

DHS Science and Technology Directorate

Private Flood Insurance Market Evaluation Project

The Price of Flooding

The vast majority of flood insurance policies in the United States are underwritten by the federal National Flood Insurance Program (NFIP). As of June 2016, more than five million flood insurance policies were in force nationwide, representing slightly less than \$1.245 trillion in coverage. More than 53 percent of U.S. adults have been personally impacted by floods; however, of the nine million people living in flood hazard areas, many are uninsured or underinsured. (See figure)

While still very small, there is a growing private market for residential flood insurance. With stakeholders providing mixed reviews on the ability of – and interest for – private sector expansion, there are many open questions about the nature of the market today and how it will evolve in the coming years.

The Department of Homeland Security Science and Technology Directorate (S&T) First Responders Group's Flood Apex Program is partnering with the University of Pennsylvania's Wharton Risk Management and Decision Processes Center, and Resources for the Future, to investigate these mixed reviews.

Filling in the Gaps

The Wharton Risk Center, with the support of S&T, will identify the best ways to leverage the public and private sectors to encourage more people living in flood affected areas to seek flood insurance coverage.

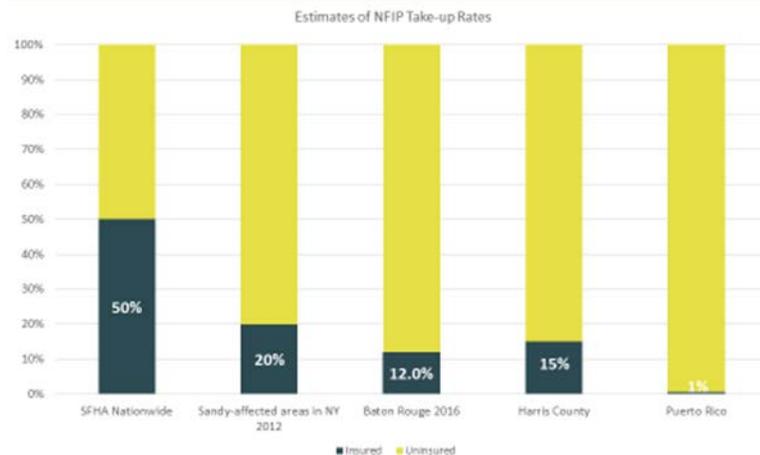
This project has three primary objectives:

- Document the nature of the private flood insurance market across the country;
- Analyze factors that influence the number and form of flood insurance policies offered by the private market; and
- Develop policy recommendations that would result in an effective public-private partnership for closing the flood insurance gap in the United States.

These objectives, aimed at providing solutions for individuals and communities when flood disasters hit, contribute to two of S&T's Flood Apex Program's research tracks: reducing uninsured losses and enhancing community resilience.

To meet these objectives, the Wharton Risk Center will perform a state-by-state survey, which will involve gathering and analyzing current private market data, holding interviews with key public and private sector stakeholders, and hosting workshops to further discuss opportunities for flood coverage expansion.

Motivation: Flood Insurance Gap



Source: The Wharton School, University of Pennsylvania

The “Moonshot”: Doubling Coverage

In March 2017, FEMA announced an ambitious or “moonshot” goal of doubling flood insurance coverage in the United States by 2023 through both NFIP and private insurance. FEMA's Federal Insurance and Mitigation (FIMA) experts will be available to assist the Wharton Risk Center's research team. Through the study, FEMA will be able to strategically design its policies and programs to reach this ambitious goal.

In addition to supporting the “Moonshot” goal of FEMA, this research will also further critical objectives of S&T's Flood Apex Program.

Expected Outcomes

As part of this project, Wharton will plan and host a workshop of key stakeholders in August 2018 to identify how the private sector, in partnership with the public sector, could help close the flood insurance gap in the United States. The project will also result in a policy brief by the end of 2018 to be made available publically.