that may help the adjuster to determine when flooding was first reported; *and*
  - The community or other official for assistance in determining lake or river levels.

The adjuster should interview the policyholder and conduct a neighborhood canvass to determine the location of the floodwaters in relation to the insured property location at the time the policy became effective. In the narrative, the adjuster must detail their process and evidence used for recommending coverage or denial under the SFIP.

If the adjuster needs assistance in confirming when a flood began, the adjuster should notify the insurer as set forth in [16.3 Requesting Assistance and Tracking Flood-in-Progress](#).



## Claims Examiners

Carriers must determine when exclusions apply to claims on a case-by-case basis, based on the available information and adjuster's investigation. When determining whether the flood-in-progress exclusion applies to a claim, as part of a coverage determination, examiners should consider:

1. Whether the adjuster determined if the flood was in progress on or before the date the policyholder submitted the application for coverage or request for additional coverage under this policy, and the correct premium at the request of the policyholder.
2. If a different flood caused by another source damages the insured property.
  - a. Determine if a separate flood-in-progress applies to this loss, requiring the exclusion. The insurer will consider date the policyholder submitted the application for coverage or request for additional coverage under this policy, and the correct premium, compare it to the start date of this flood.
  - b. The SFIP may cover this flood damage, subject to the terms of the SFIP. Do not forget to exclude any prior unrepaired damage.

**Note:** The flood-in-progress exclusion will not affect most claims. The flood-in-progress exclusion will primarily affect applicants or policyholders who wait to purchase flood insurance or increase their coverage until flooding is imminent.

## 16.3 Requesting Assistance and Tracking Flood-In-Progress

NFIP insurers may request assistance from FEMA in determining whether a flood began before the policy term or additional coverage became effective. In addition, the NFIP insurer must report to FEMA each claim to which an NFIP insurer applies the flood-in-progress exclusion.

Insurers should direct their requests and submit their reports to the NFIP at [NFIPFloodDisasterResponseMailbox@fema.dhs.gov](mailto:NFIPFloodDisasterResponseMailbox@fema.dhs.gov) with the subject line "Flood-in-Progress" and the following information in the body of the email:

**Note:** Reporting claims involving flood-in-progress will include personal identifiable information (PII), such as policyholder name, property address, etc. See [Section 2.37, Personally Identifiable Information \(PII\) and Sensitive Personally Identifiable Information \(SPII\)](#), for details. When emailing sensitive PII, the information should be saved in a separate document and encrypted or password protected. The password protected document should be submitted as an email attachment and provide the password to the recipient(s) through a separate transmission.

- The reason for the submission (example: Requesting Assistance or Tracking Flood-in-Progress);
- The policyholder name;
- The policy number;
- The date of loss;

- The loss address including city, state, and county or parish;
- The new business date;
- The date the adjuster determined that the flood began; *and*
- The current term on all claims where FIP exclusion is known or may apply.

**Note:** FEMA will identify and post the location, start date of the flood in progress, located at <https://nfipservices.floodsmart.gov/claims/flood-in-progress>.

## 17 Flood Map Service Center

The [FEMA Flood Map Service Center \(MSC\) website](#) serves as the official public source for flood hazard information produced in support of the NFIP. The MSC allows users to locate official flood maps, access a range of other flood hazard products, and take advantage of tools for better understanding flood risk.

The MSC gives users access to FEMA’s National Flood Hazard Layer (NFHL), a geospatial database that contains the effective flood hazard data and any Letters of Map Revision (LOMRs) that have updated the community’s effective flood hazard data.

- Adjusters, claims examiners, and insurers can view and download FIRMs and related products free of charge through the MSC website. The “Search by Address” feature allows users to review the flood hazard information for a specific address, a community, or geographic coordinates. When users enter an address or location, the map results show interactive flood hazard information. The “Search by Address” feature also provides the map panel number, effective date, and NFIP community name. Users also have the option to download a copy of the full FIRM panel, retrieve Letters of Map Change (LOMCs) impacting the effective panel, and easily access the NFHL viewer.
- The integrated “Search All Products” feature allows users to find and download all products for a specific geographic area. These products include effective FIRMs and Flood Insurance Study (FIS) reports, the NFHL database, and, where available, Flood Risk Products (FRPs). In addition to the effective information for an area, users may also access historic flood hazard information and, during mapping updates, review a community’s preliminary or pending FIRMs, FIS, and NFHL database.

Map Specialists are available to answer questions Monday through Friday from 8 a.m. to 7 p.m. ET. The FEMA Mapping and Insurance eXchange (FMIX) may be reached by calling the toll-free information line at 1-877-FEMA-MAP (1-877-336-2627) or by emailing [FEMAMapSpecialist@riskmapcnds.com](mailto:FEMAMapSpecialist@riskmapcnds.com). The FMIX offers a live chat Monday through Friday from 9 a.m. to 5 p.m. ET. The FMIX can also provide assistance related to the NFHL data and resources.

## 18 Fraud Investigation and Record Requests

The System of Records Notice (SORN) for the National Flood Insurance Program lists the information collected by the NFIP and the purposes for such collection. The SORN includes a series of routine use exceptions to the Privacy Act, which permits disclosure in certain instances. One of these routine uses allows disclosure to property loss reporting bureaus, state insurance departments, and insurance companies in investigating fraud or potential fraud in connection

with their claims, subject to the approval of the DHS Inspector General.<sup>34</sup> The requesting party must make the request for disclosure directly to the DHS Inspector General on the [Freedom of Information Act](#) website.

The SORN includes a routine use for Write Your Own companies to administer flood insurance in partnership with FEMA.<sup>35</sup> WYOs should investigate suspected fraud as they would under their other lines in accordance with 44 C.F.R. § 62.23(e) (“a WYO shall use its customary standards, staff and independent contractor resources, as it would in the ordinary and necessary conduct of its own business affairs..”) and 44 C.F.R. § 62.23(i)(5) (requiring WYOs “to try to detect fraud (as it does in the case of property insurance) and coordinate its findings...” with FEMA).

## 19 General Adjuster (GA) Re-inspection Request



### Claims Examiners

All re-inspection requests must come directly from the NFIP insurer or the Federal Insurance Directorate to [NFIPFloodDisasterResponseMailbox@fema.dhs.gov](mailto:NFIPFloodDisasterResponseMailbox@fema.dhs.gov).

The re-inspection program is designed to assist in maintaining quality claims processing within the NFIP. Re-inspections are performed in cooperation with the insurers. The five types of re-inspections are:

- Special Assist;
- Congressional;
- FEMA Appeals;
- FEMA Requests; *and*
- Random Claims Quality Check (RCQC).

For Special Assist re-inspections, the insurer claims management makes a request by email to the NFIP at [NFIPFloodDisasterResponseMailbox@fema.dhs.gov](mailto:NFIPFloodDisasterResponseMailbox@fema.dhs.gov). The email subject line should include the type of submission (ex. 1234567890 – Request for Re-inspection). The body of the email should contain the policy number, policyholder name, property address, date of loss, and a brief description of the issues. Attach a copy of the complete claim file or upload it to the SFTP site. **Please note:** When emailing sensitive PII, the information should be saved in a separate document and encrypted or password protected.

A GA will be assigned for a desk review or on-site re-inspection. The GA will contact the requestor to discuss the file and determine if an insurer will accompany the GA on the on-site re-inspection.

Congressional Correspondence, FEMA Appeals, and FEMA Requests are all sent by FEMA’s Federal Insurance Directorate.

RCQC is a practice by which the NFIP chooses random claim files for review during disasters to determine if the adjusters are properly handling the claim.

## 20 GFIP Claims Handling

Only the NFIP Direct services GFIPs (see Introduction at [6. Group Flood Insurance Policy](#) for additional information about the GFIP). Claim handling for the GFIP should mirror the SFIP Dwelling Form with the following exceptions:

<sup>34</sup> 79 Fed. Reg. 28747, 28751 (May 19, 2014) (Routine Use “K”).

<sup>35</sup> 79 Fed. Reg. 28747, 28751 (May 19, 2014) (Routine Use “H”).

- The homeowner certificate holder has the choice of whether to use the funds solely for owned building damages, solely for owned contents damages, or for a combination of owned building and contents damages; however, the total cannot exceed the maximum GFIP limits. A separate \$200 deductible is applied to each coverage.
- The adjuster must verify the policyholder is the owner of the home to qualify for building coverage.
- For renter policyholders, the GFIP is only for damaged contents owned by the policyholder.
- There is no underwriting review performed on a new GFIP. A GFIP does not include building rating information, and, among other items, the ownership, property address, and loss payee may be inaccurate. Before executing a proof of loss for the policyholder’s signature, the adjuster should verify required policy information.

## 21 Guidance on the Use of Outside Professional Services

### 21.1 When to request a Building Structural Evaluation

Adjusters should submit a request to the insurer to have the building’s structure evaluated as soon as the need is identified. Adjusters do not have the authority to assign an expert.

**Table 14** details the issues that may require assistance from a qualified outside professional service, which are:

- Cause of damage is uncertain;
- Extent of the damage is unknown;
- Discern the cost-effective method of repair; *or*
- Policyholder contests the recommended loss settlement due to structural issues or due to issues of causation with certain building items.

**Table 14: Issues pointing towards a Building Structural Evaluation**

Type	Qualifications
Exterior	<ul style="list-style-type: none"> <li>• Any signs of foundation cracking or foundation movement.</li> <li>• Any piers or pilings that are out of plumb or showing displaced connections.</li> <li>• Any areas showing scour (washout) or erosion under or alongside the foundation.</li> <li>• Any evidence of vertical or lateral displacement of the brick veneer or siding.</li> <li>• Any displacement of an exterior wall.</li> </ul> <p>When the engineer determines the cause of damage is related to earth, soil, or ground conditions which support the building’s foundation, the engineer’s report should include a section that discusses the facts from the United States Department of Agriculture (USDA) written or web soil survey (WSS). If using the latter, the engineer should make sure to follow the recommendations in the WSS module, such as selecting the proper size of the area of interest (AOI).</p>

Type	Qualifications
Interior	<ul style="list-style-type: none"> <li>• Any floors that are cracked, separated, uneven, or out of level.</li> <li>• Any structural elements that show movement including bowed or bulged walls.</li> <li>• Any evidence of significant cracks in the interior finishes, such as cracks above doors and windows or at the corners in wall covering material.</li> <li>• Any evidence of moisture, leaks, or hydrostatic pressure present in floors or walls.</li> <li>• Any lower-level configuration where precise elevations cannot be determined.</li> <li>• Any flood-damaged non-porous ceramic or porcelain tile or the like, installed to the concrete substrate.</li> </ul>
General	<ul style="list-style-type: none"> <li>• To resolve questions concerning causation or repair methodology.</li> <li>• Other types of experts can also be helpful when handling large commercial losses involving damage to inventory including salvors, accountants, etc.</li> </ul> <p><b>Note:</b> Each building loss is different, so there will be instances where certain elements or circumstances fall outside of the ordinary; therefore, adjuster's discretion is needed. The above items are a non-exhaustive list to look for to aid the decision to involve a qualified outside professional service.</p>

## 21.2 Outside Financial Accounting Professionals

A commercial loss involving damage to a significant quantity, value, or specialized type of business contents loss may require the involvement of the services of a CPA to provide a detailed report of findings. Here the role of the expert is to promptly help document and certify the quantity and value of damaged inventory, goods in process, or raw materials. The question of financial recovery through a buy-back by the policyholder, or salvage through the involvement of a third party, can also be addressed. The CPA's involvement can also help inform the policyholder what documentation is needed and how it can be presented to best support the loss of their commercial contents quickly. A detailed report of findings is required when a financial accounting professional is engaged.

## 21.3 Requirements Regarding the Use of Outside Professional Services

Insurers must comply with the following requirements regarding the use of outside professional services.



### Claims Examiners

The licensure and rules regarding professional services vary by state. The NFIP insurer is responsible for making sure the professional services they hire are familiar and compliant with state licensing requirements and the rules that regulate the profession. When a report from a professional service is used to support the decision of the NFIP insurer, the report must disclose that it complies with state rules regulating licensure and professional conduct. If a report does not meet the state's requirement, the claim decision may become invalid, and FEMA will not approve the insurer's Special Allocated Loss Adjustment Expense (SALAE) Type 1- Expert Expense request for reimbursement (see [Section 6 SALAE](#)).

#### A. Ensuring Compliance with Applicable Laws and Use of Reports

Insurers may only rely upon the use of an outside professional service that performs work in accordance with all applicable laws regarding professional licensure and conduct. For the purposes of this requirement,

insurers and their retained service providers may not assert that they are exempt from state licensing laws because they are federal employees, federal contractors, or performing work for the federal government, unless FEMA expressly authorizes an exemption in writing.

When making an assignment, insurers must verify that the entity and the individual from whom services are sought is qualified and licensed in good standing with the state where the insured property is located, before authorizing an inspection.

## B. Exclusive Reliance on Final Reports from Professional Services

When making claim decisions, insurers should only rely upon closing reports that meet the proper disclosures and reporting standards for the report type involved. Insurers must use such reports in context with all other relevant information and data gathered throughout the claim investigation process when making a claim determination.

When a report involves a structural evaluation of the building, the professional service should disclose and report:

- Date of the assignment;
- The date of inspection;
- Individual(s) who performs the inspection;
- Building description and foundation type – all components;
- Site observations supported with annotated photographs, analytical discussion, and conclusion;
- Soil discussion or copy of the public soil survey when applicable to the concluded cause of damage;
- Cost-effective method to repair, when applicable;
- Signature of the engineer of record with professional seal or state license number; *and*
- Name and curriculum vitae of all persons who assisted with the technical content of the report, including the inspection of the building.
- **Important:** The engineer should not interpret SFIP terms and conditions or discuss coverage.

Insurers may not request changes to closing reports; however, insurers may request that experts prepare an addendum to the closing report.

- Insurers must keep the entire expert report in the claim file and provide a copy of the final expert report and any addendums to the policyholder.
- Insurers must rely on the professional service to prepare requested reports in accordance with all applicable state laws regarding professional licensure and conduct. To be reimbursed for engineering expenses, documentation must validate that the engineer of record is qualified and licensed to work in the state of the property inspected.

## C. Retention and Disclosure of Final Expert Reports from Professional Services

For the purposes of 44 CFR 62.23(i)(10), FEMA considers a closing report from professional services as a normal component of a claim file. Accordingly, whenever the insurer retains professional service to investigate the claim, the insurer must keep all reports in the claim file. When requested by policyholders, insurers must provide a complete copy of the requested report.

## D. Avoiding Undue Influence on Analyses Performed by Outside Professional Services

Insurers and their representatives may not adopt any practice that may influence the opinions or recommendations of the professional service. Insurers may not request changes to reports; however, when the insurer or a representative has a question that requires a written response, they may request that the professional service prepare an addendum to the closing report in response.



## E. Making Assignments to Outside Professional Services

Only an insurer or WYO vendor (excludes adjusting firms and independent adjusters) can request outside professional services.

- The claim file must clearly document the reason(s) for employing the services of an expert to include the issues requiring expert involvement and the specific type of service/expert needed.
- The insurer or WYO vendor is responsible to ensure that the professional service provider understands and will comply with FEMA's requirements for reporting and billing practices prior to engaging the professional service. This is especially important for new companies the insurer hires.
- The assignment should be clear, outlining reason(s) for inspection. It should be clear that only covered property is to be inspected. The expert should not bill time for inspecting non-covered property e.g. pools, pool decks, sidewalks, retaining walls that are not an integral part of the foundation, bulkheads, non-covered buildings, etc., unless the inspection is necessary to determine the causation or extent of damage to covered property in which case, the expert should provide an explanation in the report.
- Insurers must secure and approve a pre-inspection expense cost estimate regardless of the type of professional service utilized before authorizing the inspection/handling. It is FEMA's expectation that the amount invoiced *will not exceed* the approved pre-inspection cost estimate. If the pre-inspection expense cost estimate is not sufficient to cover the expense, the provider *must* seek additional authority before incurring the expense.
- The expert must thoroughly explain and support the need to use other subcontractors or vendors to complete the assigned task and itemize the charges, no lump sums. **FEMA will not pay for multiple engineers or experts to conduct an inspection unless the expert receives pre-approval from the insurer with a detailed explanation or the inspection needs different expertise or disciplines to evaluate the damage, for example a structural and electrical engineer.**
- Experts should limit the number of individuals involved with producing the final work product to only those who are essential.

## F. Professional Services Billing and Controlling Expenses

- Reimbursement of SALAE Type 1 expenses needs FEMA's approval of the exact amount of the incurred expense regardless of the dollar amount.
- It is the insurer's or WYO vendor's responsibility to ensure that expenses are fair and reasonable for the type and complexity of the inspection, and that the expert's invoice complies with FEMA requirements.
- FEMA will not pre-authorize expert assignment or fees. It is the insurer's or WYO vendor's responsibility to confirm that expert fees are reasonable and customary for the work being performed, and that the expenses charged are reflective and representative of the complexity of the assignment. Examiners must also ensure that all necessary information to support the charges are provided and to address questions prior to submitting the invoice to FEMA for authorization.

## G. All Professional Service invoices must:

- Be itemized by time and expense (no lump sums). All expenses on the invoice must be considered in the pre-inspection fee quote and itemized by time and expense with hours rounded to the nearest quarter hour, supported by receipts, and included in the hourly rate.
- Invoices must separately report:
  - The site study/inspection time;
  - Reasonable travel time;
  - Report writing;
  - Administrative fee; *and*

- Travel expense(s).
- Travel considerations:
  - To control unnecessary or excessive travel expenses, the insurer should use experts in reasonable proximity to the loss location. Exceptions should be explained and supported.
  - Engineering firms should assign the closest available engineer to the assignment location and apportion travel expenses between assignment location and apportion travel expenses between assignments.
  - All travel expenses must conform with GSA travel rates for mileage, lodging, etc., and include all applicable receipts to support incurred charges. Lodging, flight, and rental vehicles are only reimbursable for required travel outside the 48 contiguous states.
- Experts must provide all receipts for air travel, vehicle rental, hotel, tolls, parking, etc., and clearly explain and support any exceptions. If travel is necessary, the cost must be fair and reasonable, consider the most economical method of travel, and comply with GSA travel rates.
- Experts should not charge the same hourly rate for travel as they do for the inspection. FEMA expects the expert to reasonably discount the hourly rate charged for travel.
- The file must clearly document and support any exceptions.

#### H. Important: Expenses never reimbursable by FEMA:

- Expenses charged for non-compliant reports or non-licensed firms or engineers;
- Fees charged that exceed the pre-inspection fee quote without prior approval;
- Expenses charged to inspect or evaluate non-covered property absent a reasonable explanation;
- Non-supported expenses ;
- Expenses invoiced for multiple engineers to conduct an inspection without pre-approval from the insurer or WYO vendor.;
- Lump sum charges or catastrophe surcharges. ;
- Expenses that do not conform with GSA travel rates;
- Mileage with 100 miles of loss location round trip;
- Lodging within the contiguous United States;
- Food expenses; *and*
- Photographs.

## 22 Heating, Ventilation and Air Conditioning (HVAC) Equipment and Heating Machinery

### 22.1 HVAC Equipment

Coverage A of the SFIP insures damage to HVAC components, including air conditioning compressors located in the open or connected to and servicing the building, when a component or the entire system suffers direct physical loss by or from flood.

The SFIP defines direct physical loss by or from flood as “loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property” (SFIP II.C.14).

**Note:** HVAC units installed on a elevated platform attached to the building are insured.

#### A. Upgrades required due to change in cooling refrigerant or Seasonal Energy Efficiency Ratio (SEER):

- When a new HVAC component replaces an existing component damaged by flood but is not compatible with the existing undamaged HVAC component, the system may not function properly or at all. The reason may be due to a different type of refrigerant, or a different Seasonal Energy Efficiency Ratio (SEER) rating designed for each unit. SEER is the standard used to measure the energy efficiency of building HVAC systems. As with refrigerants, federal regulations require periodic increases in SEER ratings. Both rules were established to help our nation consume energy more efficiently. Federal law requires the phase-out of older refrigerant types starting in 2010.

Although not insured by the SFIP, retrofit of the existing undamaged component could solve the issue of component incompatibility. The most common retrofit in an undamaged interior HVAC unit (air-handler) is to replace the evaporator coil (E-coil). With an undamaged exterior HVAC unit, a retrofit may be possible by replacing the compressor. Depending on the system and incompatibility issues, simpler modifications may be available by installing a pressure regulator or replacing the refrigerant with a different, but equally efficient, Environmental Protection Agency (EPA)-accepted variety.

In accordance with SFIP V.A.6-7, and because the SFIP only covers direct physical loss by or from flood to insured property, the NFIP insurer cannot pay for the cost to upgrade the HVAC system when the policyholder is forced to do so by law, regulation, or ordinance.

Additionally, the Pair and Set provision under the SFIP (Section VII.A. of the Dwelling and General Property Forms and Section VIII.A. of the RCBAP Form) does not provide coverage for the undamaged component, as the provision states it will pay only 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.

## 22.2 Heating Machinery

Heating machinery, installed in a detached building at the described location is covered property under Coverage A- Building Property, if it services the insured building.

## 23 Identification of Building Equipment, Appliances, Electronics, and Mechanicals

FEMA requires the claim file to include identifying information (manufacturer, model and serial number, and whenever possible, capacity, etc.) on major building equipment such as furnaces, central air conditioning units, and major appliances such as refrigerators, washers, dryers, televisions, etc.

The adjuster must provide available identifying information on all insured flood-damaged appliances, electronic, and mechanical devices to include the make, model number, and serial number, and include a photograph of any identifying tags or labeling. If this information is not

accessible, or not available, the adjuster should document the items with a detailed description and explanation in the narrative report.

Air conditioning condensers and solar panels are insured, even if set apart from the insured building. The SFIP does not cover other equipment, like electrical supply generators, air compressors, and substation transformers owned by the policyholder that may service the insured building, unless the equipment is hard-wired and in an insured building, as defined in the SFIP II.C.6 or in a building physically attached to the insured structure by means of a qualifying addition or extension (per Dwelling Form at III.A.2, General Property or RCBP at III.A.3). Generators stored in a building at the described location are personal property. Generators and other such equipment in a basement are not insured.

See **Figure 61** for an example of a non-insured generator. It is not in a building. See **Figure 62** for an example of an attached utility shed. A generator is insured under the building when it is hard-wired to the building's electrical system, is installed within an area of the insured building, such as an attached utility shed or closet, or within an SFIP-insured porch or detached SFIP-eligible garage. **Figure 63** is a gas-fired flash water heater affixed to the building's exterior siding, making it part of the building and therefore covered by the SFIP.

**Figure 61: Non-insured Generator**



Photo: Generac

**Figure 62: Utility Shed Attached to Building**



Photo: Generac

Figure 63: Wall-mounted Tankless Water Heater



## Claims Examiners

The examiner should confirm the adjuster provided identifying information (manufacturer, model and serial number, and whenever possible, capacity, etc.) on major building equipment such as furnaces, central air conditioning units, and major appliances such as refrigerators, washers, dryers, televisions, etc. and follow-up to secure this information, if not in the report.

## 24 Improvements

The Dwelling and General Property forms define improvements as fixtures, alterations, installations, or additions comprising a part of the insured dwelling or the apartment in which the policyholder resides (see Dwelling Form at II.C.19 and General Property Form at II.C.18). However, the RCBP defines improvements as fixtures, alterations, installations, or additions comprising a part of the residential condominium building, including improvements in the units, see II.C.18.

### 24.1 Tenants' and Condominium Unit Owners' Contents-Only Policies

As explained in the SFIP Dwelling Form at III.B.6, if the policyholder is a tenant and has purchased Coverage B – Personal Property (contents coverage), the SFIP will cover such property, including the policyholder's cooking stove or range and refrigerator. The SFIP will also cover improvements made or acquired solely at the policyholder's expense in the dwelling or apartment in which the policyholder resides, but not for more than 10 percent of the limit of liability shown for personal property on the Declarations Page. Use of this insurance is at the policyholder's option but reduces the personal property limit.

The SFIP General Property Form at III.B.8-9 specifies coverage conditions for improvements for a tenant or condominium unit owner. Paragraph 8 makes clear that improvements acquired by or made at the expense of the tenant are covered, even if the tenant cannot legally remove them, such as a built-in walk-in freezer. Paragraph 9, which applies to condominium unit owners, provides coverage for improvements but will require documentation from the condominium association (i.e., bylaws, insurance policies, etc.) to avoid duplication of any coverage benefits and establish insurable interest.

If a tenant has a contents policy in his or her own name, flood-damaged items that the tenant may claim as improvements under an insured loss will include all items purchased at

the tenant's expense for which coverage would be provided under building coverage (Coverage A), and that have not been paid under Coverage A for the same loss event under a policy held in the building owner's name.

**Note:** Insurers may refer to the lease agreement to determine which policy will respond.

## 24.2 Building Owner and Tenant Named on Same Policy with Coverage A

Under the NFIP, the building owner must be named on a flood insurance policy with Coverage A. If the building coverage is purchased by a tenant due to a lease agreement, the tenant may be named as an additional policyholder on the policy. The NFIP does not designate any of the named policyholders as primary or secondary. The rule is intended to ensure that all parties with an insurable interest in the building are named on any claim settlement proceeds for building damage. Any claim payment would be made to all parties named as policyholders on the policy.

## 24.3 Duplicate Policies with Coverage A Not Allowed

**There are two exceptions allowing duplicate building policies on a single building:**

- **Residential Condominium Building:** The insurer may issue a Dwelling Form policy with building coverage to a residential condominium unit owner in a residential building. If the building is insured by an RCBAP, the combined building coverage between the Dwelling Form policy and the RCBAP cannot exceed \$250,000 for the unit. Policyholders may not claim damaged items under more than one policy. The NFIP will only pay for damaged items under one policy.
- **Mixed Use Buildings with Multiple Forms of Ownership.** When the policyholders have multiple policies, the policyholder must provide detailed information describing ownership and insurable interest that pertains to each policy. This prevents issues of duplicate coverage or claim payments exceeded the statutory limits.

Excluding residential condominium buildings and mixed use buildings with multiple forms of ownership, NFIP-insured buildings can have only one policy with building coverage (Coverage A). Section 100228 of the Biggert-Waters Flood Insurance Reform Act of 2012, codified at 42 U.S.C. § 4013(b), clarifies that the total aggregate liability for a non-residential building or non-condominium building designed for five or more families is \$500,000 per structure. The law also reiterates that the maximum coverage available for a residential 1–4 family building or condominium unit is \$250,000 per policy. The SFIP prohibits duplicate building coverage by the same policyholder. This means that the NFIP will only pay for building coverage under one policy, and the owner must be a named policyholder.

The NFIP also will not pay twice for the same insured loss (either Coverage A or Coverage B) when an RCBAP provides coverage for a condominium unit insured under the Dwelling Form.

## 25 Increased Cost of Compliance

The adjuster should provide the [Increased Cost of Compliance \(ICC\) Brochure](#) to the policyholder at the time of the inspection.



## Claims Examiners

The examiner oversees or can directly handle ICC claims, which involves securing from the policyholder the necessary documentation to include:

- The community's substantial damage determination letter confirming a compliance requirement resulting from substantial damage. The community determination factors in all perils. For ICC, the SFIP requires the percentage of damage to be by or from flood, whether insured by the SFIP or not;
- Confirmation that the community has the required provision in its floodplain management ordinance addressing repetitive loss or cumulative loss<sup>36</sup> (for III.D.3.a.(1)) or substantial damage (for III.D.3.a.(2)). The applicable state or community provision must already be within its floodplain ordinance at the time of the flood. See Dwelling Form Section III.D.3;
- Bids to perform the work and confirmation that work is only for insured mitigation activities. The SFIP does not allow payment of the ICC claim until the approved mitigation activity is completed and the community has confirmed in writing that the activity resulted in a building that complies with their floodplain management ordinance; however, FEMA encourages advance payments when the policyholder signs a written agreement attesting the funds will be used only for eligible ICC mitigation work and agrees that any dollar amount not spent by a specific date will be returned to the insurer; *and*
- A elevation certificate may be necessary for underwriting to re-rate the policy.

The ICC Policyholder's Processing Checklist (See [Appendix K](#)) is a useful tool to send to the policyholder. See [Section 3 Increased Cost of Compliance](#) of this Manual for detailed guidance.

## 26 Inspection

The adjuster has one opportunity to make a good first impression and that opportunity should not be wasted. FEMA expects adjusters to be punctual for inspections and present themselves in a professional manner. Professional attire should be worn, for example: no ripped or torn jeans, t-shirts, offensive branding, etc. The adjuster should present their FCN card and any government-issued photo ID to the policyholder at the start of the inspection. When minors are present in the building that requires inspection, the adjuster should never enter unless there is an adult present, preferably the policyholder or policyholder's representative.

The adjuster must thoroughly and completely inspect the insured property. Adjuster professionalism, empathy towards the policyholder for the loss to their property and potential financial ramifications, and meaningful communication are key aspects to the inspection that help avoid issues and lay the groundwork for a prompt and successful claim resolution. The adjuster should spend time with the policyholder explaining the adjustment and claim processes and give a realistic timeline for completion of the estimate. This will help avoid future issues and help ensure a good working relationship. These conversations are the adjuster's investment in a successful claim result for the policyholder and for the adjuster.

The adjuster must provide the policyholder a copy of the [NFIP Claims Handbook](#) and ICC Brochure and spend time reviewing the documents with the policyholder. The adjuster must discuss with the policyholder SFIP coverage and non-coverage issues, and how they apply to the loss, but cannot say whether the insurer will approve or deny the claim. The adjuster must

<sup>36</sup> Note that in instances where the locality has a cumulative loss provision, the SFIP still requires two flood losses during a 10-year period. See III.D.3.a.(1)(b).



confirm that the mortgagee is correct and identify all parties to the contract. Policyholders may need other types of assistance to recover. FEMA recommends providing the [Help After a Disaster](#) brochure that explains how FEMA Individual Assistance (IA) can help a policyholder recover.

If the adjuster cannot inspect within a reasonable timeframe, the adjuster should promptly submit a status report explaining the cause(s) for the delay. The adjuster should also address inspection delays caused by the policyholder or their representatives, including their failure to set a reasonable time and date to conduct the inspection and the reason for the delay. The adjuster should avoid visiting the insured without an appointment.

## 27 Insurable Interest

To be eligible for an NFIP policy, the individual or entity (e.g., property owner, tenant, or mortgagee) must have an insurable interest in the subject property. An insurable interest is an interest in property to the extent that the owner of the interest derives a benefit from the preservation of the property and will suffer a loss from its destruction.

Determining the insurable interest for a property is a fact-specific inquiry. Complex questions of insurable interest can arise involving mixed-use buildings with multiple forms of ownership. The NFIP can cover such a building under either a single policy or multiple policies, depending in part on whether a single SFIP form or multiple forms apply. It is recommended that under these circumstances, the adjuster contact the insurer for assistance; the adjuster may be required to submit underwriting referrals. The adjuster must follow the insurer's underwriting reporting procedures.

**Table 15: Insurable Interest Examples**

Topic	Guidance
<b>Mortgagee Interest</b>	A mortgagee has an insurable interest in the mortgaged property.
<b>Shareholder Interest</b>	A shareholder with an insurable interest in a non-residential property (e.g., a building under the cooperative form of ownership) may obtain NFIP insurance to protect its financial interest in the property from loss.
<b>Limited Liability Corporation</b>	An individual listed as an owner of an LLC that owns a residential building and who resides there may obtain NFIP insurance to protect their financial interest in the property from loss.
<b>Interest in Estate</b>	An individual or entity with a financial interest in an estate holding insurable property may obtain NFIP insurance to protect that interest from loss.
<b>Rent-to-Own Agreement</b>	If a tenant has sufficient interest in the property under a rent-to-own agreement, then the landlord and owner and the tenant both have an insurable interest. Each of them may be named insureds under the flood insurance policy.
<b>Lease Requirement to Purchase Building Coverage</b>	If a lease agreement requires a tenant to purchase building coverage, the building owner must be named on the policy but the tenant may also be named on the policy (although they do not have an insurable interest themselves).



Topic	Guidance
	Coverage for contents owned by the tenant must be written on a separate policy in the name of the tenant only. Tenants may not purchase building coverage if the owner or another party has purchased NFIP coverage on the same building, except as noted under the Duplicate Policies heading below.
Capital Lease	<p>The term “personal property” includes property leased under a “capital lease.” A capital lease is a contract that entitles the leaseholder a temporary use of an item and the right to account for the financial effect on their balance sheet. With a capital lease, the leaseholder has an insurable interest in the leased property item, which they can claim under a loss, even if the property is not solely owned by the policyholder.</p> <p>In contrast, an “operating lease” is a contract that entitles the leaseholder temporary use of an item but does not convey ownership rights. According to Generally Accepted Accounting Principles (GAAP), property in possession of a policyholder obtained through an operating lease cannot be represented in balancing sheet financials; therefore, it is not covered.</p>

In any situation where a question exists as to the insurable interest of the policyholder, take the following actions:

- The policyholder must provide the documentation in force at the time of the loss, which indicates the names of all owners of the property in question;
- All owners and the policyholder must disclose and verify all lienholders for the property, including personal property contents; *and*
- The policyholder must provide the documentation in force at the time of the loss, which indicates the vested financial interest which legally connects the policyholder to the other entities.

