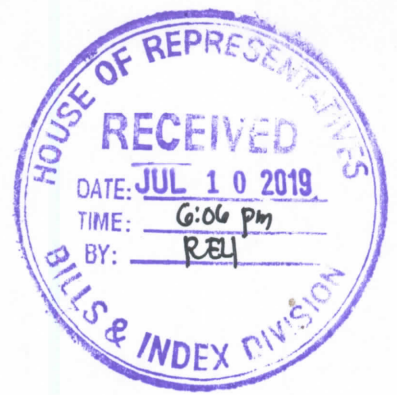


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 1946



Introduced by **Rep. LAWRENCE LEMUEL H. FORTUN**

EXPLANATORY NOTE

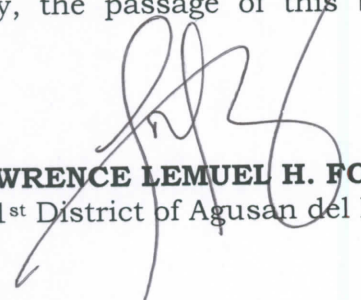
In the Global Climate Risk Index 2019 Briefing Paper, the Philippines has been identified as the fifth (5th) among the countries worldwide with the highest weather-related losses. Consequent to the direct impact of climate change, the extent of deaths, injuries and losses of property due to extreme weather events are alarmingly growing each year. In a report entitled "The Human Cost of Weather Related Disasters (1995-2015)" of the Centre for Research on the Epidemiology of Disasters and the United Nations Office for Disaster Risk Reduction, the Philippines has been ranked the 4th country in the world with the highest of number of people affected by climate or weather-related disasters.

The report identifies flooding as constituting 47% of all weather-related disasters and has affected 2.3 Billion people in the world and ninety-five percent (95%) of the population in Asia. The Philippines has in recent years been at the receiving end of floods resulting from climate-related disasters. These floods severely impact on individuals, families and communities and have devastating environmental, social and economic consequences. These immediate impacts include injuries, loss of human lives, damage to property, destruction of crops, damage to infrastructure, disruption of livelihoods and industries, and serious risks to public health.

In the last ten years, the Philippines has had the worst of flooding never before experienced by the country. Most devastating and extremely traumatic of them all was Typhoon Haiyan that claimed more than six thousand (6,000) lives, injured over 200,000, and left over a thousand missing. The damage to homes, buildings, commercial structures, roads, seaports, airports, utilities, flood control structures, school building and other infrastructures have resulted in a total damage cost of nearly P90 Billion.

For the aforementioned reasons, it has become imperative that a national flood insurance program be instituted. It has become an exigency for our population, individuals or families, especially those in the areas most vulnerable to flooding, to have immediate access to security, protection and indemnification that flood insurance can provide. Flooding may in most cases be a fortuitous event or a force majeure whose devastation can be massive, but the availability of a flood insurance can, at the very least, significantly alleviate the sufferings of those unfortunately affected.

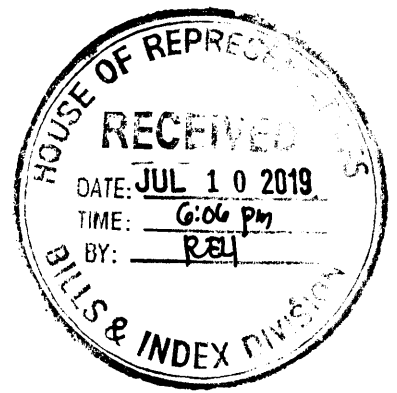
In view of its considerable urgency, the passage of this bill is most earnestly sought.


LAWRENCE LEMUEL H. FORTUN
1st District of Agusan del Norte

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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Introduced by **Rep. LAWRENCE LEMUEL H. FORTUN**

AN ACT
INSTITUTING A NATIONAL FLOOD INSURANCE PROGRAM

1 **Section 1. Short Title.** - This Act shall be known as the
2 "National Flood Insurance Act."

3
4 **Section 2. Declaration of Policy.** - It is hereby declared the
5 policy of the State to promote the general welfare by providing the
6 property owners with government insurance protection against losses
7 from flooding. The insurance is an alternative to disaster assistance to
8 meet the escalating costs of repairing damage to residential dwellings
9 and other buildings together with its contents. It is in the public interest
10 for persons already living in flood-prone areas to have both an
11 opportunity to purchase flood insurance and access to more adequate
12 limits of coverage so that they will be indemnified for their losses in the
13 event of flood disasters.

