National Association of Latino Elected and Appointed Officials Education Fund (NALEO)
Policy Institute on Emergency Planning and Preparedness

Identifying the Hazards and Mitigation Planning
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Presentation Overview

Insuring Against a Disaster

- What is the Insurance Information Institute
- What do Policymakers and their Constituents Need to Know about Insurance and Disasters
- Key Questions to Ask Prior to a Disaster
- Public Perceptions about Insurance Coverage
- Key Disaster Resources
- Questions
I.I.I. Mission Statement
Simple and succinct; and should stay that way…

Improving public understanding of insurance…

…what it does and how it works
“Surround Sound” Approach to Disaster Communications

Consumers

Relevant Experts

Industry

Media

Policymakers
What Policymakers Need to Know

Disaster Happen. It is Not if a Disaster Will Strike It is When!
Catastrophes in the United States – Some Basic Facts

- The term “catastrophe” in the property insurance industry denotes a natural or man-made disaster that is expected to reach a certain dollar amount. Currently, set at $25 million.

- Disaster losses along the coast are likely to escalate in the coming years, in part, because of huge increases in development.

- Catastrophe losses will double every decade or so due to growing residential and commercial density and more expensive buildings.

- The 2010 census showed that 39 percent of the population is concentrated in less than 10 percent of the nation’s land area excluding Alaska.

- Using 2010 U.S. census, in 2013, the National Oceanic and Atmospheric Administration (NOAA) said an additional 11 million people will be living along the coast by 2020, bringing the total to nearly 134 million.
Wind Damage is the Biggest Cause of Loss

Homeowners Losses Ranked By Claims Frequency, 2010-2014 (1)

(Weighted average, 2010-2014)
Fire Losses are the Most Expensive

(Weighted average, 2010-2014)

- Fire, lightning and debris removal: $39,791
- Bodily injury and property damage: $20,453
- Wind and hail: $8,041
- Water damage and freezing: $7,958
- All other property damage (2): $4,800
- Theft: $3,786
- Medical payments and other: $2,598
- Credit card and other (3): $554
2017 Atlantic Hurricane Season

A Demographic Perfect Storm

- Massive influx of new coastal residents who have never experienced a major storm.

- Combined with an existing population that has been lulled into complacency by the lack of a hurricane over the last several years.

- Resulting in large numbers of coastal residents from Maine to Texas who are unprepared for the 2017 hurricane season.

I.I.I.’s Goal

- Educate coastal residents about what they need to do now to financially protect themselves with the right amount and type of insurance.

* NOAA’s National Coastal Population Reprt
What do Policymakers Need to Know About Disasters

Five Key Messages

1. Residents need to financially protect themselves from the disasters where they live.

2. They need to get the right amount and type of insurance, including flood and earthquake.

3. Have an up-to-date home inventory

4. Should know where to go and what to take if they need to evacuate.

5. And, should take steps to make their home disaster-resistant.
Insuring Against a Disaster

What is Covered and What is Not!

- Standard home, renters and business insurance policies clearly list the disasters that are covered and the disasters that are not. The two biggest disasters that are not covered are floods and earthquakes.

- Flooding is the most common and costly natural disaster in the United States, causing billions in economic losses each year. Most U.S. natural disasters declared by the president involve flooding.

- Flooding is available from the National Flood Insurance Program (NFIP) and a few private insurance companies. Excess flood insurance is available from private insurance.

- Earthquake insurance is available from private insurance companies and in California from the California Earthquake Authority (CEA)
Flood Insurance

The Basics

- Flood insurance covers direct physical losses by flood and losses resulting from flood-related erosion caused by heavy or prolonged rain, coastal storm surge, snow melt, blocked storm drainage systems, levee dam failure or other similar causes.

- Homes are covered for up to $250,000 on a replacement cost basis and the contents for up to $100,000 on an actual cash value basis. (Excess flood insurance is available in all risk zones from some private insurers for NFIP policyholders who want additional coverage or where the homeowner’s community does not participate in the NFIP.)

- Coverage for the contents of basements is limited. Coverage limits for commercial property are $500,000 for the structure and another $500,000 for its contents.
Flood Insurance Background

Congress created the NFIP in 1968 in response to the rising cost of taxpayer-funded disaster relief for flood victims and the increasing amount of damage caused by floods. The NFIP makes federally backed flood insurance available in communities that agree to adopt and enforce floodplain management ordinances to reduce future flood damage.

The NFIP provides coverage for up to $250,000 for the structure of the home on a replacement cost basis and up to $100,000 for personal possessions on an actual cash value basis.

Private flood insurance is available for those who need additional insurance protection, known as excess coverage, over and above the basic policy or for people whose communities do not participate in the NFIP. Some insurers have introduced special policies for high-value properties.
A 2016 poll by the Insurance Information Institute found that 12 percent of American homeowners had a flood insurance policy, lower than the 14 percent who had the coverage in 2015.

The percentage of homeowners with flood insurance was highest in the South, at 14 percent.

