

The cost to consumers of doing online business with the NFIP



1

Independent Agents Matter. Without independent insurance agents, the National Flood Insurance Program (NFIP) Write-Your-Own (WYO) system, which makes up nearly 90 percent of all NFIP policies, would not exist. WYO carriers write NFIP policies and partner with independent agents to sell and service those policies. Agents with comprehensive NFIP expertise are rare and valuable, and their counsel is vital to consumers. The agent-WYO relationship enhances the consumer experience.

2

Risk Rating 2.0 (RR2) Complicates the NFIP. FEMA left agents with few of the resources they needed to make big changes to their business practices to implement RR2. Now, FEMA's proposed direct-to-consumer (D2C) model would require more changes.

3

Consumers Would Benefit From FEMA Publications on Rating Variables, Mitigation Credits, Special Flood Hazard Areas, and Elevation Certificates. FEMA should table D2C until its other significant challenges have been adequately addressed. Specifically, FEMA should focus on delivering a simple, non-binding rate estimator that could provide the public with a likely range of premium costs for an NFIP policy using rating factor-type parameters that could be entered and adjusted by a consumer, floodplain manager, etc.

4

Information Imbalance Works Against Consumers. Flood risk misinformation is everywhere, and the common misconception that homeowners' insurance covers flood sometimes persists until someone has a flood loss. D2C may cut consumers off from agents, the people most likely to tell them the truth about flood insurance, and it will cause greatest confusion among low-information consumers.

5

Online Sales Portal Will Increase Dropoff Rates. Details on this initiative are scarce, but the complexity of the NFIP will likely prompt most consumers to give up during the buying process if they encounter a question they can't answer or accidentally provide incorrect information. This will exacerbate the rapid decrease in NFIP policy counts prompted by premium increases caused by RR2.



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