

Casualty Actuarial Society

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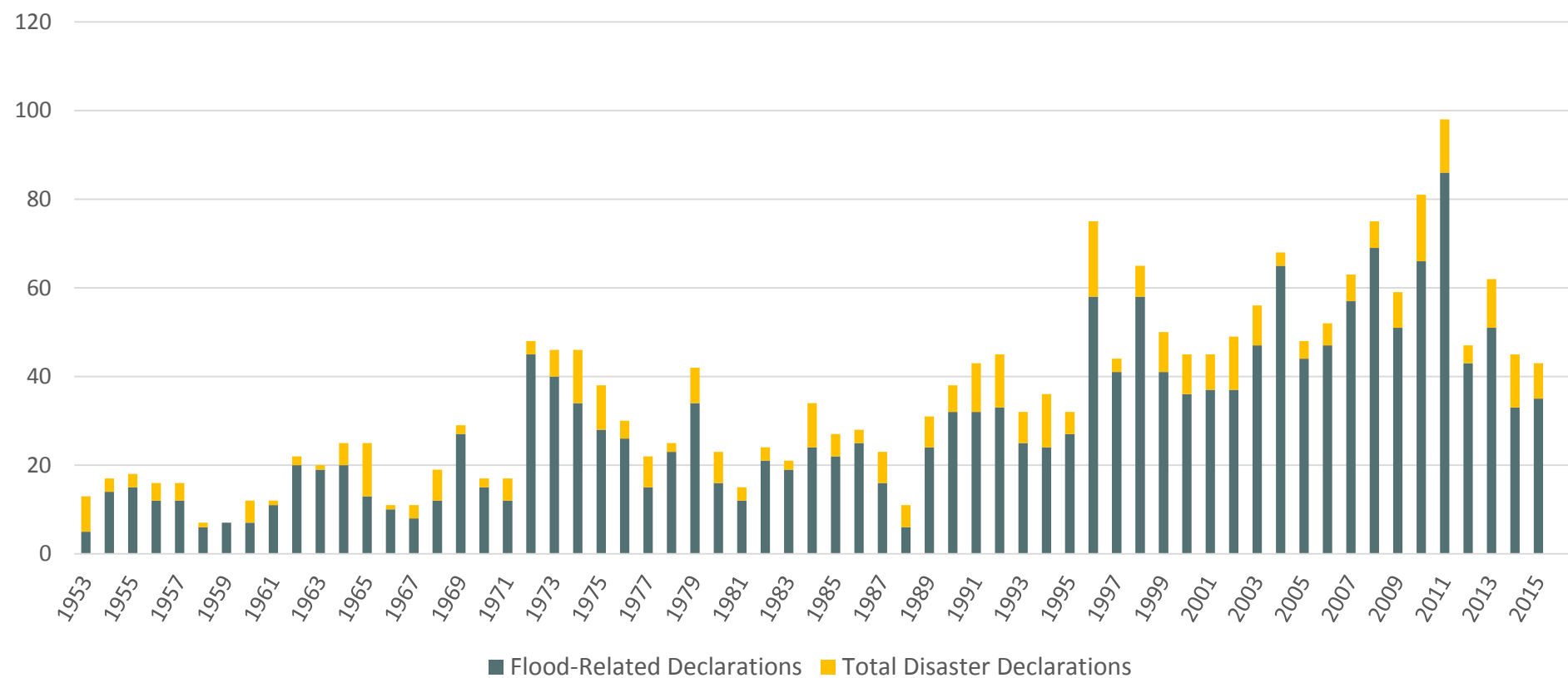
US FLOOD INSURANCE: CURRENT NFIP AND PUBLIC POLICY ISSUES

