

## Flood Insurance Manual October 1, 2014 Edition

### Conversion to a Lower Cost Standard Preferred Risk Policy (PRP)

<http://www.fema.gov/flood-insurance-manual>

#### Preferred Risk Policy Section (PRP) – Section XII

##### **CONVERSION OF A STANDARD-RATED POLICY TO A PRP DUE TO A MAP REVISION, LOMA, OR LOMR**

**A standard-rated policy may be endorsed or canceled and rewritten as a PRP as a result of a map revision, LOMA, or LOMR only for the current policy term.**

The policy may be canceled / rewritten using Cancellation Reason 24 under the following conditions:

- The request to cancel/rewrite the standard-rated policy must be received during the policy term or within 6 months of the policy expiration date.
- No claim has been paid or is pending on the standard rated policy terms being canceled.
- The property meets all other PRP eligibility requirements.

The building and/or contents coverage on the new PRP must be equal either to the building limit and/or contents limit issued under the standard-rated policy, or to the next-higher limit available under the PRP if there is no PRP option equal to the standard-rated policy building and/or contents limit.

**NOTE:** AGENTS SHOULD CHECK WITH THEIR UNDERWRITERS TO DETERMINE HOW THE INSURANCE CARRIER PREFERS TO CONVERT THE POLICY TO A PREFERRED RISK POLICY (PRP):

(1) CANCEL / REWRITE OR,

(2) GENERAL CHANGE ENDORSEMENT FORM

## Flood Insurance Agent Manual Cancellation Section – October 1, 2014

### Canceling a Standard Policy and Rewriting to a standard PRP Using Cancel/Rewrite:

#### Cancellation Section – Reason Code 24

##### 24. Cancel/Rewrite Due to Map Revision, LOMA, or LOMR (TRR P Reason 24)

This reason is used to cancel and rewrite a standard-rated flood insurance policy to a PRP within the same company as the result of a map revision, LOMA, or LOMR. The standard-rated policy will be canceled and rewritten as a PRP. Use New/Rollover Indicator “Z” to report the new policy. Premium from the canceled policy will be applied to the PRP, with the difference refunded to the policyholder. No 30-day waiting period will apply to the PRP. The agent/producer will retain the full commission, and the company’s expense allowance will not be reduced. This rule applies to the current policy year and 1 prior year provided that the effective date of the map revision or LOMA/LOMR occurred during the prior year.

- **Type of Refund:** Full
- **Years Eligible for Refund:** 2 years provided that no claim has been paid or is pending
- **Cancellation Request:** Must be received during the policy year or within 6 months of the policy expiration date
- **Required Documentation:** Copy of the revised map, LOMA, or LOMR

## **Flood Insurance Agent Manual – October 1, 2014 Edition**

### **Conversion to a Standard PRP Using a General Change Endorsement Form**

#### **General Change Endorsement**

##### **Section II. 2. B . 4. - Map Revision**

A policy may be endorsed to revise the flood zone or change the Base Flood Elevation (BFE) in which a building is located to provide a more favorable rating due to a physical revision of the FIRM, a Letter of Map Amendment (LOMA), or a Letter of Map Revision (LOMR). The effective date of the endorsement to rate a policy with the current zone must be the effective date of the map revision.

The following endorsement rules must be used:

- If a map revision or amendment became effective during the current policy year, the refund for the premium difference after revising the zone or BFE is prorated, using the date of the map revision or amendment as the endorsement effective date.
- If a map revision or amendment became effective in the previous policy year, a refund of the premium difference is granted for the current policy year and either the pro-rata or full portion of the previous policy year, depending on the map revision or amendment date. The endorsement effective date is the map revision or amendment date.
- If a map revision or amendment became effective prior to the previous policy year, a refund of the premium difference is granted for the current policy year only.

If the policy has expired, the endorsement request must be received within 6 months of the expiration date; otherwise, no refund is available. Before refunding a premium for an expired term, the insurer must check with the policyholder for the existence of a current policy with another WYO Company. Under no circumstances will an insured be allowed a refund for more than 2 policy years, regardless of whether the same or different WYO Company or Companies issued the policy or policies.

Before processing the endorsement, the agent/ producer should check the Flood Map Status Information Service to make sure that the LOMA or LOMR is still valid (or has been recertified) based on the most recent map revision. Also, if the revised map changes the BFE, verify that the same elevation datum is used to determine the building elevations on the EC.