

# Flood News for Michigan Floodplain Managers

A Newsletter of the  
Water Resources Division  
Michigan Department of Environmental Quality  
www.michigan.gov/deq

Dan Wyant, Director

Rick Snyder, Governor  
2011 2nd Edition

Editor: Les Thomas  
Articles are by the Editor unless noted otherwise.

For questions, comments, or information, contact:

Les Thomas  
MDEQ  
WRD  
P.O. Box 30458  
Lansing, MI 48909-7958  
Telephone: 517-335-3448  
Fax: 517-373-6917  
e-mail: thomasl@michigan.gov

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MDEQ  
Office of Personnel Services  
P.O. Box 30473  
Lansing, MI 48909

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## DISTRICT FLOODPLAIN ENGINEERING STAFF

**SE Michigan: Maria Zingas and Patrick Durack**  
Warren 586-753-3700

**Jackson/Lansing: Donna Cervelli**  
Jackson 517-780-7699  
Lansing 517-335-6266

**Saginaw Bay: Joy Brooks**  
Bay City 989-894-6226

**Grand Rapids: Matt Occhipinti**  
616-356-0207

**Kalamazoo: Ernie Sarkipato** 269-567-3564  
**Upper Peninsula: Sheila Meier**  
Gwinn 906-346-8558

**Cadillac/Gaylord: Susan Conradson**  
Cadillac 231-876-4443

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# ATTENTION, ATTENTION, ATTENTION

The Michigan Stormwater-Floodplain Association (MSFA) requests suggested topics for presentations/workshops/seminars at its next annual conference scheduled for February 29-March 2, 2012 (preconference sessions on February 28, 2012, at the DoubleTree Hotel Dearborn).

Planning for the 25<sup>th</sup> annual conference is under way. We want to develop a conference program that meets your interests. Please send your suggestions related to stormwater-floodplain management and flood insurance topics to:

Les Thomas  
NFIP Coordinator  
Water Resources Division, MDEQ  
P.O. Box 30458  
Lansing, MI 48909

517-335-3448  
Fax 517-241-0275  
[thomasl@michigan.gov](mailto:thomasl@michigan.gov)

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## An Interactive Professional Floodplain Manager Tool

Community officials can learn how using floodplain management principals in making decisions about floodplain development affect communities. The Association of State Floodplain Managers Foundation (ASFPM Foundation) developed a computer simulation game for officials called "FloodManager," and it is available at <http://www.floodmanager.org/game/>.

The game is played by various options regarding the use and development of floodplains as a community experiences growth. Chosen options are then exposed to random flood events, and the resulting consequences of the managed development choices are analyzed and shown. There are different levels of difficulty for the player to choose for challenging their floodplain management abilities.

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## About the ASFPM Foundation

(taken from its Website)

### MISSION STATEMENT

To promote public policy through select strategic initiatives and serve as an incubator for long-term policy development that promotes sustainable floodplain and watershed management

### VISION STATEMENT

The ASFPM Foundation is the recognized leader in developing and advancing knowledge that promotes sound floodplain management policy and practice.

### WHAT IS THE ROLE OF THE ASFPM FOUNDATION?

The Foundation serves as an advocate for the profession and as a voice for you, the practitioner, supplier, or service provider, through its support of the Association. To continue to provide these needed services, the Foundation needs financial support, support that you can provide. Whether at the corporate level, individual level, or both, it is in

your best interest to support your profession. Of course, all donations are tax deductible to the fullest extent allowed by law. If you are an individual, assess what the ASFPM has meant to you, directly or indirectly, and give accordingly. If you are corporate leaders, how about considering a corporate matching challenge?

### BACKGROUND

In 1996, the Association of State Floodplain Managers (ASFPM) established a 501(c)(3) tax exempt nonprofit Foundation, whose vision is to be the recognized leader in developing and advancing knowledge that promotes sound floodplain management policy and practice. The ASFPM Foundation mission, then, is to be an incubator for research and education that promotes wise floodplain management.

The Foundation seeks and directs funds to help the ASFPM meet its goals. While the missions of both are interlocked, the Foundation is a separate

corporate body with its own Board of Trustees and Bylaws.

ASFPM Foundation Website:  
<http://www.asfpmfoundation.org/>

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## Structure Values When Located in High Risk Floodplain Areas

One question that often comes up at FEMA open house meetings is, “What effect does location in a high risk floodplain have on a structure’s value?” This is a fair question, and I recently came across an article discussing the issue. The title is “Floodplains and Housing Values: Implications for Flood Mitigation Projects” by Steven D. Shultz and Pat M. Fridgen. (Journal of the American Water Resources Association, June 2001, Vol. 37, No. 3.) Mr. Shultz is an assistant professor, Department of Agricultural Economics, North Dakota State University, Fargo, North Dakota, and Mr. Fridgen is a water resource planner, North Dakota State Water Commission, Bismark, North Dakota.

They studied home values when located in and outside of the 1 percent chance annual flood zones in the communities of Fargo, North Dakota, and Moorhead, Minnesota. These are two communities separated by the Red River. The area has experienced several large flood events in the late 1990’s and recent years.

The authors’ literature review found that many studies often produced “contradictory or inconclusive findings”. But, there is a general theme that “floodplains and the risk of flooding negatively influence housing values and that such a relationship is greatest when flood insurance is legally required.”