CLOSING THE FLOOD INSURANCE GAP IN THE UNITED STATES

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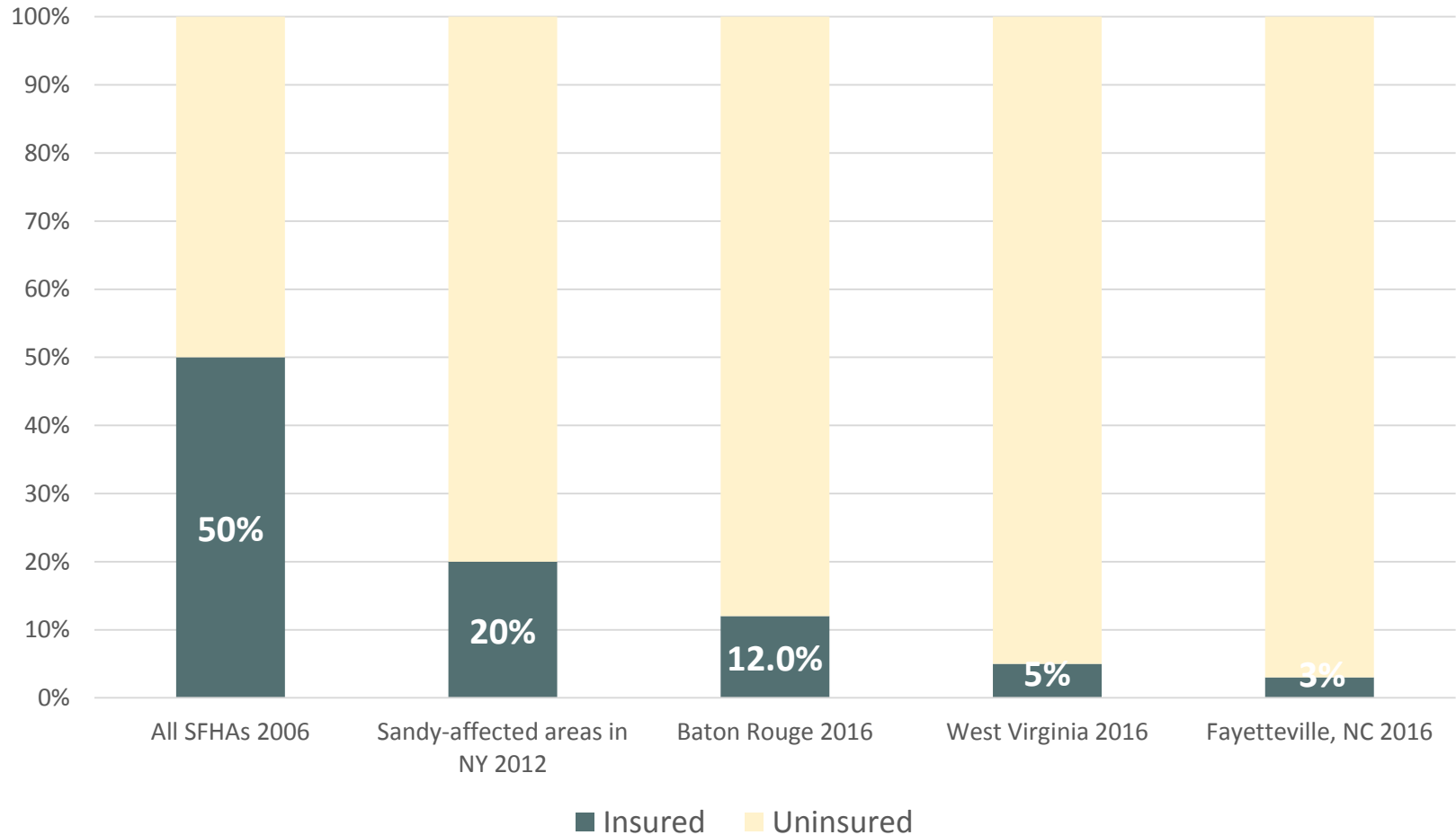


Flood related disaster declarations



Flood insurance gap

Estimates of Flood Insurance Take-up Rates



Drivers of the gap

- Lack of information on risk
- Lack of understanding of insurance
- Heuristics & biases
- Price

What is my flood risk?

Home ▾ FEMA's National Flood Hazard Layer (Official)

Modify Map

Details | Basemap

Share | Print | Measure

210 W Gravers Ln, Philadelphia, Pennsylvania, USA

About | Content | Legend

Legend

Legend (click to expand)

