

Increased Cost of Compliance Coverage

If your home or business is damaged by a flood, you may be required to meet certain building requirements in your community to reduce future flood damage before you repair or rebuild. To help you cover the costs of meeting those requirements, the National Flood Insurance Program (NFIP) includes Increased Cost of Compliance (ICC) coverage for all new and renewed Standard Flood Insurance Policies. ICC coverage is one of several resources for flood insurance policyholders that need additional help rebuilding after a flood. It provides up to \$30,000 to help cover the cost of mitigation measures that will reduce flood risk. ICC coverage is part of most standard flood insurance policies available under FEMA's National Flood Insurance Program (NFIP).

REDUCING FUTURE DAMAGE

When a building covered by a standard flood insurance policy suffers a flood loss and is declared to be “substantially damaged” or “repetitively damaged,” ICC will help pay up to \$30,000 to bring the building into compliance with state or community floodplain management laws or ordinances. Usually this means elevating or relocating the building so that it is at or above the Base Flood Elevation (BFE). Non-residential structures may also be flood-proofed. ICC coverage applies only to buildings, and covers only the cost of the compliance measures undertaken. It is filed separately from the normal flood insurance claim.

DETERMINING WHO IS ELIGIBLE

In addition to being insured under the National Flood Insurance Program, the building must meet one of two conditions to be eligible to ICC coverage: it must have been either 1) determined by a local official to be “substantially damaged”; or 2) meet the criteria of a repetitive loss structure.

- **“Substantial damage”** is the determination by the community that damage due to flood has equaled or exceeded 50 percent of the value of the building, and when repaired, it must meet local floodplain management ordinances. If the total damage from flooding is less than 50 percent of the market value of the building, ICC coverage is not available.
- **“Repetitive loss”** means that a building covered by flood insurance incurred flood-related damage two times over a period of 10 years, and that the cost of the repairs was, on the average, at least 25 percent of the market value of the building before the damage occurred each time. This applies only if the community has adopted a repetitive loss provision in the local floodplain management ordinance. A flood insurance claim must have been paid in both cases. The combined damage total must be 50 percent of the pre-damage value of the building, but it need not be evenly distributed. So, if the damage was 35 percent of the value of the building in the first event and 15 percent of the value of the building in the second event, the policyholder would qualify for ICC coverage.

MEETING COMPLIANCE STANDARDS

ICC coverage can help pay for four different types of mitigation activities to bring a building into compliance with the community's floodplain management regulations.

1. **Elevation** is the most common means of reducing a building's flood risk. The process consists of raising the building to or above the Base Flood Elevation. While the National Flood Insurance Program policy requires raising the lowest floor of the building only to the Base Flood Elevation, some states and communities enforce a “freeboard” requirement, which mandates that the building be raised above that elevation to meet the community's flood protection level.
2. **Flood-proofing** applies only to non-residential buildings. For a building to be certified as floodproof it must be watertight below the Base Flood Elevation – the walls must be substantially impermeable to water and designed to resist the stresses imposed by floods. Floodproofing techniques include installation of watertight shields for doors and windows, drainage collection systems, sump pumps, and check valves; reinforcement of walls to withstand floodwater pressures; use of sealants to reduce seepage through and around walls; and anchoring the building to resist flotation, collapse and lateral movement.

3. **Relocation** involves moving the entire building to another location on the same lot, or to another lot, usually outside the floodplain. Relocation can offer the greatest protection from future flooding, but if the new location is still within the Special Flood Hazard Area the building must still comply with all applicable floodplain management regulations.
4. **Demolition** may be necessary in cases where damage is too severe to warrant elevation, floodproofing or relocation; or the building is in such a poor condition that it is not worth the investment to undertake any combination of the above activities. All applicable permits must be obtained before demolishing the building. The property may be redeveloped after demolition is complete, subject to all applicable federal, state and community laws and requirements.

USING ICC IN CONCERT WITH FEMA MITIGATION GRANTS

In some cases, individual policyholders can take advantage of federal grant money to supplement the cost of mitigation activities. Policyholders can assign their ICC benefits to their community and enable the community to file a single claim on behalf of a community mitigation project. FEMA will count the ICC claim monies as non-federal matching funds when applying for mitigation grants, because ICC coverage is a direct contract between the policyholder and the insurer. The community can then use FEMA mitigation grant funds to help pay for any additional portion of the cost of elevation, floodproofing, relocation or demolition that is more than the ICC claim payment.

It is extremely important for policyholders and community officials to work closely together at every stage of this process. Individual participation in a FEMA-funded community mitigation project is voluntary and the community is required to provide mitigation funds to any property owner whose ICC payment was counted towards the matching funds.

HOW TO FILE AN ICC CLAIM

Your ICC claim is adjusted separately from the flood damage claim you file under your Standard Flood Insurance Policy. You can only file an ICC claim if your community determines that your home or business has been substantially damaged or repetitively damaged by a flood. This determination is made when you apply for a building permit to begin repairing your home or business.

If your community does determine that your home or business is substantially or repetitively damaged, a local official will explain the floodplain management ordinance provisions that you will have to meet. You may also want to consult with the local official before you make the final decision about which of the options to pursue. Once your community has made this determination, contact the insurance company or agent who wrote your flood policy to file an ICC claim. Your insurer will assign a claims representative who will help you process your ICC claim. You should start getting estimates from contractors to take the necessary steps to elevate, relocate, flood-proof, or demolish.

HOW YOUR ICC CLAIM PAYMENT IS HANDLED

You may be able to receive a partial payment once the claims representative has a copy of the signed contract for the work, a permit from the community to do the work, and a return of your signed ICC Proof of Loss. If the work is not completed, you must return any partial payment to your insurer.

When the work is completed, local officials will inspect and issue a certificate of occupancy or a confirmation letter. Once you submit this document to your claims representative, your insurer will pay the final installment or full payment.

ICC claims will only be paid on flood-damaged homes and businesses, and can only be used to pay for costs of meeting the floodplain management ordinance in your community.

For more information on ICC coverage, call your insurance company or agent, or call the NFIP at 1-800-427-4661. TDD# 1-800-427-5593.

Additional information is available at www.fema.gov/nfip.