



RESEARCH BRIEF SERIES

MITIGATION MATTERS

AWARD RECIPIENTS

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AWARD AMOUNT:
\$2,500

FEMA defines mitigation as the effort to reduce loss of life and property by lessening the impact of disasters. Effective mitigation requires that we all understand local risks and invest in long-term planning to reduce risks and enhance community well-being.

REBUILDING AFTER A TORNADO: THE ROLE OF HOMEOWNERS INSURANCE IN RECOVERY

SUMMARY

Insurance against disaster plays a critical role in community resilience by providing policyholders with reliable and timely payments for repairing or reconstructing damaged houses. By allowing homeowners to transfer risk and avoid excessive financial burdens, insurance can allow homeowners to repair or reconstruct damaged houses without experiencing significant financial hardship. Insurance can also reduce delays in the housing recovery process. While the role of insurance can be supported and understood based on quantitative data, the influence of homeowners insurance on recovery—specifically in tornado-impacted communities—is understudied.

This research study focused on understanding whether sufficiently insured houses have a positive impact on the resilience of tornado-impacted communities. The research team conducted two sets of online surveys of residents in five communities in Missouri, Ohio, and Kansas whose houses were damaged by the May 2019 tornadoes. Using the survey data, this study quantitatively assessed the effects of homeowners insurance status and coverage on post-tornado repairs, financial hardships, and the time it took to initiate the housing recovery process. Survey results indicated that sufficient insurance coverage helped homeowners avoid post-tornado financial devastation and repair their damaged houses in a timely manner.



KEY FINDINGS

- The survey results suggested the sufficient homeowners insurance coverage encouraged homeowners to repair their damaged homes.
- Results indicated that homeowners insurance were largely able to avoid post-tornado financial hardship, with 80% of insured homeowners surveyed saying they did not experience financial hardship because most of the house repair or reconstruction costs were covered by insurance claim payments.

- This study also found that having insurance reduced the wait time to initiate the housing recovery process by providing insurance claim payments. The mean wait times to begin repairs or reconstruction were 113 days for fully insured homeowners and 144 days for those underinsured. By comparison, those without insurance waited 194 days.

POLICY IMPLICATIONS

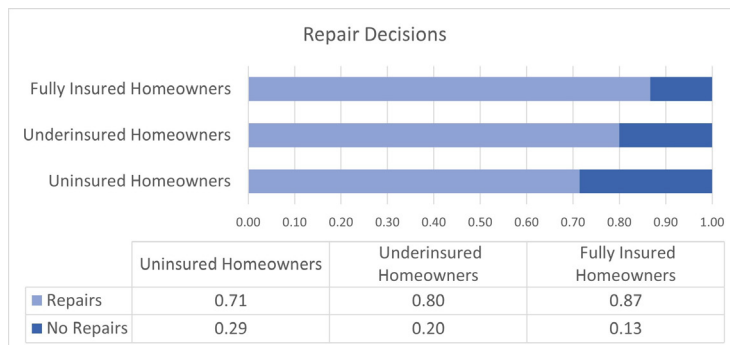
This research can provide policymakers with information about how homeowners insurance can be used in community resilience planning to achieve resilience goals in both the short-term (i.e., by expediting communitywide recovery) and in the long-term (i.e., by preventing residents from living in long-term poverty).

STAKEHOLDERS

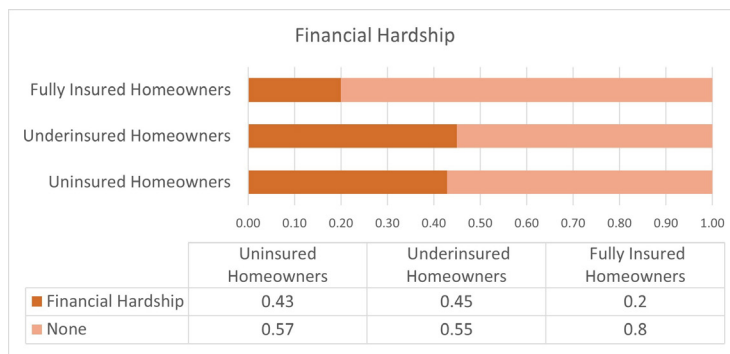
Homeowners and local government officials in tornado-prone areas may find this work of interest because it provides the descriptive survey results about the effect of homeowners insurance on tornado-impacted individuals, houses, and communities.

Full report: Lee, J.Y. & Yan, G. (2022). The Role of Homeowners Insurance in Recovery. Natural Hazards Center Mitigation Matters Grant Report Series, 11. Boulder, CO: Natural Hazards Center, University of Colorado Boulder. Available at: <https://hazards.colorado.edu/mitigation-matters-report/rebuilding-after-a-tornado>

Comparison of Repair Decisions



Comparison of Financial Hardship



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