

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 977

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

EXPLANATORY NOTE

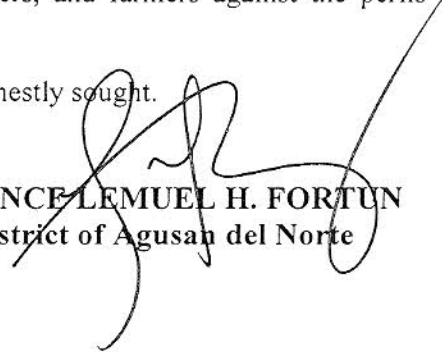
In a report entitled "The Human Cost of Weather Related Disasters (1995-2015)" of the Centre for Research on the Epidemiology of Disasters and the United Nations Office for Disaster Risk Reduction, the Philippines has been identified as ranking 4th with the highest of affected people by weather related disasters in the world. The Asian region has been recognized as a disaster prone area in the world. Furthermore, weather related disasters have been affected by extreme weather conditions with its corresponding number of fatalities and destruction.

The report identifies flooding as constituting 47% of all weather related disasters and has affected 2.3 Billion people with 95% of the individuals in Asia. In the latest trend, urban areas are severely impacted with the extreme weather conditions especially flooding. In the Philippines, Typhoon Haiyan has caused more than 6000 deaths, in excess of 200,000 injured and more than 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 Php89,598,068, 634,88.

The country needs to protect Filipinos and their families from devastating financial costs by providing persons who are already living in flood prone areas the opportunity to purchase flood insurance and access to more adequate limits of coverage that they may be indemnified for their losses in flood disasters.

This Bill was filed by Senator Miriam Defensor Santiago in the 14th and 16th Congresses as a response to the need for a means of protection of Filipinos from the devastating financial burden of losses incurred due to flooding. This bill is timely and responsive in providing adequate protection to homeowners, small business owners, and farmers against the perils of flood losses.

In view of the foregoing, passage of this Bill is earnestly sought.


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

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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 “National Flood
2 Insurance Act.”
3

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

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

- 14 (a) “Agency” means the National Flood Insurance Agency;
15 (b) “Agricultural commodities” means agricultural commodities and livestock;
16 (c) “Agricultural structure” means any structure used exclusively in connection
17 with the production, harvesting, storage, raising, or drying of agricultural
18 commodities;
19 (d) “Director” means the administrator of the National Flood Insurance Program;
20 (e) “Financial assistance” means any form of loan, grant, guaranty, insurance,
21 payment, rebate, subsidy, disaster assistance loan or grant, or any other form
22 of direct or indirect assistance from the government;
23 (f) “Financial assistance for acquisition or construction purposes” means any
24 form of financial assistance which is intended in whole or in part for the
25 acquisition, construction, reconstruction, repair, or improvement of any
26 publicly or privately owned building, and for any machinery, equipment,

27 fixtures, and furnishings contained or be contained therein, and shall include
28 the purchase or subsidization of mortgage or mortgages;

29 (g) "Flood insurance policy" means a flood insurance policy issued under this
30 Act;

31 (h) "Improved real estate" means a real estate upon which a building is located;

32 (i) "Lender" means a lending institution or a government agency lender;

33 (j) "Lending institution" means any bank, savings and loan association, credit
34 union, credit association, or similar institution;

35 (k) "Program" means the National Flood Insurance Program established under
36 this Act; and

37 (l) "Task force" means the Flood Insurance Task Force.

38
39 **Section 4. *National Flood Insurance Agency.*** – (a) There is hereby established
40 National Flood Insurance Agency to administer and implement the National Flood
41 Insurance Program under this Act.

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

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

45
46 **Section 5. *National Flood Insurance Program.*** – (a) There is hereby
47 established National Flood Insurance Program which will enable interested persons to
48 purchase insurance against loss resulting from physical damage to or loss of real property
49 or personal property related thereto arising from any flood occurring in the Philippines.

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

54 (1) properties that are repetitive loss structures;

55 (2) properties that are substantially damaged structures; and

56 (3) properties that sustained flood damage on multiple occasions, if the Director
57 determines that it is cost-effective and in the best interests of the National Flood
58 Insurance Fund to require the implementation of such measures.

59
60 (c) In carrying out the flood insurance program the Director shall, to the
61 maximum extent practicable, encourage and arrange for (1) appropriate financial
62 participation and risk sharing in the program by insurance companies and other insurers;
63 and (2) other appropriate participation, on other than risk-sharing basis, by insurance

64 companies and other insurers, insurance agents and brokers, and insurance adjustment
65 organization, in accordance with this Act.

66
67 **Section 6. *Supplemental Forms.*** – (a) In General – Not later than six (6)
68 months after the date of enactment of this Act, the Director shall develop supplemental
69 forms to be issued in conjunction with the issuance of a flood insurance policy that set
70 forth, in simple terms –

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

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

85
86 **Section 7. *Acknowledgement Form.*** – (a) In General. – Not later than six (6)
87 months after the date of enactment of this Act, the Director shall develop an
88 acknowledgment form to be signed by the purchaser of a flood insurance policy that
89 contains –

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

97 (b) Distribution - Copies of an acknowledgment form to be signed by the
98 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.

137 **Section 11. *Minimum Training and Education Requirements.*** - The Director
138 shall, in cooperation with the Insurance Commissioner, the insurance industry, and other
139 interested parties –

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

145
146 **Section 12. *COA Study and Report.*** - (a) The Commission on Audit shall
147 conduct a study of –

- 148 (1) the adequacy of the scope of coverage provided under flood insurance
149 policies in meeting the intended goal of Congress that flood victims
150 be restored to their pre-flood conditions, and any recommendations to
151 ensure that goal is being met;
152 (2) the adequacy of payments to flood victims under flood insurance
153 policies; and
154 (3) the practices of the National Flood Insurance Agency and insurance
155 adjusters in estimating losses incurred during a flood, and how such
156 practices affect the adequacy of payments to flood victims.
157 (b) Not later than one (1) year after the date of enactment of this Act, and every
158 three (3) years thereafter, the Commission on Audit shall submit to Congress a
159 report regarding the results of the study under subsection (a).

160
161 **Section 13. *Flood Insurance Interagency Task Force.*** - (a) There is hereby
162 established an interagency task force to be known as the Flood Insurance Task Force.

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

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

175
176 (c) Members of the Task Force shall be designated for membership on the Task
177 Force by reason of demonstrated knowledge and competence regarding the National
178 Flood Insurance Program.

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

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

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

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

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

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

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

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

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

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

209
210 ***Section 14. Scope of Program and Priorities.*** – (a) In carrying out the flood
211 insurance program the Director shall afford a priority to making flood insurance available
212 to cover residential properties which are designed for the occupancy of from one to four

families, small farms, properties of cooperatives, and business properties which are owned or leased and operated by small business concerns.

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

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

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

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

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

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

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

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

(d) Such agreements shall specify –

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

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

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

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

(1) no insurance company or other insurer which meets the requirements prescribed under regulations by the Director, and which has indicated an intention to participate in the flood insurance program 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.

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

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

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

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

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

(d) The Director shall, not later than three (3) years from the 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 shall by 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 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 –

(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.

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

Section 31. Repealing Clause. – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to

587 or inconsistent with the provisions of this Act is hereby repealed, modified, or amended
588 accordingly.

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

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592 Approved,

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