

9 NOV -3 11 7

SENATE
S.B. No. 3511

RECEIVED BY

Introduced by Senator Miriam Defensor Santiago


EXPLANATORY NOTE

The massive flooding caused by Storm Ondoy and Pepeng created personal hardships and economic distress to millions of Filipinos. According to the National Disaster Coordinating Council's (NDCC) latest updates, Pepeng displaced about 533,856 families or more than two million individuals, while Ondoy affected 880,175 families or more than 4 million people.

As of October 2009, damage to property from Pepeng has reached P16.5 billion, including P4.8 billion in infrastructure and P11.6 billion in agriculture. On the other hand, authorities pegged the damage caused by Ondoy at P11 billion, including P4.3 billion in infrastructure and P6.7 billion in agriculture.

The country cannot afford the tragic losses of life caused by flood occurrences, nor increasing losses of property suffered by flood victims. It is in the public interest for persons already living in flood-prone areas to have both an opportunity to purchase flood insurance and access to more adequate limits of coverage so that they will be indemnified for their losses in the event of future flood disasters.

This Bill establishes a National Flood Insurance Program to provide appropriate protection to homeowners, small business owners, and farmers against the perils of flood losses.


MIRIAM DEFENSOR SANTIAGO

Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 INSTITUTING A NATIONAL FLOOD INSURANCE PROGRAM

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

3 SECTION 1. *Short Title.* – This Act shall be known as the “National Flood Insurance Act
4 of 2009.”

5 SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to
6 promote general welfare and interest by providing property owners with insurance protection
7 from the government against losses from flooding. This insurance is an alternative to disaster
8 assistance to meet the escalating costs of repairing damage to residential and other buildings and
9 their contents caused by floods. It is in the public interest for persons already living in flood-
10 prone areas to have both an opportunity to purchase flood insurance and access to more adequate
11 limits of coverage so that they will be indemnified for their losses in the event of future flood
12 disasters.

13 SECTION 3. *Definitions.* – In this Act, the term –

14 (a) “agency” means the National Flood Insurance Agency;

15 (b) “agricultural structure” means any structure used exclusively in connection with
16 the production, harvesting, storage, raising, or drying of agricultural commodities;

17 (c) “agricultural commodities” means agricultural commodities and livestock.

18 (d) “director” means the administrator of the National Flood Insurance Program;

1 (e) “financial assistance” means any form of loan, grant, guaranty, insurance,
2 payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect
3 assistance from the government;

4 (f) “financial assistance for acquisition or construction purposes” means any form of
5 financial assistance which is intended in whole or in part for the acquisition, construction,
6 reconstruction, repair, or improvement of any publicly or privately owned building, and for any
7 machinery, equipment, fixtures, and furnishings contained or to be contained therein, and shall
8 include the purchase or subsidization of mortgages or mortgage;

9 (g) “flood insurance policy” means a flood insurance policy issued under this Act;

10 (h) “improved real estate” means real estate upon which a building is located;

11 (i) “lender” means a lending institution or a government agency lender;

12 (j) “program” means the National Flood Insurance Program established under this
13 Act;

14 (k) “lending institution” means any bank, savings and loan association, credit union,
15 credit association, or similar institution; and

16 (l) “task force” means the Flood Insurance Task Force.

17 SECTION 4. *National Flood Insurance Agency.* – (a) There is hereby established a
18 National Flood Insurance Agency to administer and implement the National Flood Insurance
19 Program under this Act.

20 (b) The agency shall be headed by a Director to be appointed by the President of the
21 Philippines.

22 (c) The agency shall be an attached agency of the Department of Finance.

23 SECTION 5. *National Flood Insurance Program.* – (a) There is hereby established a
24 National Flood Insurance Program which will enable interested persons to purchase insurance
25 against loss resulting from physical damage to or loss of real property or personal property
26 related thereto arising from any flood occurring in the Philippines.

1 (b) The National Flood Insurance Program established pursuant to subsection (a) of
2 this section shall enable the purchase of insurance to cover the cost of implementing measures
3 that are consistent with land use and control measures established by a local government unit for --

- 4 (1) properties that are repetitive loss structures;
- 5 (2) properties that are substantially damaged structures; and
- 6 (3) properties that have sustained flood damage on multiple occasions, if the Director
7 determines that it is cost-effective and in the best interests of the National Flood
8 Insurance Fund to require the implementation of such measures.

