



**INSURANCE  
INFORMATION  
INSTITUTE**

# Communication & Insurance: Before, During & After Disaster

National Hurricane Conference  
Orlando, FL  
March 29, 2018

**Lynne McChristian, Communications Consultant**

**Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038**

Phone: 212-494-5549 • [StevenW@iii.org](mailto:StevenW@iii.org) • [www.iii.org](http://www.iii.org)

# What do Consumers Know About Insurance?

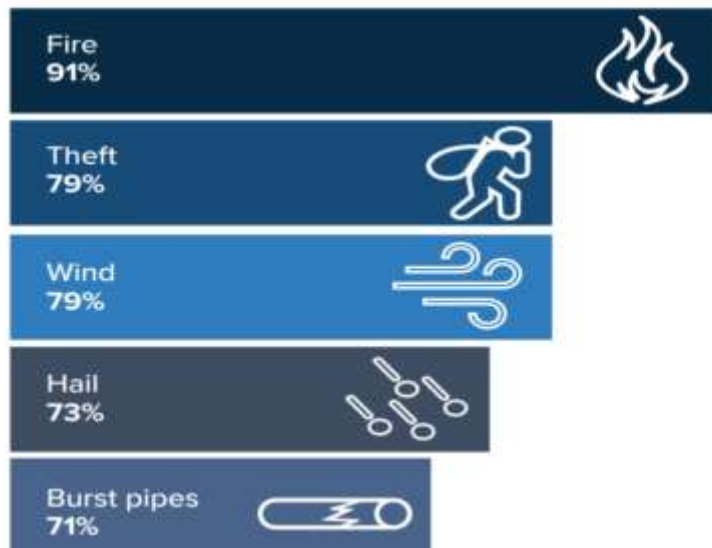
More important? What they don't know

# Homeowners Understand the Key Provisions in A Policy

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



**Most consumers understand these perils are covered:**

- Fire
- Theft
- Wind
- Hail
- Burst Pipes

# Consumer Understanding of Liability Coverage

- Most policyholders know homeowners insurance provides liability protection.

## Understanding Liability Coverage

Medical payments for visitor injured on your property

69%



Defense costs if sued by someone injured on your property

61%



Medical payments for a visitor bitten by your dog

54%



%

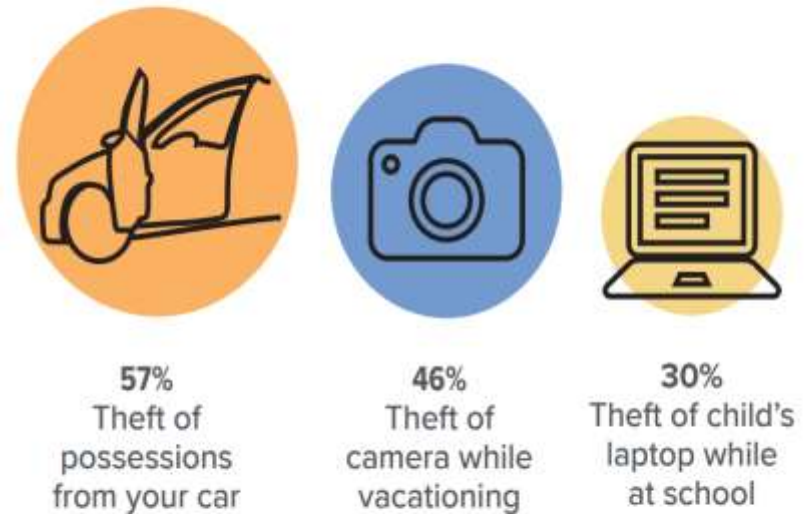
Percentage of homeowners who recognize that their standard homeowners policy provides certain liability coverage

# Consumers are Fuzzy on the Details

- ▲ They understand the basics, yet many are unaware of some additional coverages included in their policy.
- ▲ For example, 79% know homeowners insurance covers possessions stolen from their home, but don't always know those items are covered if they are stolen from them outside the home.

Fig. 8

## Off-Premises Theft Coverage



*Homeowners who know that off-premises theft is covered*

# Confusion about water damage vs flood damage

## Key Findings

Two broad conclusions can be drawn from the I.I.I.'s survey: First, **the majority of homeowners *do* understand the basics of their homeowners policy.** They recognize that they will be covered if their house is damaged by a fire, if property is stolen

from their home or if someone is injured on their property (Fig. 1).

But second, **homeowners have gaps in their knowledge of their coverage.** For example, many policyholders do not recognize that most flood damage is not covered by their basic homeowners insurance.

