Catastrophe Insurance (C) Working Group

December 7, 2019
Austin, Texas
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Catastrophe Insurance (C) Working Group
New York, New York
August 3, 2019

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in New York, NY, Aug. 3, 2019. The following Working Group members participated: Mike Chaney, Chair (MS); David Altmaier, Vice Chair, represented by Susanne Murphy (FL); Jerry Workman (AL); Joanne Bennett (AK); Ken Allen (CA); Peg Brown (CO); George Bradner (CT); Kathleen Nakasone (HI); Judy Mottar (IL); Barb Rankin (KS); Warren Byrd (LA); Kevin Beagan (MA); Paula Keen (MD); Angela Nelson (MO); Fred Fuller (NC); Mark McGill (NJ); Tom Botsko (OH); Cuc Nguyen (OK); Elizabeth Kelleher Dwyer and Beth Vollucci (RI); Lee Hill and Gwen Fuller McGriff (SC); Mark Worman (TX); and John Haworth (WA). Also participating was: Rebecca Nichols (VA).

1. **Adopted its 2019 Spring National Meeting Minutes**

Ms. Murphy made a motion, seconded by Ms. Nelson, to adopt the Working Group’s April 6 minutes *(see NAIC Proceedings – Spring 2019, Property and Casualty Insurance (C) Committee, Attachment Two)*. The motion passed unanimously.

2. **Heard an Update Regarding Federal Legislation and the NFIP**

Brooke Stringer (NAIC) provided an update regarding federal legislation and the National Flood Insurance Program (NFIP). The NFIP has been operating on a series of short-term extensions since its reauthorization expired in 2017. The latest NFIP extension expires Sept. 30. It is likely that there will be another temporary extension. However, the NAIC was pleased to see some positive momentum with the U.S. House of Representatives (House) Committee on Financial Services unanimously approving a five-year reauthorization bill (H.R. 3167) in June.

The NAIC appreciates Chairwoman Maxine Waters and Ranking Member Patrick McHenry’s bill, which included some provisions from the NAIC guiding principles for reauthorization. The bill includes ensuring that consumers can leave and return to the NFIP without penalty and receive pro-rata refunds when they cancel an NFIP policy midterm to switch to a private policy. The NAIC was also encouraged by the bill’s increased investment in mitigation, including the authorization of $200 million for pre-disaster hazard mitigation funding. The proposed flood mapping modernization reforms would also be beneficial.

Some of the other provisions in the bill include: 1) a five-year demonstration program for means-tested assistance to low-income policyholders; 2) a repeal of the $25 policy surcharge for primary residences and $250 surcharge for businesses and nonprimary residences; 3) the creation of a revolving loan fund for the states for mitigation efforts; and 4) a requirement for the Federal Emergency Management Agency (FEMA) to update mapping technology, among other provisions.

Since the June Committee passage of Chairwoman Waters’ bill, the Louisiana and New Jersey delegations have introduced an alternative bill (H.R. 3872/S. 2187), as they believe the legislation did not go far enough to protect consumers from rate hikes or do enough to improve the claims process. This development complicates quick action in the House as they consider these alternative reforms.

While the bills have many similarities, Representative Frank Pallone/Senator Bob Menendez’s legislation would: 1) cap annual rate increases at 9%, as opposed to the current cap of 25%; 2) increase coverage limits from $250,000 to $500,000 for residential properties; 3) establish caps on Write Your Own Company Compensation/agent commission; 4) freeze the NFIP’s interest payments on its debt; 5) require annual continuing education (CE) for agents; 6) implement numerous claims processing reforms—i.e., litigation oversight reforms—prohibiting engineering reports from being manipulated; and 7) includes no provisions for private flood insurance. Some of these reforms may be incorporated in Chairwoman Waters’ bill.

Senator Roger Wicker has introduced three flood related bills that would: 1) deliver relief for small businesses by allowing surcharges to be used for mitigation; 2) empower local communities to take an active role in flood mapping; and 3) provide CE requirements for agents to ensure that accurate information about flood policies is being presented to consumers.
As the U.S. Congress (Congress) considers reauthorization and reform bills, the NAIC will keep the Working Group updated on any developments. The NAIC continues to urge Congress to find consensus on a long-term reauthorization.

On July 1, the federal banking regulators’ rule supporting lender acceptance of private flood insurance policies went into effect. The rule requires insurers to self-certify that their private flood policies meet certain requirements set forth in the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) in order for banks to be required to accept such policies, and it also allows banks the discretion to accept policies that do not meet these requirements. The NAIC hopes that the implementation of this rule after many years of deliberation and uncertainty at the federal level will now help encourage banks’ acceptance of private flood policies. As state insurance regulators begin reviewing these new private flood insurance forms that include self-certification language indicating that they meet the federal private flood definition, the NAIC wants to hear from state insurance regulators about their experience regarding items such as the specific language state insurance regulators are approving, challenges encountered by state insurance regulators, as well as challenges with banks or inquiries from banks.

Mr. Bradner said he recently attended an event sponsored by FEMA. During this event, FEMA discussed Risk Rating 2.0. Mr. Bradner said it appears that Risk Rating 2.0 will eliminate some of the cross-subsidization. He said one of his concerns is the pricing impacts to consumers. He said these increases could be significant, as first-time buyers of flood insurance would be paying actuarially sound rates. He is also concerned that while scoring the risk, some consumers may pay more than they have paid in the past because risks will be scored at a more granular level. He said this could cause some disruptions regarding mortgages because the increase will be unexpected by the consumer.

Commissioner Chaney said when Biggert-Waters was initially passed, there were consumers on the gulf coast who saw astronomical increases in NFIP policy prices following Hurricane Katrina. Dennis C. Burke (Reinsurance Association of America — RAA) said Risk Rating 2.0 is an administrative action by FEMA, so they are required to abide by existing law, and the existing law has the post-Biggert-Waters glide path regarding rate increases. There is some discussion right now regarding lowering the glide path that is currently in place. Mr. Burke said some Congressional members wanted to lower the glide path, which is currently 18%, to 9%. He said it was true that new policyholders will be paying the full risk rate.

Commissioner Chaney asked Mr. Burke where he saw this glide path affecting long-term rates, as well as how Risk Rating 2.0 will affect affordability. Mr. Burke said the property/casualty (P/C) industry is advocating for continuous coverage. He said if this was in place, the growing private flood insurance market will provide options where Risk Rating 2.0 is problematic. Mr. Bradner said he is still concerned that a consumer leaving the NFIP to obtain insurance in the private market will not be grandfathered back into the NFIP if they choose to return to the NFIP from the private market. He said this would significantly affect the private flood insurance market. Mr. Burke said currently, FEMA interprets the law as not being able to provide grandfathering when coming back to the NFIP, which is why the RAA is advocating for continuous coverage.

3. Received an Update Regarding the Transparency and Readability of Consumer Information (C) Working Group

The Transparency and Readability of Consumer Information (C) Working Group received a referral from the Catastrophe Insurance (C) Working Group to create a claims guide for departments of insurance (DOIs) to provide to consumers following a disaster. The claims guide provides information to consumers on several topics. The document includes information regarding: 1) steps to take following a disaster that damaged a consumer’s home; 2) additional living expense; 3) how to report an insurance claim; 4) what an adjuster is, the various types of adjusters, and what they do; 5) items that a consumer will need to provide to the insurance adjuster; 6) settling a claim; 7) how a claim payment is calculated; 8) replacement cost versus actual cash value (ACV); 9) how depreciation works; 10) ordinance and law coverage; 11) the three R’s of recovery; 12) assignment of benefits; 13) insurance fraud; 14) ways to limit future damage; and 15) financial preparation for future events.

The document also includes logs for consumers to use to record claim information, adjuster information, contractor information, claim communication, and emergency repairs. The Working Group will be considering how to put this information onto a website that is readable for consumers.

