



National Flood Insurance Program

# Answers to Frequently Asked Questions About Increased Cost of Compliance

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# ANSWERS TO FREQUENTLY ASKED QUESTIONS ABOUT INCREASED COST OF COMPLIANCE

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# ANSWERS TO FREQUENTLY ASKED QUESTIONS ABOUT INCREASED COST OF COMPLIANCE

## INTRODUCTION

Increased Cost of Compliance (ICC) coverage provides a claim payment for the cost to comply with State or community floodplain management laws or ordinances after a direct loss by flood. When a building insured by a Standard Flood Insurance Policy (SFIP) under the National Flood Insurance Program (NFIP) sustains a flood loss and the community declares the building to be substantially or repetitively damaged, ICC coverage helps pay up to \$30,000 for the cost to elevate, floodproof (nonresidential only), 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's flood insurance policy.

This document presents answers to frequently asked questions about ICC. The table below presents commonly used acronyms related to ICC as a ready reference for the reader.

### Acronyms Used in this Document

Acronym	Definition
BFE	Base Flood Elevation
FEMA	Federal Emergency Management Agency
FIRM	Flood Insurance Rate Map
HMA	Hazard Mitigation Assistance
ICC	Increased Cost of Compliance
NFIP	National Flood Insurance Program
SFHA	Special Flood Hazard Area
SFIP	Standard Flood Insurance Policy

## BASIC HOMEOWNER QUESTIONS ABOUT ICC

This section helps property owners who have NFIP flood insurance policies understand the basics about ICC coverage that is included in most policies. It also provides helpful information for policyholders to file an ICC claim after their building experiences damages caused by flooding.

### 1. What is ICC coverage?

Increased Cost of Compliance (ICC) is flood insurance coverage that is a part of most SFIPs. It provides up to \$30,000 to help pay the costs of repairing a flood-damaged building to meet local floodplain requirements in areas known as Special Flood Hazard Areas (SFHAs). ICC coverage is in addition to the coverage for the repair of the building's actual physical damage caused by flooding.

The maximum combined amount payable for both the ICC claim and the direct loss claim cannot be greater than the maximum limits of coverage for the type of building. The

ICC coverage limit of \$30,000 is designed to help the insured pay the costs to elevate, demolish, relocate, or floodproof (non-residential structures) the flood-damaged building to meet the requirements of the local codes and floodplain ordinances.

## 2. How do I qualify for ICC coverage?

ICC coverage can be used to elevate, relocate, demolish, or dry floodproof (non-residential buildings) after a flood, provided all of the following apply:

- ▶ The building is located in a SFHA;
- ▶ The building is insured by an NFIP SFIP;
- ▶ A community building official determines, based on the local floodplain law, that the building is substantially or repetitively damaged and must be rebuilt to standards to reduce future flood damages; and
- ▶ ICC only pays for flood-related damage, which equals to at least 50 percent of the pre-flood market value of the home.

ICC coverage is available in two scenarios, when the building is determined by the community building official to be substantially damaged or repetitively damaged.

## 3. What is considered a SFHA?

The Federal Emergency Management Agency (FEMA) publishes maps designating SFHAs and the degree of flood risk in those areas. These maps, known as Flood Insurance Rate Maps (FIRMs) or Flood Hazard Boundary Maps, identify SFHAs in each community. SFHA limits 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). The Base Flood Elevation (BFE) is a critical measurement in building structures above potential flood risks. Maps show floodplain areas within the SFHA as A Zones or V Zones.

**A Zones** are areas within the SFHA identified on FIRMs with one of the following designations: AE, A1–A30, AO, AH, or A. These areas include: riverine floodplains; lacustrine (lake) floodplains; and coastal floodplains landward of 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.

## Did You Know?

In addition to A and V Zones, B, C, X, and D Zones are shown on a FIRM. Although these Zones are not considered an SFHA, ICC is available if the community requires the homeowner to undertake a mitigation action, such as elevation, demolition, relocation, or floodproofing (nonresidential). The community must be regulating these areas as floodplains, based on advisory or preliminary BFEs provided by FEMA. ICC is available if the community can document they are regulating the area under their local floodplain management ordinance.

