



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

NAIC | SPRING  
2021 | NATIONAL  
MEETING  
VIRTUAL

# Catastrophe Insurance (C) Working Group

March 10, 2021  
Conference Call – 10:30-11:30 am

# **Agenda**



NAIC SPRING  
2021 NATIONAL  
MEETING VIRTUAL

# NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: 3/4/21

*Virtual Meeting  
(in lieu of meeting at the 2021 Spring National Meeting)*

## CATASTROPHE INSURANCE (C) WORKING GROUP

Wednesday, March 10, 2021

11:30 a.m. – 12:30 p.m. ET / 10:30 – 11:30 a.m. CT / 9:30 – 10:30 a.m. MT / 8:30 – 9:30 a.m. PT

### ROLL CALL

Mike Chaney, Chair	Mississippi	LeAnn Cox	Missouri
James A. Dodrill, Vice Chair	West Virginia	Carl Sornson	New Jersey
Jimmy Gunn/Brian Powell	Alabama	Timothy Johnson	North Carolina
Katie Hegland	Alaska	Tom Botsko	Ohio
Lynne Wehmueller	California	Cuc Nguyen	Oklahoma
George Bradner	Connecticut	David Dahl/Ying Liu/	Oregon
David Altmaier	Florida	Van Pounds	
Colin M. Hayashida	Hawaii	David Buono	Pennsylvania
Judy Mottar	Illinois	Beth Vollucci	Rhode Island
Travis Grassel	Iowa	Will Davis	South Carolina
Heather Droke	Kansas	David Combs	Tennessee
James J. Donelon	Louisiana	Mark Worman/J'ne Byckovski	Texas
Joy Hatchette	Maryland	David Forte	Washington
Jerry Condon/Matthew Mancini	Massachusetts		

NAIC Support Staff: Sara Robben

### AGENDA

1. Consider Adoption of its 2020 Fall National Meeting Minutes  
—*Commissioner Mike Chaney (MS)* Attachment A
2. Hear Federal Updates—*Brooke Stringer (NAIC)*
3. Hear Updates from Alabama, California, Louisiana, Mississippi and Texas  
Regarding Recent Catastrophic Events—*Brian Powell (AL), Lynne Wehmueller (CA), Warren Byrd (LA), Commissioner Mike Chaney (MS), and Mark Worman (TX)*
4. Hear a Presentation from Q-risq Analytics—*Scott Bolton (Q-risq Analytics)*
5. Discuss Any Other Matters Brought Before the Task Force  
—*Commissioner Mike Chaney (MS)*
6. Adjournment

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**Attachment A**

**Consider Adoption of its 2020 Fall  
National Meeting Minutes**

Draft: 11/26/20

Catastrophe Insurance (C) Working Group  
Virtual Meeting  
November 17, 2020

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 17, 2020. The following Working Group members participated: Mike Chaney, Chair, and Andy Case (MS); Robert X. Lee, Vice Chair, and Virginia Christy (FL); Brian Powell and Willard Smith (AL); Katie Hegland (AK); Lynne Wehmueler (CA); George Bradner (CT); Colin M. Hayashida (HI); Travis Grassel (IA); Robert Rapp (IL); Brenda Johnson (KS); Warren Byrd (LA); Matthew Mancini (MA); Joy Hatchette (MD); Jeana Thomas (MO); Kelly Ricketts (Smith) (NC); Carl Sornson (NJ); Tom Botsko (OH); Cuc Nguyen and Andrew Schallhorn (OK); Beth Vollucci (RI); and Marianne Baker, J'ne Byckovski and Mark Worman (TX). Also participating was: Donna Stewart (WY).

1. Heard an Update Regarding Federal Legislation

Brooke Stringer (NAIC) said the National Flood Insurance Program (NFIP) is operating on a one-year extension through Sept. 30, 2021. This is the 16th short-term extension of the NFIP since the 2017 expiration of the program, but this is the longest of those extensions. Ms. Stringer said it will be up to the next Congress, which officially convenes in January, to decide how to address a long-term reauthorization. She said that given the COVID-19 pandemic and other competing priorities, as well as the one-year extension, NFIP reauthorization is unlikely to be one of the top priorities at the beginning of the new Congress. She said it is likely that the same debates will come up again over whether more private insurers should take over, affordably, rebuilding repetitively flooded homes.

