Communicating Risk: Is Anyone Listening?

National Hurricane Conference
Austin, Texas
April 2, 2015
The Insurance Information Institute was founded more than 50 years ago to improve the public understanding of insurance – what it does and how it works. The I.I.I. is a primary source for information, analysis and referral concerning insurance topics.

- www.iii.org
- www.InsuringFlorida.org

We are a resource for consumers, media, insurers and researchers.
Risk Averse – or Risk Denial?

OMG!
“The sky is falling!”

A contrast from cartoons...
One in 5 Americans Live in Hurricane-Prone Areas

- In the U.S., 49% of the population is vulnerable to hurricanes; 19 states and the District of Columbia have areas vulnerable to storm surge.
  - Yet, only 19% of the American public said they live in an area likely to be struck.

- Only 29% of Northeast residents said they live in a hurricane-prone area, despite Superstorm Sandy striking EVERY state in that region in 2012.

- Half of those living in vulnerable areas say seasonal forecasts have no bearing on their decisions to protect their property.

Source: I.I.I. Pulse Poll
Q: What ONE Thing Would Motivate You to Protect Your Home From Damage?

- Ensuring safety of family & pets: 45%
- Home insurance discount: 24%
- Income tax break: 14%
- Grant money: 8%
- Don't know: 9%

The number of federal disaster declarations set a new record in 2011, with 99, shattering 2010’s record 81 declarations.

There have been 2,180 federal disaster declarations since 1953. The average number of declarations per year is 35 from 1953-2013, though there few haven’t been recorded since 1995.

The number of federal disaster declarations is rising and set new records in 2010 and 2011 before dropping in 2012-2014.


Federal Disasters Declarations by State, 1953 – 2014: Highest 25 States*

Over the past 60 years, Mississippi has had the 13th highest number of Federal Disaster Declarations


Federal Disasters Declarations by State, 1953 – 2014: Lowest 25 States*

Over the past 60 years, Wyoming and Rhode Island had the fewest number of Federal Disaster Declarations.


95% of homeowners have home insurance. Among renters, only 38% have renters insurance.

- Renters insurance covers hurricanes, fire, theft, liability, some policies even cover flood damage, but:
  - One in 10 people said they didn’t know renters insurance covered their personal belongings.

  - 21% of the respondents said they did not own anything valuable enough to insure.
    - In 1990, 18% said that.
  - 15% thought they were covered under the landlord’s insurance. FALSE!

  - 24% of survey respondents think it costs too much.
    - In 1990, 41% said cost was a factor.
    - Today, average cost nationally is between $117-$252.

I.I.I. Poll: Renters Insurance

Percentage of Renters Who Have Renters Insurance, 2011-2014

Educational efforts about the need for renters insurance are slowly but surely penetrating the large and growing renting population; understanding of affordability is improving.

Percentage of Renters With Renters Insurance Is Increasing.

Source: Insurance Information Institute Annual Pulse Survey.
Percentages of Renters Who Don’t Have Renters Insurance, by Age Group

Flood Insurance: “If you can see the water, it can see you.”

Flood Facts:

- In the past 5 years, all 50 states have experienced floods or flash flood.
- Homeowners insurance does not cover flood damage.
- People outside a high-risk flood area file nearly 25% of all flood claims.
- From 2003 to 2012, total flood insurance claims averaged nearly $4 billion per year.
Even Frequent & Severe Floods Haven’t Changed Flood Insurance Ownership Much

Q. Do you have a separate flood insurance policy?¹

Despite extensive flooding (and wide publicity), few U.S. homeowners say they have a flood insurance policy; moreover, there is no upward trend.

¹Asked of those who have homeowners insurance and who responded “yes”.
Source: Insurance Information Institute Annual Pulse Survey.
Patterns of Reaction to Risk

“Flight, fight, play dead,” or “trial and error”

<table>
<thead>
<tr>
<th>Qualitative characteristics</th>
<th>Direction of Influence</th>
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<tbody>
<tr>
<td>Personal control</td>
<td>Increases risk tolerance</td>
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<tr>
<td>Institutional control</td>
<td>Depends on confidence in the institutional performance</td>
</tr>
<tr>
<td>Voluntariness</td>
<td>Increases risk tolerance</td>
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<tr>
<td>Familiarity</td>
<td>Increases risk tolerance</td>
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<tr>
<td>Dread</td>
<td>Decreases risk tolerance</td>
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<tr>
<td>Inequitable distribution of risks &amp; benefits</td>
<td>Depends on individual utility; strong social incentive for rejecting risk</td>
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<tr>
<td>Artificiality of risk source</td>
<td>Amplifies attention to risk; often decreases risk tolerance</td>
</tr>
<tr>
<td>Blame</td>
<td>Increase quest for social/political response</td>
</tr>
</tbody>
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Florida received the highest Natural Hazard Risk Score

Natural Hazard Risk Scores, 2014
Highest 25 States*

Note: Score is based on data on 9 natural hazards: flood, wildfire, tornado, storm surge, earthquake, straight-line wind, hurricane, wind, hail and sinkhole.