### 4. Is ICC available for insured buildings in SFHAs that do not show a BFE?

Yes, only when local floodplain regulations require an elevation height for the building, the ICC claims can be paid for eligible mitigation activities. When a community's FIRM shows an SFHA but no BFEs, the local floodplain community officials should obtain, review, and establish flood elevations by using other sources. Often when flood elevation information is not available, some communities calculate an estimated flood elevation or specify how high above grade a building must be elevated.

### 5. What is substantial damage?

When a community joins the NFIP, it assures the Federal Government that it will adopt and enforce floodplain management laws designed to reduce flood risk. These requirements apply to new construction and structures that meet the definition of substantially damaged or substantially improved buildings located in the floodplain.

As adopted in the local floodplain ordinance, substantial damaged means *"damage of any origin 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 damages occurred."*

### 6. What is a repetitively damaged structure?

ICC claims can also be paid when buildings are determined by the community building official to be *repetitively damaged* or a *repetitive loss* structure according to the local floodplain management laws. The community must adopt and uniformly enforce a repetitive loss provision or a cumulative substantial damage provision in its floodplain management laws or regulations. These provisions require the repair of repetitive loss structures to meet the floodplain requirements. For ICC eligibility, a repetitive loss structure must meet all of the following:

- ▶ It must be covered by an NFIP flood insurance policy;
- ▶ It must have suffered flood damage on at least two occasions during a 10-year period ending on the day of the second loss;
- ▶ The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each of the two flood losses, or cumulatively total 50 percent of the pre-flood market value, as defined by the local floodplain ordinance; and

- ▶ In addition to the claim requesting ICC, the NFIP must have paid a previous qualifying claim.

## 7. After my home is damaged by flooding, what should I do to file an ICC claim?

1. Contact your insurance carrier to let him or her know damage caused by flooding occurred. The insurance carrier will assign a claims adjuster to work with you to file the claim.
2. Document the damage **before** starting to clean up, including photographs and/or videos, to show the extent of building damage and building contents (if that coverage was purchased).
3. Confirm with the community building official whether your home is substantially damaged or your home has been repetitively damaged.

### Did You Know?

The community building official must verify the extent of damage and costs to repair the building to pre-damage condition. The community building department will determine the rebuilding requirements, and these requirements will be a condition of the building permit. The community building official must also provide a written determination that your home is substantially or repetitively damaged, and this letter must be submitted to your insurance carrier.

4. You have 60 days from receipt of the letter to submit an ICC Proof of Loss that your insurance carrier provides to you. The insurance carrier will verify that you are eligible for ICC coverage and you will be assigned a separate adjuster to help complete the ICC claims process so you can start repairing the structure.

**Note:** Your ICC claim will be adjusted separately from the flood damage claim you file under your SFIP. For more information on filing a claim under your SFIP, visit <https://www.fema.gov/media-library/assets/documents/6659>.

## 8. What does it mean to repair my home to conform to the local floodplain laws or requirements?

Communities participating in the NFIP adopt and enforce regulations that govern development in SFHAs. Check with your community's permitting office or floodplain manager for specific requirements. In general, the requirements include:

- ▶ How high the top of a building's lowest floor must be elevated relative to how high floodwater is expected to rise;
- ▶ How enclosed areas under elevated buildings allow flood waters to enter and exit by having adequate openings as required by floodplain requirements. Typically these lower (flood prone) areas must be used only for parking of vehicles, storage, and building access;



- ▶ What type of flood resistant materials that must be used below the BFE;
- ▶ How mechanical, plumbing, gas, and electrical systems must be installed or elevated to ensure they are protected from future damage; and
- ▶ In coastal high hazard areas (Zone V), the type of foundation allowed (pilings or columns) and a specification that the area under elevated buildings must be free of obstructions.

## 9. What if my building before the flood was already built to meet local flood standards? Can ICC help me to rebuild?

Yes, if there has been an increase in the required flood elevations the community has adopted since the time the building was constructed. An ICC claim will be paid to elevate to the new required base flood elevation or the community's adopted additional elevation requirement, referred to as freeboard in the local ordinance.

However, if a building that is currently in compliance with the community floodplain management requirements and does not require additional elevation height, ICC is not available for a claims payment since it already met requirements of the local floodplain management ordinance. The purpose of ICC is to help policyholders comply with State or local floodplain management requirements. The general flood insurance claim for repair of direct physical damages will pay the cost to repair the building to its pre-damaged condition.

