



**INSURANCE
INFORMATION
INSTITUTE**

Presentation at the National Hurricane Conference New Orleans, Louisiana Thursday, April 20th, 2017

**What it Looks Like From Here: Perspectives on the National Flood
Insurance Program from an Insurance Adjuster's Perspective**

A Panel Discussion Between the I.I.I. and H2O Partners

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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 Flood Insurance Communications



Everyone Needs to Work Together

Education about Coverage, Procedures, Rights and Responsibilities is Essential to Claims Process.

- ▲ Insurers
- ▲ Agents/Brokers, Company Representatives
- ▲ Consumers
- ▲ Claims Adjusters



Flooding

Background

- ▲ 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.
- ▲ There is no coverage for flooding in standard homeowners or renters policies or in most commercial property insurance policies.
- ▲ Coverage is available in a separate policy from the National Flood Insurance Program (NFIP) and from a few private insurers.
- ▲ Despite efforts to publicize this, many people exposed to the risk of floods still fail to purchase flood insurance.



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.



Percentage of Homeowners with Flood insurance

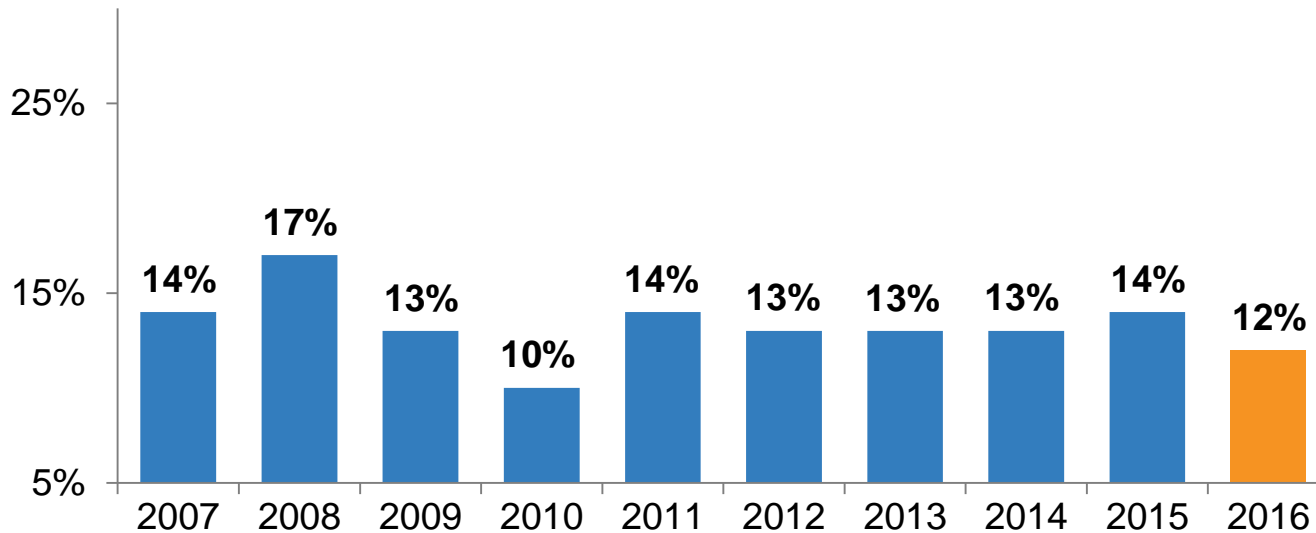
Far too Few People Purchase Flood Insurance

- ▲ 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.



I.I.I. Poll: Flood Insurance

Percentage of Homeowners Who Have Flood Insurance,
2007–2016

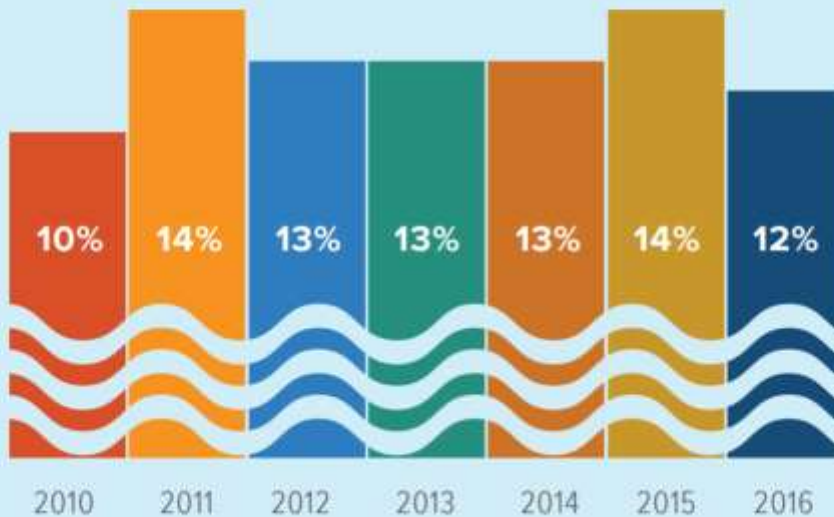


The Take-up Rate Continues a Slow Decline.

