

# TOP PRIVATE FLOOD INSURERS

*2017 Market Study*

Carrier  
Management

RESEARCH & TRENDS

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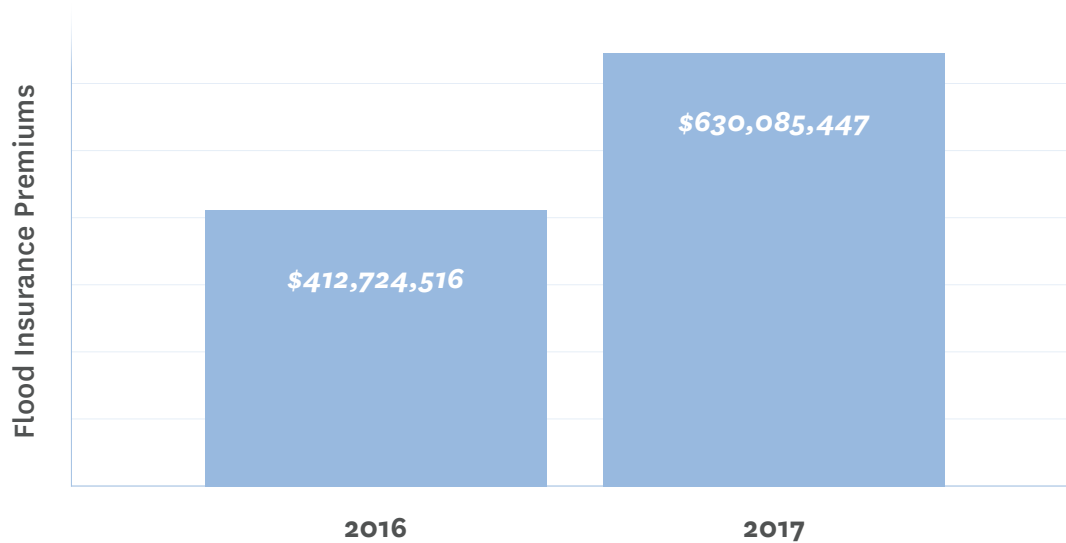
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# Introduction

In 2016, the annual statutory financial statement filings for property casualty insurers were modified to include a private flood insurance line item. Now with two years of performance available, we can report on the progress of the private flood market with greater accuracy.

**Figure 1: Private Flood Grows By \$217MM**



*Statutory Reporting of Private Flood Insurance by State and Carrier*

During 2017, the private flood market expanded considerably with 50 new companies reporting on line 2.5. In total, insurers reported direct private flood insurance premiums written of \$630 million, an increase of \$217 million over 2016.

On June 16, 2016, the NAIC adopted the modification to Property/Casualty Exhibit of Premiums and Losses (Statutory Page 14) and Insurance Expense Exhibit, Parts II and III of the NAIC Annual Statement Blank which added “Line 2.5 - Private Flood” for writers of the private market coverage.

The definition of private flood insurance to be reported: Private market coverage (primary standalone, first dollar policies that cover the flood peril and excess flood) for flood insurance that is not offered through the National Flood Insurance Program. Exclude: Sewer/water backup coverage issued as an endorsement to a homeowner or commercial policy.

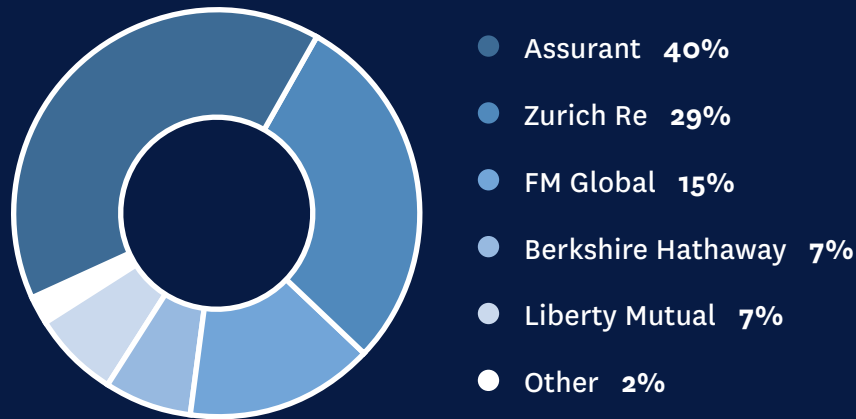
As private flood insurance is written through additional means that are not reported within this statutory line item we recognize that there remains a segment we cannot measure and the figures presented are to provide context and a benchmark based upon the best available data.

