

# PRIVATE FLOOD POLICY—DWELLING FORM

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# MANDATORY ACCEPTANCE OF PRIVATE FLOOD INSURANCE BY FEDERALLY REGULATED LENDING INSTITUTIONS

EFFECTIVE JULY 1, 2019, IT IS MANDATORY FOR ALL “REGULATED LENDING INSTITUTIONS” TO ACCEPT PRIVATE FLOOD INSURANCE IN SATISFACTION OF THE FLOOD INSURANCE PURCHASE REQUIREMENT FOR “DESIGNATED LOANS” IF THE INSURANCE MEETS THE DEFINITION OF “PRIVATE FLOOD INSURANCE” AS DEFINED IN 42 U.S.C. 4012A(B)(7)

THIS **POLICY** MEETS THE DEFINITION OF “PRIVATE FLOOD INSURANCE” BECAUSE THIS **POLICY**

1. is issued by an insurance company that is licensed, admitted, or otherwise approved to engage in the business of insurance in the State or jurisdiction in which the property to be insured is located, by the insurance regulator of that State or jurisdiction;
2. provides flood insurance coverage that is at least as broad as the coverage provided under a standard flood insurance policy issued under the NFIP (SFIP), including when considering deductibles, exclusions, and conditions offered by the insurer;
3. includes a requirement for the insurer to give written notice 45 days before cancellation or non-renewal of flood insurance coverage to the insured and the regulated lending institution, or a servicer acting on the institution's behalf;
4. includes information about the availability of flood insurance coverage under the NFIP;
5. includes a mortgage interest clause similar to the clause contained in an SFIP;
6. includes a provision requiring an insured to file suit not later than one year after the date of a written denial for all or part of a claim under a policy; *and*
7. contains cancellation provisions that are as restrictive as the provisions contained in an SFIP.

## COMPLIANCE AID STATEMENT FOR REGULATED LENDING INSTITUTIONS

THIS POLICY MEETS THE DEFINITION OF PRIVATE FLOOD INSURANCE CONTAINED IN **42 U.S.C. 4012a(b)(7)** AND THE CORRESPONDING REGULATION

## PRIVATE FLOOD INSURANCE POLICY

# Dwelling Form

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

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### I. AGREEMENT

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**A.** This **Policy** insures the following types of property only:

1. A one to four family residential “Building”, not under a “Condominium” form of ownership;
2. A single-family dwelling “Unit” in a “Condominium Building”; *and*
3. Personal property in a “Building”.

**B.** As an alternative to this **Policy**, “Flood” insurance may be available under the “National Flood Insurance Program (NFIP)” through an insurance agent who may obtain a “Flood” policy either directly through the “NFIP” or through an insurance company that participates in the “NFIP”.

**C.** We will pay for “Direct Physical Loss by or From Flood” to your insured property if you:

1. Have paid the full amount due (including applicable premiums, surcharges, taxes, and fees);
2. Comply with all terms and conditions of this **Policy**; *and*
3. Have furnished accurate information and statements.

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

**E.** 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”.

**F.** 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 insurers. Payment for damages may only be made under a single policy for “Building” damages under Coverage A—Building Property.

**G.** 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 limit of liability as shown on the “Declarations Page” 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.

**H. Mandatory Acceptance Compliance Aid Statement.** This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation.

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### II. DEFINITIONS

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**A.** 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.

Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases.

**B. Flood**, as used in this **Policy**, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of

normally dry land area or of two or more neighboring properties (at least one of which is your property) from:

- a. Overflow of inland or tidal waters;
- b. Unusual and rapid accumulation or runoff of surface waters from any source;
- c. “Mudflow”.

2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves of water exceeding anticipated cyclical levels that result in a “Flood” as defined in B.1.a above.

**C.** The following are the other key definitions we use in this **Policy**:

1. **Act.** The National Flood Insurance Act of 1968 and

any amendments to it.

2. **Actual Cash Value.** The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.
3. **Application.** The statement made and signed by you and your agent in applying for this **Policy**. This "Application" gives information we use to determine the eligibility of the risk, the type of **Policy** to be issued, and the correct premium payment. The "Application" is part of the "Flood" insurance **Policy**.
4. **Base Flood.** A flood having a one percent chance of being equaled or exceeded in any given year.
5. **Basement.** Any area of a "Building", including any sunken room or sunken portion of a room, having its floor below ground level on all sides.
6. **Building**
  - a. A structure with two or more outside rigid walls and a fully secured roof, which is affixed to a permanent site;
  - 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*
  - c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and "Building" ordinances or laws.