## 10. What mitigation activities are covered by ICC?

There are four mitigation activities that are eligible, including:

- ▶ **Elevation** is when a building is raised so that the top of its lowest floor is at or above the required elevation height that provides protection from the next flood. The new or raised foundation must comply with the community's floodplain management requirements.
- ▶ **Relocation** is when a building is moved to another location on the lot or to a new parcel of land, preferably on higher ground outside of the SFHA. The relocation portion of this activity is ICC-eligible; for example, preparing new sites and building new foundations, moving buildings, attaching buildings to new foundations, connecting utility service, removing and disposing of old foundations, proper termination or abandonment of on-site utilities, and restoring the vacated sites.

### Did You Know?

Some of the ICC-eligible costs include the costs of disconnecting utilities and detaching buildings from existing foundations, filling in below-grade areas (basements), constructing new or raised foundations, attaching buildings to new foundations, and the costs of extending and reconnecting utility service.

- ▶ **Demolition** is when a building is demolished, usually as a result of being so severely damaged that other mitigation activities are not feasible. The demolition of the building, removal of concrete slab foundation, abandonment and filling in a basement, clearing building debris, proper abandonment of on-site utilities, and

site stabilization are some examples of the ICC-eligible costs.

### Did You Know?

Some typical work associated with demolition may not be included, such as removal of detached accessory structures, removal of walkways and driveways, and removal of trash from yards.

- ▶ **Floodproofing** is when a building is retrofitted to reduce the potential for flood damage by keeping floodwater out of the building. ICC coverage pays for floodproofing for non-residential buildings. For additional information on floodproofing considerations, refer to FEMA Publication 301, Increased Cost of Compliance: Guidance for State and Local Officials. The floodproofing technique must be certified by a Professional Engineer.

### Did You Know?

Examples of this dry floodproofing option include installing watertight shields, applying membranes or sealants, reinforcing walls to withstand floodwater pressures, and installing drainage collection systems.

## 11. If my community requires I elevate higher than required by the flood elevation, will those costs be eligible for ICC?

Yes. If a community's floodplain ordinance requires buildings to be elevated or floodproofed higher than the flood elevation indicated on the local flood map, the costs associated with elevating to the required elevation are eligible for ICC. This standard is typically called "freeboard," and is a higher building elevation requirement that is adopted into local law to further reduce damage from future flooding.

## 12. Will an ICC claim be paid for a combination of mitigation activities?

Yes. ICC coverage allows for a claim payment for the cost of demolition or relocation at the same or another site within the flood hazard area. ICC also covers the cost to clear the site of the building. Eligible activities for the cost of clearing the site include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities.

ICC also covers an incremental cost to elevate or floodproof (non-residential buildings only) the replacement structure. The elevation or floodproofing (non-residential buildings only) must comply with State or community floodplain management laws or ordinances.

The ICC claim payment is limited to the combined costs of demolition or relocation and the costs associated with the elevation or floodproofing (non-residential buildings only) of the replacement building at the same or another site in the SFHA, not to exceed \$30,000.

## 13. How long do I have to complete my mitigation activity?

Your mitigation activity must be completed no later than six years after the date of flood loss. If the work does not pass final inspection before the deadline, the homeowner can request from the insurance carrier a waiver of the date of completion, but must provide documentation as to the reasons such waiver should be granted.

#### 14. How can my community building official help me with my ICC claim?

Community building officials have specific responsibilities when buildings in a floodplain are damaged. Substantially damaged or repetitively damaged determinations or assessments must be made by the community building official for all damaged buildings, not just those with NFIP flood insurance policies. All assessments must be issued in writing and must specify flooding caused the damage. It is important that you get this determination in writing to trigger your ICC claim.

In addition, community building officials:

- ▶ Talk with property owners about mitigation activities that can bring their buildings into compliance with the floodplain requirements and ways to reduce future flood damage, and potentially be eligible for ICC;
- ▶ Issue permits after property owners submit applications to undertake repairs and selected mitigation activities;
- ▶ Conduct inspections and when work is completed, issue certificates of occupancy or other written documentation of completion; and
- ▶ Provide additional documentation as requested by ICC claims adjusters, which may include copies of floodplain management laws and ordinances and determinations of BFEs in flood zones without BFEs.

#### 15. How and when is my ICC claim paid?

Your ICC claim payment is paid directly to you and any mortgagee after the insurance carrier and claims adjusters have determined eligibility and other conditions are satisfied.

