

15 JAN -5 P4:00

SENATE
S. No. 2561

Introduced by Senator Miriam Defensor Santiago

AN ACT
INSTITUTING A NATIONAL FLOOD INSURANCE PROGRAM

EXPLANATORY NOTE

The storm surge and massive flooding caused by typhoon Yolanda claimed the lives of thousands, and caused personal hardships and economic distress to millions of Filipinos. According to the National Disaster Risk Reduction and Management Council (NDRRMC), typhoon Yolanda claimed 6,300 lives; displaced 4.1 million people; destroyed 1.1 million houses; and affected 16 million people.

In 2009, the flooding caused by typhoon Ondoy claimed 464 lives and affected 4.9 million people. It caused an estimated P11 billion in damage to infrastructure and agriculture. Typhoon Pepeng, which devastated northern Luzon in 2009, caused 465 casualties, and displaced 533,856 families or more than two million individuals. Pepeng caused P27 billion in damage to infrastructure and agriculture.

We cannot afford the tragic loss of lives caused by flood occurrences, nor the damage to 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
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* This bill was originally filed in the Fourteenth Congress.

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S. No. 2561

RECEIVED BY: *J.*

Introduced by Senator Miriam Defensor Santiago

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

1 AN ACT
2 INSTITUTING A NATIONAL FLOOD INSURANCE PROGRAM

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

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

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

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

14 (b) “Agricultural commodities” means agricultural commodities and livestock;

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

17 (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) "Lending institution" means any bank, savings and loan association, credit union,
13 credit association, or similar institution;

14 (k) "Program" means the National Flood Insurance Program established under this
15 Act; 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
7 Director determines that it is cost-effective and in the best interests of the
8 National Flood Insurance Fund to require the implementation of such
9 measures.

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

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

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

1 (5) any other information that the Director determines will be helpful to
2 policyholders in understanding flood insurance coverage.

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

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

- 9 (1) an acknowledgment that the purchaser has received a copy of the standard
10 flood insurance policy, and any forms developed under section 5; and
11 (2) an acknowledgment that the purchaser has been told that the contents of a
12 property or dwelling are not covered under the terms of the standard flood
13 insurance policy, and that the policyholder has the option to purchase
14 additional coverage for such contents.

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

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

- 20 (1) a description of the procedures to be followed to file a claim under the
21 Program, including how to pursue a claim to completion;
22 (2) how to file supplementary claims, proof of loss, and any other information
23 relating to the filing of claims under the Program; and
24 (3) detailed information regarding the appeals process established under this
25 Act.

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

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

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

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

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

16 (a) The use of cost of compliance coverage under this Act in connection with flood
17 insurance policies;

18 (b) Any barriers to policyholders using the funds provided by cost of compliance
19 coverage pursuant to this Act under a flood insurance policy, and recommendations to address
20 those barriers; and

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

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

4 (a) Establish minimum training and education requirements for all insurance agents
5 who sell flood insurance policies; and

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

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

11 (1) the adequacy of the scope of coverage provided under flood insurance
12 policies in meeting the intended goal of Congress that flood victims be
13 restored to their pre-flood conditions, and any recommendations to ensure
14 that goal is being met;

15 (2) the adequacy of payments to flood victims under flood insurance policies;
16 and

17 (3) the practices of the National Flood Insurance Agency and insurance
18 adjusters in estimating losses incurred during a flood, and how such
19 practices affect the adequacy of payments to flood victims

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

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

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

- 1 (1) the Office of the President;
- 2 (2) the Insurance Commission;
- 3 (3) the National Flood Insurance Agency;
- 4 (4) the National Economic Development Authority;
- 5 (5) the National Housing Authority;
- 6 (6) the National Disaster Coordinating Council;
- 7 (7) the Government Service Insurance System;
- 8 (8) the Social Security System;
- 9 (9) the Home Development Mutual Fund; and
- (10) a state university.

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

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

- 14 (1) Make recommendations to government agencies regarding establishment
15 or adoption of standardized enforcement procedures among such agencies
16 responsible for enforcing compliance with the requirements under the
17 National Flood Insurance Program to ensure fullest possible compliance
18 with such requirements.
- 19 (2) Conduct a study of the extent to which government agencies and the
20 private sector can provide assistance in ensuring compliance with the
21 requirements under the national flood insurance program and submit to the
22 Congress a report describing the study and any conclusions.
- 23 (3) Develop recommendations regarding enforcement and compliance
24 procedures, based on the studies and findings of the Task Force, and
25 publish such recommendations.

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

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

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

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

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

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

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

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

1 (c) The Director shall make flood insurance available in only those local government
2 units which he or she has determined to have (1) evidenced a positive interest in securing flood
3 insurance coverage under the flood insurance program; and (2) given satisfactory assurance that
4 before two (2) years after the effectivity of this Act, adequate land use and control measures will
5 have been adopted for the local government unit which are consistent with the provisions of this
6 Act, and that the application and enforcement of such measures will commence as soon as
7 technical information on floodways and on controlling flood elevations is available from the
8 proper government agencies.