## ***Market Leaders***

Though the market saw many new entrants, 98% of the growth is attributed to 5 major carrier groups. The following includes private flood figures filed just for the 52 US states (CN, OT, and PR are newly segregated in 2017, hence no comparatives are available).

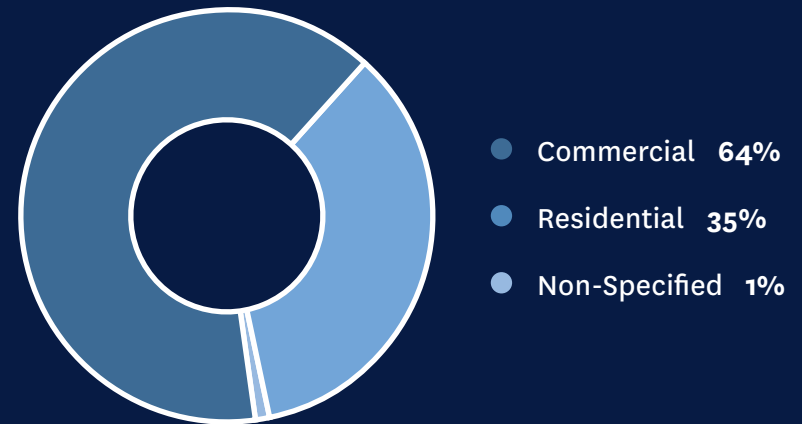
1. The Assurant group wrote an additional \$88.2 million in new residential flood insurance, primarily through American Security Insurance Company.
2. Zurich Re, reporting \$62.7 million in commercial flood insurance for the first time in 2017, included seven entities, with the majority of business written through Zurich American Insurance Company and American Guarantee and Liability Insurance Company.
3. FM Global, the largest writer of private commercial flood insurance, reported a \$31.8 million increase, primarily through Factory Mutual Insurance Company.
4. Liberty Mutual, with a 40/60 split commercial/residential, reported \$15.4 million in private flood for the first time in 2017, primarily through Liberty Mutual Fire Insurance and Employers Insurance Company of Wausau.
5. Berkshire Hathaway reported increased private commercial flood insurance of \$14.7million, primarily written by National Fire & Marine Insurance in 2017.

**Figure 2: The Growth Came from 5 Major Carrier Groups**



*Statutory Reporting of Private Flood Insurance by State and Carrier*

**Figure 3: Commercial Still Leads in 2017**



*Statutory Reporting of Private Flood Insurance by State and Carrier*

The 'Other' category of Figure 2 includes The Hartford, Universal Insurance of North American, W.R. Berkley, North American Elite (Swiss Re), Federal Insurance (Chubb), Century-National, Nationwide, Tokio Marine Specialty and Palomar Specialty.

The commercial lines still represent the majority of the business written, with approximately 64% of the market, down from 66% in 2016. This is due to a \$104 million increase in residential private flood insurance, largely attributed to Assurant's entrance.

## Commercial Carriers

Figure 4 illustrates the direct premiums written by the top 8 commercial carriers in 2017. Of the 26 new commercial carriers, most impactful were 7 companies from within the Zurich Re Group (\$63 million). Other new entrants included Tokio Marina (\$9 million), Cincinnati Financial (\$6 million) and Employers Insurance of Wausau - Liberty (\$5.8 million).

## Residential Carriers

Figure 5 illustrates the direct premiums written by the top 8 residential carriers in 2017. The residential market expanded with the addition of 17 carriers, with most significant figures reported by American Security Ins - Assurant (\$83 million) and North American Elite - Swiss Re (\$4.5 million). Most new entrants reported less than \$1 million in business written in their first year, included in 'Other'.

