



TO: Property and Casualty Insurance (C) Committee

FROM: NAIC Staff

DATE: April 3, 2019

SUBJECT: Report on Private Flood Insurance Data

The purpose of this report is to inform the Property and Casualty Insurance (C) Committee about the information filed by insurers regarding private flood insurance within the Property and Casualty Annual Statement for 2018. Private flood insurance data was previously reported under Allied Lines (Line 2.0) within the State Page but began to be reported separately on Line 2.5 with the filing of the 2016 Annual Statement data. The report will also address some shortcomings in the data collection process and make some suggestions for future actions.

Overview

Floods continue to be the most costly natural disaster in the United States. While the National Flood Insurance Program (NFIP) is the main source of flood insurance coverage, more sophisticated risk assessment and modeling have developed in recent years enabling the private market to more accurately price the risk and generating new interest among private insurers to provide such coverage.

State insurance regulators support facilitating increased private sector involvement in the sale of flood insurance as a complement to the NFIP to help provide consumers with more choices and additional coverage features potentially at more affordable prices.

As the private flood insurance market grows and more companies offer coverage, state insurance regulation will continue to evolve to meet the size and breadth of the market as well as the needs of consumers. In recognition of this growing market, state insurance regulators, through the NAIC, developed a requirement for insurers to include a line item in their Annual Statement highlighting their private flood insurance activity. This data will provide state insurance regulators with a comprehensive overview of the size of the private flood insurance market and provide insights into the market as it grows.

Data Filed on the Annual Statement

The State Page requires the following information on private flood policies to be filed on a state-by-state basis:

- Direct Premiums Written
- Direct Premiums Earned
- Dividends Paid or Credited to Policyholders on Direct Business
- Direct Unearned Premium Reserves
- Direct Losses Paid (deducting salvage)
- Direct Losses Incurred
- Direct Losses Unpaid
- Direct Defense and Cost Containment Expense Paid
- Direct Defense and Cost Containment Expense Incurred
- Direct Defense and Cost Containment Expense Unpaid
- Commissions and Brokerage Expenses
- Taxes, Licenses and Fees

Data Findings

The initial results of the 2018 private flood insurance filings indicate over 120 insurers wrote private flood insurance in 2018, up from around 90 insurers in 2017 and 50 in 2016. The total direct premium written in states and territories was approximately \$644 million in 2018, compared to \$589 million the prior year. States saw a 71% growth in private flood insurance written premium from 2016 to 2018, with 15 states experiencing over 100% growth.

Direct earned premium reported was \$606 million in 2018; direct earned premium reported in 2017 was \$551 million. Having less earned premium than written premium is indicative of a growing market. For perspective, the NFIP had approximately \$3.3 billion in earned premium in 2017.

Fourteen companies wrote over \$10 million in private flood insurance in 2018, up from 12 in 2017, while 34 companies wrote at least \$1 million in 2018, up from 28 in 2017. The top individual company wrote 34% of all business, about the same as 2017. The top ten insurers wrote over 78% of all business in 2018, slightly less than in 2017.

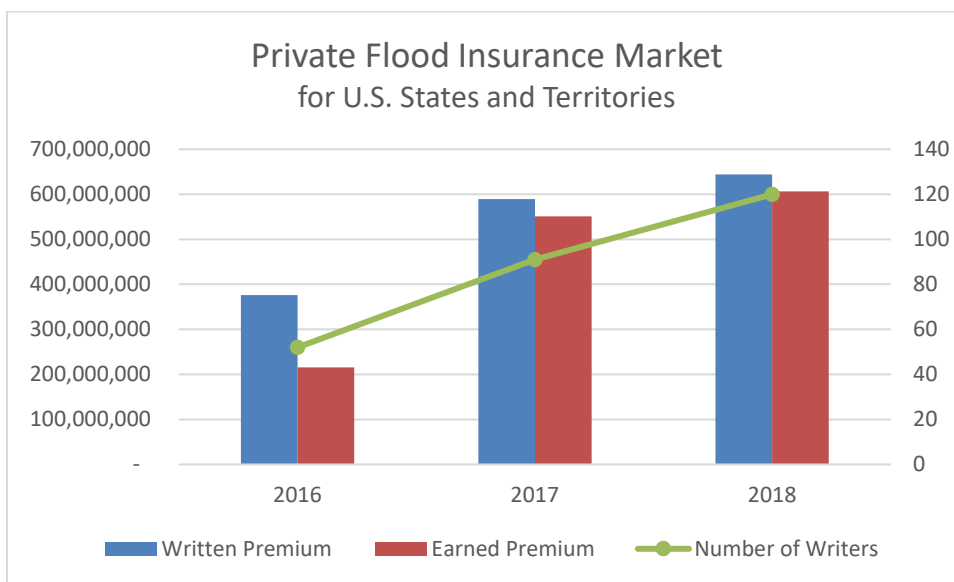
The national pure loss ratio (direct loss incurred/direct premium earned) was 32% in 2018, compared to 177% in 2017. State loss ratios ranged from less than 1% to over 300%. The largest loss ratios were in jurisdictions that experienced hurricanes and large floods in 2018: South Carolina, North Carolina, and Texas.

