



FEMA

Two-Year Preferred Risk Policy Eligibility Extension

January 1

2011

Owners of buildings that were newly mapped into a Special Flood Hazard Area (SFHA) due to a Flood Insurance Rate Map (FIRM) revision effective on or after October 1, 2008, are eligible to receive a reduced flood insurance premium for up to two years beginning January 1, 2011, or the map revision effective date, whichever is later. Community officials may be asked to provide assistance to property owners in helping to validate PRP extension eligibility.

A National Flood
Insurance
Program (NFIP)
Self-Study
Learning Module
for Community
Officials

Two-Year PRP Eligibility Extension
Learning Module

Contents

	Page Number
Introduction	4
How to use this study guide	
Navigating PowerPoint and associated links	
Steps for completing the course	
Lesson One – Basics	6
PRP Background	
PRP defined	
When the PRP is used	
The PRP Extension	
Expanding the PRP Criteria	
The reasons for expanding eligibility criteria	
Flood Insurance Rate Maps (FIRMs)	9
Why maps change	
The impact revised flood maps have on NFIP flood insurance	
The Bottom Line	
Learning Check	14
Lesson Two – Extension Period Determination	16
Examples	
Learning Check	18
Lesson Three - Notification and Documentation Benefits	19
Notifying NFIP policy holders	
Required documentation	
Acceptable zone documentation	
The role of the community official	

Lesson Four – Benefits	21
Economics	
Flood insurance premium savings	
Promotes the purchase of flood insurance	
Community benefits	
Buys time	
Learning Check (lessons three and four)	23
Module Summary	24
Answers to Learning Checks	26
Self-Assessment Test	28
Answers to Self-Assessment Test	30
Resources	31

Introduction

This Study Guide was developed for community officials who may encounter property owners seeking help in proving eligibility for the new NFIP Two-Year PRP Eligibility Extension option.

Follow the guide to help ensure that you receive the maximum benefit from this learning experience. The test is a self-assessment tool to measure how much you have learned. There are four steps to follow:

- 1) Study the guide thoroughly and in association with the accompanying PowerPoint presentation. Alternatively, you may save the PowerPoint presentation until you have finished your study and use it as a module summary.
 - a. Open PowerPoint in “notes” mode.
 - b. Review slides and notes.
 - c. Advance or reverse slides by using the arrow keys on the computer keyboard.
 - d. Follow all links found in the guide and PowerPoint presentation at the time they are presented. Links will take you to valuable resources and help prepare you for your self-assessment test. To follow a link, simply use your mouse and left click on the link while at the same time pressing the ctrl key on your keyboard. To return to the presentation, close the resource screen.
- 2) Complete all learning exercises. Do not skip them.
- 3) Answer the self-assessment questions and exercises.
- 4) Have someone review your assessment or you may do this yourself. Answers to the self-assessment test are provided.

NOTE: There are no prerequisites for this course. However, you may need to draw upon your existing knowledge of the National Flood Insurance Program.

Step 1 Studying

Find a comfortable, quiet area in which to study. An area that is well lit and away from the noise and the demands of the office or home. You should set aside approximately one hour for completion of this module.

This learning module is divided into four short lessons. Read each lesson at your normal pace. Then go back and begin to dive into the lesson more thoroughly, highlighting and underlining key terms and concepts. Make notes in the margin of the pages. Draw pictures! Doodle Anything that may help you through some pretty dry material, but enable you to remember the information you will need to recall when assisting your customers.

Once you are sure that you understand the subject matter, continue on to the next lesson.

Step 2 Complete all learning exercises

You may be tempted to skip the learning exercises. Please do not. They will help to solidify any new knowledge that you have obtained and will give you, at least on paper, some practical experience.

Step 3 Answer the self-assessment questions

Answer all questions. The order in which you answer them is not important. However, every question has a purpose and your answer is a measurement of what you have learned and what material you need to revisit.

Step 4 Review your test answers

When you are satisfied with your assessment answers, compare them to the provided answers, or have a friend or colleague review them for you. The answers will help you identify areas that you have understood and/or those that need your attention.

Lesson One - The Basics

Lesson Goals - At the end of this lesson, you will be able to:

1. Describe the Preferred Risk Policy (PRP)
2. Respond appropriately to a property owner request for assistance
3. Identify available resources for use in assisting property owners
4. Describe the role of the community official as it relates to the Two-Year PRP Eligibility Extension

Preferred Risk Policy (PRP) Background

The PRP offers the same coverage and provisions as a standard rated flood insurance policy. The PRP is a low-cost premium structure used by the National Flood Insurance Program (NFIP). Property owners whose buildings and/or contents are located in areas at moderate-low risk of experiencing a major flood, and who have favorable flood loss history, may qualify for a low-cost flood insurance policy using the PRP premium structure. Eligible properties are not only insured at a lower cost, but are insured under the Standard Flood Insurance Policy Dwelling Form, providing the same coverage as those properties rated using the NFIP standard rating system. Moderate-low risk areas are designated on the Flood Insurance Rate Map (FIRM) as flood Zones B, C and X.

