



Property Casualty Insurers  
Association of America

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Written Testimony Submitted on behalf of the  
Property Casualty Insurers Association of America (PCI)

The Financial Institutions and Consumer Credit Subcommittee  
Committee on Financial Services  
United States House of Representatives

“Examining How Technology Can Promote Consumer Financial Literacy”

April 30, 2014

## **Introduction**

Chairman Capito, Ranking Member Meeks and members of the Subcommittee on Financial Institutions and Consumer Credit; the Property Casualty Insurers Association of America (PCI) which is composed of more than 1,000 member companies, representing the broadest cross section of insurers of any national trade association respectfully submits this written testimony for the record on “Examining How Technology Can Promote Consumer Financial Literacy”.

PCI members write more than \$195 billion in annual premium and 39 percent of the nation's home, auto and business insurance, epitomizing the diversity and strength of the U.S. and global insurance markets. Our insurance company members are very interested in this issue as it is important for all Americans to understand financial issues particularly with regard to the costs and financial risks associated with the purchase of insurance and coverage following an accident, a theft, fire loss or a natural disaster. PCI is very pleased that you are holding this hearing today to highlight the challenges and the opportunities that we have regarding financial literacy. For example: a recent survey provides key insights into what Americans think about their level of financial literacy:

- 40% of adults gave themselves a grade of C, D, or F on their knowledge of personal finance.
- 78% agree that they could benefit from additional advice and answers to everyday financial questions from a professional.
- 85% of American parents surveyed thought that a course in personal finance should be a high school graduation requirement.

## **Why insurers are involved**

With regard to insurance, following Superstorm Sandy and after virtually all natural disasters many residents are financially unprepared and there is the all too common refrain – I thought I was covered!

While consumers have a basic level of understand regarding their insurance, there is a need for more consumer education. A survey by the National Association of Insurance Commissioners (NAIC) showed that more than half of Americans don't have a home inventory of their possessions, putting them at risk for inadequate home insurance coverage, should a disaster strike.

This lack of confidence and knowledge, serves as an opportunity for those of us in the financial services sector to expand our outreach to customers and help them better understand the industry's products and services. Additionally, it creates an opportunity to partner with educators and help our students, both K-12 and post-secondary, become better prepared to navigate our increasingly complex financial system.

In an effort to better prepare consumers for not only the next natural disaster, but for financial empowerment, PCI and our members believe that the federal government, the states and those in the financial sector can work together to significantly improve consumer financial literacy.

PCI and our members support: 1) development of financial literacy educational resource guides; 2) K-12 consumer financial education legislation; 3) an increase in the availability of online and in-person insurance educational opportunities; and 4) an increase in our industry's marketing efforts for flood and earthquake insurance.

The good news is that there is widespread agreement regarding the need for financial literacy programs and there are thousands of non-profit organizations and businesses all engaged in educational efforts. The Griffith Foundation and the Independent Insurance Agents & Brokers of America's Project InVest are examples of successful programs and many insurance companies and agents have their own activities as well. We have started to encourage the industry to increase the sponsorship of educational organizations such as the Griffith Insurance Foundation.

## **Technology can help consumers prepare for the next major disaster**

PCI is also waging a consumer education campaign to help policyholders better understand their insurance policies and take steps to be financially as well as physically prepared for natural disasters. PCI's latest digital interactive resources, [Quick Steps for Disaster Preparedness and Recovery: Hurricanes](#) and [Quick Steps for Disaster Preparation and Recovery: Wildfires](#) are examples of what can be done with modern, interactive technology to engage consumers. The interactive resource guides include preparedness videos, checklists, links to other preparedness organizations such as FEMA and the American Red Cross and preparedness apps.

Additionally we understand the importance of connecting at the local level and have created a unique partnership with groups such as CAL FIRE, the Arizona Fire Districts and Fire Chiefs associations and are actively engaged in an integrated public relations campaign to spread preparedness messages and drive people to online resources related to being both physically as well as financially ready for wildfires. As an industry, we can collaborate to produce educational material that will facilitate the efficient dissemination of information to various stakeholders following a disaster.

However, when it comes to earthquake and flood insurance, we need to place special emphasis on strategies that will increase the awareness and purchase of policies to protect against these potentially devastating financial losses. Along the entire New York coast, the purchase of flood insurance exceeded 30 percent in only a couple ZIP codes. And while the percentages were higher in New Jersey, fewer than 50 percent of the homes and businesses in many areas most at risk were covered. In addition, the California Earthquake Authority (CEA) estimates that only 12 percent (or 1 in 8) of California residents have earthquake coverage.

While the industry is very well versed in responding to natural disasters, all of us must always be on the lookout for ways to improve our communications and educational outreach to consumers.

PCI and our members believe that technology – specifically the use of social media can enhance real-time information sharing by increasing public-private communications. Social media is being used to help address such issues as readiness information, emergency services and

response information for major disasters. Regarding Superstorm Sandy, Amy Freeze, a certified broadcast meteorologist on WABC-TV in New York City noted an overwhelming “ground truth” was found on social media. Users responding as the Superstorm was happening let forecasters instantly know the impact of the surge and the intensity of the wind. According to Pew Research, 25% of the 20 million tweets during Sandy were photos and video. The initial pictures illustrated the reality of what had been forecasted, allowing for more clarity and more certainty as the storm continued. Social media is helping the public better protect their financial assets and most importantly keeping their families safe and saving lives.

The National Oceanic and Atmospheric Administration (NOAA) Weather-Ready Nation initiative is another example of leveraging technology to engage the public and private sectors to build community resilience in the face of increasing vulnerability to extreme weather and water events. Through the use of social media, wireless apps and other technology tools the government, first responders, insurers, businesses, and community organizations are sharing preparedness information which strengthens our nation’s financial literacy.

Real-time information connects us and also serves as a means of education for consumers. Planning ahead for the next disaster by identifying and engaging potential partners and providing social and email distribution channels will help consumers and government by keeping them informed. PCI has already created a series of videos including: “Don’t Get Caught Without Insurance”; “Hurricanes: Know Your Coverage”; “Are You Covered? PCI goes to Washington, IL”; and “Wildfire Home Inventory”. PCI will be creating additional videos to further address knowledge gaps on insurance coverage, including the National Flood Insurance Program and earthquake coverage.

### **Conclusion**

It is essential for America’s consumers, businesses, the economy and insurers to have a strong understanding of financial issues and the impact insurance can have in reducing loss and keeping America resilient. We support your efforts to promote awareness and look forward to working with you, particularly with regard to preparing our nation for disasters, by utilizing technology and public-private partnerships to help consumers become more financially strong.