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

7. **Cancellation.** The ending of the insurance coverage provided by this **Policy** before the expiration date.
8. **Condominium.** That form of ownership of one or more buildings in which each "Unit" owner has an undivided interest in common elements.
9. **Condominium Association.** The entity made up of the "Unit" owners responsible for the maintenance and operation of:
  - a. Common elements owned in undivided shares by "Unit" owners; *and*
  - b. Other "Buildings" in which the "Unit" owners have use rights, where membership in the entity is a required condition of ownership.

10. **Condominium Building.** 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.
11. **Declarations Page.** A summary of information you provided in the "Application" for insurance. The "Declarations Page" also describes the terms of the **Policy**, limits of coverage, and displays the premium and our name. The "Declarations Page" is a part of this "Flood" insurance **Policy**.
12. **Deductible.** 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**
13. **Described Location.** The location where the insured "Building(s)" or personal property is found. The "Described Location" is shown on the "Declarations Page".
14. **Designated Loan.** A federally-related mortgage loan secured by a "Building" and/or personal property that is located or to be located in a "Special Flood Hazard Area" in which "Flood" insurance is available under the "Act".
15. **Direct Physical Loss By or From Flood.** Loss or damage to insured property, directly caused by a "Flood". There must be evidence of physical changes to the property.
16. **Dwelling.** A "Building" designed for use as a residence for no more than four families or a single-family "Unit" in a "Condominium Building".
17. **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.
18. **Emergency Program.** The initial phase of a community's participation in the "National Flood Insurance Program". During this phase, only limited amounts of insurance are available under the "Act", and the regulations prescribed pursuant to the "Act".
19. **Existing Damage.**
  - a. Any damage(s) which existed prior to **Policy** inception, regardless of whether such damage(s) were apparent at the time of the inception of this **Policy** or discovered at a later date; *or*
  - b. Any claim(s) or damage(s) arising out of workmanship, repair(s) and/or lack of repair(s) arising from damage(s) which existed prior to **Policy** inception.

20. **Expiration.** 12:01 a.m. on the last day of the **Policy** term as described on the “Declarations Page”.
21. **Improvements.** Fixtures, alterations, installations, or additions comprising a part of the “Dwelling” or apartment in which you reside.
22. **Mudflow.** A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows.
23. **Named Insured(s).** Owner(s), renter(s), builder(s) of buildings in the course of construction, owner(s) of residential condominium units, or mortgagee(s)/trustee(s) (applicable for building coverage only) described on the “Declarations Page”.
24. **National Flood Insurance Program (NFIP).** The program of “Flood” insurance coverage and floodplain management administered under the “Act” and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B.
25. **Non-Renewal.** The ending of the insurance coverage provided by this **Policy** by us at “Expiration”.
26. **Policy.** The entire written contract between you and us. It includes:
  - a. this printed form;
  - b. the “Application” and “Declarations Page”;
  - c. any endorsement (s) that may be issued; *and*
  - d. any renewal certificate indicating that coverage has been instituted for a new **Policy**. Only one “Dwelling”, which you specifically described on the “Application”, may be insured under this **Policy**.
27. **Policy Fee.** A flat charge you must pay on each new or renewal **Policy**. This fee is fully earned by us on the effective date of the **Policy** term.
28. **Pollutants.** Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. Waste includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.
29. **Post-FIRM Building.** A “Building” for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later.
30. **Principal Residence.** The dwelling in which you or your spouse have lived for at least 80 percent of:
  - a. The 365 days immediately preceding the time of loss; *or*
  - 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.
31. **Regulated Lending Institution(s).** Any bank(s), savings and loan association(s), credit union(s), farm credit bank(s), Federal land bank association(s), production credit association(s), or similar institution(s) subject to the supervision of a Federal entity for lending regulation.
32. **Special Flood Hazard Area (SFHA).** 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.
33. **Unit.** A single-family residential space owned by you in a “Condominium Building”.
34. **Valued Policy.** A policy in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. This **Policy** is not a valued policy.

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### III. PROPERTY INSURED

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#### A. Coverage A—Building Property

We insure against “Direct Physical Loss by or From Flood” to:

1. The “Dwelling” at the “Described Location”, or for a period of 45 days at another location as set forth in III.C.2.b, Property Removed to Safety.
2. Additions and extensions attached to and in

contact with the “Dwelling” by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the “Building” by means of a common interior wall that is not a solid load-bearing wall are always considered part of the

“Dwelling” and cannot be separately insured.