Learn more about the PRP at the following Federal Emergency Management Agency (FEMA) websites:

<http://www.fema.gov/pdf/nfip/manual201010/09prp.pdf>

<http://www.fema.gov/library/viewRecord.do?id=3907>

<http://www.fema.gov/library/viewRecord.do?id=1410>

Pay special attention to what properties meet the PRP eligibility requirements stated in these resources.

The Two-Year PRP Eligibility Extension

Expanding the PRP Eligibility Criteria

FEMA has expanded the PRP eligibility criteria. Normally, when a Flood Insurance Rate Map (FIRM) is revised and the insured building is moved from a moderate-low risk flood zone to a high-risk zone, the insured would lose the PRP premium option upon policy renewal. This is a

simple insurance concept; the lower the likelihood (risk) of loss, the lower the insurance policy premium; the higher the risk, the higher the insurance policy premium. Areas considered at high-risk of experiencing a major flood are called Special Flood Hazard Areas (SFHAs) and are designated on FIRMs as zones beginning with the letters 'A' (reflecting the risk of pooling or rising water with minimal current) and 'V' (reflecting "velocity" zones subject to the risk of tidal surge and wave action).

FEMA has developed an option whereby buildings that are newly mapped into an SFHA due to a map revision that became effective on or after October 1, 2008, can enjoy the lower PRP premium for a period of up to two-years after the *later* of the following two dates:

- The effective date of the map revision, or
- January 1, 2011

Loss history requirements must still be met to be eligible for the Two-Year PRP Eligibility Extension.

With the introduction of this expanded PRP eligibility, you may be approached by property owners or insurance agents for assistance in determining whether a specific building is eligible for the PRP. FEMA strongly discourages community officials from attempting to determine whether a building is eligible or ineligible for the PRP. Varieties of characteristics other than flood zone are considered in determining the appropriate premium for each flood insurance policy. The responsibility for determining eligibility or ineligibility for the PRP lies solely and entirely with the insurer, subject to the rules of the NFIP.

While community officials are strongly discouraged from determining whether a building is eligible or ineligible for the PRP under the two-year eligibility extension, community officials may provide valuable information to property owners or agents that will assist the insurer in determining if a building is eligible for the PRP. Community officials may give assistance by providing property owners or insurance agents with the flood zone designation for a building on the current or previous Flood Insurance Rate Map (FIRM). In many cases, insurers will supply their customers with a form that you may complete to indicate the building's previous flood zone. It is appropriate for you to complete this form and we encourage your assistance. Community Rating System (CRS) credits are awarded to communities that provide the service of flood zone determinations to property owners under Activity 320.

To learn more about the CRS, visit the FEMA website:
<http://www.fema.gov/business/nfip/crs.shtm>

Though we encourage your assistance, there is no obligation to provide this information, and you may refrain in those cases where a determination is "too close to call". If you chose not to provide flood zone data, we encourage you to direct property owners to other sources of flood zone information. You may direct property owners and agents to the FIRM retained in your offices. You may also direct property owners and agents to seek the following:

- A Letter of Map Amendment (LOMA)
- A Letter of Map Revision (LOMR)
- A Letter of Determination Review (LODR)
- An Elevation Certificate indicating the exact location and flood zone of the building, and signed and dated by a surveyor, engineer, or architect
- A flood zone determination certification that guarantees the accuracy of the information.

Property owners and insurance agents can also access the FEMA Map Service Center website for assistance at:

<http://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1>

The Reason for Expanding PRP Eligibility

The primary reason for the two-year PRP eligibility extension is to ease the transition to purchasing flood insurance for those who become newly subject to mandatory purchase laws.

The requirement to purchase flood insurance is not made by FEMA; it is based on the lender's determination that the building is located in an SFHA on the current FIRM. In accordance with the Flood Disaster Protection Act of 1973, flood insurance is required for all buildings located in an SFHA that carry a mortgage loan through a federally regulated or insured lender. If a federally regulated or insured lender determines the building is located within the SFHA, the borrower is notified that flood insurance will be required as a condition of the loan. Federally regulated and insured mortgage lenders must enforce the mandatory purchase of flood insurance, or the lenders will face penalties.

The two-year PRP eligibility extension provides premium savings to those who are newly subject to mandatory purchase, as well as those who voluntarily purchase coverage because of the increased risk of flooding determined on the new maps. Property owners are encouraged to save in preparation for paying full risk premiums when the PRP eligibility period ends. Property owners may also explore other options such as obtaining an Elevation Certificate or filing for a Letter of Map Amendment. Finally, property owners may choose to retrofit buildings by elevating or installing flood vents. In some cases, these techniques may permanently reduce flood insurance premiums.

