

**Independent Insurance Agents & Brokers of Louisiana**  
**9818 Bluebonnet Boulevard**  
**Baton Rouge, Louisiana 70810**  
**www.IIABL.com**  
**(225) 819-8007**

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**Subject: Documenting Flood Rejections**

**Background:** *"He who has the most evidence wins."* This famous quip among attorneys is based on the legal threshold for determining the outcome of civil litigation, which is *preponderance of evidence*. And from this comes the ubiquitous mantra in every E&O seminar: *"Document...Document...Document."*

The 2004 and 2005 hurricane seasons, as well as the recent flooding in various parts of the country, vividly highlight the critical need for documentation as a fundamental component of effective E&O loss control.

In Louisiana, there has been a dramatic increase in E&O cases. In the years preceding the 2005 hurricane season, there were on average 120-140 E&O cases filed against IIABL member agents each year. Thus far, there have been over 350 hurricane-related E&O cases reported to the IIABL E&O carrier, the overwhelming number involving flood.

The most common flood E&O claims involve the following allegations: (1) lack of flood coverage; (2) inadequate limits on the NFIP flood policy; (3) no excess flood; (4) no business income or additional living expense coverage; (5) building coverage but no contents coverage.

On that last issue, according to statistics from FEMA/NFIP, barely half (59%) of all flood policies in force (countrywide) as of November 2005 provided both building and contents coverage. As anyone who deals with flood insurance knows, probably the major reason insureds buy flood insurance is "because the bank told me I had to buy it." Since banks mostly are concerned only that the limit of insurance is adequate to cover the mortgage, and also don't require flood insurance on contents, this presents a huge E&O exposure that is virtually impossible to defend without adequate documentation.

In addition, one of the most frequent arguments insureds make against agents is that "my agent told me I didn't need flood insurance." While it's highly unlikely that hardly any agent actually says that, the agent's best defense is documentation.

**Main Points:** In the broader picture, there are three key elements that are at the heart of E&O loss control: 1) What duties does an agent owe the insured? 2) How does an agent successfully fulfill those duties? 3) By what means can an agent prove in court that those duties have been met?

**1) What duties does an agent owe an insured?** The importance of duty stems from the three requirements a plaintiff must prove in civil (tort) litigation: (1) the defendant (agent) owed a duty to the plaintiff; (2) that duty was breached by the defendant; and (3) the plaintiff's loss was a direct result.

These basic requirements in general tort litigation have been refined and more precisely delineated as regards an agent's duties in E&O cases, through a considerable body of jurisprudence in Louisiana over the years.

One prominent Louisiana legal scholar describes the duty of an insurance agent, as established through case law, as follows: *"In order to recover for the failure of an insurance agent to obtain insurance coverage, the insured/plaintiff must prove: (1) An undertaking or agreement by the insurance agent to procure insurance; (2) Failure of the agent to use reasonable diligence in attempting to place the insurance and failure to notify the client promptly if he has failed to obtain the insurance; and (3) The actions of the agent warranted an assumption by the client that he was properly insured."*

The duties placed on an insurance agent arise from two sources – those found in statute, and those resulting from jurisprudence.

Most states have very limited statutory duties placed on agents. In Louisiana, Civil Code Article 2315 deals with general negligence and is not specific to insurance, but legal authorities cite this Article as having a bearing on the general duties and responsibilities owed by an agent to the an insured. In fact, Article 2315 is usually referred to in legal works as *"the fountainhead of all tort law in Louisiana."* Cases involving all manner of tort litigation, from slip and falls to professional liability, find root in Article 2315.

In addition, like most states, Louisiana has Unfair Trade Practices statutes (22:1211 – 22:1220), which provide specific guidelines for agents and insurers.

As to duties arising from jurisprudence, the level of care (duty) owed by one person to another varies by situation. At the low end of the scale, minimal duties are owed in certain circumstances, such as those owed by a property owner to a trespasser (no booby traps, for instance, but usually less duty for the condition of the premises that would be owed to an invitee). At the high end, fiduciaries owe a very high standard of care to those they are entrusted to protect.

Between those two extremes are several levels of duty owed, depending on circumstances, and the relationship of the parties. While the duty owed by an insurance agent to an insured is certainly not at the low end of the scale, at the same time, jurisprudence consistently supports the position that "agents are not liable just because there is an uncovered loss."

A significant body of case law places the duty on an insurance agent to use "reasonable diligence." Within that broad framework, courts have required agents not only to procure the insurance coverages requested, but also to perform other tasks. These often include advising the insured on recommended coverages, especially where the agent has experience and expertise in a particular field, and ascertaining the financial condition of the insurer.

Numerous cases have specifically held that agents are not "mere order takers." Rising above the order taker mentality is necessary in both writing the original policy, and in making subsequent changes. Far too many E&O cases have been lost when changes were made to one policy, but a companion change was not made to another policy of the same insured. A classic example is when the limits of insurance were written or increased on the homeowners policy without equivalent limits being written or increased on the flood policy. Clearly, agency workflow procedures and staff awareness can play a critical role in eliminating these errors.

Courts also expect agents to understand the policies and endorsements they sell. At the same time, courts do not require agents to discuss every potential situation or exposure.

In cases where there is a “special relationship” between the agent and insured, that is, where the agent has an in-depth knowledge of the insureds operations and needs, and where the agent has offered expertise in advising the insured, courts often hold the agent to a higher level of duty.

In one particular case, an agent’s duty was held to include a requirement to “canvass the market” for various terms and conditions offered by insurers that were available for the insured’s exposures. At the same time, however, courts do not always consider that a “special relationship” exists simply because the agent has written the insurance for the insured for several years.