Insurance companies may distribute ICC claims in two payments:

- ▶ The initial payment, no more than half of the eligible amount, may be made after you submit to the insurance carrier a completed and signed Proof of Loss form, the community's written substantial damage determination, a building permit, and a contract for the eligible mitigation work that specifies anticipated start and completion dates; and
- ▶ The second and final ICC payment when the mitigation work is completed and the community has issued a Certificate of Occupancy or other written documentation of completion. A FEMA Elevation Certificate is required when buildings are elevated and a Certification of Dry Floodproofing is required for floodproofing projects.

You need to check with your insurance carrier to see if you are able to get a partial payment to help you start work.

#### 16. Where can I find more information on ICC?

For more information about the ICC claim process, visit [www.FEMA.gov/Increased-Cost-Compliance-Coverage](http://www.FEMA.gov/Increased-Cost-Compliance-Coverage), contact your insurance agent, or contact your State NFIP Coordinator (<http://www.floods.org/>).

## WHAT COMMUNITY BUILDING OFFICIALS CAN DO TO HELP HOMEOWNERS WITH INCREASED COST OF COMPLIANCE (ICC)

ICC claim payments are made whether or not there has been a Presidential disaster declaration. Therefore, even for smaller floods, financial assistance is still provided to insured property owners in communities to help mitigate future flood losses.

This section provides guidance on what factors community building officials should consider to help community members receive an ICC claim payment. This section describes how ICC relates to the community administration of floodplain management laws or ordinances and other mitigation programs following a flood event, when community building officials can help expedite the filing of the ICC claim.

### 17. What must a community do when they join the NFIP, which is required regardless of property owners submitting ICC claims?

To participate in the NFIP, communities must, at a minimum, regulate all development in the designated SFHA in accordance with the NFIP criteria and any applicable State and community floodplain management laws. These requirements apply regardless of whether a person has an NFIP policy and is making an ICC claim. The local floodplain management administrator is responsible for the enforcement of the local floodplain management ordinance.

To ensure NFIP compliance, some activities community building officials must administer include:

- ▶ Ensure that building work is not initiated without proper permits and that completed work is compliant with local floodplain management requirements;
- ▶ Require a floodplain development permit before any development or construction proceeds in the designated SFHAs of the community, including buildings that will be elevated or floodproofed under a claim for ICC;
- ▶ Ensure that the minimum NFIP requirements in the community's ordinances are met for development in the SFHA before issuing permits. This includes determining if buildings meet the substantial damage, substantial improvement, or repetitive damage provisions of the local floodplain ordinance; and
- ▶ Review proposed development to ensure that all applicable Federal, State, or local permits are obtained before construction begins on the selected mitigation measures to existing structures or on new construction.

### 18. What steps should a community building official take to help a citizen apply for ICC?

There are five steps a community building official should take in helping citizens apply for ICC.

**STEP 1: Determine if the building is substantially damaged or repetitively damaged according to the local floodplain management ordinance.**

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Making substantial damage determinations is one of the most important responsibilities of the local floodplain administrator in the immediate period following a flood disaster. The local floodplain administrator or the community building official must determine whether any damage to a building (not just flood damages) equals or exceeds 50 percent of its pre-flood market value.

Local floodplain administrators must ensure that market value estimates are reasonably accurate and that the cost estimate reasonably reflects the actual costs to fully repair the damage and make any other improvements to the building.

**STEP 2: Inform the owner by letter if the building meets the substantial damage requirements.**

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A substantial damage determination letter or other written notification should have a consistent format—

**Remember, in the local floodplain ordinance**

**“substantially damaged” means:**

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

advising the owner that the building is substantially damaged and must meet the requirements of the community’s floodplain management ordinance. Along with the damage determination, the local floodplain administrator should remind the owner that ICC coverage could help offset repair costs.

**Working with Property Owners to Choose a Mitigation Activity**

Once a substantially or repetitively damaged determination has been made, the local floodplain administrator can ensure code compliance by educating property owners about safe building practices and community standards. Local building officials should encourage building in a way that reduces future flood damages. Property owners often must choose among mitigation solutions that are compliant with codes and floodplain ordinances. These options include:

- ▶ Elevating;
- ▶ Relocating; or
- ▶ Demolishing the structure.