The two-year PRP eligibility extension not only provides individual property owners with time to explore insurance or flood mitigation options; the wider community benefits from affordable coverage while sound floodplain management is implemented using the risk assessment provided by the new map. In some cases, enhancements to existing flood control structures by the wider community have resulted in properties being restored to the original low-to-moderate zones reflected on the previous map.

More information about the Mandatory Purchase Requirement can be found at the following FEMA website:

<http://www.fema.gov/library/viewRecord.do?id=2954> Mandatory Purchase Guidelines

How the Two-Year PRP Eligibility Extension Process Works

Insurers will be primarily responsible for implementing the Two-Year PRP Eligibility Extension. At a high level, this involves four major steps. They are:

- 1) Notifying property owners in affected areas that they may be eligible for the Two-Year PRP Eligibility Extension.
- 2) Validating and documenting eligibility.
- 3) Offering the PRP product to property owners.
- 4) Preparing insured for the conversion of the PRP to a standard-rated policy at the end of the two-year extension.

You may assist insurers in step two outlined above. By providing flood zone data from either the current or the previous map to property owners or insurance agents, you will assist insurers in determining eligibility for the PRP. FEMA discourages community officials from going beyond the parameters of step 2 outlined above. If you are asked if a specific building is eligible for the PRP, you may provide the flood zone data, and refer the requester to an insurance professional regarding all other questions.

Flood Insurance Rate Maps (FIRMs)

Why Maps Change

You, as a community official, probably know far better than most the importance of mapping risk and the reasons why the effort must be ongoing. You also know how the “face” of your community can change and how those changes can affect floodplains and flood risk. In short, maps change because flood risk changes.

Factors used in considering flood risk:

- 1) New or aging infrastructure (levees, for example)
- 2) Development (new construction – more concrete, asphalt, and buildings covering ground area; new water run-off patterns, etc.)
- 3) Natural changes to topography such as land subsidence or erosion
- 4) Acquisition of historical data
- 5) Advances in technology improving risk assessment

Risk can change either for better or for worse. When infrastructure is new, updated or certified, the risk of flood lessens. This lowered risk can be reflected on FIRMs through remapping efforts and through Letters of Map Change (LOMC).

For more information about map changes, visit the following FEMA website:

<http://www.fema.gov/business/nfip/fmapinfo.shtm>

Pay close attention to the types of map changes and where you can find help.

By the year 2003, over 70-percent of America's FIRMs were at least 10-years old. Congress mandated that FEMA develop a plan whereby all FIRMs throughout the United States be updated to reflect the most current flood risk. The resulting initiative was called Map Modernization or Map Mod for short. By the end of the Map Mod effort, 92-percent of the nation's NFIP participating communities will have been remapped. However, the remapping effort will continue through a new initiative called Risk Mapping, Assessment, and Planning or Risk MAP for short.

For more information about Risk MAP, visit the following FEMA website:

http://www.fema.gov/plan/prevent/fhm/rm_main.shtm

Pay special attention to the vision and goals of Risk MAP as well as where you can go for assistance.

Although not required for this module, you may want to consider learning more about map changes by taking FEMA's online tutorial found at:

http://www.fema.gov/plan/prevent/fhm/ot_main.shtm

The Impact Revised Flood Maps Have on NFIP Flood Insurance

Many property owners do not believe that their building is at risk. They reason that there is not a strong history of flooding in the area or that there is no flood source nearby such as a river or a lake. History has proven that neither of these arguments is absolute and that flooding happens. The risk remains very real. Just because flooding has not happened in recent memory does not mean it won't. Why?

Consider the following:

- 1) Landscape can change with time increasing the likelihood of flooding. Wildfires are one example that can, within days, significantly change flooding conditions. On a more gradual basis, watershed development (such as the increased use of impervious surfaces) can cause water to rush more quickly to streams, aggravating flood hazards

downstream. There are more obvious changes like levees, dams, bridges and development that encroaches on floodplains. All of these things affect how water flows and changes our understanding of flood risk.

- 2) Weather patterns are changing. Each year rainfall, stream, and tide gage data are collected and analyzed. Some years might be considered “typical”, but sometimes-large floods change the statistics almost overnight. These extreme events change our understanding of the odds; modifying our awareness of how risky an area might be.

NOTE: Years of prolonged drought can also change things.

- 3) Our methods for identifying flood hazard change. As computing power expands, the data we can put into numerical models that identify flood hazards increases and the ability to improve calculations gets better. Even in situations where the landscape and historical weather patterns have been relatively steady, applying more advanced technologies or more detailed data can significantly change our understanding of the risk.