The authors use the hedonic valuation method to quantify housing valuation impacts, and some of their conclusions are:

1. “The hedonic valuation method was successfully used in quantifying the influence of floodplain location on housing values in the Fargo-Moorhead ...”
2. “The 100-year (1 percent chance) floodplain had a statistically significant and negative influence on housing values, and approximately 80 percent of this price depreciation was found to be associated with required flood insurance premiums over time. The 100-year flood event in 1997 increased this negative effect on housing values even more. In contrast, the 500-year (.2 percent chance) floodplain had a significant and positive influence on housing values.”
3. “... the results of this study (Shultz’s and Fridgen’s) indicate that home buyers in Fargo-Moorhead, and possibly in other communities, place a value on flooding risk only when that risk is made explicitly known to them, which underscores the importance of more public disclosure of the exact locations of both 100-year and 500-year floodplains.”

One point that the authors alluded to in the discussion of their findings is that the amount that a buyer might be willing to pay for a house in the high risk floodplain is likely to be the result of ... “either positive satisfaction gained by the consumer from living next to a river, or the negative anxiety and stress associated with the possibility of being flooded.” So, when one considers this and all the facts are known, then it is ultimately the individual’s choice of what they are willing to accept and live with for home location and costs of living there.

Please read Mr Shultz’s and Mr. Fridgen’s article for more details.

## Michigan FEMA Flood Map Modernization Completed Counties

County	Status	Effective Date
Alpena	Effective	11/20/2011
Barry	Effective	5/4/2009
Bay	Effective	9/17/2010
Berrien	Effective	4/17/2006
Branch	Effective	4/19/2010
Calhoun	Effective	4/4/2011
Cass	Effective	9/5/2007
Clare	Effective	12/3/2010
Clinton	Effective	5/3/2011
Eaton	Effective	11/26/2010
Genesee	Effective	9/25/2009
Gratiot	Effective	10/20/2011
Huron	Effective	12/2/2008
Ingham	Effective	8/20/2011
Iosco	Effective	1/6/2010
Jackson	Effective	5/3/2010
Kalamazoo	Effective	2/17/2010
Lapeer	Effective	9/19/2007
Livingston	Effective	9/17/2008
Macomb	Effective	9/29/2006
Midland	Effective	5/4/2009
Oakland	Effective	9/29/2006
Ottawa	Effective	12/16/2011
Roscommon	Effective	1/18/2012
Sanilac	Effective	1/6/2012
Shiawassee	Effective	9/20/2011
St. Clair	Effective	5/3/2010
St. Joseph	Effective	6/4/2010
City of Troy, MI PMR	Effective	1/16/2009
Van Buren	Effective	12/3/2009
Wayne	Effective	2/2/2012

as of 8/16/11



## FEMA Correspondence to Senator Levin

Recently, the FEMA corresponded with Senator Levin to provide answers to several questions the Senator had about the National Flood Insurance Program (NFIP), its costs to Michigan property owners, and the

methodology used to determine rates. That response is provided below because of the facts and very good explanation that it provides.

U.S. Department of Homeland Security  
500 C Street, SW  
Washington, DC 20472



**FEMA**

February 4, 2011

The Honorable Carl Levin  
United States Senator  
Washington, DC 20210

Dear Senator Levin:

Thank you for your letter dated October 5, 2010, to the Department of Homeland Security, Federal Emergency Management Agency (FEMA). In your letter you asked several questions regarding the status of the National Flood Insurance Program (NFIP), its costs to Michigan property owners, and the methodology used to determine rates.

I would like to answer the questions you raised in your letter individually.

1. In your first question you raised three issues: (a) Michigan flood insurance premiums exceeded claims paid by \$222 million, (b) you are concerned that the fact that FEMA uses a nationwide rating systems probably results in Michigan residents cross-subsidizing other higher-risk geographic areas, and (c) the fact that average premium for Michigan policyholders exceeds the average premiums for every Gulf state.

First, let us consider the statistic that Michigan residents have paid \$222 million more in premium than they have received claims<sup>1</sup>. We believe that this is primarily due to the fortuitous flooding experience that Michigan has experienced during most of the existence of the National Flood Insurance Program. So, the fact that Michigan residents have paid significantly more in premiums than they have received in claims paid is not necessarily indicative of inequity in premium but rather of the variability of flooding, which evens out over hundreds of years, not over the short 40 year history of the NFIP. In calendar years 1985 and 1986 Michigan's claims far outweighed their premiums by \$13 million. Adjusting for inflation and the number of insured structures then and now, the losses in 1985 and 1986 are estimated to be in the \$40 - \$50 million range. And these years do not necessarily represent the highest possible loss in Michigan. Even Florida has paid more in premiums than it has received in losses, nearly \$7 billion at the end of 2009. But one significant flooding event only half the size of Katrina could easily reverse the surplus.

Next, let me assure you that Michigan policyholders are not subsidizing higher risk areas because the NFIP utilizes a nationwide rating system. To understand how our nationwide system works, I need to begin with an overview of both our mapping activity and insurance pricing.

<sup>1</sup> The GAO number of \$222 million is a trended number that was their best attempt to bring past experience into present dollars. The NFIP actual untrended experience for Michigan shows that from 1978 through 2009, premiums exceeded program expenses (claims and administrative expenses) by \$84 million. Michigan NFIP premium was \$213 million while claims payments totaled \$44 million and administrative expenses were \$85 million. Please note that the NFIP expense ratio is similar to the expense ratios that are part of homeowner's insurance, fire insurance, and other property insurance that Michigan residents pay. Those expenses cover such items as claims handling expenses, agents' commissions, state premium tax, certain administrative expenses of FEMA and insurance company expenses.

[www.fema.gov](http://www.fema.gov)

Both Michigan and the Gulf area have a risk of flooding; the Gulf area, however, is clearly greater. In both Michigan and the Gulf there are areas susceptible to flooding. FEMA's mapping effort recognizes that and identifies those areas as Special Flood Hazard Areas (SFHAs) where the risk of flooding in any one year is one percent or greater. Because the risk of flooding in the Gulf area is so much greater, the SFHAs in the Gulf area are larger than those of Michigan. In addition, there are two types of SFHAs: those where flooding events include the additional damaging hazard of wave action and those where wave action is non-existent or minor. The former are designated as V-Zones while the latter are designated as A-Zones. These roughly correspond to coastal versus riverine flood zones. NFIP premiums are much higher in the V-Zones.