In order to issue payment, the insurer must obtain a signed and sworn declaration (affidavit) by all owners and the policyholder attesting that no other interest owns the property in question and no other interest has a lien on the property in question. The insurer will want all owning interests and the policyholder to sign a hold harmless, relieving the insurer of any claims made against the insurer for damage to property insured on the claimed date of loss from any other entity, individual, or lienholder whose interest in the property was not disclosed to the insurer by the policyholder(s), the owner(s) of the building, the business, or the personal property contents.

FEMA must verify that no other NFIP policy is in force at the same location. The insurer must immediately endorse the policy with the names of all owners, individuals, and entities, with applicable lienholders for the respective property as declared.

## 28 Letter of Map Amendment/Letter of Map Revision

For more information about LOMA/LOMR, see the [Flood Insurance Manual](#).

## 28.1 Letter of Map Amendment Definition

The Letter of Map Amendment (LOMA) is an official amendment, by letter, to an effective NFIP map. A LOMA establishes a property's location in relation to the SFHA. LOMAs are usually issued because a property has been mapped as being in the floodplain, but the property is in fact on natural high ground above the base flood elevation.

The LOMA officially amends the effective NFIP map. The community maintains this public record. LOMAs are included on the community's master flood map and filed by panel number in an accessible location.

## 28.2 Letter of Map Revision Definition

A Letter of Map Revision (LOMR) is FEMA's modification to an effective Flood Insurance Rate Map (FIRM), or Flood Boundary and Floodway Map (FBFM), or both. LOMRs are generally based on the implementation of physical measures that affect the hydrologic or hydraulic characteristics of a flooding source and, thus, result in the modification of the existing regulatory floodway, the effective Base Flood Elevations (BFEs), or the SFHA (see 44 CFR Parts 60, 65, and 72). The LOMR officially revises the FIRM or FBFM, and sometimes the Flood Insurance Study (FIS) report, and when appropriate, includes a description of the modifications. The LOMR is generally accompanied by an annotated copy of the affected portions of the FIRM, FBFM, or FIS report.

All requests for changes to effective maps, other than those initiated by FEMA, must be made in writing by the Chief Executive Officer (CEO) of the community or an official designated by the CEO. The LOMR officially amends the effective NFIP map. The community maintains this public record. LOMRs are included on the community's master flood map and filed by panel number in an accessible location.

## 28.3 How a LOMA or LOMR Applies to Claims

A LOMA or LOMR effectively removes a post-FIRM elevated building from the SFHA. If the policyholder obtains a LOMA or LOMR after the loss, its effective date is the date of the loss. This means that the coverage limitations to areas beneath the lowest elevated floor do not apply. A LOMA or LOMR may not be issued if the lowest adjacent grade of the property is below the BFE. If such a property has its lowest floor (enclosure floor) above the BFE, the property may comply with the NFIP Floodplain Management Regulations. The insurer should send claims involving such buildings to the NFIP with a request for a waiver of the elevated building coverage limitation (See [2.55 Waiver of Elevated Building Coverage Limitations](#) in this section of the Manual for instructions).

## 29 Lowest Elevated Floor Determination

Full coverage for post-FIRM elevated buildings in an SFHA begins at the lowest elevated floor. This is the lowest floor raised above ground, even if the pilings extend beyond it. For the purposes of coverage, false floors and raised floors that appear to be elevated do not qualify as the lowest elevated floor. See **Figure 64** and **Figure 65** as examples of non-elevated floors. A hanging floor would qualify as a lowest elevated floor, for the purposes of full coverage, see **Figure 66**. Full coverage in a non-V zone starts at the top of the floor.

**Figure 64: Sleeper System Installed Over a Concrete**



**Figure 65: False (Raised) Floor**



Figure 66: Hanging Floor



If an elevated floor is constructed over a crawlspace and the crawlspace is below the ground level on all sides, the building is not elevated, and the building's lowest floor is the below ground level crawlspace floor, meeting the SFIP definition of a basement.

## 30 Manufactured (Mobile) Home/Travel Trailer

### 30.1 What is a manufactured home?

A manufactured home is a structure built on a permanent chassis that is transported in one or more sections. A manufactured home is a legal term created on June 15, 1976, by the U.S. Department of Housing and Urban Development, the government authority that regulates the manufactured home industry. A mobile home is a structure built before June 15, 1976. A manufactured home and a mobile home are not a modular home.<sup>37</sup>

Figure 67: Manufactured Home



Modern manufactured home built in 2020.

(Photo: Manufacturedhomes.com)

<sup>37</sup> A modular home is not assembled on a chassis. Modular homes are regulated by the same local or state rules that apply to on-site framed constructed buildings. For purposes of coverage under the SFIP, the modular home is a building so long as it meets the requirements of II.C.6.

Figure 68: Mobile Home



1975 mobile home by Paramount.

### 30.2 What is a travel trailer?

See Section 1, Commentary under SFIP II.C.6.

### 30.3 Eligibility

- The SFIP only insures a manufactured home, mobile home, or travel trailer – look for a chassis frame underneath the building.
- A manufactured home, mobile home, or travel trailer must be affixed to a permanent foundation – none of these can be resting on trailer wheels. A travel trailer must have its wheels removed. If wheels are attached to axles at the time of the loss, the travel trailer is not eligible for coverage under the SFIP – make sure photographs show the axles from front to back from both sides.
- When located in a SFHA, the manufactured home, mobile home, or travel trailer must be secured to resist flotation.
  - Look for and photograph over-the-top anchor straps or tie-downs that hook into the chassis frame underneath the building
  - If anchor straps or tie-downs are not installed, the building must be installed based on local community's regulations or manufacturer's specification, such as when the building has an improved or a higher elevated foundation. In such instances, look for and photograph the means which the building is affixed to the foundation.
- A travel trailer installed in a recreational camping park outside the regulations of the local community, i.e., a park trailer, is not eligible for coverage under the SFIP.
- If the manufactured home, mobile home, or travel trailer has site-built additions greater than its original square foot area, look up and obtain the entire property card on the community assessor's webpage, and provide it along with an UW referral with the Preliminary Report. The referral should



request a review to see if the building should remain insured as a manufactured home or if it should change to a framed dwelling.

### 30.4 Locate the Data Plate

- The adjuster should locate and photograph the data plate on the manufactured home or mobile home.
- The data plate is a sheet of paper that contains important information. It can be found glued to the inside the building usually on the wall adjacent the main electric service panel, or on the interior side of the main utility close door, master bedroom closet door, or the cabinet door beneath the kitchen sink.
- The data plate confirms information such as manufacturer name, make, model or style, serial number, size, year of manufacture, and other code-related or elected improvements with the build.
- In case of a travel trailer, a data plate may not be available. The adjuster should locate and photograph the metal tag on the trailer's metal chassis frame.
- If the data tag is not available or in case of a travel trailer, the adjuster should obtain a copy of property title or the property card from the internet, and one of the following to document the full description of the building: bill of sale, the manufacturer's build sheet, or the homeowners insurance agency appraisal.

Figure 69: Sample Data Plate

**Manufacturer Address**  
 BONES OF MERIT, INC.  
 P.O. BOX 2097  
 LAKE CITY FL 32056

**Plant Number** 3

**Date of Manufacture** 6/26/02  
**HUD Label No. (s)** FLA 726502-B FLA 726503-A

**Manufacturer's Serial Number and Model Line Designation**  
 FLM126798V-26134AB

**Manufacturer's Name**  
 BONES OF MERIT, INC.  
 12345 SOUTH WYOMING AVE  
 LAKE CITY, FL 32056

This manufactured home is designed to comply with the Federal manufactured home construction and safety standards in force at time of manufacture. (For additional information, consult owner's manual.)

Equipment	Manufacturer	Model Designation
For heating		
For air cooling	CE	JHP2698AM
For cooking	CE	GSS20TENDMG
Refrigerator	SELSCO	RA 28
Water Heater		
Washer		
Clothes Dryer	GE	CSD320000AM
Dishwasher		
Garbage Disposal	HARCO	DM36HD
Smoke Detector	PIREX	PK318-10
Water Filter	GE	GSS100CRLD2
MicroKvle	GE	JVNT180ZB007

**HOME CONSTRUCTED FOR**  Zone I  Zone II  Zone III

**COMFORT HEATING**  
 This manufactured home has been factory installed to conform with the requirements of the Federal manufactured home construction and safety standards for all locations where this unit may be placed. (Shipping at option.)  
 Heating equipment manufacturer and model (see list at left).  
 The above heating equipment has the capacity to maintain an average 70° F temperature at the home's outdoor temperature of \_\_\_\_\_° F.  
 To determine proper operating economy, and to conserve energy, it is recommended that this home be installed where the outdoor winter design temperature (30° F/24° is not higher than \_\_\_\_\_° F).  
 See above information has been calculated assuming a maximum wind velocity of 15 mph at standard atmospheric pressure.

**COMFORT COOLING**  
 Air conditioner provided at factory (Alternate I)  
 Air conditioner manufacturer and model (see list at left).  
 Cooling capacity \_\_\_\_\_ B.T.U. hour in accordance with the requirements of construction and refrigeration institute standards.  
 The unit is an electrically powered system installed in the home. This has been sized assuming an average of the home's outdoor air temperature of \_\_\_\_\_° F. On this basis the system is designed to maintain an indoor temperature of 75° F when outdoor temperatures are \_\_\_\_\_° F or less and \_\_\_\_\_° F or less.  
 The temperature at which this home can be cooled will change depending upon the amount of shade of the window of the home to the sun's radiant heat. Therefore, the manufacturer will not be responsible for the operation of the unit and the purchaser should consult the manufacturer's literature for the calculation of cooling loads. If cooling loads are not provided and a cooling load is provided in Chapter 22 of the 1989 edition of the Florida Handbook of Construction.  
 Air conditioner not provided at factory (Alternate II)  
 Information necessary to calculate cooling loads of various locations and orientations is provided in the Special Cooling Load Information provided with this home.  
 The air circulation system of this home is suitable for the installation of central air conditioning.  
 The supply or circulation system installed in this home is used for a manufactured home. It is not intended for use in any other location.  
 To determine the required capacity of a central air conditioning system, the manufacturer's literature should be consulted for the appropriate air conditioning and refrigeration institute standards, which list air conditioning units or combinations of the unit and the required outdoor air conditions for the cooling air delivered to the manufactured home. The manufacturer's literature also provides the calculation of cooling loads. If cooling loads are not provided and a cooling load is provided in Chapter 22 of the 1989 edition of the Florida Handbook of Construction.  
 Air conditioning not recommended (Alternate III)  
 The air conditioning system of this home has not been designed or intended for use in any other location.  
 To determine the required capacity of a central air conditioning system, the manufacturer's literature should be consulted for the appropriate air conditioning and refrigeration institute standards, which list air conditioning units or combinations of the unit and the required outdoor air conditions for the cooling air delivered to the manufactured home. The manufacturer's literature also provides the calculation of cooling loads. If cooling loads are not provided and a cooling load is provided in Chapter 22 of the 1989 edition of the Florida Handbook of Construction.

**INFORMATION PROVIDED BY THE MANUFACTURER NECESSARY TO CALCULATE SEVERE RISK HEAT GAIN**

Wall (above windows and doors)	0.48
Ceiling and walls of light color	0.98
Ceiling and walls of dark color	0.98
Floor	0.34
Air ducts in floor	2.38
Air ducts in ceiling	2.25
Air ducts outside outside the home	2.25
The following are the duct areas in the home:	
Air ducts in floor	656 sq. ft.
Air ducts in ceiling	30 sq. ft.
Air ducts outside the home	30 sq. ft.

### 30.5 Building Valuation

- The appraisal of a manufactured home, mobile home, or travel trailer does not always complete the building valuation.
- The building valuation always includes the appraisal plus any site-built additions, improved foundations, and other modifications or costs not accounted for in the appraisal.
- Appraisals should document options selected by the purchaser that are included by the manufacturer such as local code-required or elected improvements above the base model – see data plate.
- The RCV appraisal should include the value of a new building with all manufacturer-built improvements, and account for any extra costs for sales tax and delivery not accounted for within the base value of the RCV appraisal.
- Site-built additions, egresses, porches, improved foundations above the base value provided in the appraisal, and the new value of any other modification, improvement, and costs (such as tax, overhead, and profit) not accounted for in the appraisal, should be added to complete the RCV building valuation.
- With the completed RCV building valuation, depreciation is applied from a reputable the appraisal guide and other itemized depreciation adjustments based on the age of any repairs and improvements to complete the ACV building valuation.

### 30.6 Estimate of Damage

- Many materials installed in manufactured home, mobile homes, and travel trailers are different than those common in site constructed buildings.
- Because of this the adjuster should make sure to perform a full and proper damage assessment. This includes inspecting, documenting, and photographing the type of materials flooded to account for details like height and width dimensions for doors, thickness for wall board and other materials, trim work, sheathing, and subfloor.
- If a manufactured home specific pricing schedule is not selected, the adjuster should be sure to select the corresponding line item on the estimating software for the most accurate unit price. If the corresponding line item is not available, a unit price adjustment should account for the material's price difference, and document with a notation in the estimate detailing the item's description.

### 30.7 Loss Settlement

To ensure the proper loss assessment applied to the claim, the adjuster should complete the building valuation and estimate of damage as described above, before selecting the loss settlement method.

**Special Loss settlement** applies when the following criteria is met:

- The manufactured home, mobile home, or travel trailer is a total loss, that is the RCV of the building estimate is more than the RCV building valuation, or the building is damaged to such a degree it is physically not possible to repair.
- The manufactured home or mobile home is at least 16 feet wide, 600 square feet in total, and the policyholder's principal residence. Note the 16-foot wide criteria must extend down the full length of the manufactured home or mobile home.
- Insurer will pay the lesser of RCV building valuation less deductible, 1.5 times ACV building valuation less deductible, or policy limits.

When the special loss settlement is used, on some claims the result of multiplying the ACV by 1.5 may result in a valuation that is lower than the ACV of the repairs. In such instances, the loss is not economically feasible to repair, and the payable claim is the lesser amount (i.e., 1.5 x ACV). To properly account for this situation, the payable amount reflected in the estimate must be adjusted downwards. There are several ways the adjuster can account for this adjustment in the claim file:

- One way is to apply the dollar amount (the difference between the ACV repair total amount and 1.5 x ACV of the building valuation) to the deductible.
- Another way is to add the dollar difference as a negative entry at the end of the estimate under summary section as an appendix.
- A final way is to enter the negative dollar amount under a special coverage limit in the file setup option, if the software has that capability.

The adjuster should not enter a negative dollar value in the estimate to adjust for the special loss settlement, as this will lead to confusion or misapply end-of-estimate calculations involving sales tax and overhead and profit.

**IMPORTANT:** Do not use the Special Loss Settlement Calculation Table in the 2021 manufactured home worksheet. A correction to this table is forthcoming. If the criteria for Special Loss settlement are not met, **Replacement Cost Loss settlement** is applicable if the following criteria apply:

- The manufactured home, mobile home, or travel trailer is not a total loss, that is the RCV of the building estimate does not exceed the RCV building valuation, and the building is feasible to repair.
- The manufactured home, mobile home, or travel trailer is at least 16-foot wide and 600 square foot in total, and is the policyholder's principal residence. **Note** the 16-foot wide criteria must extend down the full length of the manufactured home or mobile home.
- The claim payment equals the RCV estimate of damage less any non-recoverable depreciation and deductible.



If the criteria for Replacement Cost Loss settlement are not met, **Actual Cash Value Loss settlement** applies, and the insurer will pay the greater between the following:

- Under ACV loss payment, the claim payment equals the ACV building valuation for a total loss or the ACV estimate of damage for a repairable loss, less the deductible.
- Proportional loss payment – if the insured building is the policyholder’s principal residence, the claim payment equals the RCV building valuation times the proportional loss rate less the deductible for a total loss, or the RCV estimate of damage times the proportional loss rate less the deductible for a repairable loss. The proportional loss rate is determined this way:
  - When 80 percent of the RCV building valuation *is less than* the maximum amount available under the NFIP:  
**proportional loss rate** = amount of building coverage ÷ 80 percent of the RCV building valuation
  - When 80 percent of the RCV building valuation *is greater than* the maximum amount available under the NFIP:  
**proportional loss rate** = amount of building coverage ÷ the maximum amount available under the NFIP

### 30.8 Manufactured (Mobile) Home/Travel Trailer Worksheet

When concluding a insured loss on an SFIP-eligible mobile home or manufactured home, the adjuster’s closing report should include the NFIP mobile-home worksheet, the itemized building valuation, and building diagram (Manufactured (Mobile) Home/Travel Trailer Worksheet, [FEMA Form FF-206-FY-21-111](#) (formerly 086-0-17) at [Appendix E](#)).

The adjuster must determine the pre-loss valuation or book value of the home and complete an industry-accepted method of establishing pre-loss valuations of manufactured or mobile homes.

The valuation should be for the mobile home unit and any extras that were installed at the factory. Any modifications, upgrades, and additions built or added on or in the unit after its purchase must be valued separately and explained in the adjuster’s narrative report. When establishing the value of the mobile home, consider the following:

- The cost to disconnect and reconnect existing utility connections;
- The cost to remove the damaged mobile home;
- Transportation costs; *and*
- The cost to set up the replacement mobile home on the existing foundation, including tie-downs or anchors, etc.

The value would not include:

- The cost to comply with any code compliance, except ICC, if it qualifies;
- Upgrades; *or*

- The cost to relocate the mobile home on another location requiring a new foundation, extending or moving utility connections, etc.

**IMPORTANT:** Do not use the Special Loss Settlement Calculation Table in the 2021 manufactured home worksheet.

### 30.9 Date of Construction for Manufactured/Mobile Homes and Building and Travel Trailers

Determining the date of construction differs for manufactured/mobile homes and buildings and travel trailers depending on whether they are in a manufactured home park or subdivision versus on individually owned lots or tracts of land.

**Table 16: Date of Construction –  
Manufactured/Mobile Homes and Travel Trailers**

Location	Determine Construction Date
Manufactured Home Park or Subdivision	<ul style="list-style-type: none"> <li>• The date facilities were constructed for servicing the manufactured home site; <i>or</i></li> <li>• The date of the building permit, provided that construction began within 180 days of the permit date.</li> </ul>
Individually Owned Lots or Tracts of Land	<ul style="list-style-type: none"> <li>• The date the manufactured home was permanently affixed to the site; <i>or</i></li> <li>• The permit date, if affixed to the site within 180 days of the building permit date.</li> </ul>



#### Claims Examiners

The examiner should confirm that the adjuster appropriately completed a Manufactured (Mobile) Home or Travel Trailer Worksheet for every manufactured (mobile) home or travel trailer claim with a insured loss.

## 31 NFIP Coverage for Structures Where Controlled Substances are Manufactured or Distributed

The Controlled Substances Act makes it unlawful to knowingly open, lease, rent, use, purchase or maintain property for the primary or principal purpose of manufacturing, distributing, or using any controlled substance.<sup>38</sup> Accordingly, FEMA will not issue a policy to a person or entity that acknowledges that the property to be insured is used in violation of 21 U.S.C. § 856 (for example: a marijuana dispensary). The NFIP will void a policy and deny a claim where the NFIP discovers the property is likely in violation of 21 U.S.C. § 856 because it is used primarily and principally for the manufacture or distribution of a controlled substance.

<sup>38</sup> 21 U.S.C. § 856.

FEMA must void a flood insurance policy and deny coverage where it determines, after a claim is filed, that it is more likely than not that the primary or principal use of the insured structure has been the manufacture or distribution of a controlled substance.

When there is a question of coverage, the adjuster must conduct a reasonable investigation to confirm the use of the property and report the information to the WYO or NFIP Direct to confirm coverage.

## 32 Nonflammable Insulation in Basements and Protective Barriers for Insulation in Basements or Elevated Post-FIRM Buildings

### 32.1 Nonflammable Insulation in Basements

The Dwelling, General Property, and RCBAP forms at III.A.8.a.(10) limit coverage to nonflammable insulation in basements only.

- Nonflammable insulation in a basement includes nonflammable insulation for walls and ceilings.
- If basement insulation has a foil or paper-facing, this provision only pays to replace the equivalent of nonflammable insulation with no facing (un-faced batt insulation).

### 32.2 Protective Barriers for Insulation in Basements or Elevated Post-FIRM Buildings

- The SFIP will cover insulation installed between joists within the lowest elevated floor of an elevated post-FIRM building, because it is not below the lowest elevated floor.
- This provision will provide coverage to:
  - Installed protective barriers such as exterior-rated wood, plastics, or fiber-mesh products used to shield floor insulation from the outdoor environment.
  - Protective barriers for the purpose to shield floor insulation must be installed above the ground level directly to the building's floor framing (band boards, sills plates, rim or floor joists, beams and girders), although the material by design may hang below.
- What is not covered under this provision:
  - Barriers not principally used to protect floor insulation such as vapor barriers covering the ground, or moisture or water barriers covering walls or floors in a basement.
  - Plastic vapor barriers or ground covers installed loosely or secured to the ground with landscaping pins are not building property and are not covered under this provision. They may be covered as personal property but are subject to the limitations stated in SFIP III.B.5.

### 33 Non-Waiver Agreements and Reservations of Rights

Insurers may require the use of a reservation of rights or non-waiver agreement in accordance with their standard business practices for other insurance lines. As a reminder, adjusters do not have the authority to approve or disprove claims, and insurers act only as FEMA's fiscal agent. As always, communication with the policyholder is critical, and a non-waiver agreement or reservation of rights may be the most effective way of communicating that the late filing of a claim may prejudice the rights of the insurer to fully investigate the claim.

### 34 Notice of Loss

The first step in the claims process occurs with the first report or notice of loss from the policyholder. The SFIP requires the policyholder to give prompt written notice of loss to the insurer. In addition to the normal information required on the notice of loss, every loss assignment to an adjusting firm should include a brief description of the loss, even if the loss is minor. Information about the loss, such as water depth, affected room areas, and unique circumstances such as accessibility, uncommon improvements or betterments to the property, and extent of the damage is important, as it helps to ensure assignment to an adjuster with the appropriate level of experience and will help to prioritize the loss.

When the policyholder delays the notice of loss, it is important to determine if the delay prejudiced the rights of the program to confirm the loss and the amount of insured damage. Some examples include the policyholder reporting the loss after repairs are performed, or when an avoidable delay causes damage to undamaged property or increases damaged property from salvageable to non-salvageable. In contrast, a justifiable delay could be an order issued by local authorities or prolonged inundation which prevented the policyholder's prompt access to the insured property. There may be other examples; however, in these instances, the SFIP may not provide coverage. The adjuster must ask questions so the policyholder understands the circumstances and the reason(s) for the delay and clearly report the explanation.

### 35 Overhead and Profit

Overhead and Profit (OHP) is added to an estimate when the complexity of the repairs requires coordination by a general contractor at a typical industry standard of 10 percent overhead and 10 percent profit. The adjuster should evaluate each claim and document support of their decision in the file.

General contractors' overhead expenses are the ongoing costs associated with running a business. Overhead expenses are typically categorized as indirect (general) or direct.

Indirect overhead costs are fees that a contractor pays on a regular basis that are not specific to a particular job, such as:

- Salaries and benefits for office personnel who may not work on the site, such as bookkeepers and administrative employees;
- Office rent, utilities, supplies, phone and internet lines, business insurance and licenses, etc.; *and*

- Various ongoing expenses, such as marketing, advertising, travel costs, legal fees, etc.

Direct overhead costs are typically those ongoing costs for a particular job, such as:

- Short-term office structures such as trailers, architect’s stations, and leased office space;
- Project-specific salaries for foremen, schedulers, engineers, job superintendents, etc.;
- Job-specific equipment rentals (jackhammers, cranes, bulldozers, backhoes, etc.); *and*
- Short-term water and sanitation facilities.

When the policyholder performs the duties of a general contractor on some trades or repairs, the policyholder is entitled to a fair overhead allowance (not profit) for the time spent hiring, scheduling, and overseeing repair performance. This allowance is limited to five percent. The adjuster must fully justify a higher percentage.

FEMA typically omits general contractor OHP on adjuster-estimated allowances for:

- Cleanup;
- Treatment against mold & mildew;
- Building dry-out;
- HVAC;
- Kitchen appliances;
- Carpet and padding; *and*
- Contractor receipts or quotes.

These “Non-OHP trades” are mostly performed by the policyholder or outside services hired by the policyholder.

If the general contractor estimates or repairs include “Non-OHP trades,” the adjuster should ensure justification, note the file, and apply OHP accordingly.

## 36 Payment and Paying the Undisputed Loss



### Claims Examiners

**Important:** If the insurer receives proof of loss that is not supported or agreed to, the insurer should pay the undisputed claim and issue a partial proof of loss rejection letter.

Remember, the lienholder is not required on payments under Coverage B – Personal Property, unless there is a loan specific to the coverage. Small Business Administration (SBA) loans can apply to personal property, Coverage C – Other Coverages, or Coverage D – Increased Cost of Compliance.

### 37 Personally Identifiable Information (PII) and Sensitive Personally Identifiable Information (SPII)

The adjuster should exercise care when handling all personally identifiable information (PII). Sensitive PII (SPII), however, requires special handling due to the increased risk of harm to an individual if it is compromised. The loss or compromise of SPII can result in embarrassment, inconvenience, reputational harm, emotional harm, financial loss, unfairness, and in rare cases, a risk to personal safety.

**What is PII?** PII is any information that permits the identity of an individual to be directly or indirectly inferred, including any other information that is linked or linkable to that individual, regardless of whether the individual is a U.S. citizen, legal permanent resident, visitor to the U.S., or employee.

**Table 17: Types of Personally Identifiable Information/ Sensitive Personally Identifiable Information**

PII	SPII
<ul style="list-style-type: none"> <li>• Address</li> <li>• Date and Place of Birth</li> <li>• License Number</li> <li>• Work email address</li> <li>• Social Security Number</li> </ul>	<ul style="list-style-type: none"> <li>• Name</li> <li>• Mother’s Maiden Name</li> <li>• Vehicle Identifier Number</li> <li>• Internet Protocol Address</li> <li>• Financial Information</li> <li>• Information created specifically to identify or authenticate an individual (e.g., random generated number)</li> <li>• Social Security Number</li> <li>• Account Number</li> <li>• License Plate Number</li> <li>• Biometric Identifier (e.g., photograph, fingerprint, iris scan, voice print)</li> <li>• Medical Information</li> <li>• Device Identifier or Serial Number</li> <li>• Educational information</li> <li>• Criminal or Employment Information</li> </ul>

**What is SPII?** SPII is personally identifiable information which if lost, compromised, or disclosed without authorization, could result in substantial harm, embarrassment, inconvenience, or unfairness to an individual. Further, FEMA considers some information SPII when coupled with the person’s name or other unique identifier (e.g., personal address, telephone number) including: full date of birth, authentication information such as mother’s maiden name or passwords, and portions of social security numbers.

**Note:** SPII requires stricter handling guidelines because of the increased risk to an individual if the data is inappropriately accessed or compromised. Some categories of PII are sensitive as stand-alone data elements, including Social Security numbers and driver’s license or state identification number. Other data elements such as citizenship or immigration status, medical

information, ethnic, religious, sexual orientation, or lifestyle information, in conjunction with the identity of an individual (directly or indirectly inferred), are also SPII.

### 37.1 How to protect PII/SPII

All NFIP insurers and their contractors are responsible for upholding FEMA and DHS system security standards. It is important to review all uploads to ensure they include only the information requested by FEMA for review and to take extra precautions to redact the PII/SPII items noted above.

- If SPII is identified in any claims or policy upload to Pivot, it may result in a automatic failure of the Operation Review.
- The adjuster's claim file and subsequent reports will necessarily contain PII because the information is collected as part of our normal business practice and not subject to redaction, e.g. items captured on a declarations page including but not limited to policy number, policyholder name(s), mailing address, property location, etc. However, the adjuster should avoid including PII not related to the adjustment of the claim (e.g., the policyholder's drivers license).

## 38 Photographs

The adjuster should take as many photographs as necessary to portray the damage, including photographs of undamaged property and damage from other causes. Photographs should document the flood damage and the condition and quality of building finishes and contents. The adjuster must label the photographs, provide the date, the room, and a description of what the photograph represents, to include:

- All sides, elevations, and foundation components of the building, including any vents, if applicable;
- Interior and exterior water lines on the building;
- All damaged rooms, including any special architectural features;
- Discrepancies pertaining to basements, elevated buildings, garages, additions, and extensions or other buildings requiring review for coverage determination. Secure clear photos of the means of connection for any addition or extension covered under Dwelling Form III.A.2 or General Property and RCBP III.A.3;
- Exterior and interior of cabinets and drawers;
- Appliances and building equipment, including make, model, serial number identification;
- All undamaged rooms;
- Representation of the damage to personal property;
- Photographs of the curbside debris, including contents and building material set out at the curb; *and*
- Avoid taking or including photographs that can be considered inappropriate and have no bearing on documenting or supporting the claim.

## 39 Pollutants

When flood causes a pollutant to damage insured property, the SFIP covers the cost to contain, remove, and dispose of the pollutant, in addition to the cost to repair or replace insured property. This coverage includes the cost to test and monitor only if it is required by law or ordinance. The SFIP covers the full extent of the scope for cleanup, abatement, testing, and monitoring caused by pollutants up to the value of the affected insured item, based on its replacement cost or actual cash value as coverage applies to the item. The sum of this coverage under the Dwelling and RCBAP forms is limited to the coverage amount purchased. However, under the GP form at III.C.3, coverage is limited to \$10,000 under Coverage A and Coverage B combined and does not increase the amount of coverage purchased.

To illustrate this coverage, consider when a flood ruins vinyl-asbestos floor tile. If these tiles are insured property, the SFIP will replace the tiles as normal. However, because the replacement may require professional services to follow industry protocols to ensure the safety of their workers and proper removal, the required scope to remove may include other tasks. Therefore, the SFIP will cover reasonable and customary costs to contain the affected area, personal-protection equipment, wipe-cleaning of affected surfaces, and to collect and properly dispose of the pollutant materials as required. If these costs or the scope of work is extensive, the adjuster should obtain supporting documentation, such as an itemized estimate or invoice from a professional service. If the vinyl-asbestos tiles are not insured property, the SFIP will not cover the tiles and the cost for the removal and abatement of the pollutant.

Prior to considering this type of procedure, the adjuster should confirm the pollutant exists in the building, either with documentation or photographs. Common pollutants encountered are typically in older buildings and could include, for example, lead paint, non-residential pipe insulation, vinyl-asbestos floors tiles, or cement asbestos-fiber exterior shingles. Oftentimes neither the adjuster, policyholder, nor the contractor can visually confirm the existence of pollutant without a test. The adjuster should be sure to inform the parties involved that if a test is performed, it is only covered on the claim if a copy of the law or ordinance, which requires it, is included in the claim file. On larger cleanups, law or ordinance may require monitoring after cleanup or supervision of the work by licensed state-certified personnel because the removal and handling of a pollutant can spread particles in other parts of the building. The adjuster should communicate to the parties involved that such services can be covered on the claim if the measures are required by law or ordinance. Therefore, the claim file must include a copy of the law or ordinance that requires it, evidence of licensed and state certification, along with the itemized service invoice.

The SFIP will not cover costs related to any pollutants in the building, if the damage from the pollutant is not caused by flood. This is true even if other parts of the building are damaged by flood. For example, vinyl tile on the first floor of a building is damaged by flood and found to contain asbestos. Lead is also found in the paint on walls in the second floor, which is not damaged by flood. The SFIP will only cover related costs for the asbestos removal and cleanup in the living room and will not cover costs associated with lead paint on the second floor.



Under this provision in the GP form, the excess costs from damage related to a pollutant, which is greater than the \$10,000 limit, cannot be applied to the deductible under Coverage A or Coverage B.

The cost for removal and abatement of a pollutant is not insured across all forms, such that where coverage is restricted in the SFIP (i.e., basements or post-FIRM elevation restrictions), the SFIP will only cover pollutants in connection with the items specifically listed in Coverage A or Coverage B.

## 40 Porches

Porch design and construction has varied over time. It may be original to the building or an attached addition. A porch can be fully or partially enclosed, screened or open; it can be built on the ground or elevated. An SFIP-covered porch is not a covered deck or a covered patio.

