Insurers Begin to Include Rising Sea Levels into Rates

Damage from Hurricane Matthew

Insurers are beginning to introduce rising sea levels into rates, according to my latest article, "The SLR Factor: As sea levels rise, the flood risk equation changes." It was published recently in the Casualty Actuarial Society's *Actuarial Review* magazine.

The National Flood Insurance Program (NFIP), the nation's largest insurer of homeowners' flood insurance, is beginning to factor in sea level rise. So are excess insurers and reinsurers. However, rising sea levels could also affect the appetite for private homeowners insurers looking to compete with the NFIP.

While the "21st Century Flood Reform Act" is yet to pass, the omnibus budget bill signed by president Trump last Friday allows NFIP's reauthorization. The controversial budget bill gives the Federal Emergency Management Agency (FEMA) a necessary financial boost for mapping and mitigating flood risk.

Rising Sea Levels: The Reality

For the scoffers who do not take rising sea levels seriously, consider places such as New Orleans where land is subsiding. Or Norfolk, Va. where rising king tides flow onto nearby streets. A single drop of rain, by the way, does not cause these tides. Instead, they happen when the earth makes its predictable pull with the sun.

> ***"too many properties not covered for weather-related flood damage."***

What are the implications for rising sea levels?

- Covering homes and businesses near the East and Gulf coasts will become more expensive.
- Some owners will likely have to abandon their property to the tides. This has already happened in New Orleans.
- Flood exposure will spread, affecting properties once believed to be lower risk. It also means changing weather patterns that will introduce more potential catastrophic weather events.

  Beyond that, rising sea levels will affect governmental entities that need to pony up for expensive flood mitigation. As I write in the article, however, "It is difficult to convince politicians and voters to invest money into problems that are decades away, especially when rising sea levels are too often mired in the politics of global warming."

Vulnerable Property Owners

Even if sea levels remain stable, there are still too many properties not covered for weather-related flood damage.

Why? Because many homeowners fail to realize that their insurance generally covers flooding caused by something inside the house, such as a leaking pipe. People believe they do not need flood coverage from the NFIP until it is too late. And some irresponsible residents count on FEMA to bail them out instead of buying coverage from NFIP.

And don't think your property is safe because a FEMA map says so. As I explain in a previous article covering the NFIP, many maps are out-of-date. Further, specific property details can be more critical than zone location.

Rising sea levels will affect more property owners. Insurers are preparing, shouldn't you?

Actuarial Consulting: Is It For You?


Successful actuarial consulting depends on effective communication.

At some point, most actuaries consider a career in actuarial consulting.

It's easy to see why. Generally, the variety of projects are interesting and the pay is better. But as my recently published article, "More Flexible" explains, actuarial consulting is not for everyone. Success requires a variety of additional skills beyond impressive mathematical and statistical chops.

You can find the article in *Contingencies*' Actuarial Job Seeker supplement, which is published by the American Academy of Actuaries. My goal was to write the most comprehensive and useful article on the subject. I believe it is a must-read for actuaries who want to take the plunge into actuarial consulting.

As the article says, excellent communication skills are necessary for actuaries who want to climb up the consulting ladder. In this blog, I share my observations based on nearly 30 years of experience working with actuaries as a marketing and communications consultant as well as a reporter.

Actuarial Consulting and Communication Challenges

Granted, how much actuarial consulting work involves communications and marketing skill depends on the position and the firm's size. That said, sooner or later, most actuaries are called out of their comfort zones to engage in marketing and sales.

I find that actuarial consulting firms miss opportunities to reach their intended audiences due to ineffective communication on multiple fronts. A client once paid me to interview buyers of actuarial services. They told me what kind of content they seek from marketing materials to reach a decision. The client resisted, and the great marketing plan never happened.

The greatest challenge, however, is making actuarial information meaningful to lay people. Like researchers, they can get too wrapped up in the technicalities without showcasing the results that matter most to the lay people they need to reach. That includes everyone from insurance executives who hire actuarial firms to influencers such as reporters.

It's also critical for those in actuarial consulting firms to keep an outsider's perspective. To the non-actuary, actuaries and actuarial firms can appear the same. All actuaries are credentialed and adhere to the same actuarial standards of professionalism. The services appear to be the same.

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Therefore, actuaries must be able to explain to potential customers – whether interpersonally or through marketing materials – why their loss reserving service or predictive modeling prowess is the most desirable.

Communications and marketing professionals can be a big help if they can translate actuarial analysis, reports and studies into layperson-friendly content. However, the less the communicator understands insurance and actuarial products, the more the likelihood of missed opportunities.

When I put on my reporter hat, I can tell you that poor media relations reduce exposure from credibility-building external media. Here are examples of situations that occur too often:

- news releases lacking context that do not address why the reader should care;
- report executive summaries that fail to mention a key point deep within the content;
- information buried within charts that not covered in the text;
- the immediate handoff to the busy actuary with no time because the media person could not answer the quick question on deadline; and
- impossible websites.

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