NFIP premiums are based on a variety of factors, but the most important one for those structures in the flood zone is the elevation of the structure relative to the flood risk. So premiums are highest for those structures built below the Base Flood Elevation (BFE – the height that flood waters are estimated to rise during a 1% annual chance flooding event,) while premiums are significantly lower for those structures that are elevated above the BFE. For structures that are in the A-Zone, the rate in Michigan for a structure that is 1-foot above the BFE is the same as a structure in Florida or Louisiana that is also 1-foot above the BFE. The probability of flood waters entering the structure is roughly the same for both of these structures; that is because the flood maps identify what the elevation is for the "one-percent annual chance flood" in both communities. While there are some variations in the probabilities depending upon the slope of the terrain in the SFHA, the indicated rate does not materially vary as the slope varies. This is why, for simplicity of administering the program, early in the history of the Program, FEMA changed from rates that varied within a community, depending upon the varying slope of the terrain in the community, to a nationwide rating system.

Let me conclude this discussion of the nationwide rating system by pointing out the one exception: rates for Post-FIRM construction (buildings constructed after a Flood Insurance Rate Map was in effect,) that are more than one-foot below BFE are individually-rated. This is because the flood risk for these non-compliant structures is so high and can vary significantly because of the individual characteristics of the building.

Next, I would like to address the appearance that the average premium for Michigan policyholders is higher than the average premium for Gulf Coast states. This is not a reflection that Michigan Policyholders' premiums are comparatively excessive; rather, the difference is primarily due to the distribution of policyholders with low risk, and correspondingly low premiums, and policyholders with high risk, and correspondingly high premiums.

A comparison of Michigan average premiums and the consolidated average premiums for the Gulf states are shown below.

Zone	Michigan		Gulf States	
	Distribution	Avg Prem	Distribution	Avg Prem
VE + Elev	N/A	N/A	0.3%	1,987.91
VE 0 Elev	N/A	N/A	0.0%	3,624.06
VE - Elev	N/A	N/A	0.1%	5,231.49
AE + Elev	9.3%	302.49	19.6%	374.46
AE 0 Elev	2.5%	622.93	6.1%	868.62
AE - Elev	2.5%	982.30	0.9%	1,992.67
Other A	0.1%	309.98	11.8%	354.16
Subsidized	60.4%	834.64	14.0%	1,024.89
X - Standard	7.3%	716.80	4.4%	934.59
X - Preferred	16.4%	317.74	40.5%	306.60
All Other	1.4%	897.11	2.2%	640.54
<hr/>				
TOTAL	100.0%	690.46	100.0%	523.79

The above exhibit (which excludes condominiums) shows the distribution of non-condo<sup>2</sup> policyholders by risk classification for the Gulf Coast States, and for Michigan. Note that the differences within each category are minor, and, in fact, Michigan residents often have lower premiums within a given category.

- In your second question you asked what steps FEMA has taken to ensure the disparity in claims from repetitive loss properties is accurately reflected in premium rates for those properties.

To understand the steps FEMA has taken to ensure that the true flooding risk of these repetitive loss properties is reflected in the premiums charged, I will begin with an overview of the NFIP rate

<sup>2</sup> Condos were excluded from the exhibit because premiums associated with an entire condo building can be significantly higher than other structures such as a single-family home, while premium per condo unit can be much lower than other structures because only the first one or two floors are usually subject to flood risk

structure. There are basically two major classes of NFIP rates: full-risk rates and discounted (commonly referred to as “subsidized”) rates. Full-risk rates reflect the true long-term expected losses for the structure, including the very rare but catastrophic event. Discounted premiums are just that: rates that are less than the full-risk rate for the class.

Most of the repetitive loss properties are older properties that qualify for discounted premiums. However, a review of our repetitive loss properties has revealed that about 5 percent of those properties are paying full-risk premiums. These are primarily newer, Post-FIRM properties that were built unwisely and are charged actuarial premiums that fully reflect their flood-risk. In addition, whenever a structure that is currently mapped as being outside the SFHA becomes a repetitive loss property, it loses its eligibility for the Preferred Risk Policy (PRP), which is the NFIP’s lowest cost class of premiums. While that is not a complete solution, it does partially address the flood risk of those policies.

FEMA has undertaken a multi-faceted approach to address the impact of repetitive loss properties on the NFIP. (1) FEMA recently increased deductibles from \$1,000 to \$2,000. While this increased deductible applies to all discounted policyholders, it is most acutely felt by our repetitive loss policyholders since they have to pay that deductible for each future loss. (2) FEMA administers a variety of mitigation programs that give priority to these repetitive loss properties. FEMA estimates that over the last 30 years approximately 70,000 repetitive loss buildings have been mitigated through various governmental programs, including FEMA’s programs. (3) FEMA has also lessened the impact of repetitive loss properties by helping to assure that new construction is built wisely so that it will not join the ranks of the repetitive loss properties. FEMA has done this by working with local communities to ensure adoption and enforcement of meaningful floodplain ordinances. (4) FEMA works closely with local communities to identify their repetitive loss properties and to develop appropriate plans to address the source of flooding and mitigate as many of the affected structures as possible. FEMA rewards the communities for successful efforts through Community Rating System discounts that result in lower premiums when they are taking strides to reduce flood risk.

FEMA recognizes that although many successful steps have been taken to reduce the repetitive loss problem, the problem it poses to the Program is still significant. We will continue to investigate and evaluate potential future improvements as they are identified.

