



FEMA

W-14056

October 23, 2014

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the (NFIP DSA) for Dissemination to All Claims Managers

A handwritten signature in black ink, appearing to read "James A. Sadler".

FROM: James A. Sadler, CPCU, AIC  
Director of Claims  
National Flood Insurance Program

SUBJECT: Substantially Damaged Structures and the  
Increased Cost of Compliance Benefits

Meteorological Event Sandy caused extensive damage to both residential and commercial buildings, many of which were substantially damaged as a result of direct physical loss by or from flood. FEMA Bulletin W-08089 dated November 6, 2008, clarified the roles of the WYOs and NFIP DSA once the community's substantial damage declaration letter is received in conjunction with the filing for the Increased Cost of Compliance (ICC) benefit as a result of flooding events. The purpose of this Bulletin is to further clarify these roles.

The substantial damage letters submitted by the communities are often form letters and as a result, some of these letters do not indicate that the peril which caused the substantial damage was flood. Many communities will cooperate and send the letter that meets the needs of the NFIP, but others may not be in a position to do so.

In order to assist the insured with eligibility in filing for their ICC benefits when the letter from the local official is not sufficient to do so, this bulletin authorizes the WYOs and the NFIP DSA, either through the adjuster, insured, or other reasonable means to contact the local official to determine the building's market value used by the community to determine if the structure was substantially damaged.

Once the market value of the structure is obtained from the community official, the WYO Company and the NFIP DSA can then compare the total flood damage (before deductions for the deductible and applicable depreciation) to the market value and determine if the flood damage is 50 percent or more. If that is the case, they can proceed with the normal ICC procedures. It will not be necessary to estimate damages from other perils. Please note the community may have adopted in their floodplain management ordinance a standard lower than 50 percent of the market value. If such lower standard is

## Substantially Damaged Structures and the Increased Cost of Compliance Benefits

October 23, 2014

Page 2

in the ordinance and it is uniformly enforced throughout the community, the lower standard may be used for this calculation.

When the insured building is totally destroyed by flood, the WYO Company and the NFIP DSA can assume it is substantially damaged by flood. In such cases, the adjuster is required to take photographs and determine the specifics of the building including footprint measurements, descriptions of interior and exterior finishes, and other unique features pertaining to the building. The policyholder can be of assistance in this effort. It is important that adequate supporting documentation be included with the adjuster's report. The documents should include photographs of the building before the loss when available and the area after the loss, local building department or tax records, and any other records or information available to support the value of the building at the time of loss and the claim payment recommendation. Using the information gathered, the adjuster should make a value determination using an industry accepted replacement value software.

If you should have any questions, contact Russell Tinsley at [Russell.Tinsley@fema.dhs.gov](mailto:Russell.Tinsley@fema.dhs.gov).

cc: Vendors, IBHS, FIPNC, and Government Technical Representative

Requiring Routing: Claims