Certification criteria

The ICC process requires that you spend what the Insurance Commissioner has determined to be a minimum amount on appropriate insurance coverage based on the type of entity you are.

MINIMUM INSURANCE BUDGET

- A Subrecipient (Applicant) must allocate a reasonable portion of its current annual operating budget to the purchase of property insurance; including wind and flood coverage, for each of its properties that are the subject of FEMA PA grants.
- The required yearly minimum insurance budget is expressed as a percentage of annual operating budget.
- The percentage is defined specifically for different entities.
- The schedule established by the Insurance Commissioner for Subrecipient (Applicant) to use in determining a minimum insurance budget is shown in the table below.

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Percentage of Operating Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and Veterinary Education</td>
<td>3.0%</td>
</tr>
<tr>
<td>Parish, city, other local government officials</td>
<td>3.0%</td>
</tr>
<tr>
<td>Nonprofit Religious, Nonprofit Educational</td>
<td>3.6%</td>
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<tr>
<td>Nonprofit Religious, Nonprofit Health Care</td>
<td>2.61%</td>
</tr>
<tr>
<td>Nonprofit Religious, Nonprofit Post-Secondary Education</td>
<td>1.41%</td>
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<td>Nonprofit Religious, Nonprofit Local Government</td>
<td>2.91%</td>
</tr>
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</table>

This table is intended to be used as a guide for the determination of the minimum insurance budget amount for different types of entities.

INFORMATION PROCUREMENT GUIDELINES

- A Subrecipient (Applicant) must also follow guidelines defined by the Insurance Commissioner for the type of insurance procured.
  - Obtain and maintain maximum amount of insurance available through the National Flood Insurance Program, even if:
    - Building and contents for every facility that sustained flood damage as a result of the disaster.
    - Property coverage (including wind and other coverage) exceeds replacement cost.
    - With remaining funds, procure excess flood coverage.

NOTE: Cost of business interruption insurance is separate and cannot be used to meet your percentage of budget requirement.

TABLE: Minimum insurance budget for insurance expressed as a percentage of annual operating budget

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Contact your risk manager or insurance professional if you think an ICC might be right for you.

If you have questions regarding an ICC, please contact:

  lapainsurance@la.gov
- Louisiana Department of Insurance – 225-344-9200
  lapainsurance@la.gov

Visit LouisianaPA.com for an ICC application.

**NOTE:** It cannot be reprinted in whole or in part without permission from the Louisiana Department of Insurance (LDI).

**Purposes of this publication:** To raise awareness and to serve as a tool when understanding your responsibilities with respect to the Reconstruction/Recovery and Resilience Insurance Program (R3IP) or the Reconstruction/Recovery Program (R3P).

**Intended audience:** This document is intended for FEMA PA grant recipients, local government officials, elected leadership, chief administrative officers (CAOs), chief financial officers (CFOs), risk managers, and community professionals who have received or might receive federal funds.

P.S. This document is not intended to be used with FEMA PA funds, and other disaster recovery stakeholders.

**WHY IS THIS IMPORTANT?**

- Monumental funds in the damage resulting from Hurricane Ida.
- Lasting effects could be widespread in a range of industries.
- A loss of $10 billion in the state’s GDP could have devastating consequences.

**FEMA PA** stands for: Federal Emergency Management Agency Public Assistance.


**LDI** stands for: Louisiana Department of Insurance.

**R3P** stands for: Reconstruction/Resilience Program.

**R3IP** stands for: Reconstruction/Resilience Insurance Program.

**NFIP** stands for: National Flood Insurance Program.
Dear Louisiana Disaster Recovery Stakeholder,

As a condition of receiving FEMA Public Assistance funding, Subrecipients (Applicants) must obtain and maintain insurance coverage, often called the O + M requirement, at least equal to the amount of the eligible damage to the facility receiving Federal assistance.

The purpose of the O + M requirement is to protect against future loss from the same type of peril.