3. In your third question you asked what FEMA is doing to incorporate more recent data into its flood maps and how FEMA is incorporating climate change in its rate setting process.

Concerning the GAO report that you cited it states that “FEMA relies on flood probabilities from the 1980s and damage estimates that do not fully reflect recent NFIP damage experience.” GAO’s concern in that report is primarily how those items impact the NFIP’s rate-setting process. FEMA performed a sensitivity analysis on the impact of the probability estimates on rates, and preliminarily concluded there would be a minimal impact. However, FEMA is currently undertaking a review of

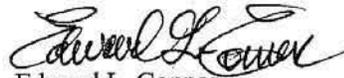
Senator Carl Levin  
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its probability estimates and damage estimates to validate their accuracy. We expect to have the first round of analysis completed in 2011.

Regarding how FEMA is incorporating climate change in its rate setting process, FEMA will be publishing a climate change report in 2011. The report will be the first step in examining how all areas of the NFIP may be affected by climate change. Additionally, more detailed studies will be required to understand when and if specific rating adjustments are warranted.

I hope this information addresses your concerns. If you need additional information or assistance, please have a member of your staff contact the FEMA Legislative Affairs Division by telephone at (202) 646-4500.

Sincerely,



Edward L. Connor  
Acting Federal Insurance and Mitigation Administrator  
National Flood Insurance Program

cc: Andrew Velasquez III, Regional Administrator, FEMA Region V  
Norbert Schwartz, Director, Mitigation Division, FEMA Region V  
Les Thomas, NFIP Coordinator, Michigan

# Questions and Answers

**Question:** When is flood insurance required?

**Answer:** Flood insurance is required as a condition of federal or federally related financial assistance for acquisition and/or construction of buildings in special flood hazard areas (SFHAs) as identified on FEMA flood hazard boundary maps (FHBMs) or flood insurance rate maps (FIRMs) of any community. The flood insurance requirement does not apply to conventional loans issued by private local lenders such as banks, savings and loans, and credit unions, which are not federally regulated and are not sold on the secondary market, such as to Fannie May and Freddie Mac or other government-sponsored enterprises (GSEs).

**Question:** What is a conventional loan?

**Answer:** A mortgage conventional loan is a lender agreement that is not guaranteed or insured by the federal government under the Veterans Administration ([VA](#)) the Federal Housing Administration ([FHA](#)), or the Rural Housing Service (RHS) of the U.S. Department of Agriculture. They are issued by private local lenders such as banks, savings and loans, and credit unions and serviced in their own portfolio until they are either paid in full or foreclosed on. (information from superpages.com website)

**Question:** How much flood insurance coverage can a lender require as a condition of a mortgage?

**Answer:** (information from FEMA website and staff) Before a person can receive a loan or other financial assistance from a federally regulated lender, there must be a determination made to see if the building is in a FEMA identified special flood hazard area (SFHA) on the FEMA flood hazard boundary map (FHBM) or Flood Insurance Rate Map (FIRM) for the building location.

It is the lender's ultimate responsibility to ensure that the determination is made. The lender can rely on an outside party to provide the determination to the extent that the determination is guaranteed. The lender cannot rely on the determination to be made by the borrower.

Usually, the lender will have the determination done by a flood hazard determination company that provides a guarantee that the determination is correct. The lender must document the determination and whether flood insurance is required on a Standard Flood Hazard Determination Form (FEMA Form 81-93). The lender will notify the borrower if flood insurance is required.

If the building is in an SFHA, the lender is required by federal banking regulations to require the recipient to purchase a flood insurance policy on the building.

The requirement is for building coverage equal to the value of building (not the land), the amount of the loan (or other financial assistance), or the maximum amount of flood insurance available, whichever is less. The federal regulation is 12 CFR, 339.3(a) and reads as follows:

(a) In general. A bank shall not make, increase, extend, or renew any designated loan unless the building or mobile home and any personal property securing the loan is covered by flood insurance for the term of the loan. The amount of insurance must be at least equal to the lesser of the outstanding principal balance of the designated loan or the maximum limit of coverage available for the particular type of property under the Act. Flood insurance coverage under the Act is limited to the overall value of the property securing the designated loan minus the value of the land on which the property is located.



## Certified Floodplain Managers (CFM®) Exam

The Certified Floodplain Managers (CFM®) exam is being offered on November 9, 2011, at the Michigan Department of Environmental Quality's Saginaw Bay District Office. The exam will begin at 1:00 PM. The office is located at 401 Ketchum, Suite B, Bay City, Michigan 48708. Space is limited.

In order to take the exam, you must complete the application for the CFM Program, which is available on the Association of State Floodplain Managers (ASFPM) Web site <http://www.floods.org/> under certification. The fee for taking the exam is \$100 for ASFPM members and \$340 for non-members. You may submit application for membership at the same time as applying for the exam. You must submit your completed application, along with the appropriate fee, to ASFPM by October 26, 2011.

For more information, please contact Joy Brooks at 989-894-6226 or [brooksj@michigan.gov](mailto:brooksj@michigan.gov).

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### Excerpts from an article in the ASFPM "Insider" March 2011 Newsletter entitled: FEMA and NOAA Partner to Encourage Flood Safety

The Federal Emergency Management Agency and the National Oceanic and Atmospheric Administration announce that they are partnering again to promote Flood Safety Awareness... in order to raise awareness of the dangers associated with flooding. They... encourage Americans to take steps to protect life and property as year in and year out, floods are the most common, costly, and deadly weather-related disasters in the U.S.

