

Draft: 7/28/21

Catastrophe Insurance (C) Working Group  
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)  
July 22, 2021

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 22, 2021. The following Working Group members participated: Mike Chaney, Chair, David Browning, and Andy Case (MS); James A. Dodrill, Vice Chair, and Robert Grishaber (WV); Katie Hegland (AK); Brian Powell (AL); Ken Allen, Giovanni Muzzarelli, and Lynne Wehmueller (CA); George Bradner and Wanchin Chou (CT); Virginia Christy (FL); Colin M. Hayashida, Grant Shintaku, and Roland Teruya (HI); Travis Grassel (IA); Judy Mottar (IL); Heather Droge (KS); Warren Byrd and Tom Travis (LA); Matthew Mancini (MA); Joy Hatchette (MD); Carrie Couch, Leann Cox, Jo LeDuc, and Jeana Thomas (MO); Kristin Barrow and Fred Fuller (NC); Carl Sornson (NJ); Tom Botsko and Maureen Motter (OH); Cuc Nguyen and Andrew Schallhorn (OK); David Dahl and Van Pounds (OR); David Buono (PA); Segun Daramola, Elizabeth Kelleher Dwyer, and Beth Vollucci (RI); Bill Huddleston (TN); Marianne Baker and Mark Worman (TX); and David Forte (WA). Also participating were: Vincent Gosz (AZ); Sandy Anderson and Steve Klebba (MN); Eric Dunning (NE); Bogdanka Kurahovic (NM); Gennady Stolyarov (NV); and Donna Stewart (WY).

1. Adopted its June 21 and Spring National Meeting Minutes

Mr. Botsko made a motion, seconded by Mr. Grassel, to adopt the Working Group's June 21 (Attachment **XX**) and March 10 (*see NAIC Proceedings – Spring 2021, Property and Casualty Insurance (C) Committee, Attachment Two*) minutes. The motion passed unanimously.

2. Heard an Update Regarding Federal Legislation

Brooke Stringer (NAIC) said there has not been much progress on passing a long-term National Flood Insurance Program (NFIP) reauthorization. The current extension expires Sept. 30, and there will likely be another extension put into place.

Ms. Stringer said the U.S. Senate (Senate) Committee on Banking, Housing, and Urban Affairs has held two NFIP reauthorization hearings. During last month's hearing, Sen. John Kennedy (R-LA) and Sen. Robert Menendez (D-NJ) criticized the Federal Emergency Management Agency's (FEMA's) new methodology, Risk Rating 2.0, which calculates the flood risk of individual properties rather than risk by zones. Sen. Kennedy has introduced the Flood Insurance Fairness Act (S. 1960), which would require Congressional approval before FEMA could make any changes to the NFIP, including the implementation of Risk Rating 2.0. The bill has no cosponsors to date. Ranking Member Sen. Pat Toomey (R-PA) said any plan to reauthorize the NFIP should not interrupt FEMA's implementation of Risk Rating 2.0.

Ms. Stringer said beginning Aug. 1, current NFIP policyholders can contact their insurer or agent to learn more about how Risk Rating 2.0 will affect them. The updated rates will take effect for new policies on Oct. 1 and for renewing policies on April 1, 2022. However, if a policyholder's rate will be decreasing, they will be allowed to renew on Oct. 1 to take advantage of the lower premiums.

Ms. Stringer said in April of this year, U.S. House of Representatives (House) Committee on Financial Services Chairwoman Maxine Waters (D-CA) released a draft of the National Flood Insurance Program Reauthorization Act of 2021. This Act would reauthorize the NFIP for five years, institute a cap on premium increases of 9% per year, forgive over \$20 billion in NFIP debt, and enact several other reforms. This Act also includes language to ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without penalty. Additionally, Rep. Nydia Velázquez (D-NY) released a draft of the NFIP Reform Act of 2021, which would modify the NFIP claims process for policyholders whose NFIP claims are denied, as well as enact other reforms.

Ms. Stringer said in May, Commissioner Andrew N. Mais (CT) testified on behalf of the NAIC at the House Committee on Financial Services' Housing, Community Development and Insurance Subcommittee hearing entitled, "Built to Last: Examining Housing Resilience in the Face of Climate Change." The testimony focused on the importance of mitigation to improve disaster resiliency and highlighted the work of the Climate and Resiliency (EX) Task Force. The testimony noted state insurance regulators' partnership with FEMA and expressed support for a long-term reauthorization of the NFIP.