Newly designated SFHAs need to be taken seriously. Floodplain management regulations and ordinances need to be maintained and enforced. Flood insurance agents need to be aware of the NFIP flood insurance options afforded to property owners who have been newly mapped into high-risk areas.

The “Grandfather” Rules

Insurance agents may, if it is advantageous to the customer, offer an NFIP insured or property owner the option to “grandfather” the previous flood zone or Base Flood Elevation (BFE). In other words, for standard rated policies, an insurance agent is permitted to rate an insurance policy using the flood zone found on the previous FIRM if it benefits the property owner. In some instances, the property owner could realize a substantial savings by being “grandfathered” into the previous zone, especially if the old zone was B, C or X and the map revision has placed the building in an SFHA. It is important to note that “grandfathering” is distinct from the two-year PRP eligibility extension. A “grandfathered” standard X Zone policy will typically be more expensive than a PRP. However, unlike the PRP, the standard X zone policy can be “grandfathered” permanently.

There are two types of “grandfathering”: “built-in-compliance” and “continuous coverage”. For buildings constructed after the initial FIRM, the zone and BFE reflected on the map at the time of construction provides a permanent rating option if the building met NFIP floodplain management requirements at the time of construction. For buildings constructed before the initial FIRM, the zone and BFE used to rate the initial policy year may be used for standard rating so long as the property owner maintains continuous coverage (e.g., no lapse in coverage).

In order to “grandfather” a zone, the insurance agent must produce documentation that supports “grandfathering” eligibility criteria. The community official may be asked to supply this needed documentation for the “built-in-compliance” type of “grandfathering.”

In the past, when a building was insured under a PRP policy prior to a map revision, the insurance agent would not be permitted to continue to use this PRP on the first renewal after the building was designated as high-risk. However, for reasons stated previously, the rules have changed for certain properties, and these property owners will have two additional years under the PRP. Even if no coverage was issued prior to the map change, property owners will be eligible for the PRP during the two-year period following January 1, 2011, or the map change effective date, whichever is later. At the end of the two-year PRP eligibility period, the policy may be converted to standard X zone rating under continuous coverage grandfathering, since the initial coverage was issued using the X zone. Standard X zone rating will typically be more expensive than the PRP, but is often less expensive than standard rating in the SFHA zone.

To recap: Buildings that are newly designated within an SFHA due to a map revision effective on or after October 1, 2008, can enjoy the lower PRP premium for a period of up to two years after the later of the following two dates:

- The effective date of the map revision, or
- January 1, 2011

Loss history requirements must still be met to be eligible for the Two-Year PRP Eligibility Extension.

As is the case when “grandfathering,” the community official may be asked to provide documentation to help establish PRP eligibility. We will discuss what constitutes acceptable documentation later in this module.

Some property owners will find themselves in the situation where flood insurance is a requirement by their lender, when it was not before. They may not be financially prepared to pay the potentially high premiums associated with the SFHA. This is the reason the Two-Year PRP Eligibility Extension was implemented, to ease the financial transition.

The Bottom Line

Map changes can have a negative financial impact on property owners whose buildings have been moved from a moderate-low risk area to one that is high. However, the opposite can be true. A once high-risk building can be removed from the SFHA into a moderate-low zone, having a positive impact on the flood insurance rate. Indeed, as of 2010, the national trend has been that almost as many properties are mapped out of the SFHA as newly mapped into the SFHA.

Although at first glance the idea of a map revision may seem negative, the risk of experiencing a flood is real. Knowing the current flood risk is a strong positive and allows communities and property owners to prepare and protect against flood loss.

The community official can help to safeguard property owners from financial devastation by protecting SFHAs from being damaged or compromised, thereby reducing the likelihood and severity of flooding. Since risk cannot be eliminated, only reduced or increased, encouraging property owners to purchase and maintain flood insurance is an excellent way of helping them protect themselves against potentially overwhelming financial loss.

To learn more about the NFIP, insurance and floodplain management, consider completing the FEMA self-study course, "Managing Floodplains through the NFIP." This course can be found at the following FEMA link.

http://www.fema.gov/pdf/floodplain/is_9_complete.pdf

Learning Check #1

- 1) Using the information you have just been provided, which one of the following best describes the PRP:

The PRP is:

- a. an altogether different policy from the Standard Flood Insurance Policy
- b. a low-cost premium structure used to insure buildings and contents located in moderate-low flood hazard areas
- c. only available to property owners whose buildings are located in flood zones A and V and meet all other PRP eligibility underwriting criteria, including loss history.

- 2) Given the scenario below, choose the most appropriate response.