Ms. Nelson said the Post-Disaster Claims Document has been adopted by the Transparency and Readability of Consumer Information (C) Working Group, and it will be considered for adoption by the Property and Casualty Insurance (C) Committee during the Summer National Meeting.
Superintendent Dwyer asked Ms. Nelson if the Missouri Division of Insurance found this document helpful following the tornado in Jefferson City, MO. Ms. Nelson said she spoke to their consumer affairs division following the disaster, and she was told that consumers found the document to be helpful.

4. **Adopted its Drafting Group Reports**

Ms. Nelson said a drafting group consisting of herself, Mr. Workman, Mr. Bradner and Mr. Byrd has been working on updating the **NAIC State Disaster Response Plan**. The purpose of the document is to provide a template for a state DOI to use when assisting consumers following a disaster. The document details how a DOI can work with other agencies, including federal, state or local agencies; the NAIC; and other state DOIs. The disaster response plan template provides states needing NAIC assistance following a disaster with high-level action items for a state DOI to do prior to contacting the NAIC, as well as the types of assistance the NAIC can provide to the states.

Mr. Bradner said the document is broken up into several topics, including: 1) preparation steps, as well as important planning considerations following a disaster; 2) important contacts that a DOI should collect on a regular basis; 3) resources required for emergency response; 4) major incident management functions; 5) disaster response teams and their purpose; 6) roles and responsibilities of various staff members following a disaster; 7) example response levels and definitions; and 8) contact templates.

Mr. Bradner said the drafting group would like to send the document to Working Group members and interested state insurance regulators for input. Once the input is received and incorporated, the document can be exposed.

Ms. Nelson made a motion, seconded by Mr. Byrd, to adopt the Working Group’s report.

5. **Heard a Presentation from Milliman Regarding the Private Flood Insurance Market**

Nancy Watkins (Milliman) said she was going to focus on the issue of regulatory uncertainty as a barrier to private flood insurance. She said in the past three years, the U.S. has experienced heavy rainfall, causing extreme flooding that has never been seen before. Since 2016 there have been several big storms, causing billions of dollars in damages. Between 50% and 80% of these losses are not insured, which means communities are not bouncing back quickly when these storms occur.

Ms. Watkins said floods are now expected to cost U.S. households $20 billion each year, with only 16% of these losses insured by the NFIP. Approximately 3.5 million single family homes are insured by the NFIP; however, there are 82 million single family homes in the U.S. Only 15% of U.S. homeowners had a flood insurance policy in 2018, and the estimated direct written premium for the residential flood insurance market by private insurers is $213 million. Milliman estimates the potential private residential flood insurance market to represent between $34 billion and $48 billion in direct written premium.

Ms. Watkins said she has seen recent comments opposing the private flood insurance market due to cherry picking. She said the NFIP is a temporary solution that was put in place 50 years ago because the private insurance market could not and would not insure flood. She said it does not make sense to prolong the problem so the temporary solution can be saved. She said the NFIP is important. Every state has some type of residual market that helps to insure and provide continuous coverage for people that might not be able to afford the coverage available in the market. Ms. Watkins said to consider Florida citizens. She said that market has grown and shrunken as it needed to and provided a safe and reliable source of insurance for people who need it. The NFIP can continue to evolve and do the same thing. Ms. Watkins said Risk Rating 2.0 is going to help the NFIP and put out a lot of good information on the actual risk of a flood insurance policy. She said this will also protect the NFIP from cherry picking in the future.

Ms. Watkins said Milliman is working for insurers, reinsurers, and managing general agents (MGAs) who are trying to start private flood insurance products in the U.S. Milliman is also working with FEMA to develop Risk Rating 2.0. Milliman is also working with the North Carolina Rate Bureau (NCRB) to develop a private flood product in North Carolina.

Ms. Watkins said Milliman has interviewed state insurance regulators in key states to discuss the approach to regulating private flood insurance. Milliman has researched public sources on property insurance regulation and practices, as well as reviewed private flood insurance rate, rule and form findings. Ms. Watkins said Milliman prepared a 50-state matrix on flood insurance regulation for the National Association of Realtors (NAR). She said Milliman has done a variety of market studies and
publications regarding the impact of private flood insurance. She said in Florida, 72% of homeowners can get rates less than the current NFIP rates.

Ms. Watkins said she has some suggestions regarding the future of private flood insurance. She said she would like to see a private market alongside the NFIP, as they can coexist. She said she believed private flood insurance can be written in both the admitted and non-admitted market; however, she said it needs to be determined if the guaranty funds are going to cover flood insurance in the admitted market.

Ms. Watkins said there are a lot of excess flood insurance policies in existence. She said it would be beneficial to see first dollar policies with specified limits, first dollar up to full home value, and excess of the NFIP. She believes there are many insurers that are going to want to offer broader options than those provided by the NFIP. She would like to see insurers actively selling private flood insurance. It would be beneficial for more agents and insurers to tell homeowners that they need flood insurance. Improved technology would reduce the cost and streamline the user experience.

Ms. Watkins said she would like to see more affordable risk-based premiums for the greatest number of households, as well as higher participation rates across all flood zones. She said if state insurance regulators embrace some of these options and make them goals for their states, state insurance regulators will see reduced reliance on disaster assistance post-event, as well as communities rebounding more quickly.

Ms. Watkins said she saw a quote that stated that private flood insurance growth was dangerous for consumers. She believes having a small private flood insurance market is a disaster for consumers. She said it is important to balance the need to protect consumers against the need to promote the private flood insurance market. She said most of the larger insurers are not writing a large share of private flood insurance. She said one of the obstacles of large insurers is that flood insurance is hyper localized. She said you can have two different homes in the same neighborhood that have two different risks. She said for a wind policy or a wildfire policy, you might not have the same type of differentiation as with a flood policy. She said insurers need to understand their risk, and they need to charge actuarially sound rates. The localized nature of flood insurance makes it very different from homeowners insurance. Most private insurers have not serviced or written flood insurance policies and do not have access to good data, which is a problem. Severe repetitive losses are also an issue.

Ms. Watkins said currently, Florida is the only state that has specific regulations to private flood insurance. State insurance regulators are trying to work with insurers because the flood insurance market is underserved. However, a lot of times, it is not clear for how long various rules will be suspended; this causes a lot of uncertainty for insurers.

Ms. Watkins said one of the biggest barriers to private flood insurance is the use of catastrophe models. Some states do not allow the use of catastrophe models; they want all property rates to be based on historical experience. Of the three choices—historical experience, rates of a competitor, or catastrophe models for flood—most insurers are going to price and underwrite using catastrophe models.

Florida has specifically in their laws allowed catastrophe laws to be used as a basis for pricing. The data released by the NFIP gives 40 years of paid loss history, starting in 1980, which does provide a lot of data; however, the data alone does not tell the story.

Before 2005, Louisiana represented 12% of the cumulative paid losses for all years for the NFIP. In one year, that 12% grew to 49%. If you are going to use experience in 2006, you would have the possibility of allocating almost half of the NFIP premium to Louisiana because of one event.

In 2011, New Jersey and New York experienced about 3–4% of the total losses. Following Superstorm Sandy, the total loss percentages increased to 11–12%. The same thing happened with Hurricane Harvey in Texas. This reflects the fact that you cannot base rates on experience alone. It is necessary to look at the probability, which is what catastrophe models do. Currently NFIP rates are based on a first-generation catastrophe model built in the 1970s. The model does not provide the amount of differentiation it needs to in order to provide a good job with the rating. It also does not reflect insurance to value, so a $250,000 home pays the same premium as a $1 million home.

Think about those low value homes that are subsidizing the high-value homes. Risk Rating 2.0 will get that subsidy removed. The next generation catastrophe flood models are going to take the historical data available, decompose it, and reassemble it to
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Attachment Two
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make it useful for insurance purposes. If one uses only exposures, they will get only a limited view of risk that is not directly useful for pricing flood insurance. The effects of mitigation can also be used in a catastrophe model.

