



YOUR CLIENT'S FLOOD RISK IS CHANGING

FROM HIGH-RISK TO LOW- TO MODERATE-RISK

Highlights

Property owners and renters in the high-risk area (All A or V Zones)

That are **experiencing a decrease in flood risk**, moving into the low- to moderate- risk area (Zone B, C, X, AR or A99)

May be eligible to convert their high-risk Standard Flood Insurance Policy (SFIP) to a lower-cost Preferred Risk Policy (PRP)

Securing the same full flood insurance coverage and a refund for the difference in annual policy costs.

Preferred Risk Policy conversion

For many property owners and renters decreasing their flood risk, they have the option to convert their high-risk policy to a PRP, resulting in a lower premium.

To convert your client's policy to a lower-cost PRP, you will need to submit the proper documentation. Your Write Your Own (WYO) company, however, may automatically convert clients' policies on the effective date of a map update, so check in with your carrier.

The NFIP allows agents to keep commissions on both policies.

Encourage your clients to convert to a PRP. Encourage clients that are renters to consider a contents-only PRP. Not only will you help to minimize their financial risk, but you will also build your business.

Though rare, if a client's premium has been allowed to be put in escrow, remind them that they will now have to pay the premium each year.

Tips and talking points for converting clients' high-risk policy to a Preferred Risk Policy (PRP)

When flood maps update, agents can play a critical role in helping clients understand their new flood risk and maintain the financial protection they need at the best rate.

Clients experiencing a decrease in flood risk – from the high-risk flood area to the low- to moderate- risk area – likely qualify for the National Flood Insurance Program's (NFIP's) lower-cost Preferred Risk Policy (PRP). **Most properties in the low- to moderate- risk areas will qualify for the PRP.** It's available for homeowners, business owners, and renters.

Although flood insurance is no longer federally required when a home or business is recently identified as being in the low- to moderate- risk area, mortgage lenders can still require coverage. Over 20 percent of NFIP flood insurance claims come from outside of high-risk flood areas.

Homeowners, business owners, and renters who are recently identified as being in the low- to moderate- risk area provide a key marketing and sales opportunity. As agents, you can **work with these clients to ensure they keep their same financial flood protection but secure a new, lower-cost rate.**

Converting policies to PRPs is a great way to **maintain your business while building trust.**

Map update marketing tips

- **Stay informed about upcoming flood map updates.** Work with local floodplain managers and community officials. Ensure that you and your clients are aware of upcoming flood map updates and available rating options.
- **Review your book of homeowners and commercial business.** Flood map updates often make the news, meaning flood insurance will be timely and relevant for clients. Cross-selling PRPs to existing clients in these new and existing low- to moderate- risk flood areas is a great way to grow your portfolio, increase your sales, and ensure that your clients have the best coverage at the best price. The PRP is a great complement to a homeowners or business owners policy. Renters should also consider a contents-only PRP policy.
- **Start marketing now.** Leverage a variety of marketing tactics – direct mail, phone calls, email marketing – to reach your existing residential and commercial clients. Discuss their coverage options and encourage clients that are moving out of the high-risk flood zone to convert their existing high-risk policy to a PRP as soon as possible.

Preferred Risk Policy coverage

A PRP premium for **residential buildings** includes up to \$250,000 for building coverage and \$100,000 for contents coverage. Renters can get contents-only coverage.

Commercial PRP premiums include up to \$500,000 for building and \$500,000 for contents coverage. Business owners who rent or lease their space can also secure contents-only coverage.

The average "all-in" PRP cost is **\$516 per year** for residential properties and **\$890 per year** for commercial properties. Premiums start at less than \$325 a year.

Compelling statistics

- Eligible homeowners in low- to moderate-risk area may purchase coverage for their building and contents for as little as \$325 per year.
- From 2010 to 2014, the average commercial flood insurance claim in a low- to moderate- risk area was more than \$89,000.
- Property owners in low- to moderate- risk areas file more than 20 percent of all flood insurance claims and receive one-third of federal disaster assistance.

- **Remind clients that their flood risk is reduced, but not removed.** Talk to your clients about their risk. Remind them, in writing and in person, about the important financial protection flood insurance can offer, even if they aren't required to purchase coverage once the new maps are effective.
- **Reduce your Errors and Omissions exposure.** Despite your marketing efforts, some clients may decline to convert their coverage. If so, ask them to sign a declination form.
- **Visit Agents.FloodSmart.gov** to access information and marketing materials for flood map update events that will help you sell flood insurance to existing and new clients.

Talking points for clients

- **Your flood risk has been reduced, but not removed.** While property owners in the low- to moderate- risk flood area are not required to have flood insurance, we strongly recommend that you continue to carry flood insurance to protect your investment. Over 20 percent of flood insurance claims come from outside of high-risk flood areas.
- **Your flood insurance policy just got more affordable.** Under the updated flood map, you can convert your current policy to a lower-cost PRP with the same coverage. By converting to a lower-cost policy, your policy will also automatically include contents coverage at no additional cost.
- **The PRP provides the same effective coverage as a Standard Flood Insurance Policy (SFIP), and it includes contents coverage.** With a PRP, you can protect your home or business and get money back once the new maps are effective. After switching to a PRP, you will be refunded the difference in premium. There will be no gaps in coverage and no additional money up front.
- **Federal disaster assistance is not always available for flooding.** Disaster assistance alone, if it's available, may not be enough to cover your costs. Also, assistance typically comes in the form of a loan that must be repaid – with interest! The average disaster assistance grant is about \$5,000 per household. By comparison, the average flood claim in 2017 was more than \$90,000.
- **Flooding is the most common natural disaster.** Floods can happen anywhere and are more common than you might think. You don't need to live in a high-risk area or near a body of water to be at risk for flooding. Anywhere it can rain, it can flood.
- **Flood insurance can save you money.** Just one inch of water can cause \$25,000 in damage to your home and wipe out your personal savings or have devastating effects on your business. Protect the life you built. Convert your policy to a PRP and renew it each year.