

# BEST'S REVIEW® ISSUES & ANSWERS: FLOOD



## Interviewed Inside:



**Neal Schmidt**  
*Philadelphia Insurance Companies*

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# Flood of Opportunity

Neal Schmidt, vice president of commercial underwriting for Philadelphia Insurance Companies, said while flooding is the most common and costly natural disaster in the United States, flood insurance is often seen as an optional purchase and take-up rates on flood coverage are in the 20% range. “Flooding can occur anywhere; over 20% of flooding claims are from locations outside high-risk areas. An inch of water can easily result in \$25,000 in property damage,” he said. The following are excerpts of an interview.

## What is the current state of the commercial flood insurance market?

Standard market carriers writing package policies that include property coverages may extend coverage to include flood in more favorable flood areas. When the marketplace is aggressive, property carriers are more apt to offer flood coverages more freely and that has been the case in recent years. However, as the market is firming, flood coverage as part of a package policy may become more difficult to obtain and more expensive. Private market solutions are developing for locations that are no longer eligible under a package policy. For locations in the very unfavorable flood zones, coverage is available through the National Flood Insurance Program.

## Why are private market flood options now developing?

Flood insurance in more difficult flood zones was previously considered untouchable by private insurers because they did not have a reliable way of measuring flood risk. In recent years, the quality of available flood data has gotten better and flood modeling is getting more sophisticated. That is giving carriers more confidence around risk selection and risk pricing. In early 2019, federal regulators allowed mortgage lenders to accept private flood insurance if the policies are at least comparable to the NFIP. Reports are showing that net premiums written for private flood insurance in 2018 were around \$541 million versus \$471 million in 2017. There were 120 private companies writing flood insurance in 2018 versus 50 in 2016. This helps agents as competition develops and also spreads the risk for the industry.

## How does PHLY address commercial flood needs?

PHLY’s flood coverage is available in three ways. We can offer flood coverage as part of our package policy that includes property coverages. That coverage is available in lower hazards zones and we’re able to use a variety of data sources



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- Creative approach to flood risks.

## Neal Schmidt

Vice President of Commercial Underwriting  
Philadelphia Insurance Companies



“Selling flood coverage is an opportunity for agents to differentiate themselves by serving as a resource for flood insurance and flood education.”

and modeling to risk select less vulnerable locations, allowing for more aggressive pricing. We also offer a private market solution for commercial accounts. This is a nonadmitted product offering with available limits and coverages that are broader than the NFIP. This would typically be offered on locations that are in higher hazard zones that would not be eligible for flood coverages as part of a package policy. PHLY is also a “Write Your Own” provider for the NFIP. As a WYO company, we team up with our vendor, National Flood Services, and provide coverage to more than 22,000 policyholders, both commercial and personal.