If damaged structure is non-residential, floodproofing may be another option.

If a structure is substantially damaged, the community building official should offer to discuss mitigation options when repairing the structure. For structures that are not substantially damaged, floodplain development or building permits are still required for repair activities in the floodplain.

*Sample Notices of Determination for “substantial damage” and “no substantial damage” appear in FEMA Publication 301, Increased Cost of Compliance: Guidance for State and Local Officials, Appendix C, Community Tool Kit.*

**STEP 3: Issue required permits for the mitigation activity.**

To participate in the NFIP, communities must, at a minimum, regulate all development in the designated SFHA in accordance with the NFIP criteria and any applicable State and community floodplain management laws. To do this, communities must require a floodplain development permit before any construction begins in the designated SFHAs. This includes buildings where a mitigation activity will be applied under a claim for ICC. Before the permit is issued, the community building official must identify the minimum NFIP requirements required and note these requirements on the permit for development in the SFHA. For structures that are not substantially damaged, floodplain development or building permits are still required for rebuilding activities in the floodplain. The table below presents the type of permits required for floodplain development.

**Types of Permits Required for Floodplain Development**

Permit	Requirements
<b>Floodplain Development Permit</b>	<p>Before work begins, this permit is required for any development or construction within the SFHA.</p> <p>Before a structure is <u>elevated</u> or <u>floodproofed</u>, a permit stating the elevation standard is required. (See Appendix C of FEMA Publication 301, Increased Cost of Compliance: Guidance for State and Local Officials, for sample elevation and floodproofing certificates). The elevation standard is the BFE plus any applicable freeboard elevation required by the State’s or community’s floodplain management laws or regulations.</p> <p>A floodplain development permit is also required before a structure is <u>demolished</u> or <u>relocated</u> to a site outside the SFHA. The permit ensures that the existing site where the building is being demolished or from which it is being relocated is compliant with the State or community floodplain management ordinance.</p>
<b>Elevation Certificate or Floodproofing Certificate</b>	<p>Community building officials generally require the submission of an Elevation Certificate or Floodproofing Certificate prior to issuing a Certificate of Occupancy or Compliance.</p>
<b>Certificate of Occupancy or Compliance</b>	<p>Most community building officials issue a Certificate of Occupancy or Compliance for the building after all work is completed and the building inspected to verify compliance with the floodplain management ordinance and other regulatory requirements.</p>

#### **STEP 4: Inspection of work.**

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The community building official must ensure all work has been completed according to the permit and approved plans and specifications for buildings, including buildings that are demolished or relocated outside the SFHA. The floodplain management permit official must ensure that the elevation or floodproofing of a building in an SFHA is completed according to the permit and approved plans and in compliance with the community's floodplain management laws and ordinances. A building must be in full compliance with local floodplain management requirement in order for an ICC claim to be fully paid.

#### **STEP 5: Issue Certificate of Occupancy.**

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The community building official must provide verification that the requirements of the building permit were accomplished and the completed mitigation activity is in full compliance with the local floodplain management requirements. Some communities specify that a new or substantially improved building cannot be used or occupied without some type of use permit or Certificate of Occupancy. A letter or Certificate of Compliance may be substituted for a Certificate of Occupancy. The community building official should not issue a use or occupancy permit until the building passes a final inspection. A homeowner needs a letter or Certificate of Occupancy to receive the initial or final ICC claim payment.

### **19. What information is required from the community building official by an insurance claims representative to validate an ICC claim eligibility?**

To verify that the claim is eligible for an ICC claim payment, the claims representative needs to obtain the following information from the community building official for all buildings determined to be substantially or repetitively damaged:

- ▶ The source for the community's determination of substantial or repetitively damage, in writing. This includes the cost of repairs for the flood-related damages as well as the market value determination. For repetitively damaged structures, the costs of repair and market values must be obtained for both the current and previous loss;
- ▶ A copy of the applicable substantial damage or repetitively damaged provision in the community's floodplain management ordinance;
- ▶ If the building is in a B, C, X, or D Zone, documentation as to why the building is required to undertake the mitigation action (e.g., the community has adopted and is enforcing advisory or preliminary BFEs provided by FEMA);
- ▶ If the community requires an additional elevation height (also referred to as freeboard), a copy of the applicable ordinance provision to which the building must be elevated above the base flood elevation; and
- ▶ For Zone A areas, the base flood elevation(s) the community is using to require compliance with floodplain management laws or ordinances.

