July 31, 2023

The Honorable Administrator Deanne Criswell
Federal Emergency Management Administration (FEMA)
500 C Street SW,
Washington, DC 20024

Re: Docket ID: FEMA–2023–0000 Request for Information Regarding the Community Disaster Resilience Zones and the National Risk Index

Dear Administrator Criswell:

On behalf of the National Association of Insurance Commissioners (NAIC)[1], we write today in response to the Request for Information FEMA–2023–0000 (RFI) regarding the Community Disaster Resilience Zones Act of 2022, including updates to the methodology and data used for the National Risk Index, published in the May 26, 2023 issue of the Federal Register. At the outset, we strongly encourage FEMA to coordinate closely with the NAIC as you continue this process.

As the primary regulators of the insurance sector, state insurance regulators are on the frontlines of natural catastrophe preparedness and response, protecting policyholders and maintaining well-functioning insurance markets. State insurance regulators, through the NAIC, have had a climate-specific working group for more than a decade, which evolved into our Climate and Resiliency Task Force that serves as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues. This Task Force builds on existing efforts to address the economic consequences of natural disasters, including efforts to mitigate their toll. While the potential role of the climate in influencing the frequency and severity of natural disasters has received more specific attention over the last decade, our work is built on decades of expertise and experience in managing the economic fallout of these disasters.

The Community Disaster Resilience Zones Act of 2022 complements various ongoing initiatives within the NAIC aimed at fostering well-informed risk assessment of natural hazards, educating consumers about the risks associated with those hazards, providing guidance on reducing exposure to said hazards, and improving the resilience of low-to-moderate income communities, in part through grant subsidies. Codifying the FEMA National Risk Index would benefit the NAIC's efforts to inform consumers about the risk natural hazards pose by ensuring sufficient funding for future iterations and maintaining the public risk assessment mapping tool.

[1] As part of our state-based system of insurance regulation in the United States, the NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

As an example of the need to support ongoing natural hazard education efforts, 64% of homeowners say they are not at risk from flooding.[2] This perception is incorrect and does not account for the evolving nature of flood risk exposure. Informing consumers about their risks and teaching them the best ways to reduce and/or manage that risk is one of the primary objectives of the NAIC and state insurance regulators.

In furtherance of these goals, the NAIC supports advancing *public* risk assessment tools, like the National Risk Index, to inform not only property buyers, but local planners, developers, real estate professionals, and homebuilders. One of these important risk assessment tools is catastrophe modeling. Catastrophe models were introduced in the 1980s and saw increased interest following Hurricane Andrew in 1992. The insurance industry uses proprietary catastrophe models to estimate probable losses for capital reserving and pricing. Buyers are often unaware of the risk when they purchase a property. While insurers can, and often do, pass along valuable information to consumers on a variety of risks, the purchase of insurance is typically one of the final components of a real estate purchase. Any information an insurer conveys through pricing has limited utility at that stage in the process. For this reason, the NAIC supports advancing public risk assessment tools and working collaboratively with FEMA to educate and inform consumers about the risk of natural hazards.

As laid out in more detail in the RFI, the publicly available National Risk Index web application visualizes natural hazard risk metrics and includes important data about expected annual losses, social vulnerability, and community resilience. The NAIC is thankful for the opportunity to provide the following feedback regarding the National Risk Index and in response to the RFI.

First, the inclusion of expected annual loss amounts within the National Risk Index is useful and provides similar data to that which can be derived from a proprietary catastrophe model. However, combining the expected annual losses for both commercial and personal property may shift the focus from low-to-moderate income communities towards areas with higher real estate values. Separating out the residential and commercial components of the expected annual losses would provide a more equitable view of the risk.

Second, the National Risk Index web application could provide more value to the public and policymakers by integrating with other platforms. For example, further integration between the National Risk Index and tools developed to support the U.S. Economic Development Administration (https://www.eda.gov/grant-resources/tools) would help economic development practitioners and policymakers to make better informed decisions around development.

[2] Munich Re and the Insurance Information Institute, *Homeowners Perception of Weather Risks 2023Q2 Consumer Survey*, *available at* https://www.iii.org/sites/default/files/docs/pdf/2023_q2_ho_perception_of_weather_risks.pdf

Third, the National Risk Index resilience factors could benefit from the inclusion of FEMA's nationwide building code adoption tracking data. Including information regarding the current building code adoption status for state, local, tribal, and territorial governments across approximately 22,000 jurisdictions throughout the country would support FEMA's initiative to promote uniform and current building code adoption.