A porch is an addition or extension attached to and in contact with the insured building by one of the five means of connection included in the additional explanation to Coverage A.<sup>39</sup> With this in mind, a porch is considered part of the building and insured under the SFIP, provided it is constructed in a manner that is not subject to SFIP IV.9.

Adjusters should also keep in mind building materials that are used to construct a porch are exterior-rated, which generally resist inundation damage from floodwater. The same is true with common porch furniture. The scope of loss should first consider if cleaning, repairing, or refinishing is the extent of the loss. A scope that considers porch building materials or contents ruined requiring replacement should be documented in the claim file.

## 41 Prior Loss History and Request

The adjuster should know the prior loss history on all claims assigned to them for handling. Prior loss will only be reported with the assignment for claims reported with the same insurer. Adjusters should ask the policyholders about prior flood losses on every claim and report the information to the insurer.

If the policyholder did not own the property during a prior loss, the adjuster should inform the policyholder that the SFIP will not pay for any prior losses. The policyholder may need to contact the former owner(s) of the property in order to obtain evidence of repairs of flood damage.

There are a variety of reasons why a policyholder may question or challenge the prior loss history for the property. The adjuster should not attempt to explain any alleged discrepancies, but should notify the insurer immediately.

The insurer will instruct the adjuster if they need assistance in obtaining documentation to either prove or disprove reported claims.

**Prior Loss Request.** The SFIP does not cover damage to insured property that occurred prior to the insured loss, including unrepaired damage from a prior flood. NFIP insurers must verify that damages from any prior loss have been repaired before the subject loss occurred and must

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<sup>39</sup> Dwelling Form at III.A.2, General Property Form at III.A.3, RCBAP at III.A.3.

exclude from the adjustment any unrepaired prior damages. This normally requires the NFIP insurer to obtain and review prior flood claim files before adjusting the loss.

For claims filed under the SFIP Dwelling Form, an insurer may adjust a claim without obtaining a prior flood claim file, if there is evidence of completed repairs following a prior flood loss. Examples of evidence include an inspection of the property that clearly shows repairs to or replacement of prior damage and a review of available documentation, such as paid contractor invoices and receipts.

FEMA relies on the flood adjuster and the insurer to evaluate and document the evidence demonstrating prior repairs. If the adjuster cannot substantiate repairs based on their preliminary assessment, the adjuster should recommend reviewing the prior loss file to the insurer. The adjuster should provide the insurer with adequate documentation and photographs of any unrepaired prior damage.



## Claims Examiners

Examiners should identify prior losses as quickly as possible following a new report of a claim and provide the estimate and photographs to the adjuster, to assist with confirming prior damage and repairs.

If the current insurer needs prior loss information on a claim handled by a previous insurer, the current insurer can make a request by email to the NFIP at [NFIPClaimsMailbox@fema.dhs.gov](mailto:NFIPClaimsMailbox@fema.dhs.gov). The email subject line should include the type of submission (ex. Request for Prior Loss Information). The body of the email should contain the current policy number, property address, and date of loss. It should also contain any information regarding the prior loss and your reason for the request. Note: when emailing sensitive PII, the information should be saved in a separate document and encrypted or password protected.

The requestor should expect to receive an initial reply containing basic information, building amount paid, and contents amount paid for each prior loss requested within 48 hours of the request.

If a copy of the file is needed, FEMA will request the claim file from the previous insurer and will forward relevant information to the requestor upon receipt; typically within 72 hours.

## 42 Prompt Communications

In order to meet the time standards established in the WYO Financial Assistance/Subsidy Arrangement, flood adjusters must contact the policyholder within 24-48 hours of the claim assignment or as soon as reasonably possible, depending on the size and scope of the storm. Unless the policyholder has stated a communications preference, FEMA expects the initial contact to be by telephone. The initial communication should acknowledge the assignment and provide the adjuster's telephone number and any other means of contact.

FEMA expects the adjuster to return telephone or electronic messages within 24-48 hours of receipt of a message from a policyholder, agent, or company staff person. When unable to contact the policyholder, the adjuster should contact the carrier to seek guidance on how to proceed with the loss and should document their efforts to make contact in the activity log.

FEMA expects adjusters to provide each policyholder with a status in a timely manner and to set appropriate expectations or to advise when issues arise.



## Claims Examiners

FEMA expects the examiner to:

- Return telephone or electronic messages within 24-48 hours of receipt of a message from a policyholder, agent, or adjuster;
- Reply to written communications within ten business days of receipt;
- Send partial or full denial letters within ten business days of claims closure, if denying all or part of the claim; *and*
- Accept or reject the POL in whole or in part within seven to ten business days of receipt. Timely acceptance or rejection of the POL gives the policyholder time to file a request for additional payment if accepted, or an amended POL within the required time frame, if rejected.

**Important:** Retain electronic communications in the claim file.

FEMA may extend these time frames due to catastrophic events; the extension does not relieve the examiner of the responsibility of properly documenting the file.

## 43 Proof of Loss (POL)/Increased Cost of Compliance (ICC) Waiver Request Process

When the examiner receives the POL after 60 days from the date of loss, or after the ending date of a FEMA-issued POL extension, the examiner must submit a POL Waiver request through Pivot and receive approval on the waiver before issuing payment. The carrier does not have the authority to extend the timeframe for filing a POL, per SFIP VII.C.



## Claims Examiners

### 43.1 Navigating to the POL or ICC Waiver in Pivot and Requesting Access

1. Access the Pivot application: <https://pivot.fema.gov>.
2. Click on the “Request Access” hyperlink.
3. Complete the Access request form.

### 43.2 Creating a New Waiver Request

1. Log into Pivot and select the Waiver card, located under Claims Operations on the Pivot homepage.
2. To create a new POL or ICC Waiver Request, click the “Create New Request” button at the upper left- hand corner of the POL Waiver homepage.

**Quick Tip:** Click the “POL ID” hyperlink to access existing OR Waiver Request Forms.

### 43.3 Submitting a Standard POL Waiver Form

After clicking the “Create New Request” button, a pop-up box will prompt you to select a form type. Please review the section above entitled Creating a New Waiver Request for additional details.

1. Select the Standard Waiver form type and click “OK” to access the Standard POL Waiver Form.
2. Tab down to complete each section of the waiver form.

3. Click the “Add Comment” button to include comments for FEMA to review.
4. Click the “Save” button to save the In Draft waiver form.
5. After completing the form, check the “Disclaimer” checkbox at the bottom of the form to acknowledge acceptance.
6. After affirming the disclaimer, click the “Submit Waiver” button to generate the pop-up confirmation window.
7. Within the pop-up confirmation window, click the “OK” button to submit the waiver to FEMA as a New Request.
8. FEMA will review and approve or return the waiver request.

**Quick Tip:** Clicking the “Save and Exit” button will save the In Draft form and direct you back to the Proof of Loss Waiver homepage. The “Back” button will exit the page without saving the form. In addition, when you see “POL Alert: This waiver is a possible duplicate” in red at the top it means that a previous waiver was submitted on the claim. Additional payments must be submitted under the same waiver. You can locate the previous waiver by searching “All” by the insurers’ policy number. Delete this submission and submit under the prior proof of loss waiver.

#### 43.4 Submitting an ICC POL Waiver Form

After clicking the “Create New Request” button, a pop-up box will prompt you to select a form type. Please review the section above entitled Creating a New Waiver Request for additional details.

1. Select the ICC Waiver form type and click “OK” to access the ICC Waiver Form.
2. Tab down to complete each section of the waiver form.
3. Click the “Add Comment” button to include comments for FEMA to review.
4. Click the “Save” button to save the In Draft waiver form.
5. After completing the form, check both of the “Disclaimer” checkboxes at the bottom of the form to acknowledge acceptance.
6. After affirming the disclaimers, click the “Submit Waiver” button to generate the pop-up confirmation window.
7. Within the pop-up confirmation window, click the “OK” button to submit the waiver to FEMA as a New Request.
8. FEMA will review and approve or return the waiver request.

**Quick Tip:** Clicking the “Save as Draft” button will save the In Draft form and direct you back to the proof of loss waiver homepage. The “Back” button will exit the page without saving the form. In addition, when you see “POL Alert: This waiver is a possible duplicate” in red at the top it means that a previous waiver was submitted on the claim. Additional payments must be submitted under the same waiver. You can locate the previous waiver by searching “All” by the insurers’ policy number. Delete this submission and submit under the prior proof of loss waiver.

#### 43.5 Accessing an Additional Payment POL Waiver Form

After clicking the “Create New Request” button, a pop-up box will prompt you to select a form type. Please review the previous section, Creating a New Waiver Request for additional details.

1. Select the Standard Waiver – Additional Payment or ICC Waiver – Additional Payment form type.
2. Use the Policy Number data field to search for the original Standard or ICC POL Waiver. Please note that all Additional Payment Waiver Forms must be associated with an existing approved POL Waiver Request.
3. Select the associated waiver and click “OK” to open a read-only version of the original Standard or ICC Waiver.
4. Locate section F. Additional Payment at the bottom of the waiver form.

5. Click on the “Add a New Additional Payment” button to access the Additional Payment Waiver Form.

**Quick Tip:** You may also access the additional payment waiver by clicking the “POL ID” hyperlink of an existing approved waiver from the POL loss waiver homepage.

### 43.6 Submitting an Additional Payment POL Waiver Form

The “Add New Additional Payment” button will generate a pop-up box with the Additional Payment Waiver Form. Please review the previous section, Accessing an Additional Payment Waiver Form for additional details.

1. Complete the waiver form. Please note that all fields must be completed prior to submission.
2. Once the form is complete, check the “Disclaimer” checkbox at the bottom of the form to acknowledge acceptance.
3. After affirming the disclaimer, click the “Submit Waiver” button to generate the pop-up confirmation window.
4. Within the pop-up confirmation window, click the “OK” button to submit the waiver to FEMA as a new request.
5. FEMA will review and approve or return the waiver request.

**Quick Tip:** Clicking the “Save as Draft” button will save the In Draft form and direct you back to the proof of loss Waiver homepage. The “Back” button will exit the page without saving the form.

### 43.7 Reviewing the Status of a Waiver Request

#### A. Organizing the POL Waiver Homepage by Adjudication Status

1. Locate the POL Waiver Status drop-down at the top of the POL Waiver homepage to filter waiver requests by adjudication status. Please note, the waiver status will always default to “All.”
2. POL or ICC Waiver Requests can be sorted into the following categories:
  - a. **All:** Includes all waiver statuses.
  - b. **New Requests:** Includes initial waiver requests that have been submitted to FEMA, but that FEMA has not adjudicated.
  - c. **In Draft:** Includes saved, in-progress waiver requests that have not yet been submitted to FEMA.
  - d. **Action Needed:** Includes waiver requests that have been returned to the requester for editing, or that have been resubmitted to FEMA for adjudication.
  - e. **Approved Requests:** Includes waiver requests that have been accepted and approved by FEMA.
  - f. **Closed Requests:** Includes waiver requests that FEMA has returned to the requester but were not resubmitted within 10 calendar days. Please note that you can restore Closed Request waivers by clicking the “Restore” button located at the bottom of the closed waiver. The restored waiver will move to the Action Needed queue, with the insurer as the owner.

**Quick Tip:** Waivers may be withdrawn until they have been approved by FEMA, including New Request, In Draft, Action Needed, and Closed Request waivers. To withdraw a waiver, click the “Withdraw Waiver” button located at the bottom of the waiver forms or within the Additional Payment pop-up box.

## B. Locating specific POL or ICC Waiver Requests to Review the Adjudication Status

The POL Waiver homepage can be sorted and filtered to locate specific waiver requests using policy information.

1. Locate the filter textboxes at the top of each column and enter the specified policy information (for example: POL ID or Policy Number) to locate a specific waiver request.
2. Click the column headers (for example: Policyholder Name) to sort POL or ICC Waiver Requests by ascending and descending order.
3. After you locate a specific waiver, click the “POL ID” hyperlink to access and review the waiver request.

**Quick Tip:** You may check the status of an Additional Payment Waiver Request by clicking on the “POL ID” of the original or additional Payment request on the POL Waiver homepage.

### 43.8 Reviewing Returned Waiver Requests for Edits

Upon reviewing a POL or ICC Waiver Request, FEMA can approve or return the waiver. If the waiver is returned for edits, the requester may edit the waiver to address FEMA’s comments.

1. Locate the POL Waiver Status drop-down on the POL Waiver homepage and select Action Needed.
2. The Owner column denotes which party must take action in regard to a waiver request. If FEMA is listed as the owner, FEMA must review and adjudicate the resubmitted waiver. If the insurer or vendor is the owner, the insurer must review FEMA’s comments, update the form as necessary, and resubmit the waiver request to FEMA.
3. To access and resubmit forms that require action, click on the “POL ID” hyperlink of the forms that lists the insurer or vendor as the owner.
4. Update the waiver form as requested by FEMA and add comments as necessary by clicking on the “Add Comment” button.

### 43.9 Editing and Resubmitting Returned Waiver Requests

Upon reviewing FEMA’s comments on a returned POL or ICC Waiver Request, update the waiver form as necessary, and resubmit the waiver request to FEMA.

1. Update the data fields required by FEMA. If supporting documentation is requested, locate Section F. Document Upload, and click the “Attach File” button to locate supporting documentation files on your computer.
2. Once the appropriate file has been added, click the “Save” button to save the documentation to the waiver request.
3. Once the updates are complete, check the “Disclaimer” checkbox at the bottom of the form to acknowledge acceptance.
4. After affirming the disclaimer, click the “Submit Waiver” button to generate the pop-up confirmation window.
5. Within the pop-up confirmation window, click the “OK” button to resubmit the waiver to FEMA as an Action Needed request.
6. FEMA will review and approve or return the waiver request.

### 43.10 Exporting Waiver Request Data and Forms to Printable Format

The proof of loss waiver homepage and the POL or ICC Waiver Request Forms can be exported to Microsoft® Excel, Comma Separated Values (CSV), and Adobe® Portable Document Format (PDF) documents.

1. Navigate to the proof of loss waiver homepage and locate the “Excel” and “CSV” icons in the top right-hand corner of the page. Click on either icon to generate a printable version of the POL Waiver homepage.
2. To print a specific waiver request form, locate the specified waiver using the POL Waiver Status drop-down, the filter text boxes, or the column sort function. Please see [43.7 Reviewing the Status of a Waiver Request](#), above, for additional information.
3. After identifying the specific waiver request, click on the “POL ID” to open the waiver form.

Within the form, locate the “PDF” icon at the top right-hand corner of the page. Click on the icon to generate a printable version of the waiver request form.

For additional technical support, you may contact [fema-nfippivotsupport@fema.dhs.gov](mailto:fema-nfippivotsupport@fema.dhs.gov).

## 44 Property Address Waiver



### Claims Examiners

In a situation where there is a pending claim, and the agent indicates that the address on the policy is not the correct address for the building intended to be insured, you may seek a waiver from FEMA regarding the requirement to submit accurate information in Section I of the SFIP if:

- The property address submitted on the Application was typed incorrectly, and the building description, coverage, and rating elements belong to the building at the address indicated on the correction endorsement, and the policyholder has no insurable interest in the building at the address incorrectly indicated on the application; *or*
- The address used to describe the insured building indicated on the Application has changed with the United States Postal Service. The agent must demonstrate that the building description, coverage, and rating elements belong to the building at the address indicated on the correction endorsement; *or*
- A postal address is being supplied for a descriptive or legal address originally provided on the Application. The agent must demonstrate that the building description, coverage, and rating elements belong to the building at the address indicated on the waiver request.

You may not pay a pending claim on a policy requiring an address change without FEMA approval.

For a Property Address Waiver, the required documentation includes:

- The complete underwriting file and documentation that was used to issue the policy (for example: Flood Application, elevation certificate, photographs, etc.);
- A signed statement from a community official that the policyholder has no insurable interest in the property with the wrong address or that the property address does not exist;
- A signed statement from the agent as to why the wrong property address was written on the Application. This may indicate that the property address submitted on the Application was typed incorrectly, and the building description, coverage, and rating elements belong to the building at the address indicated on the correction endorsement; *and*
- A copy of the current claim file and any previous claim files, if applicable;

For corrections on multiple buildings, submit:

- A sketch identifying each building;
- A schedule listing the correct building addresses; *and*
- Photographs of each building showing the property address.

## 45 Release of Claim File Information to Policyholders

### 45.1 Integrity of Claim Files

NFIP insurers must ensure that claim files contain all documentation in their possession directly related to the adjustment, investigation, and payment of an individual claim.<sup>40</sup> Such documentation includes:

- Declaration page or verifications of coverage applicable on the date of loss;
- Copies of claim payment checks;
- Correspondence to or from the insurer and policyholder regarding the claim at issue or underwriting issues relevant to the claim at issue;
- Communications between insurer, claims examiner, adjuster, and other insurer employees and contractors;
- Adjuster reports and supporting materials, including preliminary reports, closing report, estimates, log notes, and photographs;
- Materials submitted by the policyholder, including estimates or supporting documents including prior losses provided by the policyholder or policyholder representative;
- Proof(s) of loss and other requests for additional payment;
- Claim decision letters;
- Denial letter(s); *and*
- Expert report(s) (example, engineering assessments).

Insurers should include electronic mail or other electronic communications in the file (either as print copies or in PDF or similar format).

NFIP insurers may only rely on documentation contained within a claim file when making a claim determination. NFIP insurers are not required to obtain drafts of the documents described above but must maintain and disclose them, if acquired during the adjustment, investigation, or payment of a claim.

NFIP insurers must ensure that individual claim files do not contain materials unrelated to the claim. For instance, if an insurer receives communications pertaining to multiple policyholders, the insurer must remove the personally identifiable information of other policyholders who are not part of the claim file in question prior to including the communication in the claim file.

NFIP insurers may redact any privileged communications from a claim file prior to disclosure. Privileged communications are limited to privileges that the insurer anticipates will be asserted to preclude disclosure in court, such as the attorney-client privilege.

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<sup>40</sup> 44 C.F.R. § 62.23(i)(10) (2020).



## 45.2 Disclosure of Claim Files

Policyholders may obtain a copy of their claim file by submitting a signed request to their NFIP insurer. At a minimum, the request must include the policyholder's full name, current address, and date and place of birth. The policyholder's signature must either be notarized or submitted with the following statement prescribed by 28 U.S.C. § 1746:

*I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct.*

*Executed on (date). (Signature)*

In addition, if a representative of a policyholder, such as an attorney or public adjuster, requests a copy of a claim file on behalf of their client, the representative must also provide a letter of representation that meets the requirements below.

## 45.3 Letters of Representation

NFIP insurers may not disclose a policyholder's information to a policyholder's representative or allow a representative to act on behalf of a policyholder without obtaining a letter of representation signed by all policyholders named on the policy. At minimum, a letter of representation must include:

- Policyholder's full name;
- Policyholder's current address;
- Policyholder's date and place of birth;
- Name of third-party representative; *and*
- Statement from policyholder authorizing authorized representative to act on their behalf and for the insurer to release records to the representative.

The policyholder's signature must either be notarized or submitted with the following statement prescribed by 28 U.S.C. 1746:

*I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct.*

*Executed on (date). (Signature)*

## 46 Remediation, Drying, and Emergency Service Contractors

Most flood losses with interior inundation require drying. When a loss is insured by the SFIP, the five ways an adjuster can include the cost to structurally dry salvageable building materials on a claim are:

1. By square foot method, which is similar to flood cleanup, when professional services or rental equipment are not involved. This allowance represents the estimated cost and time to structurally dry the building, based on the owner's time and equipment, including the building's HVAC system. An increased allowance for treating against mold and mildew may be required on longer drying efforts. An average base unit price can be derived by adding these estimated allowances for an average loss, then dividing the sum by the square foot for an average size dwelling. This unit price may be adjusted based on

the facts on the loss. It is also acceptable for the adjuster to simply list each allowance in the estimate without converting the allowance to a square foot unit price.

2. When professional drying or rental equipment is involved, but there is not a properly completed “drying log,” the number of dehumidifiers and air movers, and the number of days of drying is based on the following factors:
  - a. The length of time floodwater remained inside the building;
  - b. The reasonable period unsalvageable materials remained installed; *and*
  - c. The length of time after the removal of unsalvageable building items, building cleanup and sanitizing was performed, to the start of mechanical drying. The scope and costs must be reasonable and in line with water mitigation costs.
3. When professional drying services are performed and a properly completed drying log is provided along with the itemized invoice, the claim payment should consider the number and type of equipment for the duration of time validated by the drying log. The scope and costs must be reasonable and in line with water mitigation costs.

A drying log is a record of daily temperature and relative humidity readings of both indoor and outdoor air, plus moisture readings and the recorded location of affected and unaffected building materials, as well as the drying goal and dry standard for the affected materials. The properly completed drying log, an industry-standard, should also include a moisture map, the daily operating status of the building’s HVAC system, and all the instruments and equipment used by the technician.

4. Personal Protective Equipment (PPE) is covered, however, the cost is considered included in the unit price for material removal, cleaning, or mildewcide application. It is the adjuster’s responsibility to discuss (negotiate) the mitigation estimate with the mitigation company. The adjuster is to verify what the contractor estimate line items contain, only include in the adjuster estimate what is insured by the SFIP, and not allow a duplication of those items.
5. The majority of the work performed to mitigate water damage can be addressed using line-item unit cost pricing that includes labor and profit. Lump-sum, unexplained charges, and charges based on time and expense should be investigated and documented to identify the charge and to ensure charges are not duplicated. Ancillary charges for travel, food, and lodging by the water mitigation company are not payable.

For more information, the claims professional may refer to the Structural Drying bulletin, [Appendix F](#), in this Manual or the [Institute of Inspection Cleaning and Restoration Certification \(IICRC\)](#). The IICRC is a certification and Standards Developing Organization (SDO), a non-profit organization for the inspection, cleaning, and restoration industries. In partnership with regional and international trade associates, the IICRC serves more than 25 countries with offices in the United States, Canada, United Kingdom, Australia, New Zealand, and Japan. The industry standard, *Standard and Reference Guide for Professional Water Damage Restoration*, is certified by the American National Standards Institute (ANSI). The document is officially known as ANSI-IICRC S-500 (2015).

## 47 Remote Claim Adjusting

FEMA authorizes remote adjusting when appropriate, subject to several conditions.

Remote adjusting uses the time-tested guidelines of claims adjusting to allow flexibility and continued oversight of NFIP claims. This option requires the agreement and cooperation of the policyholder. Regardless of whether the adjustment is remote or in person, a policyholder must be confident that an adjuster will address their concerns and work in their best interests. Adjusters must provide plain language explanations about coverage and have full command of SFIP conditions, provisions and exclusions when developing trust with policyholders, and follow existing claims adjusting guidance. FEMA limits this option to adjusters with an active flood control number (FCN) registered for the claim type they are handling. Adjuster trainees or mentored adjusters may not remotely adjust claims. Remote adjusting does not constitute a waiver of any documentation requirements of the SFIP nor does it shift any responsibilities under the SFIP.

### 47.1 Adjuster Responsibilities when Remote Claim Adjusting

Each flood insurer may already have existing apps, web portals, or other technology to remotely survey policyholder damage. The adjuster must use the methods approved by the flood insurer to remotely survey the damage with the policyholder or review photos that the policyholder provides in order to remotely adjust the loss. As with all loss adjustments, the adjuster must communicate directly with the policyholder and devote a sufficient amount of time to confirm the proper rating and coverage, instruct the policyholder on what is needed to document the loss, assist the policyholder in securing the visual documentation necessary to support scope, secure measurements, and verify the extent of damage. In addition to following the existing guidance in the *NFIP Claims Manual*, this option modifies existing adjuster responsibilities as follows:

- Provide a copy of the [NFIP Claims Handbook](#) by mail or email;
- Place extra emphasis on protecting policyholder, see [Section 2.37: Personally Identifiable Information \(PII\) and Sensitive Personally Identifiable Information \(SPII\)](#) by:
  - Using encryption and password-protected documents;
  - Conducting communications with the policyholder from a nonpublic location; *and*
  - Not sharing information with third parties without the express permission of the policyholder, see [Section 2.45: Release of Claim File Information to Policyholders](#).

### 47.2 Release of Claim File Information to Policyholders

**Reporting requirements.** The adjuster must:

- Ensure files contain the photographs or other documentation provided by the policyholder to support a general condition of flood (II.B.1 and B.2) and direct physical damage by or from flood (II.C.14) and the loss. Photographs must clearly depict water lines and damages.

- Determine building valuation based on reasonably available information to confirm insurance to value.
- Maximize the use of trusted digital signature methods to complete the Proof of Loss. This could be a digital signature or a photograph of the signed Proof of Loss. The Proof of Loss is still due 60 days from the date of loss.

### 47.3 When a Claim Cannot Be Handled Remotely

Remote adjusting is only appropriate in certain circumstances. As every loss is unique, the adjuster should evaluate each claim on a case-by-case basis to determine if remote adjustment is a good fit. The adjuster should discuss with the adjusting firm if remote adjustment is appropriate for a specific claim and explain the decision to remote adjust the loss in the narrative report.

### 47.4 Best Practices for Remote Adjusting

When remote adjusting a claim, clear and concise communication is imperative as the policyholder becomes the eyes of the adjuster. At a minimum, adjusters must explain to a policyholder their role in the remote adjustment process and supply directions describing:

- How to document a general and temporary condition of flood, explain the process used to make this determination, and how to locate and measure interior and exterior water lines;
- Why room measurements are necessary and how to aid in obtaining the measurements;
- How to frame and capture damage in a photo;
- The importance of exterior and interior photos, including damaged and undamaged building and contents;
- Building equipment and contents claim requirements such as capturing in photograph the make, model, and serial numbers of major appliances, electronics, and items of exceptional value; *and*
- When removing debris, keep swatches of carpet, drapes, and upholstery of unrepairable contents to show the adjuster if necessary, and to carefully photograph all materials that must be removed.

The adjuster's narrative must confirm that a general and temporary condition of flood existed, explain evidence of direct physical damage by or from flood, how like kind and quality of replaced items were identified, how room measurements were documented, and additional methods used to verify measurements (e.g., tax records, realty sites, prior losses, etc.).

### 47.5 A remote adjustment is not the best option when:

- The policyholder lacks necessary technical equipment, such as a smart phone;
- The policyholder lacks necessary internet or cell service;
- The policyholder is not able to access the damaged property;
- The policyholder requests a physical inspection;

- The level of detail required to support a payment recommendation is high and the time required from the policyholder would be unreasonable or burdensome;
- There is a need for a subject matter expert;
- The cause of loss is in question or may require neighborhood canvassing to confirm general condition of flood;
- The adjuster is unable to confirm the building description or there are underwriting questions;
- There is substantial damage to the property;
- There is a third party representing the policyholder (e.g., public adjuster, attorney);
- There is damage from other perils; *or*
- The adjuster is not able to substantiate prior loss repairs.



## Claims Examiners

### NFIP Insurer Responsibilities

NFIP insurers should adhere to the following when remotely adjusting a loss, including:

- NFIP insurers must ensure that coverage is confirmed, that cause, extent of damage, and direct physical damage by or from flood is clearly documented and supported, and that files contain all required documentation prior to payment.
- NFIP insurers must continue to protect policyholder PII.
- FEMA may conduct a quality review (RCQC) on claims that are remote adjusted. FEMA will identify these claims through the data reporting codes below and request them from companies.

### Data Reporting

For claims using remote adjusting, you must use/append code “D” when entering cause of loss (the “Cause of Loss” string) under any claims API call to the Pivot system. If there is an in-person site inspection following a remote inspection you must use/append code “C” when entering “cause of loss” to the Pivot system. If you have further questions, please refer to the Pivot API documentation.

## 48 Reporting

### 48.1 In General

Reports form the factual basis of every NFIP claim. Accordingly, conjecture, sarcasm, innuendo, or any other unprofessional language have no place in NFIP reports.

### 48.2 Timely Reporting

An adjuster should submit the NFIP Preliminary Report within 15 calendar days of receipt of the loss assignment. The adjusters closing report is due 30 days later. An adjuster should conclude the claim within 45 days after the Preliminary Report. When the claim cannot be concluded within 45 days, an adjuster should file an interim report every 30 days until the claim is concluded or as directed by the claims examiner.



## Claims Examiners

The examiner should maintain a proper diary to ensure compliance and confirm that:

- NFIP Preliminary Report is received within 15 days after receipt of the loss assignment.
- Signed adjusters closing report is received by 30 days after receipt of a Preliminary Report, or an interim report is received every 30 days until the adjuster completes the adjustment.
- Signed proof of loss is received from the policyholder within 60 days of the date of loss, or by the deadline of a FEMA issued proof of loss extension.

**Important:** The examiner must receive a signed proof of loss by the 60th day or ending date of a FEMA-issued proof of loss extension. If the examiner receives the signed document after the deadline, the examiner must submit a proof of loss waiver request to FEMA through <https://pivot.fema.gov> and receive approval on the waiver request before issuing payment.

### 48.3 Preliminary Report

The adjuster's first report is the Preliminary Report Form. It is important to submit the Preliminary Report, along with perimeter photographs of the risk and photographs of the damage, as soon as possible, preferably the same day as the inspection, but no later than 15 calendar days after the assignment. The adjuster must complete all sections in the Preliminary Report as accurately and detailed as possible. When a unique circumstance develops with the assignment that delays the initial inspection, the adjuster should immediately submit a narrative documenting the insurer's claim file of the reason for the unavoidable delay. The report detailing the delay is to be submitted no later than the 15th day after the assignment. The form must be signed by the adjuster and include the active FCN; the insurer should reject any report that is not signed with an active FCN.

All the data recorded in the Preliminary Report Form is important. The adjuster should complete the entire form and give special attention to the following components:

#### A. Reserve Amounts

The approximate value of the insured payable loss for building and personal property. The adjuster must recommend reserves on the Preliminary Report, based on the initial inspection, and provide updated reserves as the claim progresses. It is the adjuster's best approximation of the amount of damage to the insured building and personal property at the time of, and prior to, an estimate being prepared.

#### B. Building Foundation Components

1. A building that has walls installed over top of a concrete slab is non-elevated, and has either slab-on-grade, raised slab-on-grade, or raised slab-on-stem wall foundation.
2. A building that has a floor installed above the ground level, supported by foundation walls, shear walls, posts, piers, pilings, or columns, is an elevated building.
3. In a post-FIRM building, the coverage limitation does not apply if a concrete slab is installed within the foundation's perimeter, the slab is not considered

structural to the foundation, unless it is six inches thick and reinforced with “re-bar” which is driven into the building’s foundation. When this type of concrete floor is at least six-inches thick with re-bar, it is considered a structural component of the foundation but is not the foundation. A structural concrete floor of this type does not change the rating of an elevated building to non-elevated.

- If an elevated floor is constructed over a crawlspace and the crawlspace is below the ground level on all sides, the building is not considered elevated, and the building’s lowest floor is the below ground level crawlspace floor, meeting the SFIP definition of a basement.

### C. Measuring Waterlines

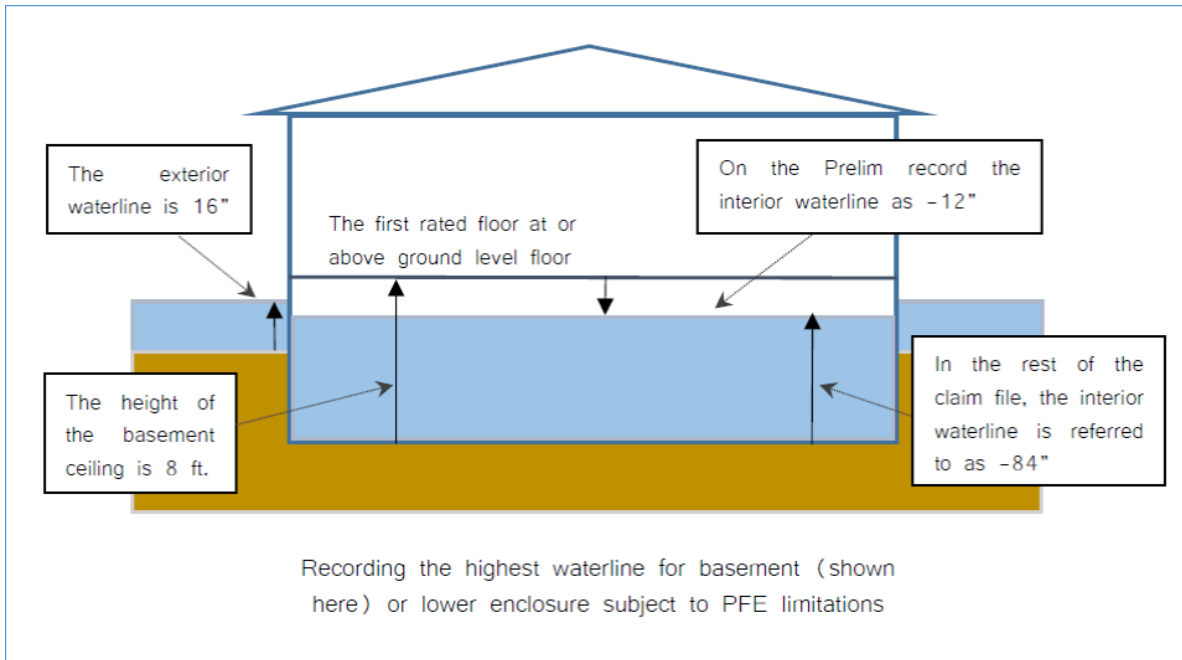
The adjuster must record the highest waterline on the exterior and interior of the building, and the recorded interior waterline should not be higher than the exterior waterline. The adjuster should look for an exterior debris line on all buildings and provide measurements. It is advisable to have a photograph of the tape measure against the exterior and interior walls clearly showing the waterline measurement.

