



## **FLORIDA CATASTROPHIC STORM RISK MANAGEMENT CENTER**

*The* COLLEGE of BUSINESS • FLORIDA STATE UNIVERSITY

*Hosts:*

### **COME RAIN OR SHINE: EVIDENCE ON FLOOD INSURANCE PURCHASES IN FLORIDA**

*A presentation by*

Erwann Michel-Kerjan (The Wharton School, Philadelphia) on a paper of  
the same name co-authored by him and Carolyn Kousky  
(Resources for the Future, Washington, DC)

April 23, 2009  
2 pm., Starry Conference Room (Rm. 214)

*Paper summary:* In the U.S., flood insurance is provided essentially through the National Flood Insurance Program (NFIP), a public-private program established in 1968. In the past 10 years, the program has radically expanded to cover \$1.1 trillion in assets today. This paper provides a detailed analysis of the largest flood insurance sample ever studied by focusing on the state of Florida, which accounts for 40 percent of the entire NFIP portfolio. We study the demand for flood insurance with a database of more than 7.5 million flood policies-in-force for the years 2000-2005, and all the claims filed in Florida during that period.

We answer four questions: What are the characteristics of the buyers of flood insurance? What types of contracts (deductibles and coverage levels) are purchased? Where and when are claims paid and to what extent does mitigation work? How are prices determined and how much does NFIP insurance cost?

This analysis shall contribute to a better microeconomic understanding of the market for flood insurance in the United States. This is an important issue because flood losses have been accelerating over the past 15 years, largely due to more and more people locating in high-risk areas. Also, given that NFIP is up for renewal by Congress this year, results provided here can be used in the forthcoming policy debate as well.

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