Fig. 1

### Homeowners Understand the Basics

*Percentage of homeowners who knew key perils are covered*

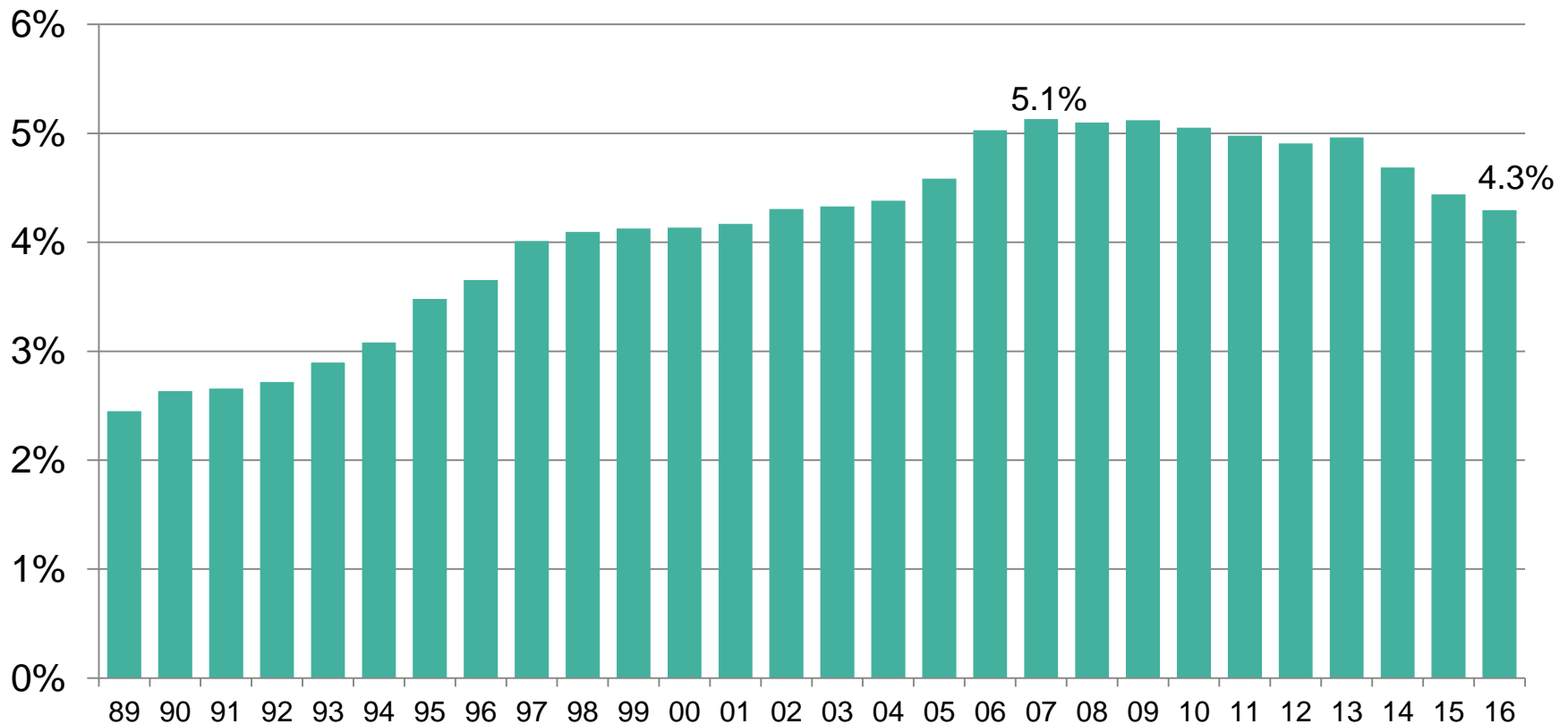


### Misunderstanding of Flood Damage Coverage



**A water heater burst feels like a “flood,” but it’s not.**

# At Peak (2007), Only 5% of Occupied Residences Had an NFIP Flood Insurance Policy In Force



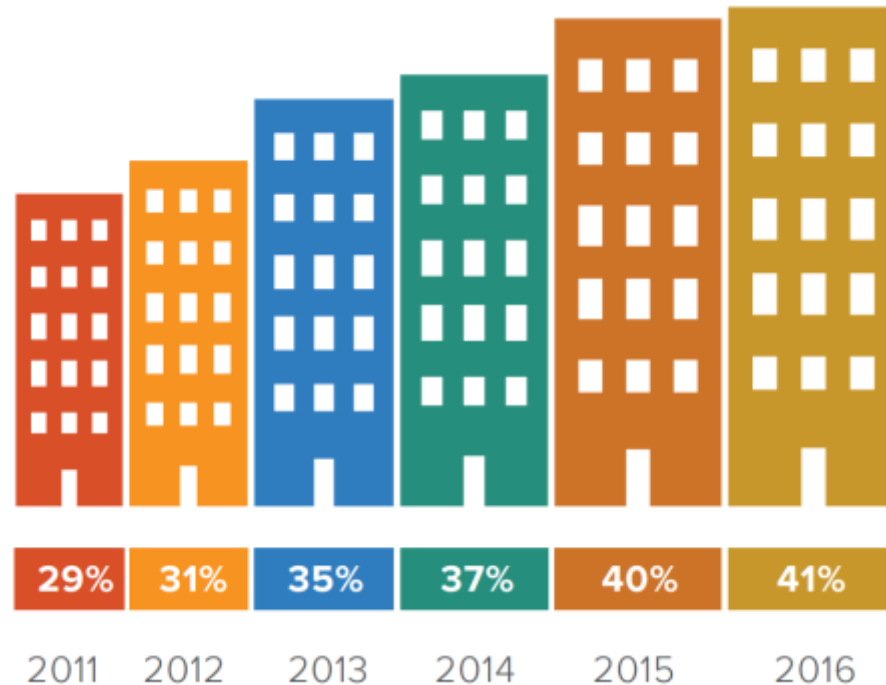
**Since 2007 the number of occupied residences has grown by 7.25% but the number of flood policies in force fell by 10.25%.**



Sources: <https://www.fema.gov/total-policies-force-calendar-year> ; <https://www.census.gov/housing/hvs/data/histtabs.html>  
Insurance Information Institute.

# Homeowners and Renters Insurance

- ▲ A 2016 Insurance Information Institute poll found that **93% of homeowners had homeowners insurance.**
- ▲ And **41% renters had renters insurance.**



- ▲ But only **12% had a flood insurance policy**, despite the fact that flooding is the most common natural disaster in the U.S.



# What Insurers Learned from the Hurricanes of 2017

- ▲ Flood damage is the least understood peril, and yet it is the most common one.
  - ◆ False sense of security in some high-risk areas, and overstated risks in other areas.
- ▲ It's not all about homes. Personal autos and business interruption coverage had larger-than-expected losses.
- ▲ Trend is for consecutive disasters and increased losses.
- ▲ There is a protection gap: Insured vs uninsured losses.
- ▲ Proactively addressing risks isn't an option; it's an imperative.
  - ◆ Partnerships, communication, preparedness mindset.



# Business are Not Prepared for a Disaster




- ▲ A Nationwide Insurance report shows a 26% increase in the average severity of commercial catastrophe claims.
- ▲ Most small-business owners (68%) do not have a written disaster recovery plan — even though about half (49%) said it would take their business at least three months to recover from a natural disaster.




These findings stem from Nationwide's second annual Small Business Indicator, which was conducted online by Harris Poll on behalf of Nationwide from June 10-23 among 502 U.S. small-business owners with fewer than 300 employees.


# Critical Need for Small Business Owners to Understand their Options

Too often, they ask about coverage....after a disaster!

 MENU

 **INSURANCE  
INFORMATION  
INSTITUTE**

Sign In

Search [iii.org](#) 







## Understanding business owners policies (BOPs)

### Business Insurance

**IN THIS ARTICLE**

- Combining three insurance policies into one package
- You can tailor a BOP to meet your needs
- Increasing your coverage with excess and umbrella insurance

**SHARE THIS**

**DOWNLOAD TO PDF**

It may sound like a dance craze from the 1950s, but a BOP—a Business Owners Policy—can protect your small business against today's most common risks. Fire, burglary, liability and business interruption losses are all covered under a BOP.

Since a BOP is prepackaged, there is only one policy to review and it can be more cost effective than purchasing separate policies. Additional coverage can be added in the form of endorsements or riders.

