

NFIP's New Lower-Cost Insurance Option

Has your community recently been affected by flood map changes? Property owners may be eligible for a new flood insurance option that can provide temporary financial relief.

In 2003, more than 70 percent of the flood maps (known as Flood Insurance Rate Maps, or FIRMs) in the United States were at least 10 years old and many no longer reflect current flood hazards. Congress passed a law and appropriated funds that directed the Federal Emergency Management Agency (FEMA) to create the five-year Flood Map Modernization Program—a program dedicated to using current data and technology to update flood maps nationwide. Since then, communities across the country have been experiencing flood map changes.

With the Flood Map Modernization Program—and now Risk MAP¹—providing updated FIRMs, communities are gaining a better understanding of their real flood risk. In some cases, this means areas in a community previously thought to be at a moderate-to-low-risk for flooding are now being accurately identified as high-risk and designated as Special Flood Hazard Areas (SFHAs). This increased risk of flooding is real and many property owners now find themselves required by lenders to purchase flood insurance.

To help reduce costs, property owners can now purchase the low-cost Preferred Risk Policy (PRP) during the two years following a map revision. However, at the end of the two year eligibility period, the PRP would have to be rewritten as a higher premium standard-rated policy at each subsequent renewal. While the PRP premiums are not permanently available, policies converted from a PRP to a standard-rated policy will be eligible for grandfathering using the lower risk zone reflected on a previous map. FEMA recognizes the financial hardship that a SFHA may place on property owners; therefore, they are extending the eligibility period for PRPs starting January 1, 2011.

Who's Eligible? Owners of buildings that were mapped into an SFHA due to a FIRM revision effective *on or after October 1, 2008, and before January 1, 2011* are eligible to receive a reduced premium for up to two years beginning January 1, 2011 through December 31, 2012. Additionally, owners of buildings that will be newly mapped into an SFHA due to a map revision *on or after January 1, 2011*, will also be able to receive up to two years of reduced premiums. The property must still meet PRP eligibility requirements related to claims and disaster aid. In addition, insurance agents will need to provide previous and current flood zone documentation (e.g., previous and current effective FIRM²) to validate PRP extension eligibility. Property owners should be reminded to talk to their insurance agent about other available rating options offered through the National Flood Insurance Program that may provide them with additional savings (e.g., grandfathering, elevation rating, and higher deductibles).

Significant Savings

Beginning January 1, 2011, 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.

For More Information. The PRP extension provides affected property owners with temporary financial relief in order to adjust to the new flood risk designation. To learn more about this cost-savings option, visit www.Floodsmart.gov/PRPExtension.

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.

² One source is FEMA's online Map Service Center at www.msc.fema.gov.