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# Preferred Risk Policy Eligibility Extension

## Frequently Ask Questions

Since January 1, 2011, the Federal Emergency Management Agency's (FEMA's) National Flood Insurance Program (NFIP) has offered a flood insurance rating option—the Preferred Risk Policy (PRP) Eligibility Extension—for 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 PRP provides low-cost flood insurance to owners and tenants of eligible residential and commercial buildings located in moderate- to low-risk areas.

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

A PRP offers considerable premium savings to property owners in moderate- to low-risk areas (shown as flood Zones B, C, and X on flood maps) with no difference in coverage from a standard-rated policy.

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

A PRP premium for a residential building without a basement or enclosure and its contents ranges from as low as \$129 – for \$20,000 in building and \$8,000 in contents coverage – to \$412 – for the maximum \$250,000 building and \$100,000 contents coverage. Under the PRP, a residential tenant can get coverage for as low as \$55 for \$8,000 in contents coverage (all rates as of January 1, 2013).

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

Effective January 1, 2011, FEMA extended availability of the PRP for two years to buildings newly mapped from moderate- to low-risk areas into high-risk areas, or Special Flood Hazard Areas (SFHAs). SFHAs are shown as zones beginning with the letter "A" or "V" on flood maps. The extension applies in areas remapped on or after October 1, 2008.

Effective January 1, 2013, FEMA continues to make the PRP available for properties newly mapped into an SFHA since October 1, 2008. Beginning October 1, 2013, these policy premiums will increase 20 percent each year.

Buildings that meet the above requirements must also meet the PRP loss history requirements. If there are two prior claims on the property, disaster relief payments for flood-related damage of \$1,000 or more, or three losses of any amount, the structure is ineligible for the PRP. Refer to the National Flood Insurance Program Flood Insurance Manual for a full list of eligibility requirements.

### 4. Why did the NFIP extend PRP eligibility? What led to this decision?

Since 2003, FEMA has been leading a major effort to update the nation's Flood Insurance Rate Maps (FIRMs) to reflect current flood risks. Many of the older FIRMs were based on now-outdated studies, and both drainage patterns and flood risks have changed. For more details about FEMA's Risk Mapping, Assessment, and Planning (Risk MAP) efforts visit: [fema.gov/rm-main](http://fema.gov/rm-main).

As new FIRMs have been issued, many property owners have found that their risk of flooding has changed. And for some, the change means new flood insurance requirements. If a building in a moderate- to low-risk area is mapped into an SFHA, most mortgage lenders will require flood insurance. FEMA extended the eligible time period for low-cost PRPs allowing residents time to save and prepare for paying the premium based on standard NFIP rates.



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

The reduced cost allows time to save and prepare for paying the increased premium based on standard NFIP rates. The extension also 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. Also, more families and business will be able to better afford flood insurance coverage and for longer—meaning greater community resiliency and faster recovery after a flooding event.

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

Beginning October 1, 2013, these policy premiums will increase 20 percent each year.

## **7. For property owners covered under a PRP, will there be any rate changes in 2013?**

Effective January 1, 2013, PRP policyholders will see an average 13 percent increase as they renew their policies. This increase reflects the increased flood risk from expanding the PRP class to include policies that are now known to be in an SFHA.

Beginning October 1, 2013, these policy premiums will increase 20 percent each year.

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

No. The 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 cost savings to property owners with buildings already in SFHAs that are newly mapped into higher risk flood zones (e.g., from Zone AE to VE) or in areas with higher BFEs.

## **9. If property ownership changes hands, is the new owner granted the PRP eligibility extension?**

Yes, a new owner is granted the PRP eligibility extension if property ownership is transferred following the effective date of a map revision.

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

As long as the property continues to meet the PRP loss history requirements, the policy may be reinstated as a PRP. Beginning October 1, 2013, FEMA will start implementing a revised premium structure that will move policies to full-risk rates consistent with the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). Some lapsed policies could be affected by the changes.

## **11. Why aren't policyholders, with properties mapped into SFHAs before October 1, 2008, eligible for the extension?**

This eligibility extension was developed as a response to the large number of map changes occurring around that time. These changes were due to the 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.



## **12. What is needed to convert a policy back to a PRP?**

An insurance agent will have to submit documentation to show the building is eligible for the PRP extension. 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

## **13. If after a map change, the building was not written as a PRP and the building was later found to be eligible for the PRP extension, can the policy be re-rated and the insured receive a refund?**

If an agent is unable to obtain 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 and the insured will receive any difference in premium.