Since a BOP insurance policy is specifically designed for small and medium-sized businesses, the type of business can influence eligibility. Normally, companies with 100 employees or fewer and revenues of up to about \$5 million or less are candidates for a BOP. Some types of businesses, such as restaurants, may be ineligible for a BOP because of the specific risks inherent in the business and may need to consider buying the individual coverages separately.

### Combining three insurance policies into one package

In a single, convenient package, a BOP provides the core insurance that most small businesses need, including:



# Home-based Businesses at Risk

## Most of the 11 Million Home-based Businesses Do Not Have Proper Coverage

- ▲ A survey, conducted by International Communications Research, reveals that one in 10 U.S. households operates some type of full or part-time home-based business. However, nearly 60% do not have insurance coverage.
- ▲ Nearly 40% of home-based business owners say they thought they were protected by some other type of coverage, while almost 30% say their businesses are too small to insure.
- ▲ Additionally, home-based businesses without insurance are slightly more likely (11%) to have experienced a financial loss than are those that do have insurance (9%).



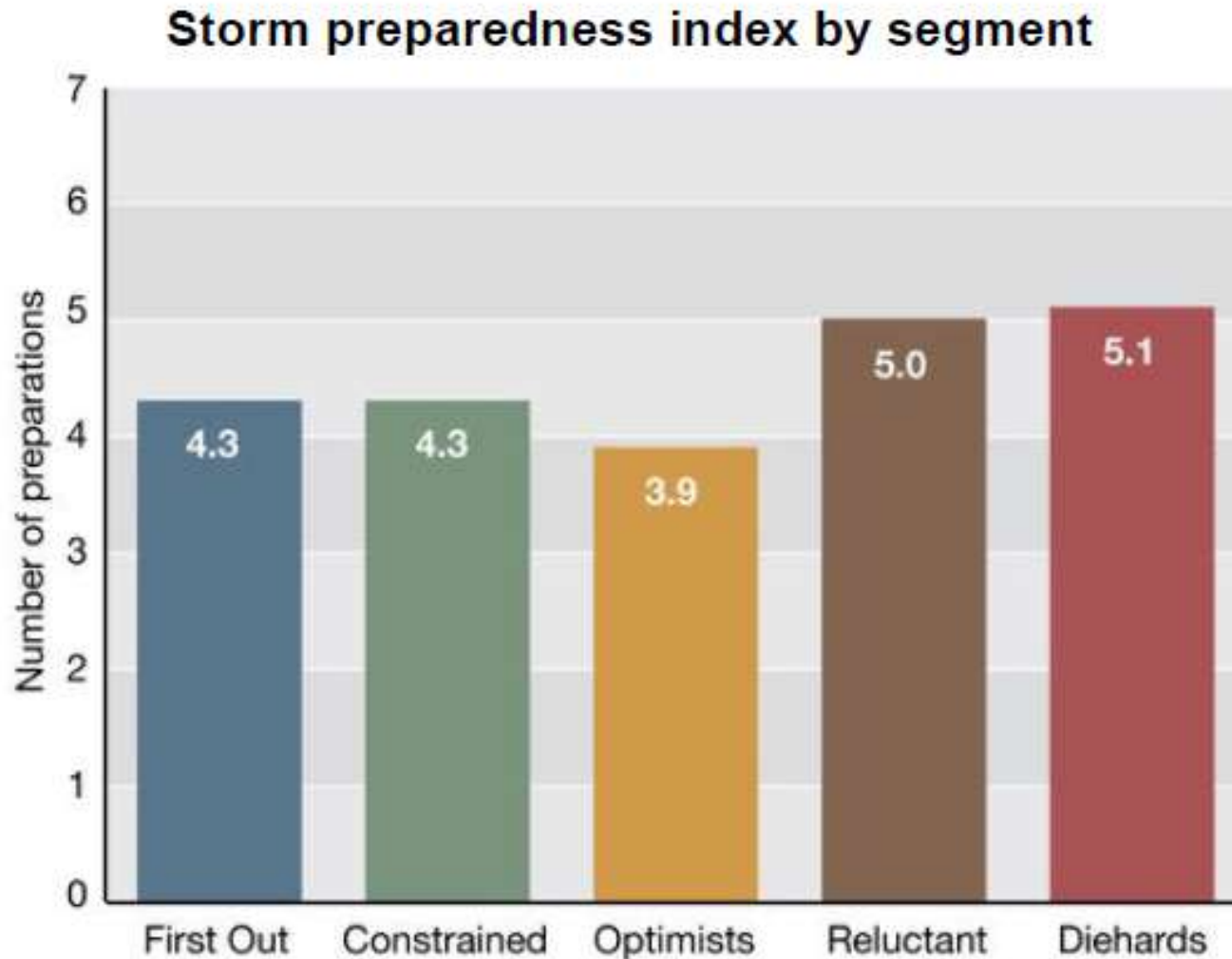
# Communicating When a Storm is Imminent

# Responsiveness to Hurricane Messages

It depends.....