INSURANCE COMMISSIONER’S CERTIFICATION (ICC)

Sometimes insurance market conditions prevent your ability to reasonably meet the O + M Requirement. As a result, the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) established a FEMA PA Subrecipient (Applicant) that cannot reasonably obtain and maintain insurance coverage consistent with that existing at the time of the initial certification in order to procure property insurance coverage for the full amount of eligible damage.

Subrecipients must establish a FEMA PA Subrecipient (Applicant) that cannot reasonably obtain insurance coverage consistent with that existing at the time of the initial certification in order to procure property insurance coverage for the full amount of eligible damage.

How it works

An ICC applies only to the O + M Requirements applicable to the storm or hazard specified in the application. Once a Subrecipient (Applicant) has established that the type and extent of insurance required by the ICC is reasonable, the Insurance Commissioner can issue an ICC.

• If granted, an ICC Subrecipient (Applicant) must maintain insurance coverage consistent with that in place at the time of the initial certification.

Why an ICC may be needed

• A Subrecipient (Applicant) that has not obtained and maintained required insurance, for the full amount of FEMA PA funding, in a disaster (it is an element of the O + M requirement) at risk for de-obligation of that funding.

• Eligibility for future FEMA PA funding requires Subrecipient (Applicant) to obtain and maintain insurance for each damaged facility in an amount of at least the amount of previously incurred damage that has received FEMA PA funding in a prior disaster of the same type.

• A Subrecipient (Applicant) that cannot reasonably obtain and maintain the required level of insurance coverage will apply for an ICC. For future eligibility, FEMA does not require greater amounts of insurance than certified as reasonable by the State Insurance Commissioner.

• Facilities that sustained eligible damages less than $5,000 do not have an O + M requirement.

Subrecipients (Applicants) to obtain an ICC to apply for funding in a prior disaster of the same type. One of the methods they use is to increase deductibles. This results in a significant increase in out-of-pocket cost to the Subrecipient (Applicant) in the event of future damage. The Insurance Commissioner stipulates that the deductible cannot exceed 33% of property insurance coverage and cannot be combined with business interruption insurance coverage.

If the insurance required by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) is not reasonably available, the Subrecipient (Applicant) must demonstrate compliance with the Insurance Commissioner’s established criteria and follow the Insurance Commissioner’s Certification process.

Roles + responsibilities

SUBRECIPIENT (APPLICANT)

You are responsible for risk management.

• It is important to know that private insurance is the first source of help after a disaster. FEMA PA is not intended to replace insurance. If communities are overwhelmed by a disaster and after insurance benefits and other local or state resources have been exhausted.

INSURANCE COMMISSIONER

The Louisiana Commissioner of Insurance is charged with determining whether required O + M insurance is reasonably available. Stafford Act Section 62 states, “The President shall not require greater types and extent of insurance than are certified to him as reasonable by the appropriate State Insurance Commissioner.” The Louisiana Commissioner of Insurance has a certification process. The Commission establishes a certification process. The Commission establishes a certification process.

Increased deductibles

In a post-disaster insurance market, insurance carriers attempt to protect themselves from future losses of the same type. One of the methods they use is to increase deductibles. This results in a significant increase in out-of-pocket cost to the Subrecipient (Applicant) in the event of future damage. The Insurance Commissioner stipulates that the deductible cannot exceed 33% of property insurance coverage and cannot be combined with business interruption insurance coverage.

Not a guarantee...

Demonstrating you have met the criteria set by the Insurance Commissioner and followed the process is not a guarantee that an ICC will be granted. It protected, an ICC does not exempt the Subrecipient (Applicant) from procuring insurance coverage. You still must carry insurance to the extent that it is reasonably available to you.

Check with your risk manager and/or insurance professionals to see if an ICC is right for you. If you believe you qualify for an ICC, you must submit your application and required documentation to GOHSEP.

Why YOU need to know NOW!

What YOU need to know

Blanket policies

Subrecipients (Applicants) to obtain a blanket insurance policy that covers all losses. This policy is designed to help you understand the criteria you must meet to be eligible for a blanket policy.

The ICC acts as a declaration that some portion of receiving FEMA Public Assistance (PA) Program is not reasonably available.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) is not

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