Thirteen percent of homeowners in the Northeast had a flood insurance policy,

10 percent of homeowners in the West had a flood insurance policy,

while 8 percent of homeowners in the Midwest had flood insurance.
Need to Get the Right Amount of Insurance

Important to Get the Right Amount of Insurance

- Need enough insurance to rebuild your home.
- Replace all of your personal possessions.
- Have sufficient ALE or additional living expense coverage in case you are unable to live in your home due to an insured catastrophe such as a fire or hurricane.
- Liability protection in the event of a lawsuit.


What Is Covered by Standard Homeowners Insurance?

Save Money and Trouble by Knowing the Ins and Outs of Your Homeowners Policy

Most standard homeowners insurance policies include four essential types of coverage:

1. Coverage for the structure of your home
2. Coverage for your personal belongings
3. Liability protection
4. Additional living expenses if you are temporarily unable to live in your damaged home due to an insured event.

House Insurance Form

Calculating Insurance Coverage

Calculate the replacement cost of your home and personal belongings to determine the appropriate amount of insurance.

Contact your insurance provider to discuss your coverage needs and ensure you have the right amount of insurance to protect your home and personal possessions.

Homeowners Insurance Benefits

- Protects your home and personal belongings from damage caused by events such as fires, hurricanes, and other insured catastrophes.
- Provides liability protection in the event of a lawsuit.


Homeowners Insurance FAQs

- What is coverage for the structure of my home?
- What is coverage for my personal belongings?
- What is liability protection?
- What is additional living expense coverage?

Contact your insurance provider for more information and to discuss your coverage needs.
Role of Deductibles is Extremely Important to Understand
19 States and the District of Columbia have Hurricane Deductibles

There are two kinds of deductibles: hurricane deductibles, which apply to damage solely from hurricanes, and windstorm or wind/hail deductibles, which apply to any kind of wind damage.

Percentage deductibles typically vary from 1 percent of a home's insured value to 5 percent. The amount that the homeowner will pay depends on the home's insured value and the "trigger" which determines under what circumstances the deductible applies.

In some states, policyholders have the option of paying a higher premium in return for a traditional dollar deductible, depending on how close to the shore they live.

Alabama, Connecticut, Delaware, Florida, Georgia, Hawaii, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Virginia and Washington DC have deductibles.
Vehicles are Covered for Wide Variety of Disasters Under Optional “Comprehensive” Coverage

70 Percent of Insured Drivers Purchase this Coverage

COMPREHENSIVE COVERAGE
Damage caused by fire, falling objects, missiles, explosion, earthquake, windstorm, hail, flood, vandalism, riot or contact with animals (birds, deer etc.).
Sold with deductible.

*optional
Public Understanding About Insurance

Misperceptions about Insurance are rampant
Consumer Understanding of Home and Flood Insurance

Good News and Bad News

Most homeowners understand the basics in a home insurance policy, but don’t understand water damage and flooding.
I.I.I. Poll: Flood Insurance


The Take-up Rate Continues a Slow Decline.

Source: Insurance Information Institute Annual Pulse Survey.
Flood Insurance by Year and By Region
Homeowners Understand the Basics
Know the basics

Most homeowners understand the key provisions of a standard homeowners insurance policy. A majority of homeowners recognize that their policy will provide coverage for damage caused by fire, wind and hail. Most also know that items stolen from their house are covered (Fig. 7).

Fig. 7
Recognizing Covered Perils

- Fire: 91%
- Theft: 79%
- Wind: 79%
- Hail: 73%
- Burst pipes: 71%
Most Know that there is ALE Coverage in a Home Insurance Policy

No ALE in Flood Insurance Policy – Another Source of Confusion

48% Homeowners who recognize that their policy provides ALE coverage

27% Homeowners who don’t think they have coverage

Standard homeowners insurance does include ALE coverage.
Public is confused by flood insurance Coverage
Misperceptions Abound

Misperceptions About Flood Coverage

43%
Homeowners who think that standard homeowners insurance covers damage caused by flooding from heavy rain

28%
Homeowners who think hurricane storm surge flood damage is covered

Most flood damage is NOT covered by standard homeowners insurance.
Misconceptions Regarding Flood Coverage

Troubling Results

- Heavy rain flooding: 43%
- Hurricane storm surge: 28%
- Tsunami storm surge: 18%

Percentage of homeowners who incorrectly believe these perils are covered under their standard policy.
Reason for Confusion

What can be done?

- Confusion about flood coverage may arise from the fact that some types of water and storm-related damage are covered by a standard homeowners policy.

- For example, most homeowners insurance includes coverage for damage caused by wind-driven rain, burst pipes and water leaking into your house because of a roofline ice dam.

- The insurance industry has an opportunity to serve its customers and improve consumer understanding of its products and services by increasing educational outreach to homeowners.

- Consumer advocates, public policy experts, the media can also help close the knowledge gap by bringing attention to the need for homeowners to learn more about their insurance coverage and seek professional guidance when they purchase insurance.
Disaster-Related Resources

And Insurance Coverage Information
Great Resources – I.I.I. Website
www.i.i.i.org

- Consumer Articles
- Tips for Business owners
- Educational Videos
- Infographics
- Apps
- Research
- Statistics
I.I.I.’s Spanish Language Resources
Consumer News Releases Translated into Spanish

Articles
News Releases
Auto, Home and Business Insurance is Highly Competitive

Comparison Shopping Encouraged

How to Save Money on Your Homeowners Insurance

The price you pay for your homeowners insurance can vary by hundreds of dollars, depending on the size of your house and the insurance company you buy your policy from. Here are some ways to save money.

