

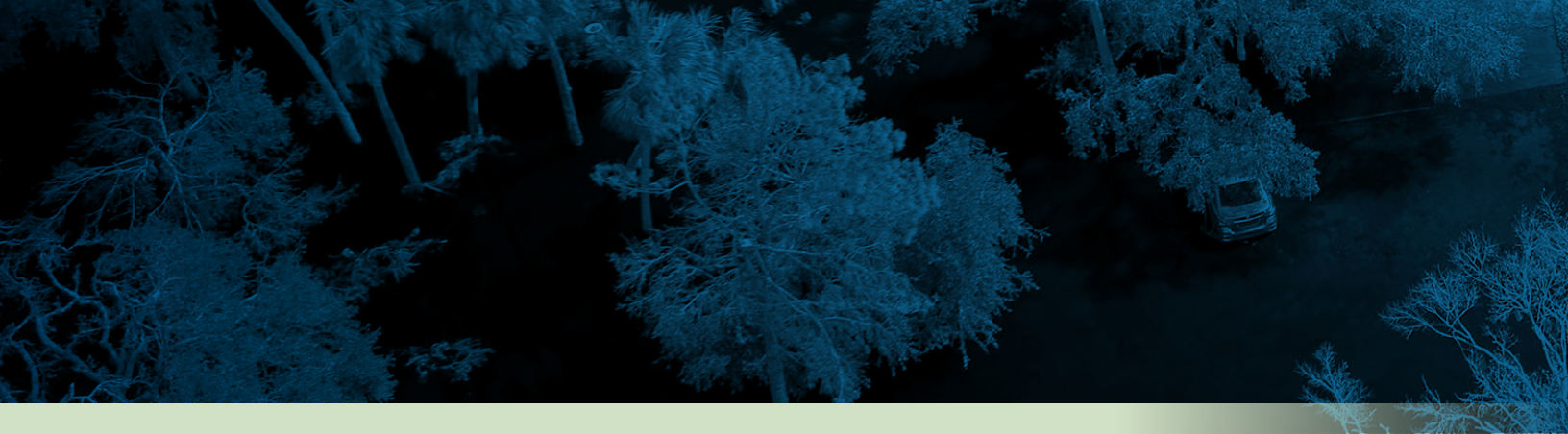
FLOODED (A REPORT BY FEMA) EMERGENT THEMES, INSIGHTS AND OPPORTUNITIES FOR AGENTS SELLING FLOOD INSURANCE



FEMA



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OVERVIEW

Insurance agents are critical to helping Americans assess risk and financially protect the lives they've built. Yet, too often, insurance agents do not proactively offer insurance for flooding, which is the most common natural disaster and one of the costliest, causing around \$5 billion in damage every year.¹

As the manager of the vast majority of flood insurance policies nationwide, the National Flood Insurance Program (NFIP) wants to change that dynamic and help agents become more successful in selling flood insurance. To that end, FEMA's Federal Insurance Directorate through its Marketing and Outreach Branch (M&O) conducted research from 2021-2023 to understand existing perceptions on flood insurance, barriers to selling, knowledge gaps and motivations among agents and consumers. This report summarizes that research and provides actionable recommendations to support agents as they engage clients on the topic of flood insurance.

INTRODUCTION

With 98% of counties in the United States impacted by flooding from 1996-2009, the NFIP plays a vital role in helping Americans recover financially from a disaster. Yet only 4% of households have an NFIP flood insurance policy.² Although some policies are sold directly, the vast majority of flood insurance is sold by agents and brokers, so their participation is vital.

This report shares findings that may bolster agents' understanding of consumers within the flood insurance market and highlights NFIP resources and opportunities that can support relationships with current and potential clients. The insights reveal misconceptions that consumers have about flood insurance, as well as common agent obstacles to selling policies and opportunities for agents in the marketplace.

