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Severe Peril (EX) Working Group
Virtual Meeting
July 13, 2026

The Severe Peril (EX) Working Group of the Natural Catastrophe Risk and Resilience (EX) Task Force met July 13, 2026. The following Working Group members participated: Angela L. Nelson, Chair (MO); Heather Carpenter, Vice Chair (AK); Mark Fowler and Travis Taylor (AL); Lori Dreaver Munn (AZ); Rabab Charafeddine (CA); George Bradner (CT); Anoush Brangaccio (FL); Caleb Malone (LA); Jackie Horigan (MA); Joy Y. Hatchette (MD); Sandra Darby (ME); Peter Brickwedde (MN); Andy Case (MS); and David Forte (WA). Also participating were: Michael Humphreys and Dudley Ewen (PA).

1. Adopted its June 11 Minutes

The Working Group met June 11. During this meeting, it took the following action: 1) adopted its May 14 minutes; 2) received results from the regulator survey on flood priorities; and 3) received an update on the Natural Catastrophe Risk Dashboard.

Director Carpenter made a motion, seconded by Darby, to adopt the Working Group’s June 11 meeting minutes (Attachment Three-A). The motion passed unanimously.

2. Received Results of the Follow-Up Survey on Specific Tactics for the Flood Insurance Blueprint

Director Nelson opened the discussion by acknowledging the loss of life and damage caused by recent flooding in Missouri. She reported that the Missouri Department of Commerce and Insurance had already received two legislative inquiries involving constituents who attempted to file homeowners insurance claims and then learned that flood was not covered under their homeowners policies. She said the experience reinforced the importance of the Working Group's flood insurance education and communication work.

Jeff Czajkowski (Center for Insurance Policy and Research—CIPR) presented the results of a follow-up survey designed to identify the specific Flood Insurance Blueprint tactics that Working Group members believed would have the greatest impact. The survey focused on the four highest-ranked strategic categories from the Working Group’s earlier survey. Respondents rated approximately 20 tactics on a one-to-five impact scale and then selected their three highest priorities across all categories. Twelve responses were received, representing approximately 83% of the Working Group's membership.

- Consumer awareness, education, and risk communication: Develop a state-specific flood insurance consumer education toolkit and create an outreach guide and companion challenge for departments of insurance to engage builders, developers, lenders, real estate professionals, emergency managers, and other partners.
- Behavioral research and policy design: Analyze flood insurance take-up rates by geography, income, flood history, property type, and risk zone to identify underserved or underinsured communities and develop and test pilot programs using messages focused on affordability, recovery, and community resilience.
- Consumer protection standards and claims practices: Encourage insurers and producers to provide clear information at policy sale and renewal regarding flood exclusions and available coverage options and develop a consumer guide comparing key features of the National Flood Insurance Program (NFIP) and private flood insurance products, including coverage limits, exclusions, and claims handling.

- Mitigation, resilience, and incentives: Develop a consumer-facing before, during, and after flood resilience checklist addressing insurance documentation, mitigation, and recovery; promote awareness of mitigation measures; and examine which mitigation measures provide the greatest risk reduction for purposes of insurance incentives.

Czajkowski noted that respondents could also submit additional tactics. Suggestions included developing flood insurance education materials and continuing education for producers, providing producers with localized risk-assessment tools, addressing catastrophe modeling, and creating content tailored to the intended audience. He said the overall priority selections did not show wide separation among most tactics, although analyzing flood insurance take-up rates by demographic and risk characteristics received the top three selections. Producer-focused work, a consumer education toolkit, and pilot messaging programs also ranked among the top priorities overall.

Director Carpenter supported the suggestion to develop continuing education resources for producers and said NAIC committee support could explore ways to provide materials rather than placing the full development burden on producers. She also asked members to consider how flood mitigation could be promoted, given that many consumers are already struggling to afford insurance and that some structural mitigation measures may be costly.

Director Nelson said the communication-related tactics were of short-term interest, including outreach to partners, consumer education, producer engagement, and message testing. She invited Working Group members to identify tactics they believed would produce practical, near-term results.

