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Natural Catastrophe Risk and Resilience (EX) Task Force
San Diego, California
March 24, 2026

The Natural Catastrophe Risk and Resilience (EX) Task Force met in San Diego, CA, March 24, 2026. The following Task Force members participated: Ricardo Lara, Chair (CA); Mark Fowler, Vice Chair (AL); Heather Carpenter (AK); Joshua Hershman represented by George Bradner (CT); Trinidad Navarro represented by Christina Miller (DE); Sharon P. Clark represented by Lori Cunningham (KY); Marie Grant represented by Raymond Guzman (MD); Grace Arnold represented by Peter Brickwedde (MN); Angela L. Nelson (MO); Jon Godfread represented by Matt Fischer (ND); Patty Kuderer represented by Andy Swokowski (WA); and Nathan Houdek represented by Sarah Smith (WI).

1. Adopted Feb. 24 Minutes

Commissioner Fowler made a motion, seconded by Director Nelson, to adopt the Task Force's Feb. 24 (Attachment XX) minutes. The motion passed unanimously.

2. Heard a Presentation on the Future of Insurability in the Face of Catastrophe Risks

Liz Henderson (AON) began by emphasizing the critical importance of maintaining insurability as a core component of disaster recovery and community resilience. Framing the discussion under the title *"The Future of Insurability in the Face of Catastrophe Risk,"* she highlighted that while the insurance industry is well-positioned to pay claims after disasters, rising losses driven by climate exposure, building concentration, inflation, and reconstruction costs require more proactive solutions to enhance resilience.

Henderson described the company's work with both insurers and commercial clients. Three years ago, Aon established a Climate Risk Advisory Group to democratize access to catastrophe and climate models, traditionally limited to insurers. The goal is to help clients understand their risks and identify ways to mitigate or become more resilient against them. The presenter emphasized the need to scale these efforts to reach more communities and consumers.

The presentation highlighted recent trends in catastrophe risk:

- Climate impacts: 2025 was the third hottest year on record, causing over 25,000 fatalities and significant economic losses in sectors such as agriculture. Extreme heat is increasingly a concern beyond traditional property and casualty lines, acting as a loss amplifier.
- Rising insurance losses: 2025 marked the sixth consecutive year of insured losses exceeding $100 billion. Since 2000, the industry has paid over $2.5 trillion in natural catastrophe losses, equivalent to the combined GDP of Italy and Brazil.
- Loss drivers: Beyond climate, factors such as building density, urban concentration, inflation, and limited mitigation measures are major contributors to increasing losses. A study on severe convective storms in the U.S. found that 80% of increased losses were attributable to these factors rather than climate alone.

Insurers are responding by improving models to better integrate climate impacts; a survey indicated that 68% of insurers are now using enhanced methods for risk selection, portfolio management, regulatory compliance, and pricing. Henderson noted that different regions face distinct perils, from coastal hurricane risk to extreme heat, wildfires, and floods, and that "secondary" perils, such as severe storms, are cumulatively surpassing traditional risks like hurricanes.

Henderson outlined industry strategies for managing rising losses:

- Adjusting retention levels, particularly as reinsurers reduce appetite for lower catastrophe layers, requiring insurers to hold more risk and improve modeling.
- Leveraging key levers such as rate increases, non-renewals, portfolio rebalancing, and investments in resilience and mitigation.
- Implementing programs that incentivize resilience through premium discounts, consumer education, grants, and resilient advisory services.

Mapping of 2025 severe storm events demonstrated the need for targeted resilience programs, especially in high-risk counties, with the potential to mitigate losses, improve risk selection, and maintain insurance affordability and availability.

Henderson emphasized that maintaining widespread access to quality insurance products requires a coordinated approach to resilience. This involves collaboration among regulators, insurers, emergency management, infrastructure investors, and other stakeholders to develop state- and community-level plans that integrate risk awareness, mitigation, and affordability strategies. Insurance provides the risk pricing signal, while other solutions address accessibility and affordability, ensuring that communities can understand and manage their risks effectively.

The presentation concluded with a call to action for stakeholders to collaborate on scaling resilience programs, integrating insurance insights with broader infrastructure and mitigation initiatives, and supporting consumer access to insurance products in high-risk areas.

Commissioner Lara asked whether insurers and reinsurers are reacting to new risks in similar ways and where there might be divergence between insurer and reinsurer views of US catastrophe risks. Henderson noted that catastrophe and climate risk remain inherently difficult to model, particularly for perils such as severe convective storms and wildfires. Modeling and climate firms employ varied methodologies to quantify these risks, reflecting differing scientific assumptions and analytical approaches. While these models are supported by significant investment and collaboration with the academic community, there remains a wide range of uncertainty in outcomes, underscoring that catastrophe risk modeling is not an exact science.