3. A detached garage at the “Described Location”. Coverage is limited to no more than 10 percent of the limit of liability on the “Dwelling”. Use of this insurance is at your option but reduces the “Building” limit of liability. We do not cover any detached garage used or held for use for residential (i.e., “Dwelling”), business, or farming purposes.
4. Materials and supplies to be used for construction, alteration, or repair of the “Dwelling” or a detached garage while the materials and supplies are stored in a fully enclosed “Building” at the “Described Location” or on an adjacent property.
5. A “Building” under construction, alteration, or repair at the “Described Location”.
  - a. If the structure is not yet walled or roofed as described in the definition for “Building” (see II.C.6.a) then coverage applies:
    - (1) Only while such work is in progress; *or*
    - (2) If such work is halted, only for a period of up to 90 continuous days thereafter.
  - b. However, coverage does not apply until the “Building” is walled and roofed if the lowest floor, including the “Basement” floor, of a non-“Elevated Building” or the lowest elevated floor of an “Elevated Building” is:
    - (1) Below the “Base Flood” elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; *or*
    - (2) Below the “Base Flood” elevation adjusted to include the effect of wave action in Zones VE or V1-V30.

The lowest floor 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.

6. The following items of property which are insured under Coverage A only:
  - a. Awnings and canopies;
  - b. Blinds;
  - c. Built-in dishwashers;
  - d. Built-in microwave ovens;
  - e. Carpet permanently installed over unfinished flooring;
  - f. Central air conditioners;

- g. Elevator equipment;
  - h. Fire sprinkler systems;
  - i. Walk-in freezers;
  - j. Furnaces and radiators;
  - k. Garbage disposal units;
  - l. Hot water heaters, including solar water heaters;
  - m. Light fixtures;
  - n. Outdoor antennas and aerials fastened to buildings;
  - o. Permanently installed cupboards, bookcases, cabinets, paneling, and wallpaper;
  - p. Plumbing fixtures;
  - q. Pumps and machinery for operating pumps;
  - r. Ranges, cooking stoves, and ovens;
  - s. Refrigerators; *and*
  - t. Wall mirrors, permanently installed.
7. 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:
    - a. Any of the following items, if installed in their functioning locations and, if necessary, for operation, connected to a power source:
      - (1) Central air conditioners;
      - (2) Cisterns and the water in them;
      - (3) Drywall for walls and ceilings in a “Basement” and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing;
      - (4) Electrical junction and circuit breaker boxes;
      - (5) Electrical outlets and switches;
      - (6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the “Base Flood” elevation after September 30, 1987;
      - (7) Fuel tanks and the fuel in them;
      - (8) Furnaces and hot water heaters;
      - (9) Heat pumps;
      - (10) Non-flammable insulation in a “Basement”;
      - (11) Pumps and tanks used in solar energy

- systems;
- (12) Stairways and staircases attached to the “Building”, not separated from it by elevated walkways;
- (13) Sump pumps;
- (14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;
- (15) Well water tanks and pumps;
- (16) Required utility connections for any item in this list; *and*
- (17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a “Building”.

b. Clean-up.

## B. Coverage B—Personal Property

1. If you have purchased personal property coverage, we insure against “Direct Physical Loss by or From Flood” to personal property inside a “Building” at the “Described Location”, if:
  - a. The property is owned by you or your household family members; *and*
  - b. At your option, the property is owned by guests or servants.
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.
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.
4. Coverage for personal property includes the following property, subject to B.1 above, which is insured under Coverage B only:
  - a. Air conditioning units, portable or window type;
  - b. Carpets, not permanently installed, over unfinished flooring;
  - c. Carpets over finished flooring;
  - d. Clothes washers and dryers;
  - e. “Cook-out” grills;
  - f. Food freezers, other than walk-in, and food in any freezer; *and*

- g. Portable microwave ovens and portable dishwashers.
5. Coverage for items of property in a “Building” enclosure below the lowest elevated floor of an elevated “Post-FIRM Building” located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a “Basement”, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:
    - a. Air conditioning units, portable or window type;
    - b. Clothes washers and dryers; *and*
    - c. Food freezers, other than walk-in, and food in any freezer
  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.
  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.
  8. **Special Limits.** We will pay no more than \$2,500 for any one loss to one or more of the following kinds of personal property:
    - a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;
    - b. Rare books or autographed items;
    - c. Jewelry, watches, precious and semiprecious stones, or articles of gold, silver, or platinum;
    - d. Furs or any article containing fur that represents its principal value; *or*
    - e. Personal property used in any business.