FEMA issued new Flood Insurance Rate Maps for the town of Pleasantville. The new maps took effect on November 12, 2009. Pleasantville is a town within your jurisdiction. Mr. Brown is the owner of Pleasantville Hardware located on Main Street. As a result of the remapping, Mr. Brown has been notified by his mortgage company that he is required to purchase flood insurance. His flood insurance agent advises him that he may qualify for the Two-Year PRP Eligibility Extension. Mr. Brown is confused and is asking you for clarification. You explain that:

- a. the Two-Year PRP Eligibility Extension is a way for all property owners to save premium dollars over the next two years. Everyone qualifies! You would be happy to provide him with a copy of the old Flood Insurance Rate Map (FIRM) for use by his insurance agent for determining Two-Year PRP Eligibility Extension eligibility.
- b. the Two-Year PRP Eligibility Extension is available to only those property owners needing financial assistance resulting from increased flood insurance premiums due to a map change. You advise the insured to go online to find his historical mapping information.
- c. because the flood maps have changed, some buildings have been moved from moderate-low risk flood zones to high-risk flood zones. The Mandatory Purchase Requirement mandates that all buildings located in high-risk flood zones and are held as collateral to secure a federally regulated or insured loan, must obtain flood insurance. Because his building was previously located in a moderate-low risk area, his flood insurance agent is trying to determine if he qualifies for a

lower flood insurance premium. Although you cannot tell him whether his building qualifies, you can assist him by providing documentation that will help his insurer determine eligibility.

3) Match the following need with the appropriate resource for gathering information or obtaining assistance:

- | | |
|--|-----------------------------------|
| a. LOMA, LOMR, LODR | ___ Surveyor, Architect, Engineer |
| b. Elevation Certificate | ___ Insurance Agent |
| c. Questions about "Grandfather" rules | ___ FEMA Map Service Center |

4) Is the following statement true or false?

___ The risk of experiencing a flood is real. Knowing the current flood risk allows property owners to prepare and protect against devastating financial loss.

5) Choose the statements below that best describe the community official's role in protecting property, life and livelihoods:

- Protect floodplains from being damaged and/or compromised
- Encourage the purchase of flood insurance
- Encourage the community to participate in the CRS program
- Provide information about flood risk and where to get help

Lesson Two – Two-Year PRP Eligibility Extension Period

Lesson Two goals – At the end of this lesson, you will be able to:

1. Describe the Two-Year PRP Eligibility Extension period
2. Identify the role of the community official, insurance agent, insurer and insured as it relates to the Two-Year PRP Eligibility Extension option

How is the two-year extension period determined?

It is becoming increasingly clear to NFIP stakeholders that teamwork between NFIP partners is beneficial to all. The Two-Year PRP Eligibility Extension is an excellent example of how the partnership between insurance agent and community official can work to benefit property owners as well as promote flood insurance.

Although the primary role of explaining the Two-Year PRP Eligibility Extension is that of the insurance agent, it is a good idea for the community official to be aware of how the two-year extension period is determined. If asked, you may be able to reinforce or clarify the information provided to the property owner by the insurance representative. However, please avoid stating that a specific building is either eligible or ineligible for the PRP.

Keep the following information readily available for review, should you be asked to explain the extension period.

- 1) The extension period begins on either January 1, 2001 or the effective date of the map revision, whichever is later.
- 2) If the effective date of a map revision is between October 1, 2008 and December 3, 2010, the extension period is available for policy terms that are effective between January 1, 2011 and December 31, 2012.
- 3) If the effective date of the map revision is on or after January 1, 2011, the extension period is available for policy terms that are effective during the 2-year period following the map revision effective date.
- 4) A new insurance policy effective during the second year of the extension period will receive only 1-year of PRP eligibility.

Examples:

←---Pre-map revision, status quo---|---current policy term- 01/01/11-12-|---extension 2012-13---→

Extension Period Begins
10/01/2008
Effective Date of Map Revision

←---Pre-map revision, status quo---|---current policy term 02/13/13-14-|---extension 2014-15---→

Extension Period Begins
03/01/2012
Effective Date of Map Revision

←---Pre-Map revision, status quo---|---new policy effective 03/16/16-17-|---no further extension---→

Extension Period Begins
02/01/2014
Effective Date of Map Revision

Learning Check #2

- 1) Given the information you have just been provided, which of the following statements are true about the Two-Year PRP Eligibility Extension period?
- a. A new insurance policy effective during the second year of the extension period will not receive an extension.
 - b. If the effective date of a map revision is between October 01, 2008 and December 3, 2010, the extension period is available for policy terms that are effective between January 1, 2011 and December 31, 2012.
 - c. The extension period begins on either January 1, 2001 or the effective date of the map revision, whichever is later.
 - d. Community officials are encouraged to advise a property owner that they are eligible for the Two-Year PRP Eligibility Extension.
- 2) Several NFIP partners play a role in the determination of Two-Year PRP Eligibility Extension eligibility. Match the following entities with their primary roles:

Insurance Agent	___ Eligibility determination
Community Official	___ Provide property owner with a full explanation of the Two-Year PRP Eligibility Extension
Insurer (insurance company underwriter)	___ Obtain required documentation
Insured	___ Assist property owner in obtaining required documentation

Lesson Three – Notification and Documentation

Lesson Goal – At the end of this lesson, you will be able to identify approved documentation for use by insurers in determining Two-Year PRP Eligibility Extension eligibility.