This report compiles multiple research studies, including a consumer survey,³ agent focus groups⁴ and an agent experience survey,⁵ designed to garner behavioral insights from residents and insurance agents nationwide. The following pages contain learnings surrounding misconceptions consumers have about flood insurance and common obstacles agents have when selling policies from understanding the program to helping clients understand risk to navigating the quoting and sales process.

High-Level Insights:



A **low perception of flood risk** is the most common reason, more than price, that non-policyholders do not have flood insurance.



Many consumers are **unaware** that flood damage is **not covered** by standard homeowner insurance policies.



Many consumers who are covered by flood insurance purchased it for **peace of mind** and **think they paid a fair price**.



Half of the agents surveyed who do not sell flood insurance agree there is **flood risk and consumer demand for insurance** in the areas where they write policies.

COMMON CONSUMER PERCEPTIONS ABOUT FLOOD RISK AND INSURANCE

Many consumers are unaware that flood damage is not covered by standard homeowner insurance policies. Nearly all agents who participated in M&O's focus groups indicated that most of their clients assume flood damage is covered by their homeowners insurance.

- **Opportunity for Agents:** Talk to clients about the difference between homeowners insurance and flood insurance. It is vital that agents are clear with their clients about what is covered by homeowners insurance and educate them about their risks if they decline flood insurance.

Low perception of flood risk is the most common reason, more than price, that non-policyholders do not have flood insurance.

Analysis of the 2021 Consumer Survey revealed people generally underestimate their flood risk, especially in medium and high-risk zones. The three most common reasons consumers indicated for not having flood insurance are all related to not believing there is flood risk to their homes or within their region. A quarter of surveyed consumers indicated that they opt out of flood insurance because it's not required.

- **Opportunity for Agents:** Discuss flood risk from National Risk Index to help consumers identify real flood risk in their areas.

Heavy rainfall is the most common weather event individuals think poses a flood risk to their homes, but only 47% believe it will actually happen to them. Nearly half of survey participants believe that heavy rainfall poses flood risk compared to less than a third who are concerned with flood risk from other events such as hurricanes, ice melt or even climate change. This finding is consistent with behavioral research that finds people tend to underperceive risk from rare or unfamiliar events.⁶

- **Opportunity for Agents:** Consider using the NFIP's [Cost of Flooding Tool](#) (an interactive web page) to show consumers the risk of flooding based on rainfall and educate them on the flood risk related to other disaster events specific to their area. Additionally, inform clients that just [1 inch of floodwater](#) can cause roughly \$25,000 of damage to their home.



Most people do not know what coverages they are purchasing, especially with flood."

— Agent Focus Group participant

Did You Know?



80% of people who have flood insurance have experienced flooding in the past or know someone who has.

¹NOAA National Severe Storms Laboratory. www.nssl.noaa.gov/education/svrwx101/floods/faq/.

²Floodsmart.gov website. FEMA. <https://www.floodsmart.gov/get-flood-insurance>.

³Consumer Experience Survey. Federal Emergency Management Agency National Flood Insurance Program Marketing and Outreach branch. (2021). Note: there were ~1,000 total consumer responses, with ~500 consumers who currently have flood insurance and ~500 who do not.

⁴Agent Focus Groups. Federal Emergency Management Agency National Flood Insurance Program Marketing and Outreach branch. (2023). Note: there were a total of 17 insurance agents interviewed, 15 of whom sell flood insurance and 2 who do not currently or have never sold flood insurance.

⁵Agent Experience Survey. Federal Emergency Management Agency National Flood Insurance Program Marketing and Outreach branch. (2022). Note: there were ~1,000 total agent responses, with ~500 agents who currently sell flood insurance and ~500 who used to or never have sold flood insurance.

⁶Tversky, A., & Kahneman, D. (1974). *Judgment under uncertainty: Heuristics and biases*. *Science (New Series)*, 185, 1124-1131.

POLICY PRICE EFFECTS ON BUYING AND SELLING FLOOD INSURANCE

Research shows consumers and insurance agents have different perspectives on the cost of flood insurance.