*Analysis Includes DC. Excludes Alaska and Hawaii due to limited natural hazard risk data.

Sources: CoreLogic release “CoreLogic Identifies US States at Highest Risk of Property Damage Loss from Natural Hazards,” Sept. 10, 2014; Insurance Information Institute.
Natural Hazard Risk Scores, 2014
Bottom 24 States*

Note: Score is based on data on 9 natural hazards: flood, wildfire, tornado, storm surge, earthquake, straight-line wind, hurricane, wind, hail and sinkhole.

*Analysis Includes DC. Excludes Alaska and Hawaii due to limited natural hazard risk data.

Sources: CoreLogic release “CoreLogic Identifies US States at Highest Risk of Property Damage Loss from Natural Hazards,” Sept. 10, 2014; Insurance Information Institute.
The I.I.I. homepage is updated regularly with content relevant to what is happening in the news, or new content being promoted.

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Background papers and statistical information are available on the I.I.I. website and are continually updated as new information becomes available.
Disasters

GENERAL
Catastrophes: Insurance Issues: Issues Updates
Climate Change: Insurance Issues: Issues Updates
Frequently Asked Questions about FEMA Disaster Assistance: Article
In the wake of Hurricane Sandy survivors continue to have questions about federal disaster assistance

EARTHQUAKE
Does My Homeowners Insurance Cover Earthquake Damage? Article
Preparing for an Earthquake Article
In Case of an Earthquake Article
Recovering from an Earthquake Article
Protecting Your Home from an Earthquake Video
Earthquakes: Risk and Insurance Issues: Issues Updates
U.S. Earthquake History Article
California Earthquake Authority White Papers.
The San Francisco Earthquake of 1906: An Insurance Perspective Article
The Northridge, CA, Earthquake 20 Years After: Facts, Figures and Perspectives Article
The Northridge, California, earthquake of 1994 was the costliest earthquake in U.S. history in terms of insured losses.

FLOOD
Facts About Flood Insurance Article
In Case of a Flood Article
Recovering from a Flood Article
Flood Insurance Publication Article
National Flood Insurance Program Article

I.I.I. SPOTLIGHT
Across America—by Driverless Car
This week, the Delphi Driverless Project car set out to make the first-ever automated cross-country...

I.I.I. VIDEO
Test Your Insurance IQ: Travel Insurance
Vacations are precious escapes, but they can also be expensive and subject to disaster. Travel insur...

PRESENTATIONS
Alternative Capital: Impacts on Global Insurance and Reinsurance Markets
How alternative capital is changing the reinsurance landscape.

I.I.I. BLOG / TERMS & CONDITIONS
Swiss Re: Lack of Insurance Cover An Issue in Many Countries
The iiiToolkit is a free mobile app suite that can help users put together a disaster plan, learn about selecting the right insurance for their needs and budget, and create and maintain a home inventory database.

- Takes an action oriented approach: make a checklist; create an inventory; have a conversation with your insurance professional.
Animated video series focusing on Homeowners, Auto, Small Business and Claims Filing. The goal is to engage and encourage viewers to reach out to their agent, broker, or company representative to discuss insurance coverage.
“Check20” Campaign: Sample Email

• Check20 is a cross-channel messaging campaign.

• It has a call-to-action feature that encourages spending 20 minutes to get smarter about insurance.

• Explains the basics and encourages a constructive dialogue with an insurance professional.

The Check20 Newsletter gives users options for a Homeowners, Auto, or Financial Planning (Life Insurance, Annuities, etc) monthly email newsletter.
U.S. Insured Catastrophe Losses

($ Billions, $2013)

2012 was the 3rd most expensive year ever for insured CAT losses

Reminder: 2012 was the 3rd costliest year for insured disaster losses in US history. Long-term trend is for more—not fewer—costly events.

*Through 12/31/14.

Note: 2001 figure includes $20.3B for 9/11 losses reported through 12/31/01 ($25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = $12.2B ($15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.
Insurance Information Institute Online:

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