9 (c) In carrying out the flood insurance program the Director shall, to the maximum
10 extent practicable, encourage and arrange for (1) appropriate financial participation and risk
11 sharing in the program by insurance companies and other insurers; and (2) other appropriate
12 participation, on other than a risk-sharing basis, by insurance companies and other insurers,
13 insurance agents and brokers, and insurance adjustment organizations, in accordance with this
14 Act.

15 SECTION 6. *Supplemental Forms.* -- (a) In General. -- Not later than six (6) months after
16 the date of enactment of this Act, the Director shall develop supplemental forms to be issued in
17 conjunction with the issuance of a flood insurance policy that set forth, in simple terms --

- 18 (1) the exact coverage being purchased by a policyholder;
- 19 (2) any exclusions from coverage that apply to the coverage purchased;
- 20 (3) an explanation, including illustrations, of how lost items and damages will be
21 valued under the policy at the time of loss;
- 22 (4) the number and peso values of claims filed under a flood insurance policy over
23 the life of the property, and the effect, under this Act, of the filing of any further
24 claims under a flood insurance policy with respect to that property; and
- 25 (5) any other information that the Director determines will be helpful to policyholders
26 in understanding flood insurance coverage.

1 (b) Distribution. – The forms developed under subsection (a) shall be given to (1) all
2 holders of a flood insurance policy at the time of purchase and renewal; and (b) insurance
3 companies and agents that are authorized to sell flood insurance policies.

4 SECTION 7. *Acknowledgment Form* – (a) In General. – Not later than six (6) months
5 after the date of enactment of this Act, the Director shall develop an acknowledgment form to be
6 signed by the purchaser of a flood insurance policy that contains –

7 (1) an acknowledgment that the purchaser has received a copy of the standard flood
8 insurance policy, and any forms developed under section 5; and

9 (2) an acknowledgment that the purchaser has been told that the contents of a
10 property or dwelling are not covered under the terms of the standard flood
11 insurance policy, and that the policyholder has the option to purchase additional
12 coverage for such contents.

13 (b) Distribution. – Copies of an acknowledgment form executed under subsection (a)
14 shall be made available to the purchaser and the Director.

15 SECTION 8. *Flood Insurance Claims Handbook*. – (a) In General. – Not later than six
16 (6) months after the date of enactment of this Act, the Director shall develop a flood insurance
17 claims handbook that contains –

18 (1) a description of the procedures to be followed to file a claim under the Program,
19 including how to pursue a claim to completion;

20 (2) how to file supplementary claims, proof of loss, and any other information
21 relating to the filing of claims under the Program; and

22 (3) detailed information regarding the appeals process established under this Act.

23 (b) Distribution. – The handbook developed under subsection (a) shall be made
24 available to –

25 (1) each insurance company and agent authorized to sell flood insurance policies; and

1 (2) each purchaser, at the time of purchase and renewal, of a flood insurance policy,
2 and at the time of any flood loss sustained by such purchaser.

3 SECTION 9. *Appeal of Decisions Relating to Flood Insurance Coverage.* – Not later than
4 six (6) months after the date of enactment of this Act, the Director shall, by regulation, establish
5 an appeals process through which holders of a flood insurance policy may appeal the decisions,
6 with respect to claims, proofs of loss, and loss estimates relating to such flood insurance policy,
7 of (a) any insurance agent or adjuster, or insurance company; or (2) any employee of the
8 National Flood Insurance Agency.

9 SECTION 10. *Study and Report on Use of Cost Compliance Coverage.* – Not later than
10 one (1) year after the date of enactment of this Act, the Director shall submit to Congress a report
11 that sets forth –

12 (a) the use of cost of compliance coverage under this Act in connection with flood
13 insurance policies;

14 (b) any barriers to policyholders using the funds provided by cost of compliance
15 coverage pursuant to this Act under a flood insurance policy, and recommendations to address
16 those barriers; and

17 (c) the steps that the agency has taken to ensure that funds paid for cost of
18 compliance coverage under this Act are being used to lessen the burdens on all homeowners and
19 the Program.