Fourth, the National Risk Index could benefit from integration with FEMA's Community Rating System—the voluntary incentive program that recognizes and encourages community floodplain management practices that meet the minimum requirements of the National Flood Insurance Program. Identifying the over 1,500 participating communities in the National Risk Index maps and including those communities as a factor for resilience may increase awareness of the program and its critical benefits.

Fifth, any efforts aimed at fostering the well-informed risk assessment of natural hazards and improving consumer education, awareness, and resilience should highlight studies on loss avoidance and the realized savings from resilience initiatives.[3] This is a key part of incentivizing resilience action and driving the value proposition for at-risk-property owners.

For example, according to a 2021 survey conducted by the NAIC, more than two-thirds of respondents said that they were aware of things they could do to protect their property from extreme weather events and thereby reduce their risk; however, only half had made changes.[4] Much of the hesitancy stopping consumers from making improvements to their property centers is cost. This is of particular concern to low-to-moderate income households without the means to improve their property due to financial constraints. To help alleviate the burden for homeowners, several states have established mitigation grant programs – for example, Strengthen Alabama Homes, Louisiana Fortify Homes Program, My Safe Florida Home, Strengthen Minnesota Homes, and South Carolina Safe Homes.[5] These programs have proven their value both as tools to inform consumers about their risk of natural hazards and to encourage action to reduce said risk.

State insurance regulators are actively engaged in direct contact with the insurance consumers in their respective states. State insurance regulators help inform consumers of their risks from natural hazards, educate them on insurance coverage options, help them create more resilient communities and homes, and are on the ground after natural disasters hit; helping pick up the pieces.

In short, state insurance regulators are a valuable partner to FEMA in funding resilience initiatives aimed at improving the lives of consumers, particularly those low-to-moderate income households. Additionally, state insurance regulators can assist FEMA in identifying communities and individuals without adequate insurance coverage—those same communities and individuals who,

[3] E.g. https://www.fema.gov/case-study/loss-avoidance-study-hurricane-ida-2021-jefferson-parish-louisiana, https://www.fema.gov/case-study/loss-avoidance-study-broward-county-fl-hurricane-wind-mitigation-projects, and https://aciir.culverhouse.ua.edu/research/

[4] NAIC and the Center for Insurance Policy and Research, *Extreme Weather and Property Insurance: Consumer Views* (July 2021), *available at* https://content.naic.org/sites/default/files/CIPR%20Consumer%20property%20ins%20report%208-21_0.pdf

[5] https://content.naic.org/sites/default/files/inline-files/State%20Mitigation%20Programs_2.pdf

Washington, DC 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509 p | 202 471 3990 f | 816 460 7493
Kansas City 1100 Walnut Street NW, Suite 1500, Kansas City, MO 64106-2197 p | 816 842 3600 f | 816 783 8175
New York One New York Plaza, Suite 4210, New York, NY 20004 p | 212 398 9000 f | 212 382 4207
www.naic.org

if impacted by a natural peril, would be looking to FEMA for individual assistance and leveraging social support services to recover from the loss. Partnering to recognize where these coverage gaps exist would support a well-informed decision-making process for designating the Community Disaster Resilience Zones.

Finally, while the Infrastructure Investment and Jobs Act provided significant funding aimed at improving the resilience of America's infrastructure, it falls short of addressing the societal impacts of natural hazards and the devastation for residents, particularly those low-to-moderate income individuals and socially vulnerable populations. FEMA should leverage state insurance regulators and the NAIC in support of identifying those projects most likely to improve outcomes for low-to-moderate income individuals, thereby keeping people in their homes and businesses open, and reducing the need for public assistance in the aftermath of natural hazards. We look forward to building on our partnership with FEMA, formalized in 2019 through a memorandum of understanding, to share insights and collaborate on critical aspects of consumer safety and education.

Coordination amongst multiple stakeholders is crucial to align objectives and improve outcomes in a more inclusive holistic approach that reduces overall risk and improves community resilience. The NAIC stands ready to work with FEMA to serve the community.

Thank you for the opportunity to comment.

Sincerely,

Chlora Lindley-Myers

Chlora Lindley-Myers
NAIC President
Director
Missouri Department of Commerce and Insurance

Andrew N. Mais (He/Him/His)
NAIC President-Elect
Commissioner
Connecticut Insurance Department

Jon Godfread
NAIC Vice President
Commissioner
North Dakota Insurance Department

Scott White
NAIC Secretary-Treasurer
Commissioner
Virginia Insurance Department