Figure 4: Private Flood Ins. Carriers - Commercial

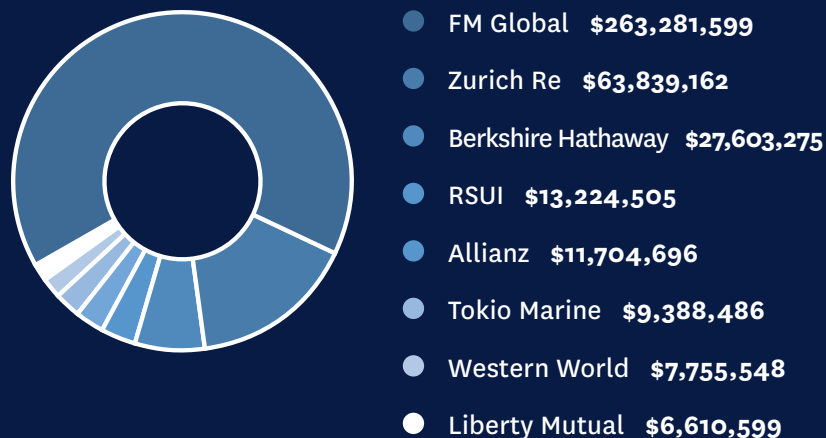
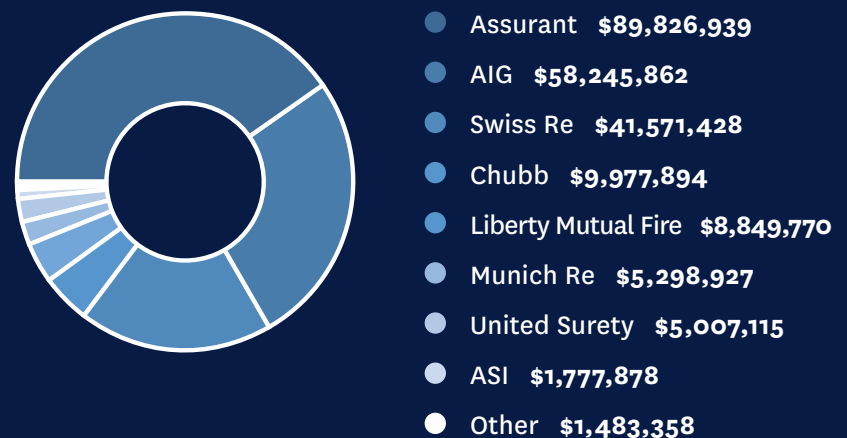


Figure 5: Private Flood Ins. Carriers - Residential

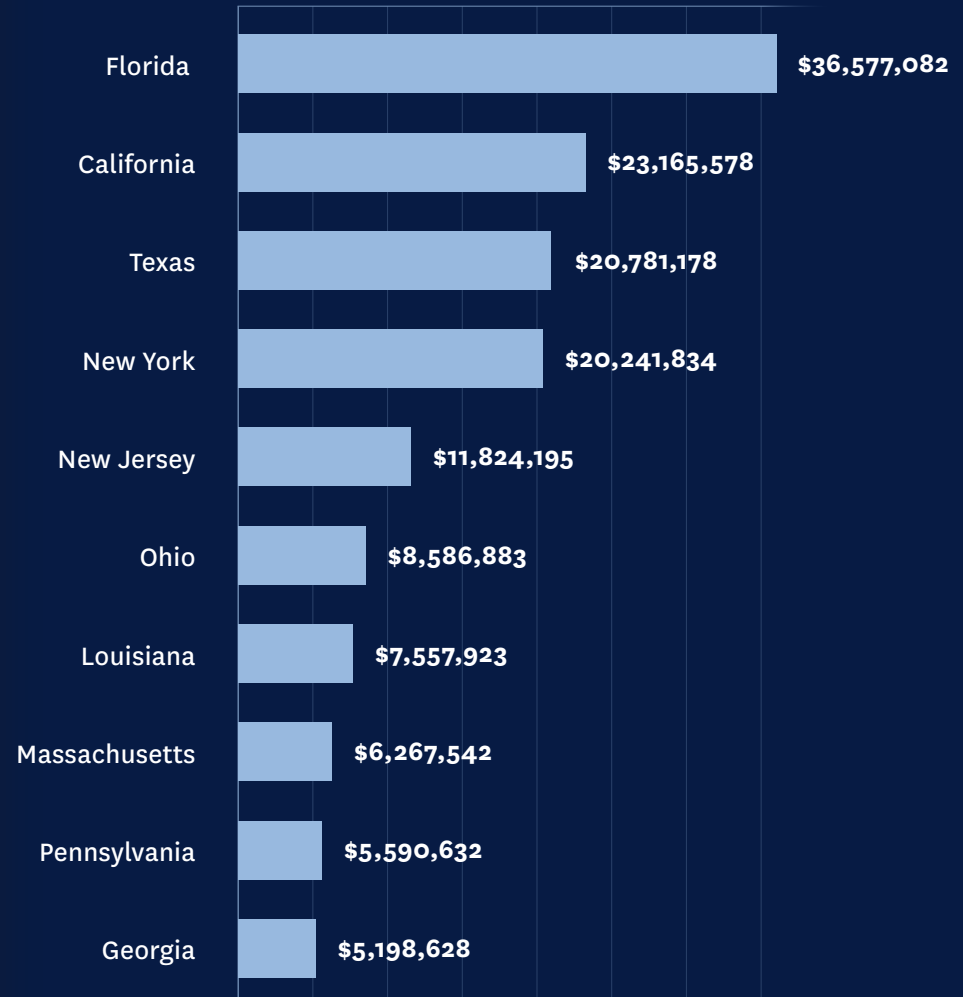


## Geographic Growth

In 2017, 10 states experienced private flood insurance growth in excess of \$5 million in new business written, as illustrated in Figure 6. These states represent 63% of all business written in 2017. Most significant growth came to the Florida market, with an increase of 12 carriers, most impactful being Assurant's American Security, writing \$24 million in new business. The remaining states experienced more modest growth, with no single carrier increasing its book by more than \$3 million.

