
SECTION 1: Introduction to ICC

**SECTION 1
Overview**

Section 1 reviews the organization of this manual and provides tips for easy usage. This section provides background on the National Flood Insurance Program (NFIP) and defines key concepts and terms that are integral to Increased Cost of Compliance (ICC) coverage. The information in this section is a valuable reference when reading other portions of this manual.

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**Purpose of
This Manual**

The purpose of this manual is to provide guidance to local officials on ICC coverage under the NFIP and how it relates to your community’s administration of floodplain management laws or ordinances. The manual is designed to serve as a quick-reference tool for local officials to consult when specific questions arise regarding ICC coverage.

This manual will discuss:

- How buildings insured under the NFIP will benefit from ICC coverage.
- How the coverage relates to community administration of the local floodplain management laws and ordinances.
- The types of mitigation measures allowed under ICC.
- The types of technical assistance available to State and local officials to help in the implementation of their floodplain management programs.

Organization

To help you find the information you need, primary topics are printed in the left-hand margin of each page, while simple, clear explanations are printed on the right-hand side.



In certain places, after a specific point of information is conveyed, you will see this icon and a “Tip” that directs you to a discussion of larger context or finer detail elsewhere in this guidance.



This icon indicates a reference to a publication or other document that may help you gain a better understanding of a particular topic.



This icon is used to indicate that supplemental material related to the current topic can be found in the Community Tool Kit (Appendix C of this guidance).

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Contents

The information covered in each section of this manual is described below.

Section	Contents
Section 1: Introduction to ICC	This section begins by explaining how the manual is organized. Next, there is a review of the legislative background and programmatic context of ICC. Key concepts and terms that are useful in understanding ICC coverage are defined.
Section 2: ICC Coverage	Section 2 defines ICC coverage, outlines what kinds of structures are covered, and describes circumstances that are excluded from ICC coverage.
Section 3: The Claims Process	After briefly describing the sequence of adjusting an ICC claim, Section 3 further explains the process by delineating the responsibilities of each party involved.
Section 4: The Community's Role	Section 4 outlines the roles and responsibilities of community officials in the ICC process.
Section 5: Eligible Mitigation Measures	Section 5 describes each of the mitigation measures that are eligible under ICC, examines the requirements related to those measures, and explains how ICC payments can be packaged with other FEMA-funded programs to implement flood mitigation measures.
Appendix A: Acronyms	This appendix contains a list of acronyms that are frequently used in this guidance.
Appendix B: Coverage D— Increased Cost of Compliance	This appendix contains the coverage terms for ICC that are included in a Standard Flood Insurance Policy (SFIP).
Appendix C: Community Tool Kit	This appendix contains a valuable checklist for ICC coverage and a variety of administrative and promotional communications for community use.
Appendix D: Resources	This appendix explains how to obtain publications covering the NFIP, floodplain management, mitigation and retrofitting techniques, mitigation planning, and other flood-related subjects. It also describes some of the courses available for those who would like additional training on these topics.
Appendix E: HMGP, PDM, and FMA Program Descriptions	This appendix describes the Hazard Mitigation Grant Program (HMGP), the Pre-Disaster Mitigation (PDM) program, and the Flood Mitigation Assistance (FMA) program and answers some frequently asked questions about each.
Appendix F: FEMA Regional Offices and NFIP State Coordinating Offices	This appendix provides contact information for the FEMA Regional Offices and the NFIP State Coordinating Offices.

ICC Coverage

Increased Cost of Compliance coverage provides for the payment of a claim for the cost to comply with State or community floodplain management laws or ordinances after a direct physical loss by flood. When a building covered by a Standard Flood Insurance Policy under the NFIP sustains a flood loss and the State or community declares the building to be substantially or repetitively damaged, ICC will help pay up to \$30,000 for the cost to elevate, floodproof, demolish, or relocate the building.

ICC coverage is available on residential and non-residential buildings (this category includes public or government buildings, such as schools, libraries, and municipal buildings) insured under the NFIP.

ICC does not place additional floodplain management regulatory requirements on States or communities. In addition, ICC utilizes the existing processes in place in States and communities responsible for administering their floodplain management ordinances or laws.

**Legislation
That Created
ICC Coverage**

The NFIP was changed by the National Flood Insurance Reform Act of 1994. This law created many tools to increase the effectiveness of the NFIP, one of which is ICC. In addition to ICC, other tools include provisions for increasing lender compliance, increasing flood insurance coverage limits, and establishing a mitigation assistance program.