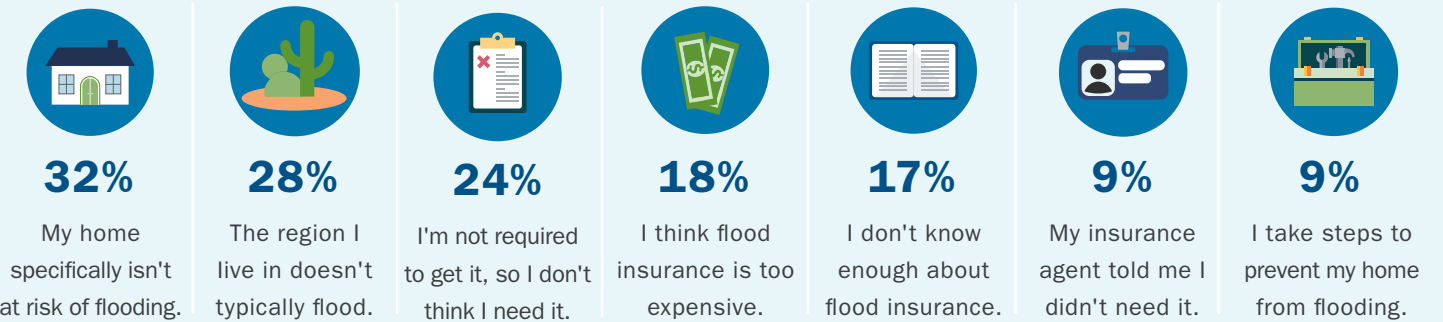
Consumers who have flood insurance feel they have paid a fair price for their policy. Consumers with higher incomes are more likely to have flood insurance, but even those with lower incomes feel the price of insurance is fair. Seventy-two percent of individuals who make less than \$40,000 a year and have flood insurance said they pay a fair price. For consumers without insurance, price is also not a top reason for preventing them from purchasing. See Figure 1 for more information on barriers to purchasing a policy.

- Opportunity for Agents:** Discuss [the NFIP's pricing system](#) and how flood risk premiums are determined with clients who are concerned about cost. Consider reframing associated costs in terms of potential losses and financial benefits from protection.

Insurance agents say cost is the biggest barrier to selling flood insurance even though most consumers who are covered believe they pay a fair price. In the 2022 Agent Survey, agents were asked to list their three biggest obstacles to selling insurance products. Cost was the leading response among all agents—with 57% of flood agents and 35% of non-flood agents reporting it as an obstacle. Other reasons, such as difficulty selling and commission, received less than a 30% response rate.

- Opportunity for Agents:** Agents can also potentially help clients reduce their policy costs by working with them to determine mitigation options. Annual flood insurance premiums are calculated by several factors which include but are not limited to flood risk, location, design, age of structure and property elevation. Clients can lower their policy rate by choosing higher deductibles, providing an elevation certificate and mitigating their flood risks. Agents should talk to their clients once a year to determine which plan is right for them. For more information, reference page 8.

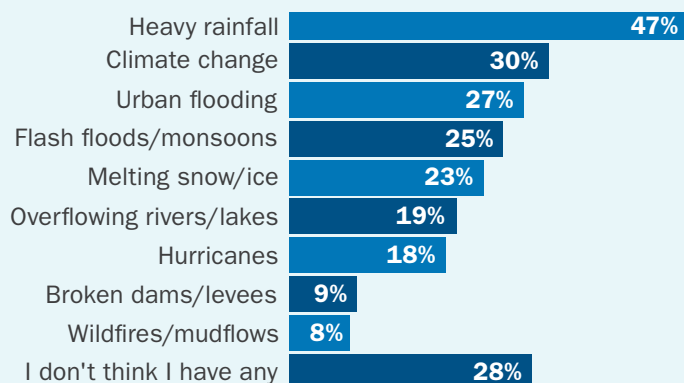
Figure 1
NFIP Consumer Experience Survey Question: Why don't you have flood insurance?