**Figure 6: Geographic Growth 2017**

*Direct Premiums Written*



*Statutory Reporting of Private Flood Insurance by State and Carrier*

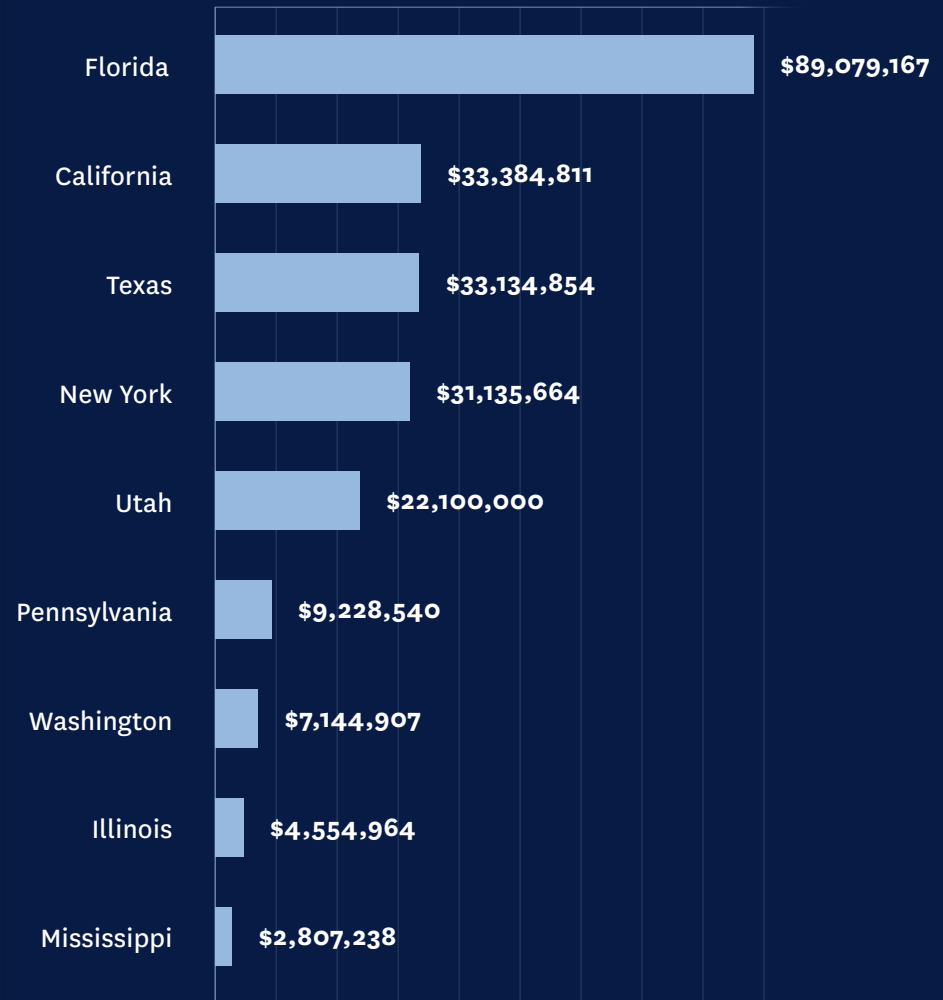
## Surplus Lines

The Wholesale & Specialty Insurance Association (WSIA) provides a window into the surplus market for private flood insurance through extrapolation of figures tracked within a few key states. From those figures, we further segment the flood market as WSIA estimates that surplus lines account for another \$398 million in premiums written in 2017, an increase of \$22.5 million over 2016.

WSIA's estimation is derived from the \$232.6 million written in the states illustrated in Figure 7. Private flood written in these states addresses both commercial (54.5%) and residential (31.9%) needs with an additional 13.6% uncategorized in New York. WSIA's estimate is based upon the largest flood insurance purchasing states with exception to New Jersey, which is currently not tracked. These same states represent about 49% of the business written by direct carriers.

