

A Wicked Problem

Consumer research helps build the foundation for data driven earthquake insurance communications in the New Madrid Seismic Zone

Missouri Earthquake Summit
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DCI

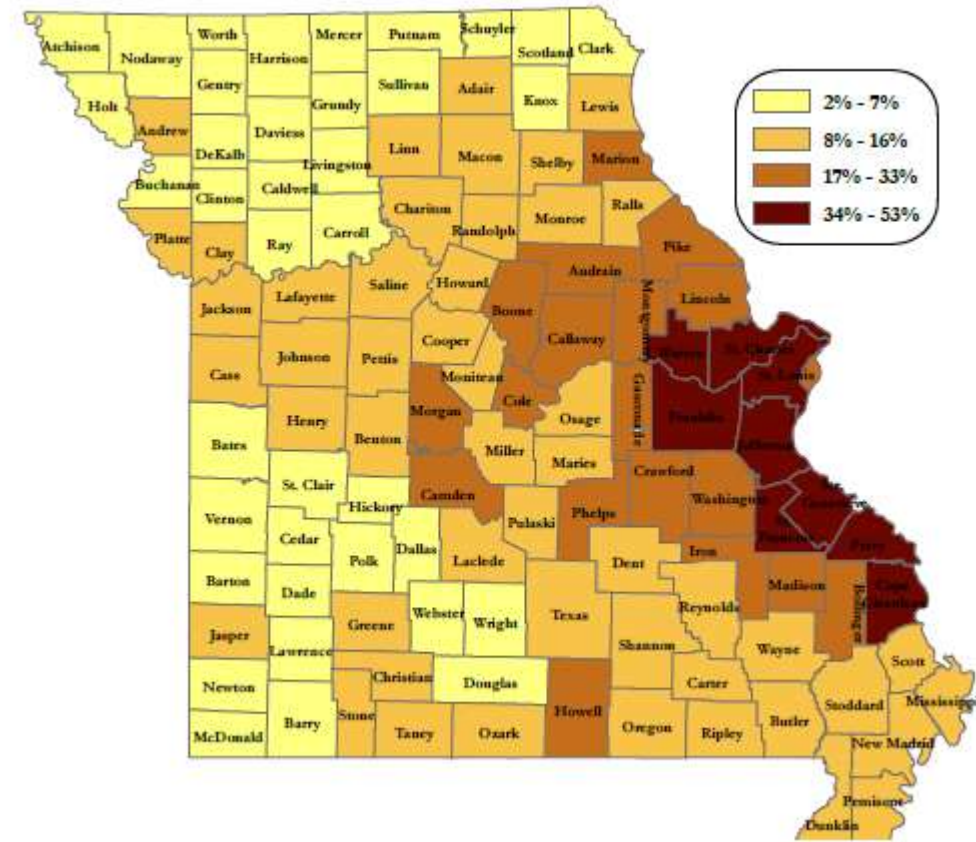
Missouri Department of Commerce & Insurance



A regionally *Wicked Problem*: Earthquake Risk & the Growing Earthquake Insurance Coverage Protection Gap

- On average, 24% of residential dwellings across MO have earthquake coverage
 - ❑ Drop of nearly 20% on average across the state since 2000.
 - ❑ In the New Madrid region of MO has decreased 49% from 2000
- NMSZ Region-wide, an estimated 7-16% of homeowners report having earthquake insurance.*

* Insurance Information Institute [Pulse survey](#)



Percent of residential policies with EQ coverage, 2021 (MO DCI, 2022)

Note: while historically lower, MO penetration rates are not substantially different than values in CA, OR & WA