One additional factor may increase an agent’s duties, beyond the standard of “reasonable diligence,” is the expectation or level of performance agents have clearly and specifically offered to insureds. E&O experts often cringe at agency advertising slogans, now including agency web sites, which might inadvertently increase the duties agents are offering to perform.

A recent article by an E&O defense attorney cited a couple of examples from actual agency web sites. *“We will continually review your insurance program to be sure that it is competitively priced and suitable to your needs.”* Also, *“We can review your leases and contracts and determine whether you should be assuming particular risks and how to handle them.”* While neither slogan is a hanging offense, more cautious language would probably be a wiser course of action.

**2) How does an agent successfully fulfill those duties?** “Job One” for an agent is to procure the coverages requested by the insured, or inform the insured that the agent cannot place the coverages.

However, owing to the fact that agents are not “mere order takers,” there is some level of duty to inform insureds of other appropriate coverages relevant to the insured’s exposures. There is a standard recommendation in every E&O class, which is: “never renew as-is.” On the matter at hand, that recommendation should also include: “never write as-is.” Thus, when a new account is being written, the agent must do more than simply produce a clone of the existing coverages and limits, without first discussing other options with the insured. Acting as an order taker will likely not suffice for meeting the required duty of an agent.

**3) By what means can an agent prove in court that those duties have been met?** If “diamonds are a girl’s best friend,” then coverage checklists are an agent’s best friend. A disturbing number of E&O cases have been lost in situations where the agent wrote exactly what coverages and limits the insured requested, but in the ensuing litigation over an uncovered loss, couldn’t prove in court that the coverages and limits written were the ones the insured wanted. That is, the agent had no, or insufficient, documentation. (Thus, even acting as an “order taker” requires documentation!)

And as every E&O attorney knows, when it comes down to a “swearing contest” in court, the agent is always at a disadvantage, if there is an absence of corroborating or supportive documentation.

It is strongly recommended that agents use some form of a coverage checklist, and have the insured sign it. Most agency automation systems have coverage checklists built into them. In addition, most nationally-recognized resources such as IRMI, FC&S, Silver Plume/Sage, and PS-4 include coverage checklists. Some agencies develop their own.

There are two coverage checklists posted on the IIABL web site – one for personal lines and one for commercial lines. Both are attached with the Technical Advisory.

Whichever version of a coverage checklist is selected, it is vital that the checklist be reviewed periodically, to be sure it is current with the coverage options available in the marketplace.

In addition, any checklist in use must have a place for the insured to sign – and care must be taken to be sure that the insured signs it. E&O attorneys frequently report that even in cases where agents have used a comprehensive coverage checklist, but failed to have the insured sign it, the value of the document in E&O defense is greatly reduced, if not eliminated.

A related issue is the importance of having insureds sign applications. These documents can significantly bolster the agent's defense, since the application signed by the insured will indicate the coverages and limits being written.

Having signed checklists and signed applications can go a long way in defending the frequently occurring E&O allegations that the insured didn't know what coverages or limits they had. In particular, a significant number of E&O allegations being filed post-Katrina/Rita cite the absence of business income, flood, or inadequate valuations. Signed checklists and signed applications would provide strong, credible support documents in an agent's defense against these allegations.

In addition to being effective E&O loss control tools, coverage checklists also provide a comprehensive review of the insured's exposures, and certainly enhance the agency's professional image.

Diamonds aren't the only jewels, and coverage checklists aren't the only means of documentation. For some high profile exposures such as flood, there is a growing trend to have the insured sign a specific election/rejection form, much like UM.

The ACORD 60 – Flood Insurance Notice/Rejection Form, has been used since the 1990's to document an insured's rejection of flood insurance. However, it takes an "all or nothing" approach, and would only be used in situations where the insured totally rejects flood coverage. (The statement signed by the insured says simply, "I hereby elect not to purchase flood coverage.")

The ACORD 60 would not be used, and thus would not be available as a form of documentation, where the insured purchased building but not contents coverage, or where they bought maximum limits under NFIP, but not excess flood coverage.

Therefore, more comprehensive versions of a flood election/rejection form are emerging, which attempt to cover all the bases regarding an insured's options on flood insurance. Swiss Re, the E&O carrier for IIABL, has made one such flood election/rejection form available. It is attached to this Technical Advisory. In addition, Swiss Re has recently released an excellent article by on flood and E&O issues, titled "*Loss Control Tips Regarding Flood Coverages*," which is attached to this Technical Advisory.

In addition to coverage checklists and a flood election/rejection form, there are other tools that some agencies use to bolster their documentation, as well as inform insureds of their options. Many agencies send insureds a "flood letter," on both new business and renewals. Automation makes the process of sending such letters highly efficient. In fact, some automation systems can profile accounts and distinguish those which have no flood coverage, and those which have building but no contents coverage, and thus send appropriate letters to each type of account.

The capability of the agency automation system to perform this valuable task is highly dependent on the accuracy and completeness of the data entry procedures. This illustrates how important management audits of an agency's data integrity are, and how well data integrity can pay off.

Another inclusion in many “flood letters” is to highlight to insureds some general information about what is and is not covered by a flood policy. For example, among the most common allegations in E&O cases stemming from flood (which were discussed at the beginning of this article), the lack of coverage for business income or additional living expense ranks in the top 5.

A brochure from FEMA titled “National Flood Insurance Program – Summary of Coverage” can be used as an attachment to a “flood letter,” or its contents can be incorporated into the agency’s own letter. This is an excellent 4-page brochure which describes in readable, bullet-point format, the fundamental coverage issues under NFIP. As an example, the brochure points out that NFIP flood policies do not cover business income or additional living expenses. The brochure is attached to this Technical Advisory.

