



# Fidelman & Co.



## QUESTION

### US Property & Casualty Market and Asset Size: Part 3, Flood Coverage

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## INSIGHTS

- The number of assets insured by the flood segment of the US P&C market is roughly 6.09 million.
- The market size of the flood segment of the US P&C market is \$4.19 billion.

## OVERVIEW

We have conducted a thorough search for the market size and the total number of assets insured in the flood segment of the US property and casualty (P&C) market. We were able to find preexisting figures for the market size of the flood segment (\$4.19 billion), but not for the total number of assets. Despite this setback, we were able to triangulate, with some assumptions, the approximate number of assets (6.09 million). Our methodology, assumptions and calculations have been detailed below.

## Methodology

To determine the market and asset size of the US P&C market, we started our search looking for preexisting data from various sources. Some of the sources we examined include government websites such as the National Association of Insurance Commissioners (NAIC) website, industry associations and news websites. From our search, we were able to find preexisting data for the market size of National Flood Insurance Program, as well as the market size for the private flood insurance market, which we added to provide the total flood coverage market size.

Unfortunately, we were only able to find preexisting data on the number of assets insured under the National Flood Insurance Program (NFIP). We needed a figure for the number of assets privately insured against flood to provide the total number of assets under flood coverage. We reckoned that since we knew the size of the private flood insurance market, we could divide the market size by the average cost of insurance to give us an estimated number of assets under private flood insurance coverage. We then added the two figures to give us the total number of assets under flood coverage.

While we were first uncertain if the figures covered both residential and commercial buildings, the primary source for our market size calculation clearly states that, "[The S&P data stem \(7\)](#) from statutory filings made to state regulators and the National Association of Insurance Commissioners. The figures include both residential and commercial policies." Furthermore, a [report by the CRIO Group \(9\)](#) breaks down the types of homes covered by the NFIP. According to the report, out of the [5,074,303 \(9\)](#) policies in force in [2016 \(9\)](#), only [270,864 \(9\)](#) were non-residential, which we assume to be commercial buildings. Based on these statements, we have assumed all the figures in our primary source covers both commercial and residential buildings.

Our calculations have been explained below.

## Calculation

Total Market size: Flood Segment of US P&C Market

National Flood Insurance Program Market Size: [\\$3.57 billion \(7\)](#)

Private Flood Insurance Market Size: [\\$623.8 million \(7\)](#)

Total flood segment:  $3,570,000,000 + 623,800,000 = 4,193,800,000$

Result: The market size of the flood segment of the US P&C market is \$4.19 billion.

Number of Assets Insured: Flood Segment of US P&C Market

National Flood Insurance Program Assets: 5.2 million properties

Private Flood Insurance Market: [\\$623.8 million \(7\)](#)

Average Price of Flood Insurance Premiums: [\\$700 \(6\)](#)

Assumption: All purchased premiums are valued equally.

Estimated number of properties insured under private flood policies:  $623,800,000/700 = 891,143$

Therefore, Private Flood Insurance Assets: 891,143

Total Number of Assets:  $5,200,000 + 891,143 = 6,091,143$  properties

Result: The number of assets insured by the flood segment of the US P&C market is roughly 6.09 million.

## Conclusion

The market size of the flood segment of US P&C market is \$4.19 billion and the estimated number of assets covered by flood insurance is 6.09 million. While the former figure was preexisting, the latter has been triangulated using the available data.

## SOURCES

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## 2) Flood Insurance Gap Represents \$40 Billion New Market

<https://www.brinknews.com/flood-insurance-gap-represents-40-billion-new-market/>

## 3) No. of properties insured for flood

<https://www.iii.org/fact-statistic/facts-statistics-flood-insurance>

## 4) U.S.: Number of households 1960-2017 | Statista

<https://www.statista.com/statistics/183635/number-of-households-in-the-us/>

## 5) Private Flood Insurance Market Is Getting Bigger, More Competitive, Less Profitable

<https://www.insurancejournal.com/blogs/right-street/2018/03/18/483689.htm>

## 6) Average cost of flood insurance premiums

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## 8) National Flood Insurance Is Underwater Because of Outdated Science

<https://www.scientificamerican.com/article/national-flood-insurance-is-underwater-because-of-outdated-science/>

## 9) NFIP Statistics

[https://www.federalreserve.gov/SECRS/2017/January/20170110/R-1549/R-1549\\_010617\\_131659\\_332005950929\\_1.pdf](https://www.federalreserve.gov/SECRS/2017/January/20170110/R-1549/R-1549_010617_131659_332005950929_1.pdf)