Ms. Stringer said that on Nov. 10, the U.S. Department of Housing and Urban Development (HUD) released a proposed amendment to Federal Housing Administration (FHA) regulations that would allow lenders to accept private flood insurance policies on FHA-insured properties located in Special Flood Hazard Areas (SFHAs). She said this is noteworthy as the FHA's current rules do not allow private flood insurance to satisfy the mandatory purchase requirement. Ms. Stringer said that the proposed rule would amend FHA regulations to include the definition of "private flood insurance" from the federal Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act). It also includes a "compliance aid" allowing mortgagees to accept private policies, without further review, where the policy or an endorsement includes the language: "This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for FHA-insured mortgages." She said the proposed rule also says it "will not permit Mortgagees to exercise their discretion to accept flood insurance policies, provided by private insurers or mutual aid societies, that do not meet the definition and requirements for a private flood insurance policy as laid out in this rule." Ms. Stringer said that because of the differences between HUD and the federal banking regulators' rules, compliance with the banking rule will not be interpreted as compliance with HUD's requirements. She said HUD will accept comments for 60 days following the date of the proposed rule.

Mr. Byrd said he read something a few days ago in an article where the author suggested property developers developing property in areas presumed to be at sea level upon completion should not be allowed to obtain flood insurance. Not allowing flood insurance would be used as a way to prevent developers from developing in areas that might potentially soon be flood-prone areas. He asked if there has been any traction for this type of legislation in Congress. Ms. Stringer said that with the incoming administration, there will likely be more of a focus on issues related to climate risk and resiliency. She said there will likely be more action at the federal regulatory level in the next four years too. Ms. Stringer said Congress is getting close to the end of the session, but she believes there will be more action at the federal regulatory level than in the past couple of years.

Mr. Bradner asked where Federal Emergency Management Agency (FEMA) stands regarding Risk Rating 2.0 and asked if it was still on schedule for 2021. He also asked if states would be provided with data so states would know how it is going to affect home property owners in their respective states. Ms. Stringer said this is a good question and that she believes it was set to go into effect in October 2021. She said she is not sure if there will be any changes that will take place due to the incoming administration. Ms. Stringer said Congress has shown some concern regarding Risk Rating 2.0.

Jeffrey Klein (Consumer Representative) said he was on the Southeast State Emergency Response Agency (SERA) meeting a couple of weeks ago and heard from Tony Hake (FEMA). Mr. Hake said FEMA was planning to roll out training for state insurance regulators, realtors, banks and others sometime in early 2021.

Commissioner Chaney said he is also hearing that FEMA may enact a regulation to raise the sea level requirement, so they do not have to go through Congress to be eligible to write flood insurance through the NFIP. He said this is what FEMA does in counties and parishes throughout the country.

## **2. Discussed NAIC/ FEMA Regional Meetings Held with Various Regions**

Commissioner Chaney said the NAIC has been partnering with FEMA and holding joint meetings in various regions to present a better understanding of the flood event response process and to discuss ways in which FEMA and state Departments of Insurance (DOIs) can better coordinate in this process. He said to date, the NAIC and FEMA have held events with FEMA Region 7 states and FEMA Region 4 states. The NAIC and FEMA will hold another event in January with FEMA Region 8, FEMA Region 9 and FEMA Region 10 states. Commissioner Chaney said these events have transitioned to virtual events as a result of the pandemic.

Jeff Czajkowski (Center for Insurance Policy and Research—CIPR) said the joint meetings with the NAIC and FEMA in 2020 will continue into 2021. He said the purpose for the roundtables is to make recommendations and to discuss solutions related to insuring for catastrophe risk. These roundtables discuss ways in which the NAIC can assist states in responding to disasters. Mr. Czajkowski said in January 2020 that the NAIC and FEMA held a forum with FEMA Region 7, which includes Iowa, Kansas, Missouri and Nebraska; this roundtable was organized in the aftermath of the 2019 Midwest flooding. The second roundtable was held with FEMA Region 4, which includes the eight Southeast zone states. He said the discussion at the second roundtable was centered on the possibility of an active hurricane season, as well as incorporating issues regarding how the response might be different due to the COVID-19 pandemic. Mr. Czajkowski said while the goals were similar, the topics of discussion were different. He said highlighting the NAIC Disaster Assistance Program was an important part of the discussions that took place. Mr. Czajkowski said the roundtable also highlighted best practices that some of the state DOIs have put into place during a catastrophic event. These discussions helped other states, as well as FEMA, learn from each other. He said part of the goal was to make sure states understood FEMA's response at both the regional and federal level and what the touchpoints were for the states. The roundtable focused on the before, during and after aspects of a catastrophic event.

