



FEMA

W-04038

July 26, 2004

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and  
NFIP Servicing Agent

FROM: WYO Clearinghouse

SUBJECT: Important PRP Information for Agents

Changes to the NFIP's Preferred Risk Policy (PRP) became effective May 1, 2004. It is important that agents are aware of the updated policy information and NEW rate structures. We are asking for your assistance in getting the message out. Agents need to have this information to protect themselves from E&O issues. They will also benefit by taking advantage of this marketing opportunity – by offering the PRPs to new and existing business clients, homeowners, and renters. Details of the policy changes are included in the current *Flood Insurance Manual*, available at <http://www.fema.gov/nfip/manual.shtml>.

New as of May 1, 2004:

- **Commercial building owners** meeting underwriting criteria are now eligible for policies at low PRP rates
- **Homeowners** can obtain higher limits of PRP contents coverage. New PRP maximums: \$250,000 building and \$100,000 contents
- **Renters and lessees** (both homeowners and commercial properties) who meet underwriting criteria are now eligible for contents-only coverage

The NFIP is utilizing a variety of methods to get the facts out to agents and to provide them with the marketing tools necessary to write PRP policies. The attached *Marketing Tips for Agents* provides quick and easy talking points. The attached fact sheets for consumers – *PRP Preferred Risk Policy (PRP) for Homeowners and Renters*, and *PRP Preferred Risk Policy (PRP) for Businesses* – provide an overview of the policies and their cost-saving benefits. WYO companies and agents can request files of these and other FloodSmart materials by e-mailing [floodsmart@ogilvypr.com](mailto:floodsmart@ogilvypr.com).

Agents can write PRP policies with these new changes now. Please help us encourage your agents to market these easy-to-write, low-cost policies by:

- Including PRP tips and information in your newsletters and member publications
- Sending PRP tips and information out to your list serve databases

- Sharing PRP tips and information through other agent communication channels
- Sharing PRP fact sheets and information with your customers

If you have any questions, please contact your Program Coordinator.

Attachments

cc: Vendors, IBHS, FIPNC, FISCAA, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Claims, Marketing, Underwriting

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# MARKETING TIPS FOR AGENTS

National Flood Insurance Program

## Lower Cost Flood Insurance New PRP Products Available May 1, 2004

### Highlights

Effective May 1, the National Flood Insurance Program (NFIP) is introducing attractive new PRP products for residential and – for the first time – commercial properties. That means new marketing opportunities for agents!

- **Commercial building owners and lessees** meeting underwriting criteria are now eligible for policies at low PRP rates.
- **Homeowners** can obtain higher limits of PRP contents coverage. New PRP maximums: \$250,000 building and \$100,000 contents.
- **Renters** who meet underwriting criteria are now eligible for contents-only coverage.

### The Preferred Risk Policy (PRP)

#### What It Is

The PRP provides flood protection for properties outside of high-risk areas at substantially lower premiums.

#### Who's Eligible

Most homeowners, renters, and commercial property owners and lessees in low-to-moderate risk areas (B, C, X zones) are eligible as long as the property doesn't have a flood loss history. Consult the Flood Insurance Manual for underwriting details.

### Marketing Tips

**Start marketing now** to your commercial and contents-only customers. This is a major opportunity to expand your commercial and renter policy base.

**Be aggressive.** You'll increase business, and reduce your E&O exposure by consulting the Flood Insurance Manual for details on coverage options and eligibility criteria for existing and new clients.

**Review your book.** Make sure clients have the best coverage and the best price.

**Review your commercial P&C portfolio.** The new PRP is a great complement to the Business Owners Policy (BOP).

**Increase E&O protection.** Make the PRP offer ... and document it.

## **PRP Talking Points**

### **PRP Talking Points Commercial Customers**

#### **Flooding is the most common natural disaster.**

- Floods can occur almost anywhere, not just near water.
- 25-30 percent of all NFIP claims are paid in low and moderate risk zones.

#### **Insurance is vital to keeping your doors open after a flood.**

- You need to move quickly to replace/restore property. It may be the only way to stay in business and protect your livelihood.
- The PRP is a great complement to the Business Owners Policy (BOP).

#### **PRP brings peace of mind at the best price.**

- Small business example: just \$500 a year for \$50,000 building and \$50,000 contents for a building without a basement or enclosure, \$800 a year for the same coverages for a building with a basement or enclosure.
- Building owner maximums: \$500,000 building and \$500,000 contents.
- Building lessee maximum: \$500,000 contents.

### **PRP Talking Points Residential Customers**

#### **Flooding is the most common natural disaster.**

- Floods can occur almost anywhere. You don't need to live near water.
- 25-30 percent of all NFIP claims are paid in low and moderate risk zones.

#### **Flood damage is not covered by homeowners policies.**

- Only flood insurance protects your most important financial asset, your home and your personal property, from floods.