Demonstrated influences on insurance purchase in addition to cost

- *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

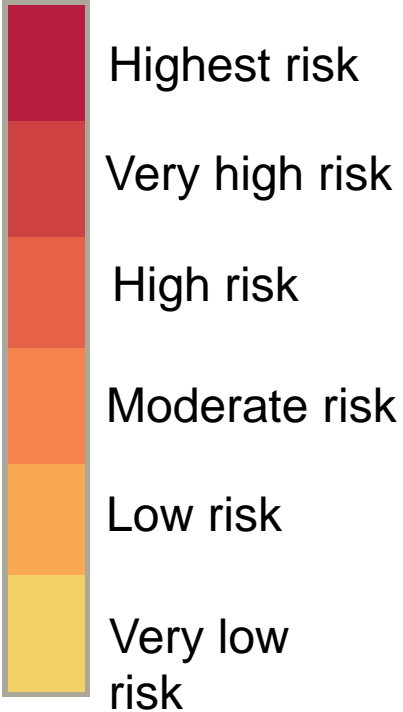
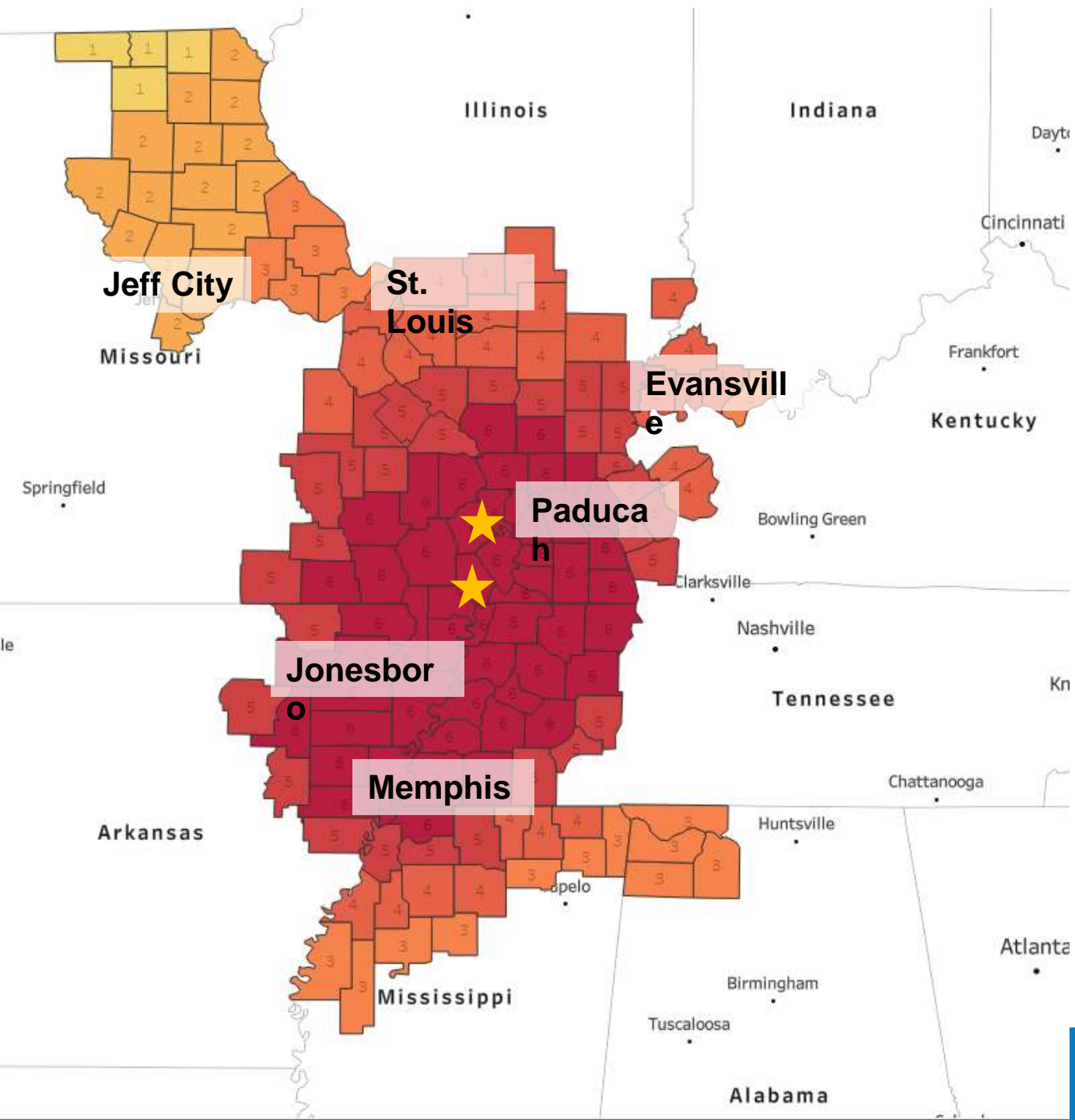
More: Kelly, Bowen, McGillivray (2020) The Earthquake Insurance Protection Gap: A Tale of Two Countries; *Journal of Insurance Regulation*

Research study

Multiple methods approach

- Focus groups & interviews with New Madrid, MO-area residents
- NMSZ Regional survey of 1,200+ adults (homeowners & renters)
- Case Study: MO DCI 2021/2022 earthquake campaign
 - Campaign follow-up consumer survey -- MO focused

