



Increased Cost of Compliance Coverage

The National Flood Insurance Program: Building Smarter and Safer

Increased Cost of Compliance (ICC) coverage is one of several resources available for flood insurance policyholders who 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 a part of most standard flood insurance policies available under the Federal Emergency Management Agency's (FEMA's) National Flood Insurance Program (NFIP).

Reducing Future Damage

ICC coverage provides payment to help cover the cost of mitigation activities that will reduce the risk of future flood damage to a building. When a building covered by a Standard Flood Insurance Policy suffers a flood loss and is declared to be substantially or repetitively damaged, ICC will 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 above the base flood elevation (BFE). Both residential and non-residential structures may be floodproofed. ICC coverage applies solely to buildings and only covers the cost of the compliance measures undertaken. ICC claims are filed separately from normal flood insurance claims.

Determining Who is Eligible

In addition to being insured under the NFIP, a building must meet one of two conditions to be eligible to receive ICC coverage; it must have been either 1) determined 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. When repaired, the building 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 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 and a flood insurance claim was paid in both cases. The combined damage total must be 50 percent of the value of the building before the damage occurred, but it need not be evenly distributed. 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.

FINDING ADDITIONAL POLICYHOLDER INFORMATION

FEMA encourages flood insurance policyholders whose homes are damaged extensively by flood to ask their claims adjusters or insurance agents about ICC coverage.

More information can be found online at:
<http://www.fema.gov/library/viewRecord.do?id=3010>
or by calling your insurance agent.



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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:

- **Elevation** is the most common means of reducing a building's flood risk. The process consists of raising the building to or above the BFE. While NFIP policy only requires the lowest floor of the building to be raised to the BFE, some States and communities enforce a "freeboard" requirement, which mandates that the building be raised above the BFE to meet the community's flood protection level.
- **Floodproofing** applies only to non-residential buildings. For a building to be certified as floodproof, it must be watertight below the BFE – 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.
- **Relocation** involves moving the entire building to another location on the same lot, or to another lot, usually outside the floodplain. Relocation offers protection from future flooding; however, if the new location is still within the Special Flood Hazard Area (SFHA) the building must be NFIP-compliant, meaning it must be elevated or floodproofed (if non-residential).
- **Demolition** may be necessary in cases where damage is too severe to warrant elevation, floodproofing, or relocation; or where the building is in such poor condition that it is not worth the investment to undertake any combination of the above activities. All applicable permits must be obtained prior to 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 greater than the ICC claim payment amount. 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.



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Increased Cost of Compliance (ICC) - Policyholder's Processing Checklist

This checklist will help you understand what must be provided to your flood insurance company or adjuster (Insurer) to be eligible for up to \$30,000 under the Standard Flood Insurance Policy through Increased Cost of Compliance (ICC).



After filing your flood claim:

- The Insurer will provide ICC information and assign a claims adjuster to help begin the ICC process.**
 - Your ICC claim is a separate claim from your direct property loss claim.
- Request a written determination letter from your local building official as to whether your building is “substantially or repetitively damaged” according to local floodplain requirements.**
- Submit the substantial damage determination letter directly to your Insurer.**
 - An ICC representative will verify whether your flood claim is eligible for ICC, and will contact you.
- If your building is “substantially or repetitively damaged”, you may select one or more of the following mitigation activities – demolition, elevation, relocation, or flood-proofing (non-residential building only).**



Once ICC eligibility is verified, you must provide the Insurer with:

- A building permit granted from the local building official for the mitigation activity chosen – demolition, elevation, relocation, or flood-proofing (non-residential building only).**
- A signed contract and estimate from a contractor for the mitigation activity.**
- Your Insurer may agree to advance you a partial payment towards the estimated amount of your mitigation activity.**

To request an advance:

 - Provide the details of your request in a signed statement to the Insurer.
 - Provide a schedule of work to be performed with expected dates, signed by your contractor.
 - Request an ICC proof of loss for the amount you are requesting.



Once your mitigation is complete, you must provide the Insurer with:

- A letter of mitigation compliance from the local building official, or the building occupancy permit. The local building official must revisit and inspect the building.**
- Proof of payment from your contractor for the mitigation activity.**
- If you chose elevation or relocation:**
 - Obtain and provide a NFIP Elevation Certificate completed by a state licensed land surveyor or registered professional engineer.
 - Provide four photographs, one of each side to the exterior of the building.
 - Provide four photographs, one of each side to the interior of any enclosed area below the lowest elevated floor.

Once the Insurer receives this information, a final ICC proof of loss form will be sent which must be signed and returned. Upon receipt, your ICC claim will be submitted for processing and payment.

