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**SECTION 3: The Claims Process**

**SECTION 3  
Overview**

Section 3 describes the steps in the Increased Cost of Compliance (ICC) claims process, and the roles and responsibilities of various entities in those steps.

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## Section 3: The Claims Process

### ICC Claims Process

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This topic reviews the sequence of an ICC claim and briefly describes the responsibilities of each party involved in the process.

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#### Flood Loss Adjusted



When a policyholder reports flood loss to the insurer, a claims representative (CR) is assigned to adjust the direct physical damages. On the adjustment visit, the CR alerts the policyholder that the structure may be eligible for ICC, if the CR believes that damages may exceed 50 percent of the value of the structure and if the building is in a Special Flood Hazard Area (SFHA).

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#### Declaration Made



The floodplain administrator determines that the flood damages to the building result in “substantial damage” or a “repetitive loss” and require compliance with State or community floodplain management laws or ordinances. The damage declaration is generally made through the community’s permitting process.

The policyholder gives the CR the substantial damage or repetitive loss determination in writing, enabling the claims process to proceed.

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#### Mitigation Option Chosen



The policyholder and the floodplain administrator discuss the compliance requirements and the choice of flood mitigation solutions, including:

- Elevating,
- Relocating, or
- Demolishing the structure.

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

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#### Required Information Collected



The policyholder notifies the insurer that the required damage determination has been made. The CR will ask the property owner to get a signed construction contract, along with an itemized cost breakdown of the work to be done to complete the mitigation measure, and a start and completion date for the work. These items are needed for the CR to issue a Proof of Loss form.

The CR will also tell the property owner to get a permit issued by the floodplain administrator or community official that will be needed prior to making the initial ICC claim payment. For buildings that are to be elevated or floodproofed in SFHAs, the permit must indicate the level of protection to which the building is to be elevated or floodproofed.

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#### File Opened & Eligibility Verified



After the policyholder has notified the CR of the substantial damage or repetitive loss determination, the insurer creates a claim file. The CR will:

- Obtain information from the community about the community’s substantial damage or repetitive loss determination.
- Use this information to confirm that the flood-related damages for the current building claim (and prior claim, if it is a repetitive loss structure) support the community’s substantial damage or repetitive loss determination.
- Verify whether the ICC claim meets all other eligibility requirements.



After the CR confirms that the damage is eligible and the policyholder has provided a signed contract and an estimate of the itemized costs for completing the mitigation measure, the CR will give the policyholder an ICC Proof of Loss form.

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The CR will tell the policyholder that ICC benefits are paid in two portions and will advise the policyholder that if the mitigation measure is not completed within 2 years of the declaration, the initial ICC money must be returned.

After a Proof of Loss form and a permit from the community have been returned to the CR, the CR will provide the property owner with an initial payment toward the ICC claim. Typically, this payment is approximately half the total benefit.

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When the mitigation measure is completed, the community official must make a final inspection and provide the policyholder a Certificate of Occupancy or Compliance, letter, or other written official notice showing that the mitigation measures are in compliance with the local floodplain management ordinance and have been satisfactorily completed and that no variance was granted.

After receipt of this documentation, the CR makes the second (and final) ICC payment.