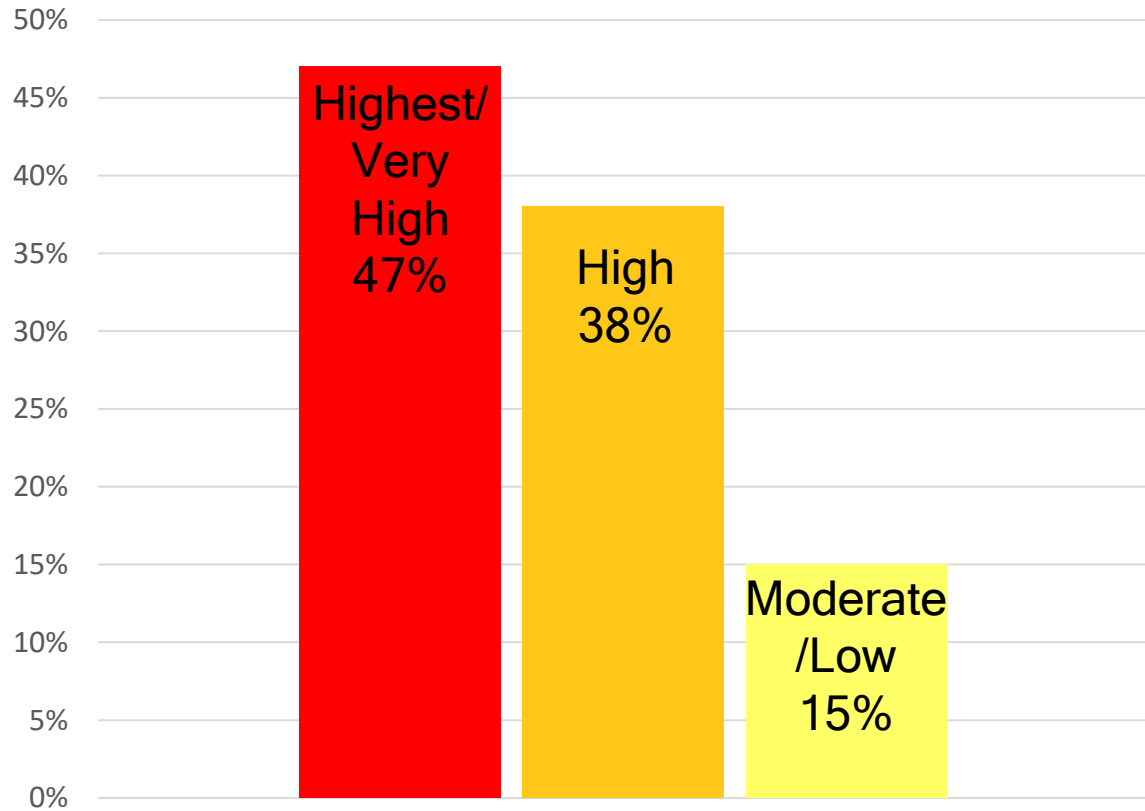
New Madrid Seismic Zone counties included in survey



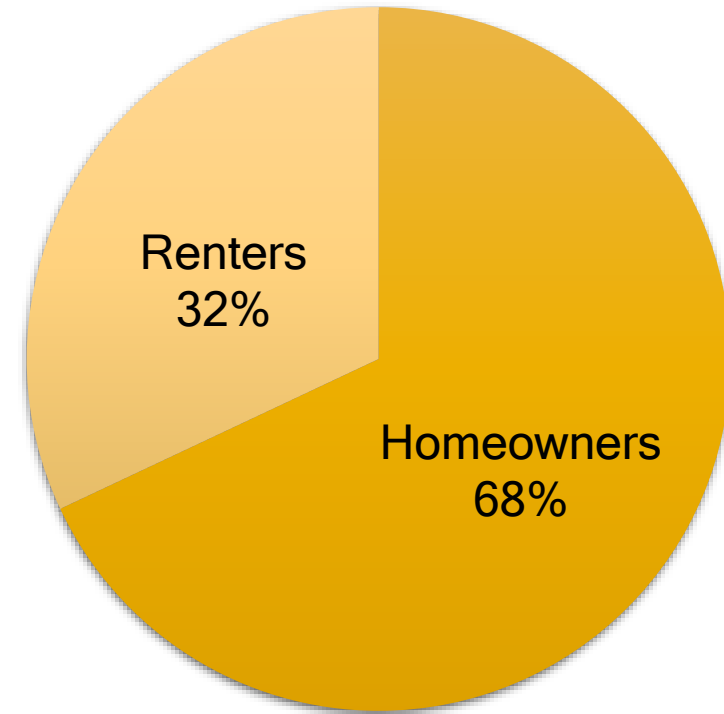
★ Focus group sites

1,258 individuals completed the survey

County Risk Level



Homeowners vs. Renters



Do you have earthquake insurance?

Homeowners ($n = 853$)

	Yes	No	Not Sure
Highest Risk	37%	41%	22%
High Risk	32%	37%	31%
Lower Risk	37%	39%	24%
TOTAL	35%	39%	26%

Renters ($n = 404$)

	Yes	No	Not Sure
Highest Risk	10%	72%	18%
High Risk	8%	65%	27%
Lower Risk	10%	75%	15%
TOTAL	9%	70%	21%

*All percentages are rounded

Top three predictors of earthquake insurance uptake

Using agents to help make insurance decisions



Talking to friends and family about earthquakes



Confidence in having sufficient information about earthquakes



Key predictors of earthquake insurance uptake

People who use agents to make insurance decisions are nearly

3 times more likely to have earthquake insurance

OR 2.842. CI 1.888-4.279. $\alpha < .001$



Photo by Amy Hirschi on Unsplash

Why did you buy earthquake insurance?

