State and local floodplain managers and code officials know that dealing with substantially damaged buildings is one of the more difficult parts of their jobs. That challenge is multiplied when widespread flooding occurs and hundreds, if not thousands, of buildings are damaged. But even if only a few buildings in a community are damaged by flood, handling substantial damage can be complicated.

One of the complications is that all too often, local officials aren’t entirely aware of which buildings were damaged, much less which owners should be getting permits. In a perfect world, all owners (and their contractors) would make the trip to the local permit office. But that doesn’t always happen in the post-flood frenzy of rebuilding. And yes, we all know that some owners and contractors skirt the rules deliberately to avoid having to bring substantially damaged buildings into compliance.

In this column I’ll first briefly review the SI/SD rule, then talk about Increased Cost of Compliance coverage that’s part of NFIP flood insurance policies, and then I’ll let you in on a little known source of information that may help in those difficult post-flood periods.

We all know the rule – if a building is damaged such that the cost to repair it to its pre-damage condition equals or exceeds 50% of its market value before the damage occurred, then the building is substantially damaged. Community officials must make this determination whenever a building is damaged by any cause – flood, fire, wind, earthquake, explosion, even vehicle impact (yes, I helped a community deal with one of those years ago). Substantially damaged buildings in SFHAs must be brought into compliance with the community’s floodplain management requirements. To understand all the ins-and-outs of making SI/SD determinations, you can’t do better than reading the Substantial Improvement/Substantial Damage Desk Reference (FEMA P-758).

Years ago, Congress authorized the Increased Cost of Compliance coverage as part of NFIP flood insurance policies. Currently, owners of NFIP-insured buildings that are located in special flood hazard areas and that are substantially damaged by flood can receive ICC payments of up to $30,000 towards the cost of bringing the buildings into compliance with the community’s floodplain management requirements. The ICC claim can be used towards the cost of elevating, relocating, or demolishing any building, and it can be used towards the cost of dry floodproofing nonresidential buildings.

Making ICC work has been described as a dance of three partners: the policyholder, the local official, and the claims adjuster. Each partner has a role, but the problem is sometimes they don’t know who has the lead! Learn more by reading FEMA 301, ICC Guidance for State and Local Officials, and search the FEMA website for other materials, some designed for policyholders.

Lots of communities participate in FEMA-funded mitigation grant programs, which typically require up to 25% cost-sharing with non-federal funds. It’s important to realize that policyholders can assign their ICC claims to communities to be used as part of the non-federal cost share of most flood mitigation projects. FEMA recently implemented a policy that makes ICC payments available to severe repetitive loss structures that are mitigated with SRL grant program funds, even if there has been no recent damage. FEMA took this as a first step of the authority Congress gave the agency to make ICC available as part of flood mitigation projects funded by any of its grant programs. Check out sections B.2 and E.4 in the FY2011 Hazard Mitigation Assistance Unified Guidance to learn more.

Now let’s turn to the post-flood scenario. Insurance adjusters who handle claims for flood damage sustained by buildings that are covered by NFIP flood insurance use the procedures and guidance published in the NFIP Adjuster Claims Manual.

When adjusters are activated, they are required to inspect assigned properties within 48 hours of receiving the loss assignment. The initial inspection includes preparation of a preliminary scope of damage. Adjusters are instructed that “This is also time to complete the Adjuster Preliminary Damage Assessment Form,” which is then submitted to
Only the community is legally responsible for making SI/SD determinations. Information from insurance claims may help screen for substantial damage, but cannot be used as the basis for final determination.

What is the Adjuster Preliminary Damage Assessment Form? A couple of points to go over before we get to what I think is the big question:

1. **What information goes into the form?** It is a very simple form that the adjuster fills out with the policyholder name, policy number, property address, and three dollar values: probable repair cost; building replacement cost value, and building actual cash value.

2. **When is the form filled out?** The Claims Manual indicates it’s important to capture data “on buildings that will probably be substantially damaged” and directs adjusters to submit the form as soon as possible after it appears that a building is substantially damaged.

3. **How is the information used?** The instructions for the form indicate the information will not be disclosed outside of FEMA “except to the servicing agent, acting as the government’s fiscal agent; to claims adjusters to enable them to confirm coverage and the location of insured property; to certain Federal, State, and Local Government agencies for determining eligibility for benefits and for verification of nonduplication of benefits; to the Department of Justice for purposes of litigation or as required by law; and to State and Local agencies for acquisition and relocation-related projects”.

So the big question is this: if knowing which flooded buildings have sustained a lot of damage is important so local officials can properly enforce their floodplain management regulations and building codes, is the information reported by adjusters available to State and local officials and how do they get it?

Keep in mind that adjusters only look at NFIP-insured buildings and we know there are a lot of floodprone buildings that aren’t insured. The SI/SD rule applies regardless of whether a building is covered by flood insurance. This means that claims data, while valuable, does not give you a complete picture of all damaged buildings.

By now you know one of my favorite FEMA publications is the SI/SD Desk Reference, so of course, I look there for answers to all of my SI/SD questions. Sure enough, the answer to the question is “yes, the information is available” as described in Section 7.4.1:

“At floods, adjusters who handle NFIP claims are instructed to submit an Adjuster Preliminary Damage Assessment form to FEMA if a building appears to have been substantially damaged (FEMA Form 8-09, in Appendix D). The form provides information about a damaged building, including Probable Repair Cost, Building Replacement Cost Value, and Building Actual Cash Value. Local officials can use this information for screening purposes to help identify those buildings that should be examined more closely. Because Federal flood insurance does not cover all damage that local officials must consider when determining substantial damage, the reported Probable Repair Cost may underestimate the total cost to repair. In addition, the Building Replacement Cost Value and the Building Actual Cash Value may not be equivalent to market value. After floods, communities should contact the NFIP State Coordinating Agency or FEMA Regional Office to determine if this information is available.”

**Resources:**

- **Adjuster Preliminary Damage Assessment (F-674/81-109):** [http://www.fema.gov/library/viewRecord.do?id=2580](http://www.fema.gov/library/viewRecord.do?id=2580)

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