#### **PRP brings peace of mind at the best price.**

**Low Cost:** Coverage of \$20,000 for the building and \$8,000 contents (no basement) costs only \$112 a year. For a building with a basement the same coverage costs only \$137 a year.

- Residential maximums: \$250,000 building and \$100,000 contents.
- Renters, meeting underwriting criteria, can obtain contents only coverage up to \$100,000.



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## How FloodSmart are YOU?



## Preferred Risk Policy (PRP) for Homeowners and Renters

National Flood Insurance Program

### New Lower Cost Flood Insurance Available

Preferred Risk Policy (PRP) provides low-cost protection to properties located in areas of low to moderate flood risk. These are shown as zones B, C, or X zones on a current Flood Insurance Rate Map.

Most homes and apartments located in a low to moderate risk area are eligible for PRP rates, as long as the building doesn't have a history of flooding.

#### For Homeowners – Building and Contents Coverage

Building and contents coverage packages are available, ranging from a minimum of \$20,000 building/\$8,000 contents to a maximum of \$250,000 building/\$100,000 contents. Packages start at \$112 a year.

#### For Homeowners and Renters – Contents-Only Protection

Protect your possessions for as low as \$61 per year for \$8,000 of coverage. Coverage is available up to a maximum of \$100,000. Note that coverage is not available for contents located in basements.

**For most Homeowners – the most common and costly natural disaster is flooding.**

**Floods can happen anywhere** – 25 to 30 percent of all flood insurance claims are paid to people in low- moderate flood zones.

**Floods cause tremendous damage and dislocation** – in the last 10 years, residential properties in low- to moderate-risk areas have had almost \$2 billion in flood related claims paid to them.

**Flood insurance is vital.** Floods are not covered under most homeowner and renter's policies. A PRP will cover your flood damages.

#### PRPs Offer Protection

**Low Cost** – PRP rates are much lower than standard flood insurance rates.

**Easy to Buy** – Purchase coverage through your insurance agent.

**Be Covered** – Having your own flood insurance protection is the most effective way to fund repairs or replacement of damaged property.

#### Contact Your Agent Now – 30 Day Waiting Period

Ask your agent or check the current Flood Insurance Rate Maps at [www.fema.gov/nfip](http://www.fema.gov/nfip) to determine your property's flood risk. To be protected, act now.

## About the National Flood Insurance Program

The National Flood Insurance Program (NFIP), administered by FEMA, offers flood insurance policies for purchase by businesses, homeowners, and renters. Contact your insurance agent or NFIP (800) 427-2419 for more information.

### Preferred Risk Policy Premiums

#### 1-4 FAMILY RESIDENTIAL PRP BUILDING & CONTENTS COVERAGE COMBINATIONS<sup>1</sup>

With Basement/Enclosure			Without Basement/Enclosure		
Building	Contents	Premium <sup>2,3</sup>	Building	Contents	Premium <sup>2,3</sup>
\$ 20,000	\$ 8,000	\$137	\$ 20,000	\$ 8,000	\$112
\$ 30,000	\$ 12,000	\$163	\$ 30,000	\$ 12,000	\$138
\$ 50,000	\$ 20,000	\$205	\$ 50,000	\$ 20,000	\$180
\$ 75,000	\$ 30,000	\$232	\$ 75,000	\$ 30,000	\$207
\$100,000	\$ 40,000	\$263	\$100,000	\$ 40,000	\$233
\$125,000	\$ 50,000	\$279	\$125,000	\$ 50,000	\$249
\$150,000	\$ 60,000	\$294	\$150,000	\$ 60,000	\$264
\$200,000	\$ 80,000	\$331	\$200,000	\$ 80,000	\$296
\$250,000	\$100,000	\$352	\$250,000	\$100,000	\$317

#### ALL RESIDENTIAL PRP CONTENTS ONLY<sup>1,4</sup>

Contents Located Above Ground Level More Than One Floor		All Other Locations (Basement Only Not Eligible)	
Contents	Premium <sup>2</sup>	Contents	Premium <sup>2</sup>
\$ 8,000	\$ 39	\$ 8,000	\$ 61
\$ 12,000	\$ 53	\$ 12,000	\$ 86
\$ 20,000	\$ 81	\$ 20,000	\$116
\$ 30,000	\$ 93	\$ 30,000	\$131
\$ 40,000	\$105	\$ 40,000	\$146
\$ 50,000	\$117	\$ 50,000	\$156
\$ 60,000	\$129	\$ 60,000	\$166
\$ 80,000	\$153	\$ 80,000	\$181
\$100,000	\$177	\$100,000	\$196

1Add the \$50.00 Probation Surcharge, if applicable.

2Premium includes Federal Policy Fee of \$11.00.

3Premium includes ICC premium of \$1.00. Deduct this amount if the risk is a townhouse/rowhouse condominium unit.

