



Thinking about Privatization

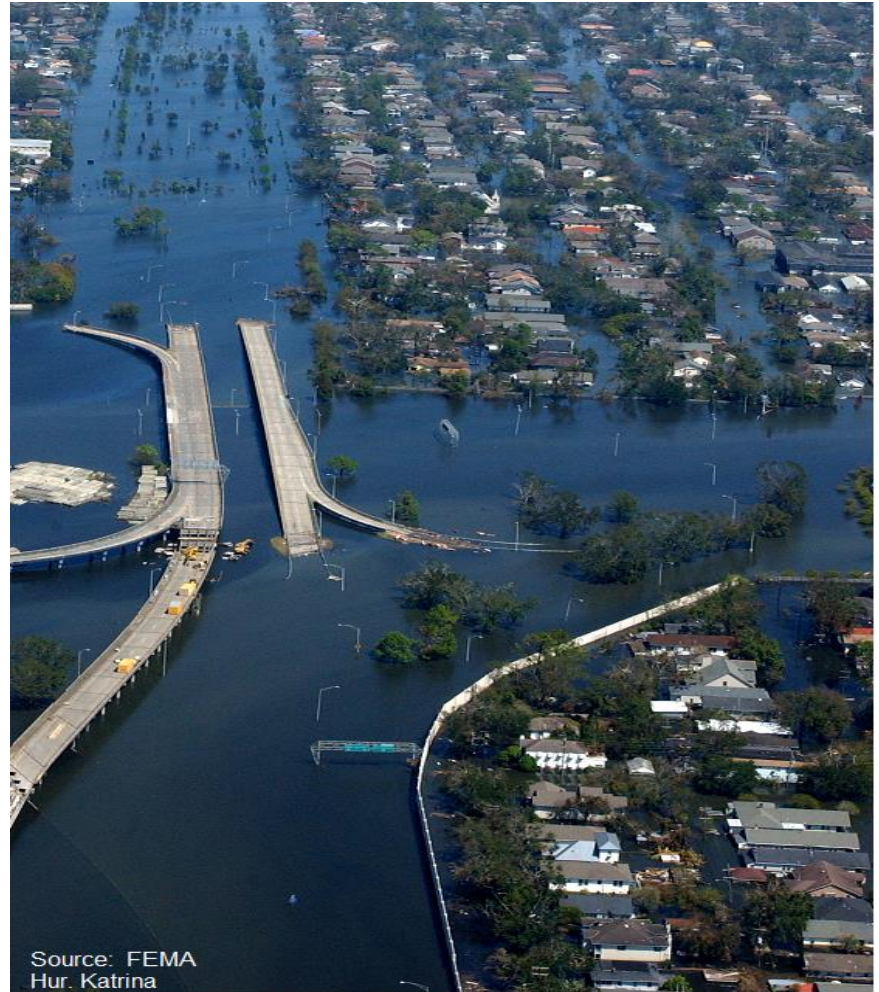
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Privatization offers opportunities

- **Potential business development**
- **Given time to grow a private market**



Source: FEMA
Hur. Katrina

Before privatization can progress

- **Rates must be actuarially sound**
 - To generate stable reinsurance
- **Penetration is key**
 - Possibly the greatest challenge
- **Flood insurance must be simplified**
 - Technology is available



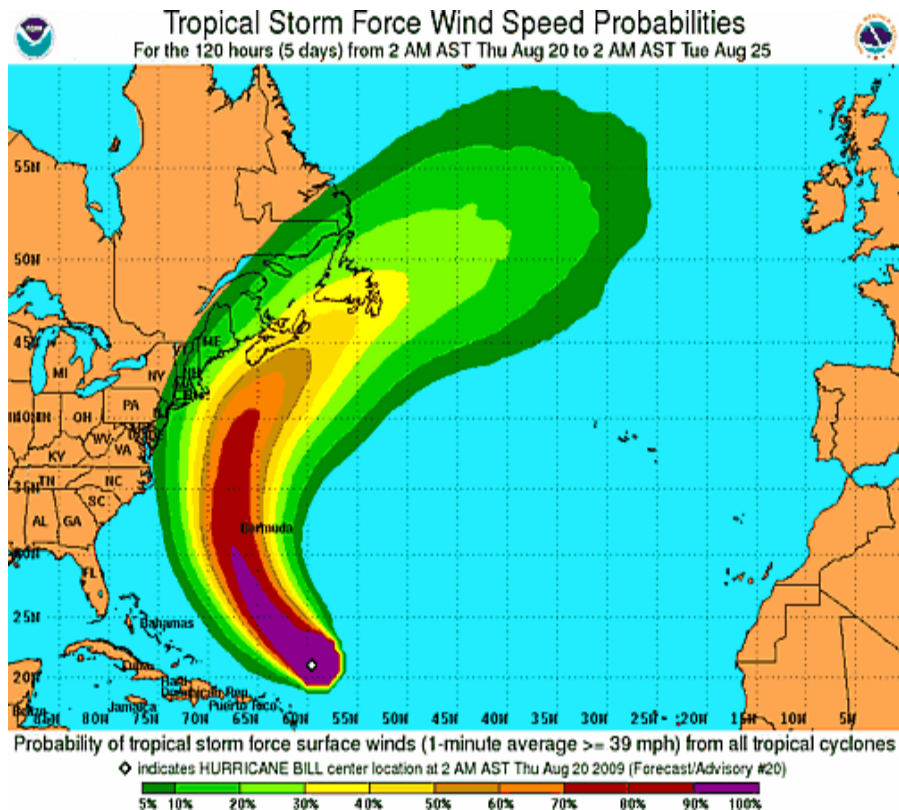
What about another way?

