FOR AGENTS

CONVERTING A STANDARD-RATED POLICY TO A PREFERRED RISK POLICY

HOW TO SAVE PROPERTY OWNERS MONEY

When a property in a high-risk zone (i.e., a Zone beginning the letter A or V) is remapped into a moderate- to low-risk zone (i.e., Zone X, Shaded Zone X) due to a map revision or Letter of Map Change (LOMC)[1], the mandatory purchase of flood insurance requirement no longer will apply. However, property owners are still at risk for flooding. In fact, more than 20 percent of all flood claims are from outside mapped high-risk flood areas.

The National Flood Insurance Program provides a streamlined process to allow property owners to retain their coverage by converting their existing standard-rated policy (residential or non-residential) to a less expensive Preferred Risk Policy (PRP) without a change in the policy's effective date or a gap in coverage. The standard-rated policy's premium is used to cover the less expensive PRP premium, and property owners will receive a refund of the difference in cost following the issuance of the PRP.

EASY STEPS FOR CONVERSION

The Federal Emergency Management Agency has simplified the process for converting standard-rated policies to PRPs:

1. Find out when the LOMC or map revision will become effective.
2. Identify existing policyholders that will be affected by the change.
3. Determine affected policyholders that are eligible for a PRP (e.g., some may not be eligible due to loss history; see your agent's manual for details).
4. Inform the policyholders identified in Step 3 about the upcoming change and that:
   a. The risk has been reduced but not eliminated and therefore, they should maintain coverage.
   b. They are eligible for a low-cost PRP.
   c. They will receive a refund with no gap in coverage.
5. With the information in Step 4, provide policyholders a quote with the new premium costs and the closest PRP set limits of building and contents (offer the next highest option if there is not an exact match).
6. Enclose a letter from the insured requesting conversion of the existing standard-rated policy to a PRP.
7. Forward a completed PRP application and insured-signed conversion request to your flood insurance company along with a copy of the new map panel, the LOMC, or a letter from a community official.
8. A PRP will be issued using the original effective date of the standard-rated policy, and a refund will be sent to the premium payer listed on the policy.

Note: If the policyholder wishes to have more specific limits or if the property is not eligible for a PRP, a standard-rated policy with the new zone designation can still be endorsed. The endorsement effective date is the date of the map change.

[1] *LOMC – Letter of Map Change. This could be a Letter of Map Amendment (LOMA) for a particular property or a Letter of Map Revision (LOMR) for a larger portion of a flood map.*

BENEFITS

When properties are mapped out of high-risk areas, your clients need to know that their risk is reduced but not removed. As their insurance agent, you should ensure that they are informed about this low-cost conversion option. This can help reduce your Errors and Omissions exposure while they take advantage of the following benefits of this easy conversion:

- Streamlined conversion process for you and your clients.
- No additional payment required.
- No 30-day waiting period.
- Uninterrupted coverage.
- A refund for the difference of policy costs.
- Commission for the agent on both policies.

FOR MORE INFORMATION

For more information on how to market the PRP, including templates and talking points, visit Agents.FloodSmart.gov/conversion.