FEMA

MITIGATION DIRECTORATE

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 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 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). Non-residential structures may also be floodproofed. ICC coverage applies solely to buildings and only covers 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 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 ten 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, and a flood insurance claim must have been 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. 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.

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.

People can get more information online at http://www.fema.gov/business/nfip/icc.shtm or by calling their insurance agents.

NATIONAL FLOOD INSURANCE PROGRAM

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 can offer the greatest protection from future flooding; however, if the new location is still within the Special Flood Hazard Area the building must still 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 a 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 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.