

# Catastrophic Insurance National VOTER Survey



Key findings from a national survey of 800 registered voters with oversamples of 300 registered voters each in: California, Florida, New York/New Jersey, and the Gulf States region.

#07157



&



## Methodology



On behalf of the National Association of REALTORS, Public Opinion Strategies and The Mellman Group conducted a national survey March 29-April 3, 2007. The survey was conducted among 800 registered voters (margin of error:  $\pm 3.46\%$ ) with oversamples of 300 registered voters in each of the following regions: California, Florida, New York/New Jersey, and the Gulf States region (including parts of Texas, Louisiana, Mississippi, and Alabama) (margin of error:  $\pm 5.66\%$ ).

# R State of Preparation

Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance 3

**Seven out of 10 voters do NOT believe America is sufficiently prepared to deal with the financial and economic consequences of a major catastrophe. They believe Congress should take action.**

<p><b>America is NOT sufficiently prepared. Congress should pass legislation that helps reduce the financial and economic consequences of major catastrophes.</b></p>	72%
<p><b>America is sufficiently prepared. No change is needed in our current system for dealing with such catastrophes.</b></p>	22%

Which of the following comes closest to your opinion about whether or not America is sufficiently prepared to deal with the financial and economic consequences of major catastrophes, such as a major terrorist attack, hurricanes, tornados, or earthquakes...Do you think ...

Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance 4

Americans are still on alert when it comes to terrorist attacks.

**64%**

believe the U.S. will be the target of a terrorist attack in the next few months.

**42%**

of those surveyed express some concern there will be an act of terrorist violence near where they live or work.

In areas vulnerable to natural disasters, there are understandably heightened anxieties about natural catastrophes.

*% Likely By Region*

**National**  
**California**

**50%**  
**66%**

**Florida**

**82%**

**New York/New Jersey**

**37%**

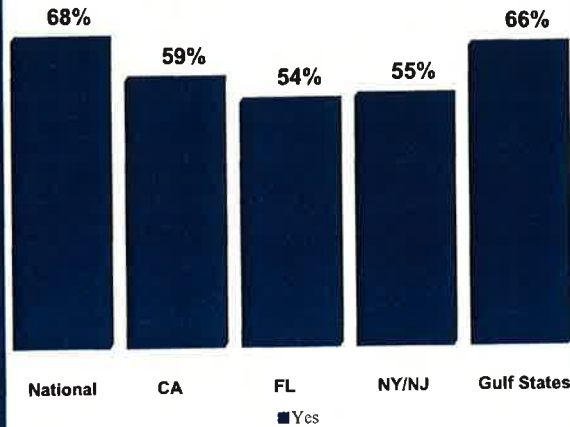
**Gulf States**

**68%**

*How likely do you think it is that there will be a major natural catastrophe like a devastating earthquake, flood, tornado, or hurricane that affects you or your family in the next few years...*

**Two-thirds of voters do believe they're prepared with enough insurance for a catastrophe. Voters in target regions outside of the Gulf States are less certain.**






***% Yes, Have Enough Insurance***



*In the event that your house were destroyed in a catastrophe, do you believe you have enough insurance to replace your home?*

**But they are not always certain about what their policy does and does not cover.**

***Losses due to...***

	<b>% Yes</b>	<b>%No</b>	<b>% Don't Know</b>
 <b>Tornados</b>	<b>59%</b>	<b>22%</b>	<b>19%</b>
 <b>Hurricanes</b>	<b>37%</b>	<b>43%</b>	<b>20%</b>
 <b>Floods</b>	<b>33%</b>	<b>56%</b>	<b>11%</b>
 <b>Earthquakes</b>	<b>32%</b>	<b>43%</b>	<b>25%</b>
 <b>Terrorist Attacks</b>	<b>8%</b>	<b>48%</b>	<b>44%</b>

*To the best of your knowledge, does your homeowners insurance policy cover the following...*