Tip: For more information, refer to the NFIP Web site at www.fema.gov/nfip.

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Effective Flood Mitigation

Effective flood mitigation is the result of four critical elements: public education, sound planning, safe building practices, and compliance with local codes and ordinances. Achieving each of these four elements presents challenges for all communities. One common challenge for owners of severely or repeatedly flood-damaged structures is paying the cost of bringing their buildings into compliance with local floodplain management requirements.

Whether your community has recurrent or occasional flooding, local officials and community leaders need to be knowledgeable of how and when ICC coverage is provided, what mitigation resources and measures are included under this coverage, what actions communities must take when an ICC claim is made, and what other actions communities should consider undertaking to make maximum use of other mitigation opportunities. Knowledge and understanding of the following issues will help your community become better prepared to respond to the opportunities provided by this mitigation resource in the post-flood recovery and reconstruction period:

- Where your community's flood hazard areas are located and the risk that these areas may pose to life and property.
- How many flood insurance policies are in force in your community that may be eligible for ICC coverage.
- How ICC coverage on buildings in your community relates to your community's current floodplain management laws or ordinances on substantially damaged or repetitively damaged buildings.
- How ICC coverage relates to your community's overall post-flood reconstruction goals, mitigation plans, or comprehensive plans.
- How payments under ICC coverage can be used in conjunction with other FEMA-funded programs that may become available in the post-flood recovery to achieve long-term mitigation goals.

**Key Concepts
of ICC
Coverage**

Most floodprone buildings that pre-date the existence of the NFIP or the community's participation in the NFIP were built in floodplains by individuals who did not have sufficient knowledge of the hazard to make informed decisions. Because of their exposure to and risk of flooding, many of these existing buildings will likely be repetitively or substantially damaged during their lifetimes. Mitigation actions taken to protect these buildings can significantly reduce the vulnerability of homes and businesses in your community to flooding.

An ICC claim payment provides a financial resource directly to property owners who have flood insurance. The ICC claim payment, up to \$30,000, must be used toward the costs of undertaking a mitigation measure required to comply with local and State floodplain management requirements. ICC claim payments will be made whether or not there is a Presidential declaration of a major disaster or emergency.

The key concepts of ICC coverage are presented below.

**Community
NFIP
Participation**

In order to participate in the NFIP, a local community assures the Federal Government that it will adopt and enforce a floodplain management ordinance to reduce future flood risks to new and substantially improved structures in Special Flood Hazard Areas (SFHAs).

In exchange, the Federal Government makes flood insurance available within the community as a financial protection against flood losses.



Tip: See definition of “community” on page 1-8.

**Floodplain
Management**

Floodplain management ordinances within the SFHA are designed to:

- Prevent new development from increasing the flood threat.
- Protect new buildings and buildings built prior to Flood Insurance Rate Maps (referred to as Pre-FIRM buildings) from anticipated flood events.
- Protect buildings that are being substantially improved or being repaired as a result of being substantially damaged in a disaster.

In the local floodplain management ordinance, a participating community in the NFIP must require permits for all development in the SFHA and ensure that construction materials and methods will minimize future flood damages. FEMA publishes maps designating SFHAs and the degree of risk in those areas.

**Substantial
Damage
Requirement**

A building is eligible for an ICC payment when a community official determines that the building is substantially damaged as a result of a flood and that, when repaired, it must meet local floodplain management ordinance requirements. A floodplain management ordinance requires that a substantially damaged building be elevated to or above the level of the base flood elevation (BFE).



Tip: Communities may contact their NFIP State Coordinating Office or FEMA Regional Office for assistance. Contact information is provided in Appendix F.

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As defined in 44 CFR 59.1 of the NFIP Floodplain Management Regulations, a structure is considered to be **substantially damaged** when:

“ . . . damage of any origin [is] sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.”

The NFIP defines all substantially damaged buildings as “substantial improvements” and requires that they meet the same general NFIP requirements as new construction. This means that residential buildings must be elevated to or above the level of the BFE. Non-residential buildings may be elevated or floodproofed to or above the BFE.

Repetitive Loss Requirement

A building is eligible for an ICC claim payment if the community determines it to be a repetitive loss structure that must comply with State or community floodplain management laws or ordinances.