20 SECTION 11. *Minimum Training and Education Requirements.* – The Director shall, in
21 cooperation with the Insurance Commissioner, the insurance industry, and other interested
22 parties –

23 (a) establish minimum training and education requirements for all insurance agents
24 who sell flood insurance policies; and

1 (b) not later than six (6) months after the date of enactment of this Act, publish these
2 requirements in a newspaper of general circulation, and inform insurance companies and agents
3 of the requirements.

4 SECTION 12. *COA Study and Report.* – (a) The Commission on Audit shall conduct a
5 study of –

- 6 (1) the adequacy of the scope of coverage provided under flood insurance policies in
7 meeting the intended goal of Congress that flood victims be restored to their pre-
8 flood conditions, and any recommendations to ensure that goal is being met;
- 9 (2) the adequacy of payments to flood victims under flood insurance policies; and
- 10 (3) the practices of the National Flood Insurance Agency and insurance adjusters in
11 estimating losses incurred during a flood, and how such practices affect the
12 adequacy of payments to flood victims

13 (b) Not later than one (1) year after the date of enactment of this Act, and every three
14 (3) years thereafter, the Commission on Audit shall submit to Congress a report regarding the
15 results of the study under subsection (a).

16 SECTION 13. *Flood Insurance Interagency Task Force.* – (a) There is hereby established
17 an interagency task force to be known as the Flood Insurance Task Force.

18 (b) The Task Force shall be composed of ten (10) members to be appointed by the
19 President. The members shall be the representatives from –

- 20 (1) the Office of the President;
- 21 (2) the Insurance Commission;
- 22 (3) the National Flood Insurance Agency;
- 23 (4) the National Economic Development Authority;
- 24 (5) the National Housing Authority;
- 25 (6) the National Disaster Coordinating Council;
- 26 (7) the Government Service Insurance System;

- 1 (8) the Social Security System;
- 2 (9) the Home Development Mutual Fund; and
- 3 (10) a state university.

4 (c) Members of the Task Force shall be designated for membership on the Task Force
5 by reason of demonstrated knowledge and competence regarding the National Flood Insurance
6 Program.

7 (d) The Task Force shall carry out the following duties:

8 (1) Make recommendations to government agencies regarding establishment or
9 adoption of standardized enforcement procedures among such agencies
10 responsible for enforcing compliance with the requirements under the National
11 Flood Insurance Program to ensure fullest possible compliance with such
12 requirements.

13 (2) Conduct a study of the extent to which government agencies and the private
14 sector can provide assistance in ensuring compliance with the requirements under
15 the national flood insurance program and submit to the Congress a report
16 describing the study and any conclusions.

17 (3) Develop recommendations regarding enforcement and compliance procedures,
18 based on the studies and findings of the Task Force, and publish such
19 recommendations.

20 (e) Members of the Task Force shall receive no additional pay by reason of their
21 service on the Task Force.

22 (f) The members of the Task Force shall elect one member as chairperson of the Task
23 Force.

24 (g) The Task Force shall meet at the call of the chairperson or a majority of the
25 members of the Task Force and may take action by a vote of the majority of the members. The
26 Director of the National Flood Insurance Agency shall coordinate and call the initial meeting of
27 the Task Force.

1 (h) The chairperson of the Task Force may appoint any officers to carry out the duties
2 of the Task Force under this Act.

3 (i) Upon request of the chairperson of the Task Force, the head of any government
4 department or agency may detail, on a temporary basis, and of the personnel of such department
5 or agency to the Task Force to assist the Task Force in carrying out its duties under this section.

6 (j) In carrying out this section, the Task Force may hold hearings, sit and act at times
7 and places, take testimony, receive evidence and assistance, provide information, and conduct
8 research as the Task Force considers appropriate.

9 SECTION 14. *Scope of Program and Priorities.* – (a) In carrying out the flood insurance
10 program the Director shall afford a priority to making flood insurance available to cover
11 residential properties which are designed for the occupancy of from one to four families, small
12 farms, properties of cooperatives, and business properties which are owned or leased and
13 operated by small business concerns.