Agents who have used “flood letters” often find that when facing an angry insured after a hurricane, presentation of these letters which have been sent annually very often will stop an E&O case in its tracks.

An alternative to the “flood letter” some agencies use is a more generic annual renewal letter, which invites the insured to contact the agency if they wish to discuss making any changes to their current policy as the renewal is being worked on.

Another approach used by many agencies is to send a “hurricane letter” to each insured in late spring, in advance of hurricane season. These letters often give insureds reminders on various hurricane coverages, including flood issues. In addition, some agencies give a brief description of their own catastrophe plan, including emergency phone numbers, agency web site information, etc.

One novel and effective tool some agencies are starting to adopt is to send insureds an ID card, much like an auto ID card, which includes the insured’s policy types and numbers, insurer, and phone numbers for claims. Given that many insureds have no idea who their agent or insurer is following a catastrophe, these small cards carried in the wallet can greatly expedite the claims process afterwards.

In addition, NFIP and some sources offer “flood stickers” to be attached to policies prior to mailing to insureds. Or, a “flood stamp” is sometimes used instead of a sticker.

Some states, including Louisiana, have passed laws in the wake of the recent hurricanes, mandating that insurers provide written notices to policyholders, advising them that standard property policies do not cover flood. In Louisiana, this was passed as Acts 38 & 39, in the November 2005 Special Session.

Regarding E&O loss control on a broader scale, it is imperative that agencies have written procedures manuals, not only on operations, but also on E&O procedures. In addition, it is critically important that these procedures be consistently followed (often called “invariable practice”). In court, having written procedures and consistently following them can provide two of the strongest elements of an agency’s defense.

A strong incentive to follow these guidelines is provided by a highly reliable source – E&O defense attorneys themselves, who routinely report that with decent documentation and compliance with sound loss control procedures, agents can prevail in about 90% of E&O cases.

Agencies which consistently use any or all of these documentation tools discover a pleasant, unexpected benefit. In addition to strengthening the agency’s E&O defense (and professional

image), good E&O loss control measures like these and others actually turn out to make good business sense. Exposures are identified, coverage is obtained, agency revenue is increased, and insureds are happy.

**Necessary Action:** Circulate this Technical Advisory to all appropriate agency personnel.

**Attachments: (1) Swiss Re flood article; (2) Swiss Re flood election/rejection form; (3) NFIP Summary of Coverage; (4) Coverage Checklist-PL; (5) Coverage Checklist CL.**

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# Commercial Insurance

## Professional Liability

### Loss control tips regarding flood coverages

The storms of 2004 and 2005 brought heavy media attention to the flood exposures existing in the coastal regions of the U.S. With predictions that weather related disasters will continue to increase it is important, however, to recognize that every state has a potential for exposure to flood loss.

Flood is an excluded peril in most standard homeowners and commercial lines policies. Mortgage holders require flood insurance only on those properties located in areas federally identified as having substantial risk to flood. These areas are commonly referred to as "A", "B", or "V" zones, both numbered and unnumbered. Exposure to flood, which by definition includes storm surge, exists in many areas outside these special flood hazard areas. If not required by the mortgage holder, customers may not recognize this exposure. In fact, many times mortgage holders and real estate agents tell a customer who is not in a special flood hazard area that they are "not in a flood zone". While the large majority of flood claims do occur in special flood hazard areas, more than 25 percent of all flood claims occur in "C" and "X" zones. The best way to reduce errors and omissions claims exposure is to offer flood insurance to all customers. Some customers may also mistakenly believe that Federal Disaster Assistance will step in to cover damages in case of flooding, not realizing that this occurs only if the area is declared a federal disaster area, and that the assistance is not comprehensive in nature.

This predicted increase in weather related disasters and customers' lack of awareness of flood exposures presents your agency with the opportunity to provide an additional

service to your customers and to increase agency sales. Unfortunately it also increases the agency's exposure to errors and omissions claims.

Agents learned valuable lessons from the events of 2004 and 2005. Many agencies that had never experienced an errors and omissions claim were suddenly faced with claims arising out of failure to provide flood insurance, lack of adequate flood insurance, or misrepresentation of flood insurance coverage terms. To help in minimizing your agency's exposure to errors and omissions claims from flood, we want to share the top lessons learned.

#### Top ten loss control tips regarding flood insurance

1. Recognize that flood exposures exist in areas outside the federally identified special flood hazard areas, remembering that mortgage holders require flood insurance only on those properties falling into the identified areas.
2. Offer flood coverage to all customers.
3. If flood exposures exist but no coverage is available through your agency, advise your customer in writing.
4. Be aware of limitations on values in primary flood policies, and recommend Excess Flood insurance where needed.
5. For any customers in Coastal Barriers Resource System (CBRS) or Otherwise Protected Areas (OPA) recognize that coverage for these areas is typically only available through Lloyds or the surplus lines market.



6. If your customer rejects an offer of flood coverage, including excess flood, request a signed coverage rejection form (see attached specimen).
  - a. Send a letter to the customer reminding them of the rejection, the importance of flood coverage, and the fact that they can purchase coverage at any time, subject to any applicable waiting period.
7. Be aware, and communicate to your customer in writing, any waiting period that is required before coverage can incept.
8. Check all policies and endorsements for accuracy prior to delivery to the customer.
9. Advise customer in writing of any unusual coverage exclusions, terms, or conditions. This is particularly relevant when placing coverage with Lloyds or with surplus lines carriers.
10. Never renew "as is". Always update values and exposures with the customer:
  - a. If the customer rejected flood coverage at inception, send a letter to the customer prior to renewal reminding them that they do not have this important coverage and can purchase it at any time subject to any applicable waiting period.