Florida uses catastrophe models for hurricanes to improve their building codes and provide mitigation credits in the pricing of insurance. Ms. Watkins said this same ability will have to be used for the flood peril catastrophe models. She said catastrophe model use varies greatly by state. She believes the reason state insurance regulators are nervous regarding catastrophe model challenges is that they need to protect their consumers, and they do not have the expertise and the resources to review models comprehensively. She said additionally, not all the states have the ability to protect the proprietary information of catastrophe modelers and insurers, which presents a real challenge because insurers do not know if catastrophe models will be accepted or not. She said insurers will likely stay out of the states that will not allow catastrophe models, which means the states will have fewer options for consumers.

Ms. Watkins said she proposes for the states that want to vet the catastrophe models, that they band together and create a catastrophe model clearing house. She said some states might want to do a simple check list and ask specific questions. She said Milliman would be able to help design something like this. She said a diligent expert review costs money and professionals such as actuaries, hydrologists and others to understand both catastrophe models and flood.

Ms. Watkins said it does not make sense for the states to change their rate and form laws; however, requiring insurers to describe what they did and understand the catastrophe model they are basing their rates on might work for the states. She said New Jersey asks for flood rates, rules and forms to be filed (initial and rate changes), but no supporting information is required.

New entrants to the flood insurance market are likely to purchase significant amounts of reinsurance. Flood insurance is inherently high-risk and volatile, so insurers may require higher amounts of profit and contingencies built into rates than for homeowners; if this is not allowed in a particular state it will be difficult for an insurer to offer private flood insurance. Wisconsin, for example, has no limitations or requirements for reinsurance cost and profit provision assumptions.

Ms. Watkins said in terms of confidentiality and trade secret protection, commercial catastrophe modelers can be very protective of their intellectual property and have certain information that they do not want to file publicly. Insurers may want to protect their proprietary flood pricing and underwriting algorithms from competitors. It is important for state insurance regulators to be able to look at the rate/rule pages from a filing. The only people that want to see published rates are competitors; consumers do not want to see the rate pages. Providing the ability to submit items confidentially is important. For example, in Pennsylvania, information deemed confidential, trade secret or proprietary by the insurer or filer will not be open to public inspections.

Ms. Watkins said repetitive loss properties make up only 1% of NFIP policies, yet they account for more than 25% of the claims. If that states have laws that say insurance companies cannot raise premiums or non-renew because of “act of God” claims, you are essentially telling insurers that if they get one of the severe repetitive loss policies, they cannot get off. This does not work well in the flood insurance space.

Ms. Watkins said her question is how Milliman can help state insurance regulators. She said her team would be happy to work with the NAIC in any capacity that they are able. She said she and her team can: 1) speak to the states individually regarding what is occurring in a particular state; 2) share market research on private flood insurance; and 3) help fill in the details of the catastrophe modeling clearinghouse proposal and understanding the changes in the NFIP.

Mr. Byrd asked how much of Milliman’s estimate of $34 billion to $48 billion direct written premium in the private flood insurance market is due to marketing. Ms. Watkins said this would assume that all of the losses are covered by the private flood insurance market. She said she started with how much loss there was and how much premium would be charged for the loss. This would be accurate if insurers successfully market private flood insurance to everyone. Ms. Watkins said there would probably never be 100% take-up rates for flood insurance. She said other countries have had take-up rates well above 60%. Private flood insurers are going to sell insurance in the states where it is safe and an insurer feels that they can make a reasonable rate of return.

Commissioner Chaney asked if she was seeing problems in the ratemaking for private flood insurance that commissioners will need to address, such as flex rating and confidentiality. Ms. Watkins said no one put the rules out because they do not want a private flood insurance market. She said rules and customs were created over the years that work well for homeowners
insurance. She said if commissioners understand why the rules are blocking the private flood insurance market, the commissioners might decide which rules were not as useful or necessary as they might have thought. Commissioner Chaney said there may be a need for statutory law changes in several states to allow for the availability of private flood insurance.

Having no further business, the Catastrophe Insurance (C) Working Group adjourned.

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Attachment B
Consider Adoption of the State Disaster Response Plan Drafting Group Report
INSURANCE DISASTER RESPONSE PLAN

[Agency Name]

[Date]
INTRODUCTION

In the event of a disaster requiring an extraordinary response, the [state insurance regulatory entity] has adopted the following disaster response plan.

What this document provides

This document provides a template for a department of insurance to use when assisting consumers following a disaster. The document will also provide guidance to insurers and other licensees in advance of a disaster.

This document details how a department of insurance can work with other agencies to assist consumers, including:

- Federal agencies;
- State or local agencies;
- National Association of Insurance Commissioners (NAIC); and
- Other state Departments of Insurance (DOIs).

This document does not provide information regarding a Continuity of Operations Plan (COOP). Check to see if your department has a COOP that provides detailed information regarding how it is to be implemented.

The purpose of the disaster response plan

The purpose of the disaster response plan is to:

- Provide states with information regarding quick and effective responses to meet the insurance information needs of its citizens; and
- Provide information regarding coordination of resources with other state agencies to mitigate the effects of a disaster.

The disaster response plan will be activated by the Commissioner, Director, or Superintendent. It will be implemented by the disaster or incident management team.
Information the disaster response plan provides

This disaster response plan template provides information to assist state insurance departments in responding to disasters. This disaster response plan is scalable to respond to disasters impacting:

- Limited areas within the state;
- Several locations throughout the state; or
- Impacting the entire state.

NAIC Disaster Assistance Program

The NAIC Disaster Assistance Program is a series of services provided by the NAIC to any member jurisdiction experiencing the aftermath of a disaster where additional support is needed.

The NAIC can provide the following services following a disaster:

- Disaster Relief Call Center
- Disaster Recovery Center Insurance Regulator Staff
- Communications Services
- NAIC Coordinated Data Call

Services are provided once a formal request is made by a NAIC member (a jurisdiction’s appointed/elected Insurance Commissioner) to the NAIC Officers, asking them to direct NAIC senior management to allocate budgeted funds and resources toward their need for disaster relief assistance. The day-to-day project is then overseen by the NAIC Director of Member Services who coordinates a variety of NAIC department staff overseeing operations and volunteers throughout the length of services needed.

Ways a Jurisdiction to Prepare to Receive NAIC Assistance

Jurisdictions can prepare information which will better facilitate NAIC assistance after a catastrophic event. These items may be incorporated as part of your jurisdictions Business Continuation Plan.

The following are some high-level action items to do prior to contacting the NAIC:

- Identify your critical staff and who will be coordinating with the NAIC;
- Assess level of impact to your staff. This may determine the support you may need from the NAIC;
- Assess the functionality of your systems and facilities (i.e. phone, internet, other communications, and office) after the event;
- Assess access to power and your critical infrastructure;
- Assess business impact analysis – what is the minimum you need to function?;
- If possible, consider the type of assistance you may need: call center overflow, onsite regulatory staff support, website, or remote office. However, the NAIC is also prepared to consider new services to meet your unique needs;
- Document how a trusted third party may access your communications systems:
phone and internet;
- Prepare and provide talking points for the NAIC, FAQs, jurisdiction guidelines (i.e. emergency adjuster licensing rules) which can be shared with call center staff and onsite DRC volunteers; and
- Share jurisdiction-issued Bulletins and how we are to handle them.

**NAIC Services Set-up Time after Approval of Assistance**

The NAIC is ready to help at any time after a member has requested assistance.

- Call center: within 24-48 hours after contact;
- DRC volunteers may be available within 48-72 hours after contact;
- Communications services are available within 24-48 hours after contact and member approval of information; and
- NAIC Coordinated Data Call within 24-48 hours after contact.

**Additional Information**

Where possible, the NAIC may reach out to a member jurisdiction prior to an imminent disaster to offer information about our program or answer any questions they may have about systems which may be affected in the event of a disaster.

