

To Insure or Not to Insure: How homeowners perceive flood risk



Photo by Greg Berman

While threats from sea level rise, hurricanes, and winter storms are increasing in coastal communities, Massachusetts flood insurance enrollments are not. In fact, participation in flood insurance policies declined in recent years. Because homeowners insurance does not cover flooding, this leaves homeowners and communities vulnerable to increased risk.

Economists **Di Jin** and **Michael Weir** (Woods Hole Oceanographic Institution) are working to understand coastal property owners' perception of the risks associated with flooding and sea level rise and how they decide between purchasing flood insurance, investing in physical protections like elevating their homes, or choosing to not protect their properties. This research sought to address important policy questions: why coastal homeowners are not insuring, and how to encourage them to consider flood insurance as an effective option to managing their financial risk exposure.

The research team surveyed coastal homeowners in flood-prone areas in all fifteen Cape Cod towns. Preliminary analyses show that homeowners' decisions to purchase flood insurance are heavily influenced by how much they know about flood insurance and their risk perception. Nearly 40% of the homeowners surveyed know little about flood insurance, and 50% of those in high-risk zones are unaware of their risk. Homeowners' willingness to pay for flood insurance is nearly identical to that estimated in 1991 by another WHOI Sea Grant-funded study, suggesting that today's increased flood risk is not factoring into flood insurance decisions. Making flood risk and insurance information widely available should be an effective way to encourage homeowners to buy flood insurance.

Funded by WHOI Sea Grant

WHOI Sea Grant funds research that addresses coastal issues in and around Massachusetts.

Based at Woods Hole Oceanographic Institution, the Sea Grant program encourages environmental stewardship, long-term economic development, and the responsible use of Massachusetts' coastal and ocean resources. The program is part of the NOAA-funded National Sea Grant College Program, comprised of 34 programs across the country.



Photo by Poonam Narotam

COASTAL PROPERTIES IN HIGH RISK
AREAS HAVE A 26% CHANCE OF
FLOODING DURING A 30-YEAR PERIOD.