14 (b) If the Director determines that it would be feasible to extend the flood insurance
15 program to cover other properties, he or she may take such action under this section as from time
16 to time may be necessary in order to make flood insurance available to cover, on such basis as
17 may be feasible, any types and classes of (1) other residential properties; (2) other business
18 properties; (3) other agricultural properties; (4) properties occupied by private nonprofit
19 organizations; (5) church properties; and (6) properties owned by the State and local
20 governments. Any such extensions of the program to any types of classes of these properties
21 shall from time to time be prescribed in regulations.

22 (c) The Director shall make flood insurance available in only those local government
23 units which he or she has determined to have (1) evidenced a positive interest in securing flood
24 insurance coverage under the flood insurance program; and (2) given satisfactory assurance that
25 before two (2) years after the effectivity of this Act, adequate land use and control measures will
26 have been adopted for the local government unit which are consistent with the provisions of this
27 Act, and that the application and enforcement of such measures will commence as soon as

1 technical information on floodways and on controlling flood elevations is available from the
2 proper government agencies.

3 SECTION 15. *Flood Insurance Purchase and Compliance Requirements.* – (a) After the
4 expiration of sixty (60) days following three (3) years from the effectivity of this Act, no
5 government officer or agency shall approve any financial assistance for acquisition or
6 construction purposes for use in any area that has been identified by the Director as an area
7 having special flood hazards and in which the sale of flood insurance has been made available
8 under the National Flood Insurance Program, unless the building and any personal property to
9 which such financial assistance relates is covered by flood insurance in an amount at least equal
10 to its development or project cost (less estimated land cost) or to the maximum limit of coverage
11 made available with respect to the particular type of property under the program, whichever is
12 less: *Provided,* That if the financial assistance provided is in the form of a loan or an insurance or
13 guaranty of a loan, the amount of flood insurance required need not exceed the outstanding
14 principal balance of the loan and need not be required beyond the term of the loan. The
15 requirement of maintaining flood insurance shall apply during the life of the property, regardless
16 of transfer of ownership of such property.

17 (b) Notwithstanding the other provisions of this section, flood insurance shall not be
18 required on any property owned by a local government unit that is covered under an adequate
19 policy of self-insurance satisfactory to the Director. The Director shall publish and periodically
20 revise the list of local government units to which this subsection applies.

21 (c) Notwithstanding any other provisions of this section, subsections (a) and (b) shall
22 not apply to any loan having (1) an original outstanding principal balance of one hundred
23 thousand pesos (P100,000.00) or less; and (2) a repayment term of one (1) year or less.

24 (d) If, at the time of origination or at any time during the term of a loan secured by
25 improved real estate located in an area that has been identified by the Director (at the time of the
26 origination of the loan or at any time during the term of the loan) as an area having special flood
27 hazards and in which flood insurance is available under the National Flood Insurance Program,

1 the lender or servicer for the loan determines that the building and any personal property
2 securing the loan is not covered by flood insurance or is covered by such insurance in an amount
3 less than the amount required for the property pursuant to subsection (a), the lender or servicer
4 shall notify the borrower under the loan that the borrower should obtain, at the borrower's
5 expense, an amount of flood insurance for the building and such personal property that is not less
6 than the amount under subsection (a) of this section, for the term of the loan.

7 (e) If the borrower fails to purchase such flood insurance within forty-five (45) days
8 after notification under subsection (e), the lender or servicer for the loan shall purchase the
9 insurance on behalf of the borrower and may charge the borrower for the cost of premiums and
10 fees incurred by the lender or servicer for the loan in purchasing the insurance.

11 (f) The borrower and lender for a loan secured by improved real estate may jointly
12 request the Director to review a determination of whether the building is located in an area
13 having special flood hazards. Such request shall be supported by technical information relating to
14 the improved real estate. Not later than forty-five (45) days after the Director receives the
15 request, the Director shall review the determination and provide to the borrower and the lender
16 with a notice stating whether or not the building is in an area having special flood hazards. The
17 determination of the Director shall be final.

18 (g) Any person to whom a borrower provides a notice issued by the Director pursuant
19 to subsection (f), stating that the building securing the loan of the borrower is not in an area
20 having special flood hazards, shall have no obligation under this section to require the purchase
21 of flood insurance for such building during the period determined by the Director, which shall be
22 specified in the notice and shall begin on the date on which such notice is provided.