### Information to include in a Substantial Damage Letter

- ▶ Percent of “any damages,” not just flood damages
- ▶ Market value of the structure
- ▶ If the structure was damaged by flooding
- ▶ Citation of the local flood ordinance or laws

## 20. What effect is there on policyholders if a community decides not to adopt a repetitive damage provision in the local ordinance?

Not having a repetitive damage provision in the local ordinance limits the methods policyholders can file an ICC claim. Without a repetitive damage provision, a homeowner can only file an ICC claim as a substantially damaged structure (refer to Question No. 5, *What is substantial damage?*). An ICC claim cannot be paid on an insured building that has been repetitively damaged if the community has not adopted a repetitive damage requirement in its floodplain management laws or ordinance.

For ICC eligibility, a repetitive loss structure must meet all of the following criteria:

- ▶ It must be covered by an NFIP flood insurance policy;
- ▶ It must have suffered flood damage on at least two occasions during a 10-year period ending on the day of the second loss;
- ▶ The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each of the two flood losses, or cumulatively total 50 percent of the pre-flood market value, as defined by the local floodplain ordinance; and
- ▶ In addition to the claim requesting ICC, the NFIP must have paid a previous qualifying claim.

**Note:** The NFIP does not mandate or require States or communities to amend ordinances to include a repetitive damage provision. The decision to adopt a repetitive loss provision is voluntary. If a community would like to adopt such a provision, refer to *FEMA Publication 301, Increased Cost of Compliance: Guidance for State and Local Officials* (<https://www.fema.gov/pdf/plan/floodplain/fema301.pdf>).

## 21. Can a community adopt a repetitive damage requirement in their local floodplain ordinance at any time?

Yes. Communities can amend their floodplain management laws or ordinances to incorporate a repetitive damage provision or cumulative substantial damage provision at any time.

States and communities need to be aware that ICC coverage is only available when a property owner is required to rebuild in compliance with a community’s substantial damage,



repetitive damage, or cumulative substantial damage provision. Remember that the cumulative substantial damage provision is based on two losses within a 10-year period that, when combined, equal or exceed 50 percent of the market value of the building.

In the event a State or community decides to adopt a repetitive loss provision or a cumulative substantial damage provision, this provision must then be enforced on all buildings in the community, whether or not the buildings are covered by flood insurance. Also, this requirement would apply to a building, whether or not there has been a change in ownership of the building.

## **22. Where can I go to find out more information about what I can do as a community official to help homeowners with the ICC claims process?**

FEMA has prepared FEMA Publication 301, Increased Cost of Compliance: Guidance for State and Local Officials, to assist community building officials with the ICC claims process (<https://www.fema.gov/pdf/plan/floodplain/fema301.pdf>). You may also contact your FEMA Regional office (<https://www.fema.gov/fema-regional-contacts>) or your NFIP State Coordinator (<http://www.floods.org/>) for assistance.

## **USING ICC WITH FEMA MITIGATION GRANTS**

This section addresses questions about how ICC claim payments can contribute to mitigation projects funded by the FEMA Hazard Mitigation Assistance (HMA) grant programs.

### **23. How are ICC claims used in FEMA grant-funded mitigation projects?**

ICC coverage is one of several resources for flood insurance policyholders who need additional help repairing the structure 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 a part of most SFIPs available under the NFIP.

When a community, water management district, flood control district, drainage district, or other eligible sub-recipient receives FEMA HMA grant funds for an awarded mitigation project, they may be eligible to use ICC claim payments to contribute to the non-Federal cost-share requirements, so long as the claim is made within the timelines allowed by the NFIP. The sub-recipient or the individual homeowner typically provides the non-Federal cost share.

### **24. What types of grant-funded mitigation projects can use ICC claims as part of the local cost share?**

FEMA's HMA grants may be used to support a wide variety of mitigation activities, but ICC claim payments can only be used for costs that are eligible for ICC benefits, which are elevation, floodproofing (non-residential structures), relocation, or demolition (or any combination of these activities).

For example, ICC cannot pay for property acquisition, but can pay for structure demolition or relocation. In addition, Federal funds cannot be provided where ICC

funds are available; if the ICC payment exceeds the required non-Federal share, the Federal funding award will be reduced to the difference between the cost of the activity and the ICC payment.