Bradner said Connecticut's recent catastrophes had largely involved flooding, and that consumers often lacked an accurate understanding of their flood risk. He emphasized the role of producers in conducting informed conversations and said regulators should provide tools that go beyond reliance on the Federal Emergency Management Agency (FEMA) flood zone information. Bradner also identified lenders and real estate professionals as important partners in helping homebuyers understand flood risk at the time of purchase.

Director Nelson agreed that producers and financial institutions should be central partners. Drawing on her own experience as a producer, she said consumers may not be clearly told that homeowners insurance excludes floods or may be advised that flood insurance is unnecessary when a lender does not require it. She said providing coverage advice regarding flood risk demonstrates the value of producer involvement.

Hatchette said the Working Group should analyze where consumers are currently purchasing flood insurance so that limited outreach resources can be directed effectively. She also identified affordability as a major reason consumers do not purchase coverage and suggested that education efforts include lower-cost mitigation steps for consumers who cannot afford a flood policy. Director Nelson agreed that affordability and mitigation were important, while noting that many consumers first need to understand that flood is not covered by a standard homeowners policy.

Commissioner White said floods and earthquakes represent significant insurance protection gaps and supported further research into consumer decision-making. He recommended using consumer surveys to identify why people do not purchase flood insurance and then testing tailored messages based on those findings.

Commissioner Humphreys described Pennsylvania initiatives arising from a prior flood affordability study. Pennsylvania requires property/casualty (P/C) producers who sell homeowners insurance to complete at least one hour of flood insurance education within the existing 24-hour biennial continuing education requirement. He said Pennsylvania worked with insurers and producer associations to implement the requirement.

Commissioner Humphreys also reported that Penn State was completing a second flood study that included consumer surveys and potentially surveys of producers and real estate professionals. He offered to share the study with the Working Group when it becomes available. In addition, Pennsylvania had procured a study of innovative flood insurance opportunities, including limited-coverage products that could provide approximately $20,000 to $40,000 of protection at a lower premium. He described private-market examples involving limited coverage and an extended water endorsement and said these options could provide meaningful protection for appliances, heating and cooling equipment, and portions of a home's first floor.

He said Pennsylvania had also hired a flood ombudsman to coordinate with FEMA and local communities, support outreach, and assist following flood events. He identified the relative cost of low-limit NFIP coverage as an issue Pennsylvania wanted to explore further. Director Nelson asked that information on the extended water endorsement be shared and said limited-coverage options should be included among the Working Group's considerations.

Darby asked whether information about companies offering these products could be shared with the regulatory community. Humphreys said the information could be distributed through P/C regulatory channels. Butch Kinerney (NAIC) offered to circulate materials and suggested inviting Pennsylvania's flood ombudsman to a future meeting. Ewen, who serves in that role, said he would welcome the opportunity to provide a future presentation.

Director Nelson stated that she, Director Carpenter, and NAIC committee support would organize the priority tactics into short-, medium-, and long-term projects and develop a proposed sequence of work. The leadership team planned to present the proposed approach at the next Working Group meeting for member feedback. Members interested in participating in potential subgroups were asked to contact Kinerney.

Kinerney then previewed a proposed outreach guide and companion challenge for state departments of insurance. He described a turnkey package that departments could customize with state-specific risk information, names, and branding for presentations to producers, chambers of commerce, civic organizations, fire departments, local officials, and other community audiences. Potential materials would include brief talking points, elevator speeches, template news releases, opinion pieces, and messaging explaining the relationship between insurance coverage and community economic resilience. NAIC committee support planned to begin collecting and developing materials over the following one to two months, with the goal of producing a deliverable before the end of 2026. The companion challenge would encourage friendly participation among states.

3. <u>Heard a Presentation from Verisk on Homeowners Insurance Market and Severe Perils</u>

Laura Panesso (Verisk) and Nancy Clark (Verisk) presented homeowners market and roof-risk trends related to severe convective storms. Panesso said the presentation addressed hail exposure, homeowners insurance market conditions, roof age and materials, claim severity, depreciation, deductibles, and tools available to regulators.