... unusually wet and snowy winter ... increases the risk of spring flooding events. Both agencies urge families and communities to take action now to ensure safety and financial security, including obtaining flood insurance. "It's important that families protect themselves and their homes against a potential flood," said FEMA Administrator Craig Fugate. "These steps include developing a family communications plan, putting an emergency kit together, keeping important papers and valuables in a safe place, and investing in flood insurance. Most flood insurance policies take 30 days to become effective, so the time to take action is now."

**Floods can do even worse than damage property; they can also threaten lives if safety precautions are not followed. "Floods occur somewhere in the United States or its territories nearly every day of the year, killing nearly 100 people on average annually and causing damage in the billions of dollars," said Jack Hayes, Director of the National Weather Service. "Awareness, preparedness and action are the key ingredients to protecting lives and property when floods threaten. One essential safety tip is to never cross a road that is covered by water. Remember, Turn Around, Don't Drown."**

To help community leaders and residents understand their risk, monitor threatening situations, and take action when warranted, NOAA produces river and flood forecasts and warnings. Flood forecasts are available at [www.water.weather.gov](http://www.water.weather.gov), and are also broadcast over NOAA Weather Radio All Hazards.

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### NOAA Has a New Tornado Web Site

The National Oceanic and Atmospheric Administration (NOAA) has created a new website containing 2011 tornado season information: statistics, storm tracks, survey information, videos and animations, maps, links to regional forecast offices, safety information, and more. The site will be updated throughout the season. The direct URL is [http://www.noaanews.noaa.gov/april\\_2011\\_tornado\\_information.html](http://www.noaanews.noaa.gov/april_2011_tornado_information.html).

## Preferred Risk Policy Eligibility Extension

There's good news for property owners who have been newly mapped into a high-risk flood area. FEMA is introducing cost-saving insurance options through the NFIP that may benefit property owners. If a building has been newly mapped into a high-risk flood zone, the property owner may be eligible for significant savings with the NFIP's new Preferred Risk Policy Extension. While the PRP Extension option provides temporary relief, revisions to the NFIP's grandfather rules will offer a more permanent premium reduction.

*The Federal Emergency Management Agency (FEMA) introduces a new flood insurance rating option for the National Flood Insurance Program (NFIP) to help reduce the financial burden placed on property owners whose buildings are newly mapped into a high-risk flood area.*

### FLOOD MAPS CHANGE

With aging flood control infrastructure and outdated flood maps across the United States, upon a request from the President in 2003, Congress appropriated funds and directed FEMA to update the nation's flood hazard maps. This effort, known as Flood Map Modernization, used the latest data and technology to identify communities' current flood risks nationwide. As a result, many property owners have found that their risk of flooding has changed. For some it was reduced, but for others, it increased.

If a building in a moderate- to low-risk flood zone was newly mapped into a high-risk Special Flood Hazard Area (SFHA) and was secured with a federally regulated or insured loan, lenders may require flood insurance. While the property owner may have been able to buy a lower-cost Preferred Risk Policy (PRP) before the new flood maps became effective, any policy purchased after the map revision would have to be rated at more expensive standard rates. The PRP would have to be converted to more expensive standard-rated premiums at subsequent renewals. Recognizing the financial burden this places on affected property owners and that updating flood maps is continuing with FEMA's new Risk MAP (Mapping, Assessment, and Planning) effort, FEMA is extending the eligibility of writing the lower-cost PRP for two years after a revised flood map's effective date.

### ELIGIBILITY FOR THE PRP TWO YEAR EXTENSION

For policies effective on or after January 1, 2011, FEMA is applying the two-year PRP eligibility extension for buildings affected by map changes since October 1, 2008.

#### **Affected Buildings Previous to January 1, 2011**

Buildings that have been newly mapped into high-risk flood zones (i.e., labeled with "A" or "V" on the flood maps) due to a map revision on or after October 1, 2008, and before January 1, 2011, are eligible for a PRP for *two policy years* effective between January 1, 2011, and December 31, 2012. So policies issued as standard-rated policies or converted to standard-rated policies following a map change on or after October 1, 2008, could be converted to the lower-cost PRP for two years beginning on the first renewal effective on or after January 1, 2011. Buildings meeting these same conditions that were not previously insured may be issued as a new business PRP on or after January 1, 2011, during this same eligibility period.

#### **Affected Buildings from January 1, 2011 Onward**

Buildings that are newly mapped into a high-risk flood zone due to a map revision on or after January 1, 2011, are eligible for a lower-cost PRP for *two policy years* from the map revision date. Buildings meeting the above requirements must also meet the NFIP's PRP loss history requirements. At the end of the extended eligibility period, policies on these buildings must be written as standard-rated policies; however, there are additional rating options available, which could result in additional savings (e.g., grandfathering, elevation rating, higher deductible).

### STAY PROTECTED AND SAVE

Whether a building is mapped into a high-risk or moderate- to low-risk flood zone, the property owner should always consider flood insurance as a way to reduce their overall risk. While this new rating option provides temporary financial relief, the property owners need to understand that they are still at a high risk for flooding. This extension provides affected property owners additional time to save and prepare for paying for the full risk premium in two years. The two-year extension also provides more time for the communities to upgrade or mitigate flood control structures to meet FEMA

standards and reduce the flood risk. Sound floodplain management will reduce the financial impact on residents and businesses in the long term while making their community safer to live and work in.

### **WHAT TO DO**

While the new PRP eligibility extension does not become effective until January 1, 2011, insurance companies will be contacting policyholders—those who may potentially qualify for this extension—at least 90 days before their policy expires. Consequently, some policyholders may be receiving notification as early as October 1, 2010. Insurance agents will be required to provide their insurance company documentation to show that the building is eligible for the PRP extension, including the current and prior map information. Such

information, both historic and current flood maps, can be found on FEMA's mapping website (<http://msc.fema.gov>) or through the local community's floodplain administrator. Property owners in communities that have received flood map updates since October 1, 2008, and have questions should contact their agent for further details. Additional information can also be found at [www.FloodSmart.gov](http://www.FloodSmart.gov) and [www.FloodSmart.gov/PRPExtension](http://www.FloodSmart.gov/PRPExtension), or by calling the NFIP Help Center at 1-800-427-4661. Insurance agents that have questions or need further details should contact their insurance carrier. Additional information for agents is available at [www.Agents.FloodSmart.gov](http://www.Agents.FloodSmart.gov), as well as [www.FloodSmart.gov/PRPExtension](http://www.FloodSmart.gov/PRPExtension).