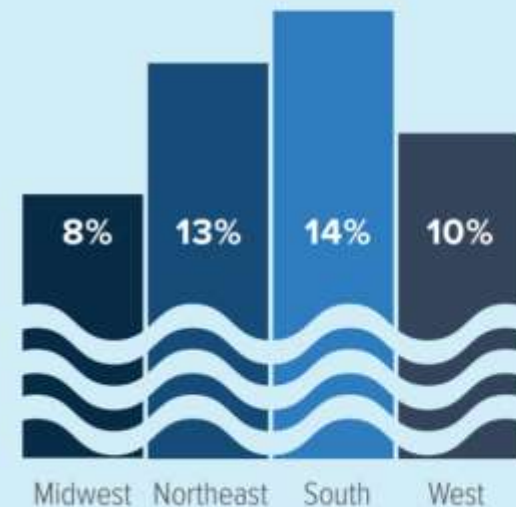


Flood Insurance by Year and By Region

Homeowners With Flood Insurance



Homeowners With Flood Insurance by Region (2016)



Consumer Understanding of Home and Flood Insurance

Good News and Bad News

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



Most homeowners understand the basics In a home insurance policy, but don't understand Water damage and flooding

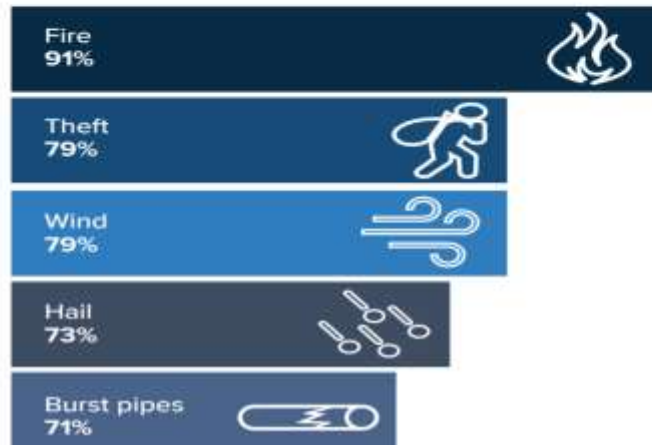
Homeowners Understand the Basics

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



Most Know that there is ALE Coverage in a Home Insurance Policy

No ALE in Flood Insurance Policy – Another Source of Confusion

4/19/2017

Additional Living Expenses (ALE) Coverage

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%

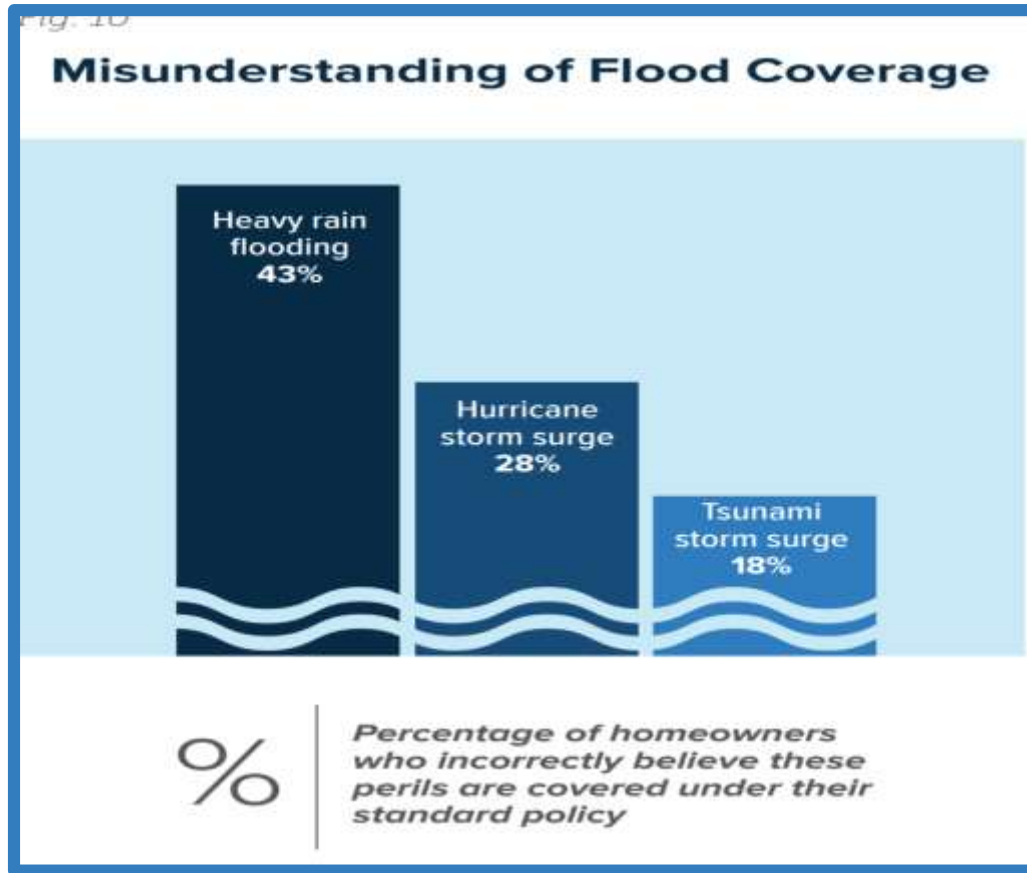
Homeowners who think hurricane storm surge flood damage is covered