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

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

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

4 (d) If, at the time of origination or at any time during the term of a loan secured by
5 improved real estate located in an area that has been identified by the Director (at the time of the
6 origination of the loan or at any time during the term of the loan) as an area having special flood
7 hazards and in which flood insurance is available under the National Flood Insurance Program,
8 the lender or servicer for the loan determines that the building and any personal property
9 securing the loan is not covered by flood insurance or is covered by such insurance in an amount
10 less than the amount required for the property pursuant to subsection (a), the lender or servicer
11 shall notify the borrower under the loan that the borrower should obtain, at the borrower's
12 expense, an amount of flood insurance for the building and such personal property that is not less
13 than the amount under subsection (a) of this section, for the term of the loan.

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

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

25 (g) Any person to whom a borrower provides a notice issued by the Director pursuant
26 to subsection (f), stating that the building securing the loan of the borrower is not in an area
27 having special flood hazards, shall have no obligation under this section to require the purchase

1 of flood insurance for such building during the period determined by the Director, which shall be
2 specified in the notice and shall begin on the date on which such notice is provided.

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

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

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

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

- 23 (1) Any flood insurance coverage shall not exceed –
 - 24 (i) in the case of residential properties –
 - 25 (A) two million pesos (P2,000,000.00) for any single-family
26 dwelling, and five million pesos (P5,000,000.00) for any

1 residential structure containing more than one dwelling
2 unit; and

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

6 (ii) in the case of business properties which are owned or leased and
7 operated by small business concerns, an aggregate liability with
8 respect to any single structure, including any contents thereof
9 related to premises of small business occupants (as that term is
10 defined by the Director), which shall be equal to five million pesos
11 (P5,000,000.00), plus five million pesos (P5,000,000.00)
12 multiplied by the number of such occupants and shall be allocated
13 among such occupants (or among the occupant or occupants and
14 the owner) under regulations prescribed by the Director; except
15 that the aggregate liability for the structure itself may in no case
16 exceed five million pesos (P5,000,000.00); and

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

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

25 SECTION 18. *Land Use Controls by Local Governments.* – (a) After five (5) years from
26 the effectivity of this Act, no new flood insurance coverage shall be provided under this Act in

1 any city, municipality, or province unless the local government concerned shall have adopted
2 adequate land use and control measures with effective enforcement provisions which the
3 Director finds are consistent the comprehensive criteria for land management and use under this
4 Act.

5 (b) Notwithstanding any other provision of law, the adequate land use and control
6 measures required to be adopted pursuant to subsection (a) may provide, at the discretion of the
7 local government, for the repair and restoration to predamaged conditions of an agricultural
8 structure that --

- 9 (1) is a repetitive loss structure; or
10 (2) has incurred flood-related damage to the extent that the cost of restoring
11 the structure to its predamaged condition would equal or exceed fifty
12 percent (50%) of the market value of the structure before the damage
13 occurred.

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

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

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

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

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

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

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

20 (d) Such agreements shall specify –

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

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

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

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

- 1 (1) no insurance company or other insurer which meets the requirements
2 prescribed under regulations by the Director, and which has indicated an
3 intention to participate in the flood insurance program on a risk-sharing
4 basis, will be excluded from participating in the pool;
- 5 (2) the insurance companies and other insurers participating in the pool will
6 take whatever action may be necessary to provide continuity of flood
7 insurance coverage by the pool; and
- 8 (3) any insurance companies and other insurers, insurance agents and brokers,
9 and insurance adjustment organizations will be permitted to cooperate
10 with the pool as fiscal agents or otherwise, on other than a risk-sharing
11 basis, to the maximum extent practicable.

12 SECTION 21. *Adjustment and Payment of Claims.* – The insurance companies and other
13 insurers which form, associate, or otherwise join together in the pool under this part may adjust
14 and pay all claims for proved and approved losses covered by flood insurance in accordance with
15 the provisions of this Act and, upon the disallowance by any such company or other insurer of
16 any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such
17 claim, the claimant, within one (1) year after the date of receipt by registered mail of notice of
18 disallowance or partial disallowance of the claim, may institute an action on such claim against
19 such company or other insurer in the Regional Trial Court which has jurisdiction over the
20 insured property or the major part thereof shall have been situated, and original exclusive
21 jurisdiction is hereby conferred upon such court to hear and determine such action without regard
22 to the amount in controversy.

23 SECTION 22. *Records and Audits.* – (a) The flood insurance pool formed or otherwise
24 created under this Act, and any insurance company or other private organization executing any
25 contract, agreement, or other appropriate arrangement with the Director under this Act, shall
26 keep such records as the Director shall prescribe, including records which fully disclose the total

1 costs of the program undertaken or the services being rendered, and such other records as will
2 facilitate an effective audit.