MRs

Effective

MAs

Map Panels

Cross-Sections

Flood Hazard Boundaries

Limit Lines

SFHA / Flood Zone Boundary

Other Boundaries

Flood Hazard Zones

1% Annual Chance Flood Hazard

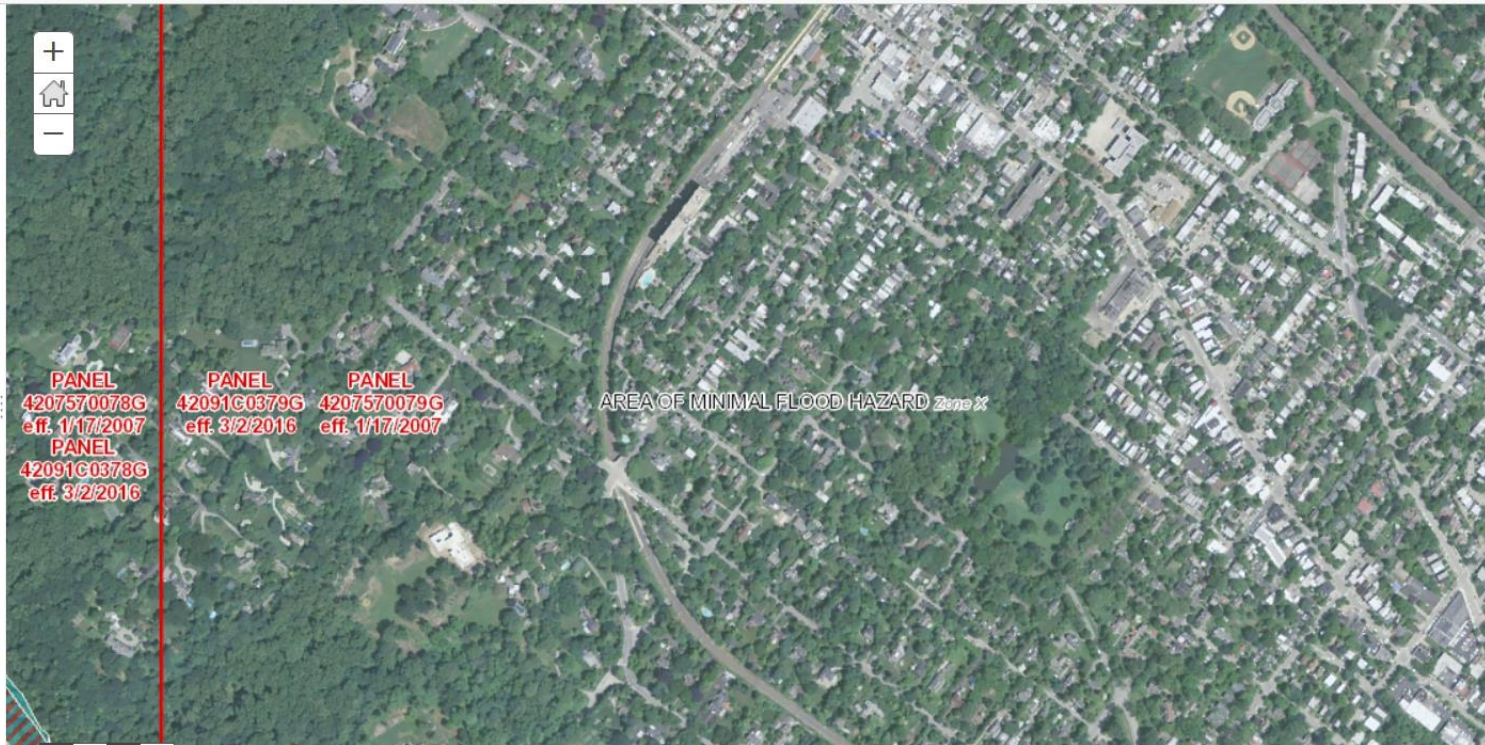
Regulatory Floodway

Special Floodway