R



# Homeowners Insurance Outcomes



R



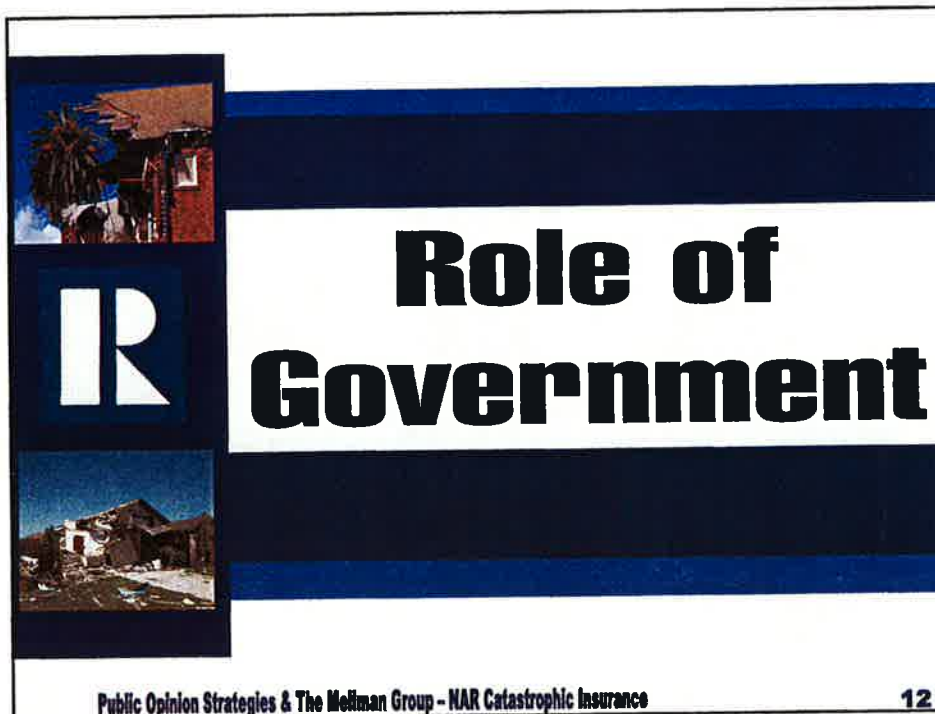
Voters were read five things related to homeowners insurance that could happen.

Half of the respondents were asked to rate how likely they think each is to happen...almost certain to happen, very likely, somewhat likely, not too likely, or not at all likely to happen?

The other half were asked to rate how good or bad the outcome would be if each thing did happen using a zero to ten point scale, where zero means the outcome is the WORST thing that could happen and ten means the outcome is the BEST thing that could happen.

**While voters do believe insurance premiums and profits will continue to go up, they are not convinced that the fate of insurance companies hangs in the balance.**

	<b>%Likely to happen</b>	<b>Worst outcome (%0-3)</b>	<b>Mean Score</b>
Homeowners insurance premiums will go up significantly over the next ten years.	<b>60%</b>	<b>35%</b>	<b>4.8</b>
Homeowners insurance companies' profits will go up significantly over the next ten years.	<b>48%</b>	<b>30%</b>	<b>5.1</b>
More and more insurance companies will go out of business, leaving homeowners with fewer choices.	<b>30%</b>	<b>35%</b>	<b>4.4</b>
If a major catastrophe struck, my homeowners insurance company would go bankrupt because the huge number of claims would overwhelm their financial reserves.	<b>17%</b>	<b>41%</b>	<b>4.0</b>
My house will be damaged in a natural disaster or terrorist attack.	<b>6%</b>	<b>51%</b>	<b>3.3</b>