WSIA has identified the largest surplus lines participants in the marketplace to be Lloyds, Lexington Insurance and Western World Insurance for both 2016 and 2017.

**Figure 7: Surplus Private Flood Insurance Written 2017**



[www.wsia.org](http://www.wsia.org) Surplus Lines Flood Insurance Market Data and Statistics



## *Where is the Market Headed?*

How is the private market shaping up against the NFIP? As of March, 2018, NFIP premiums written reached \$3.55 billion, an increase of \$11 million over March of 2017. Combined, surplus lines premium and direct private flood insurance premiums written increased \$250 million to \$1.028 billion, reflecting significant in-roads for the private flood market in just one year - gaining 22% of the market, (inclusive of OT, CN & PR).

Will the growth continue? Verisk's Managing Director of Flood, Marc Treacy believes so. As one of the newest entrants to launch a product offering into the marketplace, Verisk's ISO platform is positioned to support carriers with a turnkey solution into the market. Treacy highlights a series of indicators suggesting continued growth and opportunity for the private sector- including legislation, enhanced risk modeling

and the 2017 hurricane experience. Effective October 1, 2018 FEMA's latest change to the Write Your Own Arrangement will go into effect, if not overturned. This will eliminate the non-compete clause preventing carriers involved in the Write Your Own Program from also writing stand-alone private flood insurance policies. These experienced carriers will now be able to participate in the private flood insurance market as well as NFIP/WYO.

How large is the market? According to a 2018 study, led by the University of Bristol, far more are at risk of flooding than regulatory flood maps have determined. This study estimates 41 million Americans are at risk from flooding rivers, which is more than three times the current estimate of 13 million people, based on regulatory flood maps. Using high resolution maps of the en-

tire country (vs. the 60% utilized by FEMA), a greater focus on the potential flooding of rivers and streams, and more precise estimates of actual dwellings, this study predicts more than 60 million Americans may be vulnerable to a 100-year flood by 2050.

One of the challenges faced by carriers and agents, to capture this market, is changing the perception of flood. The market still views it largely as a means of compliance rather than necessary risk mitigation. It should be viewed similar to coverage in case of fire, notes Treacy. For too long, flood insurance has been associated with mortgage requirements, rather than a prudent measure of protection against a catastrophe that many property owners would not rebound from without coverage. While the commercial arena has successfully understood the risk of flood, the results

of the 2017 catastrophes highlighted just how few residential owners still have flood insurance. According to CoreLogic, an estimated 70 percent of flood damage from Hurricane Harvey was not covered by any insurance, to which some blame lack of knowledge and understanding of homeowner coverage. A look back to a post storm analysis of Hurricane Sandy illustrates a historical problem which has been articulated before. The post analysis of Hurricane Sandy by the Insurance Information Institute noted that consumers lacked knowledge about the following:

- The need for flood insurance
- The differences between a home insurance policy and an NFIP policy
- The existence of hurricane and wind-storm deductibles and how they work
- How business interruption insurance works
- The need for renters' insurance

Clearly, the same remained true entering the hurricane season of 2017. Per-

haps, 6 years later, the upswing in private carrier participation, coupled with the wave of catastrophes of 2017, offers greater motivation and opportunity for homeowners and agents to engage in an educational discussion around private flood insurance.

How will 2018 figures compare? Our conversations with the insurance commissioner offices of the largest flood states revealed several new participants. California announced entrance of American National Property & Casualty this spring and Homeowners Choice late in 2017 (TyTap out of Florida). Florida reports 5 new participants -Tower Hill Insurance Group has five companies (fully underwritten by Lloyds), Cincinnati Insurance Group adds Safe Harbor Insurance Company, Security First Insurance Company (Wright Flood) and US Coastal Property & Casualty Insurance Company. Ohio has added HomeOwners Choice (TyTap), Buckeye State Mutual and believes that with its approval

of ISO, will see an increase in its member insurers writing in Ohio.

Earlier this year, the Insurance Journal reported on the launch of Neptune, a platform making affordable private insurance available in Florida, Virginia and Texas, with plans for aggressive growth into other states in 2018. Further, Verisk's ISO private flood program has been filed with 32 states to date, reducing the friction of this turn key solution for licensing carriers.

Insurance Journal is committed to bringing the most current reports to our audience to advance the education of the marketplace on the availability of private insurance and the importance of risk mitigation beyond traditionally mapped risk areas. Visit [Research & Trends](#) for the latest surveys, studies and reports on the flood market, as well as webinars for engagement, education and insights.

## *References*

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University of Bristol: <http://www.bristol.ac.uk/cabot/news/2018/american-flood-risk.html>

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