Plantings and shrubbery may retain debris so the adjuster should photograph and report that measurement. If the adjuster is not able to identify a debris line, it should be addressed in the narrative report.

1. **Waterlines:** Must be recorded in inches.
2. **Exterior:** Waterlines are always recorded using a positive number. Adjusters should measure the exterior water depth from the lowest point of the land immediately outside the building.
3. **Basements:** Measure the interior waterline from the floor above the basement down and record the value on the Preliminary Report with a negative sign in front of the recorded inches. This is necessary for FEMA actuarial purposes. If the water enters the main living area (the floor above the basement) – the measurement will be from that floor, up, and will show as a positive number. Please also note the height of the basement ceiling.
4. **Elevated Buildings:** Measure the interior water height in a crawlspace or enclosure from the lowest floor, as defined in the [Flood Insurance Manual](#). In non-V Zones, the reference point of the lowest floor is the top of the floor. In V-Zones, the reference point of the lowest floor is the lowest horizontal structural member. When the water depth is below the lowest floor, the number of inches should be represented by a negative number.

**Note:** To collect accurate data of areas damaged, it is necessary that every adjuster use either negative or positive numbers. A negative number reported indicates that flood water was found only in the basement. In the case of elevated buildings, the negative number indicates that floodwater did not enter above the floor used for rating.

Figure 70: Basement Interior Waterline



#### D. Adjuster Memo to the Insurer

When a special issue arises from the loss inspection, the adjuster should include a narrative memorandum accompanying the Preliminary Report. This may involve a customer service issue with the policyholder or a representative, help support a large advance payment, request an expert, or submit an underwriting referral noting any potential policy rating issues.



#### Claims Examiners

The examiner ensures that the adjuster provides the NFIP Preliminary Report within 15 days after the adjuster's receipt of the assignment, along with perimeter photographs of the risk and photographs of the damage. The form must be signed by the adjuster and include the adjuster's FCN. Review the form for accuracy, underwriting or rating concerns, advance requests, and reserves. Communicate to the adjuster necessary changes, errors, or omissions. The examiner should refer any rating issues to their underwriting department. Flood systems set minimal reserves when a flood claim is open. The examiner must promptly update the claim reserves upon receipt of the Preliminary Report and any subsequent interim report(s). Company systems should have the ability to update reserves as payments are made.

#### 48.4 Interim Status Report

An adjuster must submit an interim status report if they are unable to complete the adjustment within 30 days of the Preliminary Report submission, and every 30 days thereafter until the claim is complete. An adjuster must also submit an interim status report anytime an issue arises that the insurer should know prior to the completion of the final adjustment. The adjuster must provide the insurer with the reason(s) a claim remains open over 45 days after assignment. The interim status report also gives the insurer assurance that the policyholder and their claim are receiving proper care and attention. The report



can be a brief memorandum notifying the insurer of the claim handling status, or it can be a copy of correspondence from the adjuster to the policyholder which requests additional information or which serves as a reminder of previously requested information discussed at the date of the loss inspection.

### 48.5 Closing Report

The closing report includes the narrative, summary of coverage, interests, claim activities, adjustment decisions, estimate, settlement recommendations, and all other relevant documents to support the claim. The adjuster may need to provide multiple narrative reports when the circumstances are unusual, challenging, or complicated, and additional explanation is appropriate. Only include facts in reports. The narrative should outline relevant information based on facts that address who, what, where, when, how, and why. Adjusters should also provide specific details in the narrative report when the adjuster's judgment is applied to any part of the loss adjustment.



#### Claims Examiners

The examiner should confirm that the closing report properly summarizes the loss, including coverage, points of interest, claim activities, adjustment decisions, and settlement recommendations, and request an amended report if additional information is required to support the adjustment and payment recommendation.

### 48.6 Proof of Loss

A proof of loss is a policyholder's signed and sworn statement of loss with documentation to support the dollar amount requested. The proof of loss is not the claim, and it is not just a form. FEMA encourages the policyholder, adjusters, and insurers to utilize the FEMA-generated proof of loss form when complying with the policy's requirement in case of a loss; however, completing and signing the form alone does not meet all SFIP requirements.

- The policyholder must also provide documentation to support the loss and dollar amount declared on the form.
- The policyholder is required to submit a proof of loss within 60 days of the date of loss or within any extension granted by FEMA. The adjuster may assist the policyholder in completing the proof of loss; however, this assistance is only a courtesy.<sup>41</sup>
- Policyholders must use their own judgment concerning the amount of the loss, and they must justify that amount. A fully completed NFIP proof of loss form, signed by the policyholder(s) with the required documentation, is required on every claim on which the adjuster recommends payment.
- A signed Increased Cost of Compliance (ICC) proof of loss is required on valid ICC Claims.

<sup>41</sup> Dwelling Form and General Property form at VII.G.7; RCBAP at VIII.G.7.

- Proof of loss forms do not require a Notary. Electronic signatures are acceptable (see [NFIP Insurers' Acceptance of Electronic Signatures](#) in this Manual).

FEMA expects the adjusters to communicate to policyholders that the proof of loss is not a waiver. Signing the proof of loss allows the policyholder to comply with the policy requirement to submit a proof of loss but does not prevent the policyholder from submitting an additional proof of loss, such as an amended proof of loss for additional payment.



### Claims Examiners

The examiner reviews the proof of loss to confirm the accuracy, that the policyholder properly supported their claim for damage on the form, and that values match the amount to be paid.

When the proof of loss is not compliant in content or form, the examiner should reject the proof of loss and communicate the decision directly to the policyholder. If the examiner can support payment of a portion of the claim, the examiner will issue a partial rejection of the proof of loss and pay the undisputed amount. This is only possible when the amount to be paid is within the amount of the proof of loss. If the amount to be paid exceeds the amount of the proof of loss, the examiner must secure a new proof of loss that matches the amount of loss. The examiner should provide written notification of the rejection to the policyholder explaining all issues and request the documentation required to resolve those issues.

A proof of loss is not required for payments arising from litigation, unless specifically directed by the insurer's counsel.

## 49 Requests for Additional Payment

At the time of the loss, FEMA expects policyholders to ask their adjusters what happens if the estimate does not fully cover the costs to recover from their flood loss. Communication between the adjuster and policyholder is key. The adjuster should help the policyholder understand what steps may be necessary if a request for additional payment (RAP) is needed as recovery is underway, explaining the procedures set out below.

The following should be considered when reviewing a request for additional payment:

- It is a request for additional payment (RAP) not a claim for additional payment. The policyholder has only one claim per flood loss.
- The insurer may not deny a RAP based solely on the fact the policyholder has not completed repairs or because the policyholder has not exhausted all monies paid to them on repairs.

Under the SFIP, the policyholder must prove their loss. After the initial loss settlement, it remains the duty of the policyholder to prove their loss for any RAP, as follows.

### 49.1 RAP for Omission

If the policyholder's RAP is on an omitted item or an omission of quality, and there is no dispute on these facts documented in the claim file, the insurer should pay the RAP without documenting the remaining damage and repair.

- **Example:** A front door was omitted from the original estimate. Photos from the claim file show that the door experienced direct physical loss by or from flood.

Notate the claim file, obtain the proof of loss (and any necessary waiver), and make the payment.

- **Example:** A front door was paid under the original estimate, but at a lower quality estimate (e.g., paid as a hollow core) than actual quality (e.g., solid core). Notate the claim file, obtain the proof of loss (and any necessary waiver), and make the payment.
- Illustration of where the RAP omission procedure is improper: where the only difference is one of price. **Example:** where the quality of door is agreed upon (e.g., premium quality of door, estimated at \$2,500), but the policyholder says the agreed-upon quality of door costs more (e.g., \$3,000). The policyholder will need to prove actual repairs for the pricing difference (\$500).

## 49.2 RAP for Items Previously Included in Loss Settlement

When the policyholder submits a RAP, the request should document the remaining loss (if any) and all repairs. This requirement includes two sets of documentation:

- *For repaired damages:* the policyholder should provide all documentation related to the repairs.
  - Documentation may include copies of the contractor estimate with corresponding proof of repair (e.g., credit card invoices, cancelled checks, debit entry on bank account registry for cash payments), contractor repair receipts, new material purchase invoices, or other evidence that the policyholder has obligated or expended payment, plus photographs of all repaired damages.
  - If the policyholder has undertaken some or all repairs independently, or without hiring a third party, the policyholder should submit documentation for material costs, any inventory of their labor hours, plus photographs.
  - Any documentation related to flood-damage tear-out, flood cleanup, treatment, and building dry-out should also be provided by the policyholder to the insurer.
- *For unrepaired damages:* the policyholder should provide copies of the contractor and policyholder-signed repair agreement with the corresponding estimate to repair, material purchase orders, and the like, plus photographs of all non-repaired damage. An unsigned estimate or proposal is not sufficient as a basis for a RAP, because the policyholder is under no obligation to pay the estimated amount until they have a contract in place for repairs.

The insurer should follow their same procedures to consider a RAP as they would with the initial loss. These procedures may require the insurer to require an on-site inspection of the property, hire any necessary experts (for any expanded scope of damage), or invoke any of the other options after a loss provided by the SFIP.

- The insurer agrees to pay the policyholder for insured property damaged by flood with materials of like kind and quality and like use. The insurer may not pay the policyholder for the increased cost to repair due to betterments or

improvements in materials or workmanship, changes related to other renovations, repairs that are not for flood damage on the claimed date of loss, or code upgrades (see SFIP V.A).

- For a pricing RAP only, provided there is no item of omission or quality, the insurer may issue additional payment provided the documented loss and repair exceeds the sum of all building claim payments (i.e., the full cost to repair), plus the deductible and any withheld depreciation.
- When a RAP is based only on an estimate of damage from a third party (e.g., public adjuster, attorney), the claim handling should at minimum ensure the full and proper scope of damage and repair is accounted for in the insurance estimate. A RAP based on increases in unit pricing without proper documentation or justification is not substantiated. The insurance estimate should account for pricing that is reasonable and customary to the loss and location.

## 50 Salvage

The adjuster must address the potential for a financial recovery (salvage) on every claim.<sup>42</sup> The adjuster's narrative in the closing report must address the salvage applicable to the loss. Oftentimes, adjusters omit this portion of the narrative or leave it incomplete, which may lead to missed opportunities by the program. When financial recovery is not available, the narrative should explain why.

When evaluating salvage, the adjuster should consider the following:

- Building and personal property Items wholly or substantially destroyed to the point that repair or restoration is not possible, the item(s) have no salvage value. The adjuster is required to document their salvage evaluation in the narrative.
- When a policyholder is paid to replace items, buildings, or contents that are not wholly or substantially destroyed, the adjuster must have a discussion with the policyholder about whether the items will be retained or discarded.

### 50.1 Items Retained By the Policyholder

The adjuster must reach an agreement with the policyholder on the salvage value known as "buy back" of the retained item and credit the claim with the buy-back value. The adjuster will note the salvage value within an appendix to the estimate or within the estimate itself.

**Important:** Items retained by a policyholder is not insurable or payable unless the items is restored to its pre-loss condition. The policyholder will be required to provide proof of repairs.

### 50.2 Items Discarded By the Policyholder

The adjuster proceeds with the adjustment as normal and documents lack of salvage value in the narrative; if the policyholder does not want to retain the item the item does not have a salvage value. The adjuster should consider bringing in a third party salvor to

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<sup>42</sup> Dwelling Form at VII.L, General Property Form at VII.L; RCBAP at VIII.L.

evaluate the item(s). Success is contingent upon prompt coordination between the adjuster and the salvor.

The insurer should retain a list of reputable salvors and make that list available to its adjusters.

- When applicable, the adjuster should discuss with the policyholder the potential for a visit by a salvor soon after the adjuster's inspection. An inspection by the salvor only involves inventorying damaged items worth purchasing.
- The salvor may not take possession of any property before the loss is settled and until it is agreed upon by the policyholder and the insurer. The salvor should promptly provide the salvage list and price to the adjuster for direction, and the adjuster should promptly discuss the matter with the policyholder and the examiner.
- The salvor is entitled to an inspection fee if the salvage offer is turned down by the insurer. See [Section 6 SALAE](#) in this Manual for instructions to request approval to pay the salvor's fee; otherwise, the salvors' fee is taken from the sale of the salvage. The salvor should issue payment for the overage to the insurer as a recovery. The insurer may allow the adjuster to make decisions involving salvage on its behalf.
- The adjuster's service charge is based on the gross loss at RCV before any salvage. The adjuster or the adjusting firm may not act as salvor on a loss, in whole or in part. This includes taking possession of the insured property for the inspection or purchase by a third party.



## Claims Examiners

The examiner should confirm that the adjuster considered the salvage value of all replaced items. The insurer is entitled to a 10 percent salvage allowance, only when there is an actual cash collection of salvage from the policyholder. The 10 percent allowance does not apply in any other situation.

The insurer's share of salvage recoveries (10 percent) must be deducted from the net recovery proceeds, prior to remitting the remaining proceeds to the restricted bank account. The amounts of salvage recoveries reported to FEMA (via the recovery after final payment transaction) will be for the total recoveries, inclusive of the insurer's entitlement.

## 51 SFHAs and Non-SFHAs

### 51.1 Special Flood Hazard Areas (SFHAs)

High-Risk Zones include:

- AE (replaces A1-A30);
- A, AH, AO, A99, AR; *and*
- VE (replaces V1-V30), V, VO.

## 51.2 Non-Special Flood Hazard Areas (Non-SFHAs)

Low to Moderate Risk Zones include:

- B, C, X; *and*
- D (undetermined).

See the [Flood Insurance Manual](#) for descriptions of the stated zones.

## 52 Statute of Limitations

### 52.1 Interplay Between the Extension of the Proof of Loss Deadline for NFIP Policyholders and the 1-Year Statute of Limitations in 42 U.S.C. § 4072 (VII.O Suit Against Us)



#### Claims Examiners

All three SFIP forms include a 60-day proof of loss deadline. The Deputy Associate Administrator of the Federal Insurance and Mitigation Administration has the authority to grant waivers of and extend the proof of loss deadline, pursuant to 44 C.F.R. § 61.13(d). See also 44 C.F.R. part 61, Appendices A(1) and A(2), Section VII(C), and Appendix A(3), Section VIII(C).

The National Flood Insurance Act of 1968, (42 U.S.C. § 4001, et seq.); established a one-year statute of limitations for an NFIP policyholder to bring a lawsuit after the complete or partial denial/disallowance of the policyholder's claim. See 42 U.S.C. § 4072. This one-year statute of limitations was incorporated into the SFIP by FEMA. See 44 C.F.R. § 61, Appendices A(1) and A(2), Section VII(O), and Appendix A(3), Section VIII(O).

Unlike the SFIP proof of loss deadline, part of a regulation created by FEMA, FEMA cannot extend the time limit for NFIP policyholders to bring a lawsuit. The applicable time limit to file a lawsuit was set by statute, not FEMA. Although FEMA has the administrative authority to extend the proof of loss deadline it established by regulation, only Congress has the authority to extend the statutory time limit to file a lawsuit. Congress has never extended this statute of limitations.

Because the statute of limitation is conditioned on the denial of a claim, in whole or in part, it is important to distinguish between the proof of loss and the claim.

The claim is the assertion by the policyholder that they are entitled to be paid for a insured loss under their SFIP (for example: the demand for money). An NFIP policyholder whose insured property is damaged by an event only has one claim arising from that event, regardless of the number of proofs of loss that the policyholder may submit in support of that claim.

Even in the instance of an Increased Cost of Compliance (ICC) claim under Coverage D of the SFIP, there is only one claim that arises from that substantial damage determination, regardless of the number of proofs of loss submitted by the policyholder.

The SFIP sets forth the process that the policyholder must follow in supporting his or her claim in the General Conditions section of each form of the SFIP (which is Section VII for the Dwelling and General Property SFIP forms and Section VIII for the RCBAP SFIP form). For example, Section VII(G)(1) of the Dwelling SFIP form requires prompt written notice of the loss. Also, Section VII(G)(4) of the same form and its subparts set forth what information must be included for the proof of loss (which is the policyholder's statement of the amount of money demanded and submitted in support of their claim) and indicate that it must be sent within 60 days after the loss.

NFIP court rulings hold that if the policyholder does not comply with all the terms and conditions of the SFIP prior to filing a lawsuit (including the proof of loss requirements), then the necessary conditions for the policyholder to be able to bring a lawsuit have not been met. What this means is that, in the instance in which a denial letter has been issued such that the statutory one-year to bring the lawsuit will run before a proof of loss

extended deadline runs, the policyholder has to both file the lawsuit and have the required proof of loss requirements completed within one year of the date of the denial or partial denial of the claim. This situation will typically arise when the insurer determined that the policyholder did not suffer a “direct physical loss by or from flood” and there is no coverage under the SFIP. For example, if the insurer determined that floodwaters did not reach the insured building, a denial letter will be sent because there is no insured loss and no coverage under the SFIP.

FEMA requires NFIP insurers to continue to work with their policyholders. The NFIP can pay additional amounts, if properly supported, even if the formal proof of loss deadline has passed. FEMA does this by granting the policyholder’s request of an individual waiver of the proof of loss deadline through the insurer. The NFIP makes every possible effort to ensure that a proper claims payment and resolution of the claim are achieved in every instance.

The limited waiver and extension of the proof of loss deadline recognizes the difficulties policyholders may experience evaluating damage and supporting their flood insurance claim. The typical dispute arises after a policyholder received payment based on an adjuster’s report and the insurer’s approval and later believes there is additional uncompensated damage; however, as discussed above, there are instances when the claim may be denied for reasons that do not require an adjuster’s report or proof of loss from the policyholder. Even in those claims where the insurer issued a denial letter early, the policyholder still has a full year from the date of that denial letter to collect all required documentation, file the proof of loss, and then file a lawsuit, if believed necessary.

The extended time to file the proof of loss is an effective mechanism that allows policyholders to fully present their claims. For most claims, disputes will not arise until after the submission of the proof of loss and formal denial of the amount sought. While FEMA does all it can to assist NFIP policyholders, it does not have the authority to waive or extend the applicable statute of limitations.



## Claims Insurers

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## 53 Subrogation

When the adjuster or the policyholder the adjuster is assisting identifies a potential cause or contribution for the flood loss in addition to a weather event, which may entitle the policyholder

to recovery from a third party for their loss, the adjuster should complete FEMA Form 086-0-16 – Cause of Loss and Subrogation Report. The adjuster should provide available factual information as to the cause or contributing factor(s) for the loss. Claim handling, review, and payment should proceed as normal. The insurer should provide the information to its internal reviewers if it will handle the potential subrogation claim itself. If the insurer chooses to refer the matter to FEMA instead of pursuing any subrogation issue itself, then the entire claim file and the subrogation forms should be forwarded to FEMA for potential pursuit.



### Claims Examiners

The insurer should evaluate subrogation recovery. Whether the insurer pursues recovery or not, the insurer should notify the NFIP and submit the Cause of Loss and Subrogation Report and a copy of the claim and underwriting file.

Send subrogation-related documentation and information to the Office of Chief Counsel (OCC) at [FIMA-OCC-Subrogation@fema.dhs.gov](mailto:FIMA-OCC-Subrogation@fema.dhs.gov) and cc a copy to the NFIP via electronic mail at [NFIPClaimsMailbox@fema.dhs.gov](mailto:NFIPClaimsMailbox@fema.dhs.gov).

Upon receipt of the information, the NFIP will log the information. OCC will contact the insurer if additional information is required or necessary.

## 54 Underwriting Referral

It is important that the adjuster brings to the insurer's attention any issue involving a potentially improperly rated policy or ineligible building or contents promptly upon discovery. The sooner in the claims process the adjuster raises a potential problem, the sooner Underwriting (UW) can review the concern; minimizing delays to the loss settlement. A UW referral should cite the current rating of the policy, followed by the facts and supporting photographs. When the issue involves a potential basement or post-FIRM elevated building located within a special flood hazard area, but the adjuster is unsure about the facts, the referral should disclose this and recommend the insurer hire a qualified outside professional service.



### Claims Examiners

With an issue involving an elevation status of a floor level, an elevation certificate, or a written elevation study, a detailed "bird's-eye" drawing is typically necessary. A bird's-eye drawing plots all elevation points for each floor level, area, or room, in addition to recording the elevation points along the building's exterior perimeter foundation and high and low points at the described location. A report of this nature generally requires certification with a signature and seal from a professional land surveyor; however, some states also permit a signature and seal from a professional engineer. The insurer should ensure the professional it hires complies with all rules established by the state for land surveying.

The conversion of elevation "vertical datum" may also present a UW issue. A vertical datum is a base measurement point (or set of points) from which elevations are determined. Historically, the standard datum used by the federal government was the National Geodetic Vertical Datum of 1929 (NGVD 29); however, the [North American Vertical Datum of 1988 \(NAVD 88\)](#) is now the national standard. Elevation values based on different vertical datum cannot be used together directly since they are based on a different vertical reference point. When comparing the updated flood hazard data released by FEMA with elevation information on elevation certificates and other documents from different sources, the insurer must take care to ensure all elevations are in the same datum. If they are not the same, the insurer must apply a conversion factor so that the values are referenced to the same datum before they are used. Failure to do this can result in improper structure design (for example: building at the wrong elevation),



which can have serious implications in terms of complying with community and state building requirements. Flood insurance rates can also be impacted, including eligibility for the Waiver of the Limitation or a Letter of Map Amendment or Revision.

The examiner must carefully review the adjusters' report for discrepancies in the declarations page, the preliminary report, or photographs, and immediately refer any discrepancies to the UW Department for review and provide the necessary supports (for example: photographs, surveyors report, etc.).

To address potential rating changes:

- When the rating change will result in greater coverage, the adjustment should proceed based on the current rating and be revised once underwriting confirms the rating, reforms the policy, and collects the correct premium.
- When the rating change will potentially restrict coverage, have the adjuster secure a non-waiver agreement, or send a Reservation of Rights letter addressing the coverage issue. The adjustment continues and payment is issued based on the undisputed insured loss. The adjuster revises the estimate once UW confirms the rating, reforms the policy, and collects the additional premium.

The examiner should keep the policyholder informed through the process and communicate the change to the adjuster and the policyholder, as necessary.

The adjuster should refer to the [Flood Insurance Manual](#) for clarification.

## 55 Waiver of Elevated Building Coverage Limitation

A Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) removes the post-FIRM elevated building from the Special Flood Hazard Area (SFHA), and the elevated building limitations of the SFIP do not apply to the area beneath the lowest elevated floor. The LOMA or LOMR obtained after the loss is effective as of the date of the loss.

If the lowest adjacent grade (LAG) of the property is below the Base Flood Elevation (BFE), this would prevent a LOMA or LOMR from being issued to the property owner, so that the property owner will not be able to obtain full coverage for the enclosure. (See [28 Letter of Map Amendment/Letter of Map Revision](#) in this section of the Manual and the [Flood Insurance Manual](#) for additional information regarding LOMA and LOMR).

However, there are buildings where the LAG is below the BFE, but the lowest floor elevation (LFE), the enclosure floor, is at or above the BFE. Such buildings comply with the NFIP Floodplain Management Regulations, in that the lowest floor of the building is elevated to or above the community's BFE. This means the enclosure does not have a higher risk of flooding that elevated building enclosures normally have. In such cases, a claim may qualify for a waiver of the elevated building coverage limitation.

The waiver applies to buildings located in SFHA zones beginning with the letter A where a BFE is available. Buildings located in SFHAs beginning with the letter V do not qualify for this waiver.

The waiver is based on the current flood map, and the use of a grandfathered flood map is not applicable. The flood zone on the current map must also be an AE flood zone. Consequently, the waiver is only applicable to the current loss, and a separate waiver request must be filed on any future claim to ensure the use of the current flood map, the proper flood zone, and BFE.



## Claims Examiners

The examiner must send the waiver request by email to the NFIP at [NFIPUnderwritingMailbox@fema.dhs.gov](mailto:NFIPUnderwritingMailbox@fema.dhs.gov). The email subject line should include the policy number and the type of submission (ex. 1234567890 – Waiver for Elevated Building Coverage Limitation).

Documentation to attach to the email must include:

- Complete Underwriting file;
- Documentation used to issue the policy;
- Current Flood Zone Determination;
- Elevation Certificate and datum conversions, if applicable;
- Color photographs of all sides of the building and photographs showing machinery and equipment and location; *and*
- A copy of current claim file and any previous claim files if applicable.

The NFIP will send an acknowledgement of receipt of the waiver request to the insurer. If additional information is required, the NFIP will notify the insurer within 10 business days. Otherwise, the NFIP will submit the packaged documents to the FEMA Underwriting Branch for review and determination. If all documentation is submitted properly and in a timely manner, the entire process should not take more than 15 business days.

## 56 Wildfires

### 56.1 Application of Post Wildfire Exception to 1-Day Waiting Period for New Policies

In general, new policies for flood insurance become effective following a 30-day waiting period;<sup>43</sup> however, the [Biggert-Waters Flood Insurance Reform Act of 2012](#) provided an additional exception to this requirement related to flooding caused by post-wildfire conditions, referred to as the [Post-Wildfire Exception](#).<sup>44</sup> Under the Post-Wildfire Exception, the standard 30-day waiting period does not apply to new policies if:

1. The insured property is privately-owned (i.e., property not owned by a federal, state, local, territorial, or tribal government);
2. Post-wildfire conditions on federal lands caused or worsened the flooding; *and*
3. The policyholder purchased the new, additional, or increased coverage either:
  - a. before the fire containment date; *or*
  - b. during the 60-calendar-day period following the fire containment date.

For the purposes of the Post-Wildfire Exception, the federal agency responsible for the land on which the post-wildfire conditions existed determines the fire containment date.

Where a policyholder meets the requirements of the Post-Wildfire Exception, the insurer must make the policy effective at 12:01 a.m. (local time) on the first calendar day after the application date and presentment of payment of premium. Once the policy is made effective, the insurer must adjust and pay claims in accordance with the SFIP, including

<sup>43</sup> 42 U.S.C. § 4013(c)(1); 44 C.F.R. § 61.11(c).

<sup>44</sup> See 42 U.S.C. § 4013(c)(2)(C) (added by Biggert-Waters Flood Insurance Reform Act of 2012 § 100241).

provisions governing a flood in progress and requiring that a flood occurs after the purchase of the policy.

- Given the eligibility criteria for this post-wildfire exception, the policyholder had to already have NFIP coverage in place at least one day before the triggering flood loss occurred. Therefore, this exception is relevant when a new policy (or additional or increased coverage) is within the standard 30-day waiting period and experiences a loss qualifying it for the post-wildfire exception and resulting 1-day waiting period.
- The insurer cannot endorse the policy to change its effective date, so must cancel and rewrite the policy. For the purposes of the post-wildfire exception, the federal agency responsible for the land on which the post-wildfire conditions existed determines the fire containment date.

## 56.2 Assistance with the Proper Application of Post Wildfire Exception

FEMA supports the application of the Post-Wildfire Exception by tracking containment dates for wildfires occurring on federal lands and consulting when necessary with appropriate federal agencies to determine whether post-wildfire conditions caused or exacerbated a flood. Insurers may request assistance with the proper application of the Post-Wildfire Exception by contacting [FEMA-FIDClaimsMailbox@fema.dhs.gov](mailto:FEMA-FIDClaimsMailbox@fema.dhs.gov).

## 57 Wind/Flood Loss

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

The adjuster should record the process they use when approaching a wind and water claim. In addition to looking for signs of flood damage and a general condition of flood and documenting the exterior water line, the adjusters should note any exterior damage visible to the roof, along the fascia, and the upper walls of the exterior siding. The adjuster should also photograph this damage and mention what was observed in the narrative report.

The SFIP only pays for direct physical loss by or from flood to the insured property. Once inside the building, the adjuster should always document the floodwater line. Damage below this line is typically flood damage (exceptions like wicking should be noted in the narrative report). Damage above the floodwater line is typically wind damage, such as water-stained ceilings or water damage at broken windows or exterior doors. This damage should also be photographed and mentioned in the narrative report.

When wind or wind-driven rains are part of the loss, and this scope of damage overlaps with the scope of flood damage, the flood adjuster should confirm the division of the scope of loss with the wind adjuster, or request a copy of the wind adjuster’s estimate from the policyholder.

### 57.1 Wind and Water Investigative Tips

1. Research local newspapers and check with the National Weather Service or other agencies to determine the specific data relative to the storm in the

location of the claim. Specific information to look for includes wind speed data, storm surge data, flood height data, and other relevant information.

2. When damage is caused by a hurricane, tropical storm, nor'easter, or other event that may cause both wind and flood damage, determine and record the following (*check and record the timing and duration for each on the following chart*):

Data Element	Measurement	Timing	Duration
Highest Wind Speed			
Barometric Pressure			
Amount of Rainfall			
Tidal Heights			
Storm Surge			
Wave Heights			

3. Record the distance and direction of the insured risk relative to the eye of the storm. Remember that the waves are higher to the right of the storm's path.
4. Research and record site conditions:
  - Original ground elevation;
  - Distance from a body of water;
  - After-storm ground elevation or other indications of scour; *and*
  - Amount and type of storm debris.
5. Canvas the neighborhood for eyewitnesses and take their recorded or signed statements. Be certain to identify where each witness was at the time of the storm, document the wind speed versus wind gusts and flood levels each witness saw, and the time of day observed that each saw it. Record in the claim files only what each witness says verbatim—not hearsay or your own opinion.
6. Check for debris and photograph the debris line. Measure and record how many feet the debris line is from the shoreline and how many feet from the insured risk. Be sure to describe the topography in detail. Check for and photograph houses and objects adjacent to the insured risk. If the damage appears to be different from that of the insured risk, determine why and record the reason in the claim files. Usually, the damage is different for one of two reasons:
  - Different causes of damage (for example: a tornado can cut a relatively narrow path, leaving neighboring buildings relatively undamaged).
  - Different building construction and anchoring. Look for connectors or tie-down straps for elevated buildings and enclosures beneath elevated buildings. Check the pilings for evidence of scouring. Photograph the remaining pilings, showing patterns of the leaning pilings. Determine how deep the pilings were installed and measure the distance between pilings.

7. Determine and record in the claim file a complete description of the damaged or demolished building, including the type of construction, whether elevated (if elevated with an enclosure, be sure to indicate the type of enclosure – breakaway walls, open latticework, vents, etc.), number of floors (including basement), roof covering and pitch, windows, carports, etc., and the building's relative position to the wind. It is also important to include a description of the foundation type (slab, piles, piers, etc.) and damage.
8. Photograph (close-up) the remains of connectors or tie-downs. Be sure to describe the size, type, method of installation, and the brand name.
9. Make a notation in the initial report where evidence suggests that the insured risk was not built as securely as neighboring buildings. The flood insurer or adjuster may want to check the local building codes to determine if a building construction violation has occurred and document the claim files, both with copies of the code and the evidence of a violation. Document the age of the building and the effective dates of the building codes.
10. Check for and photograph potential exterior wind damage such as missing, lifted, or linear granule loss on roof shingles, missing roof vent flues, fascia damage, or damage to upper sections of exterior siding or gable vents.
11. Inside the building check for and photograph watermarks or stains on interior walls and ceilings. Also look for wind-driven rain around windows, or on the floors below windows or inside around the exterior doors. Check for and photograph all possible flood-related watermarks or stains that are visible on both the exterior and interior of the building.
12. Check for and photograph any watermarks visible on nearby trees, fence posts, or other buildings.
13. Other important considerations:
  - Causation must be determined in order to accurately adjust the loss.
  - The policyholder has a duty to provide the wind adjustment from the wind insurance carrier. Wind damage must be considered before any payment is made.
  - If an itemized building estimate is required, the adjuster should omit or “zero-out” the overlapping scope of damage related to wind. At no time will the SFIP pay more than the pre-loss value of the home, less claim payments from all other insurance.
  - The SFIP does not allow for constructive total losses.
  - If the building is destroyed and is determined a total loss, that is an itemized building estimate is not possible, the adjuster will need to complete a itemized building valuation to value the loss. If wind damage is involved, the flood claim must be adjusted to omit the overlapping scope of damage valued under the wind claim.