**Role of Government**

**Voters were asked...**



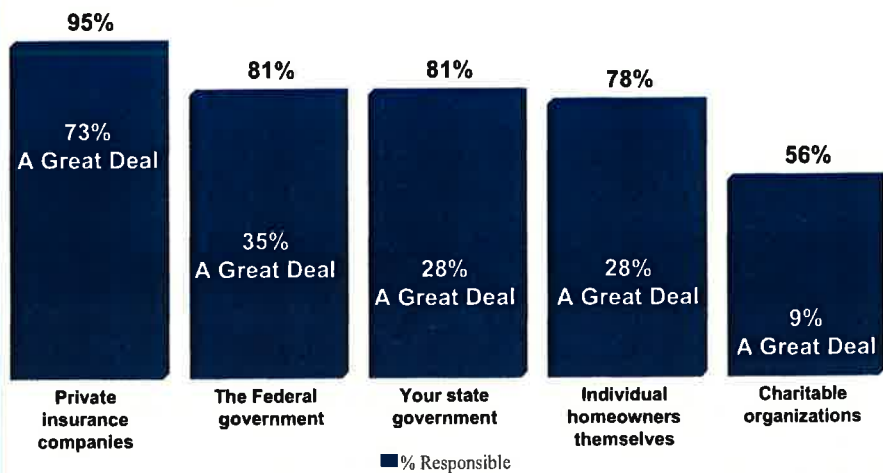
**R**



If a major catastrophe like a huge earthquake, tornado, hurricane or flood hit your area – causing billions of dollars in damage to thousands of homes -- how much responsibility do you think each of the following should have in paying the cost of rebuilding? Should they bear ... a great deal of, some, not too much, or no...responsibility at all for the cost of rebuilding?

**There is a sense of shared responsibility when it comes to a natural catastrophe, with insurance companies at the head of the table.**

Level Of Responsibility For A Natural Catastrophe



## Voters were asked...



Thinking some more about the role of the federal government, with whom do you agree more...?

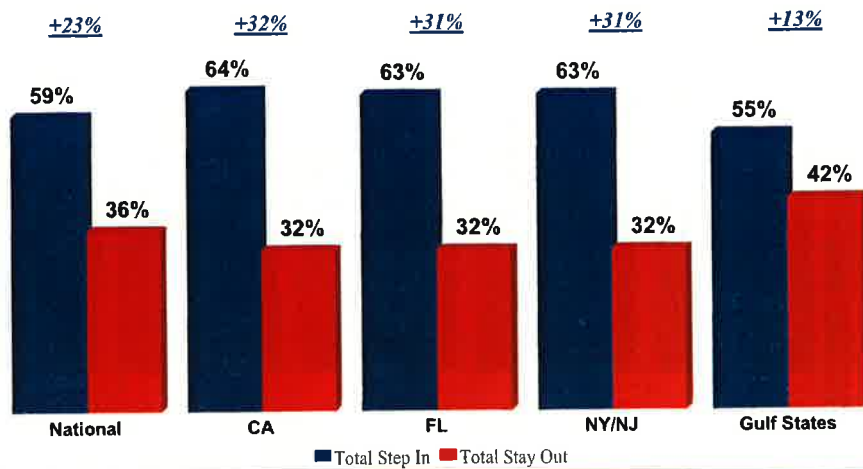
Those who say a major natural catastrophe or terrorist attack would cost insurance companies billions of dollars. No insurance company has the ability to pay for claims for such an overwhelming crisis. In the case of such a catastrophe, it is appropriate for the federal government through agencies like FEMA, together with state agencies, to step in and help pay the cost of rebuilding.

-OR-

Those who say federal and state government should stay out of the homeowners insurance industry, and leave it to individuals and the private market. Homeowners know the risks they take for living in certain areas, and insurance companies have to be prepared. It's not up to government and the taxpayers to bail them out if they are not prepared.

Voters nationally do believe there is a call for government intervention in the case of a natural catastrophe or terrorist attack.