HOMEOWNERS (n = 299)		RENTERS (n = 37)	
To protect against earthquake damage	60%	Insurance agent recommended it	43%
Live in a place with earthquakes	49%	To protect against earthquake damage	41%
Insurance agent recommended it	36%	Live in a place with earthquakes	27%
Family/friends recommend it	26%	Family/friends recommend it	24%
I owe a lot on my mortgage	23%		
It is required	14%		

Key predictors of earthquake insurance uptake: Use of agent to make insurance decisions

Some agents proactively recommend earthquake insurance:

*“Our insurance agents have always **recommended it.**”*

Some agents advised **against** earthquake insurance:

*“I was always told by insurance people that an earthquake here, it's going to be so bad that there's **no point** having the insurance.”*





Photo by Elliott Reyna on Unsplash

Key predictors of earthquake insurance uptake

When people talk with their family/friends about earthquakes more often, they are nearly

2

times
more likely to have earthquake insurance

OR 1.841. CI 1.447-2.344. $\alpha < .001$

Why did you buy earthquake insurance?

HOMEOWNERS (<i>n</i> = 299)		RENTERS (<i>n</i> = 37)	
To protect against earthquake damage	60%	Insurance agent recommended it	43%
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I owe a lot on my mortgage	23%		
It is required	14%		

Key predictors of earthquake insurance uptake

As people are more confident they have enough information about earthquakes, they are nearly

2

times more likely to have earthquake insurance

OR 2.216. CI 1.320-3.721. α .001



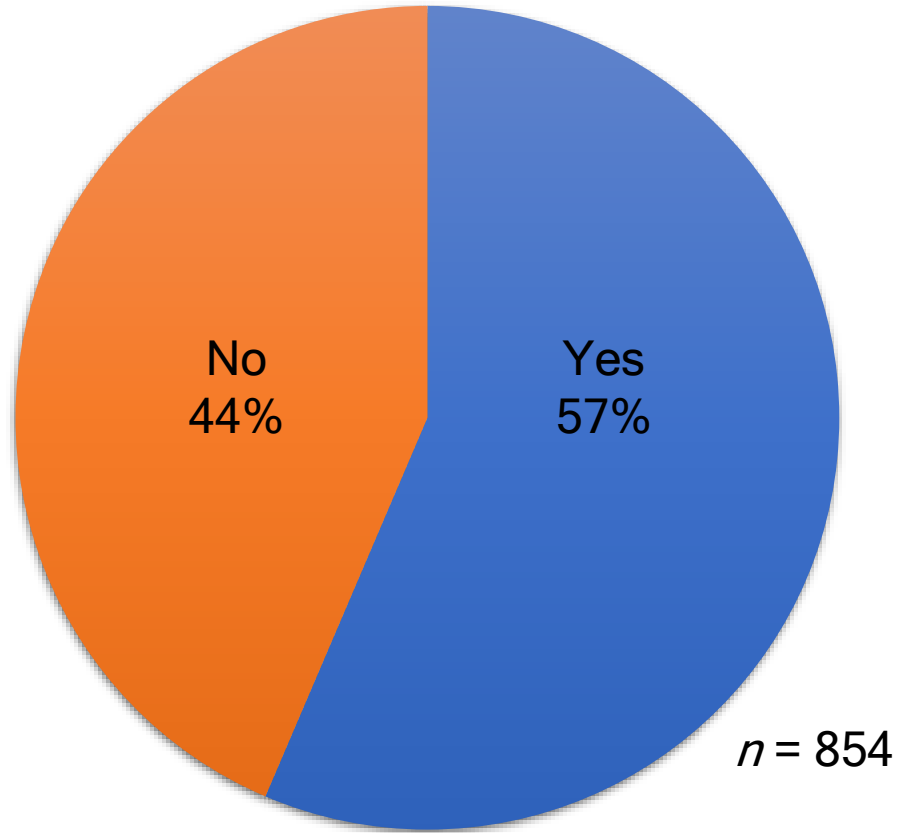
Photo by Firmbee.com on Unsplash

Why do you not have earthquake insurance?