NAIC Research and Government Relations departments are able to participate in briefings with FBIIC, FEMA and Homeland Security to share information from, and to, NAIC jurisdictions.

NIPR and/or IIPRC are able to assist affected jurisdictions who may need emergency adjuster licenses, and/or help processing product filings.

**Disaster Relief Call Center**

NAIC works with your department’s technical team to connect a 1-800 NAIC telephone line and/or computer system (SBS) with your jurisdiction’s consumer phone line and/or complaint tracking system.

- Call center is staffed with experienced insurance department regulator volunteers capable of answering consumer concerns.
- Flexible enough to handle your entire call volume, allowing your staff to assist people in the field.
- Call center may also be set to roll-over to regulator volunteers whenever you experience call overflow.

**Cost:**

- There is no cost to your jurisdiction for this service.
- NAIC covers the cost for the 1-800 phone line; call center equipment, facilities and coordination; and the travel/lodging reservations and expense for regulator volunteers.
- Your fellow Members/Commissioners provide their state regulator staff as volunteers.

**Disaster Recovery Center (DRC) Insurance Regulator Staff**
NAIC facilitates and coordinates insurance department regulator volunteers to staff your designated DRC location(s).

- Volunteers cover 1-2 week shift rotations to man the daily operation of the DRC;
- NAIC will arrange travel and lodging for the assigned regulator volunteers
- If needed, NAIC can help provide loaner laptops or cell phones for regulator volunteer use at a DRC location.

**Cost:**

- There is no cost to your jurisdiction for this service;
- NAIC covers the cost of the loaner equipment and travel/lodging expenses for the regulator volunteers; and
- Your fellow Members/Commissioners proffer their state regulator staff as volunteers.

To deploy this service, an insurance department staff/disaster coordinator contacts Trish Schoettger, NAIC Director Member Services tschoettger@naic.org or call 816.783.8506. She will coordinate a call with the Member/Commissioner, NAIC President and NAIC CEO or COO the Commissioner to make a request to utilize these services.

**NAIC-Hosted Insurance Department Website**

In the case where the affected jurisdiction has lost use of its facility or their website becomes inoperable, the NAIC can act as interim host for the jurisdiction’s insurance department website. If needed, the NAIC can also serve as a resource to communicate your updated status or change information to other jurisdictions and/or agencies.

**Cost:**

- There is no cost to your jurisdiction for this service; and
- NAIC covers the cost of hosting the site.

**NAIC-Coordinated Data Call**

The NAIC assists states with data calls related to the collection of claims data following disasters. Data calls are typically conducted weekly immediately after a disaster and then biweekly or monthly as a higher percentage of claims close.
PREPARATION

The steps to preparation

A DOI needs to promptly and efficiently respond to a disaster. To effectively respond to a disaster requires preparation and planning. This includes:

- Identifying appropriate staff to perform necessary activities;
- Training of appropriate staff;
- Identifying available resources; and
- Identifying any resource shortfalls and how these might be addressed.

Important planning considerations

Preparedness for disasters requires identifying resources and expertise in advance and planning how these can be used in a disaster. Planning considerations include:

- Putting procedures in place for internal tracking and reimbursement costs expended by the DOI in response to a disaster;
- Designating a team of individuals and assigning responsibilities to ensure everyone on the team understands their roles and responsibilities during a disaster situation; and
- Updating plans and procedures based upon the evaluation of the exercise’s performance.

Available Training

As a part of efforts to prepare for response to disasters, state departments of insurance and agencies participate with local jurisdictions and private entities in exercises and training.

Staff should be periodically trained on how to assist consumers during a disaster.

Training regarding information on FEMA assistance programs as well as the National Flood Insurance Program is recommended.

FEMA has free courses available to emergency management teams. These courses can be found by using the following link: [http://training.fema.gov/IS/crslist.aspx](http://training.fema.gov/IS/crslist.aspx).

The NFIP has developed a guide for state insurance regulators and other officials to refer to for flood related issues. This document can be found using the following link: [https://www.fema.gov/media-library-data/1525272377818-3cb0cf795a73c135c8543d2459e12c80/NFIPDeskReferencev18_508_V4.1.pdf](https://www.fema.gov/media-library-data/1525272377818-3cb0cf795a73c135c8543d2459e12c80/NFIPDeskReferencev18_508_V4.1.pdf)
Insurance contact information that a DOI should collect on a regular basis

It is important for a DOI to maintain current insurance company contacts for insurers licensed to do business in the state, including non-admitted surplus lines insurers. Some states may maintain contact information in SBS, another database, or through an outlook contact list obtained from a yearly request.

Partnerships with private volunteer organizations can also be useful in coordinating response after a disaster. [State Insurance Department] should identify consumer or non-profit organizations that would be open to a partnership.

Insurance company contacts:

Following a disaster, a DOI will likely need to contact insurers. The contact information should include:

- Insurers doing business in a state;
- A primary contact and a secondary contact (both would likely be a member of the insurer’s disaster response team); and
- High-level senior management to respond to questions or issues promptly.

Insurance company contact requirements:

After a disaster, state insurance regulators will need to be able to contact insurers for information. Contacts should:

- Be able to provide coverage data and loss statistics, by county or region, according to a standardized format developed by the DOI;
- Be knowledgeable regarding their internal information systems and sources and authorized to access such systems so applicable and timely information can be provided upon the request of the DOI; and
- Be able to respond to requests for information from legislators, governor’s office, SEMA official, or press inquiries.
- DOIs will need contacts for local, state, and federal officials (these should be maintained and updated)

Contacts will report other disaster information to the department of insurance, including lists of company claim offices and phone numbers, adjuster information, and company toll-free numbers, etc.
Types of data a DOI should collect regarding disasters

A DOI should define the appropriate area in their department responsible for creating and maintaining a database that holds coverage data and loss statistics collected from insurers. If a DOI does not have the resources to maintain a database, the NAIC can provide this service.

Information to be collected (generally collected by zip code) includes such items as:

- The number of claims reported;
- The number of claims closed with and without payment;
- Paid losses; and
- Incurred losses.

Data collection tools the NAIC can provide

The NAIC can provide the data template adopted by the NAIC Property and Casualty (C) Committee and Executive and Plenary if the department of insurance does not have its’ own data call template. This template can be found on the Catastrophe Insurance (C) Working Group’s webpage under the Related Documents tab. The link to the webpage is: https://www.naic.org/cmte_c_catastrophe.htm.

The NAIC Coordinated Data Call

The NAIC assists states with data calls related to the collection of claims data following disasters. Data calls are typically conducted weekly immediately after a disaster and then biweekly or monthly as a higher percentage of claims close.

Types of information that should be ready for dissemination in the event of a disaster

Following a disaster, a DOI will be responsible for helping consumers regarding claims. Some of the items a DOI will want to have on hand to provide to consumers include:

- Consumer brochures;
- Consumer alerts;
- Insurer Contacts for Consumers; and
- Other forms of information relating to preparation and response to all types of disasters (this information should be updated prior to a disaster).

The NAICs Transparency and Readability of Consumer Information (C) Working Group created a document to help guide consumers through a claim following a disaster. This document can be passed out following a disaster: https://content.naic.org/sites/default/files/inline-files/Claim%20Disaster%20Guide%20-%20Generic%20FINAL%207%2023%202019.pdf
Types of information a DOI should work with the Public Affairs section to make sure current information is placed on the state's website and distributed via social media

- https://www.insureuonline.org/disaster_prep_wildfires.pdf
- https://www.naic.org/documents/consumer_alert_flood_insurance_understanding_risk.htm

Resources required for emergency response

The availability and capability of resources needs to be determined and include the following:

- People;
- Facilities;
- Materials and supplies; and
- Funding; and
- Information regarding threats or hazard

_____________________________

Periodically review resources dedicated to the Disaster Response Team to make certain there are enough cell phones, laptops, and other equipment and materials available for staff.