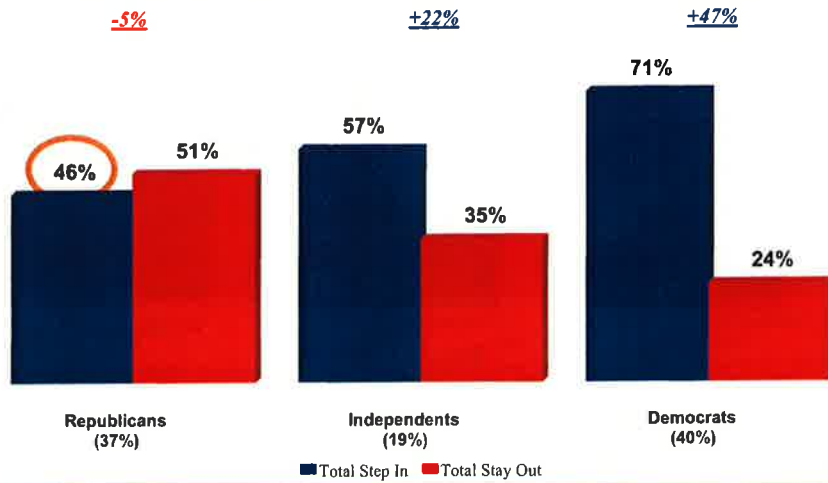
*Role Of The Federal Government In A Natural Catastrophe*





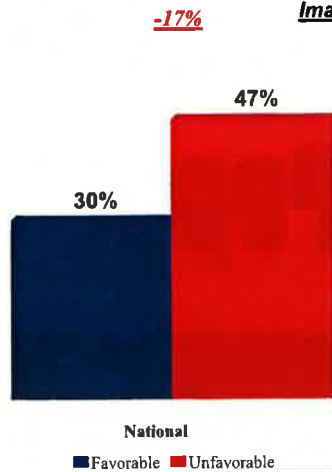
**There is an expected difference by party, but a surprisingly high percentage of Republicans see this as an area where the government should be more active.**

**Role Of The Federal Government In A Natural Catastrophe by Party**



**Despite a desire for government involvement, voters have little faith in FEMA.**

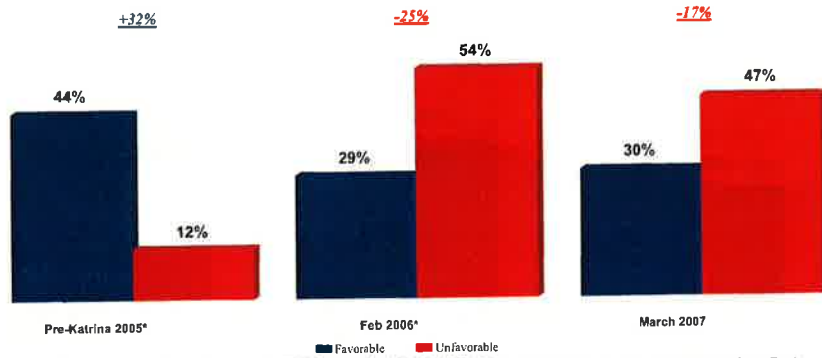
**Image Of FEMA**



*Now, I would like to read you a list of names of different people, organizations and types of companies. For each one, please tell me, first whether you've heard of the person, organization or company; then, if so, please tell me whether you have a favorable or unfavorable impression of that person, organization or company. If I mention one you don't know too much about, just tell me and we'll go on to the next one. The Federal Emergency Management Agency, also known as FEMA.*

## Perceptions of FEMA have shifted dramatically post-Katrina.

### Image Of FEMA Trend



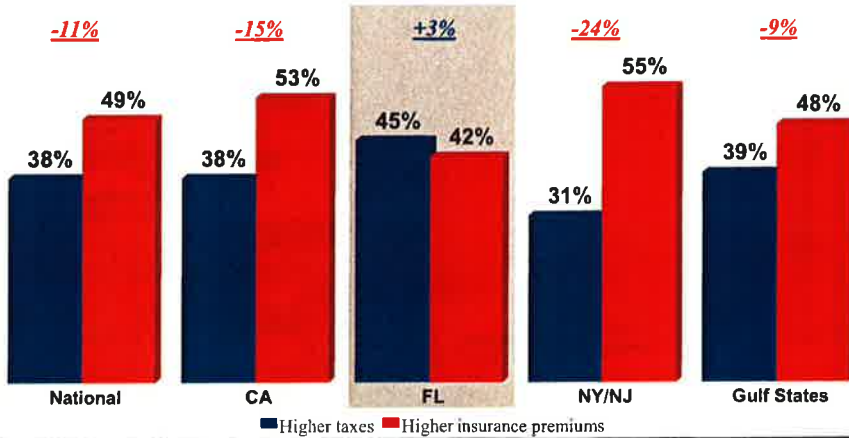
\* 2005: 1000 Likely General Election Voters Nationwide, With Oversamples In Florida, California, The Gulf Of Mexico, And The NY Metro Area, For A Total Of 1866 Interviews conducted May 19-May 26, 2005. 2006: 1000 Likely General Election Voters Nationwide, With Oversamples In New York And New Jersey, For A Total Of 1315 Interviews conducted February 7-16th, 2006.