14
15 **Section 3. Definitions.** - In this Act, the term -

- 16 (a) "Agency" means the National Flood Insurance Agency;
17 (b) "Agricultural commodities" means agricultural commodities and
18 livestock;
19 (c) "Agricultural structure" means any structure used exclusively
20 in connection with the production, harvesting, storage, raising,
21 or drying of agricultural commodities;
22 (d) "Director" means the administrator of the National Flood
23 Insurance Program;
24 (e) "Financial assistance" means any form of loan, grant, guaranty,
25 insurance, payment, rebate, subsidy, disaster assistance loan

or grant, or any other form of direct or indirect assistance from the government;

- (f) "Financial assistance for acquisition or construction purposes" means any form of financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction, repair, or improvement of any publicly or privately owned building, and for any machinery, equipment, fixtures, and furnishings contained or be contained therein, and shall include the purchase or subsidization of mortgage or mortgages;
- (g) "Flood insurance policy" means a flood insurance policy issued under this Act;
- (h) "Improved real estate" means a real estate upon which a building is located;
- (i) "Lender" means a lending institution or a government agency lender;
- (j) "Lending institution" means any bank, savings and loan association, credit union, credit association, or similar institution;
- (k) "Program" means the National Flood Insurance Program established under this Act; and
- (l) "Task force" means the Flood Insurance Task Force.

Section 4. National Flood Insurance Agency. – (a) There is hereby established National Flood Insurance Agency to administer and implement the National Flood Insurance Program under this Act.

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

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

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

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

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

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

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

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

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

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

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

(b) Distribution - Copies of an acknowledgment form to be signed by the purchaser and the Director.

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

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

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

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

and

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

SECTION 9. *Appeal of Decisions Relating to Flood Insurance*

Coverage. - Not later than six (6) months after the date of enactment of this Act, the Director shall, by regulation, establish an appeals process through which holders of a flood insurance policy may appeal the decision, with respect to claims, proofs of loss, and loss estimates relating to such flood insurance policy, of (a) any insurance agent or adjuster, or insurance company; or (2) any employee of the National Flood Insurance Agency.

Section 10. *Study and Report on Use of Cost Compliance*

Coverage. - Not later than one (1) year after the date of enactment of this Act, the Director shall submit to Congress a report that sets forth –

- (a) The use of cost of compliance coverage under this Act in connection with flood insurance policies;
- (b) Any barriers to policyholders using the funds provided by cost of compliance coverage pursuant to this Act under a flood insurance policy, and recommendations to address those barriers; and
- (c) The steps that the agency has taken to ensure that funds paid for cost of compliance coverage under this Act are being used to lessen the burdens on all homeowners and the Program.

Section 11. *Minimum Training and Education Requirements.*

- The Director shall, in cooperation with the Insurance Commissioner, the insurance industry, and other interested parties –

- (a) Establish minimum training and education requirements for all insurance agents who sell flood insurance policies; and
- (b) Not later than six (6) months after the date of enactment of this Act, publish these requirements in a newspaper of general circulation, and inform insurance companies and agents of the requirements.

Section 12. COA Study and Report. - (a) The Commission on Audit shall conduct a study of –

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

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

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

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

Section 13. Flood Insurance Interagency Task Force. - (a) There is hereby established an interagency task force to be known as the Flood Insurance Task Force.

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

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

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

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

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

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

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

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

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

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

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

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

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

245

246 **Section 14. Scope of Program and Priorities.** – (a) In carrying
247 out the flood insurance program the Director shall afford a priority to
248 making flood insurance available to cover residential properties which
249 are designed for the occupancy of from one to four families, small farms,
250 properties of cooperatives, and business properties which are owned or
251 leased and operated by small business concerns.

252 (b) If the Director determines that it should be feasible to extend
253 the flood insurance program to cover other properties, such action under
254 this section as from time to time may be necessary in order to make flood
255 insurance available to cover, on such basis as may be feasible, any types
256 and classes of (1) other residential properties; (2) other business
257 properties; (3) other agricultural properties; (4) properties occupied by a
258 private nonprofit organizations; (5) church properties; and (6) properties
259 owned by the State and local governments. Any such extension of the
260 program to any types of classes of these properties shall from time to
261 time be prescribed in regulations.

