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FEMA

MAYOR'S CORRESPONDENCE UNIT
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# IMPORTANT NOTICE:

# 2-YEAR EXTENSION OF FEMA's PREFERRED RISK POLICY FOR REDUCED FLOOD INSURANCE RATES

Dear National Flood Insurance Program Community Stakeholder:

Because your community had new Flood Insurance Rate Maps that went, or will become, effective between **October 1, 2008 and January 1, 2011**, you may have property owners that are eligible for a new low-cost flood insurance option. FEMA is extending its low-cost Preferred Risk Policy (PRP) for two years after the effective date of a new flood map to properties that meet specific criteria as detailed on the attached Fact Sheet.

As your community's CEO or Floodplain Administrator, you may be asked to help document that a building has been newly mapped into a high-risk flood area, and may be eligible for the PRP extension. The policy holder and their agent will require one of the following:

> **A copy of both the previous and current flood maps, marked to show the exact location of the property and the flood zone of the building,**
>
> Or
>
> **A letter indicating the flood zone of the building on both the previous and current flood maps dated and signed by a local community official.**

To assist you and them with acquiring this information should they come to you for help, you will find step-by-step instructions for accessing online both the previous and current maps for the property in question and then printing them. These instructions are available at http://www.rampp-team.com/documents/region3/how_to_create_a_firmette.pdf.

Additional information about flood insurance and the Preferred Risk Policy can be found through your local insurance agent or at www.FloodSmart.gov, www.FloodSmart.gov/PRPExtension, or by calling the NFIP Help Center at 1-800-427-4661.

FACT SHEET

# Preferred Risk Policy Eligibility Extension

## A New Low-Cost Flood Insurance Option for Your Community

*The Federal Emergency Management Agency (FEMA) introduces a new flood insurance rating option for the National Flood Insurance Program (NFIP) to help reduce the financial burden placed on property owners whose buildings are newly mapped into a high-risk flood area.*

### FLOOD MAPS CHANGE – FLOOD RISKS CHANGE

In 2003, with aging flood control infrastructure and extremely outdated flood maps across the United States, Congress mandated that FEMA update the nation's flood hazard maps. This effort (known as Flood Map Modernization) used the latest data and technology to identify communities' current flood risks nationwide. As a result, many property owners have found that their risk of flooding has changed. For some, it was reduced; but for others, it increased. If a building in a moderate-to-low risk flood zone was newly mapped into a high-risk Special Flood Hazard Area (SFHA) and was secured with a federally regulated or insured loan, lenders may require flood insurance. While the property owner may have been able to buy a lower-cost Preferred Risk Policy (PRP) before the new flood maps became effective, any policy purchased after the map revision would have to be rated at more expensive standard-rates. The PRP would have to be converted to more expensive standard-rated premiums at subsequent renewals. Recognizing the financial burden this places on affected property owners and that updating flood maps is continuing with FEMA's new Risk MAP (Mapping, Assessment and Planning) effort, FEMA is extending the eligibility of writing the lower-cost PRP for two years after a revised flood map's effective date.

### ELIGIBILITY FOR THE PRP TWO-YEAR EXTENSION

For policies effective on or after January 1, 2011, FEMA is applying the two-year PRP eligibility extension for: 1) buildings affected by map changes from October 1, 2008 to January 1, 2011; and 2) buildings affected on or after January 1, 2011.

**Affected Buildings Previous to January 1, 2011**

Buildings that have been newly mapped into high-risk flood zones (i.e., labeled with "A" or "V" on the flood maps) due to a map revision on or after October 1, 2008, and before January 1, 2011, are eligible for a PRP for *two policy years* effective between January 1, 2011, and December 31, 2012. So, policies issued as standard-rated policies or converted to standard-rated policies following a map change on or after October 1, 2008, could be converted to the lower-cost PRP for two years beginning on the first renewal effective on or after January 1, 2011. Buildings meeting these same conditions that were not previously insured may be issued as a new business PRP on or after January 1, 2011, during this same eligibility period.

**Affected Buildings from January 1, 2011 Onward**

Buildings that are newly mapped into a high-risk flood zone due to a map revision on or after January 1, 2011, are eligible for a lower-cost PRP for *two policy years* from the map revision date.

Buildings meeting the above requirements must also meet the NFIP's PRP loss history requirements. At the end of the extended eligibility period, policies on these buildings must be written as standard-rated policies; however, there are additional rating options available, which could result in additional savings (e.g., grandfathering, elevation rating, higher deductible).

**Significant Savings**

A property owner who has a home without a basement will pay $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.

### STAY PROTECTED AND SAVE

Whether a building is mapped into a high-risk or moderate-to-low risk flood zone, the property owner should always consider flood insurance as a way to reduce their overall risk. While this new rating option provides

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temporary financial relief, the property owners need to understand that they are still at a high risk for flooding.

This extension provides affected property owners additional time to save and prepare for paying for the full risk premium in two years.

The two-year extension also provides more time for the communities to upgrade or mitigate flood control structures to meet FEMA standards and reduce the flood risk. Sound floodplain management will reduce the financial impact on residents and businesses in the long term while making their community safer to live and work in.

### WHAT TO DO

While the new PRP eligibility extension does not become effective until January 1, 2011, insurance companies will be contacting policyholders – those who may potentially qualify for this extension – at least ninety days before their policy expires. Consequently, some policyholders may be receiving notification as early as October 1, 2010. Insurance agents will be required to provide their insurance company documentation to show that the building is eligible for the PRP extension, including the current and prior map information. Such information, both historic and current flood maps, can be found on FEMA's mapping website (http://msc.fema.gov) or through the local community's floodplain administrator.

Property owners in communities that have received flood map updates since October 1, 2008 and have questions should contact their agent for further details. Additional information can also be found at www.FloodSmart.gov and www.FloodSmart.gov/PRPExtension or by calling the FEMA Map Information eXchange (FMIX) at 1-877-336-2627.