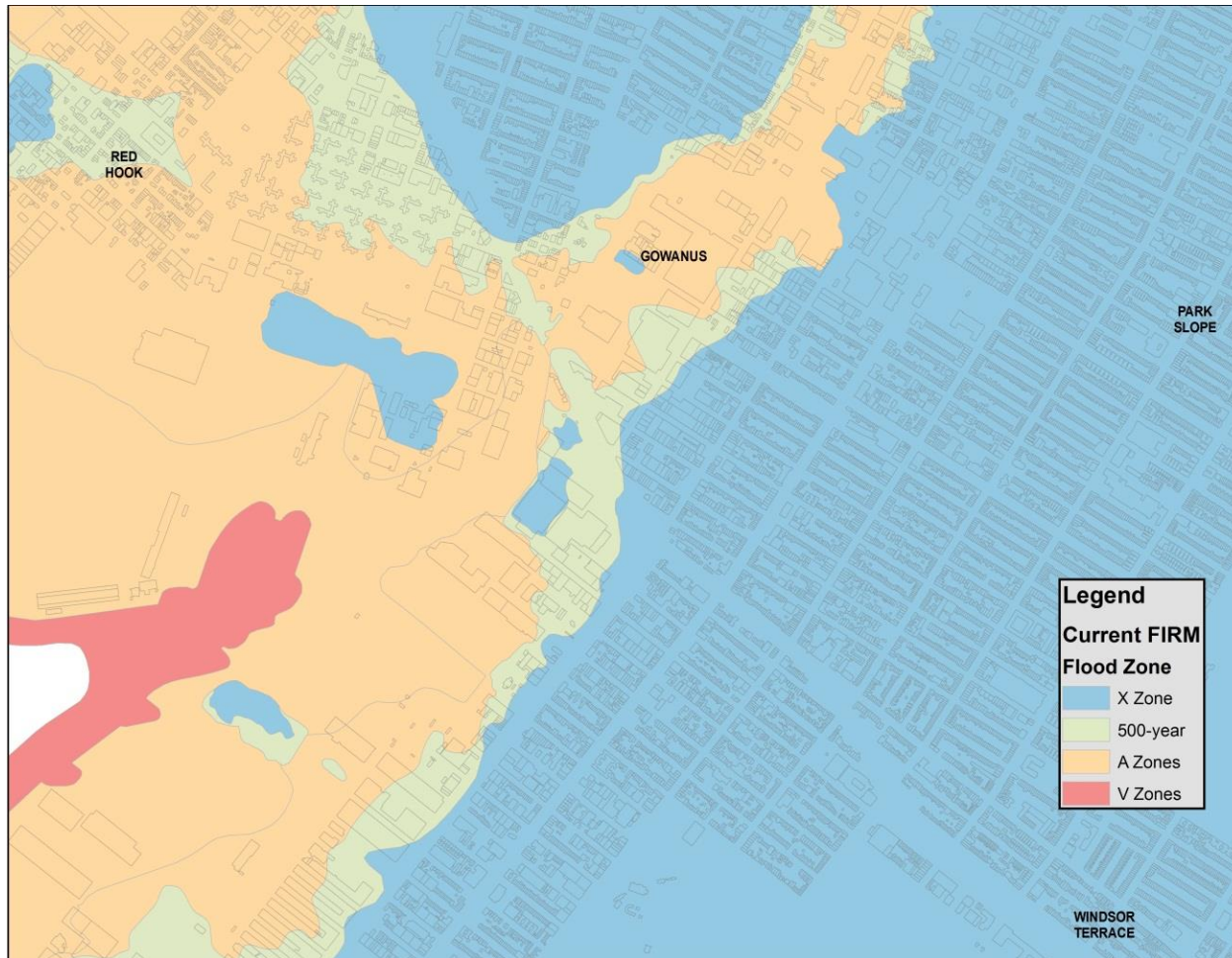
Area of Undetermined Flood Hazard

0.2% Annual Chance Flood Hazard

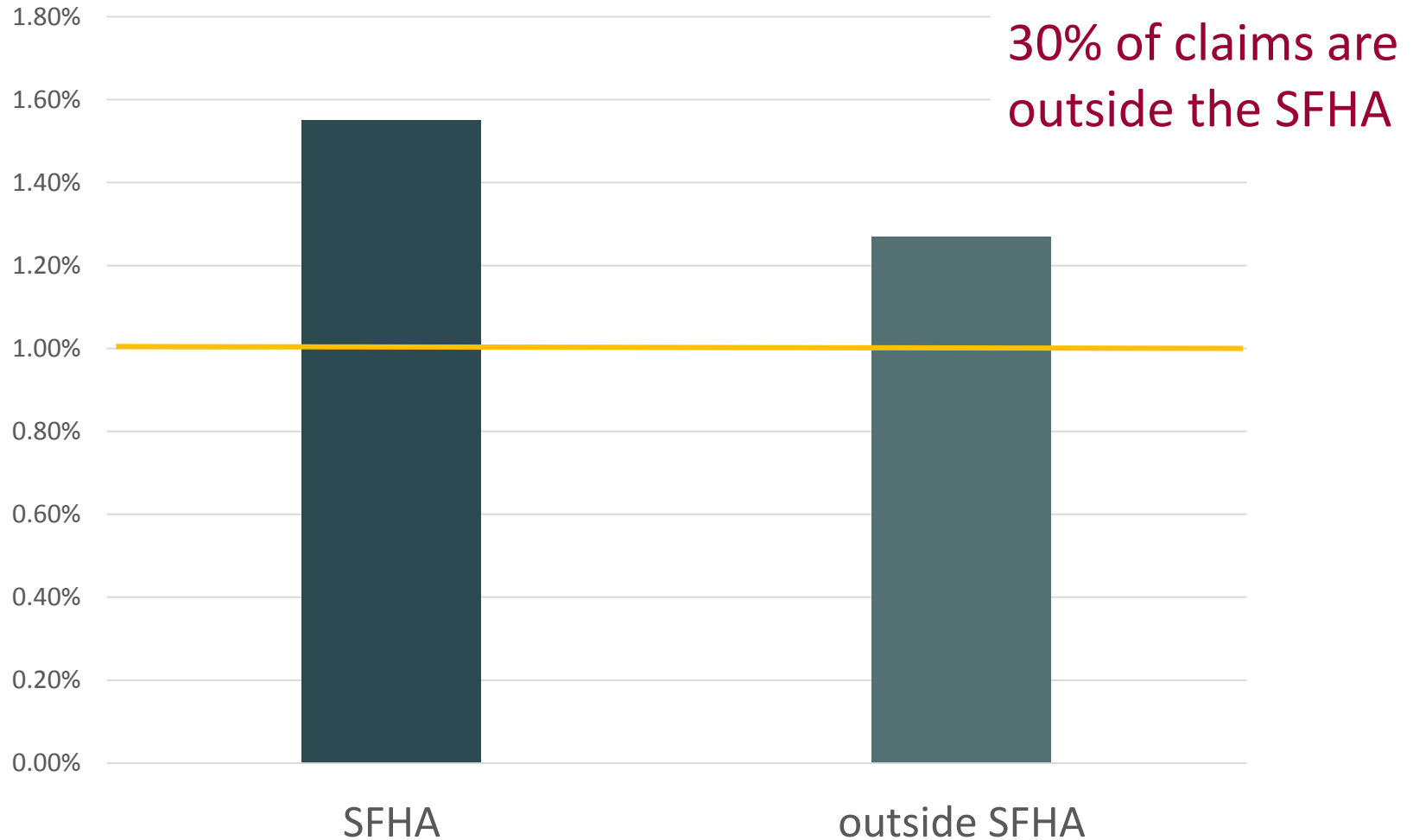
Future Conditions 1% Annual Chance



The risk communication – in/out



But claims are not limited to SFHA



Risk communication