Disaster Recovery Team Personnel within the department of insurance should be identified to act as first responders if the department of insurance is required to respond to an emergency.
DOI employees are divided into those who will work outside of the office and those who will work at the DOI in an onsite or offsite call center.

Contact information for members of the team should be maintained.

Employees should receive periodic training and updates on procedures for assisting consumers in the event of a disaster.

The department of insurance shall maintain Disaster Recovery supplies and information for use by the Team
Brief Description of the Major Incident Management Functions
(See org chart template - Appendix 1)

COMMAND
Sets the incident objectives, strategies, and priorities and has overall responsibility for the incident

OPERATIONS
Conducts operations to reach the incident objectives. Establishes tactics and directs all operational resources.

PLANNING
Supports the incident action planning process by tracking resources, collecting/analyzing information, and maintaining documentation.

LOGISTICS
Arranges for resources and needed services to support achievement of the incident objectives.

FINANCE AND ADMINISTRATION
Monitors costs related to the incident. Provides accounting, procurement, time recording, and cost analysis.

Keep in mind, larger states may have more resources available than smaller states. See important note to DOIs.
Disaster Response/Incident Management Team

Response Leadership Team (Your State Emergency Management Agency would call this the Command Support Staff)

The purpose of this team is to:

- Provide direction before, during, and after a disaster;
- Ensure periodic review and assessment of the State Disaster Response Plan and hold incident management team accountable for implementation; and
- Testing and updating the plan on a regular and consistent basis.

Location

This team is located at the [Home office] unless an alternative location is needed.

Duties:

Upon notification of a significant disaster, the Commissioner, Superintendent, or Director will notify this team to begin implementation of the Disaster Response Plan.

Identify which other disaster response units should be activated.

Members:

The response leadership team should include the following:

- Incident Commander (commissioner, director, superintendent, chief deputy, or their designee);
- Public Information Officer (the person that handles media and communication requests);
- Safety Officer (this person is the HR chief manager);
- Finance /Administration Section Chief;
- Legal Counsel;
- EOC Liaison Officer (this could be your lead consumer affairs staff member); and
- Any other positions as required, who report directly to the Incident Commander (they may have an assistant or assistants as needed).

Incident Commander (IC) – (may be the Agency Head or their designee)

The IC is responsible for all incident action plans and activities to sustain critical functions and services. These tasks include:

- Developing strategies and tactics before the execution of action plans in the event of a disaster;
- The ordering and release of resources; and
- The overall authority and responsibility for conducting incident operations.
The IC is responsible for:
- The management of all incident operations;
- Ensuring overall incident safety;
- Assessing the situation and notifying internal teams and departments;
- Appointing others;
- All ICS management functions until they delegate a function;
- Providing information services to internal and external stakeholders; and
- The management of all operations at the disaster site.

It is possible for the IC to accomplish all management functions during the aftermath of a small event.
The IC only creates the sections that are needed. If a section is not staffed, the IC will personally manage those functions.

Public Information Officer (PIO)
The Public Information Officer is responsible for interfacing with the public, industry and media and/or with other agencies with incident-related information requirements.

The PIO is responsible for:
- Drafting and issuing all public announcements;
- Making all press releases; and
- Giving all interviews with the communications media relative to the incident and the Agency’s action plan to address the situation. The PIO establishes communications with PIOs in other State Agencies and the Governor’s Media Office to convey situation status, progress toward resolving the incident and any actions needed in support of or to address the situation.

The PIO works directly with the Incident Commander (IC) and Agency Head on all sensitive communications and may seek advice and counsel from other members of the Command Support Staff on legal or personnel matters and from the Section Chiefs on background relating to the situation and the actions the Agency are taking.
Safety Officer (SO)

The Safety Officer monitors incident operations and advises the Incident Commander/Unified Command on all matters relating to operational safety, including the health and safety of agency personnel.

The SO is responsible for:

- Monitoring conditions and developing measures for assuring safety of personnel;
- Advising the IC about incident safety issues;
- Conducting risk analyses;
- Implementing safety measures;
- Monitoring building accessibility; and
- Communicating with IC and staff.

Legal Counsel (LC)

The member of the Incident Command Support Team who provides legal counsel to the Incident Commander.

Examples of support would include:

- Providing advice relative to Agency jurisdiction and contractual obligations; and
- Other tasks as assigned by the LC.

The LC may also be asked to:

- Review any public statements to be issued by the Public Information Officer (PIO);
- Provide opinion and guidance on employee relations-based issues; and
- Provide opinion and guidance on issues that relate to the Agency mission and the public.

EOC Liaison Officer (ELO)

The Liaison Officer is the point of contact for representatives of other governmental agencies, nongovernmental organizations, and the private sector.

The ELO provides a liaison between the DOI and the State’s Department of Emergency Management and Homeland Security (DEMHS) Department, especially when DEMHS has elected to activate its Emergency Operations Center (EOC).

A close working relationship between the Agency and the EOC is required for timely communication and action appropriate to directives received. The EOC Liaison Officer will represent the Agency at the EOC and establish ongoing communications and scheduled status reviews with the Agency Incident Command.
Roles and Responsibilities

Financial & Administration Section Chief

The Financial and Administration Section Chief is a member of the Incident Command General Staff. This person is also the leader of the Administration Section. The Financial and Administration Chief. In the context of the Continuity of Operations program, the Financial and Administration Section Chief is responsible for the internal processes within the Agency, including financial and human resource functions, which are necessary to enable the critical functions being addressed by the Operations Section.

The Administration Section Chief sustains or recovers processes to maintain the fiscal integrity of the Agency and ensure that essential human resource processes are sustained. The Administration Section Chief works closely with the Operations and Logistics Sections to identify requirements and assess available options.

The Finance/Administration Section Chief is responsible for:

- All financial, administrative, and cost analysis aspects of an incident;
- Maintains daily contact with agency administrative headquarters on finance and administration matters;
- Meets with assisting and cooperating agency representatives;
- Advises the IC on financial and administrative matters;
- Develops the operating plan for the Finance/Administrative Section;
- Coordinates finances at the local level;
- Establishes or transitions into an existing Finance/Administrative Section; and
- Supervises and configures section with units to support as necessary;
- Contract negotiation and monitoring;
- Timekeeping;
- Cost analysis;
- Compensation for injury or damage to property; and
- Documentation for reimbursement (e.g., under mutual aid agreements and assistance agreements).

The Finance/Administration Section is set up for any incident that requires incident-specific financial management.
Finance and Administration Section Team Leads

The Finance and Administration Section Team Leads should be a qualified member of the Incident Command General Staff. This person reports to the Administration Section Chief.

The Time, Compensation/Claims, Cost, and Procurement Units may be established within this Section.

Finance and Administration Section Team Leads are responsible for:

- The coordination of the initial action plan execution and recovery efforts for one of the Administration Section Team;
- Business continuity interruption preparedness;
- Response coordination; and
- Post-interruption corrective action based on lessons learned for the functions that are part of the normal operational responsibilities of the work group.

In NIMS these Team Leads often head Branches or Divisions.

Section Chiefs will determine the organization appropriate under respective Sections

Logistics Section Chief

This Logistics Section Chief is a member of the Incident Command General Staff and is the leader of the Logistics Section.

The Logistics Section Chief is responsible for:

- The resources and processes needed to sustain or recreate the work environment for Operations and Administration Section functions (in the context of the Continuity of Operations Program), including facility, technology, equipment and supplies;
- Addressing plant, tool, technology and information security (including HIPAA) requirements for the Incident Command; and
- Working closely with the Operations and Administration Sections to identify requirements and assess available options.
The Logistics Section is responsible for all services and support needs, including:

- Ordering, obtaining, maintaining, and accounting for essential personnel, equipment and supplies;
- Providing communication planning and resources;
- Setting up food services for responders;
- Setting up and maintaining incident facilities;
- Providing support transportation; and
- Providing medical services to incident personnel.

