

**NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
 CLIMATE AND RESILIENCY (EX) TASK FORCE**

Proposed 2021 Charges & Workplan

November 3, 2020 Meeting

On behalf of National Association of Mutual Insurance Companies (NAMIC)¹ members, thank you for the opportunity to review materials under consideration by the newly formed Climate and Resilience (Ex) Task Force. These comments respond to the 2021 Proposed Charges (Attachment A) and Proposed Workplan (Attachment B) distributed on October 16.

First, NAMIC would like to thank the NAIC for the time it has dedicated to better understanding natural catastrophes through its many groups over the years. Through numerous presentations and hearings, the insurance community (regulators, consumers, and interested parties) have learned as a result. By focusing these issues at the Executive Committee level, in addition to the other groups dedicated to the topic, it is evident that NAIC leadership sees it as important to consider over this next year.

Essential Role of Insurance Regulators in State Mitigation & Resiliency Frameworks

Who knows better the impact of natural catastrophes on people and places than insurance regulators? The construction of the built environment and the land used makes an enormous difference in the ability of physical structures (homes and business places) to withstand perils. Addressing this reality touches on the lives of real people. It means less disruption for families and more stability for communities. And, it all has a very direct connection to the work that state insurance regulators do protecting consumers and informing peer policymakers on insurance-related concerns.

Insurance regulators see first-hand the impact of disasters. While others in a state administration may be charged with building code matters or with resiliency, having an informed insurance authority voice underscoring the benefits of adopting the latest building code may provide meaningful context and supportive momentum. This is not speculative. Indeed, NAIC Committees and Working Groups as well as the Center for Insurance Policy and Research have heard from knowledgeable experts on the tangible

¹ NAMIC is the largest property/casualty insurance trade group, with a diverse membership of more than 1,400 local, region, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector, representing 66% of the homeowner's insurance market and 53% of the auto market.

difference it makes when homes are built using standards that incorporate lessons learned. To point to just a few organizations that have shown compelling evidence from science and study, please consider the presentations made by the Insurance Institute for Business & Home Safety (IBHS)² and the Federal Alliance for Safe Homes (FLASH).³ In addition, a recent study performed by the National Institute of Building Sciences found that adopting modern model building codes saves \$11 for every \$1 invested.⁴ Finally, FEMA says:

The adoption and enforcement of up-to-date building codes in new construction practices mitigates the risk of life and property loss from natural hazards and their effects.⁵

Urgently and respectfully, **insurance regulators may make an unquestionable difference by engaging with other agencies, legislators, and governors on the significant value of and difference made by strong enforced building codes.** Protection gained by proactively helping to brace communities and properties for disasters goes hand-in-hand with the purpose of protecting insurance consumers. (The meaning of “differentiated role” in proposed charge 1 is not perfectly clear. If it is getting at this issue of insurance regulators engaging on building codes and other mitigation actions the states may be taking, insurance regulators bring an important perspective to the table as states are considering what to do about disruption caused by severe weather. Perhaps consider using wording along the lines of: *Coordinate the NAIC’s policy and potential actions related to climate risk.*)

This is an unprecedented time for engaging because states should be looking carefully at resiliency given new funding opportunities/approaches available through a newly created program housed at FEMA that will massively increase federal investment in pre-disaster hazard mitigation, the Building Resilient Infrastructure and Communities (BRIC) Program.⁶ This program was enabled by the federal Disaster Recovery Reform Act (DRRA) which makes a transformational shift in the way the federal government approaches catastrophes by making more money available to communities to undertake risk mitigating activities before a natural disaster strikes. Specifically, the DRRA seeks to both incentivize and arm states with new tools to implement resiliency measures before natural disasters under the theory that preventative measures will decrease damages caused by natural disasters and thus lead to reduced costs for policyholders and taxpayers. To this end, the DRRA, through the BRIC Program, is making new funds available to states that proactively implement certain resiliency measures, such as adopting and enforcing the latest model building codes.

² <https://ibhs.org/public-policy/building-codes/>

³ <https://www.flash.org/>

⁴ <https://www.nibs.org/news/432994/National-Institute-of-Building-Sciences-Issues-Interim-Report-on-the-Value-of-Mitigation-.htm>

⁵ https://www.fema.gov/media-library-data/1391095848112-ea8765dee99538f4bb2cc7179cf5c175/Building_Codes_Toolkit_FAQ_508.pdf

⁶ <https://www.fema.gov/grants/mitigation/building-resilient-infrastructure-communities>

Building codes could be incorporated into the charges/workplan a number of ways. Possible thoughts for your consideration:

Provide a centralized repository to collect and/or link to resources on effective building practices and codes.

Develop insurance-specific resources for use in discussions with policymakers on the importance of updated building codes.

Just as you play a crucial role with policymakers understanding risk, **insurance regulators also benefit customers by sharing information about risks and providing guidance on steps that could be taken to prevent or mitigate claims.** The NAIC and insurance regulators have demonstrated leadership in making sure consumers have information for making informed decisions. Based on the building-code discussion above, kindly consider the technical suggestion below under Proposed Workplan #6.

Continue consumer education and awareness on coverage gap and pre-disaster mitigation related to climate risks and natural catastrophe exposure, including possible strategic partnerships and the importance of up-to-date building codes.

As you can see, NAMIC feels strongly about your ability to make a difference in safety and protection through a concrete initiative supporting strong building codes (and therefore supporting mitigation and resiliency efforts).

Going Forward: Foundational Concepts

NAMIC looks forward to talking with the NAIC community as this Executive Committee as well as various other groups consider natural disaster, climate risk, mitigation, and resiliency questions.

NAMIC expects to review these issues through a lens of foundational insurance concepts, such as having the flexibility to fully consider the risk of insurance loss when designing products and in pricing. Other practical considerations may include things like whether the steps are narrowly tailored in a way that is not unnecessarily burdensome. To underscore an important point, climate risk may impact each insurer in different ways and to different degrees depending on the insurer's size, complexity, geographic distribution, business lines, strategies, and other facts. Overly broad one-size-fits-all proposals may be problematic. Of course, other considerations may include workability (such as timing and practicability of implementation) and regulatory certainty (through clear drafting and avoiding dual regulation).

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Thank you again for the opportunity to share this perspective.