Private Flood Insurance, Premium Written 2016-2018

State	Direct Premium Written 2018	Direct Premium Written 2017	Direct Premium Written 2016	Percent Change Premium Written 2017 to 2018	Percent Change Premium Written 2016 to 2018
AK	\$ 726,128	\$ 957,063	\$ 555,129	-24%	31%
AL	\$ 4,717,310	\$ 4,799,724	\$ 3,005,135	-2%	57%
AR	\$ 2,918,840	\$ 2,826,120	\$ 1,607,656	3%	82%
AS	\$ 17	\$ -	\$ -		
AZ	\$ 13,616,250	\$ 11,068,965	\$ 6,260,448	23%	117%
CA	\$ 83,598,726	\$ 71,951,648	\$ 48,786,070	16%	71%
CO	\$ 6,815,467	\$ 6,097,813	\$ 4,735,996	12%	44%
CT	\$ 8,554,006	\$ 9,810,824	\$ 6,787,613	-13%	26%
DC	\$ 2,023,055	\$ 2,838,882	\$ 1,829,183	-29%	11%
DE	\$ 1,870,439	\$ 1,669,426	\$ 740,005	12%	153%
FL	\$ 79,664,174	\$ 84,491,040	\$ 47,796,186	-6%	67%
GA	\$ 13,822,654	\$ 12,154,732	\$ 6,953,126	14%	99%
GU	\$ 23,475	\$ 61,491	\$ 9,396	-62%	150%
HI	\$ 3,511,428	\$ 4,707,292	\$ 3,149,891	-25%	11%
IA	\$ 9,261,662	\$ 7,973,218	\$ 6,739,156	16%	37%
ID	\$ 1,685,637	\$ 1,246,073	\$ 842,501	35%	100%
IL	\$ 15,571,396	\$ 14,022,683	\$ 9,770,834	11%	59%
IN	\$ 9,754,263	\$ 9,359,454	\$ 5,834,525	4%	67%
KS	\$ 5,619,810	\$ 5,187,276	\$ 3,519,857	8%	60%
KY	\$ 5,562,791	\$ 5,184,777	\$ 3,636,333	7%	53%
LA	\$ 20,518,942	\$ 17,883,168	\$ 11,495,497	15%	78%
MA	\$ 17,035,775	\$ 15,255,682	\$ 8,980,394	12%	90%
MD	\$ 6,161,138	\$ 4,881,020	\$ 3,004,956	26%	105%
ME	\$ 1,826,143	\$ 1,393,303	\$ 1,449,308	31%	26%
MI	\$ 7,287,062	\$ 5,784,426	\$ 3,112,100	26%	134%
MN	\$ 6,072,364	\$ 6,034,414	\$ 4,382,496	1%	39%
MO	\$ 10,054,439	\$ 8,579,964	\$ 5,611,173	17%	79%
MP	\$ 1,406	\$ 673	\$ -	109%	
MS	\$ 5,401,764	\$ 4,954,089	\$ 3,545,564	9%	52%
MT	\$ 1,107,818	\$ 965,222	\$ 546,157	15%	103%
NC	\$ 10,477,327	\$ 9,385,350	\$ 5,916,463	12%	77%
ND	\$ 1,808,961	\$ 1,518,138	\$ 1,033,168	19%	75%
NE	\$ 3,426,045	\$ 2,733,969	\$ 1,819,577	25%	88%
NH	\$ 1,579,406	\$ 1,773,337	\$ 1,516,804	-11%	4%
NJ	\$ 33,570,528	\$ 28,862,467	\$ 17,035,409	16%	97%
NM	\$ 2,025,523	\$ 1,735,136	\$ 662,921	17%	206%
NV	\$ 4,598,626	\$ 4,574,608	\$ 2,440,079	1%	88%
NY	\$ 47,243,273	\$ 47,674,483	\$ 27,419,308	-1%	72%

