

CLIMATE AND RESILIENCY (EX) TASK FORCE

Climate and Resiliency (EX) Task Force Nov. 19, 2024, Minutes

Draft Pending Adoption

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Climate and Resiliency (EX) Task Force
Denver, Colorado
November 19, 2024

The Climate and Resiliency (EX) Task Force met in Denver, CO, Nov. 19, 2024. The following Task Force members participated: Lori K. Wing-Heier, Co-Chair (AK); Ricardo Lara, represented by Mike Peterson, Co-Chair (CA); Andrew R. Stolfi, Co-Vice Chair (OR); Jeff Rude, Co-Vice Chair (WY); Mark Fowler represented by Sheila Travis (AL); Alan McClain (AR); Barbara D. Richardson (AZ); Andrew N. Mais represented by George Bradner and Wanchin Chou (CT); Michael Conway represented by Jason Lapham (CO); Karima M. Woods represented by Pratima Lele (DC); Trinidad Navarro represented by Christina Miller (DE); Michael Yaworsky represented by Anoush Brangaccio (FL); Gordon I. Ito represented by Jerry Bump (HI); Doug Ommen (IA); Ann Gillespie represented by Kathleen Stralka and Shannon Whalen (IL); Sharon P. Clark represented by Shawn Boggs (KY); Timothy J. Temple and Chuck Myers (LA); Michael T. Caljouw represented by Jackie Horigan (MA); Marie Grant represented by Greg Ricci (MD); Robert L. Carey represented by Timothy N. Schott and Sandra Darby (ME); Anita G. Fox represented by Chad Arnold (MI); Grace Arnold represented by Peter Brickwedde (MN); Chlora Lindley-Myers represented by Cynthia Amann (MO); Mike Chaney represented by Andy Case (MS); Mike Causey represented by Jackie Obusek (NC); Jon Godfread (ND); D.J. Bettencourt represented by Christian Citarella (NH); Justin Zimmerman (NJ); Judith L. French represented by Tom Botsko (OH); Michael Humphreys represented by Jodi Frantz and Shannon Logue (PA); Elizabeth Kelleher Dwyer (RI); Michael Wise represented by Diane Cooper (SC); Scott A. White (VA); Tregenza A. Roach (VI); Kevin Gaffney and Rosemary Raszka (VT); Mike Kreidler represented by Jay Bruns (WA); and Nathan Houdek (WI). Also participating were: Michelle Santos (Guam) and Cassie Brown (TX).

1. Adopted its Summer National Meeting Minutes

Commissioner Rude made a motion, seconded by Commissioner Stolfi, to adopt the Task Force's Aug. 15 (*see NAIC Proceedings – Summer 2024, Climate and Resiliency (EX) Task Force*) minutes. The motion passed unanimously.

2. Received a Status Report on Deliverables from the Climate Resilience Strategy

Commissioner Rude said the natural catastrophe risk dashboard drafting group is comprised of state insurance regulators and has met three times to review the dashboard. NAIC staff walked through each risk indicator, which includes nearly 40 indicators in total, providing a rationale for the inclusion of each and displaying the historical trend of each indicator where available. The drafting group provided comments and suggestions, and changes were incorporated as appropriate.

Commissioner Rude said now that the drafting group has seen each metric and how it fits into the overall dashboard, the drafting group will review all indicators again one by one and confirm their inclusion in the dashboard. The next phase of the project will involve assessing the impact, utilizing the current measure of the indicators and the historical trend. The tool itself is meant for regulators, providing a detailed indicator analysis for regulator-only access. In addition, the group has an initial plan to have a version of a public summary of the work.

Commissioner Rude said more than 10 states have existing grant or incentive programs for encouraging more resilient buildings. Alabama crossed an important threshold this year, with 50,000 homes that meet the Insurance Institute for Business and Home Safety (IBHS) FORTIFIED program. Many states are making progress on their own risk mitigation programs and the national strategy prioritizes learning from the experience of states facing different perils.