**Respondents were asked to select all reasons that apply*

Figure 2

NFIP Consumer Experience Survey Question: Which of the following situations do you think could pose a flood risk to your home?

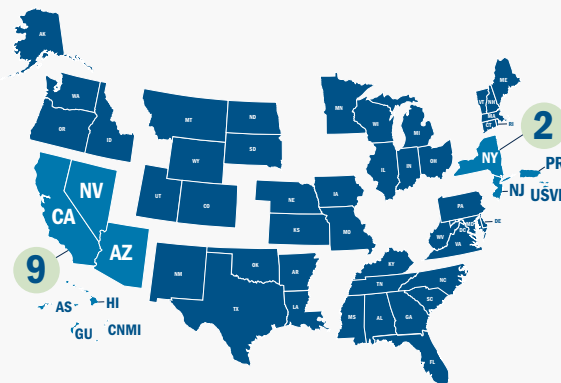


**Respondents were asked to select all reasons that apply.*



Learn More

Consumers living in FEMA **Regions 2 and 9** are more likely to recommend flood insurance.



HOW CONSUMERS ARE TALKING ABOUT FLOOD INSURANCE

Peace of mind is the number one reason consumers purchase flood insurance. Overall consumer perception of risk is a major factor for purchasing, with belief in their region being at risk as a close second, and their home at risk as the third most common reason. Figure 3 highlights the response rates across various reasons why consumers said they acquired coverage.

- **Opportunity for Agents:** Emphasize to clients the potential costs of flooding and the peace of mind associated with policy protection. Talk to clients to learn what values are important to them to understand what aspects of flood insurance would help consumers have peace of mind.

Four out of five policyholders say they would recommend it to others, even those who live in drier climates such as California, Nevada and Arizona. In addition, those who are policyholders actively discuss flood insurance at higher rates than those without policies.

- **Opportunity for Agents:** Use testimonials from existing clients, especially those from similar areas, to promote flood insurance to potential clients.

Consumers trust their friends/family almost as much as they trust insurance agents. The 2021 Consumer Survey also showed that for both non-policyholders and policyholders many individuals choose to speak to their friends about flood insurance at a similar rate as they do with their agents.

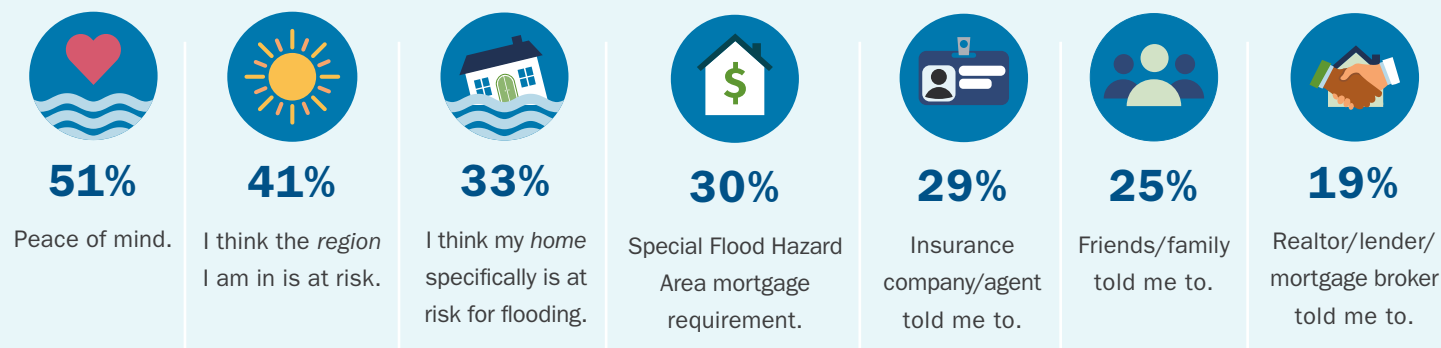
- **Opportunity for Agents:** Leverage existing clients to show they are covered by flood insurance to their network such as their neighbors (e.g., referrals, yard signs, social media marketing, etc).

