

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.

(3) Any property removed, including a moveable home described in II.6, must be placed above ground level or outside of the “Special Flood Hazard Area”.

(4) This coverage does not increase the Coverage A or Coverage B limit of liability.

3. Pollution Damage

- a. 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.

D. Coverage D—Increased Cost of Compliance

1. General

This **Policy** pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a “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:

- a. Non-residential “Buildings”.
- b. Residential “Buildings” with basements that satisfy FEMA’s standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

2. Limits of Liability

We will pay you up to \$30,000 under this Coverage D (Increased Cost of Compliance), which only applies to policies with “Building” coverage (Coverage A). 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 “Act”. We do NOT charge a separate deductible for a claim under Coverage D.

3. Eligibility

- a. A “Building” insured under Coverage A (Building Property) sustaining a loss caused by a “Flood” as defined by this **Policy** must:

(1) Be a “repetitive loss building.” A repetitive loss building is one that meets the following conditions:

(a) The “Building” has suffered “Flood” damage on two occasions during a 10-year period which ends on the date of the second loss.

(b) 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.

(c) 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; *or*

(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”.

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

(1) 3.a.1 above.

(2) Elevation or floodproofing in any risk zone to preliminary or advisory “Base Flood” elevations provided by FEMA which the State or local government has adopted

and is enforcing for “Flood”-damaged “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.

- c. 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. 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.
- 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.
- 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.

4. Conditions

- 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.

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

5. Exclusions

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

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the “Emergency Program”.
- b. The cost associated with enforcement of any ordinance or law that requires any “Named Insured(s)” or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of “Pollutants”.
- c. The loss in value to any insured “Building” due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a “Building” demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any Increased Cost of Compliance under this Coverage D:
 - (1) Until the “Building” is elevated, floodproofed, demolished, or relocated on the same or to another premises; *and*
 - (2) Unless the “Building” is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.
- f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.
- g. Any compliance activities needed to bring additions or “Improvements” made after the loss occurred into compliance with State or local floodplain management laws or ordinances.

- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the “NFIP” minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current “Flood” loss to rebuild the property to an elevation below the “Base Flood” elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any “Building” insured under an “NFIP” Group

Flood Insurance Policy.

- l. Assessments made by a “Condominium Association” on individual “Condominium” “Unit” owners to pay increased costs of repairing commonly owned buildings after a “Flood” in compliance with State or local floodplain management ordinances or laws.

6. Other Provisions

- a. All other conditions and provisions of this **Policy** apply.

IV. PROPERTY NOT INSURED

We do not insure any of the following property:

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

- 9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured “Building”.
- 10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids.
- 11. “Buildings” or “Units” and all their contents if more than 49 percent of the “Actual Cash Value” of the “Building” is below ground, unless the lowest level is at or above the “Base Flood” elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques.
- 12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks.
- 13. Aircraft or watercraft, or their furnishings and equipment.
- 14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment, such as, but not limited to, heaters, filters, pumps, and pipes, wherever located.
- 15. 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.
- 16. A residential condominium building
- 17. A manufactured home or a travel trailer as described in the Definitions section (see II.C.6.c)

V. EXCLUSIONS

A. We only pay for “Direct Physical Loss By or From Flood”, which means that we do not pay you for:

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

B. Flood In Progress. 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).

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

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

We do, however, pay for losses from “Mudflow” and land subsidence as a result of erosion that are specifically insured under our definition of “Flood” (see II.B.1.c and II.B.2).