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Commissioner Temple said the FORTIFIED program is the path to insurability in Louisiana, and insurance markets and reinsurance markets are responding favorably to mitigation and fortified roof building. Louisiana has a coastal protection restoration authority. The \$50 billion-funded program is focused on rebuilding marshes as they help reduce storm surge and wind speeds associated with hurricanes. He said making communities insurable will make them resilient. Louisiana was able to build up its resiliency program thanks to the work of Commissioner Fowler and the Alabama Department of Insurance and the blueprint provided by its program.

Myers said the Louisiana program was codified by the legislature in 2022 and funding for the program began in 2023. The program includes a mandatory discount for fortified roofs, as well as a statutory requirement for companies to offer an endorsement that would allow the insured who has experienced a total roof loss to replace the roof with one that meets the FORTIFIED program standards. Due to the interest in the program and the limitations on the number of grants they have been able to provide, the program runs on a lottery system for each round, and the latest round has been focused on coastal parishes. Louisiana now has 1,667 fortified roofs and 1,053 applications in progress. He said they are looking to build a program specifically targeting low-to-moderate-income households in the coastal areas.

Myers said that others looking to do a similar program in their state should make sure their IT group is ready to automate and secure the program. He said states should make sure that consumers understand how to register for the program and how to obtain the roof endorsement should they not take part in the grant program. He said it is important to coordinate the payment of the grants, legal aspects, as well as any contractor licensing entities within the state. He said states should work closely with the IBHS and Brian Powell with the Center for Insurance Policy and Research (CIPR).

Brickwedde said the Strengthen Minnesota Homes program was established by the legislature in 2023. He emphasized the importance of a good IT structure when setting up this type of program. Minnesota is looking to create a pilot program to work with Habitat for Humanity and other similar organizations to install fortified roofs and other weatherization elements on these types of homes. The Minnesota legislature established a requirement to provide a discount or rate reduction for insureds who install fortified roofs. The Minnesota program is looking to provide grants for fortified roofs and is also looking to create an economic ecosystem that allows fortified roofs to be placed without grants.

3. Heard a Presentation from UP and State Regulators on Wildfire Effects

Amy Bach (United Policyholders—UP) said the goal of UP and insurance regulators is to facilitate the flow of accurate information and insurance dollars to people experiencing a traumatizing event. Two-thirds of people who experience a total loss in a wildfire event do not have enough insurance, and federal aid becomes extremely important. The disaster recovery centers or insurance villages offer a one-stop shop for those affected to obtain information on all aspects of recovery, and there has been an increase in consumer questions and concerns about evacuation costs, additional living expenses (ALEs), underinsured homes, uninsured homes, debris removal, patterns of non-renewals following disasters, and questions about rebuilding costs and codes.

Common short-term insurance challenges after a major wildfire disaster include temporary accommodations, victims needing cash advances, communication problems with adjusters and carriers, getting lender signoffs on insurance checks, and estimate disparities. She said things that have helped consumers the most in the first three months after a disaster include help finding current and complete copies of insurance policies, advances on ALEs and contents, coordinated debris removal programs, insurance villages, regulator assistance with getting lender signoffs, regulator intervention with scammers, and UP's trained disaster survivor volunteers.

Bach said common long-term insurance challenges after a major wildfire disaster include costs overwhelming local governments, underinsurance being more prevalent than expected, permit offices being overwhelmed and

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understaffed, building code enforcement, a shortage of experienced adjusters, over-reliance on “touchless” adjusting tools, and coverage and claim disputes. She said things that have helped consumers recover long-term include prompt dissemination of accurate information on consumer rights, policy benefit advantages, sustained engagement by regulators, coordination between Federal Emergency Management Agency (FEMA) and local governments, FEMA financial assistance, voluntary organizations active in disaster (VOADs), long-term recovery groups, and charitable funding for unmet needs.

Bach said that UP can collaborate with state departments of insurance to incorporate state bulletins into resource libraries after disasters and bring together regulators, government officials, and other volunteer groups to get information out to those affected by disasters in an organized manner.