Now, I would like to read you a list of names of different people, organizations and types of companies. For each one, please tell me, first whether you've heard of the person, organization or company; then, if so, please tell me whether you have a favorable or unfavorable impression of that person, organization or company. If I mention one you don't know too much about, just tell me and we'll go on to the next one. The Federal Emergency Management Agency, also known as FEMA.

# The Proposals

Public Opinion Strategies & The Mellman Group – NAR Catastrophic Insurance

**Given two rather unpalatable choices, voters lean toward higher insurance premiums over raising taxes to pay for catastrophes. Florida is, once again, the anomaly.**



*Thinking some more about natural catastrophes ... Some people say that everyone ends up paying for catastrophes one way or another, either through higher insurance premiums or through higher taxes. While neither of these may appeal to you, if you had to choose one way to help pay for natural catastrophes that happen, would you rather pay for them ...*

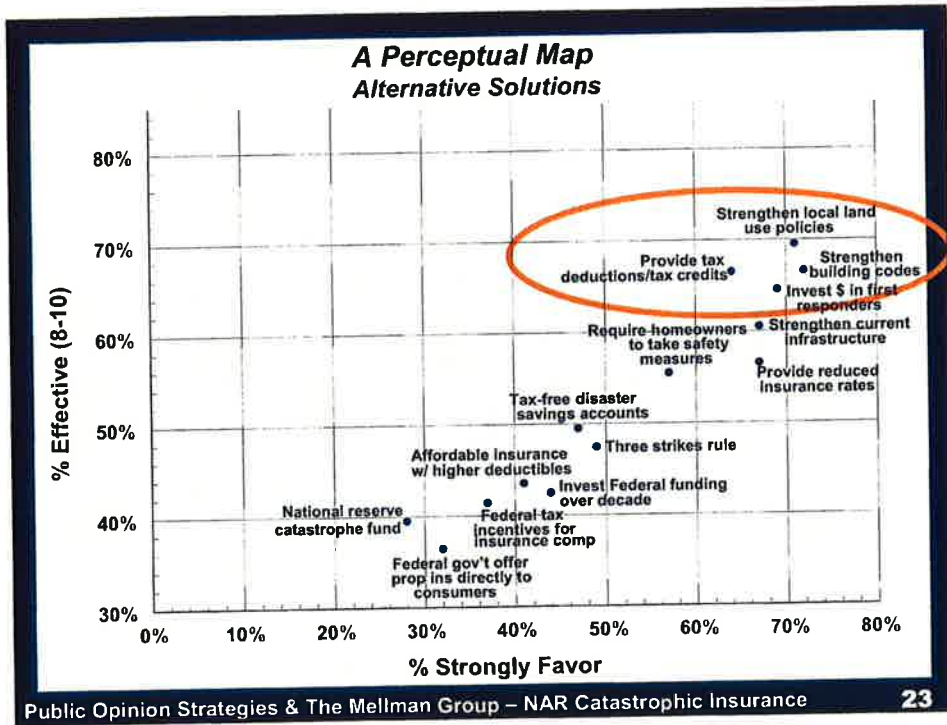
### Rating the proposals



Voters were read fifteen things that could be done to help prepare to deal with the financial and economic consequences of a natural disaster or terrorist attack.

Half of the respondents were asked please tell me whether you favor or oppose it.

The other half were asked how effective they think each one would be, using a zero to ten point scale, where ten means you think it would very effective and zero means you think it would be not at all effective in helping to prepare to deal with the financial economic consequences of a natural disaster or a terrorist attack.