How will policyholders be notified?

The NFIP writes flood insurance through two venues; the Write-Your-Own (WYO) program and the NFIP Direct Side (NFIP Direct). NFIP Direct insurance agents write NFIP flood coverage directly through the NFIP and do not use a private sector insurance company (those that also write homeowners insurance, for example) to place their flood insurance book of business. On the other hand, many private sector insurance companies have entered into an arrangement with FEMA to write NFIP flood insurance in their own names. These insurance companies are referred to as WYO companies. NFIP flood insurance products, coverage and premiums remain the same regardless of where the coverage is written, whether through the NFIP Direct or through one of the WYO companies. WYO companies and the NFIP Direct abide by the same rules and regulations.

It is the responsibility of the WYO companies and the NFIP Direct to provide notification to targeted policyholders about potential eligibility for the PRP extension. Written notification will be provided at least 90-days prior to the current flood insurance policy renewal date. Notification will advise property owners and the insurance agent of the appropriate procedures and documentation required to rewrite an eligible policy to a PRP.

What documentation is required?

To help prove that a building is eligible for the PRP, the property owner must provide the insurance agent with *one* of the following documents:

- A Letter of Map Amendment (LOMA)
- A Letter of Map Revision (LOMR)
- A Letter of Determination Review (LODR)
- A copy of the most recent flood map marked to show the exact location of the building and flood zone of the building
- A copy of the current and previous flood maps if the PRP is being applied for under the two-year PRP eligibility extension
- A letter indicating the property address and flood zone of the building, and signed and dated by a local community official
- An Elevation Certificate indicating the exact location and flood zone of the building, and signed and dated by a surveyor, engineer, architect, or local community official
- A flood zone determination certification that guarantees the accuracy of the information.

As you can see, there are several types of documents that the local community official can provide. In an effort to simplify the process, FEMA has developed a form to be completed and signed by the community official that insurers can use to indicate the current or previous zone as part of determining PRP eligibility. This form will be included in the notification packet that will be mailed to the insured. You can find a copy of this form in the resource section of this course or online at <http://www.floodsmart.gov/PRPextension>. It is entitled "Documentation for 2-Year PRP Eligibility Extension."

Lesson Four – Benefits

At the end of this lesson, you will be able to identify and explain the benefits of the Two-Year PRP Eligibility Extension option.

The benefits of the PRP extension are few but mighty. Perhaps the most important is the monetary savings to affected property owners. Because of this option, property owners can typically save over \$1,000 per year for two years. It also buys the property owner time to explore other premium lowering options, like purchasing an elevation certificate, implementing mitigation techniques such as flood venting or elevating a home, grandfather rating, and different coverage options or higher deductibles.

Although saving money is a top priority for some, the opportunity to educate property owners and to market flood insurance may be the biggest benefit to your community. This is because purchasing flood insurance helps ensure that the property owner does not suffer a disabling financial loss and can continue to live and work in your community. Experience tells us that the more buildings that are insured when a flood disaster occurs, the greater the community's resiliency.

It is important to understand that Federal Disaster Assistance is not the answer. For many, it helps. However, it typically comes in the form of a loan, and is usually very limited. This loan is on top of existing mortgages, credit card debt and other financial commitments. Disaster assistance is only available if the President of the United States declares the affected area a national disaster. If a property owner collects disaster assistance because of flood damage, and their building is located in an SFHA, they must purchase a flood insurance policy. Otherwise, disaster assistance will not be made available to them should another flood occur. There are many sound reasons why purchasing NFIP flood insurance is the better option. Now is the perfect time to "get the word out."

For more information about NFIP flood insurance versus Disaster Assistance, use the following links to the FEMA.gov website:

<http://www.fema.gov/library/viewRecord.do?id=3323>

<http://www.fema.gov/library/viewRecord.do?id=3519>

<http://www.fema.gov/library/viewRecord.do?id=3002>

Pay particular attention to the benefits for flood insurance and to the myths that surround the NFIP.