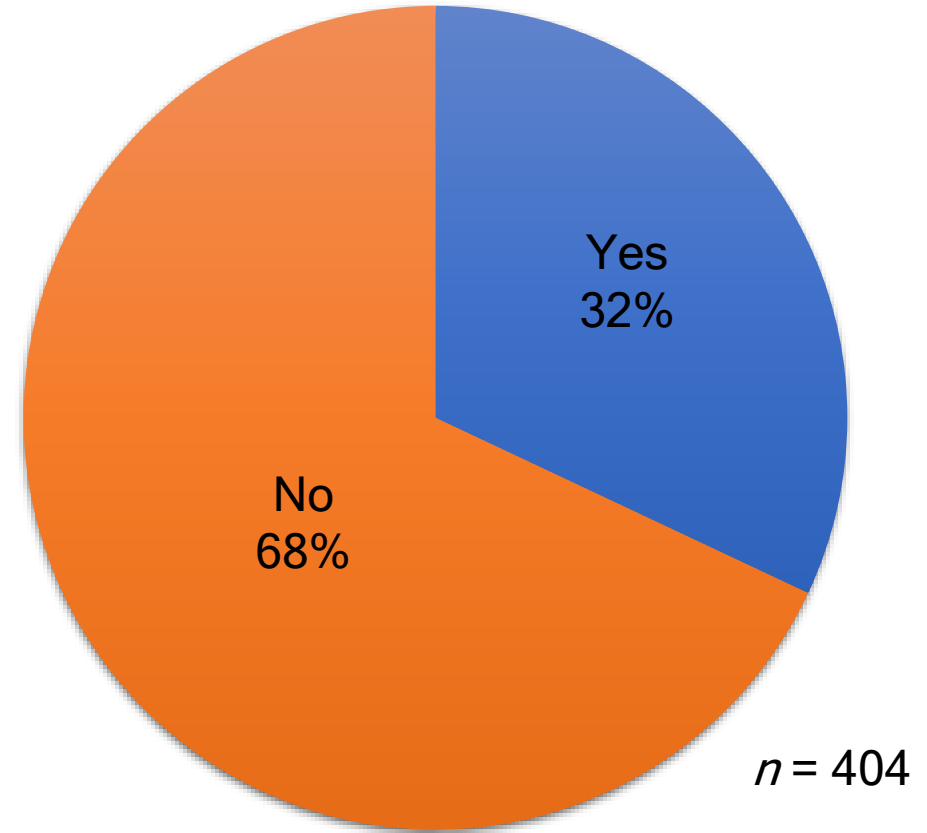
HOMEOWNERS (<i>n</i> = 554)		RENTERS (<i>n</i> = 367)	
I have not heard of it before	30%	I have not heard of it before	45%
Too expensive	23%	Too expensive	21%
<u>Insurance for other risks more important</u>	21%	Don't need it	18%
Don't need it	14%	<u>Insurance for other risks more important</u>	14%
Not worth it	8%	Not worth it	8%
Too hard to get	7%	Too hard to get	5%

Did you know regular insurance doesn't cover damage and loss covered by an earthquake?

Homeowners



Renters



Key predictors of earthquake insurance uptake: Earthquake information

“I think in my insurance policy, I have to be honest with you, I haven't read that part that has, I think it has, earthquake. Because I pay quite a bit. Yeah, now that you mention it, I'm gonna pull it out. Look at it real good.”

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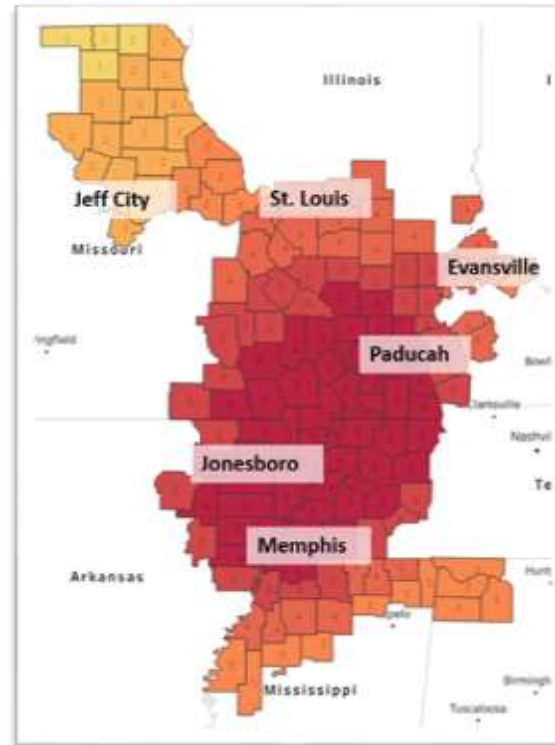
“No, it's not included in our insurance?”

Two additional considerations: Cost and risk

Cost of earthquake insurance



Living in a high-risk area



Cost of earthquake insurance: Not included in model

Have a measure of how much survey participants reported paying for earthquake insurance, but do not have a measure of perceived cost for those without insurance.

23.6% of homeowners and 22.3% of renters who did not have earthquake insurance cited cost as a reason for not purchasing insurance

Focus group and interviewees were often unsure of earthquake insurance cost

*“If there was an earthquake and it would destroy my home, I would just walk away from the mortgage, because without earthquake insurance.... That's terrible. But even if it was offered, are you willing to spend **\$600 a month** on something that may not happen?”*

Fact check: Earthquake insurance averages \$174/ year in Cape Girardeau county

Income and home value were not strong predictors of earthquake insurance uptake

	<i>B</i>	OR	CI	α
Income	.074	1.077	.996-1.165	.062
Home Value	.025	1.026	.923-1.140	.637

Logistic regression model predicting homeowner insurance uptake

Earthquake experience vs. living in a high-risk area

	<i>B</i>	OR	CI	α
Previous earthquake experience	.143	1.154	1.035-1.286	.010
County-level earthquake risk	.024	1.024	.885-1.185	.752

