

Rising Waters

A deep dive into flood risk

2023 Chubb Commercial Flood Risk & Insurance Survey

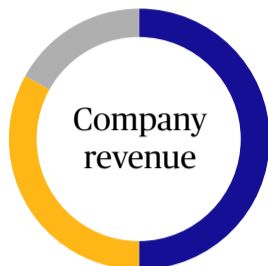


In March of 2023, Chubb commissioned iResearch Services to survey 332 commercial insurance brokers about their perceptions, and those of their clients, regarding commercial flood insurance.

Client information

Industries

Aerospace	Energy
Agriculture	Entertainment
Clean tech	Telecommunication
Construction	Government
Cultural/educational	



- 49% - under \$50 million
- 29% - \$50 million-\$500 million
- 23% - \$500 million +

Note: Percentages may not add up to 100% due to rounding.



- 41% - inland
- 31% - inland and coastal
- 28% - coastal

What commercial brokers reported

Our takeaways underscore the fact that, despite an ever-increasing risk of flooding (largely due to climate change¹) and a resulting increased need for flood insurance coverage, most brokers' commercial clients - and many brokers themselves - under-appreciate the danger that flooding presents.

Here are the key findings:

DEGREE OF FLOOD RISK IS WIDELY (MIS)UNDERSTOOD

- 77%** of brokers said that less than half of their clients actually have a flood response mitigation plan in place
- 57%** believe that less than a quarter of their clients have a flood mitigation plan
- 50%** of the brokers surveyed believe that less than half of their clients need flood insurance
- 16%** of the surveyed brokers report that more than half of their clients have purchased flood insurance

BRIDGING THE KNOWLEDGE GAP - WHY AREN'T CLIENTS BUYING FLOOD INSURANCE

- 85%** of clients mistakenly believe that property insurance covers all, most, or some types of flood coverage
- 56%** of brokers said their clients do not buy flood insurance because they assume flooding is covered by their commercial property policy
- 45%** do not buy flood insurance because they believe they are in a low-risk area
- 45%** say they don't buy because it isn't a requirement
- 42%** say it is too expensive

FLOOD INSURANCE PURCHASING DECISIONS

Over half

(56%) of the brokers surveyed assume flood is a covered cause of loss under a standard commercial property policy (which is not uniformly the case).

As a result,

about half

(45%) of the surveyed brokers' clients do not request a flood quote. Finally, these brokers have limited expectations that their clients' behavior will change in the near-term.



17 out of 20 brokers say their clients assume property insurance provides a "limited" form of flood coverage.

A primary reason for not buying flood insurance is rooted in the assumption that standard commercial property insurance provides flood coverage (which is not uniformly the case).



CLIMATE CHANGE AS FLOOD INSURANCE PURCHASING INFLUENCER

More than half

(62%) of the brokers surveyed believe climate change increases client interest in flood insurance.



Even so, climate change is widely expected to be a driver of flood insurance purchasing decisions in the future.

But only 20%

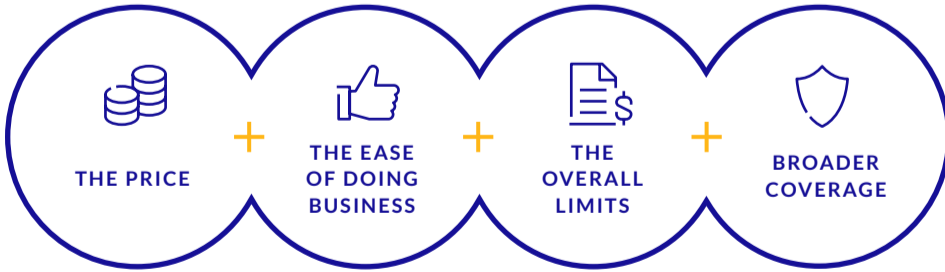
of brokers included climate change among the top three reasons that their clients buy flood insurance.

50%

of the brokers surveyed believe 20% or more of their commercial clients will buy flood insurance over the next three years.

Why clients buy flood insurance

The four main drivers for why lower and middle market clients purchase through the National Flood Insurance Program, with an excess endorsement, are:



The evolving landscape of flood insurance coverage

As a major insurer of commercial real estate, Chubb understands the need to inform brokers and their clients about the evolving risk of extreme and catastrophically destructive flooding events.

This is particularly true as our survey uncovered a broad lack of up-to-date knowledge about the risks, and the likelihood that they will continue to worsen as the impact of climate change worsens.

We see our survey findings as a step in the direction of educating insureds and brokers about the realities they are currently facing and will face in the future.



¹ Flood Insurance Market Scope, Trends & Report Analysis, From 2023 To 2030 (businessresearchinsights.com); Flood Insurance, Commercial Real Estate and Climate Change (dechert.com)

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