Under the National Flood Insurance Reform Act, a **repetitive loss structure** is:

“ . . . a building covered by a contract for flood insurance that has incurred flood-related damages on two occasions during a 10-year period ending on the date of the event for which a second claim is made, in which the cost of repairing the flood damage, on the average, equaled or exceeded 25 percent of the market value of the building at the time of each such flood event.”

Complying With the NFIP

The owner of an existing building can bring it into compliance with the local floodplain management ordinance by elevating the structure, relocating the structure to another location, or demolishing it. Or, if it is a non-residential structure, the owner may be able to floodproof the building. ICC benefits can help pay for any of these ways to comply with the local floodplain management ordinance.

ICC Claim Roles

The key roles assumed when applying for ICC coverage are summarized below.

Key Roles Assumed Within the ICC Claims Process*		
Policyholder	Adjuster/ Claims Representative	Building Department/ Floodplain Administrator
1. Report flood loss to insurer.	2. Estimate flood damage and tell policyholder he/she may be eligible for ICC benefits.	3. Determine building “substantially damaged” or a “repetitive loss.” Provide written determination to policyholder. Discuss mitigation options that will comply with floodplain regulations. Issue necessary building permits for mitigation measures.
4. Provide the building department’s or local floodplain administrator’s written determination of substantial damage or repetitive loss to the adjuster.	5. Set up an ICC claims file: <ul style="list-style-type: none"> ▪ Obtain damage and market value information on structure. For a repetitive loss structure, get previous claim information. ▪ Verify that the flood-related damage for the current building claim supports community information. 	
6. Obtain a signed contract that details costs to perform the mitigation activity and give it to the claims representative.	7. Provide Proof of Loss form to the policyholder.	
8. Provide Proof of Loss and copy of community permit(s) to the insurance company in order to receive the first portion of the ICC claim money.	9. Provide an initial ICC claim payment to the policyholder.	
10. Complete the mitigation measure.		11. Inspect completed mitigation work and issue a Certificate of Occupancy or Compliance or other written evidence that the work is compliant with floodplain management ordinance.
12. Provide a copy of Certificate of Occupancy or Compliance to the insurer.	13. Make final ICC claim payment upon receipt of Certificate of Occupancy or Compliance.	

* **Note:** Sequence of events may vary.

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ICC Definitions

This topic defines terms that are used in this publication.



Tip: You may find it useful to refer back to these definitions as you read the rest of the manual.

A Zones

A Zones are areas within the Special Flood Hazard Area identified on FIRMs with one of the following designations: AE, A1–A30, AO, AH, or A. These areas include:

- Riverine floodplains.
- Lacustrine (lake) floodplains.
- Coastal floodplains landward of V Zones.

Base Flood

A **base flood** is a flood having a 1 percent chance of being equaled or exceeded in any given year.

Building

A **building** is defined as a structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site; a manufactured home; or a travel trailer without wheels, built on a chassis and affixed to a permanent foundation that is regulated under the community's floodplain management and building ordinances or laws.

"Building" does not mean gas or liquid storage tank or recreational vehicle, park trailer, or other similar vehicles, except as described above.

Under the Standard Flood Insurance Policy, only buildings and their contents have coverage. Land, land values, lawns, trees, shrubs, plants, and growing crops are not covered. In addition, items such as portions of walks, walkways, decks, driveways, patios, and other surfaces located outside the perimeter exterior walls of the insured building or unit are not covered.

Community

A **community** is a governmental body with the statutory authority to enact and enforce zoning, building codes, subdivision, and other land use control measures. The authority of each unit of government varies by State. Eligible communities can include:

- Cities
- Villages
- Towns
- Townships
- Counties
- Parishes
- States
- Native American tribes and Alaskan villages

**Community
Rating
System**

FEMA's **Community Rating System (CRS)** provides reduced premiums on flood insurance to encourage community activities that reduce flood damage. Flood insurance rate reductions in communities are based on their CRS classification. This system rewards those communities that participate in floodplain management activities that exceed the minimum NFIP requirements. A community's CRS class is based on the number of credit points calculated for various activities undertaken that reduce flood losses, facilitate accurate insurance rating, and promote the awareness of flood hazards and flood insurance. One of the activities that CRS credits is the adoption of higher regulatory standards. Under this activity, a community can receive credit if it adopts and enforces a cumulative substantial damage or cumulative substantial improvement provision or a repetitive loss provision. To obtain additional information on the CRS, call (317) 848-2898 or write NFIP/CRS, PO Box 501016, Indianapolis, IN 46250-1016.