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

272

273 **Section 15. Flood Insurance Purchase and Compliance**
274 **Requirements.** – (a) After the expiration of sixty (60) days following three
275 (3) years from the effectivity of this Act, no government officer or agency
276 shall approve any financial assistance for acquisition or construction
277 purposes for use in any area that has been identified by the Director as
278 an area having special flood hazards and in which the sale of flood
279 insurance has been made available under the National Flood Insurance
280 Program, unless the building and any personal property to which such
281 financial assistance relates is covered by flood insurance in an amount at

least equal to its development or project cost (less estimated land cost) or to the maximum limit of coverage made available with respect to the particular type of property under the program, whichever is less; *Provided*, That if the financial assistance provides is in the form of a loan or an insurance or guaranty of a loan, the amount of flood insurance required need not exceed the outstanding principal balance of the loan and need not be required beyond the term of the loan. The requirement of maintaining flood insurance shall apply during the life of the property, regardless of transfer of such property.

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

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

(d) If, at the time of origination or at any time during the term of a loan secured by improved real estate located in an area that has been identified by the Director (at the time of the organization of the loan or at any time during the term of the loan) as an area having special flood hazards and in which flood insurance is available under the National Flood Insurance Program, the lender or servicer for the loan determined that the building and any personal property securing the loan is not covered by flood insurance or is covered by such insurance in an amount less than the amount required for the property pursuant to subsection (a), the lender or servicer shall notify the borrower under the loan that the borrower should obtain, at the borrower's expense, an amount of flood insurance for the building and such personal property that is not less than the amount under the subsection (1) of this section, for the term of the loan.

(e) If the borrower fails to purchase such flood insurance within forty-five (45) days after notification under subsection (e), the lender or servicer for the loan shall purchase the insurance on behalf of the borrower and may charge the borrower for the cost of premium and feed

incurred by the lender or servicer for the loan in purchasing the insurance.

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

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

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

Section 16. Nature and Limitation of Insurance Coverage. –

(a) The Director shall from time to time, after public consultation, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage, including –

- (1) The types, classes, and location of any such properties which shall be eligible for flood insurance;
- (2) The nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;
- (3) The classification, limitation, and rejection of any risks which may be advisable;
- (4) Appropriate minimum premiums;

- (5) Appropriate loss-deductibles; and
- (6) Any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this Act.

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

(1) Any flood insurance coverage shall not exceed -

(i) In the case of residential properties -

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

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

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

(iii) In the case of small farms and any other properties which may become eligible for flood insurance under this Act, Two Million pesos (P2,000,000.00) aggregate liability.

Section 17. Dissemination of Flood Insurance Information. -

The Director shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any government agency or official, with regard to (a) the flood insurance program, its coverage and objectives and (2) estimated and chargeable flood insurance premium rates.

Section 18. Land Use Controls by Local Governments. - (a)

After five (5) years from the effectivity of this Act, no new flood insurance

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

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

(1) Is a repetitive loss structure; or

(2) Has incurred flood-related damage to the extent that the cost of restoring the structure to its pre-damaged condition would equal or exceed fifty percent (50%) of the market value of the structure before the damage occurred.

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

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

429 **Section 20. Industry Flood Insurance Pool.** – (a) The Director
430 is authorized to encourage and otherwise assist any insurance
431 companies and other insurers which meet the requirements under
432 subsection (b) of this section to form, associate, or otherwise join
433 together in a flood insurance pool –

434 (1) In order to provide the flood insurance coverage authorized
435 under this Act; and

436 (2) For the purpose of assuming, on such terms and conditions as
437 may be agreed upon, such financial responsibility as will
438 enable such companies and other insurers participating in
439 such pool including, but not limited to, minimum requirements
440 for capital or surplus or assets.