Overall, flood claim adjusters should take special care when adjusting claims caused by both flood and other perils. In addition to thoroughly examining all flood damage, adjusters should also photograph and note evidence of damage caused by non-flood perils. General notations of damage caused by non-flood perils do not rise to the level of providing a professional opinion regarding causation, damages, or repair methods. Such notations can help resolve disagreements later in the claims process.

## 57.2 Handling Guidance When Wind Carrier Pays Wind Limits

The SFIP states that flood insurance payments cannot exceed the value of the insured building before the loss. In addition to the provisions requiring proof of direct physical flood loss cited above, the SFIP expressly limits payment to the lesser of (a) the building limit of liability, (b) the replacement cost of the insured property with materials of like kind and quality and for like use, or the necessary amount actually spent to repair or replace insured property.

A federal court has held that any flood payment is limited to the value of the structure before the storm minus prior insurance payments for damage to the same property.<sup>45</sup>

The court stated that “coverages for both [wind and flood under separate insurance policies] does not entitle the plaintiff to double recovery in the event of a given loss.” Policyholders can recover under both a flood and non-flood policy when a flood and another insured peril combine to result in a total loss, if they can segregate and prove the two types of damages. The policyholder should be given the opportunity to segregate which damages were caused by flood versus another non-flood policy to recover up to the entire pre-loss value of their home.

Setting expectations and conducting a prompt and detailed wind and water investigation is necessary to provide the best possible service to the policyholder. The adjuster must:

- Set proper expectations for the policyholder, explaining what is needed to confirm causation, direct physical damage by or from flood, and to set the amount of loss.
- Secure the services of a subject matter expert to document the cause of loss and damage by wind versus flood.
- The adjuster may need a subject matter expert to determine the pre-loss value. A contractor’s rebuild estimate that considers like kind and quality construction is an acceptable method to prove the value.
- Determine the pre-loss value for the building immediately before the loss, per [VII. General Conditions, R. Loss Settlement 5. Amount of Insurance Required](#), and attempt to reach an agreement with the policyholder. Once the value is established, the adjuster will deduct applicable depreciation, the wind payment, and flood deductible to determine the amount payable under the flood policy.

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<sup>45</sup> See *Halmekangas v. State Farm Ins. Co.*, No. 06-03942, 2008 WL 5381603 (E.D. La. Dec. 19, 2008)

## 58 Withdrawal Letters and Denial Letters

### 58.1 Withdrawal Letters

The examiner will issue a letter of withdrawal confirming the policyholder's voluntary withdrawal of the claim prior to or after inspection. A policyholder's withdrawal is not a denial and does not trigger the one-year limit to file suit or the 60-day timeframe to file an appeal; however, if an inspection occurred, the letter should reflect the findings of the adjuster and address any applicable exclusions.

### 58.2 Partial Denial Letters and Full Denial Letters

Send letters to policyholders so that they are aware of the disposition of the claim and provide copies of estimates and inventories to support the claim payment and settlement.

## Section 3: Increased Cost of Compliance

### 1 Increased Cost of Compliance (ICC)

The NFIP encourages mitigation efforts and supports individual and local initiatives to mitigate future flood risks. ICC coverage currently provides eligible policyholders an insurance benefit up to \$30,000 towards the costs they incur to comply with minimum NFIP floodplain management regulation, state laws, or the local community ordinance. An NFIP policyholder now has up to six years from the date of loss of the underlying flood claim to complete eligible compliance activities to a flood-damaged building in the ICC process described below. While there is only one NFIP flood claim, ICC (Coverage D) is a separate policy benefit, as is Building Property (Coverage A), Personal Property (Coverage B), and Other Coverages (Coverage C). A Coverage D payment is not subject to the Mortgage Clause as with a Coverage A payment. ICC is an additional amount of insurance above the Coverage A – Building limit of liability, but the combined Coverage A and Coverage D payment cannot result in payment beyond the current Program maximums of the following:

- \$250,000 for dwelling;
- \$500,000 for commercial; *and*
- \$250,000 × the number of units under the RCBAP.

The insurer only accepts ICC after the community has declared, in writing, that the insured building has been substantially damaged (see below). The policyholder sends that substantial damage declaration letter, written by an official authorized to make the declaration to the NFIP insurer, on community letterhead. ICC pays benefits to eligible SFIP policyholders are required to comply with state or local floodplain management law or ordinance affecting repair or reconstruction of a building damaged by flood.<sup>46</sup>

Compliance activities that are eligible for payment include:

- Floodproofing of the basement (for non-residential buildings only);
- Relocation;
- Elevation;
- Demolition; *or*
- Any combination of the above.<sup>47</sup>

In order to initiate, receive partial payment, and finalize an ICC claim, the policyholder property owner provides a copy of the letter confirming that the building is “substantially or repetitively damaged” and, therefore, requires the property owner to comply with floodplain regulations (“substantially” and “repetitively” are both defined in the SFIP at Section III.D.3.(1) and (2)). For the purposes of ICC eligibility, either substantial damage or a repetitive loss provision must be adopted by the community in their floodplain management ordinance and enforced uniformly in the community. Submission of the declaration letter to the insurer demonstrates the policyholder’s intent to file for ICC Coverage D benefits, and starts the ICC process.

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<sup>46</sup> See [SFIP \(III\)\(D\)\(3\)](#).

<sup>47</sup> See [SFIP \(III\)\(D\)\(1\)](#).



**Note:** Some states, rather than the communities within the state, have land-use management authority. Floodplain management guidelines may be in state law and not in the community ordinance. It is always good practice to include both in the claim file if there are questions.

For the purposes of ICC, flood damage must be to the percentage threshold adopted by law or ordinance, although other damages may be involved, such as wind or fire. The percentage threshold is typically 50 percent but can be a lower threshold if adopted by law or ordinance.

Substantial damage and Substantial Improvement are often used interchangeably by a community official for all causes of loss. For the purposes of ICC Coverage D, substantial damage must be attributed to flood only to meet the percentage threshold adopted by law or ordinance. All insured and non-insured flood damages sustained to the insured building may be considered in determining substantial damage attributed to flood.

The community official uses market value (not replacement cost value) when determining substantial damage. If the community official's letter advises of the specific standard to be enforced against the building in an elevation project or other projects, this information can be used in lieu of obtaining the ordinance copy. The letter must also indicate the market value.

Market value can be obtained from:

- Independent appraisals by professional appraisers.
- If the community prefers, a detailed estimate of the building's ACV as a substitute for market value.
- Property appraisals used for tax assessment purposes can be used as a screening tool.
- The value of the building taken from NFIP claims data can be used as a screening tool.
- Qualified estimates based on the sound professional judgement made by the staff of the local building department or local or state tax assessor's office.

A community is a governmental body with the statutory authority to enact and enforce zoning, building codes, subdivision, and other land use control measures. The authority of each unit of government varies by state. Eligible communities can include:

- Cities;
- Villages;
- Towns;
- Townships;
- Counties;
- Parishes;
- States; *and*
- Native American tribes and Alaskan villages.

### 1.1 ICC Requirements for Advance or Partial Payment

The policyholder may request an advance or partial payment from their insurer to help cover the cost of the eligible compliance measure(s), subject to the insurer's approval once supporting documentation and a signed ICC proof of loss or signed Advance Payment form for

ICC has been submitted. Previous FEMA guidance, dated April 24, 2013, under Bulletin w-13024 ([Appendix H](#)) stipulates the requirements and guidelines for issuing an ICC advance:

Section III of the SFIPs, “Coverage D,” authorizes ICC Coverage.<sup>48</sup> Section III.D ICC benefits are available to eligible buildings for floodproofing, relocating, elevating, or demolishing a structure following a flood (or any combination of these activities). The SFIP allows for an ICC benefit amount to be paid towards these activities, subject to the statutory limitation that the combined total amount paid under Coverage A and Coverage D of the SFIP do not exceed the statutory limit of coverage for any structure (currently \$250,000 for residential structures).<sup>49</sup> Under the terms of the Policy, ICC benefits are not payable until after the eligible work is completed.<sup>50</sup>

The NFIP encourages mitigation efforts and supports individual and local initiatives to mitigate future risks, and allowing advance payments support that goal.<sup>51</sup> Accordingly, to facilitate implementation of ICC and to effect mitigation measures to reduce the risk of future loss, FIMA Associate Administrator issued a conditional waiver of the provision in the SFIP Coverage D, subpart (5)(e),<sup>52</sup> that requires completion of ICC work before payment, and authorizes partial or advance payments up to 50 percent of the available ICC limit. Specifically, insurers may advance up to one-half of the available ICC funds under an SFIP to an eligible policyholder, conditioned upon:

- The policyholder signing a written agreement that the funds will be used only for eligible ICC work; *and*
- The policyholder signing a written agreement that if all or part of the advanced funds are not used within the permitted time limits for completing the eligible work (or any extensions that may be granted of that time), the policyholder agrees that those amounts not spent on such eligible work will be refunded.

If a policyholder fails to complete the eligible work within the authorized time, the policyholder must return the ICC funds provided. Failure to do so will subject the policyholder to any available administrative, civil, or criminal remedies. Those remedies include, but are not limited to, a determination that an SFIP is void pursuant to its Policy Nullification, Cancellation, and Non-Renewal, Sections (VIII)(A) and (D)(3) or (VIII)(B) and (G)(3),<sup>53</sup> a federal debt collection action,<sup>54</sup> and legal actions under state or federal laws.

If the policyholder does not agree to the above conditions, the terms of the SFIP will apply (for example: no amount of ICC benefits will be paid until after completion of eligible work).

All other terms and conditions of the SFIP for ICC claims, including the ICC proof of loss requirements, are not affected by the conditional waiver.

The conditional waiver applies to all ICC claims made on or after February 11, 2013.

<sup>48</sup> See 44 C.F.R. Pt. 61, App. A(1)-(3).

<sup>49</sup> See 42 U.S.C. § 4013.

<sup>50</sup> See 44 C.F.R. pt. 61, App. (A)(1)-(3)(III)(D)(5)(e).

<sup>51</sup> See 61 Fed. Reg. 49720 (1996).

<sup>52</sup> See 44 C.F.R. pt. 61, App. (A)(1)-(3)(III)(D)(5)(e).

<sup>53</sup> See 44 C.F.R. pt. 61, App. (A)(1)-(2)(VII)(B), (G)(3), App. A(3)(VIII)(B), (G)(3).

<sup>54</sup> See 44 C.F.R. §11.1-11.2.

If an insurer issues payment in accordance with the terms and conditions set forth here and properly documents an ICC advance or partial payment, FEMA will apply these standards in all reviews or audits of files, including any reviews under the Arrangement or the Improper Payment Information Act of 2002.<sup>55</sup> However, if payment is incorrectly made to a policyholder, if a claim is not properly documented, if the insurer omits an additional named policyholder, or if the insurer otherwise acts inconsistently with the obligations set forth in the Arrangement or applicable law, the insurer will be responsible for the erroneous payment.

## 1.2 Required ICC Claim File Documents and Requirements

Once the work is complete, the policyholder must provide the flood adjuster or insurer with:

- All final ICC documents, such as a post-FIRM elevation certificate or a floodproofing certificate;
- A copy of the detailed signed contract from the policyholder's contractor confirming a start and completion date of the mitigation work to be performed, documenting the contractor's and policyholder's (property owner's) signatures; *and*
- Any other supporting documentation confirming completion.

The local community official must inspect or document that the compliant building or demolished area complies with floodplain management regulations and, if applicable, provide the property owner with a certificate of occupancy or a letter confirming requirements have been met.

Once all required ICC documents are received, including meeting all other eligibility criteria, an insurer sends the policyholder an ICC proof of loss form for final payment that must be signed, dated, and returned to the insurer for processing.

The insurer issues the final ICC payment once all required steps have been completed relating to the eligible compliance measures and the building complies with minimum NFIP standards and the community ordinance. This process requires that the policyholder work collaboratively with their local officials to ensure that the ICC work is completed in a timely manner including working with the flood adjuster and claims examiner to ensure timely submission of all required ICC documents. Please note that there can be no duplication of allowances considered in the underlying flood claim and Coverage D, nor does ICC provide coverage for deterioration or rot conditions of the building, additional costs associated with structural modifications, upgrades, or any additional increase in square footage of the insured building.

**Table 18: Required ICC Claim File Documents**

Document	Details
Copy of the community's floodplain management ordinance	<ul style="list-style-type: none"> <li>• Once FEMA provides a community with the flood hazard information upon which floodplain management regulations are based, the community is</li> </ul>

<sup>55</sup> See Pub. L. No. 107-300, 33 U.S.C. § 3321 (amended by Pub. L. No. 111-204 (2010))

Document	Details
	<p>required to adopt a floodplain management ordinance that meets or exceeds the minimum NFIP requirements.</p> <ul style="list-style-type: none"> <li>The overriding purpose of the floodplain management regulations is to ensure that participating communities take into account flood hazards, to the extent that they are known, in all official actions relating to land use management.</li> </ul>
<p>Permit copy for floodplain development associated with the compliance measure</p>	<ul style="list-style-type: none"> <li>Must be valid and must not be expired.</li> <li>A permit is required before construction or development begins within any Special Flood Hazard Area (SFHA). Permits are required to ensure that proposed development projects meet the requirements of the NFIP and the community's floodplain management ordinance.</li> <li>A community must also review all proposed developments to ensure that all necessary permits have been received from those governmental agencies from which approval is required by federal or state law.</li> </ul>
<p>Photographs</p>	<ul style="list-style-type: none"> <li>Detailing the compliance measures' progress from start to completion.</li> </ul>
<p>Elevation Certificate (EC) for elevation projects</p>	<ul style="list-style-type: none"> <li>This can be pre- or post-construction.</li> <li>The elevation certificate (EC) is an administrative tool of the NFIP, which is to be used to provide elevation information necessary to ensure compliance with community floodplain management ordinances or support a request for a Letter of Map Amendment (LOMA) or a Letter of Map Revision (LOMR).</li> <li>Letter of Map Amendment. An amendment to the current effective FEMA map, which establishes that a property is not located in an SFHA. A LOMA is issued only by FEMA.<sup>56</sup> <ul style="list-style-type: none"> <li>Letter of Map Revision. An official amendment to the current effective FEMA map. A LOMR is issued by FEMA and changes flood zones, delineations, and elevations.<sup>57</sup></li> </ul> </li> </ul>

### 1.3 What to Know Concerning Floodproofing, Relocation, Elevation and Demolition (FRED) of a Flood-Damaged Building:

#### A. Elevation

The ICC claim file should include:

- Documentation on the elevation to which the building will be permanently raised, including:
  - The required Base Flood Elevation (BFE),
  - The adoption of a freeboard requirement above the BFE; *and*
  - Best Available Data, including any freeboard requirement.
- Costs to set up equipment, elevate, and temporarily support the building;
- Permit for floodplain development;
- Cost to build the new compliant foundation;

<sup>56</sup> See 44 C.F.R. pt. 70; see also <https://www.fema.gov/letter-map-amendment-loma>.

<sup>57</sup> See 44 C.F.R. pt. 65; see also <https://www.fema.gov/letter-map-revision>

- Temporary support (cribbing);
- Confirmation of the total number of vents and costs, if applicable to the elevation project;
- Drawings of the projected building perimeter footprint, including dimensions of any attached garage and ground-level utility room, if applicable;
- Confirmation of the first-floor living space square footage in comparison to the original flood-damaged building, as the ICC payment will be limited to the costs to mitigate the building as it was at the time of loss, as there is no coverage for any additional costs associated with structural modification, upgrades, or any additional square footage increase;
- Pre-mitigation elevation certificate, if needed;
- Post-mitigation elevation certificate;
- Costs associated with disconnecting required utilities (electricity, water, sewer, or gas);
- Costs associated with reconnecting required utilities (electricity, water, sewer, or gas; extensions and modifications);
- Costs associated with reconstruction of egress (steps and railing plus allowances of 16 square feet of landing) front and rear or under the building;
- Cost of the installation of a platform for an air conditioning unit;
- Cost to separate an attached garage, if applicable;
- Architectural and engineering fees associated with a design for elevating an eligible insured building; *and*
- Before and after photographs of the structure and site.

**Table 19: Insured vs. Non-Insured Elevation Expenses**

Insured Elevation Expenses	Non-Insured Elevation Expenses
<ul style="list-style-type: none"> <li>• Architectural and engineering fees associated with a design for elevating an eligible insured building.</li> <li>• Cost of permits.</li> <li>• Pre-mitigation elevation certificate, if required.</li> <li>• Disconnecting required utilities (electricity, water, sewer, or gas).</li> <li>• Clearing of plant-life and excavation around the insured building for the setup and installation of lifting equipment and supports. Cost to separate an attached garage.</li> <li>• Elevation of the insured building to minimum required height (BFE or freeboard).</li> <li>• Temporary support (cribbing).</li> <li>• Removal and disposal of pre-mitigation insured building foundation components, when applicable (see B. Demolition below).</li> <li>• Construction of the compliant foundation. Required minimum flood venting.</li> <li>• Reconnection of required utilities (extension or modification).</li> <li>• Reconstruction of egress (steps &amp; railings plus 16 SF landing), front and rear of the structure, or under the structure.</li> <li>• Installation of platform for air conditioning equipment.</li> <li>• Post-mitigation elevation certificate.</li> </ul>	<ul style="list-style-type: none"> <li>• Elevation of any structure other than the insured building.</li> <li>• Elevation of the insured building already at the minimum required height.</li> <li>• Elevation of the insured building above the minimum required height.</li> <li>• Elevating the insured building outside of a Special Flood Hazard Area, except when required according to an existing local community flood management ordinance.</li> <li>• Code upgrades unrelated to State or local floodplain management law or ordinance. Added improvements, remodeling, or additions.</li> <li>• Disconnection, elevation, and reattachment of decks or walkways.</li> <li>• Reattachment of garages or grade level utility closets.</li> <li>• Repair, removal, reinstallation or replacement of exterior siding or masonry veneer.</li> <li>• Regrading and reseeding of lawns or the replacement of plant-life.</li> <li>• Other surfaces (sidewalks, driveways, patios, etc.) or structures (fences, containment or retaining walls, etc.) outside the perimeter exterior walls of the insured building.</li> <li>• Expenses not included in the Insured elevation expenses above.</li> <li>• Allowances for items already considered under Coverage A – Building Property.</li> <li>• Any payable amount over the NFIP’s maximum for Coverage A – Building Property on any single loss.</li> </ul>

## B. Demolition

The ICC claim file should include:

- Cost to demolish the insured building or foundation (plus associated cartage and dump fees);
- Cost to demolish other insured items other than the insured building, if applicable;
- Cost to grade and stabilize the building site or fill for basements;
- Cost of clearing the existing building site of any remaining materials of the insured building, such as the foundation;
- Cost to disconnect and cap required utilities (electricity, water, sewer, or gas);

- Cost to grade and stabilize the site in accordance with state or local regulations; *and*
- Before and after photographs of the structure and site.

The property may be redeveloped after demolition is complete, subject to all applicable federal, state, and local community laws and regulations.

**Table 20: Insured vs. Non-Insured Demolition Expenses**

Insured Demolition Expenses	Non-Insured Demolition Expenses
<ul style="list-style-type: none"> <li>• Cost of permits.</li> <li>• Demolition of an eligible insured building.</li> <li>• Disconnect and cap required utilities (electricity, water, sewer, or gas), in accordance with State and local regulations.</li> <li>• Cartage of debris (demolished insured building) and dumpsite fees.</li> <li>• Clearing the existing building site of any remaining materials of the insured building, such as the foundation.</li> <li>• Grade and stabilize the building site in accordance with State or local regulations (fill for basement foundation voids).</li> </ul>	<ul style="list-style-type: none"> <li>• Demolition of an insured building already in compliance with State or local floodplain management law or ordinance.</li> <li>• Demolition of other surfaces (sidewalks, driveways, patios, etc.) or structures (detached garages and carports, sheds, playsets, fences, containment or retaining walls, etc.) outside the perimeter exterior walls of the insured building.</li> <li>• Re-grading and re-seeding of lawns or the replacement of plant-life.</li> <li>• Expenses not included in the Insured demolition expenses above.</li> <li>• Allowances already paid in a claim under Coverage A – Building Property.</li> <li>• Any payable amount over the NFIP’s maximum for Coverage A – Building Property, on any single loss.</li> </ul>

### C. Relocation

The ICC claim file should include:

- Confirmation of the moving route preparation;
- Costs for the building, transport, mileage, and cost;
- Costs associated with installation and anchoring of the building to the new foundation;
- Costs to disconnect electricity, water, sewer and gas and reconnection charges for electricity, water, sewer, and gas;
- Architectural and engineering fees associated with a design for relocating an eligible insured building;
- Permit for floodplain development;
- Costs associated with clearing of plant life and excavation around the insured building to allow setup, installation of lifting and transportation of equipment and supports;
- Costs associated with preparation, elevation, and transport of the insured building to the new site;

- Cost to clear the existing building site of any remaining material of the insured building, such as the foundation;
- Cost to construct the compliant foundation of the new site;
- Cost to install and anchor the insured building to the foundation at the new site;
- Cost to connect required utilities at the new site, electricity, water, sewer, or gas; *and*
- Before and after photographs of the structure and site.

**Table 21: Insured vs. Non-Insured Relocation Expenses**

Insured Relocation Expenses	Non-Insured Relocation Expenses
<ul style="list-style-type: none"> <li>• Architectural and engineering fees associated with a design for relocating an eligible insured building.</li> <li>• Cost of permits.</li> <li>• Clearing of plant-life and excavation around the insured building to allow the setup and installation of lifting and transportation equipment and supports.</li> <li>• Preparation of the moving route. Disconnect and cap required utilities, in accordance with state and local regulations. Preparation, elevation, and the transport of the insured building to the new site.</li> <li>• Clearing the existing building site of any remaining materials of the insured building, such as the foundation (see Demolition).</li> <li>• Construction of the compliant foundation at the new site (see Elevation).</li> <li>• Installation and anchoring of the insured building to the foundation at the new site. Connecting required utilities at the new site (electricity, water, sewer, or gas).</li> </ul>	<ul style="list-style-type: none"> <li>• Relocation of any structure other than the insured building.</li> <li>• Elevating the insured building at the new site located in a non-SFHA.</li> <li>• Expenses not included in the Insured relocation expenses above.</li> <li>• Allowances already paid in a claim under Coverage A – Building Property.</li> <li>• Any payable amount over the NFIP’s maximum for Coverage A – Building Property on any single loss.</li> <li>• Relocation is covered inside and outside of the SFHA.</li> </ul>

#### D. Floodproofing

The ICC claim file should include:

- Completed Floodproofing Certificate;
- Photographs of shields, gates, barriers, or components designed to provide floodproofing protection to the building; *and*
- Written certification from a licensed professional engineer that all portions of the building below the BFE are made watertight or substantially impermeable to the passage of water and must perform in accordance with Title 44 Code of Federal Regulations (44 CFR §60.3(c)(3)).



See the [Flood Insurance Manual](#) for information regarding floodproofing. Eligible structures for floodproofing include:

- Non-residential buildings in A zones (floodproofing is not allowable in any V zones). The specifications for floodproofing ensure that the building is watertight, its floodproofed walls will not collapse, and the floor at the base of the floodproofed walls will resist flotation during flooding conditions; *and*
- Residential dwellings with basements, located in zones A1-30, AE, AR, AR Dual, AO, AH, and A with BFE that are within communities specifically approved and authorized for residential floodproofing by FEMA. For residential buildings, the building must be watertight without human intervention.

**Table 22: Insured vs. Non-Insured Floodproofing Expenses**

Insured Relocation Expenses	Non-Insured Relocation Expenses
<ul style="list-style-type: none"> <li>• Architectural and engineering fees associated with a design for floodproofing an eligible insured building.</li> <li>• Cost of permits.</li> <li>• Floodproofing certification completed by a design professional for non-residential buildings.</li> <li>• Installation of watertight shields for doors and windows.</li> <li>• Reinforcement of walls to withstand floodwater pressures and impact forces generated by floating debris.</li> <li>• Membranes and other sealants to reduce seepage of floodwater through walls and wall penetrations.</li> <li>• Installation of drainage collection systems and sump pumps to control interior water levels, collect seepage, and reduce hydrostatic pressures on the slab and walls.</li> <li>• Installation of check valves to prevent backup of floodwater or sewage through utilities.</li> <li>• Anchoring the building to resist flotation, collapse, and lateral movement.</li> </ul>	<ul style="list-style-type: none"> <li>• Floodproofing of any structure other than the insured building.</li> <li>• Code upgrades unrelated to state or local floodplain management ordinance.</li> <li>• Expenses not included in the Insured floodproofing expenses above.</li> <li>• Allowances already paid in a claim under Coverage A – Building Property.</li> <li>• Any payable amount over the NFIP’s maximum for Coverage A – Building Property on any single loss.</li> <li>• Measures such as floodwalls independent from the building, berms, and levees around buildings are not allowable floodproofing measures under the NFIP.</li> </ul>

#### 1.4 Assignment of Coverage D, ICC Benefits

FEMA authorizes policyholders the ability to assign their ICC claim payments, when eligible, to be included in a FEMA-sponsored flood mitigation grant or other housing and urban development grants (HUD) involving eligible ICC compliance activities. The policyholder's agreement to transfer their interest is accomplished by submitting the Assignment of Coverage D – Increased Cost of Compliance Coverage Form ([Appendix I](#)) to the local authorities, state, or community administering the grant. Once the policyholder assigns the

ICC claim, the local authorities, state, or community will be responsible for completing the eligible mitigation activity. Upon receipt of the completed Assignment of Coverage D Form, the insurer should process the ICC claim in the customary manner up to the available ICC benefit amount.

Therefore, adjusters and insurers are required to verify and include the required ICC documentation based on the selected mitigation activity as they normally would.

#### A. Steps for the Assignment of Coverage D – Increased Cost of Compliance Coverage:

1. Policyholder consents to the assignment of the ICC claim payment.
2. The community official will provide the policyholder with an Assignment of Coverage D Form ([Appendix I](#)).
3. The policyholder signs the form and provides the signed form to the community official.
4. The community official sends a copy of the completed form, along with the community's signed declaration of substantial damage to the NFIP Bureau & Statistical Agent at [NFIPClaimsMailbox@fema.dhs.gov](mailto:NFIPClaimsMailbox@fema.dhs.gov).
5. NFIP maintains a database of the ICC information submitted by the community. The NFIP then sends the documents to the appropriate insurer, with instructions. The insurer will then assign an adjuster.
6. The assigned adjuster contacts the policyholder to advise s/he has the claim and contacts the local community official to coordinate and help complete the claim.
7. The adjuster receives/reviews the contract for demolition, elevation, relocation or floodproofing to determine the cost.
8. The adjuster has the community official sign the proof of loss once the claim value has been determined.
9. The adjuster sends the proof of loss to the insurer for payment.
10. The insurer issues the check to the community and advises the NFIP of the amount of the claim payment.

**Note:** The policyholder cannot assign an ICC claim when the owner transfers the title of the property to a new property owner. The SFIP allows the policyholder to assign the policy, in writing, when the policyholder transfers title, but not a flood claim including Coverage D, ICC benefit.

### 1.5 Grants

ICC benefits can be used as the non-federal cost share that is the policyholder's responsibility for SFIP policyholders participating in a mitigation grant.

FEMA offers three Hazard Mitigation Assistance (HMA) grant programs to assist the states, U.S. territories, federally recognized tribal governments, and local communities in implementing cost-effective, long-term hazard mitigation measures including elevation. All three have different periods of funding availability and eligibility considerations.

- **Hazard Mitigation Grant Program (HMGP)** provides grants to states and local governments to implement long-term hazard mitigation measures after a major disaster declaration to protect public or private property through various mitigation measures. When a federal disaster declaration is made, new opportunities for mitigation funding may be available.<sup>58</sup>
- **Pre-Disaster Mitigation (PDM) Program** provides funds to states and local communities annually, so they may continue to achieve a higher level of risk management capability through the implementation of hazard mitigation planning and mitigation projects prior to a disaster event. This is a competitive grant program that addresses many different types of natural hazards.<sup>59</sup>
- **Flood Mitigation Assistance (FMA) Program** is competitive and focuses solely on flood mitigation. The FMA program provides funds on an annual basis to states, territories, federally recognized tribes, and local communities for projects that reduce or eliminate the long-term risk of flood damage to buildings insured under the National Flood Insurance Program.<sup>60</sup>

Individuals may not apply directly to the state for assistance from any of these programs; however, local governments may sponsor an application on their behalf. FEMA awards mitigation grant funds to the state, which disburses those funds to its communities. States have the primary responsibility for prioritizing, selecting, and administering state and local hazard mitigation projects.

## 1.6 Other Grant Sources

ICC has been expanded to accept ICC assignments from other non-FEMA sponsored state, local, or community grant programs that align with our mission to help people before, during and after disasters. Nationwide, similar grant funded housing rehabilitations programs through the Department of Housing and Urban Development (HUD) also cover compliance measures such as elevation or demolition projects within a community and may be used in conjunction with Coverage D, ICC. These types of initiatives expand FEMA's mitigation investment to help all NFIP policyholders recover more quickly and fully regardless of location support the mission.

## 1.7 Cost Share

Cost-share, also known as the “non-federal share” or “non-federal match,” is the portion of the costs of a FEMA mitigation grant that is the policyholder's responsibility not borne by the federal government. The authorizing statute for each HMA program establishes the minimum cost share. The total cost to implement approved mitigation activities is generally funded by a combination of federal and non-federal sources. Both the federal share and the non-federal cost share must be for eligible costs used in direct support of activities that FEMA has approved in the grant award. Contributions of cash, third-party in-kind services, materials, or any combination thereof, may be accepted as part of the non-federal cost share.

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<sup>58</sup> 42 U.S.C. § 5170c.

<sup>59</sup> 42 U.S.C. § 5133.

<sup>60</sup> 42 U.S.C. § 4101(c).

To meet cost-sharing requirements, the non-federal contributions must be reasonable, allowable, allocable, and necessary under the grant program and must comply with all federal requirements and regulations.

The terms of the SFIP, Coverage D, control what a policyholder is paid under the policy. The terms of the grant and any non-federal cost-share are separate and distinct from the terms of the SFIP. The recipient (state, territory, or federally recognized tribe) and FEMA's regional HMA program offices will make and verify a determination that an assignment of the ICC claim has not resulted in a duplication of benefits for purposes of the grant.

## 1.8 Some ICC Issues

### A. Sale of the Structure

The sale of a building from one individual to another is a contract between those individuals and should not involve the NFIP. The NFIP contract is with the policyholder who owned and insured the building on the date of loss, and it will or has met those obligations. If the purchaser must repair the building to meet the community's floodplain management ordinance, the cost of that obligation should be reflected in the purchase price to the new owner.

### B. Converting or Retrofitting a Building

#### (1) What is a second story conversion?

ICC covers a second-story conversion, an alternative mitigation method that successfully converts a non-elevated building to an elevated building by replacing or modifying the walls and repurposing ground-floor living space where physically raising the building is not feasible or cost-effective. When a local community determines a building substantially damaged, this method abandons the lower non-elevated first-floor interior, removes the roof, and retrofits the foundation to support a code compliant second story sometimes referred to as a second story retrofit.

#### (2) Why would a policyholder choose a second-story conversion?

Considerations regarding this method involve such factors as those that focus on the existing building including costs, future use, personal preference, or the need to address other natural hazards. Other specific factors that favor a second story conversion such as:

- Allows a non-elevated building to be successfully converted to an elevated building by replacing or modifying the walls and repurposing ground-floor living space.
- Elevating the existing single-story slab-on-grade foundation is not feasible or cost-effective.
- The required elevation height of a compliant first floor is only a few feet above the ground.

#### (3) What mitigation expenses from a second story conversion are eligible under ICC?

- Pre- and post-mitigation elevation certificates;

- Planning and design fees for second story construction;
- Disconnection and reconnection for required utilities – water supply, sewer, gas, and electricity (no CATV, internet, phone, or security);
- Demolition of the first story interior:
  - Interior framing on the first-floor level is not compliant and must be removed;
  - Only open space for storage or a garage is permitted;
- Demolition of the first story roof;
- Excavation, footers, piers, posts, columns, pilings, or structural or shear walls, as necessary to fully support the second story build;
- Second story floor framing and platform for building the second story;
- Flood vents within the perimeter exterior walls of the first story, if the walls are to remain;
- Raised platform(s) to the compliant elevation only for HVAC units or water heater; *and*
- Two points of egress – front and rear entries or underneath the building: one 16 square foot landing for each egress, along with standard-width steps, hand and support rails, and support posts; quality in-line with existing building.

