A Wicked Problem

Consumer research helps build the foundation for data driven earthquake insurance communications

Mind the Gap Summit | Memphis TN
March 28, 2022
Agenda

Research objectives
The “Wicked Problem” – a foundation for data-driven earthquake insurance communication

Initial results
• Focus groups + interviews
• Survey

Using the results & next steps
• MO DCI 2022 earthquake campaign
• Follow-up survey (Missouri)

Footprint and residential, ground-up shake damage levels for a New Madrid earthquake event. Source: Lloyds RDS 2022
Three Takeaways

• Many people do not know that standard home insurance does not cover earthquakes.
• Other risks, like floods, may seem more important than earthquakes.
• People who do have earthquake insurance often heard about it from friends, family, and insurance agents.
A regionally *Wicked Problem*: The state of earthquake insurance coverage

- Earthquake coverage in the New Madrid region of MO has decreased 47% from 2000 (60%) to 2022 (13%)
- Meanwhile – earthquake coverage costs have increased 760%
- Region-wide, an estimated 17-25% of homeowners report having earthquake insurance.*

* Insurance Information Institute *Pulse* survey

Percent of residential policies with EQ coverage, 2020
Note: while historically lower, MO penetration rates are not substantially different than values in CA, OR & WA
A Wicked Problem: What influences insurance purchase *in addition to cost*?

• *Price & design of earthquake insurance coverage*
• *Household demographics & income constraints*
• Risk perceptions, including catastrophe experience
• Messaging by insurers, governments, media
• Culture of preparedness
• Expectation of post-disaster relief
• Investments in mitigation

**More:** Kelly, Bowen, McGillivray (2020) *The Earthquake Insurance Protection Gap: A Tale of Two Countries; Journal of Insurance Regulation*
Research study

• Qualitative
  • Focus groups & interviews with 20+ New Madrid-area residents
  • Wrapping up analysis

• Quantitative
  • Online survey of 1,200+ adults
  • Target: At-risk counties in New Madrid Seismic Zone
New Madrid Seismic Zone counties included in survey

- Highest risk
- Very high risk
- High risk
- Moderate risk
- Low risk
- Very low risk
1,258 individuals completed the survey

- **Homeowners vs. Renters**
  - Homeowners: 68%
  - Renters: 32%

- **County Risk Level**
  - Highest/Very High: 47%
  - High: 38%
  - Moderate/Low: 15%
Do you have earthquake insurance?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not Sure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homeowners (n = 853)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highest Risk</td>
<td>37%</td>
<td>41%</td>
<td>22%</td>
</tr>
<tr>
<td>High Risk</td>
<td>32%</td>
<td>37%</td>
<td>31%</td>
</tr>
<tr>
<td>Lower Risk</td>
<td>37%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>35%</td>
<td>39%</td>
<td>26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not Sure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renters (n = 404)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highest Risk</td>
<td>10%</td>
<td>72%</td>
<td>18%</td>
</tr>
<tr>
<td>High Risk</td>
<td>8%</td>
<td>65%</td>
<td>27%</td>
</tr>
<tr>
<td>Lower Risk</td>
<td>10%</td>
<td>75%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>9%</td>
<td>70%</td>
<td>21%</td>
</tr>
</tbody>
</table>

*All percentages are rounded
Why do you not have earthquake insurance?

<table>
<thead>
<tr>
<th>HOMEOwners (n = 554)</th>
<th>Renters (n = 367)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have not heard of it before</td>
<td>I have not heard of it before</td>
</tr>
<tr>
<td>30%</td>
<td>45%</td>
</tr>
<tr>
<td>Too expensive</td>
<td>Too expensive</td>
</tr>
<tr>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Insurance for other risks more important</td>
<td>Don’t need it</td>
</tr>
<tr>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Don’t need it</td>
<td>Insurance for other risks more important</td>
</tr>
<tr>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Not worth it</td>
<td>Not worth it</td>
</tr>
<tr>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Too hard to get</td>
<td>Too hard to get</td>
</tr>
<tr>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Did you know regular insurance doesn’t cover damage and loss covered by an earthquake?

