



FEMA

W-10085

August 23, 2010

MEMORANDUM TO: Write Your Own (WYO) Principal Coordinators and the  
National Flood Insurance Program (NFIP) Servicing Agent

A handwritten signature in cursive script that reads "Edward L. Connor".

FROM: Edward L. Connor  
Acting Federal Insurance and Mitigation Administrator

SUBJECT: Preferred Risk Policy (PRP) Eligibility Extension

This is to provide materials to assist you and your producers in your communications about the new PRP eligibility extension. Attached are an agent-focused PRP Extension Fact Sheet, Talking Points, and Frequently Asked Questions that we ask you to share with your staff and producers to help guide them when speaking with their customers about their eligibility for this option. These materials are also available at [www.Agents.FloodSmart.gov](http://www.Agents.FloodSmart.gov) and [www.FloodSmart.gov/PRPExtension](http://www.FloodSmart.gov/PRPExtension). We urge you to consider holding teleconferences, webinars, or other meetings with agents to explain the extension and highlight how critical their role is in communicating the possible savings to their clients.

Other materials intended for local officials, lenders, and others are still in development and will be shared with you soon.

If you have questions, please contact Harriette Kinberg by electronic message at [Harriette.Kinberg@dhs.gov](mailto:Harriette.Kinberg@dhs.gov). Thank you for your continued support of the NFIP.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: All Departments



# Preferred Risk Policy Eligibility Extension

## A New Low-Cost Flood Insurance Option

*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 – FLOOD RISKS CHANGE

In 2003, with aging flood control infrastructure and extremely outdated flood maps across the United States, Congress mandated that FEMA update the nation's flood hazard maps.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: 1) buildings affected by map changes from October 1, 2008 to January 1, 2011; and 2) buildings affected on or after January 1, 2011.

### 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).

#### Significant Savings

A property owner who has a home without a basement will pay \$343 for \$200,000 in building and \$80,000 in contents coverage for a PRP versus more than \$1,400 for a standard-rated policy in an X zone, and even more if rated in a high-risk flood zone (i.e., A zone)...a savings of more than \$1,000+ a year.

### 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.





## Preferred Risk Policy Eligibility Extension

### A New Low-Cost Flood Insurance Option

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 ninety 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/PRPEExtension](http://www.FloodSmart.gov/PRPEExtension) or by calling the FEMA Map Information eXchange (FMIX) at 1-877-336-2627.

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/PRPEExtension](http://www.FloodSmart.gov/PRPEExtension).





# Preferred Risk Policy Eligibility Extension

## Frequently Asked Questions

*As of January 1, 2011, the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program (NFIP) will utilize a new flood insurance rating option to help reduce the financial burden placed on property owners whose buildings are newly mapped into a high-risk flood area. The following are answers to some frequently asked questions.*

### 1. What is a Preferred Risk flood insurance policy?

The NFIP's Preferred Risk Policy, or PRP, offers low-cost flood insurance to owners and tenants of eligible residential and non-residential buildings located in moderate- to low-risk areas.

### 2. What types of coverage does a PRP offer?

A PRP offers considerable premium savings to low risk property owners with no difference in coverage.

Under the low cost PRP, there are two types of coverage combinations: building and contents together, and contents-only.

A PRP premium for a residential building and contents ranges from *as low as \$129 – for \$20,000 in building and \$8,000 in contents coverage – to \$405 – for the maximum \$250,000 building and \$100,000 contents coverage.* Comparable coverage under the Standard X-Zone rated policy would range from \$721 to \$1,612.

Under the PRP, a residential tenant can get coverage for *as low as \$49 for \$8,000 in contents coverage (all rates as of January 1, 2011).*

### 3. What are the changes to PRP that could affect me?

FEMA announced on May 21, 2010, a revision in its PRP eligibility rules under the NFIP.

Buildings that were newly mapped into an SFHA 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, between January 1, 2011, and December 31, 2012.

Buildings that will be mapped from a non-SFHA to a SFHA due to a map revision *on or after January 1, 2011*, will be eligible for a PRP for two policy years following the effective date of the map revision.

Buildings meeting the above requirements must also meet the PRP loss history requirements. If there are two claims or disaster relief payments for flood of \$1,000 or more, or three losses of any amount, the structure is ineligible for the PRP.

At the end of the extended eligibility period, policies on these buildings must be written as standard-rated policies.

### 4. Why is the NFIP extending PRP eligibility? What led to this decision?

Before 2003, more than 70 percent of the nation's flood maps were at least ten years old. Those maps were developed using what is now outdated technology, and more importantly, many no longer accurately reflect the current flood hazards. Congress passed a law and appropriated funds in 2003 directing FEMA to create the five-year Flood Map Modernization program, which used more current data and technology to update the maps. Consequently, many property owners are





# Preferred Risk Policy Eligibility Extension

## Frequently Asked Questions

finding their buildings have been accurately mapped into higher risk areas. Aging flood control infrastructure, including levees, dams, and other structures, have also resulted in large numbers of properties being newly mapped into SFHAs, where they are required by lenders to purchase flood insurance.