Ms. Stringer said Sen. Dianne Feinstein (D-CA) and Rep. Mike Thompson (D-CA) are reintroducing the Disaster Mitigation and Tax Parity Act (S. 2432), which would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants. She said this is the first time the bill has been introduced in the Senate, and it is being introduced by Sen. Feinstein and Sen. Richard Burr (R-NC) as a bipartisan bill. She said this is a bill the NAIC endorsed during the last U.S. Congress (Congress), and the NAIC continues to support this bill.

Amy Bach (United Policyholders—UP) asked if the NAIC has weighed in on Risk Rating 2.0. Ms. Stringer said the NAIC continues to communicate with FEMA and receive briefings; however, the NAIC has not taken a specific position. She said this is the first time FEMA has made changes to the NFIP program since the 1970s.

### 3. Discussed the Status of the *Catastrophe Modeling Handbook* and Drafting Group Formation

Commissioner Chaney said the Working Group met last month to discuss updating the *Catastrophe Modeling Handbook* (Handbook). He said the referral items include: 1) understanding how state insurance regulators are currently using the Handbook and determine its practical use within the regulatory toolkit; 2) coordinating with the Catastrophe Risk (E) Subgroup to understand the materials it is developing or making available to state insurance regulators regarding catastrophe models; 3) updating questions in Section VII of the Handbook to include wildfire (resource: *Application of Wildfire Mitigation to Property Exposure*); 4) considering questions specific to additional perils for which catastrophe models in use today are including, such as flood; 5) denoting which questions should be directed to insurers and which questions should be directed to catastrophe modelers; 6) exploring which catastrophe modelers have begun including climate change data in their models; 7) considering alternative formats for the Handbook to be able to more easily keep it current; and 8) updating the necessary sections.

Commissioner Chaney said the drafting group will need to determine the order of completion of these items. He said perhaps the drafting group will want to start with a discussion of how state insurance regulators are currently using the Handbook. He said to date, California, Connecticut, Louisiana, and Mississippi have volunteered to be a part of the drafting group. He said there are also some interested parties that would like to help with the drafting; while they will not be official members of the drafting group, it is important for them to participate in the discussions and provide their input, as it is valuable in this endeavor.

### 4. Discussed Roofing Repair and the MWUA Roof Upgrade Program Implemented in Mississippi

Mr. Case said Hurricane Zeta hit the Mississippi Gulf Coast in November 2020. The hurricane was a significant event for the Mississippi Windstorm Underwriting Association (MWUA), as there were 25,000 residential property claims. Mr. Case said the best time to fortify a roof is when putting a new roof onto a structure.

Mr. Case said during the claims settlement process, the MWUA made \$2,500 available to policyholders for reimbursement to upgrade to a fortified roof. He said surprisingly, Mississippi had very few policyholders take advantage of this offer. He said the average claim submitted for a roof upgrade was below the \$2,500 limit; and on average, the cost of a roof upgrade was \$1,800. He said one of the reasons this may have happened was that it was at the height of the holiday shopping season, so availability of cash was an issue for most policyholders considering a 2–5% deductible they were already having to pay. Mr. Case said there was also the issue of the withholding of depreciation. He said these items likely contributed to the low take-up rate of the reimbursement offer.

Mr. Case said there were three hurricanes in Louisiana, one in Alabama, and one in Mississippi in 2020, and there are only a certain number of Insurance Institute Business & Home Safety (IBHS) certified roofers available on the Gulf Coast. He said Mississippi was in competition with two other states that had as much or more damage than Mississippi for these certified roofers, as well as other property claim experts. He said there was a waiting list to have a roof repaired as it was, and he believes there was some hesitancy for people to have to wait even longer for an IBHS certified roof.

Mr. Case said Mississippi applauds the efforts of the MWUA, as the idea was to mitigate homes for future events and help some policyholders back out into the admitted market.

