

Flood Insurance Insurable Value

Effective June 1, 2014

Calculating the insurable value of a building is not as simple as reducing total property value by the land value. FEMA's Mandatory Purchase of Flood Insurance Guidelines declare a building's insurable value is the same as 100% replacement cost value (RCV) of the insured building. RCV is the cost to replace property with the same kind of material and construction without deduction for depreciation. Some properties are only eligible for Actual Cost Value (ACV), RCV at the time of the loss less physical depreciation. However, FEMA's guidelines also instruct lenders to avoid requiring a borrower to pay for more coverage than the NFIP pays in the event of a loss. The three Standard Flood Insurance Policies (SFIP) consist of the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy (RCBAP) Form. The three policy forms and summary information for each form is listed below to help you determine the insurable value. Consult the insurance agent for more info!!

Dwelling Policy (NFIP Maximums: Building Coverage \$250,000 & Contents Coverage \$100,000)	
Issued to: <ul style="list-style-type: none"> • Homeowners • Residential Condo Owners • Residential Renters (contents only) 	Eligible Property: <ul style="list-style-type: none"> • Detached single-family dwelling with <50% non-residential occupancy • 2-4 family non-condo with <25% non-residential occupancy • Dwelling unit in a residential condo building • Residential townhouse or rowhouse • Manufactured / mobile home (permanently affixed)
Insurable Value Important Note: For rating purposes at purchase of policy, FEMA defines a primary residence as a building that will be lived in by an insured or an insured's spouse >50% of the 365 days following the policy effective date. If at the time of a loss the dwelling only meets the SFIP definition of a " primary residence " and not the definition of " principal residence " (a residence lived in 80% or more of prior 365 days), then any building claim will be paid using ACV.	
Principal Residence Loss (Claim) Value: RCV Three conditions to be eligible for RCV: <ul style="list-style-type: none"> • Single family dwelling • Principal residence (at time of loss, lived in ≥80% of prior 365 days) • Insurance coverage of lesser of ≥80% of total RCV <u>or</u> NFIP maximum amount available 	Primary Residence Loss (Claim) Value: ACV <ul style="list-style-type: none"> • Detached single-family non-condo residence with <50% incidental occupancy • Primary residence (lived in by an insured or insured's spouse for >50% of the 365 days following policy effective date)
General Property Policy (NFIP Maximums: Non-Residential Building Coverage \$500,000 & Contents Coverage \$500,000) (NFIP Maximums: Other Residential Building Coverage \$500,000 & Contents Coverage \$100,000)	
Issued to: <ul style="list-style-type: none"> • Owners of other residential (5+ units) buildings • Owners or lessees of non-residential buildings • Residential condo buildings uninsurable with RCBAP (e.g., not owned by condo association, >25% non-residential occupancy, etc.) 	Eligible Property: <ul style="list-style-type: none"> • Other residential (multi-family (5+ units) residential, assisted living, dormitory, residential cooperative building, etc.) • Non-residential property (e.g., restaurant; retail shop; grain bin, silo, or other farm building; school; nursing home; hotel or motel with normal occupancy of < 6 months; etc.)
Insurable Value: ACV [ACV = RCV at the time of the loss less physical depreciation]	
Residential Condominium Building Association Policy (RCBAP) (NFIP Maximums: Building Coverage \$250,000 x Units & Contents Coverage \$100,000)	
Issued to: Residential condo buildings owned by a building association insurable under RCBAP	
Insurable Value: RCV (Cost to replace with same kind of material and construction without depreciation.) If insured has not purchased insurance in an amount equal to the lesser of 80% of the full building RCV at loss <u>or</u> the NFIP maximum, the insured will not be reimbursed fully. Loss amount will be reduced by a calculated coinsurance penalty commensurate with amount property is underinsured below the required 80% of full RCV. ACV of association's commonly owned contents per building.	
The RCBAP is required for all buildings owned by a condominium association containing one or more low-rise or high-rise residential units with ≥75% residential square footage, regardless of the number of units or floors. The entire building is covered under one policy, including common and individually owned building elements within the units, improvements within the units, and contents owned in common. Excess unit building policy and contents owned by unit owners should be insured under an individual unit owner's Dwelling Form . Cooperative ownership buildings are <u>not</u> eligible for a RCBAP.	