Consumers with personal experience are more likely to have flood insurance. The 2021 Consumer Survey found that 80% of people who have flood insurance have experienced flooding in the past or know someone who has. Furthermore, consumers have six times higher odds of having flood insurance if they have experienced flooding before. Consumers tend to be inclined to purchase flood insurance when it is top of mind for them and when flooding is affecting those around them. If flooding has affected those in their network, they are more likely to perceive their personal flood risk to be higher as well.

- **Opportunity for Agents:** Discuss coverage options with existing and potential customers before seasons with heightened flooding and after flood events occur. Consider using local examples to convey flood risk to clients who are at risk but may not have experience with flooding.

Figure 3

NFIP Consumer Experience Survey Question: Why did you purchase flood insurance?



**Respondents were asked to select all reasons that apply*

ADDITIONAL AGENT PERSPECTIVES ON FLOOD INSURANCE

Even amongst agents who do not sell flood insurance, many believe there is flood risk and demand for flood insurance.

Even though non-flood agents perceive flood risk and demand less often than flood agents, half still agree there is flood risk and demand where they sell other types of insurance. This suggests lack of demand or need for coverage are not the only reasons non-flood agents are not selling flood insurance.

- **Opportunity for Agents:** Agents can reference the NFIP website to find [online/in-person trainings](#), webinars and upcoming conferences to learn more about flood insurance. Refer to the “Staying Connected to the NFIP” section on page 8 for more resources.

Non-flood agents want more training on flood insurance. Non-flood agents indicated additional training sessions would help them sell NFIP policies.

- **Opportunity for Agents:** One of the top resources agents indicated interest in across the 2022 Agent Survey and focus groups was more training on flood insurance. FEMA’s FloodSmart website offers myriad trainings for agents around topics such as flood insurance fundamentals, mapping changes and more, and many of these courses count for continued education credits. Agents can visit the [agent training page on FloodSmart](#) to access these courses.

Figure 4

NFIP Agent Experience Survey Question: To what extent do you agree with the following statements?

- (1) Homes in the area in which I write insurance policies are at risk for flooding.
- (2) There is consumer demand for flood insurance in the area(s) in which I write insurance policies.



Non-Flood Agents
have a split perception of
flood risk and demand

- **51% agree** there is **flood risk** in the areas they write policies.
- **52% agree** there is **consumer demand** in the areas where they write policies.

Less than a third of agents rely on NFIP's FloodSmart website to help them sell. Even amongst active flood agents, many are not utilizing NFIP resources such as agents.floodsmart.gov, FEMA's main guide for agents. In the 2022 Agent Survey, when asked about their most used resources, only 28% of agents said they used the website as their top resource, ranking behind company resources and flood maps. In agent focus groups, many had not heard of the website at all.

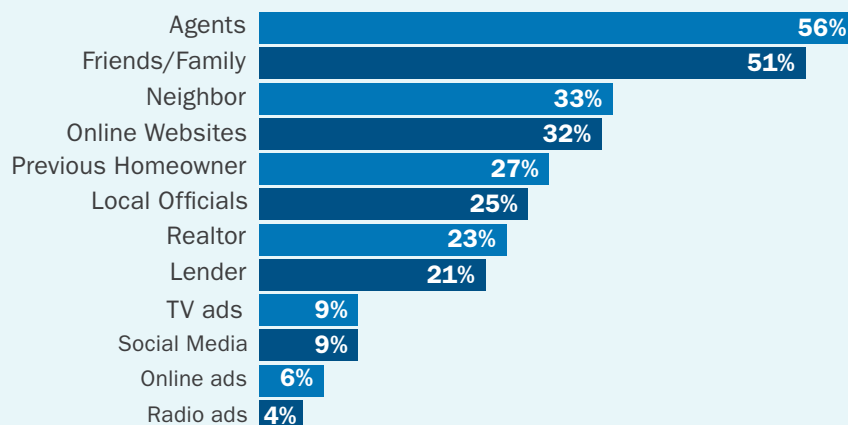
- **Opportunity for Agents:** [Agents.floodsmart.gov](https://agents.floodsmart.gov) is the NFIP's main resource guide to selling insurance with various tools. For example, the The NFIP's [Cost of Flooding Tool](#) will walk potential clients through the real costs of any level of flooding. Other resources include information about the NFIP's pricing system, claim support, marketing resources and more. Agents can subscribe to email notifications on [training and weekly updates](#) to further educate themselves and their clients about the risk and costs of flooding.