Homeowners
- Yes: 57%
- No: 44%

Renters
- Yes: 32%
- No: 68%

n = 854
n = 404
Have you ever had earthquake insurance in the past?

**Homeowners**
- Yes: 10%
- No: 90%
- Total: 554

**Renters**
- Yes: 4%
- No: 96%
- Total: 367
Missouri’s *Wicked Problem*: The state of earthquake insurance coverage

“‘We got canceled early on. We've asked our agent to prepare us a quote… Of course, it turned out to be very expensive. But our mortgage company doesn't require so that's kind of a double whammy there.”

New Madrid-area resident

Percent of residential policies with EQ coverage, 2020

Note: while historically lower, MO penetration rates are not substantially different than values in CA, OR & WA
Why did you buy earthquake insurance?

<table>
<thead>
<tr>
<th></th>
<th>HOMEOWNERS (n = 299)</th>
<th>RENTERS (n = 37)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To protect against earthquake damage</td>
<td>60%</td>
<td>Insurance agent recommended it 43%</td>
</tr>
<tr>
<td>Live in a place with earthquakes</td>
<td>49%</td>
<td>To protect against earthquake damage 41%</td>
</tr>
<tr>
<td><strong>Insurance agent recommended it</strong></td>
<td>36%</td>
<td>Live in a place with earthquakes 27%</td>
</tr>
<tr>
<td>Family/friends recommend it</td>
<td>26%</td>
<td>Family/friends recommend it 24%</td>
</tr>
</tbody>
</table>
Have you seen *Are You Ready* campaign materials?

- Yes: 23%
- No: 77%

$n = 635$
Impact of seeing DCI campaign

Participants \((n = 635)\) who saw the campaign were:

- Earthquake Kit
- Family Earthquake Plan
- Earthquake Insurance
- Insurance Knowledge
Seeing DCI campaign and information sufficiency

Do you have enough information to stay safe and protect your family during an earthquake?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saw the DCI campaign</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>DID NOT see the DCI campaign</td>
<td>36%</td>
<td>62%</td>
</tr>
</tbody>
</table>

$n = 635$
Findings informed Missouri’s 2022 Are You Ready campaign

• Increased messaging that homeowner and renter insurance does not protect against earthquake damage.

• Added messaging that consumers should contact their insurance agents to talk about earthquake insurance.
Earthquakes don’t just happen in California. They can happen right here, at any time and with no warning. The chance of a major Missouri earthquake in the next fifty years is as high as forty percent and could cause up to three hundred billion dollars in damage. Are you prepared? **Most homeowner’s policies don’t cover earthquakes.** Are you covered? Earthquake insurance can help protect you and your family. **Call your insurance agent** or visit Central US Quake dot org….that’s central us quake dot org. Remember, it’s not IF…it’s WHEN.
Missouri earthquake awareness campaign
February 2022

Target demographic:
• Homeowners age 30+
• First-time homeowners age 30-40
• In MO hazard areas 7,8,9 and 10

Tactics:
• Broadcast radio-- 16 stations
• YouTube TrueView ads
• Facebook/ Instagram paid ads
• Targeted display ads
Missouri earthquake awareness campaign
Preliminary campaign results

• 6+ million touchpoints with consumers across YouTube, targeted display and paid social media
• More than 1,209 radio spots scheduled
• Touchpoints drove 12,000+ clicks to https://centralusquake.org/
Next steps

• Complete analysis of interviews & focus groups
• Disseminate survey results from entire New Madrid Seismic Zone
• Release in-depth research report: summer 2022
• Follow-up survey after 2022 DCI campaign
Questions?

Lori Croy, Director of Communications, Missouri Department of Commerce and Insurance

Lisa Groshong, PhD, Communication Research Scientist, NAIC Center for Insurance Policy Research

Brian Houston, PhD, Director, University of Missouri Disaster and Community Preparedness Center
Have you heard of the New Madrid Seismic Zone?

Yes 61%

No 39%

N = 1,258
Do you expect the federal government to compensate you for at least part of home and possession damage resulting from an earthquake?

- 37% Definitely/probably
- 30% Not sure
- 34% Definitely/probably not