Operations Section Chief

Typically, the Operations Section Chief is the person with the greatest tactical expertise in dealing with the problem at hand. The Operations Section Chief is a member of the Incident Command General Staff and the leader of the Operations Section. This person is responsible for the sustenance or recovery of the functions within the agency that serve the citizens of the state. The Operations Section Chief may have one or more Deputies, who are qualified.

The Operations Section Chief is responsible for:

- Directly managing all incident tactical activities;
- Implementing the Incident Action Plan (IAP);
- Developing and implementing strategy and tactics to carry out the incident objectives.
- Organizing, assigning, and supervising the tactical response resources; and
- May have one or more Deputies, who are qualified to assume these responsibilities.
  (This is recommended where multiple shifts are needed, as well as for succession planning)

Operation Section Team Leads

An Operation Section Team Lead is a qualified member of the Incident Command General Staff and reports to the Operation Section Chief. This individual is responsible for the coordination of the initial action plan and recovery effort of the Operations Section Teams.

Operation Section Team Leads are responsible for:

- Pre-incident preparedness;
- Incident action plan coordination; and
- post-incident corrective action based on lessons learned for the functions that are part of the normal operational responsibilities of the work group.
Planning Section Chief

The Planning Section Chief is a member of the Incident Command General Staff and leader of the Planning Section. This individual is responsible for the development of the Business Continuity Plan and COOP document and works closely with the Incident Commander, General Staff (other Section Chiefs) and Command Support Staff to ensure critical functions and their resource requirements are identified, that preparatory actions are taken. The Planning Section Chief makes sure communications information needed to execute the COOP has been captured.

In the continuity plan action period, the Planning Section Chief is responsible for:

- Serving as a coach to Incident Command;
- Ensuring that regular crisis action plan review sessions are held;
- Making sure outstanding issues are identified;
- Making sure appropriate alternatives are considered; and
- Making sure action assignments are clearly distributed.

The Planning Section Chief may have one or more Deputies, who are qualified to assume these responsibilities. This is recommended where multiple shifts are needed, as well as for succession planning.

The major activities of the Planning Section may include:

- Collecting, evaluating, and displaying incident intelligence and information;
- Preparing and documenting Incident Action Plans;
- Tracking resources assigned to the incident;
- Maintaining incident documentation; and
- Developing plans for demobilization.

Deputy

The Deputy is a fully qualified individual who, in the absence of a superior, can be delegated the authority to manage a functional operation or perform a specific task. In some cases, the Deputy acts as relief for a superior and, therefore, must be fully qualified in the position.

Deputies can be assigned to the Incident Commander, Command Support Staff and the Section Chief positions.

Statistics Operational Network Task Group

The purpose of this group is to facilitate an analysis of a catastrophe with insurance companies and the [agency name] whenever a catastrophic event occurs.

The Statistics Network Task Group will be located [insert location of home office or other designated location] unless otherwise chosen by the Disaster Executive Committee due to necessity.
The Statistics Network Task Group is charged with the responsibility of creating a “contact list” of insurance community liaisons. This contact list will allow for prompt contact of people within the insurance industry who should be able to provide coverage data and loss statistics, by region, according to any standardized format developed by [agency].

The Team Lead should be knowledgeable of company internal information systems and sources authorized to access such systems so that applicable and timely information can be provided to [agency] or emergency response agencies upon request.

Members of this Task Group should include divisions that perform data collection/analysis, market conduct, and financial regulation.

**Consumer Operational Team Lead**

The Consumer Operational Team Lead works with the PIO to provide consumers with the information needed to contact their insurance companies and the fundamentals to file a claim and convey necessary information to the Emergency Response Team.

A Consumer Information Task Group will be located [insert location of home office or other designated location] unless otherwise selected by the Disaster Executive Committee due to necessity.

If a disaster is declared, a consumer hotline should be immediately activated but consideration may be needed to relocate it. The hotline:

- Should be able to ramp up to provide a 24-hour service; and
- Operates utilizing four six-hour shifts.

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*Branch offices might initially be made operational through the use of cell phones until other landlines are established*

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Hotline staff should:

- Have a list of 800 numbers of the major property/casualty insurers in the state;
- Have the list of Emergency Response Task Group key personnel;
- Have other emergency agency numbers to be used in the event of a disaster; and
- Be provided with a communications kit, which will be used to tell consumers about claim procedures.

Members should include:

- Consumer services unit senior management; and
- Internal resource senior management.
Communications Operations Task Group

The purpose of this group is to work with the PIO to create a central source for media information relevant to disaster insurance and the disaster plan response activities.

This Group:
- Prepares news releases about the steps to take before, during and after a disaster;
- Produces brochures about preparedness;
- Dispatches speakers to various locations as needed; and
- Maintains contact with all media.

The Communications Team will be [insert location of home office or other designated location] unless otherwise chosen by the Disaster Executive Committee due to necessity.

The Communications Operations Task Group is responsible for:
- Developing a consistent message to be communicated to consumers; and
- Distributing advisories and brochures to units of government throughout the state so that they may reproduce them for local residents. (The NAIC should be contacted for assistance in bulk reproduction)

The Communications Task Group should:
- Be in constant contact with the [State Emergency Management Agency’s Communications Team] to coordinate media announcements;
- Contact news organizations throughout the state with a Media Advisory;
- Notify news agencies that [agency name] is the primary source for obtaining and forwarding information relative to insurance and a disaster; and
- Be in constant touch with the Emergency Response Task Group and branch offices to coordinate the information flow.

Much of the information will be obtained from the designated liaison persons of the Emergency Response Task Group.

This system makes sure that information being supplied to the media is consistent, accurate, and up-to-the-minute.

The Communications Task Group is:
- Responsible for making sure messaging is consistent;
- Responsible for developing an Outreach Team to operate quickly and efficiently in affected areas to answer questions in town meetings and other informational gatherings; and
- Responsible for supplement information provided through the media and other sources about how to quickly and effectively prepare insurance claims information.
Members include:

- Senior media or communications staff;
- Legislative personnel; and
- Key agency staff with public speaking experience.

**Logistics Task Group**

**The purpose of this Task Group is:**

- To consult with other task groups regarding the department of insurance's logistical and technical capabilities, and requirements, to enable the efficient execution of the DOIs State Disaster Response Plan; and
- Coordinate with the Emergency Response Task Group regarding logistical and technical capabilities for Emergency Response Task Group and/or field or temporary offices; and coordinate with the Consumer Information Hotline Task Group regarding logistical and technical capabilities for hotline and other consumer communication needs.

The Logistics Task Group will be [insert location of home office or other designated location] unless otherwise chosen by the Disaster Executive Committee due to necessity.

The duties of the Logistics Task Group are:

- To identify resource needs of the other task groups regarding the DOIs logistical and technical capabilities and requirements to enable the insurance department to respond better and faster to disasters and include these in the implementation plan; and
- To coordinate technical requirements for an alternate designated facility to ensure its immediate activation in case the DOIs home or central office is damaged/destroyed in a disaster and include these in the implementation plan.

Members include:

- Senior staff from internal resource or budget;
- Senior staff from the IT unit; and
- Senior staff from any branch office locations.

**Branch Office(s)**

Branch offices will be responsible for addressing and solving problems where possible and overseeing operations in the geographic areas where the branch office is responsible.

While the composition and the basic duties will be the same as those of the Emergency Response Task Group, the branch office(s) will deal with the local problems and handle them from a closer vantage point.

Branch offices will be established at the existing location of the branch offices, unless the
Emergency Response Task Group indicates a more appropriate location.

The branch office will be responsible for:

- Channeling information within the zone the branch office is responsible;
- Forwarding request for speakers and press contacts to the Communications Task Group;
- Obtaining general insurance information and all written material explaining how to prepare claims from the Consumer Services Task Group;
- Routinely reporting to the Emergency Response Task Group about daily activities;
- Sending all problems that cannot be worked out locally to the Emergency Response Task Group for review; and
- Obtaining DOI brochures.