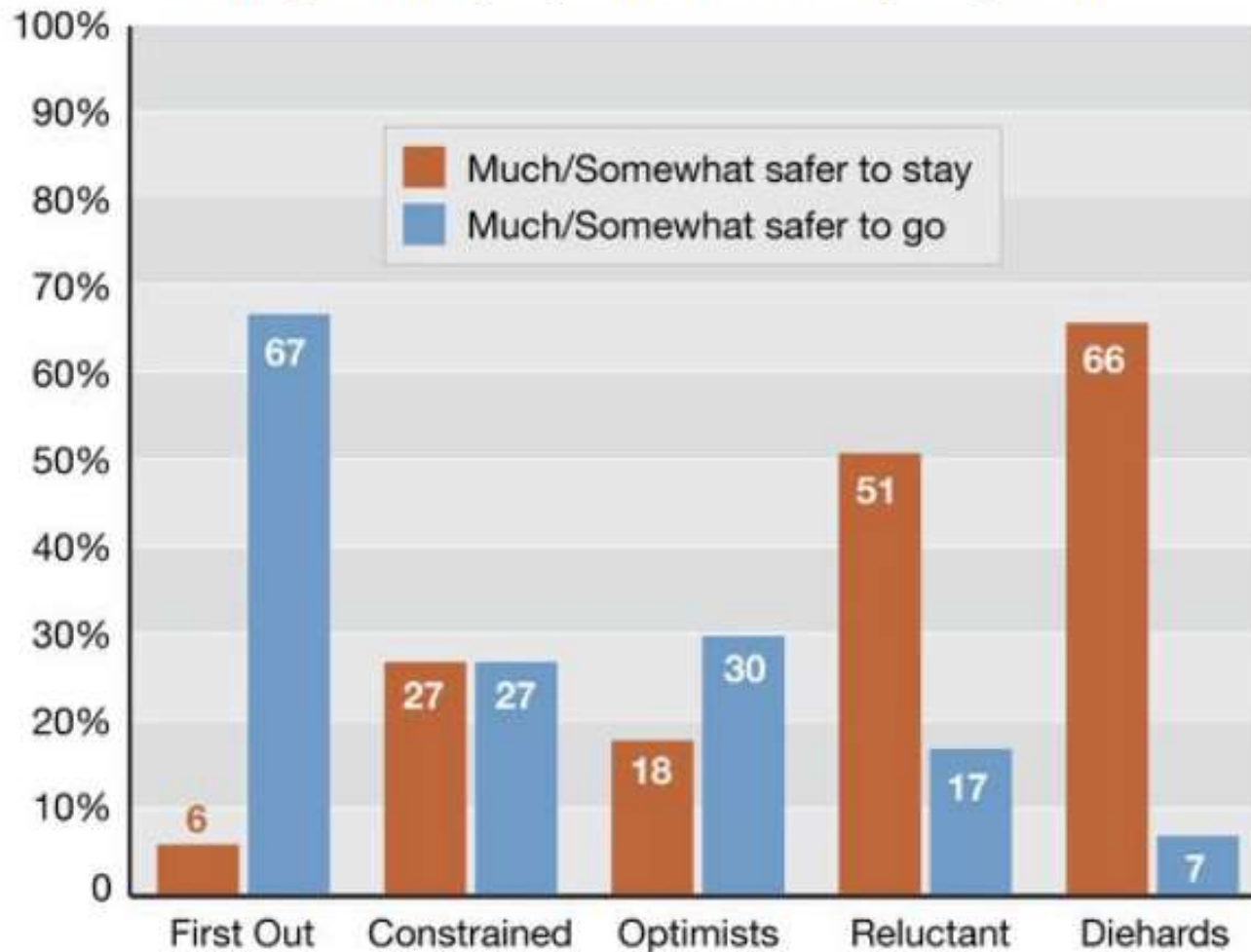
<b>First Out</b> 21%	Anxious and eager to leave if a hurricane is in the forecast
<b>Constrained</b> 14%	Aware of risks & willing to evacuate but face barriers
<b>Optimists</b> 16%	Doubt that a hurricane will occur but willing to evacuate
<b>Reluctant</b> 27%	Reluctant to evacuate but will leave if ordered to
<b>Diehards</b> 22%	Confident they can safely ride out hurricanes at home

# “You Are if You Think You Are”



# Hurricane Response

**Belief that it is safer to evacuate or stay during a Category 2 hurricane by segment**





## Anchoring Observations

- ▲ The brain gets stuck on a timeframe and misleading information.
  - ◆ Most people consider a 1-in-100-in-a-year chance event quite unlikely, and many are unwilling to insure against it, even if it could cause a devastating loss.
    - However, the chance of such an event happening over a 30-year period is 1-in-4.
  - ◆ Perspective: From Aug. 2015-Aug. 2016, there were eight 500-year flood events, according to the National Weather Service. (Houston in 2017). In the five years prior, there were six 1,000 year flood events.\*



# Messaging that Works

## Something for Everyone

### ▲ Present approach:

- ◆ Simple, instructive messages, which appeals to about 40-45% of the population.
- ◆ So, 55-60% are not as responsive.

### ▲ A Better Approach:

- ◆ Multiple types of messages so important information is accessible to people of all kinds of personality types and cognitive dispositions

# Considering Individual Differences

**People are attentive to hurricane forecasts, get similar information, but react differently**

- Predictions – how likely a hurricane is to occur, and how bad it would be
- Priorities – personal safety, guarding one's possessions, staying with pets, or even watching the storm
- Preparedness
- Belief as to whether evacuating or staying was safer
- Willingness to evacuate

**THE CHALLENGE:** How can we more effectively deliver (and design) critical information, especially if different people react differently to the same information (and need incentives to act)?



# Personal Circumstances Matter

Life Safety and Property Protection Decisions Depend Upon:

- ▲ Financial situation
- ▲ Access to transportation
- ▲ Dependents (children, elderly relatives, pets, other)
- ▲ Age
- ▲ Religion
- ▲ Language