Although there are some immediate benefits to the Two-Year PRP Eligibility Extension, there is also a long-term benefit. It is the ability for communities to review, plan and take action to upgrade flood control measures, protect floodplains, update floodplain management requirements and ordinances, and become members of the CRS. As a result, communities become more resilient in the event of a flood and members of the community have a safer, more enjoyable community in which to live, work, and play.

Learning Check #3

- 1) Given the information that you have just been provided, choose from the list below those documents approved by FEMA for use by the insurer in determining Two-Year PRP Eligibility Extension eligibility:
 - a. LOMA
 - b. Copy of the historical FIRM
 - c. Letter indicating the property address and flood zone of the building, and signed and dated by a local community official
 - d. Documentation for 2-Year PRP Eligibility Extension form, completed, dated and signed by a local community official
 - e. A diagram of the building location scribbled on a paper plate or napkin

- 2) There are several benefits of the Two-Year PRP Eligibility Extension. Which one of following benefits is the chief reason for initiating the Two-Year PRP Eligibility Extension:
 - a. Provides an opportunity to educate property owners about the benefits of flood insurance over Federal Disaster Assistance
 - b. Provides opportunity to review, plan and take action to upgrade floodplain management regulations
 - c. Provides substantial flood insurance premium savings over the course of the two-year extension period

Module Summary

The following module summary can also be used as a “quick reference” guide. Keep it handy!

The Basics

- 1) Flood risks are dynamic, and change over time due to community development and natural changes to the topography. The Flood Insurance Rate Maps (FIRMs) are being updated throughout the Nation to better reflect a building’s flood risk.
- 2) Map revisions can result in buildings currently located in moderate-low risk flood areas being newly designated into high-risk flood zones.
- 3) Flood insurance policy premiums can decrease or increase significantly because of map changes.
- 4) Some property owners will find themselves in the position where their lender will require flood insurance when they did not before. This is the result of the Mandatory Purchase requirement, a statute whereby property owners are required to purchase flood insurance if their mortgage is federally backed or regulated and their buildings are located in high-risk flood zones (zones beginning with the letters A and V).

What You Need to Know

- 1) The NFIP PRP is a low-cost policy used to insure buildings at moderate-low risk of flooding. To qualify for a PRP, flood loss history criteria must also be met.
- 2) The PRP Eligibility criteria have been expanded to include buildings newly mapped into a high risk area for up to two years after the map revision. This PRP Eligibility Extension was created to help ease the financial transition of property owners whose buildings are newly designated as high-risk and who would have no longer qualified for the low-cost PRP under the old rules.
- 3) Property owners insured under a PRP in the past lost the PRP premium (at policy renewal) because of their building being newly mapped into a high-risk area.
- 4) The NFIP is expanding the eligibility for the PRP for two years following the effective date of a map revision that has occurred on or after January 1, 2011. Property owners newly mapped into a high-risk area by a map revision that occurred on or after October 1, 2008, will also be eligible for the PRP for two years beginning with policies effective on or after January 1, 2011.
- 5) To qualify for the PRP Eligibility Extension, property owners must prove that their building is currently or was previously zoned as moderate-low flood risk (located in flood zones B, C, D or X).
- 6) You may be asked to provide the property owner with documentation that will assist insurers in determining a building’s eligibility for the PRP extension. Points are awarded towards CRS credits for providing this service.

Acceptable Documentation

Note: You are not required to provide documentation. However, any assistance to the property owner is appreciated.

- 1) A signed and dated letter from a local community official indicating the address, flood zone, map panel and map effective date.
- 2) A copy of the current or previous (historic) FIRM indicating the exact location of the building. Property owners can be referred to FEMA's Map Service Center to view and print a "FIRMette" of these maps at www.msc.fema.gov.
- 3) An Elevation Certificate (EC), indicating the address and flood zone of the building that is signed by a certified surveyor, engineer, architect, or local community official (as indicated on the EC).
- 4) A flood zone determination that guarantees the accuracy of the information.
- 5) A Letter of Map Amendment (LOMA).
- 6) A Letter of Map Revision (LOMR).
- 7) A Letter of Determination Review (LODR).

Note: For LOMAs, LOMRs, and LODRs, property owners can be referred to a FEMA Map Specialists at femamapspecialist@mapmodteam.com or at 1-877-336-2627.

Answers to Learning Checks

Learning Check #1

- 1) B
- 2) C
- 3) LOMA, LOMR, LODR – FEMA Map Service Center
Elevation Certificate – Surveyor, Architect, Engineer
Questions about “Grandfather” rules – Insurance Agent
- 4) True
- 5) A, B, C, and D

Learning Check #2

- 1) B and C
- 2) Insurance Agent – Provide property owner with a full explanation of the Two-Year PRP Eligibility Extension
Community Official – Assist property owner in obtaining required documentation
Insurer (insurance company underwriter) – Eligibility determination
Insured – Obtain required documentation

Learning Check #3

- 1) A, B, C, D and E
- 2) C

Self-Assessment Test

Given the information you have been provided in this module, choose the response(s) that *best* answer the question.