Now, flood map revisions will continue as part of FEMA's Risk MAP (Mapping, Assessment, Planning) program as it builds on the successes and work of Flood Map Modernization (for more details visit: [www.fema.gov/plan/prevent/fhm/rm\\_main.shtm](http://www.fema.gov/plan/prevent/fhm/rm_main.shtm)).

While map changes more accurately reflect a community's flood risk, FEMA recognizes the financial hardship that SFHA designation may place on individuals in newly identified high-risk flood zones and is, therefore, extending the eligible time period for low-cost PRPs.

### **5. What benefits does the PRP eligibility extension provide?**

In these particularly tough economic times, the PRP eligibility extension provides temporary financial relief; the reduced cost allows time to save and prepare for paying the premium based on standard NFIP rates after two years.

Agents will be able to offer the PRP to those property owners who are eligible for the extension and provide guidance on other available rating options that may reduce a customer's premium beyond the two years.

The extension provides more time for communities to upgrade and/or mitigate flood control structures to meet FEMA standards—reducing the future financial impact on residents and businesses. More families and business will also be able to better afford flood insurance coverage and for longer—meaning greater community resiliency and faster recovery after a flooding event.

### **6. Are the additional two years of the PRP retroactive?**

No. The good news is that moving forward, those eligible for the PRP will be able to purchase their policies at the lower rate for two years.

### **7. If I already have a PRP, how much will my policy increase due to this change?**

Starting January 1, 2011, policyholders with a PRP will see a modest increase of \$10 as they renew their policies. This small increase in premium ensures to all PRP policyholders that if maps ever change, they will have two years of lower premiums.

### **8. When will eligible existing policyholders be notified of the two-year PRP eligibility extension?**

FEMA is requiring that existing policyholders be notified of their potential PRP eligibility at least 90 days prior to policy expiration by their flood insurance carrier. Consequently, some policyholders will be receiving notices as early as October 1, 2010.





# Preferred Risk Policy Eligibility Extension

## Frequently Asked Questions

**9. Does this eligibility extension also affect those property owners with buildings already in high-risk areas (e.g., A or V zone) that are newly mapped into higher risk flood zones or in areas with new or higher Base Flood Elevations (BFEs)?**

No. The two-year PRP eligibility extension is distinct from existing grandfathering rules and does not apply to properties that were already located in SFHAs prior to the map change. Existing grandfathering rules already provide relief to property owners with buildings already in SFHAs that are newly mapped into higher risk flood zones (e.g., from AE to VE) or in areas with higher BFEs.

**10. If property ownership changes hands, is the new owner granted the remainder of the two-year PRP eligibility extension?**

Yes, a new owner is granted the remainder of the two-year PRP eligibility extension if property ownership changes hands during the two years following the effective date of a map revision.

**11. If there is lapse in coverage, will coverage be reinstated under the PRP?**

If coverage is reinstated during the two years following the most recent map revision, or within two years of January 1, 2011, for maps revised between October 1, 2008 and December 31, 2010, the policy may be reinstated as a PRP.

**12. What is the “end date” to the PRP eligibility extension?**

There is no “end date” specified for the extended eligibility based on map change effective dates. Beginning January 1, 2011, each policy on a building that is newly mapped into the SFHA by a map change effective October 1, 2008, or later is entitled to two additional years of coverage under the PRP.

**13. Why aren't policyholders with properties included in SFHAs before October 1, 2008, eligible for the extension?**

This eligibility extension was developed as a response to the large number of very recent map changes due to a federally mandated map modernization, and the increasing difference in premiums that evolved over time between the standard-rated policy and the PRP, which made it more difficult for property owners to transition to the higher premium standard-rated policy.

**14. What actions do I need to take and where can I go for more information on the PRP Eligibility Extension?**

Flood insurance carriers will be notifying eligible policyholders by mail at least 90 days before the expiration of a policy. Property owners may also contact your insurance agent to see if you qualify. To look up property addresses on past historic FIRMs or the current effective FIRM, visit FEMA's Map Service Center at [www.msc.fema.gov](http://www.msc.fema.gov). For more information about this new provision and about flood insurance, contact your agent or visit [FloodSmart.gov](http://FloodSmart.gov) and [FloodSmart.gov/PRPExtension](http://FloodSmart.gov/PRPExtension).

Insurance agents can learn more by contacting their flood insurance carrier and by visiting [Agents.FloodSmart.gov](http://Agents.FloodSmart.gov).





# Preferred Risk Policy Eligibility Extension

## Frequently Asked Questions

### 15. What will my agent need to convert my policy back to a PRP?

Acceptable forms of documentation for the current and prior map information include:

- A Letter of Map Amendment (LOMA)
- A Letter of Map Revision (LOMR)
- A Letter of Determination Review (LODR)
- A copy of flood map marked to show the location and flood zone of the building
- A signed and dated letter from a local community official indicating the address, flood zone, map panel and map effective date
- An Elevation Certificate (EC), indicating the address and flood zone of the building, that is signed and dated by a surveyor, engineer, architect, or local community official
- A flood zone determination certification that guarantees the accuracy of the information

### 16. Does this replace grandfathering?

Pre- and Post-FIRM buildings mapped into a high-risk area *after October 1, 2008* will be eligible for the grandfather rules after the two PRP policy years are completed. To qualify for grandfather rates after the two extended PRP policy years, the grandfathering guidelines must still be met; e.g., pre-FIRM buildings must maintain coverage continuously and have no substantial damage or improvement to be eligible for grandfathering after the PRP extension period is over.