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

1. The pressure or weight of ice;
2. Freezing or thawing;
3. Rain, snow, sleet, hail, or water spray;
4. Water, moisture, mildew, or mold damage that results primarily from any condition:
 - a. Substantially confined to the insured “Building”; *or*
 - b. That is within your control including, but not limited to:
 - (1) Design, structural, or mechanical defects;
 - (2) Failures, stoppages, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; *or*
 - (3) Failure to inspect and maintain the property after a “Flood” recedes;
5. Water or water-borne material that:
 - a. Backs up through sewers or drains;
 - b. Discharges or overflows from a sump, sump pump, or related equipment; *or*
 - c. Seeps or leaks on or through the insured property;
unless there is a “Flood” in the area and the “Flood” is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water;
6. The pressure or weight of water unless there is a “Flood” in the area and the “Flood” is the proximate cause of the damage from the pressure or weight of water;
7. Power, heating, or cooling failure unless the failure results from “Direct Physical Loss by or From Flood” to power, heating, or cooling equipment on the “Described Location”;
8. Theft, fire, explosion, wind, or windstorm;
9. Anything you or any member of your household do or conspires to do to deliberately cause loss by “Flood”; *or*
10. Alteration of the insured property that significantly increases the risk of flooding.

E. We do not insure for loss to any “Building” or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.

VI. DEDUCTIBLES

A. When a loss is 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”.

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; *or*
2. III.D. Increased Cost of Compliance.

VII. GENERAL CONDITIONS

A. Pair and Set Clause

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

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

B. Other Insurance

1. If a loss insured by this **Policy** is also insured by other insurance that includes flood coverage, 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 VII.B.1.b or c below applies.
 - b. If the other policy has a provision stating that it is excess insurance, this **Policy** will be primary.
 - c. This **Policy** will be primary (but subject to its own deductible) up to the deductible in the other “Flood” policy (except another policy as described in 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.
2. Where this **Policy** insures a “Condominium

Association” and there is a flood insurance policy in the name of a “Unit” owner that insures the same loss as this **Policy**, then this **Policy** will be primary.

C. Amendments, Waivers, Assignment

This **Policy** cannot be changed, nor can any of its provisions be waived, without our express written consent. 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:

- a. When this **Policy** insures only personal property; *or*
- b. When this **Policy** insures a “Building” under construction.

D. Insufficient Premium or Rating Information

1. **Applicability.** The following provisions apply to all instances where the premium paid on this **Policy** is insufficient or where the rating information is insufficient.
2. **Reforming the Policy with Reduced Coverage.** 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.
 - 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.
 - 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**.

- 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.

3. Discovery of Insufficient Premium or Rating Information. 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:

- a. **Insufficient Premium.** 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.

- (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).
- (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.
- (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.

- b. **Insufficient Rating Information.** 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.

- (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.
- (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.

- 4. **Coverage Increases.** 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.

- 5. **Falsifying Information.** 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.

E. 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 premium prior to the “Expiration Date”. If we do not receive and process payment for the full renewal premium due prior to “Expiration”, 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” and coverage under this **Policy** ends at “Expiration”.
 - a. This **Policy** may be reinstated under the terms of the notice of renewal if we receive and process valid payment for the full renewal premium and a signed statement of no loss within 30 days of “Expiration”.
 - b. If we reinstate the **Policy**, there will be no coverage during the period of time between

“Expiration” and the date and time we received and processed the payment and received the signed statement of no loss.

c. Reinstatement of the **Policy** is conditioned upon the following and any reinstatement notice we send you is void if:

(1) Any form of premium payment is not honored for any reason;

(2) There is a claim under the policy arising from an event that occurred between **Policy** “Expiration” and the date and time we received and processed your payment and received your signed statement of no loss to reinstate the **Policy**; *or*

(3) Payment is received and processed after the 30th day following “Expiration”.

d. If the reinstatement is void for any of these reasons, the **Policy** remains expired as of the “Expiration”, and we will not be liable for any claims or damages after “Expiration”.