**Important:** The ground level concrete floor or slab must not bear the load from the second story, meaning the first-floor perimeter wall framing must not carry the weight of the second story onto the concrete floor. The foundation walls, shear walls, posts, piers, pilings, or columns that elevate the building must have independent footings or other engineered supports that bear the load not the concrete floor or slab.

The building must also meet the requirements of floodplain management and the community ordinance and, after reconstruction, meet the SFIP definition of an elevated building.<sup>61</sup> The policyholder is required to submit a certification statement from a registered design professional to certify under seal that the structural design, plans, specifications, and method of construction are in accordance with accepted standards of practice in addition to meeting or exceeding NFIP minimum standards and building codes. If the design calls for additional elevation above the required base flood elevation (BFE), these additional costs are not eligible under ICC.

For more information, see FEMA Fact Sheet from FEMA Hazard Mitigation, Second-Story Conversion: <https://www.fema.gov/grants/mitigation/job-aids>

### C. Filling a Subgrade Basement

Coverage is available under Coverage D – ICC to fill in a basement and then elevate the existing home to meet the SFIP definition of an elevated building, if this activity is

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<sup>61</sup> Section II.B.16. 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.

required by the community enforcing their floodplain management ordinance, as it relates to elevation.

#### D. Mitigation Measures

Mitigation measures completed prior to the issuance of the substantial damage declaration will not be considered. Substantial damage determinations, for the purposes of ICC claims, cannot be issued after repairs or mitigation has been completed, as it is no longer possible to verify that the building was out of compliance and the cost of repairs attributed directly to flood.

#### E. Elevating on Fill

Elevation on Fill is allowed in A and AE zones to comply with NFIP minimum standards; however, some communities prohibit the use of fill in their ordinances. The insurer should review the community ordinance to verify the use of fill.

**Note:** Allowing a claim for fill dirt only is not true mitigation with no structure in place. ICC is concerned with completed mitigation to the insured building or a replacement structure.

#### F. Itemized Contractor Estimates

Lump-sum estimates are not acceptable for ICC purposes. The ICC adjuster is required to write their own estimate to ensure the integrity of the pricing provided by the contractor is correct. The examiner must also review the ICC estimate for validity, which includes identifying non-covered allowances related to ICC.

#### G. Asbestos Abatement

The SFIP excludes the cost associated with enforcement of any ordinance or law that requires any policyholder or others to test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to or assess the effects of pollutants.<sup>62</sup>

#### H. Opening in Foundation Walls and Wall Enclosures

Non-engineered openings are used to meet the NFIP's prescriptive requirement of one-square-inch of net open area for every square foot of enclosed area. As an alternative, engineered openings that have characteristics that differ from non-engineered openings may be used, provided they are designed and certified by a registered design professional as meeting certain performance characteristics. [NFIP Technical Bulletin 1, Requirements for Flood Openings in Foundation Walls and Walls, March 2020](#) may be helpful.

### 1.9 ICC U-CORT Waiver Process

A FEMA waiver is required when the timeframe to complete an eligible mitigation activity has expired. Once the eligible and approved mitigation activity is complete, the NFIP insurer, on behalf of the policyholder, will request a using FEMA's U-CORT. The insurer may submit a

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<sup>62</sup> See [SFIP \(III\)\(D\)\(5\)\(b\)](#).

request directly to FEMA through FEMA's U-CORT requesting a waiver of time to complete an eligible compliance measure on behalf of the policyholder. When the request is submitted, the insurer must confirm that the rights of the Program have not been prejudiced by the late submission and provide the Administrator with a valid reason for the delay. The policyholder and insurer must work together to ensure that the ICC claim meets all eligibility and documentation requirements. FEMA reviews and approves each request on a case-by-case basis. *The ICC work must be completed before the waiver is submitted to FEMA for consideration of payment. A waiver should not be submitted to FEMA for pre-approval.*

See [Section 2](#) of this Manual for details on the ICC waiver process.

This ICC process is not exhaustive and additional supporting documents may be required as deemed necessary by the insurer. Not all buildings qualify for an ICC payment. ICC does not provide coverage for any duplication of an item included in the SFIP Coverage A – Building Property payment or for any amount over the Program's statutory limit for the type of building insured.

## Section 4: NFIP Claims Appeals

### 1 NFIP Claims Appeals

Most NFIP claims will settle without dispute. However, when a policyholder disagrees with their insurer concerning the denial of all or part of their claim, they may appeal the insurer's final claim decision to FEMA.

FEMA recommends the policyholder work with their adjuster, the adjuster's supervisor, and the insurers prior to filing an appeal, because they are in the best position to quickly address a specific claim problem. However, every NFIP policyholder has the right to appeal any denial directly to FEMA.

#### 1.1 Eligibility

A policyholder may appeal a full or partial denial of a claim by the insurer to FEMA. The policyholder may only appeal those items denied in writing by the insurer.

The policyholder must appeal within 60 days of the date of the insurer's written denial letter. FEMA calculates the 60-day time frame as follows:

- FEMA begins counting the day after the date on the denial letter and counts every Saturday, Sunday, and legal holiday.
- If the 60th day is a Saturday, Sunday, or legal holiday, FEMA extends the period to the next day that is not a Saturday, Sunday, or legal holiday.
- FEMA considers an email electronic time stamp, U.S. Mail postmark, or express carrier acceptance date as the time of submission to FEMA.

Federal regulation prohibits policyholders who have filed suit against their insurer or entered into appraisal to determine the amount of their loss from appealing their denial to FEMA.<sup>63</sup> With an appraisal, an impartial third party determines the value of the covered scope of damage, when the insurer and policyholder disagree on that dollar amount.<sup>64</sup>

#### 1.2 Filing an Appeal

The policyholder may appeal to FEMA via email at [FEMA-NFIP-Appeals@fema.dhs.gov](mailto:FEMA-NFIP-Appeals@fema.dhs.gov) or by postal or express mail at FEMA, 400 C Street SW, 6th Floor, Washington, DC 20472-3010.

In addition to the name of the policyholder(s) and the property address, appeal letters must include:<sup>65</sup>

1. The flood insurer's denial letter;
2. The flood insurance policy number (from the policy's declarations page);
3. Contact information;
4. Letter of Representation: If the author of the letter is a representative of the policyholder (for example: a relative, a public adjuster, an attorney, or a

<sup>63</sup> See 44 C.F.R. § 62.20(c)(1); (d) (2020)

<sup>64</sup> See SFIP, Section VII or Section VIII. General Conditions, paragraph (P) "Appraisal"

<sup>65</sup> See 44 C.F.R. § 62.20(e) (2020) for requirements



translator), he or she should indicate the relationship and provide documents verifying and authorizing the relationship. A letter of representation allowing access to personal information, pursuant to the Privacy Act, 5 U.S.C. § 552a, must include:

- The policyholder’s full name, current address, date and place of birth, the name(s) of the representative(s), and the policyholder’s signature;
- The following statement from the policyholder: “I expressly grant permission to FEMA to release my records to this third-party representative.”; *and*
- The policyholder must have this document notarized or include the following statement:

*“I declare under penalty of perjury that the foregoing is true and correct. Executed on <DATE>. <SIGNATURE>.”*<sup>66</sup>

5. The details of the policyholder’s concern; *and*
6. Documentation that illustrates, explains, and supports the policyholder’s position.

FEMA reviews the incoming appeal package and then requests the claim file from the insurer to verify the information the insurer relied upon is current and accurate. To best address the issue(s) raised in an appeal, FEMA encourages policyholders to provide as much detail and documentation as needed to support their position in the initial appeal.

Policyholders should provide all information relevant to their particular issue(s).<sup>67</sup> Policyholders can access a sample list of documentation in the [NFIP Flood Insurance Claims Handbook](#). This list serves as an example, and policyholders need not submit all the documentation listed, only the documentation that applies.

FEMA may require additional information, depending on the circumstances of the disagreement. The policyholder is allowed an additional 14 calendar days to supplement the appeal file using the same process and information described above.<sup>68</sup>

### 1.3 What to Expect

FEMA will review the claim file to determine if the insurer properly evaluated and paid the claim, based on the terms and conditions of the SFIP.

When the policyholder raises new questions or provides documentation in the appeal that they did not present to the insurer before the insurer denied the claim, FEMA may recommend submitting any additional documentation that the policyholder may have directly to the insurer to support their claim(s) for additional payment or to preserve the policyholder’s appeal rights.

FEMA begins its process by acknowledging receipt of the appeal, in writing, to the policyholder and requesting the claim file from the insurer. During the appeal process, if the

<sup>66</sup> See 28 U.S.C. § 1746.

<sup>67</sup> See 44 C.F.R. § 62.20(e)(4) (2020)

<sup>68</sup> See 44 C.F.R. § 62.20(f)(2) (2020)

insurer can resolve the appeal issue(s) in favor of the policyholder under the terms and conditions of the SFIP, FEMA encourages them to do so.

At the conclusion of the appeal, FEMA will provide its decision in writing to both the policyholder and the insurer, with specific information concerning the resolution of the appeal.<sup>69</sup>

FEMA's response will address each issue raised on appeal in one of two ways:

- FEMA will overturn the denial and inform both the policyholder and the insurer of its determination and recommend the most appropriate action(s) to the insurer when FEMA agrees with the policyholder.
- FEMA will concur in the denial and explain its decision in plain language with references to the SFIP and other relevant publications. FEMA may also suggest actions the policyholder can take to achieve a different outcome.

#### 1.4 Insurer Responsibility

Policyholders cannot appeal without denial of all or part of the claim in writing.<sup>70</sup> For the policyholder to comply with FEMA's requirements for the appeals process, the insurer must provide a properly written denial letter to policyholders when they deny a claim, in whole or in part. In all denial letters, the insurer must include:

1. **The date of the denial letter.** The date of the initial denial letter begins the one-year period from which the policyholder may file suit. The denial letter date also triggers the 60-day period to file an appeal with FEMA under Title 44, Code of Federal Regulations, Section 62.20.
2. **The name(s) of the policyholder(s), the mailing address, and the loss location.** While straightforward, these elements are especially important when policyholders involve legal representatives, public adjusters, or other representatives when submitting a claim for payment (for example: the proof of loss).
3. **The date of loss.** Necessary when policyholders file claims for the same properties across multiple events
4. **The date(s) the policyholder submitted a request for payment** (example: advance payment, proof of loss) or failed to comply with a material term of the SFIP (example: failed to submit a timely proof of loss). Sequentially, a denial letter should be issued only after the policyholder submits a signed and sworn proof of loss, signs the adjuster's closing report, or fails to comply with a material term of the SFIP.
5. **The item(s) denied with the corresponding dollar amount denied**, whenever applicable. Denial letters should avoid general terms such as "various items" or "finished items in a basement," and instead list the items not Insured by the SFIP.

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<sup>69</sup> See 44 C.F.R. § 62.20(f) (2020)

<sup>70</sup> See 44 C.F.R. § 62.20(b) (2020)

6. **A plain-language explanation for the non-payment or non-coverage.** Rather than quote the SFIP at length, the denial letter should explain why the SFIP does not provide coverage.
  - **Example:** “The Standard Flood Insurance Policy does not cover shrubs. We, therefore, must deny the part of your claim seeking payment for shrubs. This limitation appears in the SFIP in Section IV, Paragraph 6.”
  - **Note:** “The above-referenced claim has been closed without payment. IV. Property Not Insured 6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals[.]”
7. **Citations to the relevant sections of the SFIP and a web link to the SFIP.** This should complement the plain-language explanation, not replace it.

Insurers should continue to acknowledge coverage restrictions in their communications with policyholders. Nothing in this section is intended to broaden coverage or change standard claims-handling procedures.

With every denial, whether a whole or partial denial, the insurer must also include an attachment that explains the rights of the policyholder. FEMA is providing the Policyholder Rights document ([Appendix G](#)). WYO companies may modify this document to the extent that they want to include any brand identity or contact information elements. FEMA intends for this attachment to replace the previous standard paragraphs in the denial letters themselves concerning appeals and litigation. The Policyholder Rights document provides policyholders with the option to submit flood insurance appeals by email.

When the reasons given in the denial letter do not agree with the facts of the claim, or if the SFIP citation referenced does not fully support the denial decision, the letter may be faulty and result in a premature or ineligible appeal. In such a case, FEMA will forward the policyholder’s letter to the insurer, requesting that they deal directly with the policyholder to resolve the matter by making a final determination and sending an adequate denial letter. Insurers should continue to acknowledge coverage restrictions in their communications with policyholders.

Finally, FEMA currently receives appeals prior to the policyholder receiving a denial letter. FEMA reminds the insurers that the SFIP does not authorize adjusters to approve or disapprove claims, or to tell the policyholder whether the insurer will approve the claim. The adjusters may answer general flood insurance coverage questions, in the effort to provide good customer service to policyholders, but should also inform policyholders that the insurer provides the final claim decision. FEMA asks that the insurers have their adjusters inform policyholders that they cannot file an appeal until they receive a denial letter. The proper sequence for claims-handling and dispute resolution is explained in the FEMA Fact Sheet [The Flood Insurance Claims Process](#).

If a representative of the policyholder submits the appeal, he or she should indicate the relationship (e.g., attorney, parent/child, etc.) and provide documents verifying and authorizing the relationship, including a waiver allowing access to personal information under the Privacy Act, 5 U.S.C. § 552a.

## Section 5: NFIP Claims Oversight

### 1 Claims Operation Review

FEMA maintains oversight of the NFIP claims processing performed by the insurers. This oversight is conducted primarily through claims and underwriting Operation Reviews and Random Claims Quality Checks (RCQC). The Operation Reviews are typically performed on closed claim files. An RCQC is conducted during disasters on open and closed claims. The RCQC review involves reviewing at least one claim from each adjuster to determine if the claim is on the right path and provide guidance, as necessary. Additionally, insurers engage Certified Public Accounting (CPA) firms to perform biennial audits that include a claims audit section.

Adjusters and insurers should be mindful of the findings from the Operation Reviews, RCQC, and biennial audits and provide the necessary training to ensure consistent oversight.

The NFIP is a federal program and, therefore, subject to the scrutiny of the Department of Homeland Security (DHS) and other federal agencies, including the Government Accountability Office (GAO), the DHS Office of Inspector General (OIG), and the Office of Management and Budget (OMB). Adjusters and insurers should be aware and mindful of findings from the following audits: DHS Improper Payment Elimination and Recovery Information Act (IPERIA), DHS Financial Audit, and various GAO and OIG studies and reports.

Many of the findings can be avoided simply by adhering to good claims handling practices and knowing the terms and provisions of the SFIP. Helpful tips may be included in the findings. The following will identify findings and preferred methods when indicated:

#### 1.1 Incorrect Estimate/Worksheet Calculation

- Estimates are line-by-line, room-by-room using unit costs.
- Depreciation to both building and contents are taken on a line-by-line basis.
- Rooms are described and identified. The adjuster should verify that the estimate/worksheet and the building diagram match.
- The adjuster should be careful to include only building items on the building estimate/worksheet and contents items on the contents inventory. For instance, refrigerators, even wine refrigerators, are always building and clothes washers and dryers are always contents.
- Qualifications for Replacement Cost Loss Settlement should be clearly documented, including single-family residence, principal residence, insured to at least 80 percent of full replacement cost or maximum available.

#### 1.2 Insufficient Damage Documentation

- Invoices may be needed to adequately support a commercial inventory or other complex claim items. A salvor or CPA may be required and must be approved by the insurer.
- Photographs should adequately document the claimed damage – photographs of undamaged building elements and contents are also important, as well as damage from causes other than flood.

### 1.3 Payment Processing Errors

The adjuster should make all payment recommendations clear. Other claim documents, including the estimate/worksheet and the proof of loss, should support the recommendations.

### 1.4 Covered Loss Exceeded the Value of Certain Items

- Care is taken when items with Special Limits are claimed, not to exceed the amount of special limits in the aggregate.
- Loss Avoidance Measures should be properly documented and supported by invoices or other documentation.
- Property Removed to Safety claims should be properly documented and supported with invoices or other documentation.

### 1.5 Case Loss Reserves

The individual Case Loss Reserves (CLR) of the insurers do not effect the NFIP's balance sheet. The minimal test will compare the final case loss reserve(s) with the final payment(s). The insurer will need to revise its case reserve to reflect new information about an individual claim. However, it is not critical that reserves are decreased or increased in the same PIVOT (NFIP system of record) cycle that new information is learned. FEMA recognizes that there will be occasions where the insurer will want additional time to evaluate the new information before revising case reserves. However, it is important that the claims examiner revise the reserves before the next payment. FEMA further recognizes that it is sound business practice for case reserves, collectively, to be somewhat redundant. Reserve redundancy of 10-15 percent is not discouraged. **Note:** The above list is not exhaustive and may be changed with adequate notice.

- The following Case Loss Reserves (CLR) procedures rescinds and replaces the procedures communicated in bulletin W-10100, dated December 17, 2010, and are effective for claims reported on or after the date of this communication, February 2, 2021.

### 1.6 Questions and Answers about Case Loss Reserves

#### A. What is a CLR?

A CLR is the company's estimate of the value of future payments for an individual claim.

#### B. Does NFIP CLRs include claim Allocated Loss Adjusting Expenses (ALAE), Unallocated Loss Adjustment Expenses (ULAE), or Special Allocated Loss Adjusting Expenses (SALAE)?

**No.** NFIP CLRs do not include ALAE, ULAE, or SALAE.

#### C. When to establish a CLR?

The initial CLR is set for each coverage opened that follows reporting of the claim. The initial CLR may be a system-generated amount based on criteria established by

the company/vendor or it may be a CLR that is set based on the information available at the time the claim is reported and the initial CLR is set.

#### D. When to revise the initial CLR?

The CLR must be revised (increase or decrease) when new information is received from the adjuster's preliminary report and interim report or whenever a company/vendor is aware that additional facts, inspections, and/or damage estimates will affect the projected repair amount.

#### E. What is the adjuster's responsibility?

The adjuster supplies a CLR recommendation upon submission of the Preliminary Report (due 15 days from assignment of the claim). The CLR recommendation is based on the first loss inspection and should reflect the amount of damage subject to coverage limitations and policy deductible. FEMA requires a status report every 30 days thereafter and include CLR updates when applicable.

#### F. Should CLRs automatically reduce when payments are issued?

**Yes.** CLR changes should be transparent in system reporting and show all revisions. If no additional information to the contrary is known, advance payments and other partial payments will decrease the CLR. The goal is for the CLR to closely reflect the value of future payments.

#### G. Should the examiner evaluate the accuracy of the CLR throughout the life cycle of the claim?

**Yes.** In addition to the adjuster's recommendation, examiners evaluate the accuracy of the claim file documents and make CLR revisions, as necessary.

#### H. When paying and closing the claim the same day of receiving the closing report, does the examiner need to update the CLR?

**No.** If the examiner can pay and close the claim the same day of receiving the closing report there is no benefit to updating the CLR. However, if the examiner cannot make payment and close coverage the same day, the CLR must be updated to reflect the recommended payment, less any advances or partial payments previously issued, based on the time requirements provided below.

#### I. What are the time requirements for changing CLRs?

With the implementation of Pivot as FEMA's system of record, CLRs report daily. Therefore, FEMA's expectation is that examiners review and update CLRs promptly based on the following requirements:

- Upon receipt of notice of a loss, a system generated minimum CLR(s) is set for each open coverage; *and*
- Revise the CLR within five business days of receipt of the preliminary report (due 15 days of assignment), interim status report, closing report, or upon receipt of new information.

### (1) When to close coverage, or reduce the CLR to zero?

Close coverage(s) when:

- There is no expectation of payment;
- The claim and/or coverage is less than deductible;
- The policyholder withdraws the claim, or it becomes clear that the policyholder is no longer pursuing the claim in whole or in part; *and*
- Final payment is made and there is no expectation for an additional payment.

At a minimum, reduce the CLR to zero if the examiner cannot close the claim within five business days of receipt of closing report.

**Important:** When there is a claim for payment, the CLR should not reduce to zero until after the final payment processes and the coverage is closed.

### (2) Should a new CLR be set up on a closed claim or a closed coverage after receiving a request for additional payment?

**No.** FEMA understands that company reporting systems do not accommodate setting or reactivating new CLRs on a closed claim or coverage.

## J. What are FEMA's expectations on how to report CLRs in the claim file?

While company reporting systems may vary, CLR reporting must be transparent and easy to follow to confirm adherence to program guidelines. Companies should report CLRs in a manner that shows logical sequence of activities over the life cycle of the claim. This includes reporting any system generated or manual changes by examiners to show the date and time when a CLR is open, revised, or reduced following advance/partial payments and when the CLR reduces to zero after final payment. FEMA expects this information to be available at the time of an audit.

## K. What is FEMA's expectation of reserving when merging policies between companies or vendors?

Company transition documents/Standard Operation Procedures for transferring policies and claims from one company or vendor to another should include guidance about the preservation of CLRs during the transfer.

## 2 Description of Findings

### 2.1 Introduction

FEMA conducts annual Operation reviews on open and closed claims. This document is a resource for understanding the criteria FEMA uses to review a claims file and the classification for errors found during an operation review.

The Claims Operation Review includes four Major Categories: **Documentation**, **Operations**, **Payment**, and **Policyholder Experience**. There are several sub-categories, such as Special Allocated Loss Adjustment Expense (SALAE), Underwriting, and

Mortgage/Loss Payee that are shown under more than one Major Category. These sub-categories can yield payment or non-payment errors. Companies must account for errors resulting in an overpayment or underpayment under the Payment (Major Category) section for tracking and reporting purposes.

The claims error types known as *Violations* are based upon the Standard Flood Insurance Policy (SFIP) rules and regulations. *Other Findings* errors are based upon published NFIP guidance in the *Claims Manual* and FEMA Bulletins.

The section does not list all errors that FEMA may identify, and FEMA reserves the right to modify or add violations and other findings not outlined and to amend violations and other findings as needed. Please refer to [NFIP Regulations](#), the [Flood Insurance Manual](#), the [WYO Financial Control Plan](#), and the [FEMA Assistance/Subsidy Arrangement](#) for complete guidance on the claims process.

### A. Documentation

FEMA will review the following documentation in the claims file.

#### (1) Improper Denial and Withdrawal Letters

Section 2, Paragraph 54 Withdrawal Letters and Denial Letters of the *Claims Manual* requires examiners to send appropriate letters to the policyholder so they are aware of the disposition of their claim. Examiners must send a letter when the policyholder withdraws a claim (before or after inspection) or send a formal letter of denial when the examiner is denying the claim in whole or in part for all non-covered items for which the policyholder is requesting payment. A proper denial letter must be written in plain language, provide a clear explanation for non-payment or non-coverage (including all reasons for denial known at the time of the letter), cite the specific section(s) of the Standard Flood Insurance Policy (SFIP) supporting the denial, attach the Policyholder Rights document, and when applicable, provide a copy of the expert's report. Section 2, Paragraph 54 of the *Claims Manual* incorporates by reference Section 4, Paragraph 1.4 (Appeals), which outlines the responsibilities of the Write Your Own (WYO) companies and NFIP Direct in detail.

Error Category	Violations	Other Findings
Improper Denial/Withdrawal Letters	<p>Denial letter is missing one or more of the following:</p> <ul style="list-style-type: none"> <li>• Policyholder name(s)</li> <li>• Date of loss</li> <li>• Loss location</li> <li>• The date of the denial</li> <li>• The date(s) policyholder submitted request for payment or failed to comply with a material requirement of the SFIP.</li> </ul>	<ul style="list-style-type: none"> <li>• No withdrawal letter</li> <li>• Policyholder's mailing address is not included in denial letter</li> <li>• File documentation unclear about policyholder's agreement to verbal explanation of coverage for non-covered item(s).</li> </ul>



	<ul style="list-style-type: none"> <li>• Failure to include Policyholder Rights with option to appeal claim decision or when to file suit.</li> <li>• No denial letter</li> <li>• Incorrect denial reason(s)</li> <li>• Failure to cite the appropriate policy language</li> </ul>	
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(2) Mortgagee and Loss Payee

Per Section VII. General Conditions, N. Mortgage Clause of the SFIP, any loss payable under Coverage A (Building) will be paid to any mortgagee(s) known at the time of payment and all mortgagees determined to exist at the time of loss must be listed on each building claim payment. **Note:** any Coverage B payment should include named commercial contents/inventory loss payees.

Error Category	Violations	Other Findings
Mortgage Issues	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgagee not included on the payment</li> <li>• Loss Payee not included on the payment</li> </ul>

(3) No Proof of Loss (POL) Waiver

The WYO/NFIP Direct must request a POL waiver from the Administrator for the late filing of the POL when the Proof of Loss (POL) is received from the policyholder after the 60-day requirement, or after any extension of time granted by the Federal Insurance Administrator (Administrator). The carrier does not have authority to extend the time for filing a POL per the SFIP Section VII. C. Amendments, Waivers, Assignment. A copy of the POL waiver must be in the file at the time of review.

Error Category	Violations	Other Findings
No POL Waiver	<ul style="list-style-type: none"> <li>• No POL Waiver</li> <li>• No Increased Cost of Compliance (ICC) POL Waiver</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

(4) No Signed Proof of Loss (POL)

In accordance with the SFIP, Section VII.G. 4. Requirements in Case of Loss, the policyholder(s) is required to send the carrier a signed and sworn to POL the adjuster’s closing report signed by the policyholder(s) within 60 days after the loss or within any extension of time granted by the Administrator. **Note:** in certain catastrophic events the Administrator may issue a conditional waiver of filing a POL and may accept a signed adjuster’s report instead of a POL.

Error Category	Violations	Other Findings
No Signed POL or Unsupported Values	<ul style="list-style-type: none"> <li>No signed POL (initial or supplemental)</li> <li>Values on POL do not match loss settlement</li> <li>No partial POL rejection</li> <li>POL amount paid without obtaining the required signature(s)</li> <li>POL signed by someone other than the named insured(s)</li> <li>Adjuster’s closing report unsigned</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>

## B. Operations

FEMA will review the claims file to confirm that the appropriate actions were taken to process the claim in compliance with the NFIP rules, regulations, and guidelines.

### (1) Adjuster Registration – Approval

Adjusters, both experienced and those in training, must be registered to work flood claims under the NFIP. This means they must have an active Flood Control Number (FCN), have specialized knowledge of the SFIP and the NFIP, and must be qualified, registered, and approved to work specific types of claims based on the varied SFIP Forms. Adjusters cannot work claims that they do not have the expertise, knowledge, or approval to do so. WYO company staff adjusters are not required to have an FCN but are held to the same standards of having specialized knowledge as those with an FCN.

Error Category	Violations	Other Findings
Adjuster Registration	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>No FCN</li> <li>Not approved by supervising adjuster</li> <li>Not registered to work dwelling</li> <li>Not registered to work mobile home</li> <li>Not registered to work general property</li> <li>Not registered to work RCBAP</li> <li>The FCN provided does not belong to the adjuster handling the claim.</li> <li>The adjuster is a Public Adjuster and presents a conflict of interest.</li> </ul>

### (2) Deficient Adjustment

A claim file is deficient when the facts are not explained satisfactorily enough to determine coverage, when the coverage is misapplied, or file documentation is deficient.

Error Category	Violations	Other Findings
Adjustment Issues	<ul style="list-style-type: none"> <li>No Substantial Damage Determination Letter/Market Value</li> <li>No Variance granted</li> <li>No Assignment of Coverage D Form</li> </ul>	<ul style="list-style-type: none"> <li>The FCN provided does not belong to the adjuster handling the claim.</li> <li>The adjuster is a Public Adjuster and presents a conflict of interest.</li> <li>Proper direction to adjuster was not provided.</li> <li>Inadequate/no adjuster explanation.</li> <li>Insufficient file documentation.</li> <li>Adjuster’s judgment lacks support.</li> <li>Other issues observed.</li> </ul>

### (3) Case Loss Reserves

Case Loss Reserve (CLR) is the insurer’s estimate of future claim payments and must be adjusted +/- to reflect the building and content loss value and should exhibit, as accurately as possible, the final amount(s) paid to the policyholder prior to payment. Advance and partial payments issued will decrease the CLR amount. CLR must be set to zero after the final claim payment(s) and coverage is closed. If payment is made on the same day the closing report with signed and sworn to Proof of Loss is received and payment processed, reserves do not have to be revised. Refer to FEMA guidance for detailed reserves procedures.

Error Category	Violations	Other Findings
Case Loss Reserves	<ul style="list-style-type: none"> <li>Reserves were not updated.</li> <li>Reserves were not updated upon receipt of the Preliminary report.</li> <li>Reserves were not updated based on the interim/status report received from adjuster.</li> <li>Reserves were not updated upon receipt of closing report and prior to payment.</li> <li>Reserves were not set to zero after issuing closing payment.</li> </ul>	<ul style="list-style-type: none"> <li>Vendor conversion, reserve updates cannot be confirmed in carrier’s activity log notes.</li> <li>Premature closure of reserve(s).</li> </ul>

### (4) Incorrect Closed Without Payment (CWOP) Reason Code

The claims examiner should carefully review the adjuster’s report for claims that are to be CWOP and close the claim file using the correct CWOP reason code in accordance with FEMA’s code transactions. The majority of the CWOP reason codes are associated with SFIP exclusions and coverage limitations, which are Violations. The exceptions are for reasons such as erroneous assignments, claim deletion or the generic “other” category. These fall under the Other Findings errors.

Error Category	Violations	Other Findings
Incorrect CWOP Reason Code	<ul style="list-style-type: none"> <li>Incorrect CWOP code – Building</li> <li>Incorrect CWOP code – Contents</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect CWOP code – Building</li> <li>Incorrect CWOP code – Contents</li> </ul>

(5) Special Allocated Loss Adjustment Expense 1, 2, 4 (SALAE)

WYOs/NFIP Direct must obtain and document FEMA approval to pay all Special Allocated Loss Adjustment Expenses (SALAEs) regardless of the dollar amount. All SALAE payments must be properly documented with a valid reason for the payment request and the correct SALAE type must be used. Engineers must be appropriately licensed in the state of the property or loss location. These will become violations in FY 2022.

Error Category	Violations	Other Findings
Special Allocated Loss Adjustment Expense (SALAE)	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Wrong payee</li> <li>Expenses excessive due to failure to manage assignment.</li> <li>Engineer and/or firm not compliant with state requirements.</li> <li>No pre-inspection fee quote.</li> <li>No evidence in file to document company authorized the expense to be incurred or increased expense.</li> <li>File does not contain assignment requirements.</li> <li>Expert Invoices not written based on time and expense.</li> <li>Receipts not provided to support SALAE expenses.</li> <li>Failure to follow guidance set forth in the <i>Claims Manual</i> for SALAE Types 1, 2, and 4.</li> </ul>

(6) Underwriting

The claims examiner should carefully review the adjuster’s reports for any discrepancies from the Declaration page and refer all discrepancies to the Underwriting Department for review.

Error Category	Violations	Other Findings
Underwriting Issues	<ul style="list-style-type: none"> <li>ICC non-compliant after Mitigation</li> </ul>	<ul style="list-style-type: none"> <li>Underwriting discrepancy</li> </ul>

C. Payment

FEMA will review the claims file to determine that all payment-related processes are correct and were followed appropriately.

### (1) Loss Adjustment

A claim file is deficient when the facts are not explained satisfactorily enough to determine coverage, or when coverage is misapplied. These issues may result in violations depending upon circumstances, material evidence, or monetary consequences.

Error Category	Violations	Other Findings
Adjustment Issues	<ul style="list-style-type: none"> <li>• Incorrect classification of covered item (coverage misapplied)</li> <li>• Adjuster's judgment lacks support</li> <li>• Items of Property for Post-Firm Elevated (PFE) Building not allowed</li> <li>• Items of Property for Basement not allowed</li> <li>• Items of property subject to Actual Cost Value (ACV) Loss Settlement are paid on a Replacement Cost (RC) Loss Settlement basis</li> <li>• Item of property subject to Replacement Cost (RC) Loss Settlement is paid on an ACV basis</li> <li>• Incorrect adjuster expense payment issued</li> <li>• Ineligible Item for ICC</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

### (2) Mortgagee and Loss Payee

Coverage A (Building) claim payment should list all mortgagee(s) and or loss payees known at the time of payment in accordance with the SFIP, VII. General Conditions, N. Mortgage Clause. If the failure to name the mortgagee or loss payee results in expenditures of federal funds, that failure is an overpayment.

