

A New Cost-Saving Flood Insurance Option

A new flood insurance option that provides temporary financial relief to home and business owners in your community affected by recent flood map changes will be available soon. A Preferred Risk Policy, or PRP, is a low-cost policy available for residential and non-residential buildings and their contents based on preferred rates for qualified structures in moderate-to-low risk areas. As of January 1, 2011 the Federal Emergency Management Agency (FEMA) will be extending the eligibility of the PRP for up to two years after a building has been mapped into a high-risk area.

This new option is a result of map changes through FEMA's Flood Map Modernization program (now Risk MAP)¹, which uses more current data and the latest technology to update flood maps. Prior to 2003, more than 70 percent of flood maps were at least 10 years old and were developed using what is now outdated technology. Consequently, many of these maps no longer reflected current flood hazards. While these new map changes more accurately reflect a community's flood risk, FEMA recognizes the financial hardship that being newly mapped into a high-risk Special Flood Hazard Area (SFHA) may place on individual. Therefore, FEMA is extending the eligibility for low-cost PRPs.

What does this mean to affected property owners?

Properties eligible for the two-year reduced rate through the PRP extension include:

- Buildings that were newly mapped into an SFHA due to a map revision effective *on or after October 1, 2008, and before January 1, 2011*. Property owners affected by these previous map revisions are eligible for the PRP for the two policy years effective between January 1, 2011, and December 31, 2012
- Buildings that will be newly mapped into an SFHA due to a map revision *on or after January 1, 2011 are eligible for the PRP for two years following the effective date of the map revision*

In addition, the property must still meet PRP eligibility requirements related to claims and disaster aid. To help keep the rates actuarially sound, PRP premiums will see a modest \$10 increase as of January 1, 2011.

There are other rating options offered through the National Flood Insurance Program, which may result in additional savings when the PRP eligibility expires (e.g., grandfathering, elevation rating, higher deductibles).

Important points property owners need to know:

- **Savings can be substantial for the two years.** For example, a homeowner, whose house is without a basement, will pay \$343 for \$200,000 in building and \$80,000 in contents coverage for

¹ Risk MAP (Mapping, Assessment, Planning) is FEMA's current five-year mapping initiative that builds on the successes of Flood Map Modernization. While Flood Map Modernization was focused on generating new county-wide FIRMs, Risk MAP will be focusing more on a watershed level as well as remapping all coastal areas. For more information about Risk MAP, go to http://www.fema.gov/plan/prevent/fhm/rm_main.shtm.

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 \$2,000+ for the two years.**

- **Rates return to standard rates.** At the end of the extended eligibility period, policies on these buildings must be written as standard X-Zone rated policies. While the premium will increase, the X-Zone option is often lower than standard-rated coverage in the SFHA, which may cost more than \$2,100 per year.
- **The second year of the PRP is not retroactive.** FEMA cannot provide this extension retroactively. Moving forward, those eligible for the PRP will be able to purchase their policies at the lower rate for two years.
- **Documentation is needed.** Previous and current flood zone documentation will be required to validate PRP extension eligibility. Historic maps and current effective maps are available on FEMA's Map Service website: www.msc.fema.gov, or they can call a FEMA Map Specialist at 1-877-366-2627.
- **The risk is real.** Property owners, who now find themselves in high-risk flood areas, may now be required by lenders to purchase flood insurance. If they do not have a loan, they should still seriously consider protecting their building and contents with flood insurance.
- **Offer guidance.** As a valuable resource, you will be able to provide information that may help temporarily reduce property owners' flood insurance premiums in your community.
- For more information, go to www.FloodSmart.gov/PRPExtension.