

What could private flood insurance look like in New York and New Jersey?

With the deadline to reauthorize the National Flood Insurance Program (NFIP) approaching on July 31, Congress is once again debating the future of flood insurance in the U.S. To inform the debate, Milliman has collaborated with Risk Management Solutions, Inc. (RMS) to model a potential private flood insurance market in New Jersey and New York. Below are our findings.

Most would save by using private insurance

Across each state, more than 90% of homeowners could see cheaper premiums with private insurance than with the current NFIP premium structure.

SHARE OF HOMES WHO WOULD BENEFIT:



94%



96%

What is the potential for savings?

Less risky areas see savings more often when moving from NFIP to private insurance, but homeowners in high risk zones could gain as well.



IN HIGH RISK ZONES

Homes that could see premium rates cheaper than those of the NFIP:



OUTSIDE OF HIGH RISK ZONES

Homes which could be offered a private policy for a target premium of \$250:



When savings are possible in high risk zones, they tend to be big

Estimated average annual savings among the homes seeing lower premiums:



NEW JERSEY
\$4,800



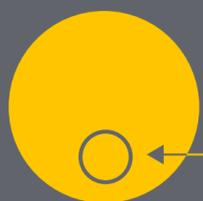
NEW YORK
\$4,700

Homeowners carrying flood insurance could increase

FEMA data indicates that only 125,000 single-family homes in New Jersey have flood insurance coverage through the NFIP, with the same number in New York. A private market could increase the take-up rate – or percentage of homes with flood insurance, so that a higher proportion of the affected communities would be able to bounce back from another storm like Sandy.

TOTAL SINGLE-FAMILY HOMES IN NEW JERSEY

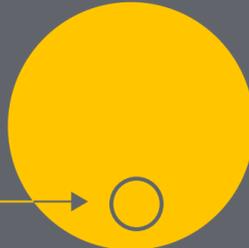
1.8M



SHARE INSURED:

125,000

125,000



TOTAL SINGLE-FAMILY HOMES IN NEW YORK

3.0M

IN HIGH RISK ZONES



Many homes in high-risk areas of both states are uninsured, despite the mandatory requirement. Among these homes, if, say, 25% of uninsured homeowners opt for cheaper private insurance, our data indicates that approximately 9,000 additional homes in New Jersey and 5,000 homes in New York would be insured.

OUTSIDE OF HIGH RISK ZONES



Our analysis indicates that only 2% to 3% of the homes in these zones are insured by the NFIP. Even if only 10% of uninsured homes outside high-risk zones that were offered a cheaper private flood policy purchased it, approximately 152,000 new policies could be sold in New Jersey and 216,000 in New York, based on our data.