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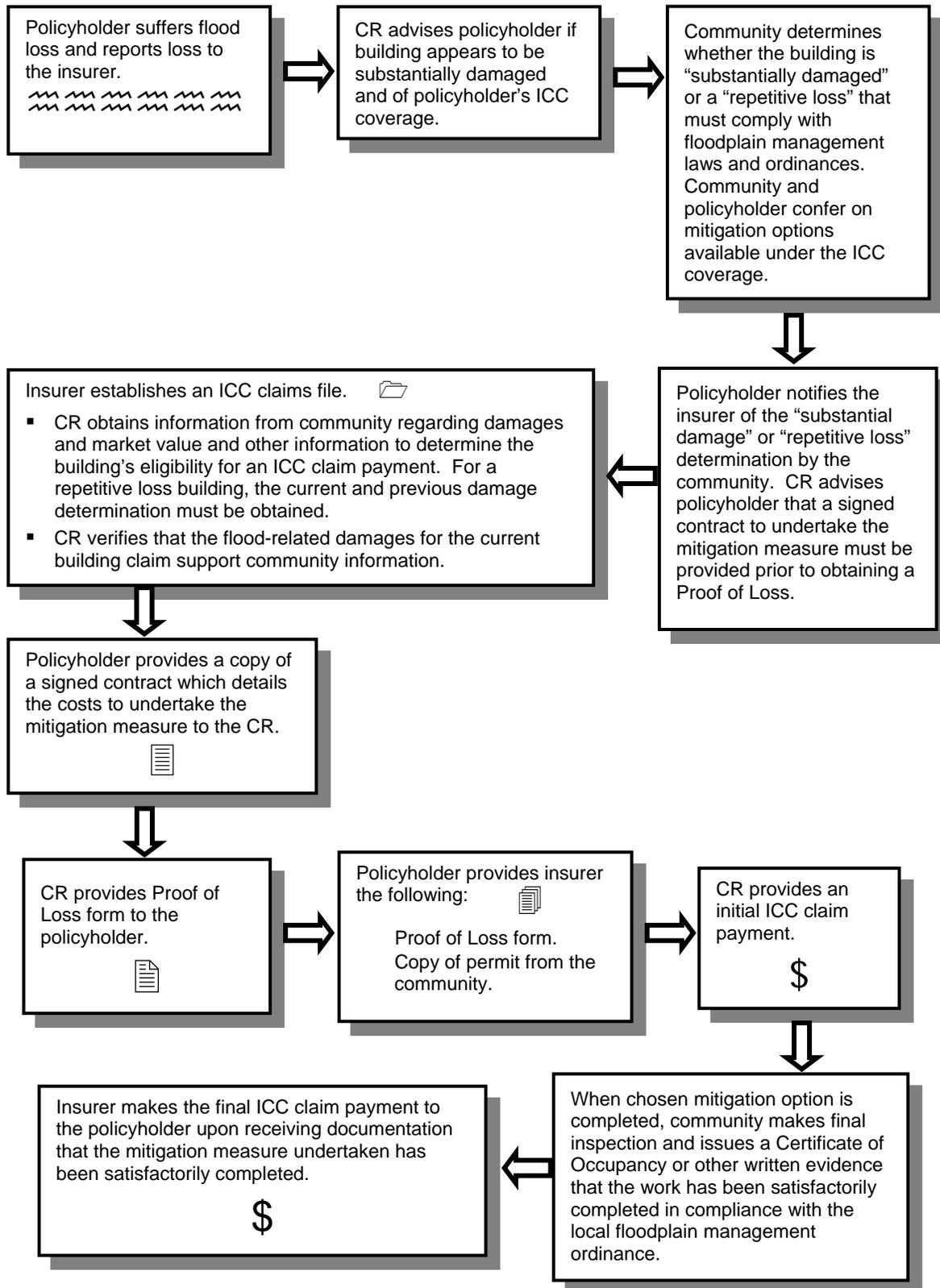
**ICC Claims Adjustment Process Summary**

The flowchart on the following page illustrates the steps described above.

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**Summary of ICC Claims Adjustment Process**

(Note: Sequence of events may vary.)



**Key Roles & Duties**

In addition to understanding the ICC claim from a sequential point of view, it is valuable to examine the roles and specific tasks of each key player in the claims process. Following the table below, the roles assumed by each player will be discussed.

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 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"> <li>▪ Obtain damage and market value information on structure. For a repetitive loss structure, get previous claim information.</li> <li>▪ Verify that the flood-related damage for the current building claim supports community information.</li> </ul>	
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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### Agent Role

The key responsibilities of the insurance agent include:

- Examining the policy and determining whether a given situation is eligible for payment under the ICC program.
- Educating the policyholder. An insurance agent has a responsibility to explain the ICC program to the policyholder.

The agent should inform the policyholder that under the ICC coverage, the building must be elevated, floodproofed, demolished, or relocated as soon as reasonably possible. The timeframe must not exceed 2 years.



**Tip:** See Exclusion (e)(2) in the ICC coverage provisions (Appendix B of this manual).

### Policyholder Role

The policyholder has to take an active role in the process by:

- Selecting a mitigation option.
- Obtaining a contractor's estimate.
- Obtaining local permits.
- Monitoring and facilitating the ICC claims process.

It is important for policyholders to review their Standard Flood Insurance Policy (SFIP) to gain an understanding of ICC coverage.



**Tip:** If the policyholder wishes to appeal the insurance company's decision concerning the outcome of an ICC claim, he or she should provide a written request to the insurance carrier asking them to forward the claim to the National Flood Insurance Program (NFIP) Bureau and Statistical Agent for further review.

### Select a Mitigation Option

Policyholders will need to work with the local building official to understand the hazard mitigation options that are available for complying with the NFIP requirements. These options include:

- Elevation.
- Demolition.
- Relocation of the building.
- Floodproofing (non-residential only).



**Tip:** See Section 5 for additional information on selecting mitigation measures.

**Monitor  
Claims  
Process**

The policyholder can play an important role by monitoring the progress of his/her ICC claim and making sure that each partner in the process performs promptly. Monitoring the claims process will help the policyholder maintain realistic expectations and plan for the receipt of ICC benefits.

It is important for the policyholder to realize that up to half can be paid following the delivery of a signed, itemized contractor's estimate and before the work is begun. The final portion of ICC benefits is paid when proof is submitted that the work is complete.



A concise, one-page ICC Checklist appears in Appendix C, Community Tool Kit.

**Adjuster Role**

The adjuster may be the first individual to identify that a building may be eligible for ICC coverage. While assessing damages, the adjuster will assess whether the damage appears to equal at least 50 percent of the structure's pre-flood market value.

If the structure appears substantially damaged and is located in an SFHA, the adjuster should tell the policyholder that the building might be eligible for a claim under ICC coverage. The adjuster should then educate the policyholder about how to apply for ICC.

**Claims  
Representative  
Role**

The primary responsibilities of the claims representative (CR) in the ICC coverage claims process are described below.

