Coastal Hurricane Program – Key Challenges

- For the Consumer:
  - Availability of Coastal Insurance
  - Affordability of Insurance Premiums

- For the Policymakers:
  - Economic Growth
  - Disaster Recovery

- For the Carriers:
  - Stable Regulatory Environment
  - Reasonable Long-Term Profitability
Coastal Hurricane Program Proposal – Key Aspects

- A private market program to provide insurance coverage for similar risk exposures
  - Coastal zone(s) from Texas to Maine
  - Personal Lines homeowners policies
  - Hurricane (named storm) wind coverage – does not cover flood

- Federal oversight of rating & coverage to ensure a stable & uniform environment
  - Risk-based rates – ensures adequate pre-funding of CAT risk
    - Incorporates output from certified stochastic models
  - Premium adjustment mechanism based on actual long-term wind experience
    - Prospective adjustment incorporating occurrence (or not) of major event
    - Proposed timeframe is 10 year rolling
  - Credit or incentive mechanism, based on economic need, to assist transition to risk based rates
  - Incentives for loss mitigation to manage premium levels
    - Federal economic incentives for states tied to adoption & enforcement of federal building standards and other mitigation/loss reduction programs
  - Risk management and capitalization standards for participating carriers
Coastal Hurricane Program Proposal – Key Aspects

- Continued State Regulation for Certain Matters
  - Solvency
  - Residual market regulation
    - Safety net – market of last resort
    - Rating approach is consistent with Federal Program for pre and post event funding
  - Authority on all non-wind coverages now regulated by states

- Accounting Policy
  - Change CAT reserve accounting approach to accrued over time, rather than when incurred
  - No change in tax treatment – continue deductibility when incurred

- Mandatory participation in the National Flood Program in coastal and flood zones
Coastal Zone