**Note:** ICC is Coverage D not Coverage A.

Error Category	Violations	Other Findings
Mortgage Issues	<ul style="list-style-type: none"> <li>• Mortgagee not included on the payment</li> <li>• Loss Payee not included on the payment</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

### (3) Incorrect Payment (Overpayment and Underpayment)

These are claim payments and adjuster fees that are found to have been improperly paid. The carrier should make immediate arrangements to address the incorrect payments. The carrier should issue a reimbursement to the NFIP, if overpaid, or make the correct payment to the policyholder of independent adjuster, if underpaid. Use of an improper CWOP code can generate an incorrect allocated loss adjustment expense payment. The claim file must include all necessary documents to support payment(s). The WYO and NFIP Direct may not revise estimates or make adjustments to a claim after submission to FEMA to off-set any overpayments or under payments.

Error Category	Violations	Other Findings
Overpayment	(Payment Amount): <ul style="list-style-type: none"> <li>Misapplication of building coverage</li> <li>Misapplication of contents coverage</li> <li>Deductible improperly applied</li> <li>No deductible applied</li> <li>Duplicate payment</li> <li>Other issues observed</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
Underpayment	(Payment Amount): <ul style="list-style-type: none"> <li>Misapplication of building coverage</li> <li>Misapplication of contents coverage</li> <li>Deductible improperly applied</li> <li>No deductible applied</li> <li>Other issues observed</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>

(4) Advance Payments

FEMA expects adjusters to offer NFIP policyholders an advance payment when warranted under their building and/or content coverage if purchased. Advance payments assist the policyholder with the recovery process. The adjuster’s reports must address the status of any/all Advance or Partial payments. The adjuster must advise of the reason(s) for not offering the Advance Payment when an Advance or Partial payment is not recommended.

Error Category	Violations	Other Findings
Advance Payments	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>No Advance Payment Request form</li> <li>No ICC Advance Payment Request form</li> <li>Advance Payment Request form unsigned</li> <li>Advance payment not addressed or offered to policyholder</li> <li>Advance payment requested but not issued</li> <li>Insufficient file documentation</li> <li>No supporting documentation</li> <li>BVLA error</li> </ul>

(5) Special Allocated Loss Adjustment Expense 1, 2, and 4 (SALAE)

WYOs/NFIP Direct must obtain and document FEMA approval to pay all SALAEs regardless of the dollar amount. All SALAE payments must be properly documented with a valid reason for the payment request and the correct SALAE type must be used. SALAE payments made without the required FEMA approval are improper payments.

Error Category	Violations	Other Findings
Special Allocated Loss Adjustment Expense (SALAE)	<ul style="list-style-type: none"> <li>Expense paid without SALAE authorization.</li> <li>Duplicate expense paid.</li> </ul>	<ul style="list-style-type: none"> <li>Expense paid under the wrong SALAE type.</li> <li>Expense paid for amount other than the amount authorized.</li> </ul>

#### (6) Underwriting

It is important that adjusters alert carriers to any issue involving a potentially improperly rated policy or ineligible building or contents promptly upon discovery.

Error Category	Violations	Other Findings
Underwriting Issues	<ul style="list-style-type: none"> <li>Monetary underwriting discrepancy</li> </ul>	None

### D. Policyholder Experience

FEMA will review the claim file to determine that appropriate and timely communication with the policyholder occurred. The review will consider the policyholder's end-to-end claims experience provided by the independent adjuster and insurance examiner. FEMA will assess if the claim has accurate information to ensure that a policyholder receives a fair and equitable resolution of their claim.

#### (1) Communications

The claim file should document appropriate communication with the policyholder.

Error Category	Violations	Other Findings
Communications	<ul style="list-style-type: none"> <li>Claims handbook was not provided to policyholder.</li> <li>Numerous attempts made by the policyholder to reach the adjuster resulting in unnecessary delays in the claim payment.</li> </ul>	<ul style="list-style-type: none"> <li>Adjuster did not provide regular and clear communication to policyholder throughout the duration of the claim.</li> <li>WYO/NFIP Direct did not provide regular and clear communication to policyholder throughout the duration of the claim.</li> <li>ICC brochure was not provided to policyholder.</li> </ul>

#### (2) Time Standards

The claim file should document timely communication with the policyholder. Beginning in January of 2021 WYO claim files must be examined within 7 business days upon receipt of the closing report. FEMA expects that claims are paid after completion of the file review within 7 business days pursuant to FEMA Guidance.

Error Category	Violations	Other Findings
Time Standards	<ul style="list-style-type: none"> <li>Elapsed time standards result in significant delay in payment (exceeds 7 business days from review by Examiner).</li> <li>Assignment not made to adjuster within one business day without explanation.</li> <li>Closing report not submitted within 45 business days of DOL.</li> </ul>	<ul style="list-style-type: none"> <li>Policyholder not contacted within two business days.</li> <li>Preliminary report not received with 15 business days of assignment date.</li> <li>Elapsed time resulting in delay to examine file (exceeds 7 business days).</li> </ul>

## E. Group Flood Insurance Policy Claims

### (1) Group Flood Insurance Policy (GFIP) Referral Discrepancy and Verification

The claims examiner should carefully review the adjuster’s reports against the GFIP certificate. Any discrepancies or property questions should be noted and handled accordingly.

Error Category	Violations	Other Findings
GFIP- Individual Assistance	A FEMA Referral was not submitted to allow verification. <ul style="list-style-type: none"> <li>Risk is not eligible under the SFIP.</li> <li>The current flood zone is not a SFHA.</li> </ul>	A FEMA Referral was not submitted to allow verification. <ul style="list-style-type: none"> <li>There are multiple dwellings at the described location.</li> <li>The certificate holder is not the homeowner or tenant.</li> <li>Risk determined to be a travel trailer.</li> <li>The dwelling damaged by the Presidentially declared disaster is no longer at the described location.</li> </ul>
GFIP Adjustments	Verification must be provided within the claim file to review. <ul style="list-style-type: none"> <li>Current flood zone and current flood map effective date must be determined.</li> <li>Verification needed for all other risk rating factors to ensure coverage and restrictions are applied properly.</li> </ul>	Verification must be provided within claim file to review. <ul style="list-style-type: none"> <li>Ownership for building(s) and/or personal property is not documented.</li> <li>Verification is needed for other insureds, including mortgage companies.</li> <li>Coverage amount does not align with the correct CPI for the date of loss.</li> </ul>

### (2) GFIP Underwriting

The claims examiner should carefully review the adjuster’s reports and claim file to determine if the GFIP is valid. All policies that are deemed null/invalid must be referred to the Underwriting Department.

Error Category	Violations	Other Findings
GFIP Underwriting	<ul style="list-style-type: none"> <li>GFIP should not have been awarded. Policy was not voided.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>



## Section 6: Special Allocated Loss Adjusting Expense (SALAE)

**IMPORTANT:** All SALAE expenses need FEMA authority to pay regardless of dollar amount. Insurers must calibrate their claims systems to ensure proper reporting of SALAE Type to PIVOT, the system of record.

### 1 SALAE Type 1 – Engineering and Other Expert Fees

SALAE Type 1 expenses include **pre-litigation** engineering, attorney (expert), and other expert fees and requires FEMA’s approval of the exact amount of the incurred expense. Following are guidelines to aid examiners in evaluating SALAE Type 1 expenses. All expense submissions to FEMA requires the specific recommendation for payment by the insurer’s Principal Coordinator or their designee.

**Note:** Exceptions to the following guidelines must be documented by the insurer and reasoning supported in the claim file and in the SALAE Type 1 submission. See [Guidance on the Use of Expert Services](#) in Section 2 for guidance.

#### 1.1. General Guidance

Examiners **must** consider the following when requesting a SALAE Type 1. Examiners **must** address any discrepancies prior to submitting the request to FEMA:

- Provide all information to support the SALAE Type 1 expense to include report(s), invoices, receipts, etc.
- Provide the pre-inspection fee quote and supplemental approved fee quote (when applicable) to support the SALAE Type 1 expense.
- Confirm report complies with FEMA reporting guidelines as well as state regulatory requirements which varies and report the Certificate of Authorization (COA) or Registration Number as applicable within the SALAE Type 1 reporting form.
- Confirm invoice complies with FEMA billing guidelines, e.g. itemized by time and expense (no lump sums), hours are rounded to the nearest **quarter hour**, reports hourly rate, invoice amount is within the pre-inspection fee quote and/or approved supplemental fee quote. These requires also applies to billing by secondary experts used by the contracted firm.
- Invoices **must** separately report:
  - The site study/inspection time
  - Travel time (hourly rate reasonably reduced/discounted)
  - Report writing
  - Administrative fee
  - Travel expense(s) supported by receipts
- Provide support for and explain any exceptions.

The following expenses are **never reimbursable** under SALAE Type 1:

- Expenses charged for non-compliant reports and/or non-licensed firms or engineers.
- Fees charged that exceed the pre-inspection fee quote without prior approval.
- Expenses charged to inspect or evaluate non-covered property without a reasonable explanation.
- Non-supported expenses.
- Expenses invoiced for multiple engineers to conduct an inspection without pre-approval from the insurer, or vendor if authorized.
- Lump sum charges or catastrophe surcharges. All expenses on the invoice must be considered in the pre-inspection fee quote and itemized by time and expense with hours rounded to the nearest *quarter hour*, supported by receipts, and included in the hourly rate.
- Expenses that do not conform with GSA travel rates.
- Mileage within 100 miles of loss location round trip.
- Lodging within the contiguous United States.
- Food expenses.
- Photos.

## 1.2. Navigating to the SALAE Type 1 Module in Pivot

Instructions for accessing Pivot and requesting access to Pivot for a New User are:

- Access the Pivot site: <https://pivot.fema.gov>.
- Click on the “Register” hyperlink.
- Complete the Registration form.
- Request access to Special Allocated Loss Adjustment Expenses (SALAE) module and include a reason for access to complete the registration.
- Following administrator approval via email, affirm the Rules of Behavior to access Pivot.

Instructions for navigating to the SALAE homepage in Pivot are:

- After logging in to Pivot, select the “Special Allocated Loss Adjustment Expenses” navigational tile under “Claims Operations.” This brings you to the SALAE homepage.

Some SALAE Homepage Features include:

- The “create new request” button, which allows you to start a new SALAE Type 1 reimbursement request.
- The Filter panel, which allows you to search and filter SALAE requests by policyholder name, policy number, insurer, engineering entity, owner, and status.
- The “in-progress” tab, which displays SALAE requests that are in draft, in FEMA’s queue for review, or ones that require additional information from the insurer prior to FEMA’s determination.

- The “complete” tab, which displays SALAE requests that are approved, rejected, or closed.

### 1.3. Submitting a New SALAE Type 1 Request

#### A. Step 1: Requestor Information Page

- The first step of the SALAE request submission process is to verify (or update, if needed) the requestor information that is auto populated on the Requestor Information Page.
- After the requestor’s information is verified, click “next” to continue to the SALAE Type Designation Page.

#### B. Step 2: SALAE Type Designation Page

- Verify that “Type 1 (Expert Expense)” is chosen from the drop-down menu on the “SALAE Type Designation” page.
- After “Type 1 (Expert Expense)” is chosen, click “next” to continue to the Policy Information Page.

#### C. Step 3: Policy Information Page

- Enter all the policy information on the Policy Information Page.
- After inputting the required information (denoted with “\*”), click “next” to navigate to the Expert Service Information Page.

#### D. Step 4: Expert Service Information Page

- Select the “type of expert” from the drop-down menu on the Expert Service Information Page.
- Click the “add new entity” button to add the expert services entity name(s) and address(es). Click “update” to save the entity details to the request. You can add up to three entities per request.
- Report the state Certificate of Authorization (COA)/Registration Number and expiration date. Some states do not license engineering firms; however, there may be a requirement for the firm to register with the Secretary of State.
- Enter the request details and justification for the expense.
- For engineering or surveyor services *only*, respond to additional questions.
- For engineering services *only*, click “add new engineer” to report the names and license information of the engineer(s) conducting the inspection. Add a separate line entry to report the co-signer of the report, when listed as a P.E. Click “update” to save the engineer’s information to the request.
- For engineering or surveyor services *only*, you must certify the request and electronically sign and date the certification.
- Click “next” to continue to the Documentation Upload Page.

### E. Step 5: Documentation Upload Page

- Upload all expert invoices and enter the invoice date and invoice number on the Documentation Upload Page. Click “select file” to browse for the appropriate file on your computer and then click “upload invoice” to save the file to the request.
- Upload all engineering reports and amended reports. Click “select file” to browse for the appropriate file on your computer and then click “upload report” to save the file to the request.
- Use the optional “Other” section on the Documentation Upload Page to upload. Click “select file” to browse for the appropriate file on your computer and then click “upload other” to save the file to the request.
- Click “next” to continue to the Final Review Page.

### F. Step 6: Final Review Page

- On the Final Review Page, you can review the information pertaining to the request that was previously entered.
- If you need to update information prior to sending it to FEMA, use the “edit” link in the section headers to navigate back to the appropriate page.
- After reviewing and verifying the information on the Final Review Page, you can choose to provide any additional comments or files they wish to attach to the SALAE request and submit to FEMA. You are required to click “add comment/file(s)” to save comments/files to the request.
- Click “submit to FEMA” at the bottom of the Final Review Page to officially submit the request to FEMA for review. You will be redirected back to the SALAE homepage.

Once FEMA provides a determination, insurer users will receive an email notification informing you of FEMA’s review decision (approved, rejected, or additional information requested).

## 1.4 Providing Additional Information for a Specific SALAE Request

To supply additional information on a request returned by FEMA:

- Filter requests by status: “Action Needed” on the SALAE homepage.
- Verify the policyholder’s name, date of loss, and policy number to ensure you are entering the correct request.
- Click “open request” to enter the request and supply additional information.

To review the request for more information:

- Scroll to the comment section on the Final Review Page and review the comment left by FEMA (comment also available in the email from UCORT)
- Respond to or carry-out FEMA’s request prior to resubmitting the request
- To edit information, go to the correct page and update the information and return to the Final Review Page for review and submission.

- To supply more files, utilize the comment section on the Final Review page to upload documents and provide a description of the file. Click “add comment/file(s)” to save the file to the request.
- Click “return to FEMA” to re-submit the SALAE Type 1 request for review. Upon FEMA’s review, you will receive an email notification informing you that your request has been approved, rejected, or if more information is needed.

**Important:** If FEMA returns a request to the insurer, the requestor has 14 business days to provide the additional documentation or the request is automatically closed.

For technical support, contact [fema-nfippivotsupport@fema.dhs.gov](mailto:fema-nfippivotsupport@fema.dhs.gov).

## 2 SALAE Type 2 – Adjustment Expenses

SALAE Type 2 is for extraordinary adjustment expenses not compensated by the applicable NFIP Adjuster Fee Schedule, including efforts by the adjuster to establish the loss or coverage and necessary travel expenses. It is the insurer’s responsibility, or vendor’s if authorized, to confirm that adjuster expenses are reasonable for the work performed. Following are guidelines to aid examiners in evaluating SALAE Type 2 expenses.

**Note:** Exceptions to the following guidelines must be documented by the insurer and reasoning supported in the claim file and in the SALAE Type 2 submission.

### 2.1 General Guidance

- Reimbursement of SALAE Type 2 expenses need FEMA’s approval of the exact amount of the incurred expense.
- Adjusting firms and adjusters must have pre-approval and agreement from the insurer before incurring or billing SALAE Type 2 expenses.
- FEMA will not pre-approve adjuster fees; this is the responsibility of the insurer, or vendor if authorized.
- The insurer, and vendor if authorized, must thoroughly explain in writing the reason it was necessary for the adjuster to incur the SALAE Type 2 expense including details of the activity, what effect this activity or work had on the adjustment, any unusual circumstances, and why FEMA should approve the expense.
- All SALAE Type 2 approval requests must be accompanied by copies of the report (including any previous reports), all actual bills, and itemized time and expense sheets that outlines the date, time (**rounded to the nearest quarter hour**), and description of activities.
- The adjuster fee schedule fairly compensates adjusters for their time to adjust flood claims. When it is necessary for an adjuster to revise a claim, the adjuster fee schedule pays the adjuster the greater of the difference in the fee based on the revised claim and the CWOP fee. CWOP fees are always paid as ALAE because it is compensated under the approved adjuster fee schedule and do not qualify for SALAE Type 2.

## 2.2 SALAE Type 2 Expense Details and Terms

- **Total expenses amount previously approved** = The total of all previously paid adjusting expenses including SALAE Type 2 expenses
- **Total adjusting expenses under this claim** = The gross amount of all adjuster invoices including SALAE amounts for mileage, rental, etc.
- **Requested amount for approval** = The SALAE Type 2 expense amount you are seeking authority to pay
- **Deduct applicable scheduled fee** = The amount(s) payable under the approved NFIP Adjuster Fee Schedule (do not include SALAE amounts)
- **Authorized SALAE 2 paid to date** = SALAE Type 2 expenses previously approved by FEMA and paid by insurer
- **Fee Schedule** = The applicable adjuster fee schedule for the DOL

### A. Time and Expense Billing

When the complexity of the claim revision or adjustment warrants time and expense billing, the insurer, or vendor if authorized, must approve before the adjuster can bill on time and expense.

When an adjuster is authorized to bill on time and expense, the adjuster will only be paid time and expense, not time and expense AND the fee under the adjuster fee schedule. The hourly rate charged by the adjuster must be reasonable and customary and approved by the insured. The insurer must also offset the time and expense amount by the applicable fee under the adjuster fee schedule to determine the correct amount to be paid as SALAE Type 2.

#### (1) Example: SALAE Type 2 for time and expense:

- The initial adjuster fee paid under the published fee schedule: \$ 800.00
- The adjuster time and expense invoice: \$ 937.50
- The total revised expenses under this claim: \$1,737.50
- Under the approved fee schedule, the adjuster would receive the \$395 CWOP fee. This amount will offset the amount owed under SALAE Type 2. The examiner would enter the following in the SALAE Type 2.

#### Expense Details:

- **Total adjusting expenses under this claim:** \$1,737.50 (Original fee \$800 + Time and Expense \$937.50)
- **Requested amount for approval:** \$542.50 (\$1,737.50 - \$1,195).
- **Deduct applicable scheduled fee: \$1,195** (The original fee of \$800 + the \$395 CWOP fee that would be payable if the adjuster did not bill on time and expense)
- **Authorized SALAE 2 paid to date:** \$0.00 if no prior SALAE Type 2 paid
- **Adjuster Payment: The adjuster is paid \$937.50** (\$395 paid under ALAE and \$542.50 SALAE Type 2)

- Enter values in the SALAE Type 2 as follows:

Expense Details			
<b>Total expense amount previous approved:</b>	<b>Total adjusting expenses under this claim:</b>	1737.50	<b>Requested amount for approval</b>
			542.50
<b>Deduct applicable scheduled fee:</b>	<b>Authorized SALAE 2 paid to date:</b>	1195	<b>Fee schedule:</b>
			0
			Adjuster Fee Schedule for DOL on or after 8/24/17

## B. Travel Expenses

Travel, when necessary, must conform with GSA travel rates. Independent Adjusters are responsible to arrange for and incur lodging expenses within the 48 contiguous states.

FEMA will only reimburse lodging expenses that exceed the average lodging expense normally incurred with the 48 contiguous states, not to exceed the GSA travel rates for lodging, excluding room tax. Adjuster should make every effort to find a room within the GSA rate.

## C. Example: SALAE Type 2 for travel expense

Adjuster normally incurs a \$65 a night room rate in the 48 contiguous states. The adjuster will deduct the \$65 from the nightly lodging rate, excluding room tax, for each night.

### How to calculate:

- GSA Rate: \$177 per night – Available Room Rate \$235 - \$65 = \$170. FEMA will reimburse \$170 per night since that is within the GSA Rate plus room taxes.
- GSA Rate \$177 per night – Room Rate \$300 - \$65 = \$235 exceeds GSA rate. FEMA will reimburse \$177 per night unless adjuster can demonstrate:
  1. That this is the only lodging available, *and*
  2. Received pre-approval from WYO/NFIP Direct before incurring the increased rate.

## D. SALAE Type 2 to Pay Adjuster Fees

Adjuster expenses payable under the NFIP Fee Schedule are LAE payments and **do not qualify for payment under SALAE Type 2 except** in the following circumstances and when all criteria are met.

### (1) Scenario 1: Claim Withdrawn by Policyholder After Inspection AND Estimate Written

When a policyholder withdraws a claim after an adjuster conducts an inspection, on a covered flood claim with an active policy, AND the adjuster has prepared an estimate prior to receiving notice from the policyholder, the adjuster is paid the CWOP fee under Loss Adjusting Expense (LAE) and can request payment of the remaining adjuster fee as SALAE Type 2.

## (2) Scenario 2: Policyholder Fails to Pursue After Inspection AND Estimate Written

When a policyholder fails to sign and return the proof of loss, the adjuster is paid the CWOP fee under LAE. The adjuster and the insurer are expected to make every effort to contact the policyholder to either secure the signed Proof of Loss so that the claim can be paid or to confirm the policyholders intent to pursue the claim.

If after the adjuster and the insurer makes several documented reasonable attempts, using all available contact sources (phone, mail, email, etc.) to secure the signed Proof of Loss so that the claim can be paid, it becomes reasonably clear that the policyholder will not pursue the claim, the adjuster can request payment of the remaining adjuster fee as SALAE Type 2. The WYO must provide evidence of all reasonable attempts to contact the policyholder.

### Example:

- Gross loss: \$1,300      NFIP Adjuster Fee Schedule: \$800
- The examiner will enter the following in the SALAE Type 2 request:
- Total expense amount previously approved: \$0.00
- Total adjusting expenses under this claim: \$800 (Amount of Adjuster Fee and invoice)
- Request amount for approval: \$400 (\$800 – CWOP Fee \$395)
- Deductible applicable scheduled fee: \$395 (CWOP Fee)
- Authorized SALAE 2 paid to date: \$0.00
- **IMPORTANT:** FEMA will not give approval in the following circumstances:
- The policyholder refuses to sign the Proof of Loss due to a disagreement with the settlement or a coverage dispute.
- When the amount of the payable claim would not lend itself to an insured not pursuing the claim, particularly when there is a mortgage interest.
- When the policyholder gives any indication of an intent to pursue the claim.
- The following expenses are **never reimbursable** under SALAE Type 2:
- Lump sum charges.
- Mileage within 100 miles of loss location round trip.
- CWOP adjuster fees for supplemental adjustments, regardless of the number of CWOP adjuster fees under any one claim
- Texas tax expenses are only payable as LAE per the published adjuster fee schedule and are never reimbursable under SALAE Type 2.
- To reimburse adjusting expenses on an invalid policy. For examples, if it is determined after the inspection and estimate that the insured property is in a COBRA requiring the policy to be rescinded.
- Undocumented expenses and expenses that exceed the GSA travel rates.



## 2.3 Navigating to the SALAE Type 2 Module in Pivot

To access Pivot and request access to Pivot for a New User:

- Access the Pivot site: <https://pivot.fema.gov> “Special Allocated Loss Adjustment Expenses” navigational tile under “Claims Operations.” This brings you to the SALAE homepage.

SALAE Homepage features include:

- The “Create new request” button, which allows you to start a new SALAE Type 2 reimbursement request;
- The Filter panel, which allows you to search and filter SALAE requests by policyholder name, policy number, insurer, engineering entity, owner, and status;
- The “In-progress” tab, which displays SALAE requests that are in draft, in FEMA’s queue for review, or ones that require additional information from the insurer prior to FEMA’s determination; *and*
- The “Complete” tab, which displays SALAE requests that are approved, rejected, or closed.

## 2.4 Submitting a NEW SALAE Type 2 Request

### A. Step 1: Requestor Information

- Edit your personal and company information (as needed) and click “Next”.

### B. Step 2: SALAE Type Designation

- Select “Type 2 (Adjuster Expense)” from the drop-down menu.
- Click “Next” to continue with your submission.

### C. Step 3: Policy Information

- Enter the policy information.
- Click “Next” to continue with your submission.

### D. Step 4: Expense Details

- Complete the expense details. Use the appropriate Fee Schedule to calculate the “Total Adjusting Expenses Paid to Date” and use the drop-down to indicate which Fee Schedule was used.
- Click “Next” to continue with your submission.

### E. Step 5: Documentation Upload

- Enter invoice information.
- Under Invoice, click “Select Files . . .” to browse for the appropriate invoice(s) and upload to the application.
- Under “Other,” click “Select Files . . .” to browse for other documentation related to the submission.
- Click “Next” to continue with your submission.

## F. Step 6: Review Your Submission

- Review all information entered into the system.
- Upon completion of data entry, click “Submit to FEMA.”
- Submission Complete

## 2.5 Notifying the Insurers

Once FEMA provides a determination, insurer users will receive an email notification informing you of FEMA’s review decision (approved, rejected, or additional information requested).

## 2.6 Providing Additional Information for a SALAE Type 2 Request

To supply additional information on a request returned by FEMA:

- Filter requests by status: “Action Needed” on the SALAE homepage.
- Verify the policyholder’s name, date of loss, and policy number to ensure you are entering the correct request.
- Click “Open request” to enter the request and supply additional information.

To review the request for more information:

- Scroll to the comment section on the Final Review Page and review the comment left by FEMA (comment also available in the email from UCORT).
- Respond to or carry-out FEMA’s request prior to resubmitting the request.
  - To edit information, go to the correct page and update the information and return to the Final Review Page for review and submission.
  - To supply more files, utilize the comment section on the Final Review page to upload documents and provide a description of the file. Click “Add comment/file(s)” to save the file to the request.
  - Click “Return to FEMA” to re-submit the SALAE Type 1 request for review. Upon FEMA’s review, you will receive an email notification, informing you that your request has been approved, rejected, or if more information is needed.

**Important:** If FEMA returns a request to the insurer, the requestor has 14 business days to provide the additional documentation or the request is automatically closed.

For technical support, contact [fema-nfippivotsupport@fema.dhs.gov](mailto:fema-nfippivotsupport@fema.dhs.gov).

# 3 SALAE Type 3 (Litigation Expenses) Reimbursement Requests

## 3.1 Reimbursement of SALAE Type 3

### A. Approval for All Expenses

Type 3 SALAEs are reimbursed solely for litigation expenses. The regulations and the Arrangement do not authorize the reimbursement of other legal expenses, including pre-litigation matters or other legal advice. 44 C.F.R. § 62.23 and the Arrangement. Only actual litigation expenses related to a filed lawsuit are reimbursable. Prior to the filing of a lawsuit, the matter is considered claims handling and ineligible for Type 3

SALAE reimbursement. This provision does not revise any of the expenses typically reimbursed throughout the claims handling process.

FEMA requires WYO companies to seek FEMA approval for all litigation expenses incurred to defend a lawsuit within the scope of the Arrangement brought against an insurer for claims under a WYO company-issued policy.

## B. Customary Standards

FEMA reimburses Type 3 SALAE Litigation expenses incurred by a WYO company pursuant to the Arrangement, subject to FEMA Office of Chief Counsel, FIMA Legal Division guidance, and direction. The WYO company is responsible for ensuring litigation expenses for which reimbursement is sought are consistent with its own customary standards, staff, and independent contractor resources, as it would in the ordinary and necessary conduct of its own business affairs, subject to the Act, the SFIP, the Arrangement, and other regulations prescribed by FEMA. 44 C.F.R. § 62.23(e). For example, if the customary standards of the WYO company require a reduction of hourly rates or expenses or other limitations on payment for outside expenses, the WYO company is required to do the same for any Type 3 SALAE-related expense.

Under the Arrangement, FEMA is not responsible for payment to counsel representing WYO companies. The WYO company is responsible for paying its counsel without delay and for seeking reimbursement for eligible expenses under the Arrangement. WYO companies must submit requests for reimbursement within 60 days of receipt of the invoice or bill from its outside counsel. If outside counsel does not submit an invoice or bill within the 60-day period, the WYO company must notify FEMA of its existence and provide an explanation and estimation of when the outside counsel will submit the invoice or bill. Further, FEMA will deny any invoice or bill submitted after 180 days, unless the WYO company provides sufficient justification, or FEMA expressly and in writing waived the 180-day period authorizing an extension.

Prior to seeking FEMA's approval for reimbursement, a WYO company must review the invoice to verify the work was completed, accuracy of the billing, reasonableness of the expenses incurred, and that the reimbursement would be approved under the WYO company's customary standards as submitted, subject to the Arrangement, Act, Regulation and FEMA guidance. A certification signed by the WYO company representative must be attached as a cover sheet, or the expense will be denied. The certification must provide the following:

*I have reviewed and understand the FEMA guidelines that govern the Type 3 Special Allocated Loss Adjustment Expenses (SALAEs). I am responsible for reviewing and ensuring that Type 3 SALAE requests comply with the FEMA guidelines. I have reviewed the invoice for which reimbursement is sought, and to the best of my knowledge, information, and belief, confirm that the invoice is reasonable, appropriate, and complies with the applicable FEMA guidelines.*

*Executed on (date). (Signature)*

### C. Overhead Expenses are Not Reimbursable

Customary charges such as overhead, ordinary office supply costs, and local telephone costs are included in the hourly rate and are not reimbursable as Type 3 SALAE. The following expenses are considered overhead and generally are not reimbursable. FEMA will consider reimbursement on a case-by-case basis after pre-approval for:

- Fees attributed to secretarial and administrative services;
- Organizing material for storage;
- Unless an attorney is required, responding to inquiries concerning services, billing statements, cases files or audit letters;
- Fees incurred for “learning time;”
- Scheduling and arranging meetings, depositions, examinations or other event scheduling;
- Data entry, document scanning, document conversion to other electronic formats;
- Arranging travel;
- Time spent photocopying, collating, and faxing;
- Bates stamping of documents;
- Date stamping documents;
- Management of personnel;
- Annual or monthly fees for computerized legal research services such as LexisNexis, Westlaw, or Public Access to Court Electronic Records (PACER). Research time is reimbursable;
- Rent for office space, equipment, or software;
- Utilities including local and long-distance telephone service;
- Charges for the use of a teleconference line;
- Meeting rooms in the assigned counsel’s law offices for local depositions and conferences;
- Catering;
- Facsimile charges of any kind;
- Postage;
- Meals or refreshments for anyone other than the attorney assigned to the case while attending meetings, depositions, or similar events;
- Support staff salaries;
- Technology costs such as depreciation on electronic devices, copiers, and other machinery;
- The use of an outside vendor for copy services, unless pre-approved by FEMA (in-house photocopy charges are limited to ten cents per page); *and*
- Any other item associated with overhead or profit.

As noted above, FEMA recognizes there may be circumstances that warrant reimbursement of an expense listed above. Accordingly, FEMA may approve such expenses upon written request and appropriate justification by the WYO company.

#### (1) Limitations on Reimbursement for Discovery

Substantial legal fees and expenses are incurred as part of discovery. WYO companies must monitor these costs. Depositions can provide critical information, but also present one of the most significant litigation costs to the NFIP. FEMA will reimburse up to three depositions per case without preapproval. This does not apply to defend depositions. FEMA recognizes the need to ardently represent the Program. This provision is not intended to restrict or interfere with the outside counsel's ability to represent the WYO company. The purpose of this provision is to provide better monitoring of discovery expenses. The WYO company simply needs to provide a brief justification for the additional depositions to [FEMA-NFIP-WYO-Litigation@fema.dhs.gov](mailto:FEMA-NFIP-WYO-Litigation@fema.dhs.gov). The Write Your Own Oversight Team will promptly review and respond to all requests.

*Video Teleconference for depositions and other proceedings is highly encouraged.* Any questions should be referred to FEMA's Office of Chief Counsel.

#### D. Navigating to the Litigation and Expense Module in Pivot

The steps for accessing Pivot and requesting access to Pivot for a New User are:

- Access the Pivot site: <https://pivot.fema.gov>.
- Click on the "Register" hyperlink.
- Complete the Registration form.
- Request access to Litigation and Expense module and include a reason for access to complete the registration.
- Following administrator approval via email, affirm the Rules of Behavior to access Pivot.
- Steps to navigate to the Litigation and Expense module homepage in Pivot are:
  - After logging in to Pivot, select the "Litigation and Expense" navigational tile under "Claims Operations." This brings you to the Litigation and Expense homepage.

For technical support, contact [fema-nfippivotsupport@fema.dhs.gov](mailto:fema-nfippivotsupport@fema.dhs.gov).

## 4 SALAE Type 4 (Appraisal Expenses) Reimbursement Requests

SALAE Type 4 expenses are expenses incurred under the SFIP Appraisal Clause. Following are guidelines to aid examiners in evaluating SALAE Type 4 expenses. All expense submissions to FEMA requires the specific recommendation for payment by the insurer's Principal Coordinator or their designee.

**Note:** Exceptions to the following guidelines must be documented by the insurer and reasoning supported in the claim file and in the SALAE Type 4 submission.

