

Increased Cost of Compliance (ICC) Coverage

On June 1, 1997, The National Flood Insurance Program (NFIP) modified the Standard Flood Insurance Policy to include coverage that will help reduce the financial burden of bringing flood damaged buildings into compliance with local floodplain management ordinances. Increased Cost of Compliance (ICC) coverage under the NFIP provides for payment of a claim to help cover the cost to comply with the community floodplain management ordinance after a flood event. When a flood damages an NFIP insured building and the community declares the building to be substantially damaged or repetitively damaged, ICC will help pay for the cost to elevate, floodproof, demolish or relocate the building up to a maximum benefit of \$30,000.

ICC coverage is in addition to the building coverage for the repair of actual physical damages from a flood. It is not an optional coverage. All regular program policies with building coverage under the Standard Flood Insurance Policy issued or renewed on or after June 1, 1997 will include ICC coverage. Buildings located in emergency NFIP communities are excluded from ICC coverage.

Policy rates will increase from \$4.00 to \$75.00 per policy depending on their flood risk zone and amount of coverage as a result of ICC provisions. It is important to remember that all claims paid by the National Flood Insurance Program are drawn from the policy premium base. The NFIP is a self-sustaining program that is designed to have no impact on the federal budget.

The maximum limit of \$30,000 will help ICC insured owners pay for a portion or, in some cases, all of the costs of undertaking actions to protect homes and other insured buildings. The ICC claim payment must be used toward costs of elevating, demolishing, relocating, or floodproofing (non-residential buildings only), the flood damaged building. ICC claim payments are not tied to Presidential Disaster Declarations.

In order for flood damaged structures to be eligible for ICC, the structure must be substantially damaged. A structure is considered to be “substantially damaged” when damage of any origin is sustained by the structure whereby the cost of restoration to its before damaged condition would equal or exceed 50% of the market value of the structure before the damage occurred.

A repetitive loss structure may also be eligible for ICC claims payments if the community has a cumulative substantial damage and/or repetitive loss provision in the community's floodplain management ordinance/resolution. A "repetitive loss structure, for ICC coverage, means a structure covered by a flood insurance policy, that has incurred flood related claims on two occasions during a ten year period ending on the date of the event for which the second claim is made, in which the cost of repairing the flood damage on the average, equals or exceeds 25% of the market value of the structure at the time of each such flood event. Repetitive loss language is not included in the Nebraska Model Ordinance/Resolution. Few communities in Nebraska have this language in their standards now.

Communities are responsible for assessing damages and market values at the times of losses and maintaining comprehensive records. These records are a mandatory part of the claims processing procedures of the NFIP.

Floodplain management ordinances and the enforcement of cumulative substantial damage/repetitive loss structures apply to all structures in special flood hazard areas (not just structures with flood insurance coverage).

Substantial damages and cumulative substantial damage/repetitive losses from causes not flood related may trigger ordinance requirements that will not qualify for ICC claims payments. Structures not insured under NFIP at the time of losses are not eligible for ICC claims payments.

If flood insurance policy holders have questions on ICC, please refer them to their insurance company, agent, or the NFIP at 1(800) 427-4661. If communities have questions on ICC, please call FEMA Region VII at (816) 283-7002 or call the NFIP State Coordinators at the Nebraska Department of Natural Resources at (402) 471-2363.