Mr. Czajkowski said part of the purpose of these events was to begin laying or expanding the relationship between FEMA and the states. He said many of these states have already established a relationship with FEMA. Mr. Czajkowski said the states and FEMA were both able to share resources available. He said the states and FEMA also found some areas to collaborate on in the future.

Mr. Czajkowski said some of the topics discussed are geared toward 1) how can the NFIP and the private marketplace work together moving forward; and 2) how FEMA and the NAIC can collaborate on messaging around flood insurance and mitigation. He said from a research perspective, the roundtable highlighted some academic outreach; for example, the University of Iowa and its Iowa flood center was introduced to the state insurance regulators.

Mr. Czajkowski said a memorandum of agreement with schema has been formulated that allows for future partnership building to take place at the regional level as state DOIs and FEMA see fit. He said FEMA Region 4 states and FEMA were interested in forming a disaster resiliency working group within that region. This allows the states and FEMA to collaborate on resiliency moving forward. Mr. Czajkowski said the next roundtable will be held with FEMA Region 8, Region 9 and Region 10 and will focus on wildfire and earthquake.

Mr. Czajkowski said in early 2021, he will begin to work on some long-term planning around mitigation funding.

## **3. Discussed Hurricane Response During This Year's Hurricane Season**

Commissioner Chaney said this year has been a highly active hurricane season; as a matter of fact, 2020 now officially has had the most named storms on record. This hurricane season brings twice the usual number of storms. Five of these storms have become named hurricanes, as of Nov. 15. Iota became the 30th named storm and made landfall in Central America. This storm is extremely dangerous. Commissioner Chaney said many residents in the Gulf states have suffered considerable losses this year. He said the Working Group will hear from Alabama, Louisiana and Mississippi about their experiences this year. Commissioner Chaney said he realizes other states have also experienced devastation from hurricanes this year and asked them to speak up and add their experiences during these discussions.

Commissioner Chaney said the Working Group also realizes there have been many devastating wildfire events across the U.S. and would like to meet a month following the Fall National Meeting to discuss this peril.

Mr. Powell said this was an exciting year for Alabama as far as the hurricane season was concerned. He said Alabama is fairly well prepared for hurricanes, and the industry responded well to the multiple storms that occurred. Mr. Powell said the storms took different tracks as they came through Alabama, so the damage was spread throughout the state, although there were some areas where damage was overlapping. He said the areas where the damage overlaps between more than one storm caused more issues than other areas.

Mr. Powell said Hurricane Sally caused a lot of flooding and flood damage. He said the second storm to hit was Hurricane Zeta, which was a fast-moving hurricane that caused widespread wind damage.

Mr. Powell said Alabama used the NAIC for data collection following the storms. He said this was the first year they used NAIC services, and they were happy with the assistance they have received.

Mr. Powell said one of the challenges faced in Alabama is the multiple deductible issue they are faced with due to multiple storms. He said Alabama does not have a mechanism in place to address the multiple deductible issue. Mr. Powell said multiple deductible issues were seen in the areas where storm paths overlapped, and storm damage occurred from multiple storms that occurred in fairly quick succession. He said Alabama does not have a mechanism in place for handling multiple deductibles, such as a seasonal deductible, or something of that nature, which caused some issues for some policyholders. Mr. Powell asked for other states to share suggestions or ideas regarding what mechanisms states might have in place. Mr. Bradner said Florida and Rhode Island have legislation in place that addresses how multiple named storms can be addressed so that the consumer is not affected as greatly. Ms. Vollucci said Rhode Island has a requirement that hurricane deductibles are only allowed to be charged once in full per each policy term. She said for damages other than hurricane, policyholders are charged their regular deductible.

