



FEMA
JAN 21 2015

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Eric McKerchie
Township Supervisor
Township of Sugar Island
6401 East One and One-Half Mile Road
Sault Sainte Marie, Michigan 49783

Dear Mr. McKerchie:

I am happy to announce that the Department of Homeland Security's Federal Emergency Management Agency (FEMA) has approved the Township of Sugar Island's application to participate in the National Flood Insurance Program (NFIP). In accordance with Section 1336 of the National Flood Insurance Act of 1968, the Township of Sugar Island is eligible to participate in the Regular Phase of the NFIP effective on January 9, 2015. Flood insurance is now available to local property owners and may be purchased from any insurance agent or broker licensed to do business in the State where the insurable property is located.

I am enclosing a copy of the news release announcing the Township of Sugar Island's eligibility to participate in the NFIP. I hope it assists you in your efforts to publicize the availability of this important coverage. The Township of Sugar Island's property owners will want to know about this opportunity to obtain insurance protection against losses from future flooding. The buildings and contents coverage is now available to building owners and tenants.

There is a 30-day waiting period before a newly purchased flood insurance policy takes effect or for any additional coverage or endorsement that may increase policy limits. The waiting period ends and the policy takes effect at 12:01 a.m. on the 30th calendar day after the insurance policy application date and payment of premium.

There are 10 exceptions to the 30-day waiting period. However, I am only explaining the two most frequently used exceptions in this letter. The two most frequently used exceptions are: (1) when the initial purchase of flood insurance is in connection with the making, increasing, extension, or renewal of a loan, there is no waiting period and coverage is effective immediately; and (2) when the purchase of flood insurance is related to a revision or update of a Flood Hazard Boundary Map or Flood Insurance Rate Map (FIRM), there is a one-day waiting period. Flood insurance coverage takes effect at 12:01 a.m. on the day after the coverage is purchased for a structure located in a Special Flood Hazard Area (SFHA), an area subject to inundation by the base (1-percent-annual-chance) flood, on the revised flood map, which was not previously located in an SFHA prior to the revision. This exception is limited to a 13-month period and begins on the date the revised map is issued. The information on the remaining eight exceptions is contained in the enclosed NFIP "Policy Issuance 5-98" dated October 1, 1998.

The FIRM, which shows the Base Flood Elevations (BFEs) established for the Township of Sugar Island, became effective on October 16, 2014. This FIRM date indicates the effective date for the authorization of the sale of first and second layer flood insurance coverage at actuarial rates for all new construction and substantial improvements to existing structures within the Township of Sugar Island. The first layer coverage on structures built prior to October 16, 2014, will be available at subsidized rates unless improvements are made to the structure.

Eric McKerchie

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Please be aware that the increase or decrease of flood insurance costs for a structure is based on the location of the structure's first floor and its relationship to the BFEs for the Township of Sugar Island. In addition, on the effective FIRM date, the FIRM supersedes all previous maps for the purpose of determining whether individual properties are located inside or outside the SFHA. After the effective FIRM date, new construction will be charged actuarial rates, which may be higher, if the structure is not built in compliance with the NFIP floodplain management requirements.

Under the Flood Disaster Protection Act of 1973, as amended, flood insurance must be purchased by property owners seeking any Federal financial assistance for construction or acquisition of buildings in SFHAs. This financial assistance includes certain federally guaranteed mortgages and direct loans, federal disaster relief loans and grants, as well as other similarly described assistance from FEMA and other agencies.

In addition, all loans individuals obtain from Federally regulated, supervised, or insured lending institutions that are secured by improved real estate located in SFHAs are also contingent upon the borrower obtaining flood insurance coverage on the building. However, purchasing and maintaining flood insurance coverage on a voluntary basis is frequently recommended for properties located outside SFHAs.

If you need additional assistance or information, I recommend you contact Les Thomas, the NFIP State Coordinator, by telephone at (517) 284-5489, in writing at the Michigan Department of Environmental Quality, Post Office Box 30458, Lansing, Michigan 48909-7958, or by electronic mail at thomasl@michigan.gov. The FEMA Regional staff in Chicago, Illinois, is also available to assist you. You may contact the Regional staff by telephone at (312) 408-5500 or in writing. Please send your written inquiries to the Director, Federal Insurance and Mitigation Division, FEMA Region V, at 536 South Clark Street, Sixth Floor, Chicago, Illinois 60605.