4 Contents-only policies are not available for contents located in basement only.

NOTES: Condominium associations are not eligible for the Preferred Risk Policy. Individual condominium units are not eligible unless they qualify under one of the exceptions on page PRP 1 of the NFIP Flood Insurance Manual. The deductibles apply separately to building and contents. Building deductible, \$500. Contents deductible, \$500.



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## How FloodSmart are YOU?



## Preferred Risk Policy (PRP) for Businesses

National Flood Insurance Program

### New Lower Cost Flood Insurance Available

The National Flood Insurance Program's Preferred Risk Policy (PRP) provides low-cost protection to commercial properties located in areas of low to moderate flood risk. These are shown as zones B, C, or X zones on a current Flood Insurance Rate Map.

#### Save up to 30 Percent

Many businesses located in a low to moderate risk area are eligible for PRP rates, as long as the building doesn't have a history of flooding. Eligible properties can include business structures, farm buildings, churches, and schools. The savings can be significant compared to standard rates.

#### For Building Owners – Building and Contents Coverage

Several packages of building and contents coverage are available, ranging from a minimum of \$50,000/\$50,000 to a maximum of \$500,000/\$500,000. Packages start at \$500 a year.

#### For Business Owners and Tenants – Contents Protection

You can protect your stock, equipment and other assets for as low as \$275 per year for \$50,000 of coverage. Coverage is available up to a maximum of \$500,000. Note that coverage is not available for contents located in basements.

**FLOODING:**  
the most common and costly  
natural disaster

**Floods can happen anywhere** – 25 to 30 percent of all flood insurance claims are paid to people in low- moderate flood zones.

**Floods cause tremendous damage and dislocation** – in the last 10 years, non-residential properties in low- to moderate-risk areas have suffered more than \$400 million in flood related losses.

**Flood insurance is vital.** After a flood you must move fast to replace property and reopen your doors. Only flood insurance covers flooding. The PRP complements your Business Owners Policy.

#### PRPs Offer Protection

**Low Cost** – PRP rates are much lower than standard flood insurance rates.

**Easy to Buy** – Purchase coverage through your insurance agent.

**Be Covered** – Having your own flood insurance protection is the most effective way to fund repairs or replacement of damaged property.

#### Contact Your Agent Now – 30 Day Waiting Period

Ask your agent or check the current Flood Insurance Rate Maps at [www.fema.gov/nfip](http://www.fema.gov/nfip) to determine your property's flood risk. To be protected, act now.

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### Preferred Risk Policy Premiums

#### NON-RESIDENTIAL BUILDING & CONTENTS COVERAGE COMBINATIONS<sup>1</sup>

With Basement/Enclosure			Without Basement/Enclosure		
Building	Contents	Premium <sup>2,3</sup>	Building	Contents	Premium <sup>2,3</sup>
\$ 50,000	\$50,000	\$ 800	\$ 50,000	\$ 50,000	\$ 500
\$100,000	\$100,000	\$1,375	\$100,000	\$100,000	\$ 800
\$150,000	\$150,000	\$1,850	\$150,000	\$150,000	\$1,050
\$200,000	\$200,000	\$2,200	\$200,000	\$200,000	\$1,300
\$250,000	\$250,000	\$2,500	\$250,000	\$250,000	\$1,500
\$300,000	\$300,000	\$2,800	\$300,000	\$300,000	\$1,700
\$350,000	\$350,000	\$3,100	\$350,000	\$350,000	\$1,850
\$400,000	\$400,000	\$3,350	\$400,000	\$400,000	\$2,000
\$500,000	\$500,000	\$3,850	\$500,000	\$500,000	\$2,300

#### NON-RESIDENTIAL CONTENTS ONLY<sup>1,4</sup>

Contents Located Above Ground Level More Than One Floor		All Other Locations (Basement Only Not Eligible)	
Contents	Premium <sup>2</sup>	Contents	Premium <sup>2</sup>
\$ 50,000	\$121	\$ 50,000	\$ 275
\$100,000	\$231	\$100,000	\$ 500
\$150,000	\$321	\$150,000	\$ 675
\$200,000	\$381	\$200,000	\$ 850
\$250,000	\$441	\$250,000	\$1,000
\$300,000	\$501	\$300,000	\$1,150
\$350,000	\$561	\$350,000	\$1,300
\$400,000	\$621	\$400,000	\$1,450
\$500,000	\$741	\$500,000	\$1,700

<sup>1</sup>Add the \$50.00 Probation Surcharge, if applicable.

<sup>2</sup>Premium includes Federal Policy Fee of \$11.00.

<sup>3</sup>Premium includes ICC premium of \$1.00. Deduct this amount if the risk is a townhouse/rowhouse condominium unit.

<sup>4</sup>Contents-only policies are not available for contents located in basement only.

NOTES: Condominium associations are not eligible for the Preferred Risk Policy. Individual condominium units are not eligible unless they qualify under one of the exceptions on page PRP 1 of the NFIP Flood Insurance Manual. The deductibles apply separately to building and contents. Building deductible, \$500. Contents deductible, \$500.



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