Superintendent Kane gave an update on the recent wildfire in Ruidoso, NM. The wildfire forced 10,000 to 12,000 evacuees to be sent to other towns, and emergency orders were issued. The orders asked companies to pay evacuees \$5,000 in ALEs, and companies were not allowed to non-renew or cancel policies. She said new policies are not being written in the area. The New Mexico Office of the Superintendent of Insurance (OSI) worked with other agencies to figure out how residents were going to rebuild and how to move forward in high-risk areas. OSI has asked the state Fair Access to Insurance Requirements (FAIR) plan to increase its coverage limits, and they are looking at a legislative approach as well. The OSI is working with IBHS, local fire marshals, and counties to update building code standards.

Lapham said in Colorado, the Marshall fire destroyed over 1,000 homes and revealed a large amount of underinsured homeowners. He said it was determined that typical ALE coverage was not high enough, in part because of the extended time period of debris removal due to the size of the fire. Legislative updates include the requirement to offer up to 24 months of ALE at the time of application and at renewal and offering policyholders a minimum of 65% of the limits of contents coverage without a written inventory. The Colorado Division of Insurance is working on a report to be the source of information on rebuilding costs, and it has engaged with a third party to conduct a study to address the issue of partial losses due to smoke and ash damage, as well as identifying remediation standards which will be referred to the state legislature.

Commissioner Stolfi said in September 2020, an Oregon wildfire burned about 400,000 acres in in three days and caused \$3 billion in losses, which was more than the last 40 years combined of all catastrophe losses in the state. One lesson learned from this event is that regulators need to act quickly to protect consumers and let insurers know what is expected of them. Oregon has expanded its consumer education and advocacy efforts both pre- and post-disaster, and it has increased interagency cooperation and coordination between the Oregon Division of Financial Regulation, the state fire marshal, the emergency management department, and the forestry department. He said Oregon has invested hundreds of millions of dollars into supporting the national cohesive wildland management strategy which includes restoring and maintaining landscapes, building fire-adapted communities, and responding to fire. Bills have been introduced to increase ALE coverage, require a higher percentage of contents coverage to be paid without inventory, require insurers to disclose a detailed explanation of why a consumer was non-renewed due to wildfire, and require insurers to take all home hardening measures into account during the underwriting process. The division is looking to adopt a statewide risk map that will help identify high-risk areas and implement proper building code standards in those areas.

4. Heard an Update from BCFSa on Canadian Flood Insurance

Lucas Neufeld (BC Financial Services Authority—BCFSa) gave an update on three workstreams on Canadian flood insurance. A national flood insurance program, which is being led by Public Safety Canada (PSC), is targeted at high-risk properties which is about 10% of all households in Canada. This program would provide comprehensive flood coverage, including storm surge, river flooding, and urban overland flooding. Flood insurance will still be available in the private market to ensure all Canadians have access to flood insurance

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Neufeld said a federal flood risk portal (also led by PSC) would be an authoritative, publicly accessible source on flood hazards by compiling flood maps and data with the ability to search by postal code. He said the goal is to go live with this portal in the next 12 months.

Neufeld said the Canadian Council of Insurance Regulators (CCIR) is working with an industry led working group of both insurers and intermediaries to enhance existing practices to help Canadians better understand their natural catastrophe risk.

Neufeld said there is a need for the right skill set, knowledge, and tools to engage customers in a meaningful dialogue at the same time that customers are increasingly expecting a quick and seamless process. There is a need to engage all financial service providers to help ensure customers are receiving similar risk information at all stages of the homeownership lifecycle. He said there is a significant shift away from thinking only about insurance and risk transfer but instead focusing on getting risk out of the system.

5. Heard a Federal Update

Alexander Swindle (NAIC) said the insurance industry continues to navigate an increasingly complex landscape of climate risks, financial constraints, and evolving disaster response needs. In 2024, the U.S. experienced 20 weather-related disasters that had losses exceeding \$1 billion, driven largely by severe convective storms. These events highlight the growing strain on insurance markets, and both Congress and FEMA have launched initiatives to address these challenges.