Sincerely,



David H. Stearrett, CFM, Chief
Floodplain Management Branch
Federal Insurance and Mitigation Administration

Enclosures

cc: Andrew Velasquez, III, Regional Administrator, FEMA Region V
Les Thomas, NFIP State Coordinator, Michigan Department of Environmental Quality
Burt Menard, Zoning Administrator, Township of Sugar Island



FEMA

Policy Issuance 5-98

Subject: 30-Day Waiting Period

Effective Date: October 1, 1998

This Policy Issuance updates the Federal Insurance Administration's interpretations of the applicability of the 30-day waiting period to various mortgage lending and insurance underwriting situations in Policy Issuance 8-95 (December 5, 1995). This Policy Issuance supercedes Policy Issuance 8-95 and provides answers to additional questions regarding the 30-day waiting period from Write Your Own companies and insurance agents. These interpretations are intended to serve the Congressional intent for the imposition of the 30-day waiting period for the purchase of flood insurance to prevent abuse (i.e., property owners would purchase insurance only when a flood was imminent) and to facilitate lender compliance with the mandatory purchase of flood insurance.

Policy Decisions

1. The 30-day waiting period will not apply when there is an existing insurance policy and an additional amount of flood insurance is required in connection with the making, increasing, extension, or renewal of a loan, such as a second mortgage, home equity loan, or refinancing. The increased amount of flood coverage will be effective as of the time of the loan closing, provided the increased amount of coverage is applied for and the presentment of additional premium is made at or prior to the loan closing.

Explanation: This interpretation is consistent with a basic objective of the National Flood Insurance Reform Act of 1994 (NFIRA), namely, to facilitate lender compliance with the statutory requirements for flood insurance. The 30-day waiting period was established to prevent abuse by insureds from increasing coverage when flooding was imminent. The exemptions to the waiting period on the other hand were for loan closing situations and to facilitate lender compliance with the flood insurance purchase requirements. [Note: This policy interpretation has been retained from Policy Issuance 8-95 (December 5, 1995) and has not changed.]

2. The 30-day waiting period will not apply when an additional amount of insurance is required as a result of a map revision. The increased amount of coverage will be effective 12:01 a.m. on the first calendar day after the date the increased amount of coverage is applied for and the presentment of additional premium is made.

Explanation: This interpretation is also consistent with a basic objective of the NFIRA to facilitate lender compliance with the statutory requirements for flood insurance. The purchase of additional flood insurance is to comply with the statutory requirement for flood insurance in an amount equal to the outstanding principal balance of the loan for a property owner who was prudent enough to buy voluntarily flood insurance but now must increase the amount to comply with statutory requirements for flood insurance resulting from a Federal Emergency Management Agency map change. [Note:

This policy interpretation has been retained from Policy Issuance 8-95 (December 5, 1995) and has not changed.]

3. The 30-day waiting period will not apply when flood insurance is required as a result of a lender determining that a loan which does not have flood insurance coverage should be protected by flood insurance as required by Section 102(e) of the Flood Disaster Protection Act of 1973, as amended by NFIRA, because the building securing a loan is located in a Special Flood Hazard Area. The coverage will be effective upon completion of an application and the presentment of payment of premium.

Explanation: The interpretation is consistent with the purpose of the NFIRA to ensure compliance with the statutory requirements for flood insurance protection for property the subject of Federal or federally-related financial assistance even when the discovery is made by lender that flood insurance is required after the loan has closed. It is immaterial whether the lender's discovery of the need for flood insurance results from a scheduled mortgage loan portfolio review or a review of an individual loan file. [Note: This interpretation has been modified from that contained in Policy Issuance 8-95 to now provide that an exemption from the 30-day waiting period applies only to loans in Special Flood Hazard Areas, i.e., those loans for which the statute requires flood insurance.]