23 (h) If a request under subsection (f) is made in connection with the origination of a
24 loan and the Director fails to provide the notice before the expiration of the forty-five (45) -day
25 period, no person shall have an obligation under this section to require the purchase of flood
26 insurance for the building securing the loan until such letter is provided.

1 SECTION 16. *Nature and Limitation of Insurance Coverage.* – (a) The Director shall
2 from time to time, after public consultation, provide by regulation for general terms and
3 conditions of insurability which shall be applicable to properties eligible for flood insurance
4 coverage, including –

- 5 (1) The types, classes, and locations of any such properties which shall be eligible for
6 flood insurance;
- 7 (2) The nature and limits of loss or damage in any areas (or subdivisions thereof)
8 which may be covered by such insurance;
- 9 (3) The classification, limitation, and rejection of any risks which may be advisable;
- 10 (4) Appropriate minimum premiums;
- 11 (5) Appropriate loss-deductibles; and
- 12 (6) Any other terms and conditions relating to insurance coverage or exclusion which
13 may be necessary to carry out the purposes of this Act.

14 (b) In addition to any other terms and conditions under subsection (a) of this section,
15 such regulations shall provide that –

16 (1) Any flood insurance coverage shall not exceed –

17 (i) in the case of residential properties –

18 (A) two million pesos (P2,000,000.00) for any single-family dwelling,
19 and five million pesos (P5,000,000.00) for any residential structure
20 containing more than one dwelling unit; and

21 (B) three hundred thousand pesos (P300,000.00) aggregate liability per
22 dwelling unit for any contents related to such unit.

23 (ii) in the case of business properties which are owned or leased and operated
24 by small business concerns, an aggregate liability with respect to any
25 single structure, including any contents thereof related to premises of
26 small business occupants (as that term is defined by the Director), which
27 shall be equal to five million pesos (P5,000,000.00), plus five million
28 pesos (P5,000,000.00) multiplied by the number of such occupants and

1 shall be allocated among such occupants (or among the occupant or
2 occupants and the owner) under regulations prescribed by the Director;
3 except that the aggregate liability for the structure itself may in no case
4 exceed five million pesos (P5,000,000.00); and

5 (iii) in the case of small farms and any other properties which may become
6 eligible for flood insurance under this Act, two million pesos
7 (P2,000,000.00) aggregate liability.

8 SECTION 17. *Dissemination of Flood Insurance Information.* – The Director shall from
9 time to time take such action as may be necessary in order to make information and data
10 available to the public, and to any government agency or official, with regard to (a) the flood
11 insurance program, its coverage and objectives, and (2) estimated and chargeable flood insurance
12 premium rates.

13 SECTION 18. *Land Use Controls by Local Governments.* – (a) After five (5) years from
14 the effectivity of this Act, no new flood insurance coverage shall be provided under this Act in
15 any city, municipality, or province unless the local government concerned shall have adopted
16 adequate land use and control measures with effective enforcement provisions which the
17 Director finds are consistent the comprehensive criteria for land management and use under this
18 Act.

19 (b) Notwithstanding any other provision of law, the adequate land use and control
20 measures required to be adopted pursuant to subsection (a) may provide, at the discretion of the
21 local government, for the repair and restoration to predamaged conditions of an agricultural
22 structure that –

23 (1) is a repetitive loss structure; or

24 (2) has incurred flood-related damage to the extent that the cost of restoring the
25 structure to its predamaged condition would equal or exceed fifty percent (50%)
26 of the market value of the structure before the damage occurred.

1 (c) The Director shall provide technical assistance and counseling, upon request of
2 the owner of the structure, regarding wet flood-proofing and other flood damage reduction
3 measures for agricultural structures. The Director shall not be required to make flood insurance
4 coverage available for such an agricultural structure unless the structure is wet flood-proofed
5 through permanent or contingent measures applied to the structure or its contents that prevent or
6 provide resistance to damage from flooding by allowing flood waters to pass through the
7 structure, as determined by the Director.