### 17. If during the PRP extension eligibility period, the agent did not obtain the necessary information to rate the building as a PRP and a property was later found to be eligible for the PRP extension, can the agent go back and re-rate it and the insured receive a refund?

Buildings that were newly mapped into an SFHA 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. Property owners affected by these previous map revisions will be eligible for the PRP for the two policy years effective between January 1, 2011, and December 31, 2012. If an agent is unable to get the proper information in time for a renewal or later determines an insured building is eligible for the PRP extension, the policy can be re-rated using Cancellation Reason Code 22 (Cancel/Rewrite due to Misrating) and the insured receive back any difference in premium.



## Agent Talking Points: Preferred Risk Policy Eligibility Extension

The talking points below were developed for you to use and refer to when discussing the Federal Emergency Management Agency's (FEMA's) Preferred Risk Policy (PRP) Eligibility Extension. The extension offers a new National Flood Insurance Program (NFIP) flood insurance option to property owners to provide temporary financial relief as a result of recent map changes. The messages specifically address the tough questions you may receive from property owners about their eligibility for the lower-cost policy as well as background on the process and what led to the extension. For additional information, agents should contact their WYO company or go to [www.Agents.FloodSmart.gov](http://www.Agents.FloodSmart.gov) or [www.FloodSmart.gov/PRPExtension](http://www.FloodSmart.gov/PRPExtension).

### What led to the extension?

- Before 2003, more than 70 percent of the flood maps were at least 10 years old. These maps were developed using what is now outdated technology, and more importantly, many maps no longer accurately reflected the current flood hazards.
- Congress passed a law and appropriated funds in 2003 directing FEMA to create the Flood Map Modernization program, which used the latest data and technology to update the maps.
- Aging flood control infrastructure, including levees, dams, and other structures, have also put a large number of residents at a higher flood risk and resulted in many buildings being mapped into a Special Flood Hazard Area (SFHA).
- The flood risk is real and many property owners now find themselves in high-risk areas, areas where they are required by lenders to purchase flood insurance.
- While map changes more accurately reflect a community's flood risk, FEMA recognizes the financial hardship that SFHA designation may place on individuals in newly identified high flood risk zones; consequently, FEMA is extending eligibility for low-cost PRP's starting January 1, 2011.

### What does the extension mean?

- If a building in a moderate-to-low-risk flood zone has been mapped into a high-risk flood zone and was secured with a federally regulated or insured loan, lenders may require that flood insurance be purchased.
- Owners of buildings newly mapped into an SFHA due to a map revision effective on or after October 1, 2008, and before January 1, 2011, are eligible to receive a reduced premium for up to two policy years beginning January 1, 2011 through December 31, 2012.
- Owners of buildings that will be mapped into an SFHA because of a map revision on or after January 1, 2011, are eligible to receive up to two policy years of reduced premiums after a map revision.
- A PRP premium for a residential building and contents ranges from as low as \$129 - for \$20,000 in building and \$8,000 in contents coverage - to as high as \$405 - for the maximum \$250,000 building and \$100,000 contents coverage. A residential tenant can get coverage for as low as \$49 for \$8,000 in contents coverage (all premium calculations as of January 1, 2011).
- In order to receive reduced premiums, the property must meet PRP eligibility requirements related to claims and disaster aid.
- There are additional rating options offered through the NFIP, which may result in additional savings (e.g. grandfathering, elevation rating, and higher deductibles).
- Previous and current flood zone documentation will be required to validate PRP extension eligibility. For example, you may use a copy of the previous flood map and current flood map showing where the building is located.

## Agent Talking Points: Preferred Risk Policy Eligibility Extension

### What are the benefits?

- In these particularly tough economic times, the PRP eligibility extension provides temporary financial relief. The reduced cost provides additional time to save and prepare for paying the premium based on standard rates after two years.
- A policy for a home without a basement is \$343 for \$200,000 in building and \$80,000 in contents coverage for a PRP versus more than \$1,400 for a standard-rated policy in an X zone, and even more if rated in a high-risk flood zone (i.e., A zone)...**a savings of more than \$1,000+ a year.**
- This two-year extension provides more time for the communities to upgrade or mitigate flood control structures to meet FEMA standards and reduce the flood risk. This reduces the financial impact on residents and businesses in the long term while making their community safer to live and work in.

### What to do

If your county/community has received updated maps since October 1, 2008:

- Contact me (your insurance agent) to see if you qualify.
- Visit [FloodSmart.gov](http://FloodSmart.gov) or [www.FloodSmart.gov/PRPExtension](http://www.FloodSmart.gov/PRPExtension) for more information.
- Call FEMA Map Information eXchange (FMIX) at 1-877-336-2627.