- 1) Some property owners will find themselves in the position of having to purchase flood insurance when they did not before. This is the result of:
 - a. Mandatory NFIP Map Changes
 - b. Mandatory Flood Zone Determinations
 - c. Mandatory Purchase Requirements

- 2) Which of the following are true statements about the PRP:
 - a. The NFIP PRP is a low-cost rating structure used to insure buildings at moderate-low risk of flooding.
 - b. The PRP offers the same coverage and provisions as a standard rated flood insurance policy.
 - c. Information about the PRP can be found on the FEMA website.

- 3) To qualify for the Two-Year PRP Eligibility Extension, property owners must:
 - a. Prove that their building meets the elevation requirements of the community floodplain management ordinance.
 - b. Prove that their building was previously or is currently zoned as moderate-low risk.
 - c. Prove that they have had the building continuously insured through the NFIP since before the flood zone change.

- 4) Property owners benefit from the Two-Year PRP Eligibility Extension by:
 - a. Saving NFIP premium dollars over the course of the eligibility extension period.
 - b. Gaining time to prepare for an increase in flood insurance premium at the end of the eligibility extension period.
 - c. Learning their current flood risk.

- 5) When approached by a property owner who asks that you tell them if their building is eligible for the Two-Year PRP Eligibility Extension, you should:
 - a. Explain that you are not authorized to make that determination, but that you would be happy to assist them in obtaining needed documentation to

present to their insurance agent or to direct them to the appropriate resource for help.

- b. Jump at the chance to explain, in detail, the nuances of the extension and provide a signed letter advising the insurer that the property does or does not qualify for the Two-Year PRP Eligibility Extension.
 - c. Play dumb and tell the property owner that you have never heard of the Two-Year PRP Eligibility Extension and hope that they don't ask any questions.
- 6) Moderate-low risk flood zones are notated on the Flood Insurance Rate Map (FIRM) as zones:
- a. AE, A,
 - b. C, X, B, D
 - c. V, VE
- 7) For buildings that are newly mapped into an SFHA due to a map revision that became effective on or after October 1, 2008, property owners can enjoy the lower PRP premium for up to two years after the later of the following:
- a. January 1, 2009
 - b. October 1, 2008
 - c. The effective date of the map revision or January 1, 2011
- 8) Of the following, which are considered acceptable forms of documentation to be provided to a property owner seeking the Two-Year PRP Eligibility Extension:
- a. A Letter of Map Amendment (LOMA)
 - b. A signed and dated letter from a local community official indicating the address, flood zone, map (FIRM) panel and FIRM effective date.
 - c. An unsigned Elevation Certification
 - d. A copy of the current or previous (historic) FIRM indicating the exact location of the building.

Answers to Self-Assessment Test

- 1) C
- 2) A, B, C
- 3) B
- 4) A, B, C
- 5) A
- 6) B
- 7) C
- 8) A, B, D

Resources

For Community Officials:

Fact Sheets - <http://www.floodsmart.gov/toolkits/>

NFIP Help Center - 1-800-427-4661

Historical and Current FEMA MAP Service Center:

<http://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1>

LOMAs, LOMRs, and LODRs - FEMA Map Specialists

Web - femamapspecialist@mapmodteam.com

Phone - 1-877-336-2627

General Information about Map Changes:

<http://www.fema.gov/business/nfip/fmapinfo.shtm>

FEMA self-study course, "Managing Floodplains through the NFIP"

http://www.fema.gov/pdf/floodplain/is_9_complete.pdf

Information about Disaster Assistance vs. Flood Insurance

<http://www.fema.gov/library/viewRecord.do?id=3323>

<http://www.fema.gov/library/viewRecord.do?id=3519>

<http://www.fema.gov/library/viewRecord.do?id=3002>

For Property Owners:

General Information

Web: FloodSmart.gov at:

http://www.floodsmart.gov/floodsmart/pages/flooding_flood_risks/prp_extension_for_property_owners.jsp

Phone: NFIP Help Center at 1-800-427-4661

Historical and Current Flood Maps - FEMA Map Service Center:

<http://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1>

LOMAs, LOMRs, and LODRs - FEMA Map Specialists

Web - femamapspecialist@mapmodteam.com

Phone - 1-877-336-2627

General Information about Map Changes:

<http://www.fema.gov/business/nfip/fmapinfo.shtm>

Information about Disaster Assistance vs. Flood Insurance

<http://www.fema.gov/library/viewRecord.do?id=3323>

<http://www.fema.gov/library/viewRecord.do?id=3519>

<http://www.fema.gov/library/viewRecord.do?id=3002>