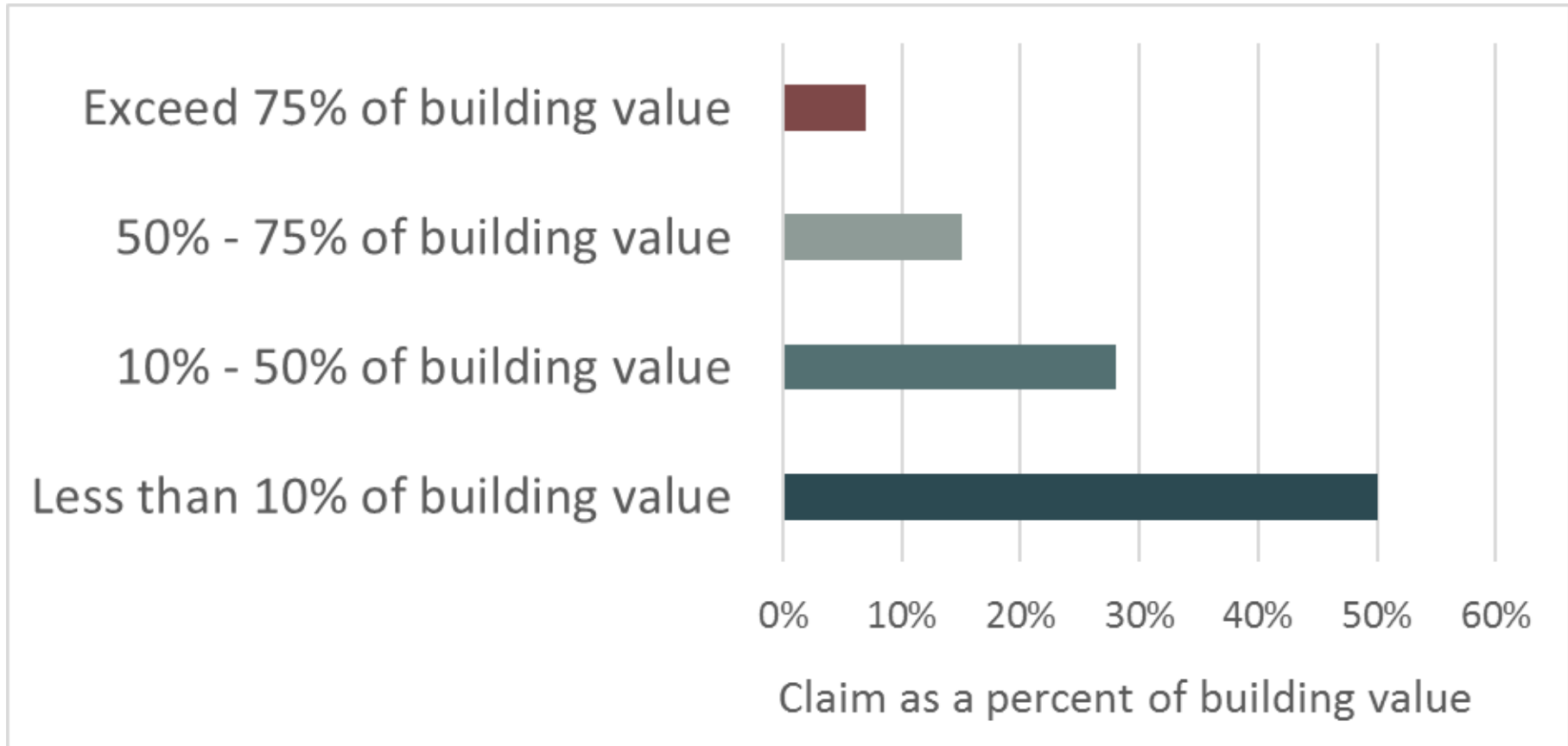
We tend to focus on probability

Little understanding of possible damage

- Median claim: \$13,000
- Mean claim: \$34,500
- 99th percentile: \$310,240

1980-2012; 2012USD; single-family homes

Claims as a % of building value