State	Direct Premium Written 2018	Direct Premium Written 2017	Direct Premium Written 2016	Percent Change Premium Written 2017 to 2018	Percent Change Premium Written 2016 to 2018
OH	\$ 15,400,298	\$ 14,202,904	\$ 5,628,305	8%	174%
OK	\$ 3,076,462	\$ 3,507,498	\$ 1,746,619	-12%	76%
OR	\$ 6,248,012	\$ 4,730,473	\$ 2,910,035	32%	115%
PA	\$ 22,141,354	\$ 18,832,760	\$ 13,240,946	18%	67%
PR	\$ 21,658,142	\$ 19,554,982	\$ 19,436,229	11%	11%
RI	\$ 2,317,465	\$ 2,623,963	\$ 1,286,538	-12%	80%
SC	\$ 13,703,417	\$ 12,726,603	\$ 10,633,358	8%	29%
SD	\$ 834,247	\$ 770,092	\$ 572,506	8%	46%
TN	\$ 12,179,549	\$ 8,584,856	\$ 5,939,417	42%	105%
TX	\$ 63,221,041	\$ 53,512,832	\$ 31,771,120	18%	99%
UT	\$ 2,712,200	\$ 1,958,666	\$ 1,050,341	38%	158%
VA	\$ 9,475,832	\$ 8,527,381	\$ 4,727,129	11%	100%
VI	\$ 37,329	\$ 43,449	\$ 122,459	-14%	-70%
VT	\$ 698,550	\$ 520,374	\$ 297,124	34%	135%
WA	\$ 12,061,004	\$ 11,566,163	\$ 9,609,189	4%	26%
WI	\$ 5,896,222	\$ 4,140,377	\$ 2,300,499	42%	156%
WV	\$ 1,804,872	\$ 1,986,325	\$ 1,614,061	-9%	12%
WY	\$ 899,933	\$ 959,541	\$ 713,965	-6%	26%
Total	\$ 643,879,997	\$ 589,147,189	\$ 376,130,254	9%	71%

As reported on Property & Casualty Annual Statement Blank,
State Page, as of April 1, 2019



Caveats

It is important to understand a number of limitations within the Annual Statement data. The reported information is limited to only those insurers required to file a Property and Casualty Annual Statement with the NAIC. Insurers doing business as non-licensed or non-admitted insurers are known as surplus lines insurers. They serve as an alternative marketplace to provide coverage for unique exposures and often serve as a testing ground for product innovations before they are written by the admitted market. Domestic and foreign insurers are required to file the Annual Statement as they are considered an admitted insurer in at least one state. Alien insurers, which are domiciled outside the U.S., can choose to be licensed or admitted in one or more states if they wish. If they do choose to be licensed or admitted, then they too must file the Annual Statement. However, if an alien insurer decides not to become licensed in any state, the District of Columbia or U.S. territory, then no Annual Statement filing is required. The premium writings by alien surplus lines insurers are not included in the information contained in this report. Since we believe there may be a significant amount of premium written by alien surplus lines insurers, the reader should be cognizant of this potentially important missing element.

Frequently, early submissions of data are not complete or accurate. This should be considered when reviewing the inaugural 2016 as well as subsequent filings of private flood insurance data. It is possible companies that should have filed private flood insurance data separately on the State Page failed to do so, or did so inaccurately. Based on the history of other data additions to the Annual Statement, we expect the quality of the private flood insurance data to improve in subsequent years.

It should be noted the largest provider of flood insurance writes primarily commercial coverage for businesses rather than coverage for personal dwellings. This may be true of others. The data collected does not distinguish between commercial and residential exposures.

Recommendations

A major caveat contained in this report is the missing information on the amount of premium written by alien surplus lines insurers. Staff believes there are significant premium writings in this segment of the overall market. As the Catastrophe Insurance (C) Working Group continues to look at various state proposals and other suggestions to help guide efforts to develop a consistent approach to enhancing and facilitating growth of the emerging private flood insurance market, it may wish to consider a couple suggestions related to private flood data. First, the Working Group may wish to consider recommending that the Surplus Lines (C) Task Force make submission of private flood insurance data a condition for continuing to be listed on the *Quarterly Listing of Alien Insurers*. Secondly, the Working Group should explore potential revisions to the Annual Statement that would indicate differences between commercial and residential private flood coverage as well

as instructions clarifying that premiums related to endorsements are desired as well as first-dollar coverage.

Conclusion

This report summarizes findings within the third submission of private flood insurance data. If information can be obtained from the alien surplus lines insurers, a more complete picture of the 56 U.S. private flood insurance markets will emerge. The quality of the data collected should also improve in subsequent years. It is expected the private flood insurance market will continue to grow, first in the surplus lines market, and then in the admitted market. Having more complete and accurate data will provide regulators with important insight into the private market as it grows.