While following these tips cannot guarantee prevention of errors and omissions claims against your agency, they may minimize your risk against these type of claims and increase the defensibility of any claim that is presented. In addition, the National Flood Insurance Program (NFIP) offers stickers for agents to use with quotes, proposals, and policy forms that read: "NOTICE! THIS POLICY DOES NOT COVER FLOOD LOSS"

Educating agency staff on writing flood insurance can also help in keeping your agency out of an E&O situation. Both the NFIP and IIABA provide online education classes at <http://training.nfipstat.com/portal2/default.asp> and [www.independentagent.com/VU](http://www.independentagent.com/VU), under online course.

The material contained herein is for informational purposes only and not intended as legal advice. Seek the advice of legal counsel as to the laws in your state.

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## Flood Insurance Acknowledgement Form

Standard property policies including but not limited to homeowners policies, dwelling policies, or commercial property insurance policies exclude coverage for flooding events. As your insurance agency, we strongly recommend that you purchase flood insurance and excess flood coverage if values exceed the maximum coverage available on the primary policy. It is possible that coverage as recommended below may not be available from the carriers we represent.

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I hereby acknowledge the acceptance, rejection, or unavailability of flood and excess flood coverage as indicated below. It will be conclusively presumed this election, rejection, and/or acknowledgement of unavailability will apply to all future renewals, continuations, changes or replacements thereof.

<u>Type Coverage</u>	<u>Accept</u>	<u>Reject</u>	<u>Unavailable</u>
Building Coverage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contents/Personal Property	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excess Building Coverage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excess Contents/Personal Property	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Named Insured

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Applicant's Signature Date

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Address of Property

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Agent/CSR Signature Date



This document was prepared by the National Flood Insurance Program (NFIP) to help you understand your flood insurance policy. It provides general information about deductibles, what is and is not covered by flood insurance, and how items are valued at time of loss.

This document is based on the Standard Flood Insurance Policy Dwelling Form, which is used to insure one to four family residential buildings and single family dwelling units in a condominium building. There are two other policy forms:

- The General Property Form is used to insure five or more family residential buildings and non-residential buildings.
- The Residential Condominium Building Association Policy Form is used to insure residential condominium association buildings.

While the three forms are similar in many ways, there are differences as well. For example, the General Property Form does not provide coverage for contents in any building other than the insured building, and the Residential Condominium Building Association Policy Form contains a coinsurance clause, which provides for a pro rata reduction in the building claim payment if the building is not insured to 80 percent of its replacement value.

### Two Types of Flood Insurance Coverage

The NFIP's Dwelling Form offers coverage for: **1. Building Property**, up to \$250,000, and **2. Personal Property (Contents)**, up to \$100,000. The NFIP encourages people to purchase both types of coverage. Your mortgage company can require that you purchase a certain amount of flood insurance coverage.

**For information about your specific limits of coverage and deductibles, refer to the Declarations Page in your flood insurance policy. It's also a good idea to review your policy with your insurance agent or company representative.**

### What is a Flood?

Flood insurance covers direct physical loss caused by "flood." In simple terms, a flood is an excess of water on land that is normally dry. Here's the official definition used by the National Flood Insurance Program.

A flood is "A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- Mudflow\*; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above."

\*Mudflow is defined as "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..."

### Three Important Facts About Your Flood Policy

A Standard Flood Insurance Policy is a single-peril (flood) policy that pays for direct physical damage to your insured property up to the replacement cost or Actual Cash Value (ACV) (See "How Flood Damages Are Valued") of the actual damages or the policy limit of liability, whichever is less.

#### 1. Contents coverage must be purchased separately.

**2. It is not a valued policy.** A valued policy pays the limit of liability in the event of a total loss. For example: Your home is totally destroyed by a fire and it costs \$150,000 to rebuild. If your homeowners insurance policy is a valued policy with a \$200,000 limit of liability on the building, you would receive \$200,000. Flood insurance pays just the replacement cost or ACV of actual damages, up to the policy limit.

#### 3. It is not a guaranteed replacement cost policy.

A guaranteed replacement cost policy pays the cost to rebuild your home regardless of the limit of liability. For example: Your home is totally destroyed by a fire and it costs \$200,000 to rebuild. If your homeowners insurance policy is a guaranteed replacement cost policy with a \$150,000 limit of liability on the building, you would receive \$200,000. Flood insurance does not pay more than the policy limit.

## Choosing Deductibles

Choosing the amount of your deductibles is an important decision. As with car or homeowners insurance, choosing a higher deductible will lower the premium you pay, but will also reduce your claim payment.

You can normally choose different deductibles for Building Property and Personal Property coverage. The deductibles will apply separately to Building Property and Personal Property claims. Your mortgage company can require that your deductible is no more than a certain amount.

Review the Declarations Page in your flood insurance policy for amounts of coverage and deductibles. Talk with your insurance agent, company representative, or lender about raising or lowering deductibles.

### Reminder: Keep Your Receipts

While you are not expected to keep receipts for every household item and article of clothing, do try to keep receipts for electronic equipment, wall-to-wall carpeting, major appliances, and other higher cost items. Your adjuster will be able to process your claim more quickly when you can prove how much items cost at the time of purchase.

## What is Covered by Flood Insurance – and What’s Not

Generally, physical damage to your building or personal property “directly” caused by a flood is covered by your flood insurance policy. For example, damages caused by a sewer backup are covered if the backup is a direct result of flooding. However, if the backup is caused by some other problem, the damages are not covered.

The following charts provide general guidance on items covered and not covered by flood insurance. Refer to your policy for the complete list.