**WHO MATTERS MOST** in delivering messages?  
Experts and credible **peers**



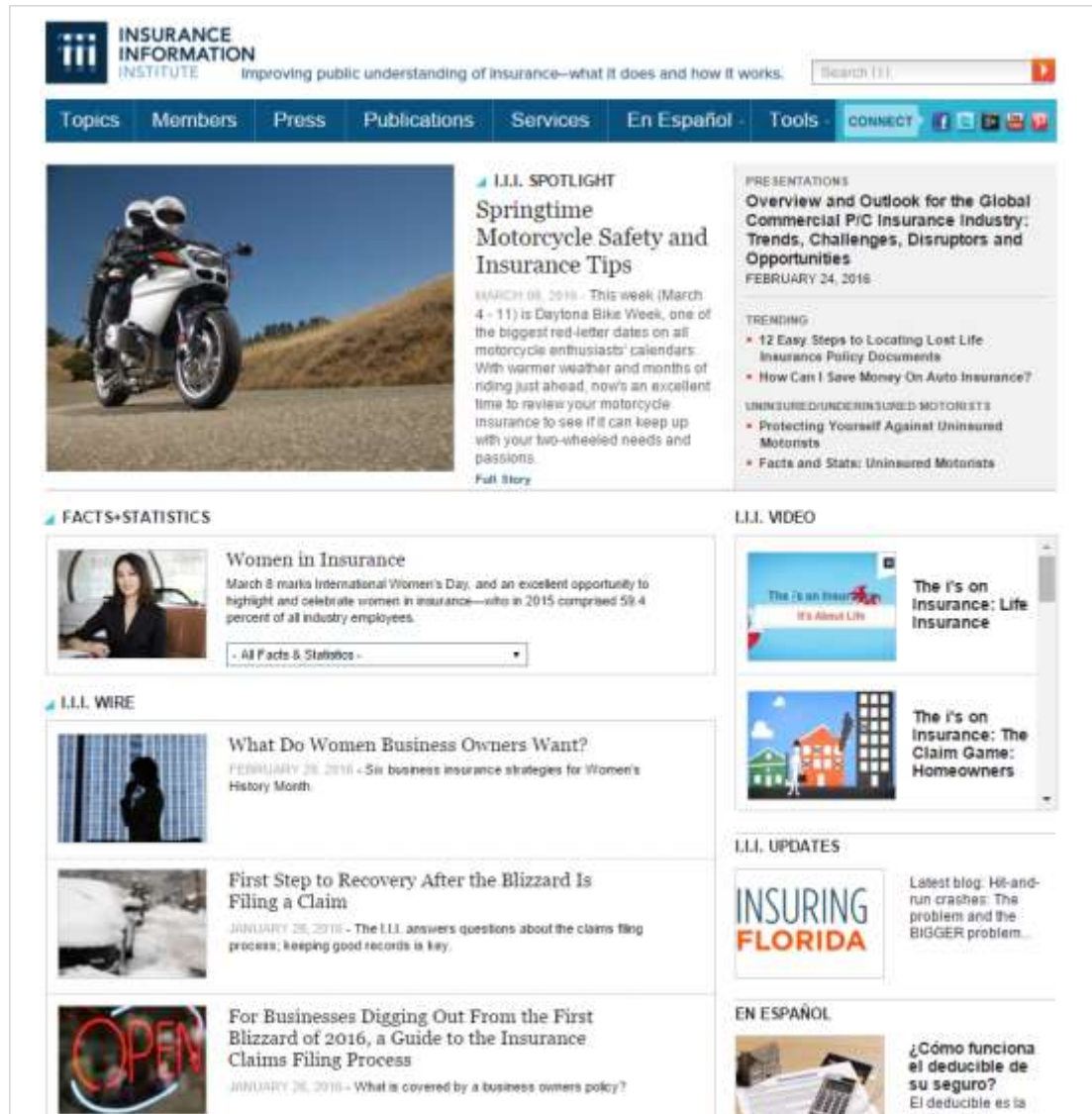
# Approaches as Different As Individuals

- ▲ Apps
- ▲ Blogs
- ▲ Checklists
- ▲ Consumer Articles
- ▲ Infographics
- ▲ Media Interviews
- ▲ Social Engagement
- ▲ Videos



# I.I.I. Website

The I.I.I. homepage is updated regularly with content relevant to consumers.



The screenshot displays the I.I.I. (Insurance Information Institute) website homepage. At the top, the I.I.I. logo is on the left, followed by the text "INSURANCE INFORMATION INSTITUTE" and the tagline "Improving public understanding of insurance—what it does and how it works." A search bar is on the right. Below this is a navigation bar with links: Topics, Members, Press, Publications, Services, En Español, Tools, and a CONNECT button with social media icons. The main content area features a large article titled "I.I.I. SPOTLIGHT Springtime Motorcycle Safety and Insurance Tips" with a photo of a motorcycle. To the right, there are sections for "PRESENTATIONS" and "TRENDING" topics. Below the spotlight article is a "FACTS+STATISTICS" section with a link to "Women in Insurance". Further down is the "I.I.I. WIRE" section with three articles: "What Do Women Business Owners Want?", "First Step to Recovery After the Blizzard Is Filing a Claim", and "For Businesses Digging Out From the First Blizzard of 2016, a Guide to the Insurance Claims Filing Process". On the right side, there is a "I.I.I. VIDEO" section with two video thumbnails and a "I.I.I. UPDATES" section with a link to "INSURING FLORIDA". At the bottom right, there is an "EN ESPAÑOL" section with a link to "¿Cómo funciona el deducible de su seguro?".

**INSURANCE INFORMATION INSTITUTE**  
Improving public understanding of insurance—what it does and how it works.

Search (1)

Topics Members Press Publications Services En Español Tools CONNECT

**I.I.I. SPOTLIGHT**  
**Springtime Motorcycle Safety and Insurance Tips**  
MARCH 08, 2016 - This week (March 4 - 11) is Daytona Bike Week, one of the biggest red-letter dates on all motorcycle enthusiasts' calendars. With warmer weather and months of riding just ahead, now's an excellent time to review your motorcycle insurance to see if it can keep up with your two-wheeled needs and passions.  
[Full Story](#)

**PRESENTATIONS**  
**Overview and Outlook for the Global Commercial P/C Insurance Industry: Trends, Challenges, Disruptors and Opportunities**  
FEBRUARY 24, 2016

**TRENDING**  
• 12 Easy Steps to Locating Lost Life Insurance Policy Documents  
• How Can I Save Money On Auto Insurance?  
**UNINSURED/UNDERINSURED MOTORISTS**  
• Protecting Yourself Against Uninsured Motorists  
• Facts and Stats: Uninsured Motorists

**FACTS+STATISTICS**  
**Women in Insurance**  
March 8 marks International Women's Day, and an excellent opportunity to highlight and celebrate women in insurance—who in 2015 comprised 59.4 percent of all industry employees.  
[All Facts & Statistics](#)

**I.I.I. WIRE**  
**What Do Women Business Owners Want?**  
FEBRUARY 26, 2016 - Six business insurance strategies for Women's History Month.  
**First Step to Recovery After the Blizzard Is Filing a Claim**  
JANUARY 28, 2016 - The I.I.I. answers questions about the claims filing process; keeping good records is key.  
**For Businesses Digging Out From the First Blizzard of 2016, a Guide to the Insurance Claims Filing Process**  
JANUARY 26, 2016 - What is covered by a business owners policy?

**I.I.I. VIDEO**  
**The i's on Insurance: Life Insurance**  
**The i's on Insurance: The Claim Game: Homeowners**

**I.I.I. UPDATES**  
**INSURING FLORIDA**  
Latest blog: Hit-and-run crashes: The problem and the BIGGER problem...

**EN ESPAÑOL**  
**¿Cómo funciona el deducible de su seguro?**  
El deducible es la parte que...

# IBHS – Great Resources for a Small Business

[ABOUT US](#)[RESEARCH](#)[FORTIFIED](#)[BUSINESS PROTECTION](#)[RESOURCES](#)[NEWS](#)[MEMBERS](#)

## OFB-EZ®—Business Continuity Planning

[Business Protection](#) > [OFB-EZ®—Business Continuity Planning](#)

Many businesses are not prepared to respond to a man-made or natural disaster. Small businesses are particularly at risk because they may have all of their operations concentrated in one location that is damaged or destroyed.