8 SECTION 19. *Properties in Violation of Law.* – No flood insurance coverage shall be
9 provided under this Act for any property which the Director finds has been declared by a duly
10 constituted zoning authority of the local government, or other authorized government agency, to
11 be in violation of laws, regulations, or ordinances which are intended to discourage or otherwise
12 restrict land development or occupancy in flood-prone areas.

13 SECTION 20. *Industry Flood Insurance Pool.* – (a) The Director is authorized to
14 encourage and otherwise assist any insurance companies and other insurers which meet the
15 requirements under subsection (b) of this section to form, associate, or otherwise join
16 together in a pool –

17 (1) in order to provide the flood insurance coverage authorized under this Act; and

18 (2) for the purpose of assuming, on such terms and conditions as may be agreed upon,
19 such financial responsibility as will enable such companies and other insurers, to
20 assume a reasonable proportion of responsibility for the adjustment and payment
21 of claims for losses under the flood insurance program.

22 (b) In order to promote the effective administration of the flood insurance program
23 under this Act, and to assure that the objectives of this Act are furthered, the Director is
24 authorized to prescribe appropriate requirements for insurance companies and other insurers
25 participating in such pool including, but not limited to, minimum requirements for capital or
26 surplus or assets.

1 (c) The Director is authorized to enter into such agreements with the pool formed or
2 otherwise created under this Act as he or she deems necessary to carry out the purposes of this
3 Act.

4 (d) Such agreements shall specify –

5 (1) the terms and conditions under which risk capital will be available for the
6 adjustment and payment of claims;

7 (2) the terms and conditions under which the pool, and the companies and other
8 insurers participating therein, shall participate in premiums received and profits or
9 losses realized or sustained; and

10 (3) the terms and conditions under which operating costs may be paid.

11 In addition, such agreements shall contain such provisions as the Director finds necessary
12 to assure that –

13 (1) no insurance company or other insurer which meets the requirements prescribed
14 under regulations by the Director, and which has indicated an intention to
15 participate in the flood insurance program on a risk-sharing basis, will be
16 excluded from participating in the pool;

17 (2) the insurance companies and other insurers participating in the pool will take
18 whatever action may be necessary to provide continuity of flood insurance
19 coverage by the pool; and

20 (3) any insurance companies and other insurers, insurance agents and brokers, and
21 insurance adjustment organizations will be permitted to cooperate with the pool as
22 fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum
23 extent practicable.

24 SECTION 21. *Adjustment and Payment of Claims.* – The insurance companies and other
25 insurers which form, associate, or otherwise join together in the pool under this part may adjust
26 and pay all claims for proved and approved losses covered by flood insurance in accordance with
27 the provisions of this Act and, upon the disallowance by any such company or other insurer of

1 any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such
2 claim, the claimant, within one (1) year after the date of receipt by registered mail of notice of
3 disallowance or partial disallowance of the claim, may institute an action on such claim against
4 such company or other insurer in the Regional Trial Court which has jurisdiction over the
5 insured property or the major part thereof shall have been situated, and original exclusive
6 jurisdiction is hereby conferred upon such court to hear and determine such action without regard
7 to the amount in controversy.

8 SECTION 22. *Records and Audits.* – (a) The flood insurance pool formed or otherwise
9 created under this Act, and any insurance company or other private organization executing any
10 contract, agreement, or other appropriate arrangement with the Director under this Act, shall
11 keep such records as the Director shall prescribe, including records which fully disclose the total
12 costs of the program undertaken or the services being rendered, and such other records as will
13 facilitate an effective audit.

14 (b) The Director and the Commission on Audit shall have access for the purpose of
15 audit and examination to any books, documents, papers, and records of the pool and any such
16 insurance company or other private organization that are pertinent to the costs of the program
17 undertaken or the services being rendered.

18 SECTION 23. *Identification of Flood-Prone Areas.* – (a) The Director is authorized to
19 consult with, receive information from, and enter into any agreements or other arrangements
20 with other departments and agencies of the government, nongovernment organizations,
21 international organizations, and international state agencies, in order that the Director may –

22 (1) identify publish information with respect to all flood plain areas, including coastal
23 areas located in the Philippines, which has special flood hazards, within five (5)
24 years from the effectivity of this Act, and

1 (2) establish or update flood-risk zone data in all such areas, and make estimates with
2 respect to the rates of probable flood caused loss for the various flood risk zones
3 for each of these areas.