**Here are the top proposals voters favor AND believe would be effective in preparation for a natural catastrophe:**

**Strengthen local land use policies so that future homes are not built in disaster prone areas.**

**Strengthen building codes so that homes are better able to withstand storms and earthquakes.**

**Invest additional money in first responders, such as firefighters and rescue personnel so we are better prepared in a catastrophic natural disaster situation.**

**Provide tax deductions or tax credits to homeowners who take the initiative and pay to help “disaster proof” their own home by strengthening it to better withstand future natural catastrophes.**



**Here are the top things GOVERNMENT can do now that voters favor and believe will be effective:**

**Strengthen building codes so that homes are better able to withstand storms and earthquakes.**

**Strengthen local land use policies so that future homes are not built in disaster prone areas.**

**Invest additional money in first responders, such as firefighters and rescue personnel so we are better prepared in a catastrophic natural disaster situation.**

**Spend funds to strengthen the current infrastructure, such as bridges, dams and levees, so they are better able to withstand floods and major storms.**

**Here are the top proposals affecting INDIVIDUALS:**

**Provide tax deductions or tax credits to homeowners who take the initiative and pay to help “disaster proof” their own home by strengthening it to better withstand future natural catastrophes.**

**Provide reduced insurance rates to homeowners who take the initiative and pay to help “disaster proof” their own home by strengthening it to better withstand future natural catastrophes.**

**Require home owners to take safety measures to protect their own homes.**

**The one proposal dealing more directly with insurance companies is not very enthusiastically received.**



**To create federal tax incentives that would allow and encourage insurance companies to create and hold significantly larger cash reserve funds to help pay the claims when confronted with a major natural disaster or terrorist attack.**



**R**



## **A Closer Look at the National Catastrophe Fund...**

**Voters are not convinced that the national catastrophe fund holds the answer – the effectiveness score is fairly low.**

**The National Catastrophe Fund**

	<u>Mean Score</u>	<u>%8-10</u>
<b>National Catastrophe Effectiveness</b>	<b>6.3</b>	<b>40%</b>
<b>Mean Effectiveness For Top Four Proposals</b>	<b>8.0</b>	<b>67%</b>

*Create what is called a national reserve catastrophe fund for states hit with natural catastrophes. Once all private insurance money and the state catastrophe funds have been used, a national catastrophe fund would kick in when the cost of the disaster becomes extremely high. The national catastrophe fund would be paid for through a small addition to each homeowner's insurance premiums.*

**National Catastrophe Fund Coalitions:**


**Strongly Favor**

- Democrats
- Women
- African Americans
- Lower HH income

**Strongly Oppose**

- Republicans
- Independents
- Men

*Create what is called a national reserve catastrophe fund for states hit with natural catastrophes. Once all private insurance money and the state catastrophe funds have been used, a national catastrophe fund would kick in when the cost of the disaster becomes extremely high. The national catastrophe fund would be paid for through a small addition to each homeowner's insurance premiums.*



**Of those opposed to a national catastrophe fund, we asked three follow up questions to assess their support if they found out additional information.**

Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance 31

**Voters are more likely to move in our direction when they hear this statement.**

Insurance companies would be more confident about writing policies in disaster-prone areas if a national catastrophe fund were in place because there would be a back-up in the case of a major catastrophe. This would lower costs to all consumers, and guarantee insurance coverage in these disaster-prone areas.

**30%**  
**Now Favor**  
**24%**  
**More Undecided**  
**43%**  
**Still Oppose**

Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance 32



Ensuring insurance companies are doing their fair share adds an important dimension to the debate.

A national catastrophe fund would be paid, in part, with insurance premiums also paid by insurance companies.

**25%**  
**Now Favor**  
**27%**  
**More Undecided**  
**47%**  
**Still Oppose**

The Katrina argument as drafted does not do much to advance the national catastrophe fund concept.

As a taxpayer, you are already paying 800 dollars towards Hurricane Katrina relief funds. It is a fairer and better system to create a special national reserve fund paid for by homeowners rather than by taxpayers.

