

Draft: 4/12/22

Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Kansas City, Missouri
April 4, 2022

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Kansas City, MO, April 4 in joint session with the NAIC/FEMA (C) Advisory Group of the Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee. The following Working Group members participated: David Altmaier, Chair, and Susanne Murphy (FL); Mike Causey, Vice Chair, represented by Tracy Biehn (NC); Brian Powell (AL); Alan McClain (AR); Lucy Jabourian (CA); George Bradner and Wanchin Chou (CT); Travis Grassel (IA); Shannon Whalen (IL); Julie Holmes (KS); Matthew Mancini (MA); Joy Hatchette (MD); Jo LeDuc (MO); Mike Chaney (MS); Tom Botsko (OH); Glen Mulready (OK); Brian Fordham and Trisha Goldsmith (OR); David Buono, Shannen Logue, and Katie Merritt (PA); Alexander S. Adams Vega (PR); Stephanie Cope (TN); Mark Worman (TX); Brian Welch (WA); and Allan L. McVey (WV). The following Advisory Group members participated: Glen Mulready, Chair (OK); Carter Lawrence, Vice Chair, represented by Stephanie Cope (TN); Brian Powell (AL); Lucy Jabourian (CA); George Bradner and Wanchin Chou (CT); Travis Grassel (IA); Amy L. Bearn (IN); Julie Holmes (KS); Joy Hatchette (MD); Jo LeDuc (MO); Brian Fordham and Trisha Goldsmith (OR); Marly Santoro (VA); Brian Welch (WA); and Allan L. McVey (WV).

1. Adopted the Working Group's and Advisory Group's Minutes

Mr. Botsko made a motion, seconded by Ms. Cope, to adopt the Working Group's March 4 minutes (Attachment Three-A) and the Advisory Group's March 25 minutes (Attachment Three-B). The motion passed unanimously.

2. Heard an Update on Federal Legislation

Patrick Celestine (NAIC) said the National Flood Insurance Program (NFIP) is operating under an extension through Sept. 30, and the NAIC continues to reiterate support for a long-term reauthorization.

While there has not been much progress on a long-term reauthorization, there have been some reauthorization bills introduced. The NFIP Reauthorization and Reform Act of 2021 has been introduced in both the U.S. House of Representatives (House) and the U.S. Senate (Senate). This bill would allow for a five-year reauthorization, cap annual rate increases at 9% (compared to the current 18%), cap the Write Your Own (WYO) compensation at 22.46% of written premiums (versus the current 30%), and require each agent that sells NFIP policies to complete a three-hour continuing education (CE) course every two years. The CE course would need to be approved by the insurance commissioner in the state where the agent is a legal resident.

Mr. Celestine said the Continuous Coverage for Flood Insurance Act has also been introduced in both the House and the Senate. This bill would clarify that a flood insurance policy purchased in the private market would count as "continuous coverage" under the terms of the NFIP. Therefore, policyholders could return to the NFIP without losing any previous subsidy.

Mr. Celestine said FEMA began phase two of its implementation of Risk Rating 2.0. Policies renewing on or after April 1 will be issued under Risk Rating 2.0. A bipartisan group of coastal senators unsuccessfully advocated postponing the implementation of Risk Rating 2.0, warning FEMA about the impact of premium increases. This will remain a key issue for the reauthorization of the NFIP.

Mr. Celestine said the Flood Insurance Pricing Transparency Act was introduced in the Senate. This bill would require FEMA to publish the formulas used to calculate mitigation credits for policyholders under Risk Rating 2.0. The bill would also require FEMA to release a toolkit that could be used to estimate the cost of insurance for new construction, without compromising proprietary information.

Lastly, Mr. Celestine said the Senate Committee on Homeland Security and Governmental Affairs approved the Community Disaster Resilience Zones Act of 2022, advancing it to the full Senate. Chairman Gary C. Peters (D-MI) and Ranking Member Rob Portman (R-OH) sponsored the bill. The Reinsurance Association of America (RAA) has also been a strong proponent of this bill. The bill would amend the Stafford Disaster Relief and Emergency Assistance Act to make permanent the National Risk Index, or a similar tool, and utilize its data to identify and designate community disaster resilience zone communities that are the most at risk to natural hazards. This would allow FEMA to identify what communities are most in need of assistance for mitigation projects.

Commissioner Mulready said a few weeks ago, Oklahoma had the privilege of hosting David Maurstad (FEMA) and the director of FEMA Region 6 in Tulsa, OK. He said Tulsa was one of only two communities in the country with the highest NFIP ratings based on a community rating system on a city's stormwater management.

3. Discussed the *Catastrophe Computer Modeling Handbook* Updates

Commissioner Altmaier said the Working Group is charged with updating the *Catastrophe Computer Modeling Handbook* (Handbook). He said a drafting group consisting of several state insurance regulators has been formed, and the drafting group met last week to discuss a work plan for updating the Handbook. He said future drafting group calls will include interested parties that have expressed interest in attending these calls. He asked NAIC staff to provide and update of the drafting group's meeting last week.

Sara Robben (NAIC) said the purpose of the Handbook is to serve as a guidebook for state insurance regulators to use. The drafting group discussed including sections in the Handbook that will encompass guidance for state insurance regulators in the areas of rates, forms, legal, etc. The intention of the Handbook is to steer away from theoretical information and provide guidelines for state insurance regulators. It is expected that the Handbook will cross-reference information with more technical information that can be found in the Society of Actuaries (SOA) documentation.

Ms. Robben said the drafting group also plans to send a survey to states, consisting of easy to answer questions regarding bulletins and regulations states have in place regarding catastrophe models. The drafting group hopes to put this information in the form of a chart with links to the actual document for easy reference.