Logistic regression model predicting homeowner insurance uptake

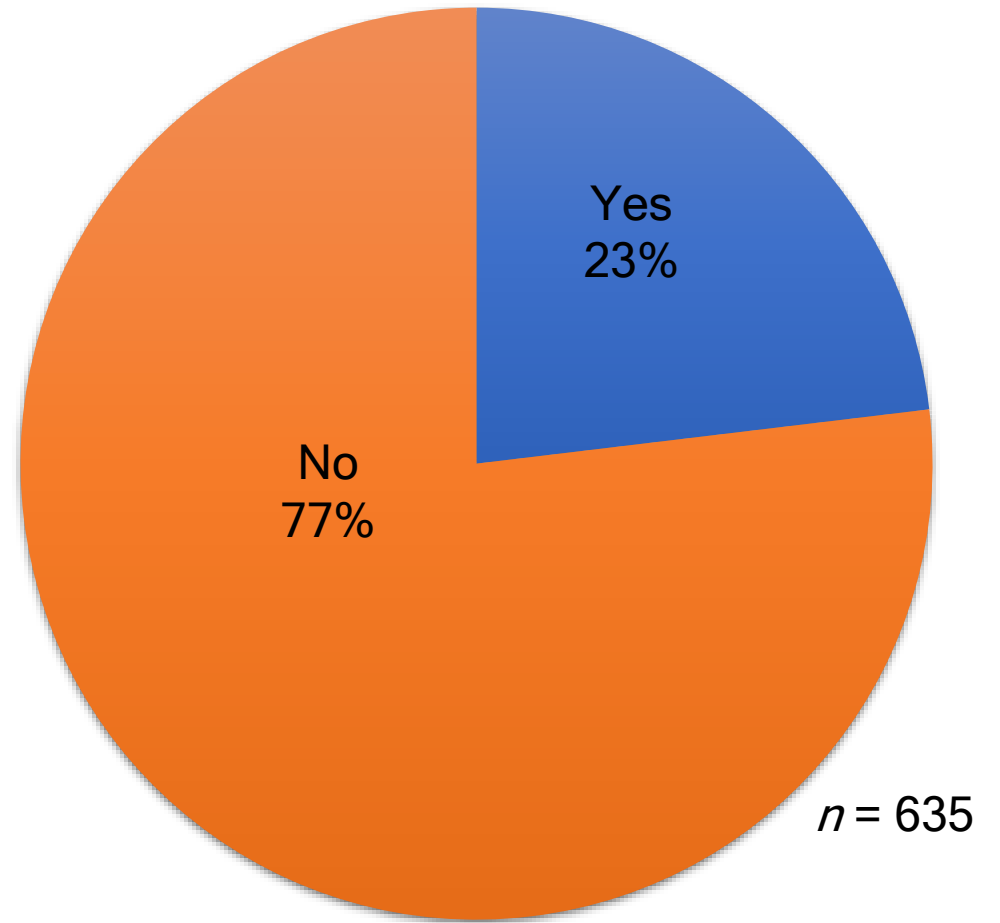
Living in a high-risk area

Weakly related to individual perceptions of:

- how likely an earthquake was to occur
- how damaging an earthquake would be if happened
- experiencing worry, fear related to an earthquake

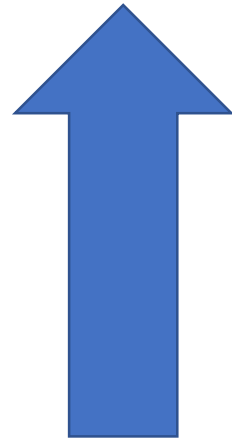


Have you seen 2021 *Are You Ready* campaign materials?

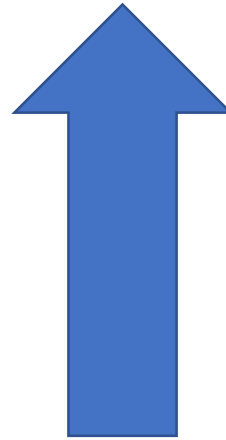


Impact of seeing DCI campaign

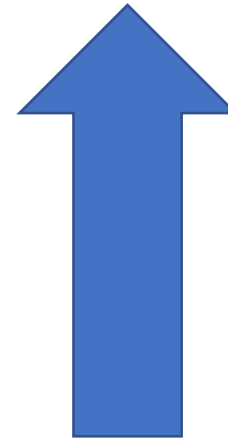
Participants ($n = 635$) who saw the campaign were:



Earthquake
Kit



Family
Earthquake Plan



Earthquake
Insurance



Insurance
Knowledge



ARE YOU READY?