Swindle said FEMA offers various grant programs to states, including the Hazard Mitigation Grant Program (HMGP) for rebuilding after disasters and the Building Resilient Infrastructure and Communities (BRIC) program for climate resilience. These programs have granted nearly \$2 billion this past year, and they have also expanded training through the FEMA National Disaster & Emergency Management University, focusing on climate, cyber, and pandemic risks. Just eight days into fiscal year (FY) 2025 (or Oct. 11), FEMA had already spent nearly half of its \$20 billion disaster relief budget on Hurricanes Helene and Milton, which caused an estimated \$60 billion in damage. FEMA Administrator Deanne Criswell warned that spending may need to be restricted unless Congress provides additional funding, but no new funding has been approved despite President Biden's requests.

Swindle said the recent hurricanes exposed gaps in flood risk models, emphasizing the need for better data and more accurate risk assessments to improve public awareness and insurance coverage. He said Sen. Bill Cassidy (R-LA) continues to advocate for reforms to the National Flood Insurance Program (NFIP). Cassidy has said that FEMA's Risk Rating 2.0 methodology has caused premiums to spike for his constituents. NAIC staff have met with his office to discuss his concerns and potential next steps, including mapping updates and affordability options, with reauthorization hearings expected by early spring.

Swindle said a meeting with the U.S. Department of the Treasury (Treasury Department) was attended by Director Wise, Commissioner Causey, and Commissioner Yaworsky. Discussions focused on the ongoing recovery efforts, the role of the private insurance sector, and the importance of strengthening pre-disaster mitigation strategies. Insurance companies increased their efforts by deploying mobile branches and claims offices, although gaps in flood insurance coverage continue to be a critical issue. Concerns also persist over rising homeowners insurance premiums and insurers pulling out of high-risk areas. He said Treasury Department officials highlighted their focus on consumer protection in response to climate threats and emphasized that more than half of U.S. counties face increasing future exposures to flooding, wildfire, or extreme heat.

Swindle said Moody's recently held a Capitol Hill panel on insurance affordability amid climate risks, with House Financial Services Committee members discussing litigation's impact on insurance prices and the need for NFIP

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debt forgiveness. Rep. Warren Davidson (R-OH), Rep. Maxine Waters (D-CA), and Rep. Emmanuel Cleaver (D-MO) participated, with Cleaver calling for a long-term solution for NFIP funding.

Swindle said several bills are expected to be reintroduced in the next session, focusing on mitigation and resilience funding. Key proposals include: the Disaster Mitigation and Tax Parity Act (H.R. 4070), the Disaster Resiliency and Coverage Act of 2024 (H.R. 7849), the Fix Our Forests Act (H.R. 8790), and the Disaster Assistance Simplification Act (S. 1528).

Swindle said that looking ahead to 2025, the second Trump Administration and new Republican majority in Congress will likely bring significant shifts in policy. He said cabinet appointments are still pending, but they are anticipated to depart from Biden's approach, particularly in resilience matters, with a likely lighter federal regulatory touch.

6. Heard an Update on the Climate Scenario Resource Center

Jeff Czajkowski (NAIC) said following the August adoption of the new climate scenario interrogatories in the year-end 2024 property and casualty (P/C) risk-based capital (RBC) filing, the NAIC has established a Climate Scenario Resource Center to assist filers and their advisors with the disclosure requirements. The NAIC Climate Scenario Resource Center is located on the NAIC Center of Catastrophe Modeling Center of Excellence's website.

Resources include the RBC blanks relating to catastrophe risk, a presentation by the NAIC, and a frequently asked questions (FAQ) document, as well as a dedicated email address for insurers and their advisors to submit questions to the NAIC relating to the new climate scenario interrogatories.

He said the link has been shared with the Reinsurance Association of America (RAA), the National Association of Mutual Insurance Companies (NAMIC), the American Property Casualty Insurance Association (APCIA), catastrophe (CAT) modelers, and reinsurance brokers to ensure RBC filers and their advisors are informed of the requirements and the tight deadline. (Year-end 2024 RBC filings are due on March 1, 2025.) He said details have also been circulated to chief financial regulators and several commissioners for awareness and as a resource to engage with their domestic companies.

Having no further business, the Climate and Resiliency (EX) Task Force adjourned.

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