She emphasized that insurers and reinsurers should rely on multiple models to develop a more comprehensive understanding of risk and to inform decision-making frameworks, a practice consistent with approaches used across industries facing complex uncertainty. Differences in risk views among market participants are driven not only by scientific perspectives but also by organizational risk appetite, capital structure, and portfolio diversification strategies. This lack of full consensus was characterized as constructive, as it creates opportunities for innovation. In particular, newer or non-traditional market participants have leveraged alternative models and perspectives to enter and compete in areas such as wildfire and severe storm risk, contributing to market evolution while operating within a broadly similar analytical framework.

Commissioner Lara asked how states might incentivize some of the disruptors or some of the more established modelers to start taking into consideration some of these improvements and to start actually showing up in the underwriting or reinsurance modelers.

Henderson stated that insurer consideration of mitigation efforts improves once the industry has confidence that such actions result in meaningful and verifiable risk reduction. When mitigation measures are clearly linked to reduced risk, insurers are more willing to incorporate those improvements into underwriting and pricing decisions. The primary challenge identified was a lack of awareness and education regarding mitigation activities occurring

at the local level, as well as insufficient communication among program designers, practitioners, modeling firms, and insurers.

She emphasized the importance of establishing robust dialogue among stakeholders, including those developing and implementing mitigation programs, to ensure that on-the-ground improvements are supported by empirical evidence demonstrating improved outcomes following events. An example was provided involving flood mitigation investments undertaken by the New York City Water Management Department after Hurricane Sandy, including construction of sea walls and enhanced drainage system. While insurers indicated a willingness to recognize these investments, the mitigation efforts were not reflected in insurance pricing because they were not incorporated into catastrophe models.

To address this gap, stakeholders convened engineers responsible for the infrastructure projects, catastrophe modeling firms, and insurers to align understanding of the mitigation measures and quantify their impact on risk. The goal of these discussions was to enable modeling firms to account for mitigation investments and allow insurers to incorporate those risk reductions into underwriting and pricing decisions. She also noted that such coordinated engagement occurs infrequently and recommended expanding this approach at a broader scale to support more effective integration of risk reduction efforts across the insurance market.

Commissioner Temple referenced a presentation slide addressing hazard and loss dynamics, noting building density and mitigation as key drivers of loss. He observed that several states have implemented mitigation programs, such as FORTIFIED roof initiatives, often supported by taxpayer and other public funds, while recognizing that available resources for such programs are limited. Drawing on experiences in Alabama and Louisiana, he highlighted observations that achieving a sufficient concentration of FORTIFIED roofs within a defined geographic area can reduce risk not only for individual properties but also across insurer and reinsurer portfolios.

Commissioner Temple noted that there is currently no clear methodology for quantifying the portfolio-level impact of mitigation concentration and requested collaboration among brokers, reinsurers, catastrophe modelers, and academic experts to help identify appropriate metrics and thresholds. Specifically, he asked whether it would be possible to determine meaningful benchmarks for mitigation concentration (e.g., percentage of properties mitigated and geographic footprint) to help states more strategically direct investment dollars and maximize community-wide risk reduction benefits.

Henderson stated that advancing resilience and scalable resilience solutions is a key priority both personally and organizationally, emphasizing the insurance industry's strong interest in investing in resilience initiatives. She noted that brokers are well positioned to evaluate mitigation efforts across multiple levels, from individual properties to portfolio-wide impacts, and to assess when mitigation investments reach a scale sufficient to influence reinsurance participation.

She observed that the industry has not fully explored this issue but cited Florida as an illustrative example. Despite frequent hurricane impacts and relatively high rates, Florida's long-standing building codes and FORTIFIED construction programs have contributed to an aggregated improvement in hurricane risk, supporting a viable insurance market. As a result, reinsurers continue to actively deploy capital in the state. She concluded that achieving mitigation at scale can meaningfully improve risk understanding and demonstrate the impact of resilience investments, even if pricing outcomes remain influenced by broader factors such as inflation and capital costs.

3. Presentation on Building Regulator-University Partnerships

Lars Powell, PhD, (Center for Risk & Insurance Research (CRIR), University of Alabama) explained how professors work and sometimes focus on bigger problems than regulators need solved immediately, creating frustration on both sides. He said regulators can gain a great deal from working with academia but cautioned that regulators need to strongly consider:

- Which field of study is most appropriate to tackle the issue?
- What kind of university can best solve the problem?
- Do regulators want a rookie or established academic/team?
- Should the contract be with an individual or the university?
- Is the question big enough for a center to be established, or is it simply a limited contract?
- Should faculty or students do the work?
- Communication needs to be frequent and thorough throughout the process.
- Deliverables need to be specifically written out (with deadlines) so there are no surprises.