Most flood damage is NOT covered by standard homeowners insurance.

Misconceptions Regarding Flood Coverage

Troubling Results



Reason for Confusion

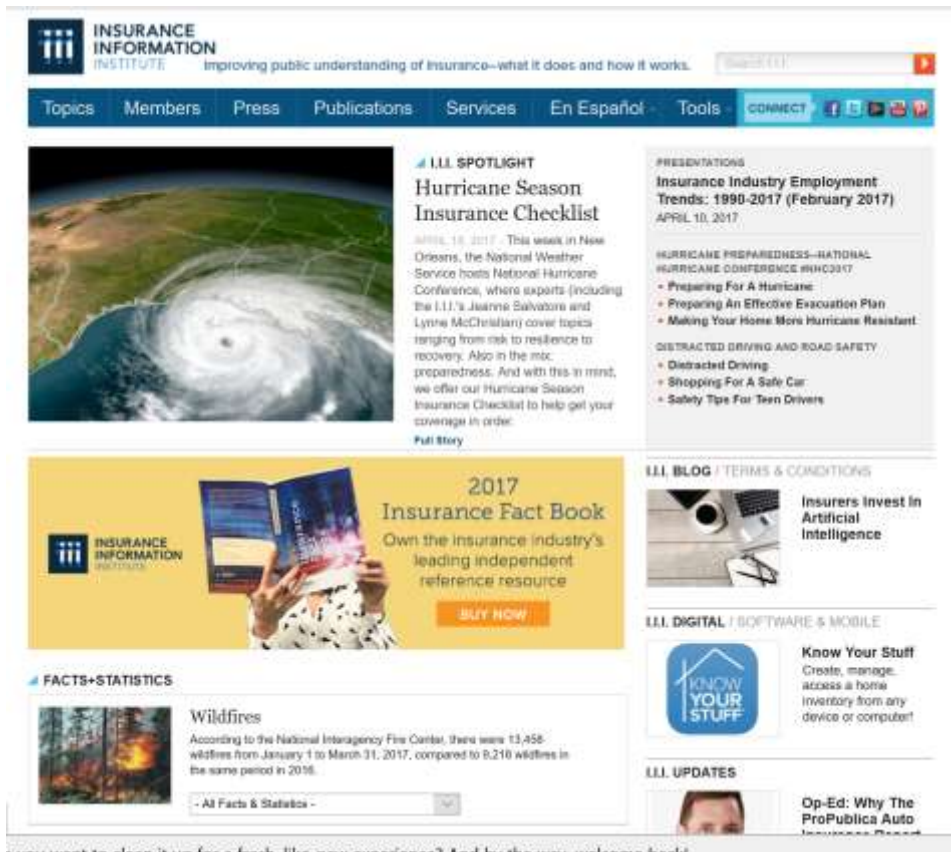
What can be done?

- ▲ 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 and 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



Great Resources –I.I.I. Website

www.I.I.I.org



The screenshot shows the I.I.I. website homepage with a blue header and navigation bar. The main content area features a large image of a hurricane, a sidebar with a checklist, and a bottom section with various articles and a fact book promotion.

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I.I.I. SPOTLIGHT
Hurricane Season Insurance Checklist
APRIL 10, 2017 - This week in New Orleans, the National Weather Service hosts National Hurricane Conference, where experts (including the I.I.I.'s Joanne Salvadore and Lynne McChristian) cover topics ranging from risk to resilience to recovery. Also in the mix: preparedness. And with this in mind, we offer our Hurricane Season Insurance Checklist to help get your coverage in order.
[Full Story](#)

PRESENTATIONS
Insurance Industry Employment Trends: 1990-2017 (February 2017)
APRIL 10, 2017

HURRICANE PREPAREDNESS—NATIONAL HURRICANE CONFERENCE #NHC2017
• **Preparing For A Hurricane**
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FACTS+STATISTICS
Wildfires
According to the National Interagency Fire Center, there were 13,458 wildfires from January 1 to March 31, 2017, compared to 8,216 wildfires in the same period in 2016.
- All Facts & Statistics -

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Thank You!

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