



# 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, due to natural changes and community development, many no longer accurately reflect the current flood hazards. Upon a request from the President, Congress appropriated funds in 2003 directing FEMA to create the five-year Flood Map Modernization program, which used more current data and





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technology to update the maps. Consequently, many property owners are 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.





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**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).





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### 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.