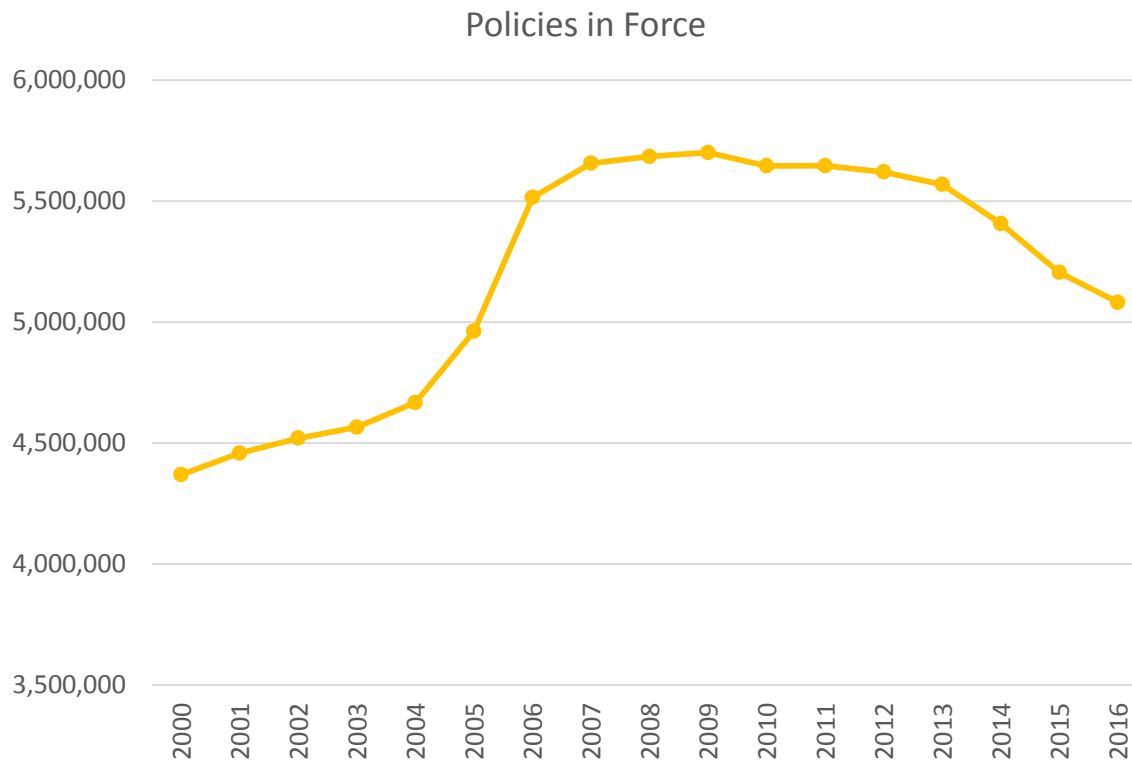


The value proposition of insurance

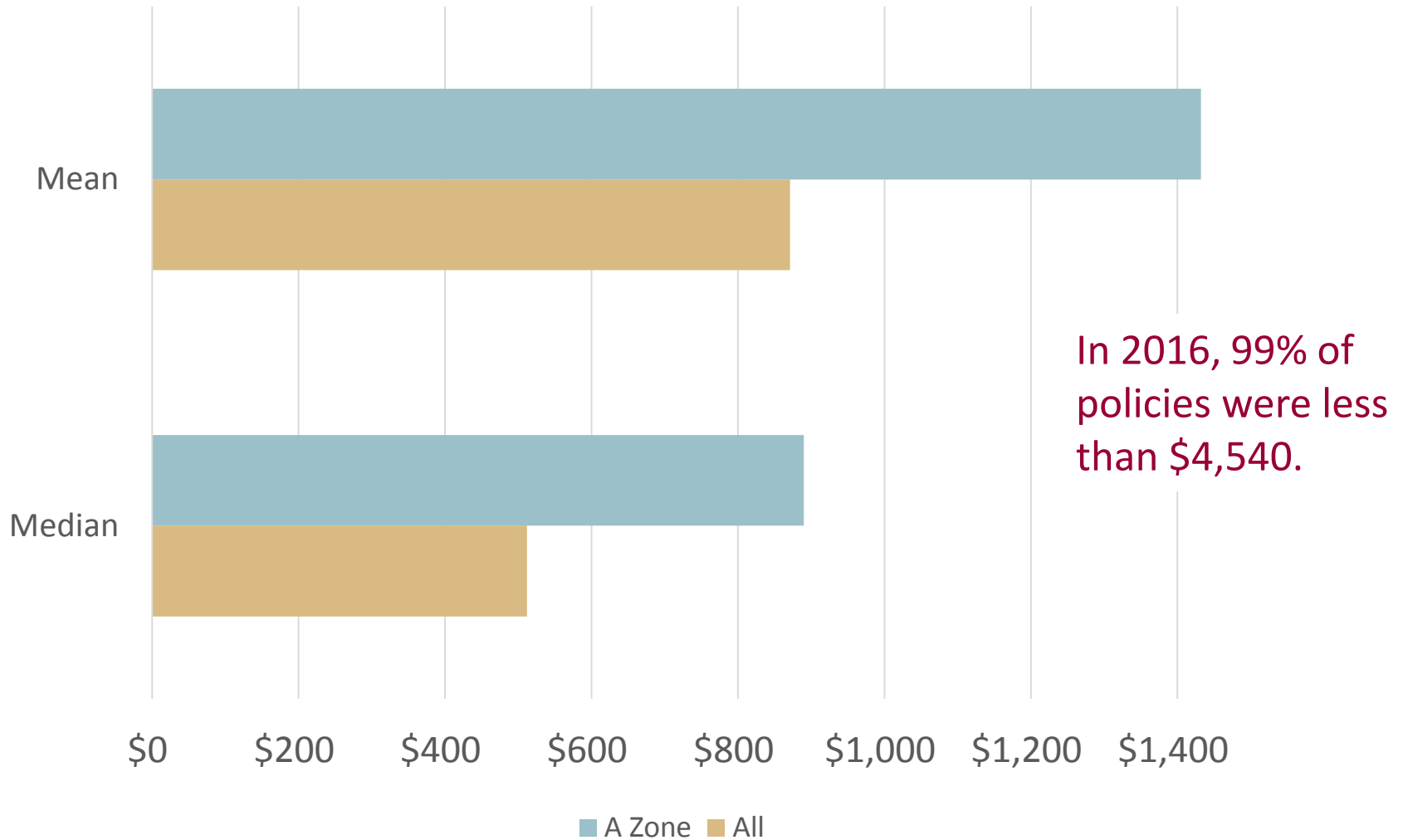
- My home flooded last week. Can I buy insurance for it now?
- I haven't gotten anything back on my insurance yet. I'm going to cancel it.
- This is never going to happen to me.