DCI
Missouri Department of Commerce & Economic Development

LEARN MORE

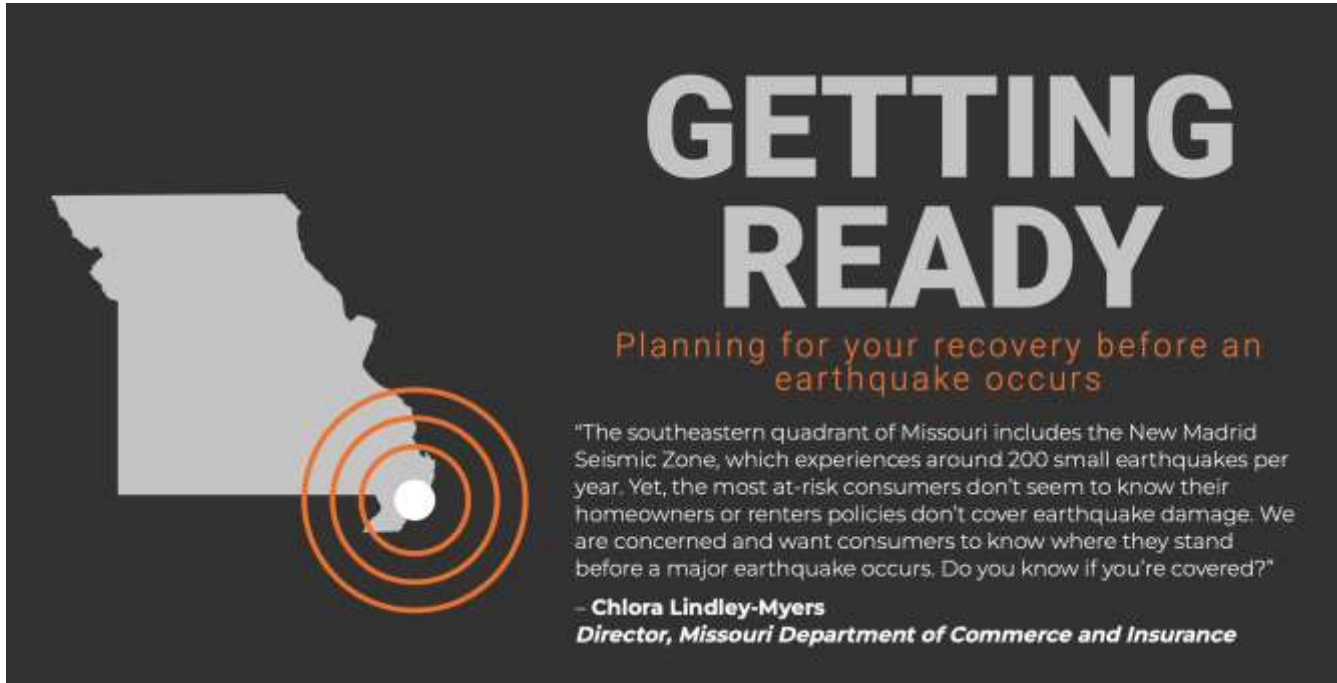
CENTRALUSQUAKE.ORG



Photo by Gaelle Marcel on Unsplash

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.



Radio Script

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



Photo by [Tierra Mallorca](#) on [Unsplash](#)

Missouri earthquake awareness campaign

Preliminary campaign results

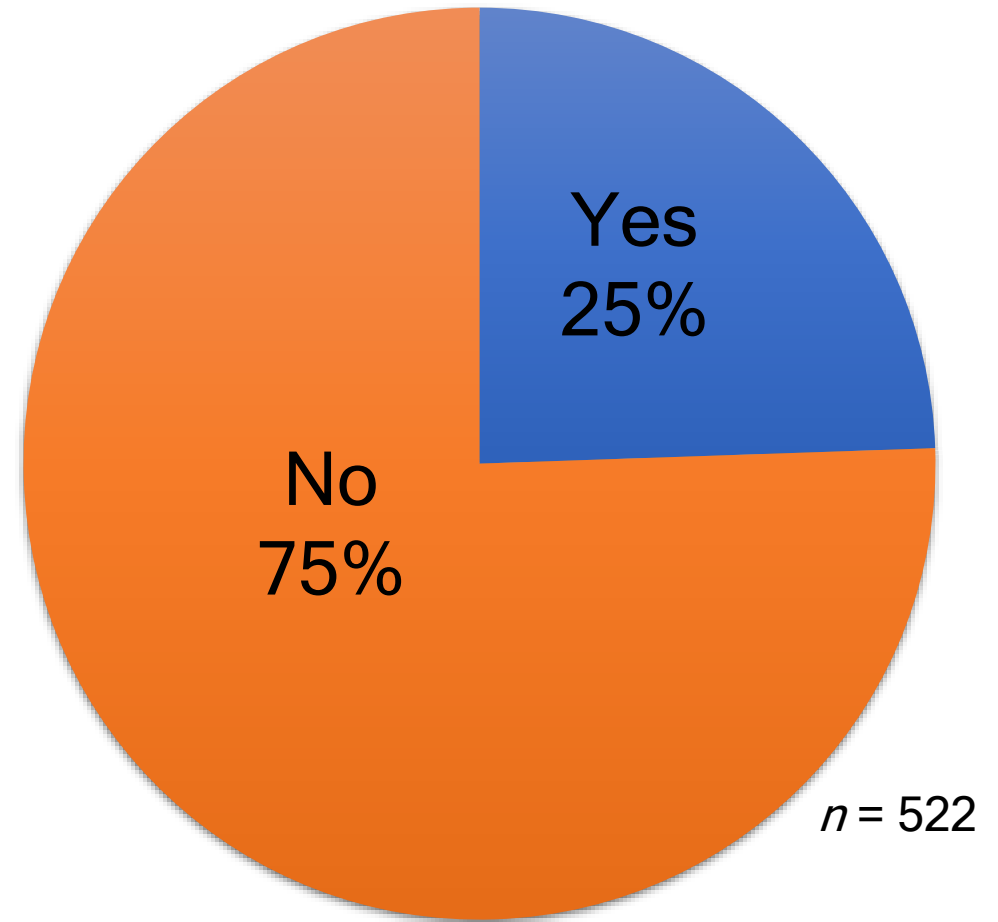
- **6+ million touchpoints** with consumers across YouTube, targeted display and paid social media
- More than 1,209 radio spots scheduled
- Touchpoints drove **12,000+ clicks** to <https://centralusquake.org/>



Have you seen 2022 *Are You Ready* campaign materials?