Business continuity planning is vital to survival and should not be put off indefinitely as you focus on today's challenges. It's important to devote enough time and attention to planning for the future, even when that future may involve events that are unpleasant to think about and, hopefully, not likely to happen. IBHS offers a variety of resources to assist with this important planning process.

### IBHS' Business Continuity Toolkit is OFB-EZ®



OFB-EZ (Open For Business-EZ) is a free business continuity tool designed to help even the smallest businesses focus on planning for any type of business interruption, so they can quickly re-open and resume operations

### Risks





# NAIC Resources for the Industry and Consumers



Home Map Committees Members Products Education Consumers Industry

## NEWSROOM



**TESTIMONY**  
NAIC Updates Congress on Federal Government Role in Insurance

**NEWS RELEASE**  
NAIC Articulates Support for Bipartisan Health Bill

**RECENT ACTIVITY**  
NAIC Holds 8th Regulatory Dialogue with Japan's FSA

**STATEMENT**  
CSR Funding Ceased, NAIC Response

**STATEMENT**  
NAIC Reacts to Health Executive Order

**SPECIAL EVENT**  
NAIC, Stanford Host Cyber Forum

**DISASTER RECOVERY**  
NAIC Assists Puerto Rico & US Virgin Islands

**NAIC Updates Congress on Federal Government Role in Insurance**  
Connecticut Insurance Commissioner Katharine L. Wade testified before Congress today representing the NAIC. Wade responded to questions from the Committee on Financial Services Subcommittee on Housing and Insurance about the appropriate role for the federal government in insurance issues. The hearing focused on the federal government's international and domestic engagement.

- [Read Full Release](#)
- [Testimony \(PDF\)](#)

## MEETINGS & CONFERENCE CALLS

Upcoming Recent Calendar

 **Fall National Meeting**  
Dec. 2-4, 2017  
*Tentative Agenda Available*

 **National Meetings 2018**

## ANALYSIS, ISSUES & POLICY

 **CAPITAL MARKETS & INVESTMENT ANALYSIS**

- Securities Valuation Office (SVO)
- Structured Securities Group (SSG)
- Capital Markets Bureau

 **GOVERNMENT RELATIONS & INTERNATIONAL POLICY**

- Financial
- Health
- International

 **CENTER FOR INSURANCE POLICY & RESEARCH (CIPR)**

- CIPR Home: *What's New*
- Key Issues
- CIPR Events

## INSURE U: CONSUMER EDUCATION



**RITA MORENO**  
*You've Gotta Keep Moving!*

## FEATURED CONTENT

**RETIREMENT SECURITY INITIATIVE**  
  
BABY BOOMERS HAVE NO RETIREMENT SAVINGS

**LIFE INSURANCE POLICY LOCATOR**  




# 10 Rules of Successful Communication

## 1. **Simplicity: Use small words.**

- ✓ Simple, plain language is more easily understandable.

## 2. **Brevity: Use short sentences.**

- ✓ Consider how ad slogans of 2-3 words pack punch.

## 3. **Credibility is as important as philosophy.**

- ✓ The words you use become you.

## 4. **Consistency matters.**

- ✓ Repetition, repetition.

## 5. **Novelty: Offer something new.**

- ✓ Can your message generate an “I didn’t know that” response?



# 10 Rules of Successful Communication

(cont.)

## 6. **Sound & Texture Matter.**

- ✓ “Snap, Crackle, Pop”

## 7. **Speak Aspirationally.**

- ✓ “The only thing we have to fear is fear itself.”

## 8. **Visualize.**

- ✓ Paint a picture.

## 9. **Ask a Question.**

- ✓ “Can you hear me now?”

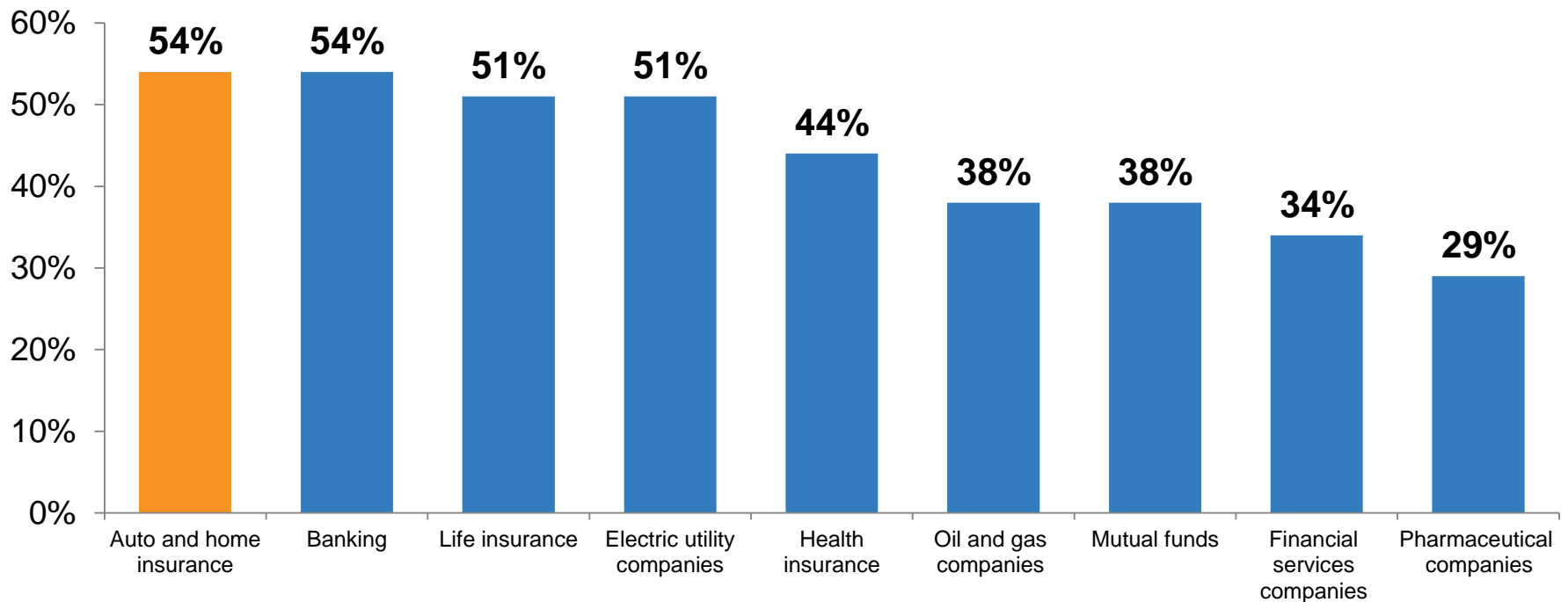
## 10. **Provide Context & Explain Relevance.**

- ✓ Give the “why” before the “therefore” and “so that.”