Members include senior staff from branch office location(s).

Where serious disputes or problems arise, the branch office will forward these back to the Emergency Response Task Group; otherwise, the branch office will manage their own operation and report only.

It is imperative that senior staff remain at the Branch Office Operations center for command purposes.

These centers fall under the direction of the Emergency Response Task Group.
Appendix 1
Business Continuity Organization Chart
Appendix 2
Response Levels and Director’s Contacts
Example Lists
## RESPONSE LEVELS AND DEFINITIONS

<table>
<thead>
<tr>
<th>Disaster Level 1</th>
<th>Disaster Level 2</th>
<th>Disaster Level 3</th>
<th>Disaster Level 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insured Losses</strong></td>
<td>Less than $100 Million</td>
<td>Between $100 Million and $1 Billion</td>
<td>Between $1 Billion and $10 Billion</td>
</tr>
<tr>
<td><strong>Types of Events</strong></td>
<td>Rural Tornadoes</td>
<td>Town-leveling tornadoes</td>
<td>Region-wide</td>
</tr>
<tr>
<td></td>
<td>Rural Hailstorms</td>
<td>Suburban Hail and/or wind storms Area-wide ice storms</td>
<td>Region-wide ice storms Urban</td>
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<tr>
<td></td>
<td>Rural Windstorms</td>
<td></td>
<td>Storms Urban</td>
</tr>
<tr>
<td></td>
<td>Local Flash Floods</td>
<td>Area-wide flash floods</td>
<td>Tornadoes</td>
</tr>
<tr>
<td></td>
<td>Rural &amp; Residential Forest/Wild Fires</td>
<td>Major outbreak multiple tornadoes Urban Fires</td>
<td>Urban Floods Urban/Suburban</td>
</tr>
<tr>
<td><strong>Geographical Extent</strong></td>
<td>Localized</td>
<td>Localized to disbursed</td>
<td>Localized to widespread</td>
</tr>
<tr>
<td><strong>Affected Population</strong></td>
<td>Small</td>
<td>Small to Moderate</td>
<td>Small to Large</td>
</tr>
<tr>
<td>Examples</td>
<td>Hoisington Kansas F4 Tornado (April 21, 2001) $43 Billion in Damages</td>
<td>La Plata Maryland F4 Tornado (April 28, 2002) $100M in Damage</td>
<td>Nashville Flood (May 1, 2010) $1.5 Billion in Damages</td>
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<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>------------------------------------------------------</td>
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<tr>
<td>Haysville/Wichita Kansas F4 Tornado (May 3, 1999) $150 Million in Damage</td>
<td>Haysville/Wichita Kansas F4 Tornado (May 3, 1999) $150 Million in Damage</td>
<td>Oakland/Berkeley Firestorm (October 19, 1991) $1.54 Billion in Damages</td>
<td>Northridge Earthquake (January 17, 1994) (Mag. 6.7 Mom. Mag.) $15 Billion in Damages</td>
</tr>
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</table>
**DIRECTOR’S CONTACTS**

**TOP 20 P&C INDUSTRY CONTACT LIST**

<table>
<thead>
<tr>
<th>Carrier Name</th>
<th>Director’s Contact Name</th>
<th>Director’s Contact Title</th>
<th>Director’s Contact Address</th>
<th>Director’s Contact E-mail</th>
<th>Director’s Contact Cell Phone #</th>
<th>Director’s Contact Fax #</th>
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<th>Director’s Contact E-mail</th>
<th>Director’s Contact Cell Phone #</th>
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**DIRECTOR’S CONTACTS**

**TOP 20 COMMERCIAL/ALLIED LINES CONTACT LIST**

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<thead>
<tr>
<th>Carrier Name</th>
<th>Director’s Contact Name</th>
<th>Director’s Contact Title</th>
<th>Director’s Contact Address</th>
<th>Director’s Contact E-mail</th>
<th>Director’s Contact Cell Phone #</th>
<th>Director’s Contact Fax #</th>
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SEE DISASTER PLAN INDUSTRY CONTACTS ATTACHMENT FOR COMPREHENSIVE CONTACT INFORMATION
Appendix 3 Sample Contact Lists
INSURANCE TRADE ASSOCIATION AND KEY INDUSTRY GROUPS
CONTACT LIST

STATE INSURANCE TRADE ASSOCIATION
Address 1
Address 2
Executive Director:
Phone:
Fax:
E-mail Address:
Internet Address:

STATE INSURANCE AGENT ASSOCIATION
Address 1
Address 2 Executive
Director: Phone:
Fax:
E-mail Address:
Internet Address: 

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES
3601 Vincennes Rd
Indianapolis, IN 46268
Key Executive: Charles Chamness, CFO Phone:
317-875-5250
Fax: 317-879-8408
E-mail Address: lforrester@namic.org or cchamness@namic.org
Internet Address: www.namic.org
INSURANCE SERVICES OFFICE
2828 E. Trinity Mills Road, Suite 315
Carrolton, TX 75006
Assistant Regional Manager:
Phone
Fax:
E-mail Address:
Internet Address: www.iso.com

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA
2600 River Road
Des Plaines, IL 60018 Contact:
Phone:
Fax:
E-mail Address:
Internet Address: www.pciaa.net

AMERICAN INSURANCE ASSOCIATION
150 North Wacker Drive
Suite 2525
Chicago, IL 60606
Contact:
Phone:
Fax:
E-mail address:
Internet address: www.aiadc.org
INSURANCE INFORMATION INSTITUTE
110 William Street
New York, NY 10038
Key Executive: Phone:
Fax:
E-mail Address
Internet Address: www.iii.org

STATE INSURANCE GUARANTY ASSOCIATIONS
Address1
Address 2
Contact:
Phone:
Fax:
E-mail Address:
Internet Address:

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS
Address 1
Address 2
Contact:
Phone:
Fax:

NATIONAL COUNCIL ON COMPENSATION INSURANCE (NCCI)
Address 1
Address 2
Contact:
Phone:
Mobile:
Fax:
E-mail Address:
Internet Address:
STATE PROPERTY RESIDUAL MARKET OR FAIR PLAN

Address 1
Address 2
Manager:
Phone:
Fax:
E-mail Address:
Internet Address:
## MEDIA CONTACTS (EXAMPLE FROM MISSOURI DIFP)

<table>
<thead>
<tr>
<th>Newspapers</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Springs Examiner</td>
<td><a href="mailto:dbrendel@examiner.net">dbrendel@examiner.net</a></td>
<td>(816) 229-9161</td>
</tr>
<tr>
<td>Boonville Daily News, The</td>
<td><a href="mailto:news@boonvillenews.com">news@boonvillenews.com</a></td>
<td>(660) 882-5335</td>
</tr>
<tr>
<td>Branson Daily News, The</td>
<td><a href="mailto:bdn@tri-lakes.ent">bdn@tri-lakes.ent</a></td>
<td>(417) 334-3161</td>
</tr>
<tr>
<td>Carthage Press, The</td>
<td><a href="mailto:carpress@ipa.net">carpress@ipa.net</a></td>
<td>(417) 358-2191</td>
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<table>
<thead>
<tr>
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<tr>
<td>Associated Press</td>
<td><a href="mailto:pstevens@ap.org">pstevens@ap.org</a></td>
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<table>
<thead>
<tr>
<th>Television Stations</th>
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</tr>
</thead>
<tbody>
<tr>
<td>KCTV</td>
<td><a href="mailto:kctv@kctv.com">kctv@kctv.com</a></td>
<td>913-677-5555</td>
</tr>
<tr>
<td>KETC</td>
<td><a href="mailto:letters@ketc.pbs.org">letters@ketc.pbs.org</a></td>
<td>800-729-9966</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Radio Stations</th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>KAAN</td>
<td><a href="mailto:rodneyh@netins.net">rodneyh@netins.net</a></td>
<td>660-425-7575</td>
</tr>
<tr>
<td>KAHR</td>
<td><a href="mailto:kool967@semo.net">kool967@semo.net</a></td>
<td>866-917-9797</td>
</tr>
<tr>
<td>KALM -</td>
<td><a href="mailto:mail@kkountry.com">mail@kkountry.com</a></td>
<td>417-264-7211</td>
</tr>
<tr>
<td>KAOL</td>
<td><a href="mailto:KMZU@carolnet.com">KMZU@carolnet.com</a></td>
<td>660-542-0404</td>
</tr>
<tr>
<td>KBDZ</td>
<td><a href="mailto:news@suntimesnews.com">news@suntimesnews.com</a></td>
<td>573-547-2980</td>
</tr>
</tbody>
</table>
Hear an Update Regarding the NFIP
Attachment C
Consider Adoption of the NAIC Considerations for State Insurance Regulators in Building the Private Flood Insurance Market
November 19, 2019

The following document provides information regarding ways for a department of insurance (DOI) to encourage the growth of private residential flood insurance.