## **25. How are ICC benefits assigned to grant sub-recipients (e.g., communities)?**

If an ICC payment is being used as a sub-recipient's non-Federal cost share, the NFIP policyholder must assign the claim to the sub-recipient (such as the local community). However, only that part of the ICC benefit that pertains to the property can be assigned to the sub-recipient.

Community officials give the policyholder the *Assignment of Coverage D Form* ([www.fema.gov/media-library/assets/documents/18256](http://www.fema.gov/media-library/assets/documents/18256)), and once it is completed and signed by the policyholder, the form authorizes insurance carriers to pay ICC claims directly to the community as the sub-recipient. This assignment of benefits makes the community, as the sub-recipient, responsible for submitting all documents required by the insurance carrier.

It is extremely important that policyholders and sub-recipients such as the community work closely together at every stage of the process. Assigning ICC benefits to sub-recipients avoids potential duplication of Federal benefits, which would trigger a requirement to return grant funds to FEMA. It is also important to note that the NFIP policyholder can only assign the ICC benefit to the sub-recipient, such as the community. In no case can the policyholder assign the ICC benefit to another individual.

## **26. What are the steps a community must take to receive the Assignment of Coverage D – ICC?**

When policyholders who are eligible to receive ICC benefits participate in FEMA HMA-funded mitigation grant projects, they must follow the steps below to assign payments to the community as the sub-recipient:

1. The policyholder consents to the assignment of the ICC claim payment and the community official provides the policyholder with an Assignment of Coverage D Form ([www.fema.gov/media-library/assets/documents/18256](http://www.fema.gov/media-library/assets/documents/18256)).
2. The policyholder signs the form and gives it to the community official, who sends a copy of the completed form, along with the community's signed substantial damage determination, to the NFIP Bureau & Statistical Agent (<https://www.fema.gov/national-flood-insurance-program-bureau-statistical-agent-regional-support-offices>).
3. The NFIP Bureau & Statistical Agent sends the documents to the appropriate insurance carrier with instructions and the carrier assigns an insurance claims adjuster.
4. The assigned adjuster informs the policyholder that he or she has the claim documents, is handling the ICC claim, and contacts the community who is the sub-recipient of the grant to coordinate and help complete the ICC claim.
5. The adjuster receives and reviews the sub-recipient's contract for the grant-funded

mitigation activity to determine the eligible costs that can be paid by the ICC.

6. The adjuster has the community official sign a Proof of Loss after the ICC claim value has been determined and the adjuster then sends the final report, along with the Proof of Loss, to the insurance company for payment.
7. The insurance carrier sends claim payments to the sub-recipient and advises the NFIP Bureau & Statistical Agent of the amount of the claim payments.

## **27. How are ICC claim payments made to assigned sub-recipients of FEMA-funded grants?**

When policyholders assign ICC claim payments to the community as the sub-recipient, the community is responsible for providing the necessary claim documentation. The insurance carrier makes the claim payment directly to the community as the sub-recipient. Therefore, the community is also responsible for the completion of the ICC-covered work in the project.

## **28. What happens if ICC claim payments are paid to a policyholder instead of assigned to a FEMA grant sub-recipient?**

Policyholders who participate in FEMA HMA-funded projects and who handle the ICC claim themselves must work with the community as the sub-recipient to include the ICC-covered work in the project and apply the ICC claim payments to the non-Federal local cost share. If any portion of an ICC claim payment duplicates what has been paid by State or Federal grant funds, the State and FEMA will audit the project and recover the full amount of overlapping grant money. This makes it all the more important for policyholders and the community as the sub-recipients to follow the steps in assigning ICC benefits.

## **29. Where can I go to find more information on the ICC grants process?**

For more information about ICC and mitigation grants, you can contact your Regional FEMA Office (<https://www.fema.gov/regional-contact-information>) or your State NFIP Coordinator (<http://www.floods.org/>).

Additional information can be found in FEMA's Hazard Mitigation Assistance Guidance (<https://www.fema.gov/hazard-mitigation-assistance-program-guidance>).

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For more information about the NFIP and flood insurance, call  
1-800-427-4661

or go to

<http://www.fema.gov/business/nfip>  
[www.fema.gov/national-flood-insurance-program](http://www.fema.gov/national-flood-insurance-program)