# I.I.I. Poll: Favorability

Percent of Public Rating Industry as Very or Mostly Favorable, 2016



**Auto/Home Insurers Tie with Banks as Highest Rated of Industries Surveyed**



Source: Insurance Information Institute *Pulse* survey, November 2016.

What Should We Be Communicating?

# Need to Educate Business Owners

About all their options...so they can make sound financial decisions!

## 40 Percent Don't Open After a Disaster



## Another 25% Fail Within a Year!

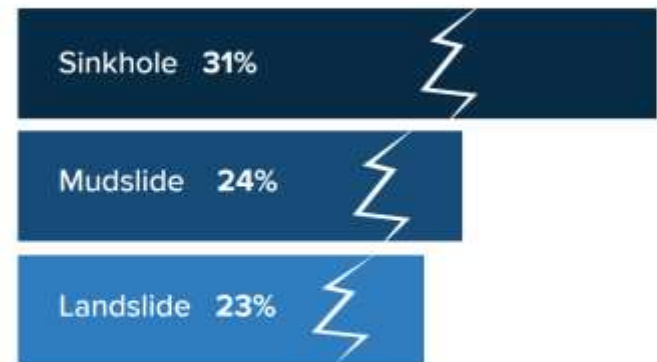
- ▲ Property insurance
- ▲ Liability insurance
- ▲ Business interruption insurance
- ▲ And, Professional liability, Employee practices liability, Workers' comp, Health and disability, Flood and sewer back-up, Cyber risk insurance, Terrorism insurance...

# Need to Clear Up Confusion About Coverage

- ▲ Explain water damage vs flood coverage.
- ▲ Talk coverage AND limitations of flood coverage.
  - ◆ No additional living expense.
  - ◆ No coverage for basements.
  - ◆ Also need to clearly explain coverage for mudslides, landslides and back-up of sewers and drains, as well as “law and ordinance” coverage.

Fig. 11

## Misunderstanding of “Earth Movement” Coverage



%

*Percentage of homeowners  
who incorrectly believe these  
perils are covered under their  
standard policy*

# Details

- ▲ Conduct a home inventory
- ▲ Explain deductibles AND hurricane deductibles
- ▲ Actual Cash Value vs. Replacement Cost Value
- ▲ Comprehensive auto insurance
- ▲ “Optional coverage” – Flood, building ordinance & law, inflation guard, sewer backup, sinkhole
- ▲ Flood insurance limitations
  - ◆ 30-day waiting period
  - ◆ No coverage for basements
  - ◆ No Additional Living Expenses
  - ◆ Limits in coverage to \$250,000 for home, \$100,000 for contents
- ▲ No coverage for tree damage, unless it hits an insured object



# “Surround Sound” Approach to Consumer Communications

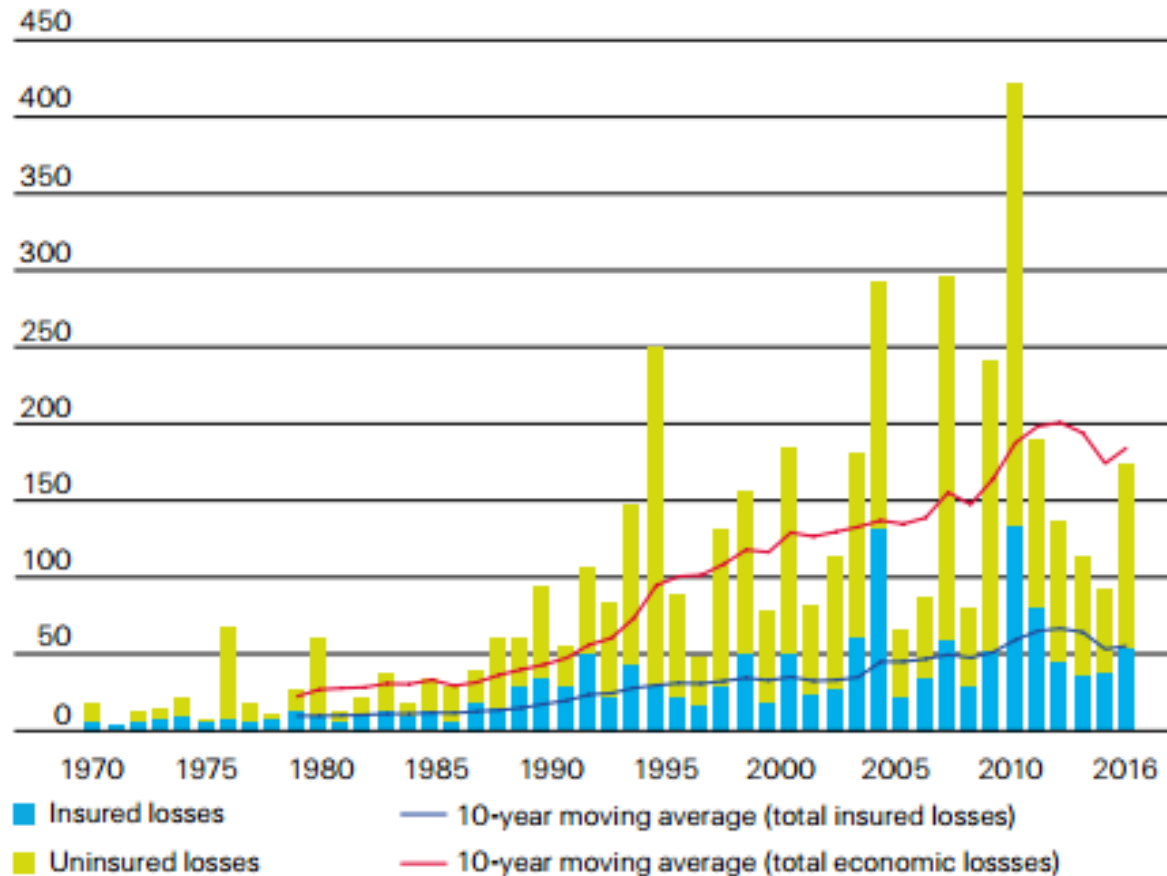




# The Property Insurance “Protection Gap:” Definition and Measurement

# The Global “Protection Gap,” the difference between Economic Losses and Insured Losses generated by catastrophes, is growing