4. Consider Adoption of Revisions to the Natural Catastrophe Risk Dashboard Report

Commissioner Lara noted one sentence for revision to align with the overall tone and information in the document.

The revision reads:

> It should be noted that there are cost drivers beyond natural catastrophe risk that may contribute to increased homeowners insurance rates. Factors such as inflation in building materials, labor and repair costs, and costs associated with ~~legal system abuse~~ claim-related litigation and alleged fraud may also contribute substantially to homeowners insurance rate increases, affordability and availability.

Commissioner Kuderer made a motion, seconded by Commissioner Grant to adopt the *Natural Catastrophe Risk Dashboard Report* (Attachment X). The motion passed unanimously.

5. Discussed Priorities for Working Groups in 2026

Commissioner Lara discussed priorities for its working groups in 2026, the Pre-Disaster Mitigation and Risk Modeling (EX) Working Group and Severe Peril (EX) Working Group. Commissioner Lara introduced the chairs and vice chairs of the two working groups and discussed major projects they'd be working on. The Pre-Disaster Mitigation and Risk Modeling Working Group will be led by Louisiana Commissioner Tim Temple (chair) and Oklahoma Commissioner Glen Mulready (vice chair) and will focus on a long-term vision for the COE, real-time modeling, and development of a model law related to mitigation. The Severe Peril Working Group will be led by Missouri Director Angela Nelson (chair) and Alaska Director Heather Carpenter (vice chair) and will focus on protection gaps, flood risks, and a flood risk blueprint.

6. Received an Update Concerning Next Steps for Catastrophe Risk Management Center of Excellence (CAT COE)

Tim Farrell, Actuary with the NAIC Catastrophe Center of Excellence (COE), provided an update on recent developments in catastrophe risk, with a focus on severe convective storm (SCS) modeling and related regulatory considerations.

He noted that catastrophe losses continue to increase due to factors such as population growth, inflation, and increased asset accumulation. Historically, catastrophe models have not fully captured the extent of SCS risk, leading insurers to rely more heavily on historical experience and adjusted modeling outputs when setting rates. However, over the past year, significant updates to SCS models have improved their reliability. As a result, insurers

are expected to increase their reliance on these models, and regulators will likely see more frequent inclusion of catastrophe modeling in rate filings.

To support regulators, the COE has expanded its training offerings. These include introductory and advanced catastrophe modeling courses, as well as recently developed training focused specifically on the use of catastrophe models in rate filings. This training provides guidance on appropriate applications of models and what regulators should expect to see in filings, particularly in states where catastrophe modeling has not traditionally been prevalent.

Farrell also emphasized that Severe Convective Storm risks present not only rate-setting challenges but also potential solvency concerns. Changes in the reinsurance market have made it more difficult for insurers to secure coverage for frequent, lower-severity events such as SCS. Increasing retentions and limited aggregate coverage may heighten financial risk for insurers.

The COE has supported solvency oversight through analysis of Risk-Based Capital (RBC) data and ongoing monitoring of catastrophe risk factors. Recent developments include the expansion of RBC perils, with wildfire recently adopted into the RCAT charge. Additionally, data related to SCS exposure is being collected for informational purposes as part of ongoing evaluation efforts by relevant NAIC working groups.

Further, the COE has provided assistance in financial examinations by advising states on catastrophe risk and reinsurance considerations. Farrell noted that this support has been well received, particularly given the evolving nature of catastrophe risk assessment.

Finally, Farrell highlighted the importance of mitigation and resilience initiatives. The COE supports states in developing mitigation grant programs and provides technical guidance on prioritizing investments. This includes developing mitigation discount tables to ensure that policyholders who undertake risk-reduction measures receive appropriate premium credits. He concluded by emphasizing that the COE offers a wide range of services across pricing, solvency, and mitigation. He encouraged regulators to engage with the COE to explore opportunities for support tailored to their state's needs.

7. Receive an Update on the NAIC Disaster Preparedness Guide

Mike Peterson (CA) provided an update on the *NAIC Disaster Preparedness Guide*. Work started in March of 2025 resulting in two draft documents. One is an executive summary tailored towards commissioners; the other is a much longer thorough document tailored for staff. The Task Force will expose these documents for final review in April, with a 30-day exposure period. The documents will then be before the Task Force for adoption in advance of the Summer National Meeting.

Having no further business, the Natural Catastrophe Risk and Resilience (EX) Task Force adjourned.

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