### General Guidance on Flood Insurance Coverage

#### What is insured under Building Property coverage

- The insured building and its foundation.
- The electrical and plumbing systems.
- Central air conditioning equipment, furnaces, and water heaters.
- Refrigerators, cooking stoves, and built-in appliances such as dishwashers.
- Permanently installed carpeting over an unfinished floor.
- Permanently installed paneling, wallboard, bookcases, and cabinets.
- Window blinds.
- Detached garages (up to 10 percent of Building Property coverage). Detached buildings (other than garages) require a separate Building Property policy.
- Debris removal.

#### What is insured under Personal Property coverage

- Personal belongings such as clothing, furniture, and electronic equipment.
- Curtains.
- Portable and window air conditioners.
- Portable microwave ovens and portable dishwashers.

- Carpets not included in building coverage (see above).
- Clothes washers and dryers.
- Food freezers and the food in them.
- Certain valuable items such as original artwork and furs (up to \$2,500).

#### What is not insured by either Building Property or Personal Property coverage

- Damage caused by moisture, mildew, or mold that could have been avoided by the property owner.
- Currency, precious metals, and valuable papers such as stock certificates.
- Property and belongings outside of a building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools.
- Living expenses such as temporary housing.
- Financial losses caused by business interruption or loss of use of insured property.
- Most self-propelled vehicles such as cars, including their parts (see Section IV.5 in your policy).

## General Guidance on Flood Insurance Coverage Limitations In Areas Below the Lowest Elevated Floor and Basements

Flood insurance coverage is limited in areas below the lowest elevated floor (including crawlspaces) depending on the flood zone and date of construction (refer to Part III, Section A.8 in your policy) and in basements regardless of zone, or date of construction. As illustrated below, these areas include **1. basements**, **2. crawlspaces** under an elevated building, **3. enclosed areas** beneath buildings elevated on full story foundation walls that are sometimes referred to as “walkout basements,” and **4. enclosed areas** under other types of elevated buildings.

### What is insured under Building Property coverage

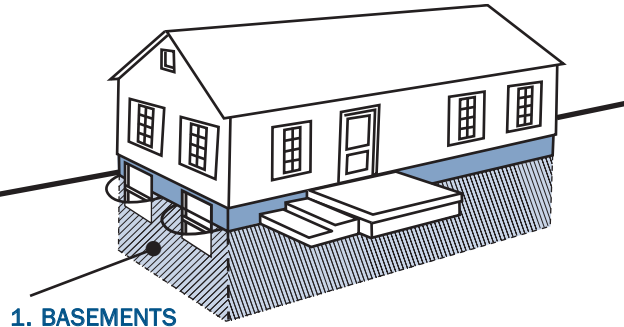
- Foundation walls, anchorage systems, and staircases attached to the building.
- Central air conditioners.
- Cisterns and the water in them.
- Drywall for walls and ceilings (in basements only).
- Nonflammable insulation (in basements only).
- Electrical outlets, switches, and circuit breaker boxes.
- Fuel tanks and the fuel in them, solar energy equipment, well water tanks and pumps.
- Furnaces, hot water heaters, heat pumps, and sump pumps.

### What is insured under Personal Property coverage

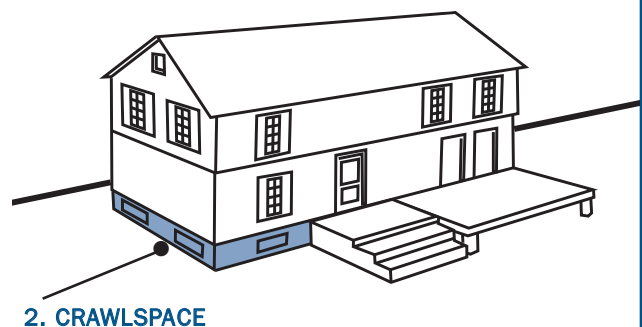
- Washers and dryers.
- Food freezers and the food in them (but not refrigerators).
- Portable and window air conditioners.

### What is not insured by either Building Property or Personal Property coverage

- Paneling, bookcases, and window treatments such as curtains and blinds.
- Carpeting, area carpets, and other floor coverings such as tile.
- Drywall for walls and ceilings (below lowest elevated floor).
- Walls and ceilings not made of drywall.
- Most personal property such as clothing, electronic equipment, kitchen supplies, and furniture.



Coverage limitations apply to “basements,” which are any area of the building, including a sunken room or sunken portion of a room, having its floor below ground level on all sides.



When a building is elevated on foundation walls, coverage limitations apply to the “crawlspace” below.



Coverage limitations apply to the enclosed areas (lower floor) even when a building is constructed with what is sometimes called a “walkout basement.”



Coverage limitations apply to “enclosed areas” at ground level under an “elevated building.” An elevated building allows water to flow freely under the living quarters, thus putting less strain on the building in the event of flooding. An “enclosure” is the area below the lowest elevated floor that is fully shut in by rigid walls.

## How Flood Damages Are Valued

The value of flood damage in the Dwelling Form is based on either Replacement Cost Value (RCV) or Actual Cash Value (ACV).

### Replacement Cost Value (RCV)

Replacement Cost Value (RCV) is the cost to replace that part of a building that is damaged (without depreciation). To be eligible, three conditions must be met:

1. The building must be a single-family dwelling, and
2. Be your principal residence, meaning you live there at least 80 percent of the year, and
3. Your building coverage is at least 80 percent of the full replacement cost of the building, or is the maximum available for the property under the NFIP.

### Actual Cash Value (ACV)

Actual Cash Value (ACV) is Replacement Cost Value at the time of loss, less the value of its physical depreciation.

