



FEMA

W-14059

December 10, 2014

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the  
National Flood Insurance Program (NFIP) Servicing Agent

A handwritten signature in black ink, appearing to read "Dennis Kuhns".

FROM: Dennis Kuhns  
Division Director  
Risk Insurance Division

SUBJECT: Clarification Regarding Improvements and Betterments Coverage

The purpose of this memorandum is to clarify landlord and tenant coverage for improvements and betterments under the Standard Flood Insurance Policy (SFIP). The SFIP defines improvements as fixtures, alterations, installations, or additions comprising a part of the insured dwelling or the apartment in which the policyholder resides.

#### Tenant's Contents-Only Policies

As explained in the SFIP Dwelling Form, Section III.B – Personal Property, paragraph 4, if the policyholder is a tenant and has insured property under Coverage B (contents coverage), the SFIP will cover such property, including the policyholder's cooking stove or range and refrigerator. The SFIP will also cover improvements made or acquired solely at the policyholder's expense in the dwelling or apartment in which the policyholder resides, but not for more than 10 percent of the limit of liability shown for personal property on the policy Declarations Page. Use of this insurance is at the policyholder's option, but reduces the personal property limit.

The SFIP General Property Form, in Section III.B paragraphs 7–9, specifies coverage conditions for improvements and betterments for a tenant or condominium unit owner. Paragraph 7 makes it clear that items acquired by or made at the expense of the tenant are covered, even if the tenant cannot legally remove them, such as a built-in walk-in freezer.

If a tenant has a contents policy in his or her own name, flood-damaged items that the tenant may claim as improvements and betterments under a covered loss will include all items purchased at the tenant's expense for which coverage would be provided under building coverage (Coverage A), and that have not been paid under Coverage A for the same loss event under a policy held in the building owner's name. Insurers may refer to the lease agreement to determine which policy will respond.

## Clarification Regarding Improvements and Betterments Coverage

December 10, 2014

Page 2

### Building Owner and Tenant Named on Same Policy with Coverage A

As stated in Subsection IX.F of the General Rules section of the NFIP *Flood Insurance Manual*, the building owner must be named on a flood insurance policy with Coverage A. If the building coverage is purchased by a tenant due to a lease agreement, the tenant may be named as an additional insured on the policy. Bulletin W-14028, dated June 4, 2014, clarified that the NFIP does not designate any of the named insureds as primary or secondary. The rule is intended to ensure that all parties with an insurable interest in the building are named on any claim settlement proceeds for building damage. Any claim payment would be made to all parties named as insureds on the policy.

### Duplicate Policies with Coverage A Not Allowed

Bulletin W-13070 issued December 16, 2013, stated that excluding residential condominium buildings, NFIP-insured buildings can have only one policy with building coverage (Coverage A). Section 100228 of the Biggert-Waters Flood Insurance Reform Act of 2012, codified at 42 U.S.C. Section 4013(b), clarifies that the total aggregate liability for a non-residential building or non-condominium building designed for five or more families is \$500,000 per structure. The law also reiterates that the maximum coverage available for a residential 1–4 family building or condominium unit is \$250,000 per policy. The SFIP prohibits duplicate building coverage by the same insured. This means that the NFIP will only pay for building coverage under one policy, and the owner must be a named insured. Bulletin W-14047, issued August 21, 2014, provides detail on a procedure for insurers to ensure that there are not duplicate policies with Coverage A covering the same building.

The NFIP also will not pay twice for the same covered loss (either Coverage A or Coverage B) when a Residential Condominium Building Association Policy (RCBAP) provides coverage for a condominium unit insured under the Dwelling Form.

Thank you for your attention and cooperation in this matter. If you have any questions, please contact Joe Cecil of my staff at [Joseph.Cecil@fema.dhs.gov](mailto:Joseph.Cecil@fema.dhs.gov).

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims, Data Processing, Marketing, Underwriting