- Consider:
 - A universal change to how we analyze the peril of flood



Source: FEMA

Challenges to Privatization



- Exposure data
 - Available
 - Variable results
 - NFIP data
- Vulnerability data
 - Elevation
 - Certificates

Ways to access risk

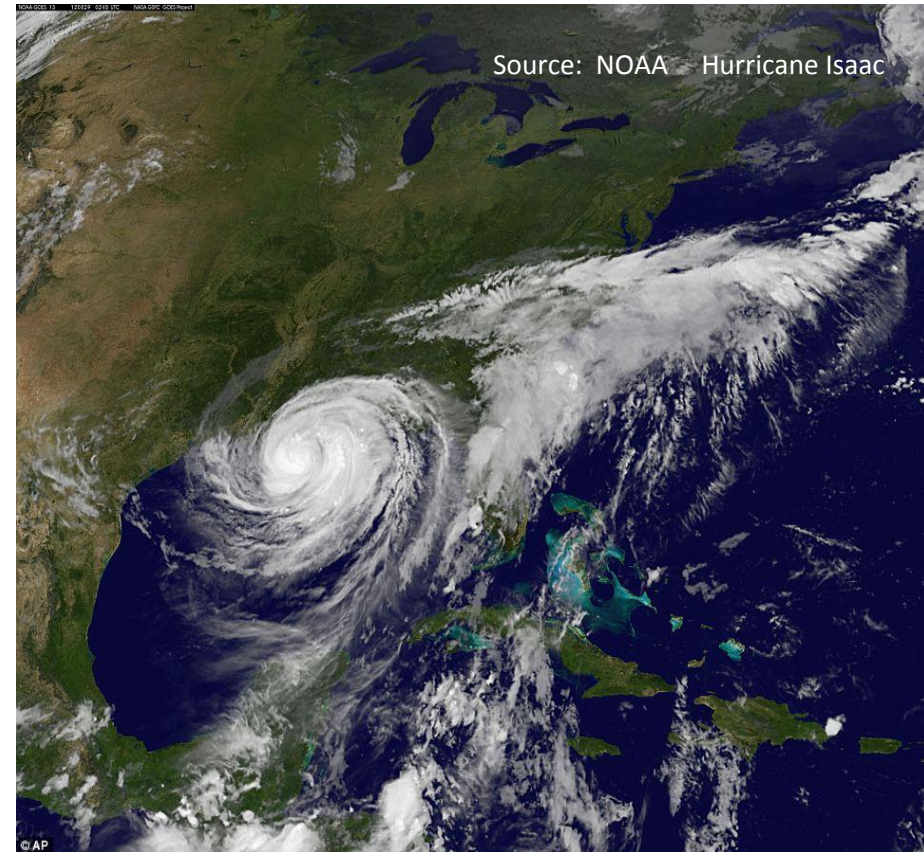
- Current method
- Alternatives
 - Less specific property modeling
 - Like other property insurance
 - By community vs. nationwide
 - Modify based on building characteristics
 - Role of Community Rating System (CRS)



Everyone lives in a flood zone.

Federal regulation

- Evolution must occur for privatization to flourish
 - Rates and Forms filings
 - will hinder development
 - Claims
 - may offer the solution



Flood Mapping and CRS

- Imperative focus
 - Funding
 - Updates
 - Maintenance
- Sound floodplain management



Source: FEMA.gov



Questions: The Best Path Forward?

What happens in a tight reinsurance market?

After privatization – what happens to the residual market?

If US Government is the market of last resort—what is the impact to taxpayers?

Review GAO report for even more questions.



Thank you for your kind attention

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Opinions offered represent the speaker only, are presented for purposes of discussion and do not represent positions taken by either Wright Flood or the NFIP or FEMA.

If there are further questions, Wright Flood Marketing is always available to assist at 866-373-5663.

References:

- [GAO-13-607](http://www.gao.gov/assets/660/655734.pdf) *Flood Insurance More Information Needed on Subsidized Properties*, US Government Accounting Office, July 2013
<http://www.gao.gov/assets/660/655734.pdf>
- [GAO-13-568](http://www.gao.gov/assets/660/655719.pdf) *Flood Insurance: Implications of Changing Coverage Limits and Expanding Coverage*, US Government Accounting Office, July 2013
<http://www.gao.gov/assets/660/655719.pdf>