Panesso explained that the presentation used Verisk statistical data from contributing admitted carriers representing approximately one-third of the market, although participation varies by state. The data was preliminary, reflected accident-year losses, and was evaluated as of Dec. 31, 2025.

Panesso reviewed countrywide homeowners insurance loss ratios divided between catastrophe and non-catastrophe components. She said improved catastrophe experience in a single year does not eliminate broader market pressures because loss trends vary by peril, geography, and year. She noted that 2025 did not include a major landfalling hurricane and that a first-quarter 2025 increase in catastrophe fire losses reflected the California wildfires.

By peril, Panesso reported that 2025 wind and hail losses declined 27% from the prior year, while water losses increased moderately. The five-year period shown indicated that 2025 was the first year with no hurricane losses. Hail severity declined from 2024 and was slightly below the five-year average, but state results remained highly regional. The highest 2025 hail severity was reported in Montana, Rhode Island, and Connecticut, while hail frequency was highest in Missouri, Kansas, and Wyoming. Non-hurricane wind severity was lower than in 2024 but remained above the five-year average. Missouri, Mississippi, and Arkansas had the highest wind severity, and Missouri, Arkansas, and Maryland had the highest wind frequency.

Clark said roofs are central to severe-peril analysis because they are directly exposed to hail, wind, wildfire embers, and other weather events and are a major driver of property claim costs. She reported that Verisk's Property Claim Services team estimated just over $20 billion in severe convective storm losses in 2026 as of the meeting date.

Clark explained that hail size alone does not determine damage. Storm duration, hailstone quantity, hardness, fall velocity, and hailstone size range can materially affect outcomes. She said severe convective storm risk should therefore be evaluated as a multidimensional exposure when underwriting, claims, and mitigation are considered.

Reviewing recent roof-impact data, Clark reported that 16 states had at least 20% of roofs affected by hail in 2025, compared with 12 states in 2024. Kansas, Nebraska, Oklahoma, South Dakota, and Arkansas had particularly high percentages of roofs affected by severe hail. She said the roof's age and material are important indicators of susceptibility to damage. In designated hail states, 57% of roofs were nine years old or newer, compared with 38% in non-hail states, which may reflect greater replacement activity in hail-prone areas.

Clark said roof resistance can decline over time because of material aging and exposure to sunlight, temperature, wind, and precipitation. She cited research from Verisk and the Insurance Institute for Business & Home Safety (IBHS) indicating that older asphalt-shingle roofs are generally more vulnerable than newer roofs. She said roof age and material are relevant to claim frequency, claim severity, and the potential benefit of resilient construction and mitigation.

On claim costs, Clark reported that roofing material inflation continued to outpace roofing labor cost growth in 2025, with labor increasing 0.79% and materials increasing 1.48% on a national basis. She cautioned that state experience can differ substantially from national averages.

Clark also discussed changes in loss settlement terms. Nonrecoverable depreciation on roofing claims increased to nearly 20% of total claim estimates in 2025, reflecting increased use of actual cash value provisions and roof coverage endorsements. She said these provisions may reduce premium pressure but increase the policyholder's financial responsibility at the time of loss.

Roofing items represented approximately 30% of all line items in property claim estimates. Clark said total replacement cost value grew from 2021 through 2023 and declined in 2024 and 2025, but the pattern should not be interpreted as a broad reduction in underlying claim costs. She attributed the higher 2023 and 2024 totals in part to above-average weather-related claim volume and said that claims costs continued to rise modestly due to inflation and other factors.

Clark reported a continuing shift toward higher fixed-dollar and percentage-based wind and hail deductibles, particularly in areas with recurring severe weather. She said these changes may help insurers manage loss severity and premium pressure but can also increase policyholder out-of-pocket costs.

The presenters identified no-cost Verisk resources available to regulators for visualizing statistical data; evaluating premiums, exposures, losses, and claim counts; conducting catastrophe data calls; and assessing post-disaster economic impacts.

Director Nelson asked members to send follow-up questions to Kinerney. Kinerney agreed to coordinate responses with Panesso and Clark and distribute the information to the Working Group.

Having no further business, the Severe Peril (EX) Working Group adjourned.

