



# NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: 3/17/21

*Virtual Meeting*

## INNOVATION WORKSTREAM

### CLIMATE & RESILIENCY (EX) TASK FORCE

Thursday, March 25, 2021

3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

## ROLL CALL

Colin M. Hayashida, Vice Chair	Hawaii	David Altmaier	Florida
Lucy Jabourian	California	Chris Aufenthie	North Dakota
Michael Conway	Colorado	David Combs	Tennessee
George Bradner	Connecticut	Mike Kreidler	Washington

NAIC Support Staff: Jennifer Gardner

## AGENDA

1. Hear a Presentation from Wharton Risk Center Regarding Research on Parametric Products—*Carolyn Kousky (Wharton Risk Center)*
2. Hear a Presentation Regarding Professional Solutions Insurance Company's Disaster Insurance Policy—*Emily Drake (NCMIC/Professional Solutions), James West (NCMIC/Professional Solutions)*
3. Discuss Other Matters Brought Before the Workstream  
—*Commissioner Colin M. Hayashida (HI)*
4. Adjournment

*Attachment One*

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# Recoop Disaster Insurance Professional Solutions Insurance Company

# Agenda

- ✓ Product Purpose
- ✓ Why We're Here
- ✓ Common Coverage Gaps
- ✓ Disasters We Cover
- ✓ Product Structure
- ✓ Rating & Risk Bands
- ✓ About Us
- ✓ Product Filings
- ✓ Questions

# Presenters

## Emily Drake, J.D., CPCU

- Vice President – Compliance
  - Professional Solutions Insurance Company

## James West, MBA, CIC, FMLI

- Vice President – Corporate New Business Development
  - Professional Solutions Insurance Company

# Product Purpose

After a disaster, many people uncover financial blindspots and losses left uncovered by other insurance products. Unfortunately, this is too little too late for the consumer. That is why Recoop Disaster Insurance was created.

The Recoop Disaster Insurance product is intended to help pay for expenses that are not covered by other insurance products, including:

- Offsetting high deductibles
- The impact of actual cash value provisions
- Expenses related to evacuation and/or being displaced
- Lost work time & job loss

# Why We're Here

The product was created to fill a need that currently exists today in the insurance markets. The need for this product is supported by the following:

- Missed weeks of work result in missed income before, during, and after a natural disaster. According to White House Council of Economic Advisors, Hurricane Harvey caused 2 million missed weeks of work, and Hurricane Irma caused 4 million missed work weeks due to evacuations.<sup>1</sup>
- Areas near the coast are vulnerable to storm surge from hurricanes. According to the Insurance Information Institute, a “standard homeowners insurance policy does not cover damage from floods, such as flooding from a storm surge.”<sup>2</sup>



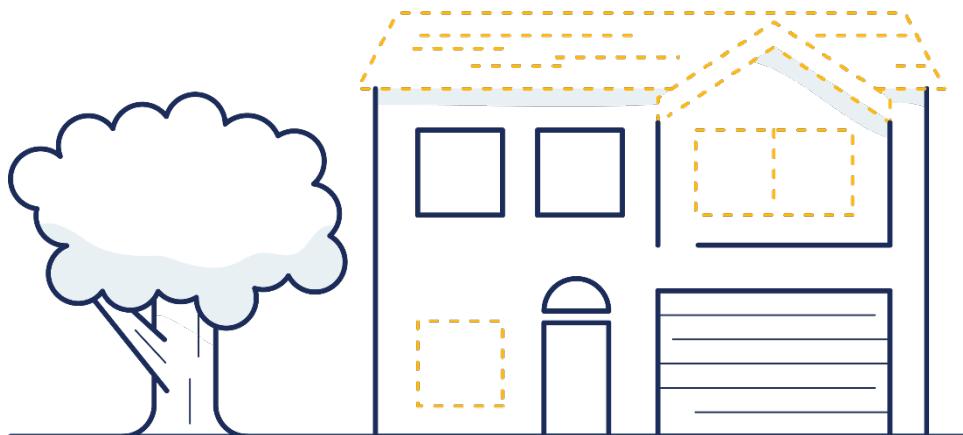
## Why We're Here (continued)

- Many Americans are not equipped to pay for unexpected expenses that result from a disaster. If faced with an unexpected expense of \$400, 27% of adults would borrow or sell something to pay for the expense and 12% would not be able to cover the expense at all.<sup>3</sup>
- 3 years after a hurricane, the growth in bankruptcy filings is 50% higher in the states where landfall occurs compared to unaffected states.<sup>4</sup>
- 43% of homes in the United States are at a high risk for disaster.<sup>5</sup>
- Approximately 59% of homes in the United States are underinsured.<sup>6</sup>



# Common Coverage Gaps

Here are 5 common coverage gaps that are leaving Americans exposed after disasters:



- 1 Homes can be underinsured due to pricing fluctuations in the market.
- 2 Insurance deductibles are on the rise.
- 3 Some insurance policies are based on actual cash value.
- 4 Home insurance policies do not cover certain perils, such as storm surge.
- 5 Claims processes can draw out and place an upfront financial burden on consumers.

# Disasters We Cover

- ⚡ Earthquake
- ⚡ Hurricane + storm surge
- ⚡ Tornado
- ⚡ Wildfire
- ⚡ Gas explosion
- ⚡ Dust storm
- ⚡ Winter storm



# Product Structure

Pays a lump sum disaster benefit of \$5,000 – \$25,000

Full disaster benefit is paid if a specified disaster\* event results in:

- 1) The designation of a declared disaster area where the policyholder's residence premises is located, and
- 2) Damage to the policyholder's residence premises of at least \$1,000 (the “property damage threshold”)
  - ❖ The property damage threshold is set at \$1,000 in the policy to demonstrate that the disaster materially impacted a policyholder.