4. The 30-day waiting period does not apply when an additional amount of insurance is requested at renewal time that is no more than the amount of increase recommended by the insurer on the renewal bill to keep pace with inflation. The increased amount of coverage will be effective at 12:01 a.m. on the date of policy renewal provided the premium for the increased coverage is received before the expiration of the grace period. The 30-day waiting period applies to any additional amount of insurance requested at renewal time that is higher than any amount of increase offered on the renewal bill provided by the insurer. The beginning of the waiting period is determined by the normal rules. In the event that the insurer is unable to determine the application date and the presentment of premium, the insurer must use the premium receipt date in establishing the effective date for the increased coverage.

Explanation: To permit an insured to increase flood coverage to the amount recommended by the insurer as a safeguard against inflation without the 30-day waiting period is consistent with insurance industry practices and does not create a loophole for the kind of abuse Congress specifically wanted to prohibit with the statutory 30-day waiting period. To apply the 30-day waiting period in situations when a policyholder wants to significantly increase the amount of insurance beyond the amount recommended by the insurer to keep pace with inflation is in keeping with Congressional intent. [Note: This policy interpretation has been modified from that contained in Policy Issuance 8-95 to now provide that the 30-day waiting period applies to any additional amount of insurance requested at renewal time that is higher than any amount of increase offered on the renewal bill provided by the insurer.]

5. The waiting period does not apply to a renewal offer to the insured for the next higher limits available under PRP.

Explanation: This interpretation is consistent with other interpretations in this Issuance that exempt from the 30-day waiting period modest increases in coverage that are comparable to the inflation adjustment recommended by insurers at renewal.

6. The 30-day waiting period does not apply when an insured decides to rewrite the existing policy at the time of renewal from Standard to a Preferred Risk Policy (PRP), provided that the selected PRP coverage limit amount is no higher than the next highest PRP amount above that which was carried on the Standard policy using the highest of building and contents coverage. In those cases where the Standard policy has only one kind of coverage, either building or contents only, the 30-day waiting period applies.

In addition, if the structure is no longer eligible under the PRP or the insured decides to rewrite the existing PRP at renewal time to a Standard policy, the 30-day waiting period does not apply provided the coverage limit amount is no more than the previous PRP coverage amount or the next highest PRP amount above that.

Explanation: The change in coverage that results from converting a Standard Policy to a PRP or from converting a PRP to a Standard Policy with the limitations set forth above results in only a modest increase of flood insurance coverage--roughly equal to the amount of increase in No. 4 above.

7. Unless the contents are part of the security for a loan, the 30-day waiting period applies to the purchase of only contents coverage by a condominium unit owner at the time of the loan, i.e., where building coverage is not being purchased by the unit owner.

Explanation: Since the mandatory purchase of flood insurance applies only to property--real improved and/or any personal property--which is securing a loan, then a condominium unit owner who exercises his or her own option to buy insurance and is not responding to a lender's mandatory purchase decision is subject to the 30-day waiting period. This interpretation is consistent with other situations where an exemption to the 30-day waiting period applies only in situations to facilitate lender compliance with NFIRA.

8. Provided that the application and premium are received before an anniversary date, the 30-day waiting period does not apply to a cancel/rewrite of a 3-year policy at an anniversary date to obtain Increased Cost of Compliance (ICC) coverage.

Explanation: ICC coverage became effective for all new or renewal policies with effective dates on and after June 1, 1997. Those policyholders with 3-year policies without being able to cancel and rewrite in order to obtain ICC coverage would be delayed unnecessarily from obtaining coverage that Congress mandated under the NFIRA.

9. The insurer may rely on an agent's representation on the application that the loan exception applies unless there is a loss during the first 30 days of the policy period. In that case, the insurer must obtain documentation of the loan transaction, such as settlement papers, before adjusting the loss.

Explanation: It would be inconsistent with the intent of Congress for the NFIP to impose burdensome and time-consuming documentation requirements for the agent during the application process, in the case of loan transactions which Congress specifically wanted to exempt from the 30-day waiting period. Requiring documentation if a loss occurs during the first 30 days, however, assures that there will be no abuse of the rule.

10. The 30-day waiting period does not apply to a reduction of the deductible effective as of the

renewal date.

Explanation: The amounts involved are comparable to the modest inflation adjustments recommended by the insurer at renewal.

In order to provide a reasonable period of time for the insurers to comply with the new Policy Decisions (5 through 10), the effective date for Policy Decisions 5 through 10 is October 1, 1998.