## **How FEMA's NFIP Community Rating System Works**

From <http://www.fema.gov/library/viewRecord.do?id=3655>

Every year, flooding causes hundreds of millions of dollars' worth of damage to homes and businesses around the country. Standard homeowners and commercial property policies do not cover flood losses. So, to meet the need for this vital coverage, the Federal Emergency Management Agency (FEMA) administers the National Flood Insurance Program (NFIP).

The NFIP offers reasonably priced flood insurance in communities that comply with minimum standards for floodplain management.

The NFIP's Community Rating System (CRS) recognizes community efforts beyond those minimum standards by reducing flood insurance premiums for the community's property owners. The CRS is similar to—but separate from—the private insurance industry's programs that grade communities on the effectiveness of their fire suppression and building code enforcement.

CRS discounts on flood insurance premiums range from 5 percent up to 45 percent. Those discounts provide an incentive for new flood protection activities that can help save lives and property in the event of a flood.

To participate in the CRS, your community can choose to undertake some or all of the 18 public information and floodplain management activities described in the CRS Coordinator's Manual.

You're probably already doing many of these activities. To get credit, community officials will need to prepare an application documenting the efforts.

The CRS assigns credit points for each activity. Table 2 lists the activities and the possible number of credit points for each one. The table also shows the average number of credit points communities earn for each activity. These averages may give a better indication than the maximums of what your community can expect.

To be eligible for a CRS discount, your community must do Activity 310, Elevation Certificates. If you're a designated repetitive loss community, you must also do Activity 510, Floodplain Management Planning. All other activities are optional.

Based on the total number of points your community earns, the CRS assigns you to one of ten classes. Your discount on flood insurance premiums is based on your class.

For example, if your community earns 4,500 points or more, it qualifies for Class 1, and property owners in the floodplain get a 45% discount. If your community earns as little as 500 points, it's in Class 9, and property owners in the floodplain get a 5 percent discount. If a community does not apply or fails to receive at least 500 points, it's in Class 10, and property owners get no discount.

Following is the number of points required for each class and the corresponding discount rates citizens would be eligible for.

Discount				
Rate Class	SFHA*	Non-SFHA**	Credit Points Required	
1	45%	10%	4,500 +	
2	40%	10%	4,000 – 4,499	
3	35%	10%	3,500 – 3,999	
4	30%	10%	3,000 – 3,499	
5	25%	10%	2,500 – 2,999	
6	20%	10%	2,000 – 2,499	
7	15%	5%	1,500 – 1,999	
8	10%	5%	1,000 – 1,499	
9	5%	5%	500 --- 999	
10	0%	0%	0 --- 499	

\* Special Flood Hazard Area

\*\* Preferred Risk Policies are available only in B, C, and X Zones for properties that are shown to have a minimal risk of flood damage. The Preferred Risk Policy does not receive premium rate credits under the CRS because it already has a lower premium than other policies. Although they are in SFHAs, Zones AR and A99 are limited to a 5 percent discount. Premium reductions are subject to change.

### What Can a Community Do to Get Credit

The CRS grants credit for 18 different activities that fall into four series:

#### Series 300: Public Information/Total Points = 936; Average Points = 393

This series credits programs that advise people about the flood hazard, flood insurance, and ways to reduce flood damage. The activities also provide data that insurance agents need for accurate flood insurance rating.

#### -310 Elevation Certificates/maximum points = 162; average points = 69

- Maintain FEMA elevation certificates for new construction in the floodplain. (At a minimum, a community must maintain certificates for buildings built after the date of its CRS application.)

#### -320 Map Information Service/maximum points = 140; average points = 138

- Provide Flood Insurance Rate Map (FIRM) information to people who inquire, and publicize this service.

#### -330 Outreach Projects/maximum points = 380; average points = 90

- Send information about the flood hazard, flood insurance, flood protection measures, and/or the natural and beneficial functions of floodplains to flood-prone residents or all residents of a community.

#### -340 Hazard Disclosure/maximum points = 81; average points = 19

- Real estate agents advise potential purchasers of flood-prone property about the flood hazard.
- Regulations require notice of the hazard.

#### -350 Flood Protection Information/maximum points = 102; average points = 24

- The public library and/or community's Web site maintains references on flood insurance and flood protection.

**-360 Flood Protection Assistance/maximum points = 71; average points = 53**

- Give inquiring property owners technical advice on how to protect their buildings from flooding, and publicize this service.

**Series 400: Mapping and Regulations/Total Points = 5,895; Average Points = 620**

This series credits programs that provide increased protection to new development.

**-410 Additional Flood Data/maximum points = 1,346; average points = 86**

- Develop new flood elevations, floodway delineations, wave heights, or other regulatory flood hazard data for an area not mapped in detail by the flood insurance study.
- Have a more restrictive mapping standard.

**-420 Open Space Preservation/maximum points = 900; average points = 191**

- Guarantee that currently vacant floodplain parcels will be kept free from development.

**-430 Higher Regulatory Standards/maximum points = 2,740; average points = 166**

- Require freeboard.
- Require soil tests or engineered foundations.
- Require compensatory storage.
- Zone the floodplain for minimum lot sizes of 1 acre or larger.
- Require coastal construction standards in AE Zones.
- Have regulations tailored to protect critical facilities or areas subject to special flood hazards (for example, alluvial fans, ice jams, subsidence, or coastal erosion).