4 (b) The Director is directed to accelerate the identification of risk zones within flood-
5 prone and mudslide-prone areas, in order to make known the degree of hazard within each such
6 zone at the earliest possible date. To accomplish this objective, the Director is authorized, to
7 make grants, provide technical assistance, and enter into contracts, cooperative agreements, or
8 other transactions, on such terms as he may deem appropriate, or consent to modifications
9 thereof, and to make advance or progress payments in connection therewith.

10 (c) The Secretary of National Defense, the Secretary of the Interior, the Secretary of
11 Agriculture, the Secretary of Environment, the Secretary of Science and Technology, and the
12 heads of all other government agencies engaged in the identification or delineation of flood-risk
13 zones, in consultation with the Director, give the highest practicable priority in the allocation of
14 available manpower and other available resources to the identification and mapping of flood
15 hazard areas and flood-risk zones, in order to assist the Director to meet the deadline established
16 by this section.

17 (d) The Director shall, not later than three (3) years from the effectivity of this Act,
18 submit to the Congress a plan for bringing all communities containing flood-risk zones into full
19 program status not later than five (5) years from the submission of such plan.

20 (e) Once during each five- (5) year-period, the Director shall assess the need to revise
21 and update all floodplain areas and flood risk zones identified, delineated, or established under
22 this section, based on an analysis of all natural hazards affecting flood risks.

23 SECTION 24. *Criteria for Land Management and Use.* – (a) The Director is authorized
24 to carry out studies and investigations, utilizing to the maximum extent practicable the existing
25 facilities and services of other government departments or agencies, local governmental
26 agencies, and any other organizations, with respect to the adequacy of local government
27 measures in flood-prone areas as to land management and use, flood control, flood zoning, and

1 flood damage prevention, and may enter into any contracts, agreements, or other appropriate
2 arrangements to carry out such authority.

3 (b) Such studies and investigations shall include, but not be limited to, laws,
4 regulations, or ordinances relating to encroachments and obstructions on stream channels and
5 floodways, the orderly development and use of flood plains of rivers or streams, floodway
6 encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or
7 other building restrictions.

8 (c) On the basis of such studies and investigations, and such other information as he
9 or she deems necessary, the Director shall from time to time develop comprehensive criteria
10 designed to encourage, where necessary, the adoption of adequate national and local government
11 measures which, to the maximum extent feasible, will –

12 (1) constrict the development of land which is exposed to flood damage where
13 appropriate;

14 (2) guide development of proposed construction away from locations which are
15 threatened by flood hazards;

16 (3) assist in reducing damage caused by floods; and

17 (4) otherwise improve the long-range land management and use of flood-prone areas,

18 and the Director shall work closely with and provide any necessary technical assistance to
19 national and local governmental agencies, to encourage the application of such criteria and the
20 adoption and enforcement of such measures.

21 SECTION 25. *Notice Requirements.* – (a) The Bangko Sentral ng Pilipinas shall by
22 regulation require lending institutions, as a condition of making, increasing, extending, or
23 renewing any loan secured by improved real estate that the lending institution determines is
24 located or is to be located in an area that has been identified by the Director under this Act as an
25 area having special flood hazards, to notify the purchaser or lessee of such special flood hazards,
26 in writing, a reasonable period in advance of the signing of the purchase agreement, lease, or

1 other documents involved in the transaction. The regulations shall also require that the lending
2 institution retain a record of the receipt of the notices by the purchaser or lessee.

3 (b) The written notification required under this section shall include –

4 (1) a warning, in a form to be established by the Director, stating that the building on
5 the improved real estate securing the loan is located, or is to be located in an area
6 having special flood hazards;

7 (2) a description of the flood insurance purchase requirements under this Act;

8 (3) a statement that flood insurance coverage may be purchased under the national
9 flood insurance program and is also available from private insurers; and

10 (4) any other information that the Director considers necessary to carry out the
11 purposes of the national flood insurance program.

12 (c) The Director shall, not less than forty-five (45) days before the expiration of any
13 contract for flood insurance under this Act, issue notice of such expiration by registered mail to
14 the owner of the property covered by the contract, and (if known to the Director) the owner of
15 the loan.