#### 4.1 General Guidance

Examiners **must** consider and address the following when requesting a SALAE Type 4:

- Reimbursement of SALAE Type 4 expenses need FEMA’s approval of the exact amount of the incurred expenses.
- FEMA will not pre-approve appraisal fees since this is the responsibility of the insurer.
- FEMA will not accept lump-sum charges. All expenses must be fair and reasonable, billed at time and expense, and be supported by receipts.
- All SALAE Type 4 requests must be accompanied by copies of the report (including any previous reports), all actual bills, and itemized time and expense sheets.
- The insurer must thoroughly explain, in writing, why FEMA should approve the expense.

The following expenses are **never reimbursed** under a SALAE Type 4:

- Expenses incurred by the insurer on an invalid Appraisal.

#### 4.2 Navigating to the SALAE Type 4 Module in Pivot

The steps for accessing Pivot and requesting access to Pivot for a New User are:

1. Access the Pivot site: <https://pivot.fema.gov>.
2. Click on the “Register” hyperlink.
3. Complete the Registration form.
4. Request access to Special Allocated Loss Adjustment Expenses (SALAE) module and include a reason for access to complete the registration.
5. Following administrator approval via email, affirm the Rules of Behavior to access Pivot.

Steps for navigating to the SALAE homepage in Pivot are:

1. After logging in to Pivot, select the “Special Allocated Loss Adjustment Expenses” navigational tile under “Claims Operations.” This brings you to the SALAE homepage.

SALAE Homepage Features include:

1. The “Create new request” button, which allows you to start a new SALAE Type 2 reimbursement request. The Filter panel, which allows you to search and filter SALAE requests by policyholder name, policy number, insurer, engineering entity, owner, and status.
2. The “In-progress” tab, which displays SALAE requests that are in draft, in FEMA’s queue for review, or ones that require additional information from the insurer prior to FEMA’s determination.

3. The “Complete” tab, which displays SALAE requests that are approved, rejected, or closed.

#### 4.3 Submitting a NEW SALAE Type 4 Request

##### A. Step 1: Requestor Information

- Edit your personal and company information (as needed) and click “Next.”

##### B. Step 2: SALAE Type Designation

- Select “Type 4 (Appraisal Expense)” from the drop-down menu.
- Click “Next” to continue with your submission.

##### C. Step 3: Policy Information

- Enter the policy information.
- Click “Next” to continue with your submission.

##### D. Step 4: Expense Details

- Complete the expense details.
- Fill in or use the “Auto Calculate” button to calculate the reimbursable amount.
- Click “Next” to continue with your submission.

##### E. Step 5: Documentation Upload

- Enter invoice information.
- Under Invoice, click “Select Files . . .” to browse for the appropriate invoice(s) and upload to the application.
- Under “Other,” click “Select Files . . .” to browse for other documentation related to the submission.
- Click “Next” to continue with your submission.

##### F. Step 6: Review Your Submission

- Review all information entered into the system.
- Upon completion of data entry, click “Submit to FEMA.”
- Submission Complete.

#### 4.4 Notifying the Insurers

Once FEMA provides a determination, insurer users will receive an email notification informing you of FEMA’s review decision (approved, rejected, or additional information requested).

#### 4.5 Providing Additional Information for a Specific SALAE Request

##### A. To supply additional information on a request returned by FEMA:

- Filter requests by status: “Action Needed” on the SALAE homepage.
- Verify the policyholder’s name, date of loss, and policy number to ensure you are entering the correct request.

- Click “open request” to enter the request and supply additional information.

**B. To review the request for more information:**

- Scroll to the comment section on the Final Review Page and review the comment left by FEMA (comments are also available in the email from UCORT).
- Respond to or carry-out FEMA’s request before resubmitting the request.
  - **To edit information**, go to the correct page and update the information and return to the Final Review Page for review and submission.
  - **To supply more files**, utilize the comment section on the Final Review page to upload documents and provide a description of the file. Click “add comment/file(s)” to save the file to the request.
- Click “return to FEMA” to re-submit the SALAE Type 1 request for review. Upon FEMA’s review, you will receive an email notification informing you that your request has been approved, rejected, or if more information is needed.

**Important:** If FEMA returns a request to the insurer, the requestor has 14 business days to provide the additional documentation or the request is automatically closed.

For technical support, contact [fema-nfippivotsupport@fema.dhs.gov](mailto:fema-nfippivotsupport@fema.dhs.gov).



## Section 7. NFIP Risk Rating 2.0: Equity in Action Guidance

**Risk Rating 2.0 (RR 2.0): Equity in Action**, is FEMA's new pricing methodology for the National Flood Insurance Program (NFIP). The flood insurance adjuster primary role under the program is to adjust each claim fairly and without unnecessary delay and demonstrate its commitment to improved customer experience.

At the time of the loss assignment, the adjuster should receive the most current underwriting information relating to the policyholders policy. However, it would benefit the adjuster to be informed of the recent Risk Rating 2.0 *Flood Insurance Manual* which includes the most recent forms, such as the Application and Declaration Page (see RR 2.0 *Flood Insurance Manual* – Appendices), that should be familiarized. The RR 2.0 *Flood Insurance Manual* is located [here](#), or can be accessed by clicking on the links below:

- [Risk Rating 2.0 NFIP Flood Insurance Manual - Sections 1-6](#)
- [Risk Rating 2.0 NFIP Flood Insurance Manual - Appendices](#)
- [Risk Rating 2.0 Industry Transition Memorandum](#)

For a background and additional information about FEMA's new pricing methodology, please visit [www.fema.gov/flood-insurance/work-with-nfip/risk-rating](http://www.fema.gov/flood-insurance/work-with-nfip/risk-rating).

### 1 Claim Processes and Guidance:

#### 1.1 Underwriting Referrals

It is important that the adjuster brings to the insurer's attention any issue involving a potentially improperly rated policy or ineligible building or contents promptly upon discovery. The sooner in the claims process the adjuster raises a potential problem, the sooner Underwriting (UW) can review the concern minimizing delays to the loss settlement. A UW referral should cite the current rating of the policy, followed by the facts and supporting photographs. When the issue involves a potential basement or post-FIRM elevated building located within a special flood hazard area, but the adjuster is unsure about the facts, the referral should disclose this and recommend the insurer hire a qualified outside professional service.

### 2 Risk Rating 2.0: Equity in Action

RR 2.0: Equity in Action (RR 2.0) is FEMA's new pricing methodology for the National Flood Insurance Program (NFIP) that will begin on October 1, 2021 for all new policies. Existing policies renewing on or after April 1, 2022 will be subject to the new methodology. While RR 2.0 does not affect coverage under the three SFIP forms, adjusters need to have a basic understanding of the changes to building occupancy, building descriptions, and foundation types in order to confirm information is accurately reported at the time of a loss.

FEMA is providing the following guidance to assist adjusters in understanding the terminology.

## 3 Building Occupancy and Description

### 3.1 Building Occupancy

Building occupancy is a key factor that determines what policy form to use, what specific rating factors apply, as well as the policy's maximum coverage limits and deductible options.

1. **Single-Family Home** is a single family building, townhouse, or rowhouse that is residential (or mixed-use with non-residential uses limited to less than 50 percent of the building's total floor area) and not in condominium ownership or not eligible for the RCBAP form
2. **Residential Manufactured/Mobile Home** built on a permanent chassis, transported to a site in one or more sections, and affixed to a permanent foundation. Also includes a travel trailer without wheels, built on a chassis, affixed to a permanent foundation, and regulated under the community's floodplain management and building ordinances or laws.
3. **Residential Unit** is a single family residential unit (or mixed-use unit with non-residential uses limited to less than 50 percent of the unit's total floor area) located within a residential or non-residential building; or residential or non-residential building not in condominium ownership (for example, an apartment building or cooperative building); or townhouse or rowhouse in condominium ownership (if insured as a unit as opposed to an entire building). If insuring as an entire building, see the Residential Condominium Building paragraph below for additional information.
4. **Two-to-Four Family Building** is a residential building (or mixed-use building with non-residential uses limited to less than 25 percent of the building's total floor area) containing 2-4 units. This category includes the following buildings (**but excludes** buildings where the normal occupancy of a guest or resident is less than 6 months): apartment buildings, assisted-living facilities, condominium building (if not eligible for the RCBAP), cooperative buildings, dormitories, hotels and motels, rooming houses, or tourist homes.
5. **Other Residential Building** is a residential building (or mixed-use building with non-residential uses limited to less than 25 percent of the building's total floor area) containing 5 or more units. This category includes the following buildings (**but excludes** buildings where the normal occupancy of a guest or resident is less than 6 months): apartment buildings, assisted-living facilities, condominium buildings (if not eligible for the RCBAP), cooperative buildings, dormitories, hotels and motels, rooming houses or tourist homes.
6. **Residential Condominium Building** applies when the policyholder is a condominium association; the policy will insure a residential condominium building (or mixed-use condominium building with non-residential uses limited to less than 25 percent of the building's total floor area) with one or more units; and the building is in a Regular Program community.

7. **Non-Residential Building** is a building where the primary use is commercial or non-habitational. This category includes, but is not limited to the following: a building in which the policyholder is a commercial enterprise primarily carried out to generate income, and the coverage is for a building used as an office, retail space, wholesale space, factory, hospitality space, or for similar uses; or a building not used for habitation or residential uses; a mixed-use building in which the total floor area devoted to non-residential uses is 50 percent or more of the total floor area within the building, if a single family building; or 25 percent or more of the total floor area within the building for all other buildings. The following buildings where the normal occupancy of a guest or resident is less than 6 months:
- Apartment buildings;
  - Assisted-living facilities;
  - Condominium buildings (if not eligible for the RCBAP);
  - Cooperative buildings;
  - Dormitories;
  - Hotels and motels;
  - Rooming houses; *and*
  - Tourist homes.
  - Other buildings not used for habitation including, but not limited to the following:
    - Agricultural buildings;
    - Detached garages;
    - Non-residential condominium buildings;
    - Houses of worship;
    - Recreation buildings (including pool houses and clubhouses);
    - Schools;
    - Storage or tool sheds;
    - Strip malls; *and*
    - Non-residential townhouses or rowhouses.
8. **Non-Residential Manufactured/Mobile Home** is a single-unit non-residential building (or mixed-use building in which non-residential uses are 50 percent or more of the building's total floor area) that meets one of the following definitions:
- A manufactured / mobile building built on a permanent chassis, transported to a site in one or more sections, and affixed to a permanent foundation; *or*
  - A travel trailer without wheels, built on a chassis, affixed to a permanent foundation, and regulated under the community's floodplain management and building ordinances or laws.

9. **Non-Residential Unit** is a single non-residential unit (or mixed-use unit in which non-residential uses are 50 percent or more of the unit's total floor area) within a:
- Residential or non-residential building (whether or not in condominium ownership); *or*
  - Townhouse or rowhouse in the condominium form of ownership (if insured as a unit as opposed to an entire building).

### 3.2 Building Description

Adjusters should include the building description that best corresponds to the building insured by the policy and compare this information with the information provided on the assignment for accuracy and report any discrepancies.

#### A. Residential:

1. **Entire Apartment Building** is a residential building containing multiple residential units that is not in condominium or cooperative ownership.
2. **Apartment Unit** is a single residential unit within an apartment building.
3. **Entire Cooperative Building** is a residential building owned by a corporation; residents buy shares of the corporation, rather than the real estate (building, land, or both building and land).
4. **Cooperative Unit** is a shareholder's residential unit within a cooperative building.
5. **Detached Guest House** is a secondary house that shares the building lot of a larger, primary house.
6. **Main Dwelling** is a residential building that is the main dwelling on the property, as opposed to any secondary dwelling such as a detached guest house.
7. **Entire Residential Condominium Building** is a residential building in that form of ownership in which each unit owner has an undivided interest in common elements.
8. **Residential Condominium Unit (in a residential building)** is a residential condominium unit in a *residential* condominium building.
9. **Residential Condominium Unit (in a non-residential building)** is a residential condominium unit in a *non-residential* condominium building.
10. **Other Dwelling Type** will be described on the Application Form.

#### B. Non-Residential:

1. **Agricultural Building** is a building used exclusively in connection with the production, harvesting, storage, raising, or drying of agricultural commodities and livestock. Examples include barns, silos, and grain storage buildings.
2. **Commercial** is a non-habitational building, manufactured/mobile building, or unit used as an office, retail space, wholesale space, hospitality space, or for similar uses.

3. **Detached Garage** is a non-habitational, accessory building at the same property location as a main dwelling or other building but insured separately. Designed for storage of a motorized vehicle and used only for parking and storage.
4. **Government Owned** is a building owned by any government entity.
5. **House of Worship** includes a church, temple, synagogue, mosque, or other building set apart primarily for the purpose of worship in which religious services are held and the main body of which is kept for that use and not put to any other use inconsistent with its primary purpose.
6. **Recreation Building** is a building designed for non-habitational uses and that does not qualify as a commercial building. Examples include clubhouses and pool houses.
7. **Storage/Tool Shed** is a non-habitational, accessory building designed for storage at the same property location as the main building, and the use of which is incidental to the use of the main building.
8. **Other Non-Residential Type** will be described on the Application Form.

### 3.3 Claims History

Claims history used in the RR 2.0 rating methodology is the history of NFIP claim payments for loss or damage to insured property directly caused by a flood, or for loss avoidance measures. The claims history applies to a building's property address and does not follow the policyholder or building owner.

The Prior NFIP Claims rating factor counts any date of loss with a paid claim regardless of payment amount with the following exceptions:

- Claims made within 10 days of each other will be counted as one claim (loss date); *and*
- One claim (loss date) that falls within the rolling 20-year window.

**Note:** The Prior NFIP Claims rating factor does not consider an Increased Cost of Compliance (ICC) claim payment or a date of loss where the claim was closed without payment.

Adjusters should refer policyholders who express concerns about whether filing a flood claim could adversely affect premiums to their agent or insurer.

### 3.4 Flood Hazard Zones and Base Flood Elevation

The Risk Rating 2.0 methodology calculates a rate based on a series of unique variables and flood hazards for each building rather than relying on flood zones and base flood elevations to evaluate flood risk for broad classes of properties. While flood zones are no longer used as deciding factor with rating, zones are still necessary for applying coverage under the SFIP for post-FIRM elevated buildings in a Special Flood Hazard Area and elevator-related equipment installed below the base flood elevation on or after September 30, 1987.

### 3.5 Foundation Type

FEMA recognizes six foundation type options that are described below. The adjuster will report the foundation type at the time of inspection and report any discrepancies.

1. **Slab-on-Grade (non-elevated)** - A building whose foundation is slab-on-grade or slab-on-stem-wall with fill:
  - The building is constructed with wood or metal frame walls and encompasses the full footprint of the building with a slab-on-grade foundation.
  - The building is one floor with any wall type and no airspace between the ground and lowest floor of the building. For example, a one floor building on grade with masonry/cinder block walls.
  - If slab-on-grade, there is no airspace between the ground and the lowest floor of the building.
  - This foundation type includes a building with a dual foundation. For example, an elevated building with a crawlspace or enclosure with an attached converted garage or attached finished room where the floor of the converted garage or attached finished room is equal to or lower than the enclosure floor.
2. **Basement (non-elevated)** - A non-elevated building that has a floor or any area of the building, including any sunken room or portion of a room, below the ground level (subgrade) on all sides:
  - The building, including split-level, has a floor that is below grade on all sides even if the floor is used for living purposes, or as an office, garage, workshop, etc.
  - If the building has a subgrade crawlspace and the distance from the crawlspace floor to the top of the next higher floor is more than 5 feet, or the crawlspace floor is more than 2 feet below the grade on all sides, describe the foundation type as a basement.
  - **Note:** If the building has a “walkout basement”, refer to foundation type Elevated with Enclosure Not Posts, Piles, Piers.
3. **Crawlspace (elevated or non-elevated subgrade crawlspace)** - A building that has its lowest floor raised above the ground by a crawlspace:
  - A building with a crawlspace foundation may have an attached garage.
  - **Note:** An elevated building that has a crawlspace foundation with an attached slab-on-grade finished room or attached slab-on-grade garage converted to a living area is considered the Slab on Grade foundation type.
4. **Elevated Without Enclosure on Posts, Piles, or Piers** - A building that has its lowest floor raised above the ground by posts, piles, piers, columns, or parallel shear walls with no enclosure below the lowest elevated floor:
  - Hanging floors are walled-in floor areas beneath an elevated building that do not extend to the ground. The top of the hanging floor is considered the first floor.

- A mobile home with skirting around frame perimeter.
  - FEMA does not consider a small enclosed area (a utility chase) below the lowest floor to be an enclosure if all the following criteria are met:
    - It is the minimum size necessary to protect the building utilities (for example, plumbing, pipes, wiring, HVAC supply/return lines);
    - It is constructed with flood damage resistant materials;
    - There are no mechanical or electrical equipment inside the enclosed area; *and*
    - There is not enough space for a person to enter into the enclosed area.
5. **Elevated With Enclosure on Posts, Piles, or Piers** - A building that has its lowest floor raised above the ground by posts, piles, piers, columns, or parallel shear walls with an enclosure below the elevated floor:
- The building is elevated on piers, posts, piles, columns, or parallel shear walls and there is an enclosed storage area or garage below the elevated floor.
  - The building is elevated on piers, posts, piles, columns, or parallel shear walls and there is a finished area (for example, a bedroom or bathroom) below the elevated floor.
6. **Elevated With Enclosure not on Posts, Piles, or Piers (solid foundation walls)** - A building that has its lowest floor raised above the ground by foundation walls (solid perimeter walls) with a full floor enclosure:
- The building may have a walk-out level, where at least one side is at or above grade.
  - The principal use of the building is located on the elevated floors of the building.
  - The building has no basement (no portion of the building is below the ground on all sides). If the building has a floor below the ground on all sides refer to the Basement or Crawlspace foundation types.

### 3.6 Mitigation Discount

FEMA offers certain mitigation discounts to incentivize a policyholder to take steps that meaningfully reduce their property's flood risk. Adjusters are not expected to determine if a discount applies; however, adjusters must report any discrepancies discovered at the time of loss in where the equipment is located.

#### A. Machinery and Equipment Above First Floor

Policyholders may receive a mitigation discount if certain covered Machinery and Equipment (M&E) servicing the building, inside or outside the building, is elevated to at least the elevation of the floor above the building's first floor. Depending on the foundation type option selected, the building's first floor may be either the main living floor (if slab on grade), basement floor, crawlspace floor, or enclosure floor.

If the policyholder purchased building-only coverage, the following M&E must be elevated to receive the discount:

- Central air conditioner (including exterior compressor);
- Furnace;
- Heat pump (including exterior compressor);
- Hot water heater; *and*
- Elevator machinery and equipment.

If the policyholder purchased contents-only coverage, the following appliances must be elevated to receive the discount:

- Clothes washers and dryers; *and*
- Food freezers.

If the policyholder purchased both building and contents coverage, all the M&E and appliances listed above must be elevated to receive the discount.

### B. Proper Flood Openings Discount Requirements

Proper flood openings (flood vents) in enclosures or crawlspaces allow the hydrostatic flood forces on the walls to equalize and minimize foundation damage to the building. FEMA provides a discount for buildings, in any flood zone, with proper flood openings in enclosures.

Below are the foundation types that may be eligible to receive the proper flood openings discount:

- Elevated With Enclosure on Posts, Piles or Piers;
- Elevated With Enclosure Not Posts, Piles or Piers (Solid Foundation Walls); *and*
- Crawlspace (Elevated or Non-Elevated Subgrade Crawlspace).

To obtain the proper flood opening discount, all enclosures below the elevated floor must meet the following requirements:

- There must be a minimum of two openings positioned on at least two exterior walls. For partially subgrade floors, there must be a minimum of two openings positioned on a single exterior wall adjacent to the lowest grade next to the building.
- The bottom of all openings must be no higher than one foot above the higher of the exterior or interior adjacent grade or floor immediately below the openings.
- The openings must have a total net area of not less than one square inch for every one square foot of enclosed area.

### C. Floodproofing

Floodproofing may be an alternative to elevating a building to or above the base flood elevation; however, the NFIP requires a Floodproofing Certificate to consider floodproofing mitigation measures in rating a building. Certified floodproofing may result in a lower premium because floodproofing ensures:

- A watertight building;



- Waterproof non-collapsing walls; *and*
- The floor at the base of the floodproofed walls will resist flotation during a flood.

#### D. Number of Floors in a Building

Indicate the building's number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements, and certain attics (if used only for storage). For example, a building with a basement and one floor above the ground is rated as having one floor. Likewise, an elevated building with an enclosure (either compliant or non-compliant) and one additional floor above that is rated as having one floor. Indicate the total number of floors in the building even if the policy covers only an individual unit.

#### E. Floor of Unit

If coverage is for a unit inside a multi-floor building with units located on different floors, indicate the floor where the unit to be insured is located. For example, indicate nine, if the unit is on the ninth floor of a twenty-story building. Indicate one, if the building only has one floor.

#### F. Total Number of Units in the Building

Indicate the number of units in the building. If the building contains multiple units, indicate the total number of units in the building, even if the policy covers only a single unit. For example, if coverage is for a unit within a four-unit building, indicate four. Count both residential and non-residential units.

#### G. Construction Type

If the building occupancy is a Single-Family Home, determine the building's Construction Type based on the construction used for the wall on the building's first floor. The Construction Type rating factor only applies to the Single-Family Home occupancy and does not apply to other occupancies, such as residential unit or manufactured/mobile home.

1. **Frame** - Use Frame as the construction type when:
  - The first floor above ground level is constructed with wood or metal frame walls; *or*
  - Other materials such as exterior brick or masonry veneer are connected to frame construction.
2. **Masonry** - Use Masonry as the construction type when the:
  - First floor above ground level is constructed with masonry including brick, or concrete block walls for the full story;
  - Building has a floor below the ground (for example a basement or walkout basement); *or*
  - Bottom floor is masonry and the next higher floor has frame construction.

3. **Other** - Use Other as the construction type when:

- The first floor above ground level is constructed with materials other than wood or metal frame walls or masonry walls for the full story; *or*
- Any portion of the wall between ground level and next higher floor is frame construction (for example, “knee walls” whose lower wall is concrete block with frame wall on the higher portion).

**Note:** Risk Rating 2.0 does not change processes or interpretation to:

- The Standard Flood Insurance Policies;
- The definitions of a basement, crawlspace, buildings have not changed;
- Limited coverage remains applicable to items below the lowest elevated floor of a post-FIRM elevated building AE,AH, AR, AR/AH,AR.AE or VE;
- Limited coverage in basement still applies;
- It does not change Floodplain Management; *or*
- ICC requirements have not changed (EC, Freeboard, BFE etc.).

## Appendices

Appendix	Document
<p style="text-align: center;"><b>Appendix A: Adjuster Fee Schedule</b></p> <p>Date: 8-24-2017</p>	<p style="text-align: center;"><a href="#">NFIP Adjuster Fee Schedule</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix B: ICC Fee Schedule</b></p> <p>Date: 9-1-2004 and later</p>	<p style="text-align: center;"><a href="#">ICC Fee Schedule</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix C: FEMA Policy Guidance for Closed Basin Lakes</b></p> <p>Date: 8-19-1999</p>	<p style="text-align: center;"><a href="#">FEMA Policy Guidance for Closed Basin Lakes (floodsmart.gov)</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix D: Claims Forms for Adjusters and Policyholders</b></p>	<p style="text-align: center;"><a href="https://www.fema.gov/flood-insurance/find-form">https://www.fema.gov/flood-insurance/find-form</a></p>
<p style="text-align: center;"><b>Appendix E: Bulletin W-13025a: Structural Drying</b></p> <p>Date: 5-14-2013</p>	<p style="text-align: center;"><a href="#">Bulletin W-13025a: Structural Drying</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix F: Policyholder Rights</b></p>	<p style="text-align: center;"><a href="#">Policyholder Rights</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix G: Bulletin W-13024: Increased Cost of Compliance Amendments</b></p> <p>Date: 4-23-2013</p>	<p style="text-align: center;"><a href="#">Bulletin W-13024 Increased Cost of Compliance Amendments</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix H: Assignment of Coverage D</b></p>	<p style="text-align: center;"><a href="#">Assignment of Coverage D</a></p> <p style="text-align: center;"></p>
<p style="text-align: center;"><b>Appendix I: Building Valuation Loss Assessment (BVLA) Method and FAQs</b></p> <p>Date: September 2021</p>	<p style="text-align: center;"><a href="#">FEMA Building Valuation Loss Assessment (BVLA) (floodsmart.gov)</a></p> <p style="text-align: center;"></p>

Appendix	Document
<p>Appendix J:                      ICC Policyholders Processing Checklist</p>	<p><a href="#">ICC Policyholders Processing Checklist</a>  </p>
<p>Appendix K:                      Standard Flood Insurance Policy,                      October 2021 Dwelling Form</p>	<p><a href="#">SFIP: Dwelling Form</a>  </p>
<p>Appendix L:                      Standard Flood Insurance Policy,                      October 2021 General Property</p>	<p><a href="#">SFIP: General Property Form</a>  </p>
<p>Appendix M:                      Standard Flood Insurance Policy,                      October 2021 Residential Condominium                      Building Association Policy (RCBAP)</p>	<p><a href="#">SFIP: RCBAP</a>  </p>

## Appendix N: Acronyms and Abbreviations

Acronym	Acronym Definition
ACO	Adjuster Claims Office
ACV	Actual Cash Value
ADA	Americans with Disabilities Act of 1990
ALE	Additional Living Expenses
ANFI®	Associate in National Flood Insurance®
ANSI	American National Standards Institute
AOI	Areas of Interest
APDA	Adjuster Preliminary Damage Assessment
ASC	Areas of Special Consideration
BFE	Base Flood Elevation
BVLA	Building Valuation Loss Assessment
BW-12	The Biggert-Waters Flood Insurance Reform Act of 2012
CATV	Cable and Television
CBIA	Coastal Barrier Improvement Act
CBRA	Coastal Barrier Resources Act
CBRS	Coastal Barrier Resources System
CEO	Chief Executive Officer
CFR	Code of Federal Regulations
CLR	Case Loss Reserves
CPA	Certified Public Accountant
CSA	Controlled Substances Act
CSV	Comma Separated Values
CWOP	Closed Without Payment
DHS	Department of Homeland Security
DOL	Date of Loss
DRC	Disaster Recovery Center
E&O	Errors and Omissions
EC	Elevation Certificate
EMI	Emergency Management Institute
EDN	Event Designation Number
EPA	Environmental Protection Agency
FACP	Flood Adjuster Capacity Program
FBFM	Flood Boundary and Floodway Map
FCN	Flood Control Number

<b>FEMA</b>	Federal Emergency Management Agency
<b>FICO</b>	Flood Insurance Claims Office
<b>FIMA</b>	Federal Insurance and Mitigation Administration
<b>FIRM</b>	Flood Insurance Rate Map
<b>FIS</b>	Flood Insurance Study
<b>FMA</b>	Flood Mitigation Assistance
<b>FRO</b>	Flood Response Office
<b>FRP</b>	Flood Risk Product
<b>GA</b>	General Adjuster
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAO</b>	Government Accountability Office
<b>GFIP</b>	Group Flood Insurance Policy
<b>GP Form</b>	General Property Form
<b>HFIAA</b>	Homeowner Flood Insurance Affordability Act of 2014
<b>HMA</b>	Hazard Mitigation Assistance
<b>HMGP</b>	Hazard Mitigation Grant Program
<b>HVAC</b>	Heating, Ventilation, and Air Conditioning
<b>IA</b>	Individual Assistance
<b>ICC</b>	Increased Cost of Compliance
<b>IFICO</b>	Integrated Flood Insurance Claims Office
<b>IHP</b>	Individuals and Households Program
<b>IICRC</b>	Institute of Inspection Cleaning and Restoration Certification
<b>Insurer</b>	NFIP Direct and WYO Companies
<b>IPERIA</b>	Improper Payment Elimination and Recovery Information Act
<b>JFO</b>	Joint Field Office
<b>LAG</b>	Lowest Adjacent Grade
<b>LOMA</b>	Letter of Map Amendment
<b>LOMC</b>	Letter of Map Change
<b>LOMR</b>	Letter of Map Revision
<b>NFIP</b>	National Flood Insurance Program
<b>MSC</b>	Map Service Center
<b>NFHL</b>	National Flood Hazard Layer
<b>NWS</b>	National Weather Service
<b>OHP</b>	Overhead and Profit
<b>OIG</b>	(DHS) Office of the Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPA</b>	Otherwise Protected Areas

PDF	Portable Document Format
PII	Personally Identifiable Information
POL	Proof of Loss
RAP	Request for Additional Payment
RCBAP	Residential Condominium Building Association Policy
RCQC	Random Claims Quality Check
RCV	Replacement Cost Value
RL	Repetitive Loss
SALAE	Special Allocated Loss Adjustment Expense
SAP	Single Adjuster Program
SEER	Seasonal Energy Efficiency Ratio
SF	Square foot/feet
SFHA	Special Flood Hazard Area
SFIP	Standard Flood Insurance Policy
SORN	System of Records Notice
SPII	Sensitive Personally Identifiable Information
SRL	Severe Repetitive Loss
U.S.C.	United States Code
UAV	Unmanned Aerial Vehicle
UCORT	Underwriting and Claims Operation Review Tool
USDA	United States Department of Agriculture
USFWS	U.S. Fish and Wildlife Service
UW	Underwriting
WSS	Web Soil Survey
WYO Company	Write Your Own Company

## Appendix O: NFIP Resources

Table 23 provides links and contact information for various topics of interest to NFIP stakeholders.

**Table 23: NFIP References**

Topic	Website/Email Address	Telephone
<i>Claims Handbook</i>	<a href="https://www.fema.gov/sites/default/files/2020-05/FINAL_ClaimsHandbook_10252017.pdf">https://www.fema.gov/sites/default/files/2020-05/FINAL_ClaimsHandbook_10252017.pdf</a>	N/A
Claims & Underwriting Forms	<a href="https://www.fema.gov/flood-insurance/find-form">https://www.fema.gov/flood-insurance/find-form</a>	N/A
Coastal Barrier Resources System (CBRS)	<a href="https://www.fema.gov/glossary/coastal-barrier-resources-system-cbrs">https://www.fema.gov/glossary/coastal-barrier-resources-system-cbrs</a>	N/A
<i>Community Status Book</i>	<a href="https://www.fema.gov/flood-insurance/work-with-nfip/community-status-book">https://www.fema.gov/flood-insurance/work-with-nfip/community-status-book</a> <a href="https://www.fema.gov/cis/nation.pdf">https://www.fema.gov/cis/nation.pdf</a>	N/A
Flood Maps and Related Products	FEMA Flood Map Service Center <a href="https://msc.fema.gov/portal/home">https://msc.fema.gov/portal/home</a>	N/A
Flood Zone Determination Companies	<a href="https://nfipservices.floodsmart.gov/flood-zone-determination-companies">https://nfipservices.floodsmart.gov/flood-zone-determination-companies</a>	N/A
General Information for Stakeholders, Adjusters	<a href="https://www.floodsmart.gov/">https://www.floodsmart.gov/</a>	N/A
General Mapping and Flood Insurance Inquiries	FEMA Mapping and Insurance eXchange (FMIX) <a href="https://www.floodmaps.fema.gov/fhm/fmx_main.html">https://www.floodmaps.fema.gov/fhm/fmx_main.html</a> <a href="mailto:femamapspecialists@riskmapcds.com">femamapspecialists@riskmapcds.com</a>	Phone: 1-877-336-2627 (1-877-FEMA-MAP)
Outreach Publications and Resources	<a href="https://www.fema.gov/flood-insurance/outreach-resources">https://www.fema.gov/flood-insurance/outreach-resources</a>	N/A
Pivot	<a href="https://pivot.fema.gov">https://pivot.fema.gov</a> For technical support, contact <a href="mailto:fema-nfippivotsupport@fema.dhs.gov">fema-nfippivotsupport@fema.dhs.gov</a> .	
Public Awareness Materials and Order Form	<a href="https://www.fema.gov/sites/default/files/2020-10/fema_nfip-publications-order-form_sept2020.pdf">https://www.fema.gov/sites/default/files/2020-10/fema_nfip-publications-order-form_sept2020.pdf</a>	Phone: 1-800-480-2520
<i>RR 2.0 NFIP Flood Insurance Manual</i>	<a href="#">October 2021 Risk Rating 2.0 NFIP Flood Insurance Manual</a>	N/A

Questions or suggestions regarding content or formatting errors in the *NFIP Claims Manual*, or suggestions for improvement should be directed to [FEMA-FIMA-ClaimsManual@fema.dhs.gov](mailto:FEMA-FIMA-ClaimsManual@fema.dhs.gov).

All claims coverage questions should be directed to the insurer. The insurer may consult with FEMA at [FEMA-FIDClaimsMailbox@fema.dhs.gov](mailto:FEMA-FIDClaimsMailbox@fema.dhs.gov).