Price elasticity

- Estimates tend to find demand to be fairly inelastic, but few reliable estimates



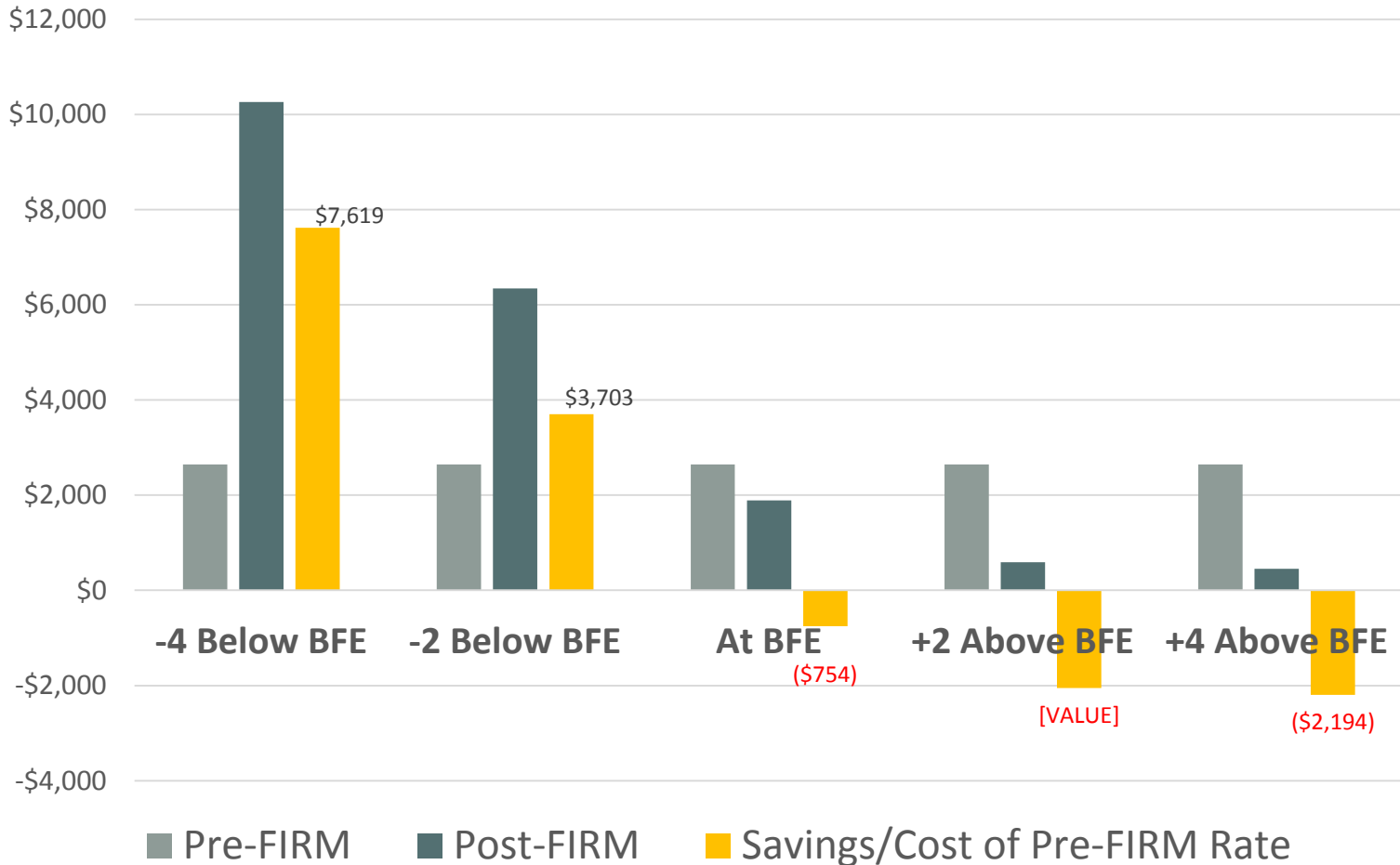
2016 premiums



Reasonable / affordable

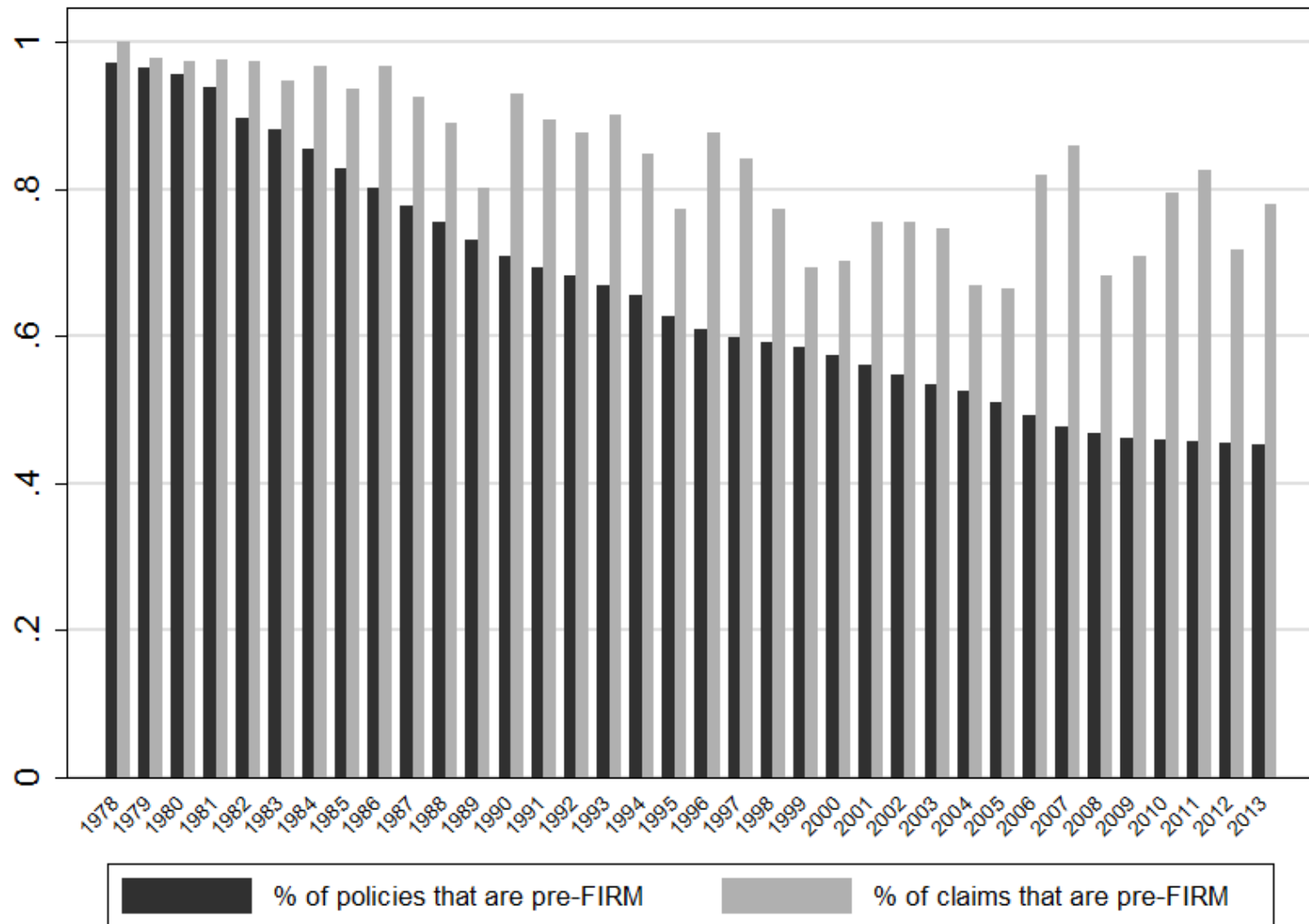
- Early pricing discounts to encourage participation
- Price and purchase:
 - Is it affordable?
 - Is it worth it?
- To what extent is price perceived as a risk signal?
- To what extent do changes in price alter incentives for location and/or mitigation investments?

Pre/Post Firm Premiums

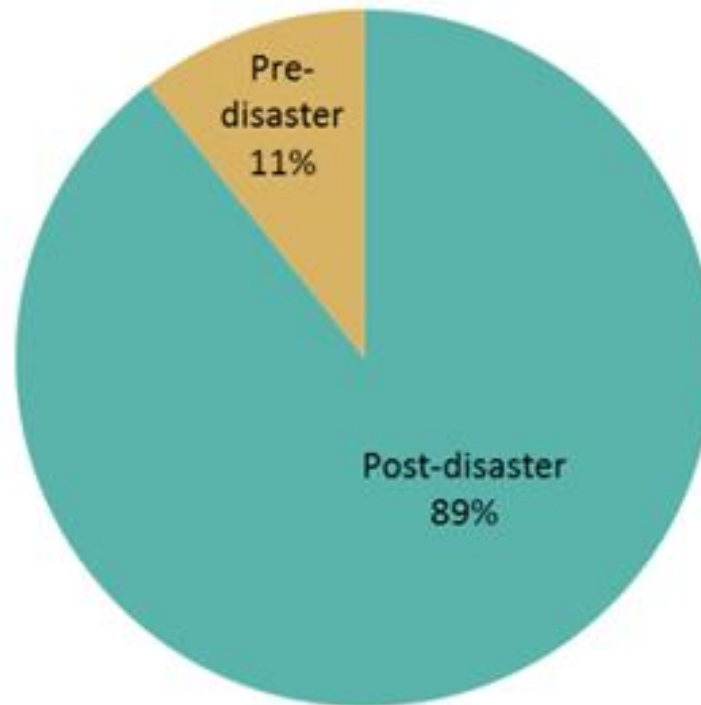


Note: Rates are calculated for a single-family home in the AE zone with one floor, no basement, \$250,000 of building coverage and the minimum deductible. Rates do not include any CRS discount. They do include the ICC coverage premium, the 15% reserve fund assessment, the \$25 HFIAA surcharge, and the \$50 federal policy fee.

Pre-FIRM



Public mitigation funding



FEMA Spending on Flood Mitigation; 2002-2014

NFIP policy reforms

Affordability and Consumer Costs

Private Market Development and Consumer Choice

Reform Flood Mapping

Enhance NFIP Mitigation

Strengthen Taxpayer Protections

Implement Claims Processing Reforms

Thank you!

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