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

## C. Coverage C—Other Coverages

### 1. Debris Removal

- a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere if the debris is caused by or results from “Flood”. The most we will pay under this coverage the maximum coverage available under the “Act”.
- b. 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.
- c. 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.
- d. This coverage does not increase the Coverage A or Coverage B limit of liability.

### 2. Loss Avoidance Measures

#### a. Sandbags, Supplies, and Labor

- (1) We will pay up to \$1,000 for costs you incur to protect the insured “Building” from a “Flood” or imminent danger of “Flood”, for the following:
  - (a) Your reasonable expenses to buy:
    - (i) Sandbags, including sand to fill them;
    - (ii) Fill for temporary levees;
    - (iii) Pumps; *and*
    - (iv) Plastic sheeting and lumber used in connection with these items.
  - (b) The value of work, at the Federal minimum wage, that you or a member of your household perform.
- (2) This coverage for Sandbags, Supplies, and Labor applies only if damage to insured property by or from “Flood” is imminent, and the threat of “Flood” damage is apparent enough to lead a person of common prudence to anticipate “Flood” damage. One of the following must also occur:
  - (a) A general and temporary condition of flooding in the area near the “Described Location” must occur,

even if the “Flood” does not reach the insured “Building”; *or*

- (b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured “Building” is located calling for measures to preserve life and property from the peril of “Flood”.

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

#### b. Property Removed to Safety

- (1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the “Described Location” that contains the property in order to protect it from “Flood” or the imminent danger of “Flood”. Reasonable expenses include the value of work, at the Federal minimum wage, that you or a member of your household perform.
- (2) If you move insured property to a location other than the “Described Location” that contains the property, in order to protect it from “Flood” or the imminent danger of “Flood”, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed “Building” or otherwise reasonably protected from the elements.
- (3) 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”.
- (4) This coverage does not increase the Coverage A or Coverage B limit of liability

### 3. Condominium Loss Assessments

- 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, 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 insured "Condominium Building" in which the "Unit" is located.

- b. We will not pay any loss assessment:
  - (1) Charged against you and the "Condominium Association" by any governmental body;
  - (2) That results from a deductible under the insurance purchased by the "Condominium Association" insuring common elements;
  - (3) That results from a loss to personal property, including contents of a "Condominium Building";
  - (4) In which the total payment combined under all policies exceeds the maximum amount of coverage available under the **Policy** for a single "Unit" in a "Condominium Building" where the "Unit" is insured under both a Dwelling **Policy** and a RCBAP; *or*
  - (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.
- 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 this **Policy**, payable between all policies issued and covering the "Unit".

#### 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. Limit of Liability

We will pay you up to \$30,000 under this Coverage D – Increased Cost of Compliance, which only applies to policies with "Building" coverage (Coverage A). Our payment of claims under Coverage D is in addition to the amount of coverage which you selected on the "Application" and which appears on the "Declarations Page". But the maximum you can collect under this **Policy** for both Coverage A – Building Property and Coverage D – Increased Cost of Compliance cannot exceed the maximum permitted under the "Act". We do not charge a separate deductible for a claim under Coverage D.

##### 3. Eligibility

- a. A "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 structures in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with “Base Flood” elevations. This also includes compliance activities in zones where “Base Flood” elevations are being increased, and a “Flood”-damaged structure must comply with the higher advisory “Base Flood” elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for “Flood”-damaged “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 structure 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 eligible for Coverage D.
- 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.
- e. This coverage will also 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"'s minimum requirements. This includes any situation where you have received from the State or community a variance in connection with the current "Flood" loss to rebuild the property to an elevation below the "Base Flood" elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any "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. 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 Conditions, Loss Settlement of this **Policy**.
- b. All other conditions and provisions of this **Policy** apply.

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### IV. PROPERTY NOT INSURED

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We do not insure any of the following:

- 1. Personal property not inside a "Building".
- 2. A "Building", and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982.
- 3. Open structures, including a "Building" used as a boathouse or any structure or "Building" into which boats are floated, and personal property located in, on, or over water.
- 4. Recreational vehicles other than travel trailers described in the Definitions section (see II.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 that are:
  - a. Used mainly to service the "Described Location", or
  - b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a "Building" at the "Described Location".
- 6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals.
- 7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers.
- 8. Underground structures and equipment, including wells, septic tanks, and septic systems.
- 9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured "Building" or the "Building" in which the insured "Unit" is located.
- 10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids.
- 11. "Buildings" or "Units" and all their contents if more than 49 percent of the "Actual Cash Value" of the "Building" or "Unit" is below ground, unless the lowest level is at or above the "Base Flood" elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques.
- 12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks.
- 13. Aircraft or watercraft, or their furnishings and equipment.
- 14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located.
- 15. Personal property you own in common with other "Unit" owners comprising the membership of a "Condominium Association".