Commissioner Donelon said in 2009, Louisiana experienced two hurricanes, Gustaf and Ike, within a three-week period. He said in 2008, Louisiana had reached out to Florida and used the legislation they had passed in the aftermath of four storms they experienced in 2004. Commissioner Donelon said the legislation in Louisiana applies a single hurricane named storm and wind/hail deductible per hurricane season. He said if a policyholder does not exhaust the named storm deductible with the first event, the remainder carries over to the second hurricane event. Commissioner Donelon said once the hurricane deductible is met, the all-perils policy deductible kicks in. Commissioner Donelon said this year, there are a couple of insurers that have announced they will waive any deductible for the second hurricane event for damage occurring from Hurricane Delta. Commissioner Chaney asked if the deductible accumulation applied to roofs. Commissioner Donelon said yes, it applies to any damage.

Mr. Byrd said Louisiana gets claim reporting from FEMA on a regular basis for the three hurricanes that have caused flood events this year.

Mr. Case said Mississippi was also affected by Hurricane Zeta. He said Mississippi experienced more wind damage than what was expected. Mr. Case said Mississippi did have a forecast surge of nine feet in some areas, and the forecast was accurate. He said the surge actually exceeded 11 feet in some areas.

Mr. Case said Mississippi staff members traveled some 60 miles of coastline after the storm, and virtually no property was untouched. He said much of the damage was not considered major, and there were many claims filed below the policyholder's deductible. Mr. Case said there are roughly 18,000 claims reported to date, and 60% of those claims have been closed without payment. He said through Nov. 6, there has been roughly \$14 million paid in residential losses; however, this is only on roughly 25% of the reported claims being closed to date.

Mr. Case said that the personal auto claims reported were 80% less than the property claims, yet the paid loss on auto is nearly half of the paid losses on the property claims.

Mr. Case said there are less than 300 claims reported on commercial losses. He said the number of claims closed is probably a 2:1 ratio of those claims that are closed. The current commercial losses paid are currently less than \$500,000. However, less than 50% of those claims have closed to date.

Mr. Case said the insurance response has been robust, and they are currently seeing some price gouging. He said there are some out-of-state roofers and out-of-state tree services charging for unnecessary equipment. Mr. Case said there are some contractors

out of Florida that are attempting to obtain assignment of benefits, which are not recognized in Mississippi, so they are working closely with the attorney general's office for some assistance on those issues.

Mr. Case said the DOI is currently dealing with a number of inquiries and concerns regarding the named storm deductibles. He said some consumers are not quite understanding these deductibles when they purchase the policy, as well as not understanding that by Mississippi statute, they are able to buy down the deductible. Mr. Case said the DOI is providing a lot of education and coaching on this issue.

Mr. Case said Mississippi had a number of wind pool policies that were underinsured. He said the wind pool worked with policyholders previously to make sure they were paid at a replacement cost level. Mr. Case said Mississippi made some statutory changes to allow the wind pool to make sure policyholders are insured for at least 100% to replacement cost value. He said the idea behind this was that they did not want a storm coming through that resulted in a bunch of actual cash value (ACV) policies.

Mr. Smith asked if someone from Louisiana would discuss suspension of cancellation of a policy during the time an emergency rule is in effect due to a hurricane. Mr. Byrd said Emergency Rule 45 dealt with Hurricane Laura and stated that from the day the emergency rule was issued, if a cancellation had not gone into effect, then the insurer had to remain on the risk during the emergency rule. He said once the emergency rule lifts, an insurer can reissue a non-renewal or cancellation. Policyholders are still obligated to pay their premium. However, policyholders should pay their premium during the emergency rule if they are able to because the premium will come due.

Commissioner Chaney said it might be worthwhile to collect information on the practices of the various DOIs during the hurricane season.

Having no further business, the Working Group adjourned.

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# Hear Federal Updates

**Hear Updates from Alabama, California,  
Louisiana, Mississippi and Texas  
Regarding Recent Catastrophic Events**

# **Hear Presentation from Q-risk Analytics**

## **Discuss Any Other Matters**