



## Increased Cost of Compliance Talking Points for Community Officials

### Flood Insurance Provides an Additional Option to Help Fund Rebuilding

- Increased Cost of Compliance (ICC) is an important coverage that is part of the National Flood Insurance Program's (NFIP's) flood insurance policy (Section III, Coverage D of a flood insurance policy).
- ICC coverage provides up to \$30,000 to help policyholders cover the cost of eligible mitigation measures to bring their building (home or business) into compliance with their state or local floodplain management laws or ordinances and reduce the risk of future flood damage. ICC will pay for four different types of mitigation activities: elevating, floodproofing (for non-residential structures), relocating or demolishing. However, any item paid for in the original flood damage claim cannot be duplicated in the ICC payment.
- The ICC limit is in addition to the building coverage for the repair of the actual physical damages from flooding; however, the total claim payments cannot exceed statutory limits (\$250,000 for residential, and \$500,000 for non-residential buildings).

### Determining ICC Eligibility


- Policyholders are eligible for ICC coverage under one of two circumstances; the building must 1) have been either substantially damaged or 2) meet the criteria of a repetitive loss structure.
  - Substantially Damaged (due to flood only): The community determines that the cost to repair or improve the building exceeds the market value by a threshold amount adopted by law or ordinance. Community building officials are responsible for making that determination.
  - Repetitive Loss: The community must have a "repetitive loss" provision in its floodplain management ordinance and determine that the building has been damaged by a flood at least twice over a period of 10 years. The cost of each repair must average 25 percent or more of the pre-flood market value of the building. Because the 25 percent cost is an average, it need not be equally distributed.

### ICC Coverage Can Help Pay for Mitigation Activities

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:

- **Elevating** 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 (BFE) level. While NFIP policy requires only the lowest floor of the building to be raised to the BFE, some states and NFIP communities enforce a "freeboard" requirement, which mandates that the building be raised above the BFE to meet the community's flood protection level.
  - For example, if the BFE for a structure is 4 feet, and the community adopts and enforces a 2 foot freeboard requirement, ICC coverage would help pay to elevate the building 6 feet.



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- **Floodproofing** applies only to non-residential buildings in Zones A. Under NFIP Floodplain Management Regulations, communities that have been approved for residential basement exceptions by FEMA may adopt standards for floodproofed residential basements. These approved communities are the only ones in which ICC payments may be used to floodproof a residential basement. For a building to be certified as floodproof, it must be watertight to a level of 1 foot above the BFE, or to the level of the freeboard requirement (if the community enforces one). Floodproof means that 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.
  - **Relocating** involves moving the entire building to another location on the same property or to another property, usually outside the floodplain. Relocation can offer the greatest protection from future flooding; however, if the new location is still within the high-risk Special Flood Hazard Area (SFHA), the building must still be NFIP-compliant, meaning it must be elevated or floodproofed (if non-residential).
  - **Demolishing** may be necessary in cases where damage is too severe to warrant elevating, floodproofing, or relocating the building; or if the building is in such poor condition that it is not worth the investment to undertake a 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. The property will be subject to all applicable federal, state, and community laws and requirements.

## Leveraging ICC with Federal Grant Money

- 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. The Federal Emergency Management Agency (FEMA) counts 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 elevating, floodproofing, relocating, or demolishing the building that is more than the ICC claim payment.
- 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 toward the matching funds.

## For More Information

- To learn more about ICC coverage and how to apply, visit [fema.gov/national-flood-insurance-program-2/increased-cost-compliance-coverage](https://www.fema.gov/national-flood-insurance-program-2/increased-cost-compliance-coverage).
- For a brochure to provide property owners, visit [fema.gov/media-library/assets/documents/12164](https://www.fema.gov/media-library/assets/documents/12164).