

NATIONAL FLOOD INSURANCE PROGRAM

# SUMMARY OF COVERAGE

# COMMERCIAL PROPERTY



FEMA



**This document is designed 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 the time of loss.**

The specifics described below all pertain to the National Flood Insurance Program's (NFIP) General Property (GP) Form of the Standard Flood Insurance Policy (SFIP), commercial property only. This policy type is used to insure non-residential buildings, five or more family residential buildings, condominiums with more than 25% non-residential occupants, and/or the contents within those structures.

## TYPES OF COVERAGE FOR ELIGIBLE PROPERTY

The NFIP's **General Property Form** offers commercial policyholders coverage for:

- Building Property up to \$500,000
- Personal Property up to \$500,000

For businesses, Personal Property refers to the contents of the business (see page 3, General Guidance) and will include stock as defined in the policy. The NFIP encourages everyone to purchase both types of coverage. Your lender might require that you purchase a certain amount of flood insurance coverage.

Complete terms can be found in the SFIP form, available at [FloodSmart.gov/SFIP](https://www.floodsmart.gov/SFIP). For more information about your specific limits of coverage and deductibles, please refer to the Declarations Page of your flood insurance policy. You also should 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 normally is dry. The official definition used by the NFIP 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. Other earth movements such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows."*

## ABOUT YOUR FLOOD POLICY

There are three important facts you should know about your coverage under a Standard Flood Insurance Policy General Property Form.

1. It is a single-peril policy. It only pays for direct physical loss by or from flood damage as defined by the policy.
2. Subject to the coverage exclusions and policy limitations, the GP covers direct physical damage to the insured structure up to the Actual Cash Value of the actual damages or the policy limit of liability, whichever is less (see How Flood Damage Is Paid, page 4). **Note:** The SFIP applies a separate deductible to both building and contents losses. Your deductible is always taken from the loss and not from the limit of liability.
3. Personal Property coverage, also known as contents coverage, is not included with building property coverage and needs to be purchased separately.

*Please note that your policy only covers one building or structure. To obtain coverage for multiple structures, you may need to purchase separate policies.*

## CHOOSING DEDUCTIBLES

Choosing the amount of your deductible is an important decision. There are separate deductibles for Building Property and Personal Property coverage as well as separate Building Property and Personal Property claims. Review the Declarations Page in your flood insurance policy for amounts of coverage and deductibles you currently have.

As with car or homeowners insurance, choosing a higher deductible may lower the premium you pay, but it also will reduce your claim payment. Your lender may require coverage or limit how high of a deductible your insurance provider can set. Talk with your insurance agent, company representative, and lender about raising or lowering deductibles.

## REMINDER: KEEP YOUR RECEIPTS

In case of a future loss, it is strongly suggested that you safely store all financial records related to your building and/or business. Should you have a loss, these documents should be made available for the adjuster's review. Keeping receipts will be vital to you in support of any losses you might incur and wish to claim under your policy.