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

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

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

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

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

23 (c) The Secretary of National Defense, the Secretary of the Interior, the Secretary of
24 Agriculture, the Secretary of Environment, the Secretary of Science and Technology, and the
25 heads of all other government agencies engaged in the identification or delineation of flood-risk
26 zones, in consultation with the Director, give the highest practicable priority in the allocation of
27 available manpower and other available resources to the identification and mapping of flood

1 hazard areas and flood-risk zones, in order to assist the Director to meet the deadline established
2 by this section.

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

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

9 SECTION 24. *Criteria for Land Management and Use.* – (a) The Director is authorized
10 to carry out studies and investigations, utilizing to the maximum extent practicable the existing
11 facilities and services of other government departments or agencies, local governmental
12 agencies, and any other organizations, with respect to the adequacy of local government
13 measures in flood-prone areas as to land management and use, flood control, flood zoning, and
14 flood damage prevention, and may enter into any contracts, agreements, or other appropriate
15 arrangements to carry out such authority.

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

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

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

- 1 (2) guide development of proposed construction away from locations which
- 2 are threatened by flood hazards;
- 3 (3) assist in reducing damage caused by floods; and
- 4 (4) otherwise improve the long-range land management and use of flood-
- 5 prone areas,
- 6 and the Director shall work closely with and provide any necessary
- 7 technical assistance to national and local governmental agencies, to
- 8 encourage the application of such criteria and the adoption and
- 9 enforcement of such measures.

10 SECTION 25. *Notice Requirements.* – (a) The Bangko Sentral ng Pilipinas shall by

11 regulation require lending institutions, as a condition of making, increasing, extending, or

12 renewing any loan secured by improved real estate that the lending institution determines is

13 located or is to be located in an area that has been identified by the Director under this Act as an

14 area having special flood hazards, to notify the purchaser or lessee of such special flood hazards,

15 in writing, a reasonable period in advance of the signing of the purchase agreement, lease, or

16 other documents involved in the transaction. The regulations shall also require that the lending

17 institution retain a record of the receipt of the notices by the purchaser or lessee.

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

- 19 (1) a warning, in a form to be established by the Director, stating that the
- 20 building on the improved real estate securing the loan is located, or is to
- 21 be located in an area having special flood hazards;
- 22 (2) a description of the flood insurance purchase requirements under this Act;
- 23 (3) a statement that flood insurance coverage may be purchased under the
- 24 national flood insurance program and is also available from private
- 25 insurers; and
- 26 (4) any other information that the Director considers necessary to carry out
- 27 the purposes of the national flood insurance program.

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

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

11 (b) The Director may make grants under this subsection to local government units to
12 assist in developing mitigation plans under this section. To be eligible to receive financial
13 assistance under this section for mitigation activities, a local government unit shall develop, and
14 have approved by the Director, a flood risk mitigation plan that describes the mitigation activities
15 to be carried out with assistance provided that it is consistent with the criteria established by the
16 Director pursuant to this Act, and provides protection against flood losses to structures for which
17 contracts for flood insurance are available under this Act. The mitigation plan shall be consistent
18 with a comprehensive strategy for mitigation activities for the area affected by the mitigation
19 plan, that has been adopted by the local government unit following a public hearing.

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

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

- 1 (e) The Director shall determine whether mitigation activities described in a
2 mitigation plan submitted pursuant to this section comply with the requirements under subsection
3 (d). Such activities may include –
- 4 (1) demolition or relocation of any structure located on land that is along the
5 shore of a lake or other body of water and is certified by an appropriate
6 local government land use authority to be subject to imminent collapse or
7 subsidence as a result of erosion or flooding;
 - 8 (2) elevation, relocation, demolition, or floodproofing of structures (including
9 public structures) located in areas having special flood hazards or other
10 areas of flood risk;
 - 11 (3) acquisition by local governments of properties located in areas having
12 special flood hazards or other areas of flood risk and properties
13 substantially damaged by flood, for public use, as the Director determines
14 is consistent with sound land management and use in such area;
 - 15 (4) minor physical mitigation efforts that do not duplicate the flood prevention
16 activities of other government agencies and that lessen the frequency or
17 severity of flooding and decrease predicted flood damages, which shall not
18 include major flood control projects such as dikes, levees, seawalls,
19 groins, and jetties unless the Director specifically determines in approving
20 a mitigation plan that such activities are the most cost-effective mitigation
21 activities;
 - 22 (5) beach nourishment activities;
 - 23 (6) the provision of technical assistance by local governments to communities
24 and individuals to conduct eligible mitigation activities;
 - 25 (7) other activities that the Director considers appropriate and specifies in
26 regulation; and

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

4 SECTION 27. *Rules and Regulations.* – Within ninety (60) days from the effectivity of
5 this Act, the Director, in consultation with the Secretary of Finance and the Insurance
6 Commissioner, shall promulgate the necessary rules and regulations to carry out the objectives of
7 this Act.

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

10 The National Flood Insurance Program must be established within one (1) year from the
11 date of effectivity of this Act.

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

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

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

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

Approved,

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