Some building items such as carpeting are always adjusted on an ACV basis. For example, wall-to-wall carpeting could lose between 10–14 percent of its value each year, depending on the quality of the carpeting. This depreciation would be factored in the adjustment.

Personal property is always valued at ACV.

## Special Considerations for Multiple Claims

Property owners of “severe repetitive loss properties” may be eligible for a FEMA mitigation grant for property improvements that reduce the likelihood of future flood damages. Property owners who refuse the grant money could be required to pay increased flood insurance premiums.

A property is defined as a “severe repetitive loss property” when it meets one of these conditions:

1. Four or more separate flood claim payments have been made and each claim payment exceeds \$5,000, or
2. At least two flood claim payments have been made and the cumulative payments exceed the value of the property.

### A final note

This document provides general information about flood insurance coverage. However, please be aware that your Standard Flood Insurance Policy, your application, and any endorsements, including the Declarations Page, make up your official contract of insurance. Any differences between this information and your policy will be resolved in favor of your policy. If you have questions, call your insurance agent or company representative.

## WHAT IS INCREASED COST OF COMPLIANCE (ICC) COVERAGE?

Most NFIP policies include ICC coverage, which applies when flood damages are severe. ICC coverage provides up to \$30,000 of the cost to elevate, demolish, or relocate your home. If your community declares your home “substantially damaged” or “repetitively damaged” by a flood, it will require you to bring your home up to current community standards.

The total amount of your building claim and ICC claim cannot exceed the maximum limit for Building Property coverage (\$250,000 for a single-family home). Having an ICC claim does not affect a Personal Property claim (up to \$100,000), which is paid separately.

Details about eligibility are in Part III, Section D of your policy.

**Congress created the National Flood Insurance Program (NFIP) in 1968 to reduce future flood damage through floodplain management, and to provide people with flood insurance through individual agents and insurance companies. The Federal Emergency Management Agency (FEMA) manages the NFIP. As required by Congress, this document was prepared by the NFIP to help flood insurance policyholders understand their policy.**



# FEMA

# Personal Account Summary — Data Sheet

OTHER BUSINESS		
Com'l.	Life	

Date \_\_\_\_\_

Account Name \_\_\_\_\_ Acct. No. \_\_\_\_\_ Producer \_\_\_\_\_

Mailing Address \_\_\_\_\_ Phone \_\_\_\_\_

Home Address \_\_\_\_\_ Customer Since \_\_\_\_\_

## FAMILY DATA

NAMES/RELATIONSHIP	SOC. SEC. #	BIRTHDATE	DRIVERS LICENSE #	OCCUPATION	EMPLOYER

## PROPERTY

ADDRESS/LOCATION	PRIN. RES.	SEC. RES.	RENTED OUT	INSURED BY		EXP. DATE
				US	OTHER	

## AUTOMOBILES

YR	DESCRIPTION	PRINCIPAL OPERATOR	INSURED BY		EXP. DATE
			US	OTHER	

WATERCRAFT: \_\_\_\_\_

RECREATIONAL VEHICLE: \_\_\_\_\_

MOBILE HOME/MOTOR HOME: \_\_\_\_\_

AIRCRAFT : \_\_\_\_\_

\_\_\_\_\_ : \_\_\_\_\_  
 \_\_\_\_\_ : \_\_\_\_\_

## LOSS RECORD

DATE	DESCRIPTION OF LOSS	AMT. PAID	COMMENTS/NOTES

## SPECIAL INSTRUCTIONS

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

# PERSONAL LINES COVERAGE CHECKLIST

EXPOSURE	*1	*2	*3
<b>AUTOMOBILE</b>			
Liability \$			
PIP (Basic)			
<input type="checkbox"/> Extended (PP 05 66)			
<input type="checkbox"/> Additional (PP 05 55)			
<input type="checkbox"/> Work Loss Exclusion \$			
<input type="checkbox"/> Coordination Military			
Ded: <input type="checkbox"/> Named Insured			
<input type="checkbox"/> Named Insured + Dep. Rel. \$			
Medical Payments \$			
Uninsured Motorists \$			
<input type="checkbox"/> Stacked <input type="checkbox"/> Non-Stacked <input type="checkbox"/> Lower Limits			
Comprehensive – Deductible \$			
Collision – Deductible \$			
Extended Non-Owned (PP 03 06)			
CB, Phone, etc. (PP 03 13) \$			
Tapes, etc. (PP 03 13)			
Customizing Equipment (PP 03 18) \$			
Optional Limits Transportation Expense (PP 03 02)			
Towing & Labor (PP 03 03)			
Out of Territory (USA, Canada)			
Other Owned Autos/Leased			
Named Non-Owner			
<b>HOMEOWNERS</b> Form: _____ Deductible: \$			
Coverage A – Dwelling \$			
Coverage B – Other Structures \$			
Coverage C – Personal Property \$			
Coverage D – Loss of Use \$			
Coverage E – Liability \$			
Coverage F – Medical Payments \$			
<b>Condominium – Private</b> Coverage A \$			
Special Form – Coverage A (HO 17 32)			
Loss Assessment – Increase or Additional Location (HO 04 35) \$			
Unit Owners Rental (HO 17 33)			
<b>Primary Residence – Property Options</b>			
Guaranteed Replacement Cost			
Coverage C Replacement Cost (HO 04 90)			
Inflation Guard (HO 04 46) _____ %			
Increased Limits (HO 04 65):			
Money, Coins, etc. \$			
Securities, Tickets, Stamps \$			
Jewelry, Furs, etc. – Theft \$			
Firearms – Theft \$			
Silverware, Goldware – Theft \$			
Credit Card, Fund Transfer Card, Forgery (HO 04 53) \$			

\*1 – ✓ if no exposure;

\*2 – ✓ if coverage was recommended and accepted;

\*3 – ✓ if coverage was recommended and rejected.

