

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 or 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 These maps were developed using what is now outdated technology, and more importantly, many maps no longer accurately reflected the current flood hazards.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.

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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 or www.FloodSmart.gov/PRPExtension for more information.
- Call the NFIP Help Center at 1-800-427-4661 with questions.