\$Billions, in  
2016 dollars



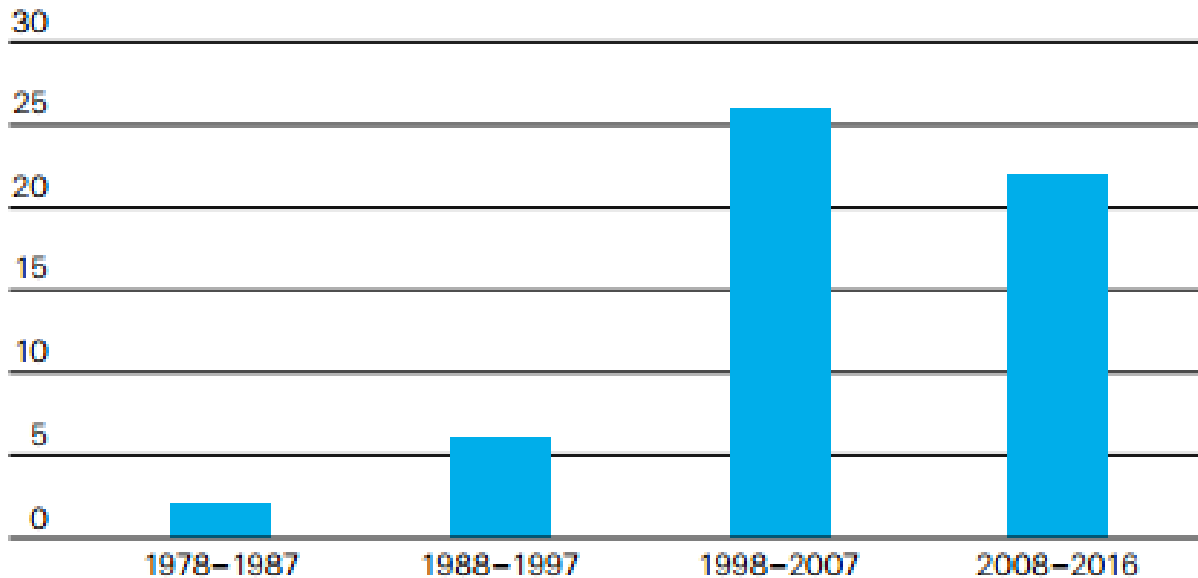
**In terms of 10-year rolling averages, between 1991 and 2016, insured losses grew by 4.6% per year but economic losses by 5.6% per year.**



Economic losses = insured + uninsured losses  
Source: Cat Perils and Swiss Re Institute.

# The Drop in Flood Coverage Isn't Due to Lower Insured Flood Claims Payments

US Insured  
Flood Losses,  
\$Billions



- In 2016 there were 4 separate multi-billion-dollar inland flood events – the highest number in a single year since 1980.

Source: NFIP.



Source: SwissRe Institute: Sigma No 2/2017 "Natural catastrophes and man-made disasters in 2016: a year of widespread damages"; Insurance Information Institute.

# The \$10 Billion Flood Protection Gap: What Can We Do?



**Risk awareness**



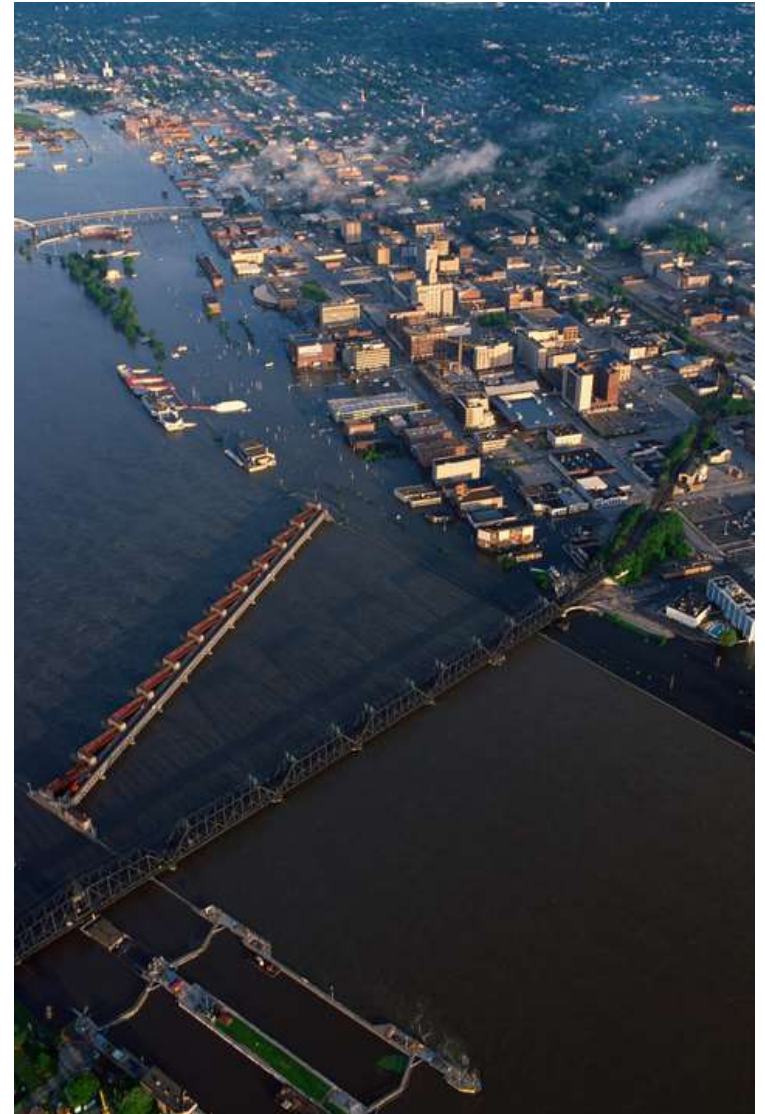
**Simple insurance products  
(flood endorsement policies)**



**Continue to improve risk  
assessment tools**



**Public/private partnerships that  
support financial resilience**



# Helping consumers make good decisions

Helping them understand:

- The types of losses/claims that they might sustain
- The likelihood/probability of those various kinds of losses/claims—what we call “frequency”
- The potential severity of those losses



**INSURANCE  
INFORMATION**  
INSTITUTE

Thank you