Shop Around

Prices vary from company to company, so it pays to shop around. Get at least three price quotes. You can call companies directly or access information on the Internet. Your state insurance department may also provide comparisons of prices charged by major insurers.

Check the financial health of insurance companies by using ratings from independent rating agencies and consulting consumer magazines.

Get quotes from different types of insurance companies. Some sell through their own agents. These agencies have the same name as the insurance company. Some sell through independent agents who offer
Specific Details to Determine How Much to Purchase

How much homeowners insurance do I need?

You need enough insurance to cover the following:

1. The structure of your home.
2. Your personal possessions.
3. The cost of additional living expenses if your home is damaged and you have to live elsewhere during repairs.
4. Your liability to others.

The structure

You need enough insurance to cover the cost of rebuilding your home at current construction costs. Don’t include the cost of the land. And don’t base your rebuilding costs on the price you paid for your home. The cost of rebuilding could be more or less than the price you paid or could sell it for today.

Some banks require you to buy homeowners insurance to cover the amount of your mortgage. If the limit of your insurance policy is based on your mortgage, make sure it’s enough to cover the cost of rebuilding. (If your mortgage is paid off, don’t cancel your homeowners policy. Homeowners insurance protects your investment in your home.)

For a quick estimate of the amount of insurance you need, multiply the total square footage of your home by local building costs per square foot. To find out construction costs in your community, call your local real estate agent, builders association or insurance agent.

Factors that will determine the cost of rebuilding your home:

- Local construction costs
I.I.I. Offers Free Apps to Plan for a Disaster and Conduct a Home Inventory, Articles too!

- **Free Apps**
- **Easy to Understand Articles and Brochures, too!**
A home inventory can save time, and money. It is an important way to be prepared in the event of a loss or disaster.

The I.I.I.’s Know Your Stuff® home inventory app for desktop and mobile ensures your inventory is available anywhere, any time, and from any device.

Available at: www.knowyourstuff.org
“The I’s on Insurance” Video Series

Animated video series covering Homeowners, Auto, Small Business and Life Insurance.

**Goal:** To engage and encourage viewers to reach out to their agent, broker, or company representative to discuss insurance coverage.
Hurricane Season Insurance Checklist

Detailed Tips

Hurricane Season Insurance Checklist

HOMEOWNERS INSURANCE REVIEW

You probably make a checklist for performing home repairs, a shopping list before hitting the grocery store, or perhaps a to-do list for work assignments—but do you have a checklist for reviewing your insurance coverage? The start of hurricane season is right around the corner (June 1 – November 30). So now’s the time to check your homeowners or renters insurance—and this handy list will make it easy to be sure you’re well-prepared in case a storm comes your way.

HOMEOWNERS COVERAGE

· Does your policy limit; is it enough to rebuild your home?

In Spanish, too!

Listado De Coberturas De Seguro Útiles Contra Huracanes

La Revisión Del Seguro De Propietarios De Viviendas

APRIL 16, 2015

La gran mayoría de las personas hacen listas para acordarse de las cosas importantes, cuando tienen reparaciones pendientes que hacer en la casa, de las actividades a cumplir en el día laboral o de las cosas que van a comprar en el supermercado, pero es probable que no tengan un listado de qué cosas necesitan revisar de sus pólizas de seguros. Por eso, ahora que se acerca la temporada de huracanes...
Tips to Help Business Survive A Disaster

I.I.I. & Insurance Institute for Business and Home Safety Partner

Protect Property

Protect Financial Security

DON'T LET A STORM BLOW AWAY YOUR PROFITS

Is Your Business Ready for Peak Hurricane Season?

Protect Your Building and Operations

Protect Your Financial Security

- Create Business Continuity Plan
- Inspect buildings and complete any needed maintenance
- Have backup plan

Protect Your Building and Operations

- Make an Inventory
- Know Your Risks
- Check Property Coverage

- Inspect your buildings and complete any needed maintenance
to ensure they can stand up to severe weather

- Update Contact Info
- Consider Loss of Income Coverage
- Inspect and Repair Damage
- Prepare for Interruptions
- Get Prepared
- Consider Flood Insurance

- Insure against loss of income by opting for Business Income and Extra Expense coverage to cover losses due to closure.

More information available at

DisasterSafety.org/business-protection and I.I.I.org/insurance-topics/business insurance
California Earthquake Authority
Provides Detailed Information on Earthquake Insurance

I.I.I. Website has white papers, facts and stats, consumer articles and educational videos on earthquake risk, insurance and preparedness for a national audience.
FloodSmart.gov – “Go To” Place for Information on Risk of Flooding and Cost of a Policy

Important to also understand limitations of the Policy – No Additional Living Expenses and Limited Coverage for Basements.
Thank You!

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