**-440 Flood Data Maintenance/maximum points = 239; average points = 79**

- Keep flood and property data on computer records.
- Use better base maps.
- Maintain elevation reference marks.

**-450 Stormwater Management/maximum points = 670; average points = 98**

- Regulate new development throughout the watershed to ensure that post-development runoff is no worse than pre-development runoff.
- Regulate new construction to minimize soil erosion and protect or improve water quality.

**Series 500: Flood Damage Reduction/Total Points = 6,689; Average = 653**

This series credits programs that reduce the flood risk to existing development.

**-510 Floodplain Management Planning/maximum points = 359; average = 115**

- Prepare, adopt, implement, and update a comprehensive flood hazard mitigation plan using a standard planning process. (This is a minimum requirement for all repetitive loss communities.)

**-520 Acquisition and Relocation/ maximum points = 3,200; average points = 213**

- Acquire and/or relocate flood-prone buildings so that they are out of the floodplain.

**-530 Flood Protection/maximum points = 2,800; average points = 93**

(Protection of existing floodplain development by floodproofing, elevation, or minor structural projects.)

**-540 Drainage System Maintenance/maximum points = 330; average points = 232**

- Conduct periodic inspections of all channels and retention basins, and remove debris as needed.

**Series 600: Flood Preparedness/Total points = 1,330; Average Points = 357**

This series credits flood warning, levee safety, and dam safety projects.

-610 Flood Warning Program/maximum points = 255; average points = 93

- Provide early flood warnings to the public, and have a detailed flood response plan keyed to flood crest predictions.

-620 Levee Safety/maximum points = 900; average points = 198

- Maintain existing levees not otherwise credited in the flood insurance rating system that provide some flood protection.

-630 Dam Safety/maximum points = 175; average points = 66

(All communities in a state with an approved dam safety program receive some credit.)

Note: Maximum and average points are subject to change. See the current CRS Coordinator's Manual for the latest information.

All Series: Total Points = 14,850; Average points = 2,023

### Extra Credit

Your community can get extra credit points—in addition to the points listed in the table—if you coordinate your activities through a comprehensive floodplain management plan. Also, if your community faces growth pressures, the mapping and regulation activities in Series 400 receive extra credit. See the CRS Coordinator's Manual for full details.

Many communities can qualify for what the CRS calls “uniform minimum credit,” based on the activities a state or regional agency implements on behalf of its communities. For example, some states have disclosure laws eligible for credit under activity 340, Flood Hazard Disclosure. Any community in those states can receive the uniform minimum credit.

Your community may want to consider floodplain management activities not listed in the CRS Coordinator's Manual. You should evaluate these activities for their ability to increase public safety, reduce property damage, avoid economic disruption and loss, and protect the environment. In addition, you can request a review of these activities to determine whether they should be eligible for CRS credit. FEMA welcomes innovative ways to prevent or reduce flood damage.

### How to Apply

Participation in the CRS is voluntary. If your community is in full compliance with the rules and regulations of the NFIP, you may apply. There's no application fee, and all CRS publications are free.

Your community's chief executive officer (that is, your mayor, city manager, or other top official) must appoint a CRS coordinator to handle the application work and serve as the liaison between the community and FEMA. The coordinator should know the operations of all departments that deal with floodplain management and public information. And the coordinator should be able to speak for the community's chief executive officer.

The first step in the application process is to get a copy of the CRS Application, which contains all the instructions and procedures you need for preparing and submitting your community's initial application for a CRS classification. The CRS Application includes easy-to-follow worksheets that provide credits for applicable activities. The CRS Application also identifies the documentation you must submit to support the credits you are requesting.

You may also want to order a copy of the CRS Coordinator's Manual, which describes the program in full and provides specific information, including eligible activities, required documentation, and resources for assistance.

Your designated CRS coordinator should fill out and submit your application. Help is also available through the contact information below. The CRS will verify the information and arrange for flood insurance premium discounts.

To order CRS publications at no charge, fax the order form on the following page to 317-848-3578, or mail to the address below. You can also e-mail your request to [nfipcrs@iso.com](mailto:nfipcrs@iso.com). Both the CRS Application and the CRS Coordinator's Manual are also available at FEMA's CRS Resource Center Web site: [www.training.fema.gov/emiweb/crs](http://www.training.fema.gov/emiweb/crs).

For more info, write, phone, or fax:

**NFIP/CRS**  
P.O. Box 501016  
Indianapolis, IN 46250-1016

Telephone: 317-848-2898  
Fax: 317-848-3578  
E-mail: [nfipcrs@iso.com](mailto:nfipcrs@iso.com)

Following is a list of Michigan NFIP communities currently enrolled in the CRS:

