

# Converting a Standard Rated Policy to a PRP



## Steps to Save Property Owners Money and Keep Them Protected

When a property in a high-risk zone (i.e. A, V zone) is re-mapped in a low- or moderate-risk zone (i.e. B, C, X, Shaded X zone) due to a map revision or Letter Of Map Change (LOMC)<sup>1</sup>, the mandatory purchase of flood insurance requirement will no longer apply. However, property owners are still at risk for flooding. In fact, 20 to 25 percent of all flood claims occur outside of a high-risk zone.

The NFIP has created a streamlined process to allow property owners to retain their coverage by converting their existing standard rated policy (residential or non-residential) to a less expensive Preferred Risk Policy (PRP) without a change in their policy's effective date. The standard policy premium is used to cover the less-expensive PRP premium, and property owners will receive a refund of the difference in cost following the issuance of the PRP.

### Benefits

Agents should ensure that their clients are informed about their low-cost conversion options. They can help reduce E&O exposure and take advantage of the benefits of this new easy conversion.

- Streamlined conversion process for the agent
- No additional money that the insured has to provide
- No 30-day waiting period
- The insured maintains uninterrupted coverage
- The insured gets money back!

### Easy Steps for Conversion

FEMA has simplified the process for converting standard rated policies to PRPs:

1. Find out when the LOMC or map revision will become effective.
2. Identify the existing policyholders that will be affected by the change.
3. Determine the effected policyholders that are eligible for a PRP (e.g. some may not be due to losses; *see your Agent's Manual for details*).
4. Inform the policyholders identified in **step 3** about the upcoming change, that the risk has been reduced but not eliminated, they should maintain coverage, they are eligible for a low-cost PRP and, will receive a refund.
5. With the information in **step 4**, provide policyholders a quote with the new premium costs and the closest PRP set limits of building and contents (offer the next highest option if there is not an exact match).
6. Enclose a copy of the WYO company's conversion form for the insured to sign (if that information is not already included above).
7. Forward a completed PRP application and insured-signed conversion form to the WYO company along with a copy of the new map panel, LOMC, or a letter from a community official.
8. A PRP will be issued using the original effective date of the standard rated policy and, if applicable, a refund will be sent to the premium payor listed on the policy.

**Note:** If the policyholder wishes to have more specific limits (e.g. higher contents limits for policies written effective prior to May 1, 2004) or if the property is **not** eligible for a PRP, a standard-rated policy with the new zone designation can still be endorsed. The endorsement effective date is the date of the map change.

<sup>1</sup> LOMC – Letter of Map Change; for example, this could be a Letter of Map Amendment (LOMA) for a particular property(s) or a Letter of Map Revision (LOMR) for a larger portion of a flood map.



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