### 5. Discussed Items to Help Insurers with Expedited Claims Processing

Lisa Brown (American Property Casualty Insurance Association—APCIA) said the APCIA Catastrophe Actions Toolkit is included as a part of the Working Groups materials. She said the APCIA has heard from its members regarding getting into a catastrophe area quickly to adjust and settle claims, which oftentimes results in some regulatory hurdles. She said these hurdles are outside the jurisdiction of the department of insurance (DOI), but it would like to help eliminate some of the barriers. She

said the toolkit includes a draft bulletin, and the APCIA is hoping to begin a dialog on how it can help state insurance regulators in the various states.

Ms. Brown said the APCIA has heard from its members that it has set up a mobile claims settlement location not knowing that specific permits were needed to do so. She said the APCIA has also had issues with companies needing to bring in a tanker truck with fuel to refuel claims adjuster's vehicles at a claims settlement location, and it found that another permit was needed to do this, as well as issues with towing and salvage. She said the APCIA would like to be able to get authority for the DOI to make administrative pronouncements that fall outside of its jurisdiction or figure out ways for the DOIs to better coordinate with other state and local agencies that need to be involved. She said the draft bulletin in the toolkit is intended to address both pre-disaster preparation and recovery measures. She said the bulletin also addresses the DOI getting the claims related data and information the APCIA will inevitably need from the insurers following a catastrophic event. She said the APCIA would welcome the opportunity to work on these issues with the state insurance regulators.

Ms. Bach asked if this initiative relates to the growing offers that some insurers are notifying their policyholders about regarding the relationships they have with private firefighting agencies or providing loss mitigation in advance of a wildfire. Karen Collins (APCIA) said this is not part of the initiative being discussed today. She said the initiative the APCIA is discussing today relates to the state insurance regulator's role in coordinating with state and local officials and what that process will look like in preparation, as well as the expedited claims processing.

Mr. Byrd asked regarding the obstacles that authorities put up for entries, how long these last. He said he assumes these are for downed power lines or items such as flooding that take longer to clear. Ms. Collins said the most recent feedback the APCIA has received is for the time immediately following a storm. She said the hurdles insurers are having are the types that are simple to overcome from a simple administrative perspective (e.g., a permit is needed that the insurer did not know about even though access to an area is ready and available). She said knowing about these items and solving them prior to a catastrophic event would help alleviate additional delays.

Ms. Hatchette said many catastrophic events are local, which causes another set of issues. She said she is happy to discuss the individual barriers that various localities might have in place. She said the DOI has a seat at the table with the emergency managers; it has been her experience that it is difficult dealing with localities, and she is not sure a bulletin will provide automatic access. Ms. Collins said the APCIA recognizes that at the local level, there is going to be a lot of variation, but the APCIA hopes to promote a standardized approach or a working model to the various emergency operations individuals and officials and educate them on where these benefits lie, might then allow the local level to overcome some of these barriers. Ms. Brown said the APCIA would like to know if there is any way that as an industry, it can help to make this process smoother for state insurance regulators and the insurance industry. She said part of the toolkit describes putting together a multi-agency response team, where state insurance regulators can talk to the transportation department, or whoever is overseeing the placement of a tanker truck and things like local event permits.

Mr. Bradner said he applauds this effort. He said he is Connecticut's long-term recovery co-chair for FEMA's Emergency Support Function (ESF) #14, and he encourages other states to get involved too. He said Connecticut developed a program working with its Department of Emergency Management and Homeland Security and its state and local police. He said they have a bulletin with a certification program where they can issue placards to companies and the companies can sign up well in advance of a disaster. He said they ask insurers to provide an updated list of all their emergency contacts on a yearly basis. He said the bulletin also tells insurers that if they need several placards assigned to them, they can ask for them and have them distributed now so they are ready in the event of a disaster. He said the local authorities are also familiar with the process. He said he is also the liaison for the DOI at the command center if there is an event; this allows him to quickly work with the authorities to get adjusters into the areas where they need to be.

Ms. Bach said a discussion regarding getting undisputed benefits into the hands of policyholders is related to the topic of expedited claims handling, and she would like for the Working Group to discuss this further. Commissioner Chaney said many states address the issues of pre-payment, partial payment, and additional living expenses in bulletins. He said the biggest hurdle is to be certain you have licensed adjusters and emergency orders in place to get people out into the field.

Having no further business, the Catastrophe Insurance (C) Working Group adjourned.

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