**Collect  
Information**

One critical role of the CR is to collect information. The CR will obtain the following information from the local floodplain administrator or policyholder for each building determined to be substantially damaged or repetitively damaged. The information is used to verify that the claim is eligible for an ICC claim payment.

The CR must obtain:

- The basis for the local floodplain administrator's determination of substantial damage or repetitive loss, in writing. This includes the cost of repairs for the flood-related damages as well as the market value determination. For repetitive loss structures, the costs of repair and market values must be provided for both the current and previous loss.
- A copy of the applicable substantial damage or repetitive loss provision in the community's floodplain management ordinance.

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### Additional Information the CR May Need To Obtain:

- **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 base flood elevations (BFEs) provided by FEMA).
- **If the community requires a “freeboard,”** a copy of the applicable ordinance provision that stipulates the higher-than-BFE requirement.
- **If the building is in Zone A**, the BFE that the community is using to require compliance with floodplain management laws or ordinances.
- **If the building is a Post-FIRM building**, evidence that the building was built in compliance at the time of construction, or a copy of any variance granted on the building, and/or evidence that the BFE increased since the building was built.



**Tip:** Refer to Section 2 of this manual for a discussion of substantial damage and repetitive loss properties.

### Provide ICC Payments

Payments for ICC claims are made in two installments.

- **First Installment:** The CR will ask the property owner to get a signed construction contract, along with an itemized cost breakdown of the work to be done to complete the mitigation measure, and start and completion dates for the work. These items are needed for the CR to issue a Proof of Loss form. A substantial damage or repetitive loss declaration is provided by the local floodplain administrator or community official. The CR will also tell the property owner to get a permit issued by the floodplain administrator or community official that will be needed prior to making the initial ICC claim payment. For buildings that are to be elevated or floodproofed in SFHAs, the permit must indicate the level of protection to which the building is to be elevated or floodproofed. The initial payment is usually about half of the total benefit. At this time, the CR explains that the initial ICC payment must be returned if the mitigation measure is not completed.
- **Final Payment:** The CR provides the final ICC payment after the policyholder has submitted a Certificate of Occupancy or Compliance, letter, or other official notice from the community that the mitigation measure has been completed without obtaining a variance.

**Note:** Under the ICC coverage, the building must be elevated, floodproofed, demolished, or relocated as soon as reasonably possible, but the time elapsed cannot exceed 2 years from the date of the substantial damage or repetitive loss declaration.



**Tip:** If the policyholder wishes to appeal the insurance company's decision concerning the outcome of an ICC claim, he or she should provide a written request to the insurance carrier asking them to forward the claim to the NFIP Bureau and Statistical Agent for further review.

**Community  
Floodplain  
Administrator  
Role**

Community representatives (often the local floodplain administrator or building department official) have a pivotal role in the success of the NFIP and specifically in the ICC coverage program. The community must enforce compliance standards and ensure that the floodplain measures and codes that have been agreed upon are upheld.



**Tip:** The community's role is discussed in greater detail in Section 4 of this manual.

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**Other  
Supporting  
Roles**

There are several additional resources that should be consulted in the ICC coverage claims process.

- The **Federal Insurance and Mitigation Administration (FIMA)** is responsible for overseeing and managing the insurance aspects of the NFIP. If there is disagreement on the eligibility of an ICC coverage claim, the policyholder may submit an appeal to FIMA.
- The **FEMA Regional Office** can assist with mitigation activities, including:
  - Floodplain management.
  - Mitigation project guidance.
  - Identification of mitigation funding.
  - Cost-benefit project analysis.
  - Environmental issues and requirements.
- The **State** can provide information and assistance concerning the coordination of local and statewide mitigation planning.
- The **NFIP State Coordinating Offices** are another valuable resource for technical assistance.

## Section 3: The Claims Process

### Frequently Asked Questions

This topic presents answers to frequently asked questions related to the ICC coverage claims process.

### Required Claims Information

#### What information must the claims representative obtain from the community in order to verify that the claim is eligible for an ICC claim payment?

The CR will need to obtain the following information from the community for all buildings determined to be substantially damaged or repetitively damaged in order to verify that the claim is eligible for an ICC claim payment:

- The basis for the community's determination of substantial damage or repetitive loss, in writing. This will include the cost of repairs for the flood-related damages as well as the market value determination. For repetitive loss 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 repetitive loss 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).
- A copy of the applicable ordinance provision if the community requires a "freeboard" to which the building must be elevated above the BFE.
- For Zone A areas, the BFE that the community is using to require compliance with floodplain management laws or ordinances.

In addition to the above information, the CR will need the following information for a Post-FIRM building:

- Evidence that the building was built in compliance at the time of construction; or
- A copy of any variance granted on the building; and/or
- Evidence that the BFE increased since the building was built.

### Completion of Mitigation Measures

#### When must the mitigation measure be completed?

Under the ICC coverage, the building must be elevated, floodproofed, demolished, or relocated as soon as reasonably possible. The timeframe must not exceed 2 years from the date of the substantial damage or repetitive loss declaration.