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Increased Cost of Compliance

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.