Flood agents want NFIP support and a reliable network to help them sell more flood insurance. To improve their sales of the flood insurance products, agents are seeking support from the NFIP in the form of customer service (31% of respondents), such as access to a live FEMA or NFIP representative and additional training sessions (26% of respondents). Agents also cite credible sales leads as a potential tool to boost flood insurance sales. This suggests agents desire a strong network to build a reliable client list of flood insurance customers.

- **Opportunity for Agents:** There are various ways to [contact NFIP Customer Support](#), such as the FEMA Mapping and Insurance eXchange (FMIX).

Figure 5

NFIP Consumer Experience Survey Question: Which of the following sources would you trust the most when considering purchasing flood insurance?



**Respondents were asked to select their top 3 trusted sources*

ADDITIONAL OPPORTUNITIES FOR AGENTS

Below are additional opportunities for agents to engage with their clients supported by research conducted by M&O.

Initiating discussion around flood risk and insurance could be worthwhile even if the client does not raise questions. When considering purchasing flood insurance, non-policyholders are most likely to trust their agent. Only 10% of people who do not have flood insurance have spoken to an agent about it. Friends and family were the second most trusted source for discussing flood insurance and had a similar rate of discussion as agents (10%). More than half (56%) of people without flood insurance have never had a conversation about it with anyone.



Real estate agents are my biggest source of referrals."

— Agent Focus Group participant

When quoting homeowners insurance, be sure to recommend flood insurance and explain the benefits. The homebuying process is when Americans are most likely to be thinking about buying insurance policies to protect their homes and is the best time to convert a non-policyholder into a policyholder.

Developing partnerships between insurance agents and other industry professionals can benefit both parties. Insurance agents have an opportunity during a client's homebuying process to utilize partnerships with real estate agents and/or mortgage lenders to engage consumers at earlier touchpoints. During the Agent Focus Groups, several agents indicated they find these kinds of partnerships to be mutually beneficial, creating an atmosphere where they can educate real estate agents and mortgage lenders on flood risk and insurance, and those partners can provide insurance agents with client referrals.

Building a healthy long-term relationship with clients can promote continued coverage and business year to year. NFIP policies do not automatically renew every year, so it is important to do a yearly check-in to remind them of the value of flood insurance.

Staying Connected to the NFIP

The NFIP offers a variety of resources for agents to use to better educate themselves and their clients about flood risk, as well as support agents in selling flood insurance. There are several insurance agent training courses in-person and online. In these courses, agents will learn the latest information about the NFIP, policy pricing methodology and more. Agents can also order free copies of publications to share with their clients by using the [NFIP Publications Order Form](#). Additional resources include:

- [Agent Eligibility](#)
- [An Agent's Guide to Selling Flood Insurance Brochure | FloodSmart](#)
- [Answers to Questions About the NFIP](#)
- [Agent FAQs](#)
- [Featured Brochure: "Why do I need flood insurance?"](#)
- [NFIP Newsletter](#)
- [NFIP on LinkedIn](#)
- [Sign-up for NFIP Agent Training email updates](#)

Visit the [FloodSmart contact page](#) for additional questions and to email, call or chat with a live operator.