

Flood Insurance Price Updates and Local Housing Development

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Abstract

As climate change continues to exacerbate flood risk, more housing capital is put in danger and more people are put in harm's way. The economic costs of this increasing flood risk emphasizes the importance of insurance and its ability to price risk accurately. I study a change in the price of flood risk within the context of the National Flood Insurance Program (NFIP) starting in October 2021. Using newly introduced rate-calculation methodologies, I study the effect of flood insurance premium changes on housing development in the universe of tax parcels in Florida and North Carolina. I find that parcels that experience an increase in available flood insurance premiums are less likely to be developed in the short run. My empirical results suggest evidence of moral hazard before the reform.