ALL PERILS ARE
NOT COVERED BY
YOUR HOMEOWNER'S
INSURANCE



Impact of seeing 2022 DCI campaign

Participants ($n = 130$) who saw the campaign:

Become more aware of earthquake risk	75%
Looked online for more earthquake insurance information	57%
Talked to friends, family, neighbors about earthquake insurance	55%
Reviewed rent/home insurance	47%
Learned that earthquakes are NOT covered by regular insurance	42%
Thought about purchasing earthquake insurance	20%
Decided to purchase earthquake insurance	13%



**ARE
YOU
READY?**



LEARN MORE

Key predictors: Possible uses in information campaign

Conversation starters

- *How can I talk to my family, my friends, or my insurance agent about earthquake insurance?*
- *Reinforce the idea of talking to others through campaign imagery*



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Key predictors: Possible uses in information campaign

- No one solution
- Community approach to preparedness
- Agents can provide alternative resources to clients, including outside referrals



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NAIC

NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS



CENTER FOR INSURANCE
POLICY AND RESEARCH

Addressing the New Madrid Seismic Zone Earthquake Protection Gap

Insights into
Homeowners and
Renters Earthquake
Insurance Uptake
from Comprehensive
Primary Data

**Full report available
to download**



Photo by Gaelle Marcel on Unsplash

Next steps

- October 2023 communication campaign
- Partner & collaborate with other CUSEC states



Next steps

- Additional survey to assess important factors identified here and cost issues
- Continue to modify & test marketing messages to address gaps in earthquake insurance knowledge



Questions?

Brian Houston, PhD, Director, University of Missouri Disaster and Community Preparedness Center

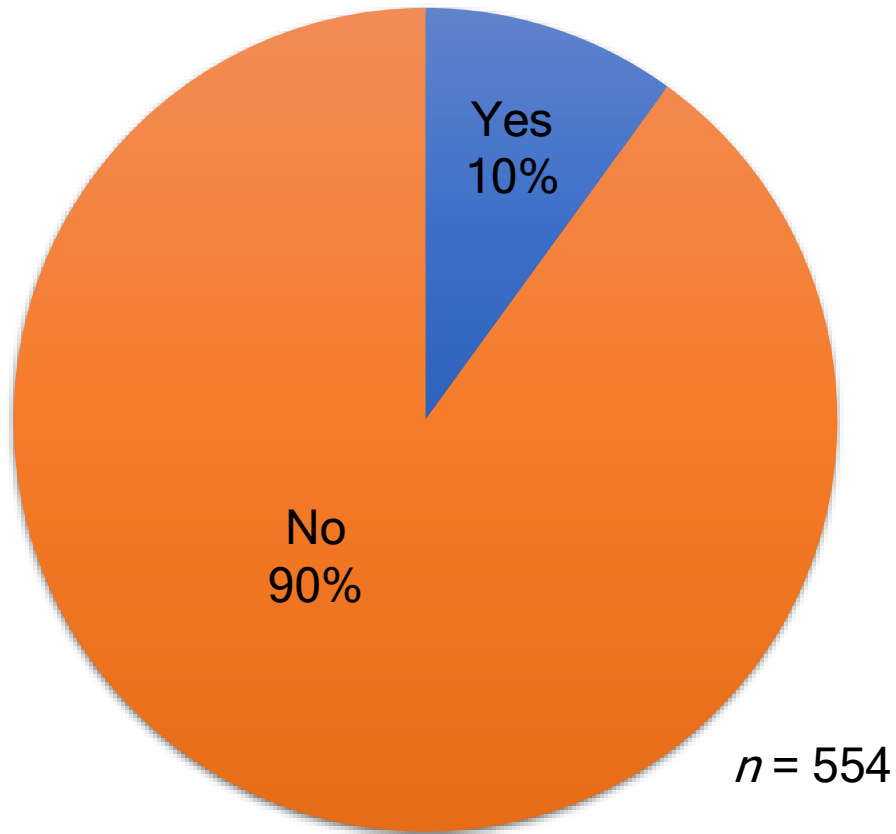
Lori Croy, Director of Communications, Missouri Department of Commerce and Insurance

Jeff Czajkowski, PhD, Director, National Association of Insurance Commissioners Center for Insurance Policy and Research



Have you ever had earthquake insurance in the past?

Homeowners



Renters