Ms. Robben said anyone that has not yet joined the drafting group should reach out to her to be added to the list.

4. Heard an Update from the Iowa Insurance Division Regarding Recent Tornadoes

Mr. Grassel said Iowa has seen numerous catastrophic events in the last few years. He said these events included derechos, flooding, and severe convective storm activity most recently that caused some destructive tornadoes. He said these types of events appear to be happening with greater frequency.

Mr. Grassel said March was a turbulent month for many states. On March 5, there were at least 13 tornadoes reported, and one area of activity included an EF-4 strength tornado lasting approximately 90 minutes and stretching for approximately 70 miles. Mr. Grassel said the tornadoes resulted in at least seven fatalities and caused severe property damage. He said tornado wind speeds were reported to be as high as 170 miles per hour. Following the March 5 tornadoes, a snowstorm that produced three to five inches of snow occurred, which

hindered recovery efforts in the short-term. Mr. Grassel said Iowa's Deputy Insurance Commissioner, Jared Kirby, experienced a direct hit to his home, causing extensive damage.

Mr. Grassel said hoping for the best, while preparing for the worst will ensure resiliency and safety when devastation strikes. He said building structurally strong homes and buildings or retrofitting homes and buildings make them more resistant to damage caused by severe convective storm activity. Wind resistant structures include a masonry home or reinforced building materials, including entrance doors, windows, roof, and garage doors. Stronger structures are more likely to be resilient during a severe wind event.

Mr. Grassel said the following items are important to do prior to a disaster: 1) know the safe space in your home; 2) make sure you have appropriate insurance from a reputable insurer; 3) periodically evaluate your insurance products and the coverage limits in your insurance policies; 4) read your insurance policy and speak with an insurance company representative or insurance agent with questions; and 5) annually record a home inventory to ensure proof of ownership for your belongings.

Amy Bach (United Policyholders) asked Mr. Grassel what type of deductibles they are seeing in Iowa regarding wind. Mr. Grassel said he does not have information on this specific event, but in the rate filings, they see higher deductibles and percentage deductibles for wind events. He said the deductibles have a range of \$500 to \$2,500.

5. Heard and Update from the TDCI Regarding Recent Catastrophic Events

Ms. Cope said flooding continues to be one of the largest issues for Tennessee consumers. She said the Tennessee Department of Commerce and Insurance (TDCI) has focused on education and outreach efforts regarding flooding in the past year.

Ms. Cope said the TDCI has an internal team that serves to process consumer complaints and educate communities. She said the team actively meets with local emergency planning committees in various counties throughout the state. Ms. Cope said the TDCI wants to ensure consumers understand the necessity of proper insurance coverage.

Ms. Cope said in the wake of the deadly Waverly floods, the TDCI set up disaster recovery centers in the affected areas. She said the TDCI wanted to be available for consumers on the spot, so they had what they needed when they needed it the most. She said due to the increased severity of natural catastrophes over the past few years, two counties became NFIP communities. She said the TDCI hopes this will encourage consumers to get the coverage they need.

Ms. Cope said after the tornadoes of 2020, the TDCI set up five claim centers across the state and requested that the top 10 insurance writers bring their catastrophe teams to handle claims on-site for their policyholders.

Ms. Cope said following the December 2021 tornadoes, the TDCI attended town hall meetings in Humphreys and Dresden counties. She said the TDCI consistently makes itself available to consumers, so consumers understand they have the support of the TDCI.

Ms. Cope said most recently, the TDCI responded to the wildfires near Gatlinburg, TN. She said over 100 structures were damaged, and more than 11,000 people were evacuated. As a result, the TDCI requested that insurers send representatives to the county fairgrounds to assist with on-site claims. Ms. Cope said Commissioner Lawrence and the Consumer Insurance Services team were at the site to help consumers with any claims and claims processing questions.

Ms. Cope said the TDCI believes in the power of educating consumers so they can make the best decisions for themselves and their families.

6. Heard and Overview of FEMA Regional Meetings

Commissioner Mulready said state insurance regulators have had several workshops with FEMA. The most recent workshop was held last year in a virtual format with FEMA Regions 8, 9, and 10. He said he has been told that state insurance regulators have enhanced their relationships with their FEMA colleagues as a result of these workshops.

Commissioner Mulready said FEMA Region 4 formed a working group following its FEMA workshop. This working group meets every other month with its FEMA colleagues to discuss issues related to disasters and make sure they are better prepared in advance of a disaster.

Commissioner Mulready said the Oklahoma Insurance Department will be hosting the FEMA Region 6 workshop on May 3 and May 4 in Oklahoma City, and invitations went out last week. He said attendees will be touring the National Weather Center in Norman, OK, on the evening of May 3.

Commissioner Mulready said any states wanting to conduct a workshop in their FEMA region could reach out to him or Aaron Brandenburg (NAIC).

7. Received an Update on the NAIC Catastrophe Resource Center

Ms. Robben said she would be reaching out to the departments of insurance (DOIs) to be sure the names on the catastrophe contact list are current. She asked states about what types of information are not on the web page that would be helpful to add. No one had any immediate comments. Commissioner Altmaier suggested that the NAIC send out a survey to Working Group and Advisory Group members to better meet the needs of the state insurance regulators.

Mr. Bradner said the Northeast Zone is reconvening a group of catastrophe contacts within each of the northeast state DOIs. He said they would be meeting sometime in April or May. He said in the past, some of the things they discussed included what is happening in each state regarding items such as hurricane deductibles, policy language changes, etc. He said if a catastrophic event approaches the Northeast, the group can hold a call to discuss what each state is doing to prepare for the event.

Having no further business, the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group adjourned.

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