EXPOSURE	*1	*2	*3
Scheduled Property (HO 04 61):			
Jewelry			
Furs			
Fine Arts			
Cameras			
Others:			
Additional Interests (HO 04 10)			
Premises Alarm/Fire Protection (HO 04 16)			
Windstorm Protective Devices (HO 04 21)			
Increase Coverage C – Other Residences (HO 04 50)			
Water Backup & Sump Overflow (HO 04 95)			
Refrigerated Property (HO 04 98)			
Coverage C – Special Coverage (HO 00 15 & HO 17 32)			
Computers – Special Coverage (HO 04 14)			
Other Structures – Increase Coverage (HO 04 48) \$			
Other Structures Off Premises (HO 04 91 & HO 04 92)			
Ordinance or Law Increased Coverage (HO 04 77)			
HO-4: Building Additions & Alterations (HO 04 51) \$			
Earthquake Coverage (HO 04 54)			
Windstorm Exclusion (HO 04 94)			
<b>Primary Residence – Liability Options</b>			
Personal Injury (HO 24 82)			
Watercraft, Jet Ski, Other			
<input type="checkbox"/> Own <input type="checkbox"/> Rent			
Physical Damage			
Liability, Medical Payments (HO 24 75)			
Incidental Farming – Residence Premises (HO 24 72)			
Owned Farm Elsewhere (HO 24 73)			
Loss Assessment – Increase or Additional Location (HO 04 35) \$			
<b>BUSINESS ACTIVITIES</b>			
Conducted on Residence Premises (HO 04 42)			
Other Structures \$			
Furnishings, Supplies, Equipment \$			
Liability, Medical Payments			
Conducted at Secondary Residence (HO 24 43: Liability, Med. Pay. Only)			
Merchandise \$			
Other Business Property (HO 04 12 or Inland Marine) \$			
Business Pursuits as Employee (HO 24 71)			
Day Care in Home (HO 04 97)			
Other Business Activities – Any Insured			
<b>Rental – Landlord</b>			
<input type="checkbox"/> In Dwelling – Residence Premises			
<input type="checkbox"/> Other Structure – Residence Premises (HO 04 40)			
<input type="checkbox"/> Other Location (HO 24 70)			

Checklist continued on the following page

Record date and details on page 4.







# Commercial Account Summary — Data Sheet

OTHER BUSINESS		
PL	LIFE	

Date \_\_\_\_\_

Account Name \_\_\_\_\_ Acct. No. \_\_\_\_\_ Producer \_\_\_\_\_

Mailing Address \_\_\_\_\_ Phone \_\_\_\_\_

Business Description \_\_\_\_\_ Federal ID # \_\_\_\_\_

Entity:  Corporation  Partnership  Sole Proprietor  
 Limited Liability Corporation  Other \_\_\_\_\_ SIC # \_\_\_\_\_

## MANAGEMENT: Officers, Partners, Principals

Name	Title	Company Responsibilities

First Named Insured \_\_\_\_\_

Person responsible for insurance \_\_\_\_\_ Date business began \_\_\_\_\_

## LOCATIONS

No.	Address	Operations	Number of Employees	Phone	Owned/Leased

Subsidiary or Affiliated Companies: \_\_\_\_\_

Attorney: \_\_\_\_\_ CPA: \_\_\_\_\_

## SPECIAL INSTRUCTIONS

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# COMMERCIAL LINES COVERAGE CHECKLIST

COVERAGE	*1	*2	*3
<b>PROPERTY:</b>			
<b>Direct Damage</b>			
Buildings <input type="checkbox"/> Basic <input type="checkbox"/> Broad <input type="checkbox"/> Special <input type="checkbox"/> X-Wind			
Additional Covered Property			
Personal Property of Insured:			
<input type="checkbox"/> Basic <input type="checkbox"/> Broad <input type="checkbox"/> Special <input type="checkbox"/> X-Wind			
Leased Equipment			
Tenant's Improvements and Betterments			
Personal Property of Others			
Replacement Cost			
Inflation Guard			
Agreed Value			
Functional Valuation			
Building			
Personal Property			
Blanket			
Value Reporting Form			
Peak Season			
Manufacturers' Selling Price			
Builders' Risk			
Including Collapse			
Including Theft of Building Materials, Fixtures, Machinery, Equipment			
Separate or Sub-Contractor's Interests			
Renovations			
Reporting Form			
Glass			
Property Damage Legal Liability			
Ordinance or Law – Coverage			
<input type="checkbox"/> A <input type="checkbox"/> B and C Combined Limit			
Spoilage Coverage			
Vacancy Permit			
Outdoor Property			
Off-Premises: Utility Services			
<input type="checkbox"/> Water <input type="checkbox"/> Power <input type="checkbox"/> Communications			
<input type="checkbox"/> Include <input type="checkbox"/> Exclude – Overhead Transmission Lines			
Locations Outside of Territory			
Increased Debris Removal			
<b>Indirect Damage</b>			
Business Income Form: <input type="checkbox"/> Basic <input type="checkbox"/> Broad <input type="checkbox"/> Special			
Business Income			
Extra Expense			
Rental Value			
<input type="checkbox"/> Coins. <input type="checkbox"/> Mo. Lim. <input type="checkbox"/> Max. Pd. <input type="checkbox"/> Agreed Value			
Ordinary Payroll: <input type="checkbox"/> Limited <input type="checkbox"/> Excluded			
Premium Adjustment			
Extended Period of Indemnity			
Electronic Media			
Dependent Properties			