## WHAT IS COVERED BY FLOOD INSURANCE – AND WHAT IS NOT

Direct physical damage to your building or its contents, by or from a flood, is covered by your flood insurance policy. For example, damage caused by a sewer backup are covered if the backup is a direct result of flooding. If the backup is not a direct result of flooding, the damage is not covered by your flood policy. The following chart provides 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	Personal Property coverage	
<ul style="list-style-type: none"> <li>Insured building and its foundation</li> <li>Electrical and plumbing systems</li> <li>Water heaters</li> <li>Central air conditioning equipment, furnaces, and ventilating equipment</li> <li>Permanently installed carpeting over an unfinished floor</li> <li>Permanently installed paneling, wallboard, bookcases, and cabinets</li> <li>Pumps and machinery for operating pumps</li> <li>Awnings and canopies</li> <li>Walk-in freezers</li> <li>Outdoor antennas and aerials attached to buildings</li> <li>Fire extinguishing apparatus and fire sprinkler systems</li> </ul>	<ul style="list-style-type: none"> <li>Furniture and fixtures, machinery and equipment, and other personal property owned by you and used in your business (See Section IV of your policy for exclusions)</li> <li>Stock as defined in Section II of your policy (merchandise held in storage or for sale, raw materials, and in-process or finished goods)</li> <li>Portable and window air conditioners</li> <li>Portable microwave ovens and portable dishwashers</li> <li>Carpets or rugs not included in building coverage (see Building Coverage)</li> <li>Clothes washers and dryers</li> <li>Food freezers (other than walk-ins) and the food in them</li> </ul>	<ul style="list-style-type: none"> <li>Certain valuable items such as original artwork and furs (limited to \$2,500 in total)</li> <li>Non-licensed self-propelled vehicles if stored inside the insured building and used to service the described location (e.g., tractor) or designed to assist a person with a disability</li> <li>Up to 10% of contents coverage to improvements made to a building the insured occupies as a tenant</li> <li>Outdoor antennas and aerials attached to buildings</li> <li>Fire extinguishing apparatus and fire sprinkler systems</li> </ul>
What IS NOT insured under either Building Property or Personal Property coverage:		
<ul style="list-style-type: none"> <li>Damage caused by moisture, mildew, or mold that could have been avoided by the property owner</li> <li>Damage caused by sewer or drain backup unless there is a flood in the area that caused the backup</li> <li>Currency, precious metals, and valuable papers such as stock certificates, scrip, and recorded data</li> <li>Property and belongings outside of a building or in another structure, such as trees, plants, wells, septic systems, walkways, decks, patios, fences, seawalls, hot tubs, and swimming pools</li> <li>Financial losses caused by business interruption or loss of use of insured property</li> <li>Most self-propelled vehicles such as cars, including their parts</li> </ul>		

## AFTER A FLOOD

After a flood, flood insurance can help you recover quickly. If you experience a flood while covered under an active flood insurance policy, here are important things to know:

### Start a Claim

Report your loss immediately to your insurance agent or insurance company and ask them about an advance payment. Then, prepare for your flood adjuster's visit.

1. Provide receipts to verify that repairs were made following the prior flood loss.
2. Separate damaged and undamaged property.
3. Take pictures of damaged property before disposing.

### How Flood Damage Is Paid

The flood damage in the General Property Form is paid based on Actual Cash Value (ACV) for losses to the insured building and its insured personal property (contents) including stock and inventory. ACV is the cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.

## WHAT IS INCREASED COST OF COMPLIANCE COVERAGE?

Most NFIP policies include Increased Cost of Compliance (ICC) coverage, which may apply to an insured building when flood damage is substantial. You must have building coverage to qualify for ICC coverage.

ICC Coverage provides up to \$30,000 of the cost to elevate, demolish, or relocate the insured building or to floodproof structures with qualified basements. If your community declares your building "substantially damaged" or a "repetitive loss structure" by a flood(s), it will require you to bring your structure up to current community floodplain management building standards. You may use ICC coverage to help cover those costs.

Payment of an ICC claim is in addition to the amount of your building claim. However, the total amount of your building claim and ICC claim cannot exceed the maximum limit available for Building Property coverage (\$500,000). Having an ICC claim does not affect a personal property claim (up to \$500,000), which is paid separately.

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

## 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.*



## ADDITIONAL GUIDANCE AND CONTACT INFORMATION

To find a flood insurance provider, use our online tool at [FloodSmart.gov/flood-insurance/providers](https://www.floodsmart.gov/flood-insurance/providers).

Visit our Flood Insurance Advocate page at [fema.gov/flood-insurance/advocate](https://www.fema.gov/flood-insurance/advocate) to learn more about fair treatment of policyholders and property owners.

At [floodmaps.fema.gov/fhm/fmx\\_main.html](https://www.floodmaps.fema.gov/fhm/fmx_main.html), we have Customer Care Center specialists to help you with questions about flood mapping and insurance. You can contact FEMA Mapping and Insurance eXchange (FMIX) directly at [FEMA-FMIX@fema.dhs.gov](mailto:FEMA-FMIX@fema.dhs.gov) or by calling (877) 336-2627.



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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. For more information about NFIP flood insurance, contact your insurer or agent, or call (800) 621-3362. If you are deaf, hard of hearing, or have a speech disability and use relay services, call 711 from your TTY.

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