

Wright Flood teams with Milliman to close the flood protection gap with private flood insurance

Though the peril of flood is increasing in the United States, the vast majority of Americans don't have flood insurance. Building losses to single-family residences due to flood are expected to top \$7 billion annually, and more than 87% of those losses will likely be uninsured by the National Flood Insurance Program (NFIP).

Many people don't understand that their regular homeowners' policies fail to cover flooding risk, while others think they only need flood insurance if their mortgage lender requires it. Fully two-thirds of homes located inside the Special Flood Hazard Area (SFHA)—designated by the Federal Emergency Management Agency (FEMA) as particularly at risk from flood—are uninsured by the NFIP. Outside the SFHA, 98% of homes lack NFIP coverage. Of those who do get flood insurance from the NFIP, many have only limited coverage that often fails to cover full replacement costs of belongings and other common expenses.

Not long ago, few thought private flood insurance could work for the U.S. property/casualty insurance sector. That's changed in recent years, as advancements in risk modeling, reinsurance capacity, and climate change concerns have driven recent growth in the private flood market. But it's clear that a significant gap still exists between those who have flood coverage and those who need it.

Wright National Flood Insurance Services, LLC (Wright Flood) aims to fill that crucial gap. As one of the nation's largest underwriters of residential standalone flood insurance, Wright Flood is uniquely positioned to understand the growing national market for flood insurance given the increasing risk that flooding poses to homes across the country.

"Our vision of success is that for every real estate transaction in the United States—whether buying, selling, or refinancing—flood insurance should be offered as a product that's available to protect that property... It's not that every property owner has to be buying flood insurance, but every property owner should understand the risk of flood at that location and what coverage is available to make an educated decision about whether to purchase it."

James R. Watje

Wright Flood's senior vice president of private flood

The challenges Wright Flood faced in building a better flood insurance product

Over the past 15 years, Wright Flood has handled more than 200,000 flood claims and paid out \$11 billion in claims payments. The company has long served as a Write-Your-Own (WYO) agent for the NFIP, as well as offering excess flood insurance to cover properties with limited NFIP coverage.

Wright Flood wanted to offer a better, more diversified flood insurance product with increased coverage and at more price points—in order to protect more communities across the United States, as well as produce better business outcomes for the company.

But when it came to growing and developing its own residential private flood insurance business, Wright Flood faced a set of challenges common to private insurers seeking to enter the flood market, including:

To tackle these challenges, and avoid the pitfalls of some of its competitors, Wright Flood needed a modern flood rating plan that could accurately price the risk in an array of target markets. Not only that—the company needed that plan under a tight timeline, and wanted it to be easily scalable in order to support its planned expansion into additional states, all with different-sized markets and widely varying regulatory guidelines.



The difficulty of developing actuarially sound rates for the peril of flood, due to the lack of historical data and shortcomings in existing data



The need for state approval and continued oversight in the admitted market, given a precarious regulatory environment with standards that vary significantly among states



The challenge of managing key relationships with partners like insurers and reinsurers, all of whom may have differing appetites for risk



The need to build trust with agents, as well as consumers, who have little experience with flood insurance and see it as a complex and intimidating product

How Milliman helped Wright Flood develop and grow its residential private flood insurance business

As Wright Flood considered partners to help build a ground-up, customized, sophisticated flood rating plan, the list was very short. “We chose Milliman based on their deep flood expertise and our comfort with the quality of this team and its leadership. We knew they—like us—were committed to making our private flood program succeed,” says Watje. Milliman’s actuarial expertise and services helped the company classify risk, leverage geographic information system (GIS) data, and perform competitiveness and profitability analyses of the private flood market in different states.

Building on that bespoke approach, Milliman came to market with its suite of flood insurtech products—PinPoint, Bungalow, Market Baskets, and Appleseed—which enabled Wright Flood to bring its residential flood insurance to an ever-expanding number of states quickly, easily, and affordably, without losing any of the customization or flexibility the company needed.

PinPoint, Milliman’s prebuilt geospatial solution, provides Wright Flood with comprehensive GIS insights delivered through a simple interface. In addition to producing detailed and unique data to drive more accurate underwriting rates, PinPoint produces location-based insights customized to the company’s rates and rules. Through this

customization of the GIS data used in underwriting, Wright Flood was able to work within the different risk appetites of the various stakeholders in the flood insurance product. “We’re bringing a lot of new partners to the space who haven’t been exposed to the risk of flood in the past,” Watje says. “Tools like PinPoint give us the insight we need to help them better understand it.”

Milliman based **Bungalow**, the grid-based flood rating plan that serves as the foundation of Wright Flood’s countrywide residential flood insurance, on the KatRisk SpatialKat flood models. In licensing Bungalow, Wright Flood gets a complete, modern rating solution that is easy to customize to its specific needs, saving considerable time over developing a rating plan from scratch for each new state.

Using realistic distributions of characteristics—such as elevation and other risk factors based on GIS data—the hypothetical risk portfolios known as **Market Baskets** give Wright Flood a representative look at the market for flood insurance in different locations. Combined with competitiveness and profitability analyses on these potential markets, using Market Baskets enables Wright Flood to launch its products confidently even in states where it lacks existing exposure data.

Appleseed is a rating and advisory organization that enables Wright Flood to enter new states with an admitted flood product faster, more easily and with lower costs and lower risks than a traditional insurer-based filing. Because Appleseed has filed Bungalow rates with regulators, it allows immediate adoption by Wright Flood and its risk partners to accelerate their flood business growth nationwide.

Building trust to provide better protection

The comprehensive platform solution provided through PinPoint and Bungalow allows Wright Flood to easily incorporate customization into its coverage. The platform also integrates seamlessly into Wright Flood’s existing technology, enabling a more straightforward experience for insurance agents and consumers. “Making it simple on the front end means you need a significant amount of complexity on the back end,” Watje points out, adding that the platform enables agents to get an insurance quote for a customer in less than two minutes, and issue a policy in less than five.

In addition to large states with predictably high-volume flood markets (like California, Florida, and Texas), the platform also enabled Wright Flood to expand into smaller states where the market for flood insurance is relatively untested. With the ability to adapt its product to these smaller states and roll out quickly and easily without a significant new financial burden, Wright Flood is well on its way to filling the flood insurance gap across the United States, and protecting more communities than ever against the growing risk of flood.

“Partnering with experts like Milliman allows us to bring both a technological as well as an actuarially supported solution, so we can make sure we’re pricing products adequately for the long term,” Watje says. “If we’re going to change the perception of how this peril is actually insured across the country, people have to know they can trust the product when they absolutely need it. As a company, our focus is helping our agents and their clients succeed by providing the protection they clearly need.”

How the Wright Flood residential private flood insurance product compares to the current NFIP offering

Feature	Wright Flood Residential Private Flood	NFIP
No waiting period	✓	x
No elevation certificate required	✓	x
Higher dwelling limits (up to \$1 million)	✓	x
Single deductible	✓	x
Automatic replacement cost on both dwelling and personal property	✓	x
Loss of use, other structures, and building ordinance coverage	✓	x
Optional resiliency coverage (rebuilding with flood-resistant materials)	✓	x

As a result, Wright Flood offers superior private residential flood insurance currently in **California, Florida, New Jersey, South Carolina, Texas, and Virginia**, with plans to roll out soon in **Louisiana, Maryland, Massachusetts, New York, and Pennsylvania**.

As seen by both Wright Flood and Milliman, the long-term vision of private flood insurance is a robust, stable, and flexible market enabled by technical sophistication that delivers consumer simplicity, with continued momentum in expanding flood protection across the country.