16 SECTION 26. *Mitigation Assistance.* – (a) The Director shall carry out a program to
17 provide financial assistance to local governments for planning and carrying out activities
18 designed to reduce the risk of flood damage to structures covered under contracts for flood
19 insurance under this Act. Such financial assistance shall be made available to local government
20 units in the form of grants under this section for planning assistance and in the form of grants
21 under this section for carrying out mitigation activities.

22 (b) The Director may make grants under this subsection to local government units to
23 assist in developing mitigation plans under this section. To be eligible to receive financial
24 assistance under this section for mitigation activities, a local government unit shall develop, and
25 have approved by the Director, a flood risk mitigation plan that describes the mitigation activities
26 to be carried out with assistance provided that it is consistent with the criteria established by the
27 Director pursuant to this Act, and provides protection against flood losses to structures for which

1 contracts for flood insurance are available under this Act. The mitigation plan shall be consistent
2 with a comprehensive strategy for mitigation activities for the area affected by the mitigation
3 plan, that has been adopted by the local government unit following a public hearing.

4 (c) The Director shall notify a local government unit submitting a mitigation plan of
5 the approval or disapproval of the plan not later than one hundred twenty (120) days after
6 submission of the plan. If the Director does not approve a mitigation plan submitted under this
7 subsection, the Director shall notify, in writing, the local government unit submitting the plan of
8 the reasons for such disapproval.

9 (d) The Director shall approve only mitigation plans that specify mitigation activities
10 that the Director determines are technically feasible and cost-effective and only such plans that
11 propose activities that are cost-beneficial.

12 (e) The Director shall determine whether mitigation activities described in a
13 mitigation plan submitted pursuant to this section comply with the requirements under subsection

14 (d). Such activities may include –

15 (1) demolition or relocation of any structure located on land that is along the shore of
16 a lake or other body of water and is certified by an appropriate local government
17 land use authority to be subject to imminent collapse or subsidence as a result of
18 erosion or flooding;

19 (2) elevation, relocation, demolition, or floodproofing of structures (including public
20 structures) located in areas having special flood hazards or other areas of flood
21 risk;

22 (3) acquisition by local governments of properties located in areas having special
23 flood hazards or other areas of flood risk and properties substantially damaged by
24 flood, for public use, as the Director determines is consistent with sound land
25 management and use in such area;

26 (4) minor physical mitigation efforts that do not duplicate the flood prevention
27 activities of other government agencies and that lessen the frequency or severity
28 of flooding and decrease predicted flood damages, which shall not include major

1 flood control projects such as dikes, levees, seawalls, groins, and jetties unless the
2 Director specifically determines in approving a mitigation plan that such activities
3 are the most cost-effective mitigation activities;

4 (5) beach nourishment activities;

5 (6) the provision of technical assistance by local governments to communities and
6 individuals to conduct eligible mitigation activities;

7 (7) other activities that the Director considers appropriate and specifies in regulation;
8 and

9 (8) other mitigation activities not described in subparagraphs (1) through (6) or the
10 regulations issued under subparagraph (7), that are described in the mitigation
11 plan of the local government unit.

12 SECTION 27. *Rules and Regulations.* – The Director, in consultation with the Secretary
13 of Finance and the Insurance Commissioner, shall issue the necessary rules and regulations to
14 carry out the objectives of this Act.

15 SECTION 28. *Authorization of Appropriations.* – To carry out the provisions of this Act,
16 there are authorized to be appropriated such sums as may be necessary for each fiscal year.

17 SECTION 29. *Reportorial requirement.* – Within two (2) years after the establishment of
18 the National Flood Insurance Program, the Director shall submit a report to Congress on the
19 costs and means to implement the provisions of this Act. Thereafter, the Director shall submit an
20 annual report to Congress.

21 SECTION 30. *Separability Clause.* – If any provision, or part hereof is held invalid or
22 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
23 valid and subsisting.

1 SECTION 31. *Repealing Clause.* – Any law, presidential decree or issuance, executive
2 order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent
3 with, the provisions of this Act is hereby repealed, modified, or amended accordingly.

4 SECTION 32. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
5 publication in at least two (2) newspapers of general circulation.

Approved,

/jab231009