**13%**  
**Now Favor**  
**22%**  
**More Undecided**  
**62%**  
**Still Oppose**




# California

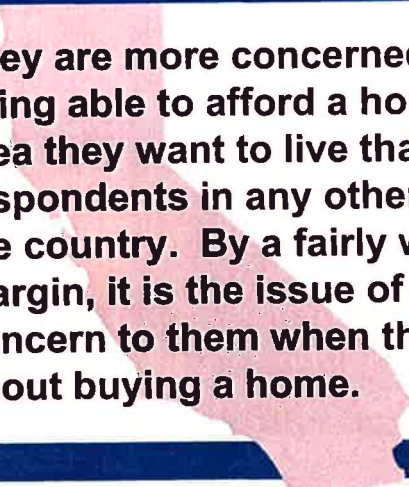
Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance

35

California is different because...



They are more concerned about being able to afford a home in an area they want to live than respondents in any other part of the country. By a fairly wide margin, it is the issue of most concern to them when thinking about buying a home.



Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance

36

California is different because...



**They are more likely to have insurance that covers earthquake damage, but not by the margin that might be expected. Just 39% claim to have coverage for earthquake losses (compared to 32% nationally), while 53% do not and 8% are unsure.**

California is different because...




**By respondent report, insurance premiums are more stable in California than elsewhere. Thirty-seven percent (37%) of Californians say their premiums have increased over the last two to three years compared to 47% nationally.**



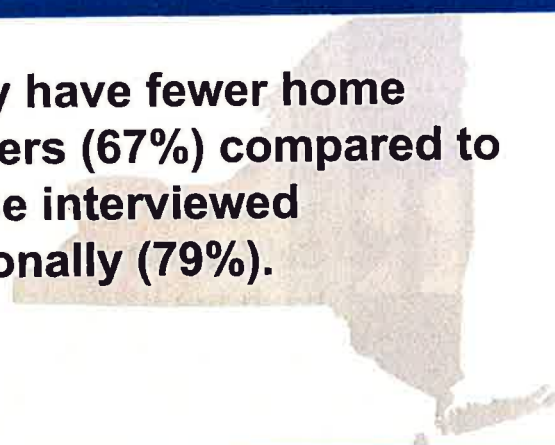
# New York and New Jersey

Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance 39

The New York/New Jersey region is different because...



They have fewer home owners (67%) compared to those interviewed nationally (79%).



Public Opinion Strategies & The Mellman Group - NAR Catastrophic Insurance 40



The New York/New Jersey region is different because...



**R**



**Voters are just a bit more concerned (50%) that there will be a terrorist attack near where they live or work compared to voters nationally (42%).**

The New York/New Jersey region is different because...



**R**



**They believe in a stronger role for government in the rebuilding process if there were a catastrophe. Overall 47% of voters in New York and New Jersey say the federal government should bear a "great deal" of responsibility in rebuilding compared to 35% of voters nationally who say government has a great deal of responsibility.**

**The same is true for state government. Thirty-nine percent of those in the region say state government has a great deal of responsibility compared to 28% of voters nationally.**

The New York/New Jersey region is different because...



**R**



They are more sensitive to raising taxes than voters nationally. Just 31% would opt for higher taxes to help pay for catastrophes compared to 38% of voters nationally.



**R**



## Florida and the Gulf States

**Florida and the Gulf States ARE different.**



Asked to rate a number of issues that homeowners may be concerned about when they imagine buying a home, the biggest concern for voters in Florida is the cost of a homeowners insurance policy. In the Gulf States, the cost of a homeowners insurance policy falls just behind selling their current home at a price close to what they believe it is currently worth.

