

NEWS BRIEF

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Low Flood Insurance Take-up Rates in Path of Hurricane Ian

Just 19% of households in the Florida communities hardest hit by Hurricane Ian had flood insurance policies through the National Flood Insurance Program (NFIP), according to federal data.

The Category 4 hurricane made landfall on Florida's Gulf coast on Sept. 28, with wind speeds of up to 155 mph and a storm surge of at least 12 feet. Ian appears to be the deadliest storm in Florida since 1935, and initial estimates put insurance losses as high as \$63 billion.

A CoreLogic analysis performed on Oct. 6 estimated uninsured residential flood losses to be between \$10 billion and \$17 billion. The firm estimated insured NFIP losses to be between \$8 billion and \$18 billion. The Federal Emergency Management Agency (FEMA), which administers the NFIP, announced on Oct. 10 that it had paid Florida policyholders more than \$17.5 million to date.

To understand the flood insurance take-up in the area most impacted by the storm, Advisen reviewed data from the U.S. Census Bureau and FEMA. Advisen focused on the area FEMA designated for individual assistance based on its Oct. 5 disaster declaration. The 19-county disaster region encompasses large cities, including Fort Myers, Tampa and Orlando.

Census data showed approximately 3.4 million households in that area. The NFIP had more than 658,000 policies in force in those counties as of Aug. 31.

Insurance take-up varied by county from as low as 1% to nearly 70%. Coastal counties were more insured against flood risk. Collier County, which includes the cities of Naples and Marco Island, had the highest take-up rate per household with under 100,000 policies in force (68%). Rural Hardee County had just 100 flood policies in force, equivalent to 1% of households. Lee County, home to Cape Coral and Fort Myers, had 127,200 policies in force, or 44% of total households. In Hillsborough County, which includes Tampa, that rate is 11%, with about 60,900 policies in force. And in Orange County, which includes Orlando, the nearly 12,100 policies in force represent just 3% of total households.

In all, the 19 counties had total coverage of about \$175.5 billion, with a total written premium of \$531 million, according to federal data. However, some homeowners may also carry non-NFIP flood insurance.

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Industry sources tell Advisen that the private flood insurance market has expanded significantly in Florida in recent years, offering broader coverage and higher limits than the NFIP.

Karen Clark & Company wrote in a recent flash estimate that Ian “will be a challenging storm for insurers due to the tremendous amount of coastal flooding and the unique nature of the Florida market with respect to a likely high proportion of litigated claims.” In a written statement, Patrick Douville, vice president of insurance at DBRS Morningstar, said, “Claims arising from Ian will support the trend of property risk in Florida being more and more expensive and difficult to insure.”