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

F. 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.

G. Requirements in Case of Loss

In case of a “Flood” loss to insured property, you must:

1. Give prompt written notice to us or our agent.
2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it.
3. Prepare an inventory of damaged property showing the quantity, description, “Actual Cash Value”, and amount of loss. Attach all bills, receipts, and related documents.
4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the **Policy** signed and sworn to by you, and which furnishes us with the following information:
 - a. The date and time of loss;
 - b. A brief explanation of how the loss happened;
 - c. Your interest (for example, “owner”) and the

interest, if any, of others in the damaged property;

d. Details of any other insurance that may cover the loss;

e. Changes in title or occupancy of the insured property during the term of the **Policy**;

f. Specifications of damaged buildings and detailed repair estimates;

g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property;

h. Details about who occupied any insured “Building” at the time of loss and for what purpose; *and*

i. The inventory of damaged personal property described in G.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.

H. 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 “Named 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 that we agree upon or its appraised value.

I. No Benefit to Bailee

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

J. 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 the 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.M.
- 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.

K. Abandonment

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

L. 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.

M. Appraisal

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

Each party will:

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

N. Mortgage Clause

- 1. The word "mortgagee" includes trustee.

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.
3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
 - a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;
 - b. Pays any premium due under this **Policy** on demand if you have neglected to pay the premium; *and*
 - c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.
4. All terms of this **Policy** apply to the mortgagee.
5. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the “Building”.
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”.
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.

O. Suit Against Us

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

P. Subrogation

Whenever we make a payment for a loss under this **Policy**, we are subrogated to your right to recover for that loss

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

Q. Continuous Lake Flood

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:
 - 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 from us 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 Q.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 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:

- a. Lake floodwaters 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) Comply with paragraphs Q.1.a through Q.1.d above.

R. Loss Settlement

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

1. The applicable amount of insurance under this policy;
2. The "Actual Cash Value"; *or*
3. The amount it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the loss.

VIII. POLICY NULLIFICATION, CANCELLATION, AND NON-RENEWAL

A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements

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 insurance provided by us:
 - a. Concealed or misrepresented any material fact or circumstance;
 - b. Engaged in fraudulent conduct; *or*
 - c. Made false statements.
2. Policies voided under A.1 cannot be renewed or replaced by a new policy issued by us. Policies are void as of the date the acts described in A.1 above were committed. Fines, civil penalties, and imprisonment under applicable Federal and state laws may also apply to the acts of fraud or concealment described above.

B. Policy Nullification for Reasons Other Than Fraud

1. This **Policy** is void from its inception, and has no legal force or effect, if:
 - a. The property listed on the "Application" is otherwise not eligible for coverage at the time of the initial "Application";
 - b. You never had an insurable interest in the property listed on the "Application";
 - c. You provided an "Application" and payment, but the payment did not clear; *or*
 - d. 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.
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 us or offset from the premiums to be refunded before the refund will be processed.

C. Cancellation of the Policy by You

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".
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".

D. Cancellation of the Policy by Us

1. **Cancellation for Underpayment of Amounts Owed on Policy.** 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.
2. **Cancellation Due to Lack of an Insurable Interest.**
 - 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:
 - (1) For building coverage, the building was sold, destroyed, or removed.
 - (2) For contents coverage, the contents were sold or transferred ownership, or the contents were completely removed from the described location.
 - 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".

3. Cancellation of Duplicate Policies.

- a. your property may not be insured by more than one flood policy issued by us, and payment for damages to your property will only be made under one **Policy**.
- b. if the property is insured by more than one 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”.
- 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”.

4. Cancellation Due to Physical Alteration of Property

- 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**.
- 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”.

E. Non-Renewal of the Policy by Us

Your **Policy** will not be renewed if:

- 1. Your building is otherwise ineligible for flood insurance with us; *or*
- 2. You have failed to provide the information we requested for the purpose of rating the **Policy** within the required deadline.

IX. LIBERALIZATION CLAUSE

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

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

X. WHAT LAW GOVERNS

This **Policy** and all disputes arising from 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 and state common law. Unless otherwise stated in this **Policy**,

the rules of interpretation with respect to policy underwriting, issuance, and administration shall be determined by the most recent edition of the *NFIP Flood Insurance Manual* and with respect to the handling of any claim shall be determined by the most recent edition of the *NFIP Claims Handling Manual*.