Flood

A **flood** is defined as "a general and temporary condition of partial or complete inundation of 2 or more acres of normally dry land area or two or more properties from overflow of inland or tidal waters; unusual and rapid accumulation or runoff of surface water from any source; mudflow; or a collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above."

(This definition is from the NFIP Standard Flood Insurance Policy and may differ from the definition in your local floodplain ordinance.)

Floodway

A **floodway** is the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height. This area is considered even higher risk than the balance of the riverine floodplain because it often is associated with high-velocity flows and debris impact.

**Historic
Structure**

A **historic structure** means any structure that is:

- Listed individually in the National Register of Historic Places (a listing maintained by the Department of the Interior) or preliminarily determined by the Secretary of the Interior as meeting the requirements for individual listing on the National Register;
- Certified or preliminarily determined by the Secretary of the Interior as contributing to the historical significance of a registered historic district or a district preliminarily determined by the Secretary to qualify as a registered historic district;
- Listed individually on a State inventory of historic places in States with historic preservation programs which have been approved by the Secretary of the Interior; or
- Listed individually on a local inventory of historic places in communities with historic preservation programs that have been certified either:
 - By an approved State program as determined by the Secretary of the Interior, or
 - Directly by the Secretary of the Interior in States without approved programs.

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NFIP Emergency Program	<p>The NFIP Emergency Program provides a first-layer amount of insurance at subsidized rates on all insurable buildings that existed before the effective date of the initial FIRM. A community can begin participation in the NFIP under the Emergency Program before its flood hazards have been identified or when an approximate study, or Flood Hazard Boundary Map (FHBM), has been provided to the community.</p>
NFIP Regular Program	<p>The NFIP Regular Program phase of a community's NFIP participation is when more comprehensive floodplain management requirements are imposed and higher amounts of flood insurance are available based on risk zones and elevations determined in a flood insurance study. The Flood Insurance Rate Map is the map used in this phase of the NFIP.</p> <p>To encourage community participation in the NFIP and the purchase of flood insurance by individuals, insurance premiums for buildings constructed prior to the issuance of a FIRM (referred to as Pre-FIRM) are subsidized. Buildings constructed after the date of the FIRM (referred to as Post-FIRM) are rated actuarially for flood insurance.</p>
Post-FIRM Building	<p>A Post-FIRM building is a building for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map, whichever is later.</p>
Repetitive Loss Structure	<p>Under the National Flood Insurance Reform Act, a repetitive loss structure is:</p> <p>“. . . a building covered by a contract for flood insurance that has incurred flood-related damages on two occasions during a 10-year period ending on the date of the event for which a second claim is made, in which the cost of repairing the flood damage, on the average, equaled or exceeded 25 percent of the market value of the building at the time of each such flood event.”</p>
SFHA and Flood Mapping	<p>FEMA publishes maps designating Special Flood Hazard Areas and the degree of risk in those areas. These maps, known as Flood Insurance Rate Maps or Flood Hazard Boundary Maps, identify each SFHA in each community.</p> <p>The limits of the SFHA are based on the area inundated during the base flood (a flood having a 1 percent chance of being equaled or exceeded in any given year; also referred to as a 100-year flood). FEMA uses commonly accepted computer models that estimate both hydrologic and hydraulic conditions to determine the base flood elevation. The BFE is a critical measurement in siting structures above potential flood levels. Floodplain areas within the SFHA are mapped either as A Zones or V Zones.</p>
Substantial Damage	<p>As defined in 44 CFR 59.1 of the NFIP Floodplain Management Regulations, a structure is considered to be substantially damaged when:</p> <p>“. . . damage of any origin [is] sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.”</p>

V Zones

V Zones are areas identified on FIRMs as Zones VE, V1–V30, or V. These areas, also known as Coastal High Hazard Areas, are mapped along the Nation’s coastlines. V Zones, known for their high-velocity flows, breaking waves, and water-borne debris, present a special challenge for flood damage reduction. Properties located in V Zones are highly desirable because of their proximity to water. One NFIP goal is to ensure that new development does not impact natural protective features such as frontal sand dunes and mangrove stands. NFIP regulations contain specific elevation and structural performance requirements for buildings constructed in V Zones.