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Press Release

Over 90% of homes in New Jersey and New York could see cheaper premiums with private flood insurance, according to Milliman

For homes in high-risk areas, average annual savings in a potential private market could be \$4,800 in NJ and \$4,700 in NY

Private insurance could double or triple the number of policies insured for flood in New Jersey and New York

SEATTLE – JULY 24, 2018 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the results of a new, independent analysis showing what a private flood insurance market could look like in New Jersey and New York. The study, which was conducted in collaboration with [Risk Management Solutions, Inc. \(RMS\)](#), modeled premiums for most single-family homes across the two states. It also analyzed the potential effect a private market could have on take-up rates – that is, the percentage of consumers eligible for flood insurance who then purchase it.

The report includes additional context for the findings in light of the changing rating structure of the National Flood Insurance Program (NFIP). The study also explores the potential ramifications of “cherry-picking” – the concern that private insurers might target only attractive risks, leaving the NFIP underfunded.

Key findings from the study include:

- Across each state, approximately 94% of homes in New Jersey and 96% in New York could see cheaper premiums with private insurance than with the current NFIP structure.
- In New Jersey’s high-risk zones (NFIP’s Special Flood Hazard Areas), 85% of homes could see premium rates cheaper than the NFIP, while in New York, 72% of homes could see premium reductions.
- Over 360,000 homes could be newly insured for flood if just 10% of homeowners outside high-risk zones purchased cheaper policies in a private market.
- Of the vast majority of homes located outside high-risk zones, approximately 94% (New Jersey) and 95% (New York) could see private insurance premiums as low as \$250 annually.

“Hurricanes Harvey and Irma just last year, and Sandy before them, demonstrated the devastating financial effects flood can have on those who are not sufficiently insured,” says Nancy Watkins, a principal and consulting actuary at Milliman and co-author of the market feasibility study. “As the NFIP begins to modernize its rating structure, Milliman’s study sheds light on how a private market could work in conjunction with the federal program to reduce premiums for many consumers, provide more choices and increase coverage across New Jersey and New York.”



“As demonstrated in this study, an established private flood market brings with it many benefits, including the opportunity to close the insurance protection gap in the United States,” says Holly Widen, RMS Product Manager, Americas Climate Models. “There are ample opportunities for private insurers to offer competitive coverage in the market, but a strong understanding of the underlying flood risk is critical to maintaining their profitability.”

The study reflects the market of single-family homes in those states, not only those who are currently purchasing flood insurance from the NFIP, and the modeled NFIP premiums do not include the effects of grandfathering. The estimated private insurance premiums were developed using RMS catastrophe model results and reasonable assumptions selected by Milliman. To view the complete report including additional findings and critical assumptions, visit www.milliman.com/NJNYfloodinsurance.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

About RMS

RMS solutions help insurers, financial markets, corporations, and public agencies evaluate and manage catastrophe risks throughout the world. RMS has over 1,200 employees across 13 offices in the US, London, Bermuda, Zurich, India, China, Japan, Singapore and Australia - our products and models covering six continents. We lead an industry that we helped to pioneer—catastrophe risk modeling—and are delivering models, data, and risk management solutions on the RMS(one)® platform to transform the world's understanding and quantification of risk through open, real-time exposure and risk management. More than 400 insurers, reinsurers, trading companies, and other financial institutions trust RMS solutions to better understand and manage the risks of natural and human-made catastrophes, including hurricanes, earthquakes, floods, terrorism, and pandemics. Visit RMS.com to learn more and follow [@RMS](https://twitter.com/RMS).

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