

INTERGOVERNMENTAL AFFAIRS ADVISORY

FEMA EXTENDS PREFERRED RISK POLICIES FOR HOMEOWNERS

August 21, 2012

The Federal Emergency Management Agency (FEMA) today announced the extension of the Preferred Risk Policy eligibility under the National Flood Insurance Program (NFIP) until further notice.

The NFIP's Preferred Risk Policy, or PRP, offers low-cost flood insurance to owners and tenants of eligible residential and non-residential buildings located in moderate- to low-risk areas. A PRP offers considerable premium savings to low risk property owners with no difference in coverage. In May 2010, FEMA announced that property owners that were newly mapped within a Special Flood Hazard Area (SFHA) due to a map revision would be eligible for the PRP for the two years from the map revision date.

FEMA is completing its analysis of the Biggert-Waters Flood Insurance Reform Act of 2012, signed into law by President Obama on July 6, 2012, and is developing an implementation strategy. In the interim, existing preferred risk policies may continue to be renewed at the lower cost rate that is offered with the preferred risk policies beyond the previously designated two-year period.

"By extending the eligibility period, home and building owners' preferred risk policies will continue at the lower cost rate indefinitely," said FEMA's Federal Insurance and Mitigation Associate Administrator, Dave Miller. "As we continue to evaluate how best to implement the recent National Flood Insurance Program legislation, we encourage property owners to take advantage of this extended low rate. This way, families and businesses can continue to ensure their property is protected from one of the most common and costly natural disasters: flooding."

Beginning with the first renewal effective on or after January 1, 2013, existing preferred risk policies will not be transitioned into full-risk rating. Instead, they will continue to be issued as preferred risk policies at each renewal, until further notice. Additionally, the preferred risk policy discounted rate will be available to property owners and renters whose buildings are found to be in SFHA following map revisions that became effective on or after October 1, 2008. In order to be eligible for the preferred risk policy, the building must also meet certain loss-history requirements. If there are two claims, or disaster relief payments for flood, of \$1,000 or more, or three losses of any amount, the structure is ineligible for a preferred risk policy. Premiums for all preferred risk policyholders are being increased an average of 13 percent to maintain a revenue neutral program that also accounts for the expected increase in participation and policies issued under the preferred risk rate. This increased rate remains below the average full-risk premium that would otherwise be incurred among these policy holders.

For more information on FEMA's National Flood Insurance Program, and to identify your flood risk, visit www.floodsmart.gov. If you have any further questions please feel free to contact FEMA's Intergovernmental Affairs Division at (202) 646-3444 or at FEMA-IGA@fema.dhs.gov.