

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

VI. DEDUCTIBLES

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

VII. GENERAL CONDITIONS

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

V. EXCLUSIONS (continued)

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

Other Water Damage. Damage to the covered property from a roof leak or wind-driven rain is not covered.

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

Note: Federal government lease exclusion.

VI. DEDUCTIBLES

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

There are separate deductibles for the structure and personal property ranging from \$500 to \$5,000.

VII. GENERAL CONDITIONS

Pairs and Sets. We pay for the one item damaged, or the fair proportion of the value of the pair or set.

Concealment or Fraud and Policy Voidance. This and any other NFIP flood policy can be voided if the insured commits fraud. The adjuster must report to the insurer any discrepancies on the Narrative Report form. If there is a misrating, this needs to be corrected and the correct premium paid before the claim can be settled. The necessary premium must be paid in order for the requested limits of liability to be applicable.

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

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

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

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

C. Other Insurance

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

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

D. Amendments, Waivers, Assignment

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

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

E. Cancellation of Policy by You

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

F. Nonrenewal of the Policy by Us

Your **policy** will not be renewed:

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

G. Reduction and Reformation of Coverage

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

VII. GENERAL CONDITIONS (continued)

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

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

Reduction and Reformation of Coverage. The coverage amounts will be reduced if it is discovered that the premium was insufficient; if the amount of additional premium can be determined, the insured has 30 days to pay the additional premium.

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

- (2) If we determine before you have a **flood** loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. Once we determine the amount of additional premium for the current **policy** term, we will follow the procedure in **G.2.a.(1)** above.
- (3) If we do not receive the additional premium (or additional information) by the date it is due, the amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

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

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

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

H. Policy Renewal

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

I. Conditions Suspending or Restricting Insurance

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

J. Requirements in Case of Loss

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

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

VII. GENERAL CONDITIONS (continued)

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

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

K. Our Options After a Loss

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

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

L. No Benefit to Bailee

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

VII. GENERAL CONDITIONS (continued)

Bailee Goods. No coverage.

M. Loss Payment

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

N. Abandonment

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

O. Salvage

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

P. Appraisal

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

Each party will:

1. Pay its own appraiser; and

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

Q. Mortgage Clause

The word "mortgagee" includes trustee.

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

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

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

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

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

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

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

R. Suit Against Us

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

S. Subrogation

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

VII. GENERAL CONDITIONS (continued)

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

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

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

Mortgage Clause. We will protect the interest of any listed mortgagee or any mortgagee discovered during the investigation.

Suit Against Us. The insured must file suit in federal court within 12 months from the date the denial letter was mailed.

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

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

T. Continuous Lake Flooding

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

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

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

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

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

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

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

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

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

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

VII. GENERAL CONDITIONS (continued)

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

Closed Basin Lakes. A closed basin lake is a natural lake from which water leaves primarily through evaporation, and whose surface area now exceeds or has exceeded 1 square mile at any time in the past. If an insured building is subject to continuous closed basin lake flooding, a total loss claim can be paid if lake flood waters damage or imminently threaten to damage the building and an eventual total loss appears likely.

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

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

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

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

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

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

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

U. Duplicate Policies Not Allowed

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

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

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

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

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

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

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

V. Loss Settlement

1. Introduction

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

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

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

(a) The 365 days immediately preceding the loss; or

(b) The period of your ownership, if you owned the **dwelling** for less than 365 days; and

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

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

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

VII. GENERAL CONDITIONS (continued)

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

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

- Replacement Cost
- Special Loss Settlement
- Actual Cash Value

2. Replacement Cost Loss Settlement

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

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

3. Special Loss Settlement

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

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

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

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

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

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

4. Actual Cash Value Loss Settlement

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

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

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

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

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

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

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

The insured will receive either of the above or ACV, whichever is higher.

If the insured dwelling is a total loss, there is no provision that the insured must rebuild at the same location. If the insured buys or builds another house of equal value (not including land value), we will pay the RCV upon presentation of the appropriate documentation.

Proof that repairs have been completed and that the amount actually spent exceeds the ACV payment must be submitted by the insured prior to payment of the RC holdback. Items that do not have to be included in calculating the dwelling's RCV are listed in Dwelling Form VII. V.5.a., b., and c.

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

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

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

5. Amount of Insurance Required

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

VIII. LIBERALIZATION CLAUSE

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

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

IX. WHAT LAW GOVERNS

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

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

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



Anthony S. Lowe
Administrator, National Flood Insurance Program
Federal Emergency Management Agency

VII. GENERAL CONDITIONS (continued)

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

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

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

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

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

VIII. LIBERALIZATION CLAUSE

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

IX. WHAT LAW GOVERNS

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

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