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

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

450 (d) Such agreements shall specify –

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

453 (2) the terms and conditions under which the pool, and the
454 companies and other insurers participating therein, shall participate in
455 premiums received and profits or losses or sustained; and

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

458 In addition, such agreements shall contain such provisions as the
459 Director finds necessary to assure that-

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

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

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

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

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

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

501

502 **Section 23. Identification of Flood-Prone Areas.** – (a) The
503 Director is authorized to consult with, receive information from, and
504 enter into any agreements or other arrangements with other departments
505 and agencies of the government, nongovernment organizations,
506 international organizations, and international state agencies, in order
507 that the Director may –

508 (1) Identify and publish information with respect to all flood plain
509 areas, including coastal areas located in the Philippines,
510 which has special flood hazards, within five (5) years from the
511 effectivity of this Act, and

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

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

525 (c) The Secretary of National Defense, the Secretary of the
526 Interior, the Secretary of Agriculture, the Secretary of
527 Environment, the Secretary of Science and Technology, and the
528 heads of all other government agencies engaged in the
529 identification or delineation of flood-risk zones, in consultation
530 with the Director, give the highest practicable priority in the
531 allocation of available manpower and other available resources to
532 the identification and mapping of flood hazard areas and flood-risk
533 zones, in order to assist the Director to meet the deadline
534 established by this section.

535 (d) The Director shall, not later than three (3) years from the
536 effectivity of this Act, submit to the Congress a plan for bringing all

communities containing flood-risk zones into full program status not later than five (5) years from the submission of such plan.

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

Section 24. Criteria for Land Management and Use. – (a)

The Director is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other government departments or agencies, local governmental agencies, and any other organizations, with respect to the adequacy of local government measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

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

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

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

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

(3) assist in reducing damage caused by flood; and

(4) otherwise improve the long range land management and use of flood-prone areas, and the Director shall work closely with and provide any necessary technical assistance to national and

local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.

Section 25. Notice Requirements. - (a) The Bangko Sentral ng Pilipinas (BSP) shall through regulation require lending institutions, as a condition of making, increasing, extending, or renewing any loan secured by improved real estate that the lending institution determines is located or is to be located in an area that has been identified by the Director under this Act as an area having special flood hazards, to notify the purchaser or lessee of such special flood hazards, in writing, a reasonable period in advance of the signing of the purchase agreement, lease, or other documents involved in the transaction. The regulations shall also require that the lending institution retain a record of the notices by the purchaser or lessee.

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

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

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

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

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

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

Section 26. Mitigation Assistance. - (a) The Director shall carry out a program to provide financial assistance to local government for planning and carrying out activities designed to reduce the risk of flood damage to structures covered under contracts for flood insurance under this Act. Such financial assistance shall be made available to local government units in the form of grants under this section for planning

assistance and in the form of grants under this section for carrying out mitigation activities.

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

(c) The Director shall notify a local government unit submitting a mitigation plan of the approval or disapproval of the plan not later than one hundred twenty (12) days after submission of the plan. If the Director does not approve a mitigation plan submitted under this subsection, the Director shall notify, in writing, the local government unit submitting the plan of the reasons for such disapproval.

(d) The Director shall approve only mitigation plans that specific mitigation activities that the Director determined are technically feasible and cost-effective and only such plans that propose activities that are cost-beneficial.

(e) The Director shall determine whether mitigation activities described in a mitigation plan submitted pursuant to this section comply with the requirements under subsection (d). Such activities may include

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

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

(3) acquisition by local governments of properties located in areas having special flood hazards or other areas or other areas of flood risk

and properties substantially damaged by flood, for public use, as the Director determines is consistent with sound land management and use in such area;

(4) minor physical mitigation efforts that do not duplicate the flood prevention activities of such other government agencies and that lessen the frequency or severity of flooding and decrease predicted flood damages, which shall not include major flood control projects such as dikes, levees, seawalls, groins, and jetties unless the Director specifically determines in approving a mitigation plan that such activities are the most cost-effective mitigation activities;

(5) beach nourishment activities;

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

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

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

Section 27. Rules and Regulations. Within ninety (90) days from effectivity of this Act, the Director, in consultation with the Secretary of Finance and the Insurance Commissioner, shall promulgate the necessary rules and regulations to carry out the objectives of this Act.

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

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

Section 29. Reportorial requirement - Within two (2) years after the establishment of the National Flood Insurance Program, the Director shall submit a report to Congress on the costs and means to implement the Provisions of this Act. Thereafter, the Director shall submit an annual report to Congress.

683 **Section 30. Separability Clause.** - If any provisions or part
684 hereof is held invalid or unconstitutional, the remainder of the law or
685 provision not otherwise affected shall remain valid and subsisting.

686 **Section 31. Repealing Clause.** – Any law, presidential decree or
687 issuance, executive order, letter of instruction, administrative order, rule
688 or regulation contrary to or inconsistent with the provisions of this Act is
689 hereby repealed, modified, or amended accordingly.

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

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