16. A manufactured home or a travel trailer as described in the Definitions section (see II.C.6.c)

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## V. EXCLUSIONS

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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 full amount due. We will determine the date of “Application” using 44 CFR 61.11(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 any of the following:

1. The pressure or weight of ice;
2. Freezing or thawing;
3. Rain, snow, sleet, hail, or water spray;
4. Water, moisture, mildew, or mold damage that results primarily from any condition:
  - a. Substantially confined to the “Dwelling”; *or*
  - b. That is within your control, including but not limited to:
    - (1) Design, structural, or mechanical defects;
    - (2) 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 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 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 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.

F. We do not pay for the testing for or monitoring of “Pollutants” unless required by law or ordinance. 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 the maximum coverage available under the “Act”. 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 increase the Coverage A or Coverage B limits of liability. If testing or monitoring of “Pollutants” is required by law or ordinance, the cost of testing or monitoring will reduce the limit of Coverage A – Building Property coverage under this **Policy**.

G. We do not pay you for “Existing Damage” except for in the event of a total loss from a “Flood” during the **Policy** term. If insured property with “Existing Damage” was not fully and completely repaired at the time of an insured loss under this **Policy**, then such a loss will be settled using “Actual Cash Value”.

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## VI. DEDUCTIBLES

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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;
2. III.C.3 Condominium Loss Assessments; *or*
3. III.D. Increased Cost of Compliance.

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## VII. GENERAL CONDITIONS

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### 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 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 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 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. 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 primary and the other insurance will be in excess over this **Policy**, 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 because the “Building” was not, at the time of loss, insured for an amount equal to the lesser of:

- a. 80 percent or more of its full “Replacement Cost”; *or*
  - b. The maximum amount of insurance permitted under the “Act”.
3. The coverage payment under this **Policy** cannot exceed the limit of liability stated on this **Policy**’s “Declarations Page”.

### 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** 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:

- 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, 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 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).

(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.
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 or your agent, 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 the Case of Loss

In the 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, age, "Actual Cash Value", and amount of loss. Attach all bills, receipts, and related documents that justify the figures in the inventory.
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.
2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:
    - (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.
  - a. Quantities and costs;
  - b. "Actual Cash Value" 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.

**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" or your spouse (if a resident of the same household), 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;

**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 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.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 to us damaged or undamaged property insured under this **Policy**.

#### **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" 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:

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; This notice includes notifying us of foreclosure or if a foreclosure has been initiated;
  - 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 of the 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 (1) year after the date of the written denial of all or part of the claim under the **Policy**. 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 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 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 1. will apply when the insured "Building" suffers a insured 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 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 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 agree to a claim payment that reflects your buying

back the salvage on a negotiated basis.

#### R. Loss Settlement

##### 1. Introduction

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

- a. "Replacement Cost" loss settlement, described in R.2 below, applies to a single-family "Dwelling" provided:
  - (1) It is your "Principal Residence"; *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 "Act".
- b. Special Loss Settlement, described in R.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 R.4 below.

##### 2. Replacement Cost Loss Settlement

The following loss settlement conditions apply to a single-family "Dwelling" described in 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 R.2.a above or R.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 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.

### 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.C.6.b and 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 R.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 pre-damage 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 pre-damage condition, we will settle the loss according to the “Replacement Cost” conditions in R.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 R.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 “Act”. 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.C.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 “Act”, 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 “Act”, then the proportion is determined by dividing the actual amount of insurance on the “Dwelling” by the maximum amount of insurance available under the “Act”.

- 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 loss and remains as debris anywhere on the “Described Location”.
- i. A “Dwelling” that is not your principal residence

### 5. Amount of Insurance Required

To determine the amount of insurance required for a “Dwelling” immediately before the loss, do not include the value of:

- a. Footings, foundations, piers or any other

structures 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"; *and*
- c. Excavations and underground flues, pipes,

wiring and drains.

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

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

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### 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 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 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. Except as allowed under Article I.G, 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. Except as allowed under Article I.G, if the property is insured by more than one flood policy issued by us, 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.

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### IX. LIBERALIZATION CLAUSE

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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”.

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### X. WHAT LAW GOVERNS

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This **Policy** and all disputes arising from policy issuance, policy administration or the handling of any claim shall be determined according to the flood insurance regulations issued by FEMA, the National Flood Insurance Act of 1968, as amended (42 U.S.C. 40001, 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*.