Michigan CRS Communities	County	CRS entry date	current class effective date	class	SFHA % discount	non-SFHA % discount	Total discount \$ savings
Bedford, Township	Monroe	5/1/2002	5/1/2008	8	10	5	\$11,743
Brooks Township	Newaygo	10/1/2011	Pending	8	10	5	na
Commerce, Township	Oakland	5/1/2003	5/1/2009	8	10	5	\$1,459
Dearborn Heights, City of	Wayne	10/1/1992	5/1/2008	7	15	5	\$170,350
Fraser, Township	Bay	5/1/2003	5/1/2003	9	5	5	\$4,559
Gibraltar, City of	Wayne	10/1/1992	10/1/2002	8	10	5	\$44,214
Hamburg, Township	Livingston	10/1/1999	10/1/1999	8	10	5	\$22,250
Luna Pier, City of	Monroe	5/1/2002	5/1/2008	8	10	5	\$25,208
Midland, City of	Midland	10/1/1992	10/1/2008	5	25	10	\$67,593
Novi, City of	Oakland	10/1/1999	10/1/1999	7	15	5	\$2,996
Park, Township	Ottawa	5/1/2003	5/1/2003	9	5	5	\$1,538
Plainfield Township	Kent	5/1/2010	5/1/2010	9	5	5	\$5,046
Portage, City of	Kalamazoo	10/1/1992	5/1/2008	8	10	5	\$156
Richfield Township	Genesee	5/1/2011	5/1/2011	8	10	5	na
Saginaw, Township	Saginaw	10/1/2006	10/1/2006	9	5	5	\$10,104
Saugatuck, City of	Allegan	10/1/2006	10/1/2006	8	10	5	\$3,144
Shelby Township	Macomb	10/1/2011	Pending	8	10	5	na
Sterling Heights, City of	Macomb	10/1/1995	5/1/2005	7	15	5	\$10,992
Taylor, City of	Wayne	5/1/2003	10/1/2009	8	10	5	\$23,220
Taymouth, Township	Saginaw	5/1/2003	10/1/2009	8	10	5	\$1,558
Vassar, City of	Tuscola	10/1/2006	10/1/2006	6	20	10	\$12,733
Zilwaukee, City of	Saginaw	5/1/2004	5/1/2004	8	10	5	\$20,540
<b>total statewide savings</b>							<b>\$439,403</b>

SFHA = special flood hazard area  
data as of 5/24/11





## Michigan Stormwater-Floodplain Association Outstanding Service Award Guidelines

The Michigan Stormwater-Floodplain Management Association (MSFA) was formed in 1987 in response to a need expressed by floodplain professionals for a common forum, and a network that supports and improves their management of Michigan's storm water and floodplains. The MSFA recognizes professionals contributing to better storm water and floodplain management through the annual presentation of the *MSFA Outstanding Service Award*. In addition, MSFA will nominate the award winner for consideration at the national level through the Association of State Floodplain Managers (ASFPM) award program.

**Please help the MSFA in recognizing outstanding local, regional, and state programs and professionals, by nominating one of Michigan's floodplain management leaders!**

**MSFA Outstanding Service Award Criteria**  
The *MSFA Outstanding Floodplain & Stormwater Management Service Award* will be awarded to a floodplain manager, local official, consultant, or other individuals who has gone above and beyond normal expectations and duties to promote MSFA's goals. This award is designed to honor an individual whose contributions have resulted in an outstanding local program or activity for comprehensive floodplain and storm water management, or unique programs that encourage flood impact awareness and reduction. The recipient of this award will serve as a role model and inspiration to other floodplain and storm water management professionals.

- ✓ The recipient will be selected based upon his/her outstanding accomplishments in, or contribution to, the field of storm water and floodplain management in Michigan.
- ✓ The recipient will be selected based upon his/her leadership and demonstration of both personal and professional character of the highest quality.
- ✓ The activities and work undertaken by the recipient shall demonstrate a direct impact

on improving the quality of life through better water resource management in accordance with the MSFA purpose and objectives (on-line at [mi.floods.org](http://mi.floods.org)).

### MSFA Outstanding Service Award Application and Instructions

- ✓ Complete the MSFA Outstanding Service Award application.
- ✓ Attach a one-page summary of the nominee's qualifications and activities.
- ✓ Publications, photographs, videos, letters of recommendation, and project descriptions may be submitted to support your nomination (all submitted materials will become the property of MSFA).
- ✓ Submit application, description, and supporting materials to:

Michigan Stormwater-Floodplain  
Association  
P.O. Box 14265  
Lansing, Michigan 48901-4265

You may direct any questions to Awards Coordinator, Tom Smith, at 616-364-8491

**The deadline for submittal of annual nominations is November 1, 2011.**



Michigan Stormwater-Floodplain Association  
Outstanding Service Award Application

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Name of Nominee \_\_\_\_\_

Address \_\_\_\_\_

Phone Number \_\_\_\_\_ Employer \_\_\_\_\_

Employer Contact/Phone \_\_\_\_\_

On a separate page, please describe the qualifications and activities of the nominee. Please address the award criteria and provide specific information, including any substantiating materials, which support your nomination.

Nominated by \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ E-mail \_\_\_\_\_

Fax \_\_\_\_\_ Date Submitted \_\_\_\_\_

Submit nominations to:  
Michigan Stormwater-Floodplain Association  
P.O. Box 14265  
Lansing, Michigan 48901-4265

DEADLINE: November 1, 2011



**CHAPTER MEMBERSHIP  
MICHIGAN STORMWATER-FLOODPLAIN ASSOCIATION  
MEMBERSHIP FORM**

Name \_\_\_\_\_ Representing \_\_\_\_\_  
Address \_\_\_\_\_ City/State/Zip \_\_\_\_\_  
Telephone ( ) \_\_\_\_\_ E-mail \_\_\_\_\_ New \_\_\_ Renewal \_\_\_

**MICHIGAN STORMWATER-FLOODPLAIN ASSOCIATION CHAPTER RENEWAL = \$35.00 per calendar year.**  
Please complete this portion for state association membership. The state association has no provision for accepting credit cards. Questions may be directed to Roger S. Clark, MSFA Treasurer, 517-853-0221 or msfatreas@yahoo.com . Please mail this form and your check to MSFA, P.O. Box 14265, Lansing, MI 48901-4265.

**Department of Environmental Quality  
Water Resources Division  
P.O. Box 30458  
Lansing, MI 48909-7958**

## **Flood News for Michigan Floodplain Managers**

**A Newsletter of the  
Water Resources Division  
Michigan Department of Environmental Quality**