**Florida and the Gulf States ARE different.**



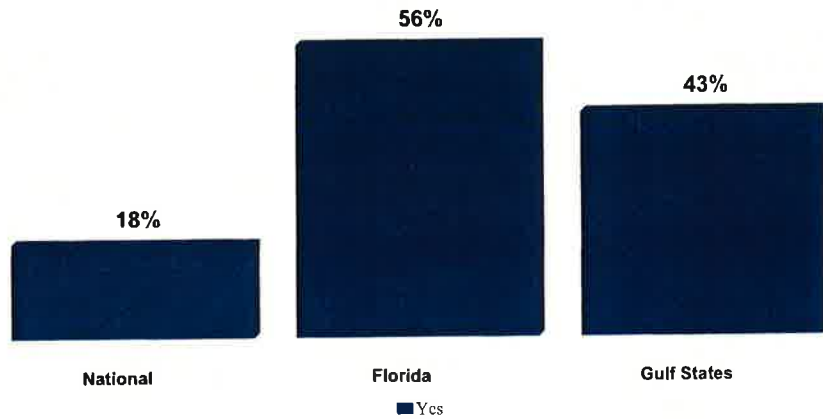
That means, potential homebuyers in these areas are more concerned about the cost of homeowners insurance than they are about...

- ✓ *Saving enough money for a down payment;*
- ✓ *Qualifying for a mortgage for a home they would like to own; and,*
- ✓ *Being able to afford a home in the area they want to live.*

Concerns about homeowners insurance costs in these areas even supersede the fears their home will be severely damaged by a natural disaster.

**The numbers of people touched by recent catastrophes in these areas is far-reaching.**

*Affected by a Hurricane or Tornado Personally or a Close Personal Friend*



*Thinking back over the last year or two, have you personally been affected or do you have any close personal friends or relatives who were directly affected by a hurricane or tornado in your area?*

**Other Florida differences...**



**Voters in Florida do not have the same “warm glow” about their homeowners insurance company as voters in the rest of the country:**

*%Favorable / %Unfavorable*

<b>National</b>	<b>76%</b>	<b> </b>	<b>7%</b>
<b>Florida</b>	<b>49%</b>	<b> </b>	<b>37%</b>



Other Florida differences...



They are extremely frustrated with the lack of available choices in homeowners insurance.

*% Enough Choices*

**National 70%**  
**Florida 21%**

Other Florida differences...



Their level of frustration is understandable give their perception about premium increases in recent years.

*% Premiums Gone Up*

**National 47%**  
**Florida 82%**

(62% gone up significantly)

Other Florida differences...



**R**



Florida voters are also more knowledgeable than voters in other parts of the country about what is covered under their homeowners insurance policy.



**R**



# Realtor Survey

Based on partially completed national interviews among Realtors with oversamples in the same regions, we can report the following preliminary results:



**R**



**1.** The two studies (the Florida oversamples in the national survey and the Realtors survey) are very similar from the perspective that Florida is entirely unique. Realtors report fewer homeowners choices, much higher premium prices, and a much more dramatic impact homeowners insurance is having on the real estate market in Florida.

**2.** Realtors are even more concerned than voters that the U.S. is not sufficiently prepared to deal with major catastrophes and Congress should take some action.

Based on partially completed national interviews among Realtors with oversamples in the same regions, we can report the following preliminary results:



**R**



**3.** Realtors largely track with voters on government involvement. A solid majority of Realtors believe there is an appropriate role for the federal government in dealing with catastrophes.

**4.** There is tepid support for a national catastrophe fund. In fact, of the eleven proposals we are testing, the national catastrophe fund has the lowest level of support among Realtors, and ranks near the very bottom in terms of what Realtors would consider an effective policy in preparing for a future catastrophe.

Based on partially completed national interviews among Realtors with oversamples in the same regions, we can report the following preliminary results:



**R**



**5.**

Realtors and voters are aligned in their support for the following policies:

- ✓ Strengthening building codes
- ✓ Strengthen local land use policies
- ✓ Provide tax deductions/credits for homeowners who disaster proof their homes.
- ✓ Invest additional money in first responders.

The following proposals are testing better among Realtors than they did among voters:

- ✓ Tax-free disaster savings accounts.
- ✓ Three strikes rule for homeowners who do not carry adequate insurance.
- ✓ Reduced insurance rates to homeowners who disaster proof their homes.



**R**



# Summary Observations





# IR



## Catastrophic Insurance National Survey



&



