
**APPENDIX B: Coverage D—Increased
Cost of Compliance**

STANDARD FLOOD INSURANCE POLICY

Increased Cost of Compliance

COVERAGE D

Increased Cost of Compliance coverage (Coverage D) is for the consequential loss brought on by a floodplain management ordinance or law affecting repair and reconstruction involving elevation, floodproofing (non-residential), relocation, or demolition (or any combination thereof) of a structure, after a direct loss caused by a "flood" as defined by the Standard Flood Insurance Policy (SFIP).

[Floodproofing activities eligible for Coverage D and referred to hereafter in the SFIP are limited to residential structures with basements that satisfy the criteria of 44 CFR 60.6(b) or (c) and to non-residential structures.]

The limit of liability under this Coverage D—Increased Cost of Compliance as of May 1, 2003, the limit will increase to \$30,000. This coverage is only applicable to policies with building coverage (Coverage A) and is in addition to the building limit you selected on your application and appears on the Declarations Page. No separate deductible applies. The maximum amount collectible under this policy for both Coverage A—Building Property and Coverage D—Increased Cost of Compliance, however, cannot exceed the maximum permitted under the act.

Major Topics	See Page
Eligibility	B-2
Conditions	B-3
Exclusions	B-4
Other Provisions	B-5

Eligibility

- a. A structure covered under Coverage A—Building Property sustaining a loss caused by a flood as defined by this policy must:
 - (1) Be a “repetitive loss structure.” A repetitive loss structure is one that meets the following conditions: (a) the structure is covered by a contract for flood insurance issued under the NFIP; (b) the structure has suffered flood damage on two occasions during a 10-year period which ends on the date of the second loss; (c) the cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the structure at the time of each flood loss; and (d) in addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; or
 - (2) Be a structure that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the structure at the time of the flood. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure.
- b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the NFIP found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:
 - (1) a(1) above.
 - (2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged structures in such areas. (This includes compliance activities in B, C, X, or D Zones which are being changed to zones with base flood elevations. This also includes compliance activities in zones where base flood elevations are being increased and a flood-damaged structure must comply with the higher advisory base flood elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D Zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for flood-damaged structures to elevations derived solely by the community.
 - (3) Elevation or floodproofing above the base flood elevation to meet State or local "freeboard" requirements (i.e., that a structure must be elevated above the base flood elevation).

Eligibility

- c. Under the minimum NFIP criteria at 44 CFR 60.3(b)(4), States and communities must require the elevation or floodproofing of structures in unnumbered A Zones to the base flood elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage D.
- d. This coverage will also pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a structure during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion g below.
- e. This coverage will also pay to bring a flood-damaged structure into compliance with State or local floodplain management laws or ordinances even if the structure had received a variance before the present loss from the applicable floodplain management requirements.

Conditions

The following conditions must be met to ensure ICC coverage:

- a. When a structure covered under Coverage A—Building Property sustains a loss caused by a flood, our payment for the loss under this Coverage D will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our payment for eligible demolition activities will be for the cost to demolish and clear the site of the building debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities.
- b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws.

Exclusions

Under this Coverage D—Increased Cost of Compliance, we will not pay for:

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.
- b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of pollutants.
- c. The loss in value to any insured building or other structure due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any increased cost of compliance under this Coverage D:
 - (1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and
 - (2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years.
- f. Any code upgrade requirements (e.g., plumbing or electrical wiring) not specifically related to the State or local floodplain management law or ordinance.
- g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the NFIP's minimum requirements. This includes any situation where you have received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation.
- j. Increased cost of compliance for a garage or carport.
- k. Any structure insured under an NFIP Group Flood Insurance Policy.
- l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws.

Appendix B: Coverage D—Increased Cost of Compliance

Other Provisions

The following other provisions apply to ICC coverage:

- a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the 80 percent insurance-to-value requirement for replacement cost coverage.
- b. All other conditions and provisions of this policy apply.