COVERAGE	*1	*2	*3
Builders' Risk			
Tuition and Fees			
Business Income Changes – Time Period			
<input type="checkbox"/> 24 Hrs <input type="checkbox"/> No Waiting Period			
Extra Expense Form			
Leasehold Interest Form			
<input type="checkbox"/> Tenants Lease Interest Bonus Payments			
<input type="checkbox"/> Improvements & Betterments <input type="checkbox"/> Prepaid Rent			
Legal Liability Form			
Ordinance or Law			
Overhead Transmission Lines – Off-Premises			
Power/Water/Communications Failure – Off-Premises			
<b>AUTOMOBILE:</b>			
<b>Business Auto</b>			
Liability			
PIP: <input type="checkbox"/> Basic <input type="checkbox"/> Extended <input type="checkbox"/> Additional			
Medical Payments			
Uninsured Motorists: <input type="checkbox"/> Stacked <input type="checkbox"/> Non-stacked			
Physical Damage			
Private Passenger: <input type="checkbox"/> Blanket <input type="checkbox"/> Specified			
Other: <input type="checkbox"/> Blanket <input type="checkbox"/> Specified			
<input type="checkbox"/> Comprehensive <input type="checkbox"/> Specified Perils			
Collision			
Hired Auto: <input type="checkbox"/> Liability <input type="checkbox"/> Physical Damage			
Non-ownership Liability			
Drive Other Car: <input type="checkbox"/> Individual & Spouse <input type="checkbox"/> Children			
Liability			
Medical Payments			
Comprehensive			
Collision			
Uninsured Motorists			
Broadened PIP			
Rental Reimbursement			
Sound Equipment			
Trailers: <input type="checkbox"/> Under <input type="checkbox"/> Over 2,000 lbs.			
<b>Garage</b>			
Liability			
Unlimited Customer Coverage			
Elimination of Completed Operations Deductible			
Broadened Coverage			
Changes in Non-auto Aggregate			
Pickup & Delivery of Autos (non-franchise dealer)			
False Pretense			
Drive-Away Collision			

Checklist continued on the following page

\*1 – ✓ if no exposure; \*2 – ✓ if coverage was recommended and accepted; \*3 – ✓ if coverage was recommended and rejected.

Record date and details on page 4.

## COMMERCIAL LINES COVERAGE CHECKLIST (Continued)

COVERAGE	*1	*2	*3
Garage Uninsured Motorists: <input type="checkbox"/> Stacked <input type="checkbox"/> Non-stacked			
Medical Payments: <input type="checkbox"/> Auto <input type="checkbox"/> Prem. <input type="checkbox"/> Both			
Garagekeepers' Insurance:			
<input type="checkbox"/> Legal Liability <input type="checkbox"/> Direct Primary <input type="checkbox"/> Direct Excess			
Dealers Comprehensive			
Dealers Collision			
Discontinued Operations			
<b>Truckers</b>			
Trailer Interchange			
Deadheading			
Bobtailing			
<b>Miscellaneous Vehicles</b>			
<b>WORKERS COMPENSATION:</b>			
Statutory & Employers Liability			
<input type="checkbox"/> Officers excl. <input type="checkbox"/> Sole proprietors, Partners incl.			
Leased Employees			
Volunteers			
Other States			
USL & HW			
Jones Act			
Federal Employees Liability Act			
Outside of Territory			
<b>GENERAL LIABILITY:</b>			
GCL: <input type="checkbox"/> Occurrence <input type="checkbox"/> Claims-made			
Premises/Operations			
Products/Completed Operations			
Personal Injury			
Advertising Injury			
Medical Payments			
Fire Damage Liability – Increase			
Changes in Limits/Aggregate:			
Optional Deductibles: <input type="checkbox"/> BI <input type="checkbox"/> PD			
Mandatory Coverage Modification Endorsement(s):			
Claims-made Options:			
Employment – Related Practices Liability			
Owners & Contractors Protective			
Pollution			
Professional/E&O			
Liquor Liability			
Injury to Leased Workers			
Underground Storage Tank Liability			
Druggists Liability			
Employee Benefits			

COVERAGE	*1	*2	*3
Railroad Protective			
Discontinued Operations			
Outside of Territory			
<b>INLAND MARINE:</b>			
Accounts Receivable			
Valuable Papers			
Computer/Data Processing			
Equipment Floater			
Installation Floater			
Sign Floater			
Motor Truck Cargo			
Bailees Liability			
Bailees Customers			
Dealers Block			
Mail			
Installment Floater			
Fine Arts			
Camera			
Musical Instruments			
Theatrical Equipment			
Physicians & Surgeons			
Film			
Floor Plan			
<b>BOILER &amp; MACHINERY:</b>			
Basic Form			
Consequential Loss Valued Business Income			
Actual Loss Sustained Business Income			
Small Business			
Small Business Broad Form			
<b>CRIME &amp; FIDELITY:</b>			
Employee Dishonesty <input type="checkbox"/> Blanket <input type="checkbox"/> Schedule			
Theft Disappearance & Destruction: <input type="checkbox"/> Inside <input type="checkbox"/> Outside			
Premises Burglary			
Premises Theft			
Robbery & Safe Burglary			
Inside: <input type="checkbox"/> Money <input type="checkbox"/> Other than Money			
Outside: <input type="checkbox"/> Money <input type="checkbox"/> Other than Money			
Forgery & Alteration			
Innkeepers Liability			
Computer Fraud			
<b>OCEAN MARINE:</b>			
Hull			
Protection & Indemnity			
Cargo			
Freight			

Checklist continued on the following page

\*1 – ✓ if no exposure; \*2 – ✓ if coverage was recommended and accepted; \*3 – ✓ if coverage was recommended and rejected.

Record date and details on page 4.