\*See previous slide for covered kinds of disasters

# Rates & Risk Bands

- ✓ The product is rated via zones, with each zip code in the US placed into a zone based on risk.
- ✓ The different risk zones were created through catastrophe modeling.
- ✓ Some zones have been reserved for future use in the event additional delineation is needed.

Zone	\$5,000 disaster benefit	\$10,000 disaster benefit	\$15,000 disaster benefit	\$20,000 disaster benefit	\$25,000 disaster benefit
2	\$120	\$240	\$360	\$480	\$600
3	\$150	\$300	\$450	\$600	\$750
5	\$240	\$480	\$720	\$960	\$1,200
7	\$360	\$720	\$1,080	\$1,440	\$1,800

Tiered pricing is based on coverage amount and risk. Premiums listed are annual.

# About Us

This product is being brought to market by Professional Solutions Insurance Company, along with a seasoned team of insurance industry professionals and backing by world-class business partners including:

## Program administrator/Product owner

Strategic Product Partners, LLC

## Benefits administrator



## Claims administrator

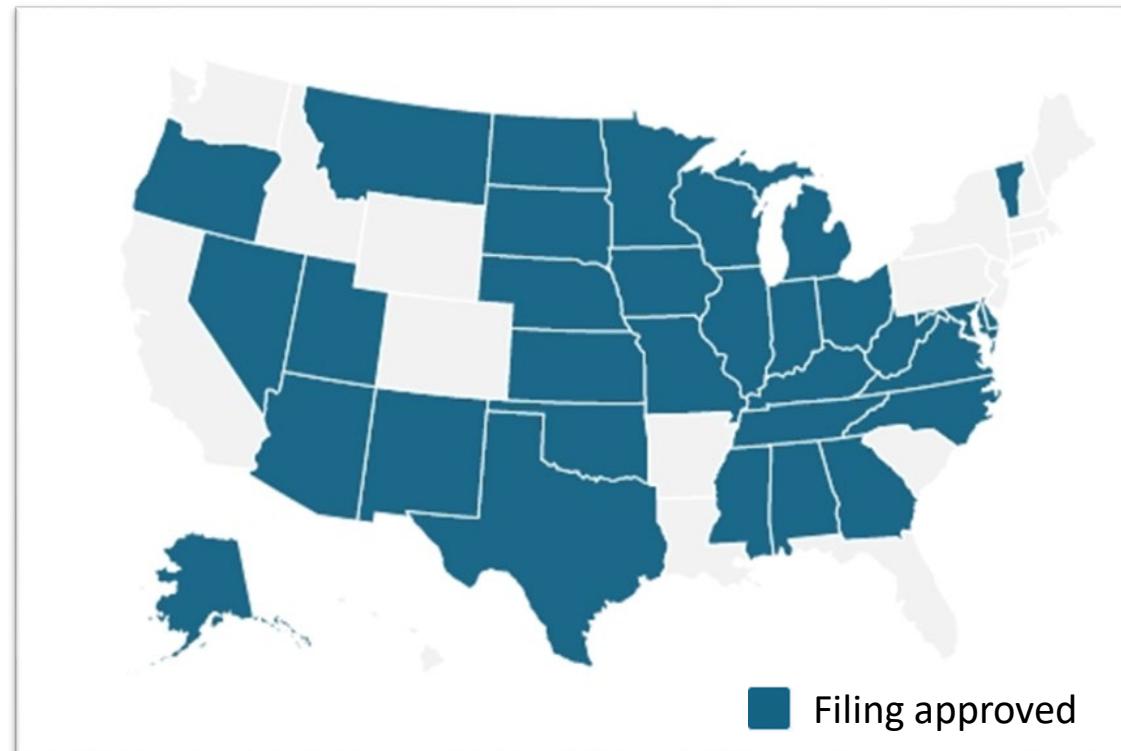


## Reinsurers



# Product Filings

- Commenced product filing process in April 2020
- Product currently approved in 33 states



# Questions?

Thank you!

# Sources

- <sup>1</sup> White House Council of Economic Advisors, *Effects of Hurricanes Harvey and Irma on Employment, Industrial Production, & Real GDP Growth in Q3* (November 30, 2017) <https://www.whitehouse.gov/articles/effects-hurricanes-harvey-irma-employment-industrial-production-real-gdp-growth-q3/>
- <sup>2</sup> Insurance Information Institute, *Hurricane Sandy and Insurance: FAQs* <https://www.iii.org/article/hurricane-sandy-and-insurance-faqs>
- <sup>3</sup> Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2018* (May 2019) <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>
- <sup>4</sup> Elizabeth Warren, *Natural Disasters and Bankruptcy, a Perspective* (Fall 2005) <https://www.bostonfed.org/commdev/c&b/2005/fall/disaster.pdf>
- <sup>5</sup> Catey Hill, *43% of U.S. homes are at high risk of natural disaster*, MarketWatch (Sept. 3, 2015 6:33 A.M.) <https://www.marketwatch.com/story/43-of-us-homes-are-at-high-risk-of-natural-disaster-2015-09-03>
- <sup>6</sup> Caitlin Johnson, *Most Homeowners are Underinsured*, CBS (Aug. 31, 2006 1:44 A.M.) <http://www.cbsnews.com/news/most-homeowners-are-underinsured/>