Currently, the Property and Casualty Insurance (C) Committee is considering enhancing the collection of private flood data. These efforts include: 1) collecting information that separates residential private flood insurance premiums from commercial private flood insurance premiums; and 2) breaking the information down by stand-alone policies and endorsements to homeowners insurance policies, by both first dollar and excess. Additionally, the proposed supplement will provide claims and policy data.

Furthermore, it has been proposed that lender-placed flood insurance data be collected on the Credit Insurance Experience Exhibit and private flood insurance data be collected for the surplus lines market through the Surplus Lines (C) Working Group.

The Market Regulation and Consumer Affairs (D) Committee has developed a private flood insurance line for the Market Conduct Annual Statement (MCAS), which will collect 2020 data in 2021. The data is expected to follow the same format as the homeowners MCAS with a focus on private flood insurance.

Other considerations for the Property and Casualty Insurance (C) Committee include:

- Considering ways to incorporate a conforming conditions clause in the form approval process.

- Referring state law conflicts relating to statute of limitations and cancellation/renewal provisions to the Government Relations Leadership Council (GRLC) to resolve at the federal level.
CONSIDERATIONS FOR STATE INSURANCE REGULATORS IN BUILDING THE PRIVATE FLOOD INSURANCE MARKET

NOVEMBER 19, 2019
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BACKGROUND AND PURPOSE

State insurance regulators have first-hand experience with the devastating effects that floods have on the constituents in their states, and they believe it is critical that flood insurance is both available and affordable in order to encourage purchases that thereby protect homes, businesses and personal property. Although private flood insurance is being written largely in the commercial market, this paper will focus on the residential flood insurance market.

For more than a half-century, the federal government’s National Flood Insurance Program (NFIP) has been the primary player in the residential flood insurance market, underwriting most policies while private insurers have largely focused on a relatively small residential supplemental market. While the NFIP has done a laudable job in making flood insurance available for millions of residential properties, a significant flood insurance gap exists across the U.S.\(^1\) with flood event after flood event revealing a substantial number of damaged properties being uninsured.\(^2\) A Federal Emergency Management Agency (FEMA) analysis from 2018 indicates that 69% of American homes in high-risk flood zones do not have flood insurance. Concurrently, there has been a heightened interest amongst private carriers to expand their residential flood insurance offerings, greatly assisted by the development of more sophisticated flood mapping and risk modeling technologies.

Funding for continuation of the NFIP expired in September 2017, and since then, the U.S. Congress has passed numerous short-term extensions, and more are expected. The federal Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) requires lenders to accept private flood insurance policies meeting certain requirements just as they would an NFIP policy to satisfy the federal mandatory purchase mortgage requirement. The NAIC has been engaged legislatively and with the federal banking regulators on their rulemaking.\(^3\) In February 2019, after six years of deliberation, the federal banking regulators finalized their rule. The final rule provides the requirements\(^4\) for lenders to accept provide flood insurance policies. The rule also provides lenders the option to accept private flood insurance policies that do not meet the mandatory acceptance requirements set forth in Biggert-Waters subject to certain conditions.

State insurance regulators and the NAIC support a long-term NFIP reauthorization, as well as the facilitation of increased private sector involvement in the sale of flood insurance, which can help ensure that consumers have access to multiple options. In 2016, the NAIC developed the “NAIC Principles for National Flood Insurance Program (NFIP) Reauthorization”\(^5\) and has testified in Congress on the importance of ensuring a viable private flood insurance market as an alternative to the NFIP.\(^6\)

---

2 www.pciaa.net/docs/default-source/industry-issues/4_lessonslearned.pdf.
4 The key conditions in the final rule are: 1) a requirement that the policy provide sufficient protection for a designated loan, consistent with general safety and soundness principles; and 2) a requirement that the regulated lending institution document its conclusion regarding the sufficiency of protection in writing. The final rule also allows regulated lending institutions to exercise their discretion to accept certain plans providing coverage issued by “mutual aid societies.”
Following from this NAIC action, the purpose of this document is to provide state insurance regulators with concrete actions that can be and/or have been taken to assist with the development of the burgeoning private insurance market for residential flood insurance.
According to the most recent data collected by the NAIC (Table 1), approximately $644 million of direct premium was written in the private flood insurance market in 2018 throughout the U.S. In 2018, the private flood insurance market represented 15% of the total flood insurance market ($4.2 billion). The private flood insurance market has been growing over the past few years, with the $644 million in direct premium written in 2018 being an increase of 9% from 2017 direct written premiums, and an increase of 71% since 2016. In 2018, California, Florida, Louisiana, New Jersey, New York, Pennsylvania, Puerto Rico and Texas each had $20 million or more of private flood insurance direct written premium (Table 1), with these eight states/jurisdictions representing nearly 60% of the total private flood insurance market.

It is important to note that the NAIC Annual Statement data used in Table 1 and Table 2 does not differentiate between residential private flood insurance premium and commercial private flood insurance premium. The NAIC is exploring data collection via a supplement and/or data call to collect data for residential private flood insurance and commercial private flood insurance separately.

Beyond this aggregate view of premium being written by state, for a relative sense of market penetration and growth of the private flood market, two other views of the NAIC data are presented: 1) private flood as a percentage of total flood written per state in 2018 (Table 1); and 2) private flood growth by state from 2016 to 2018 (Table 2).

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<thead>
<tr>
<th>State</th>
<th>Direct Premium Written – Private</th>
<th>Direct Written Premium – NFIP</th>
<th>Total</th>
<th>Private Flood Percentage</th>
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<td>Direct Written Premium – NFIP</td>
<td>Total</td>
<td>Private Flood Percentage</td>
</tr>
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<td>$673</td>
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<tr>
<td>-------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>ND</td>
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<td>$1,518,138</td>
<td>$1,033,168</td>
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</tr>
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<td>$1,773,337</td>
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<td>$1,735,136</td>
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</tr>
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<tr>
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</tr>
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</tr>
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<tr>
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<tr>
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<td>$589,147,189</td>
<td>$376,130,254</td>
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</table>

Clearly, this data suggests that there are considerable opportunities for private flood insurance placement and market development. However, it is important to note that in 2018, the majority of growth occurred in the private commercial flood insurance market. The residential private flood insurance market showed a slight decline from 2017.\(^7\)

As insurers’ familiarity with flood catastrophe models grows, as underwriting experience develops and as state regulatory structures evolve, the number of private flood insurance policies in force could continue to grow, including among admitted carriers. Therefore, it is important to understand what the states have done (or not done) to enhance this growth.

STATE ACTION

During the six years of uncertainty regarding the federal banking rules for private flood insurance, a number of states began undertaking efforts to encourage the growth of a private flood insurance market in their state. Florida’s efforts to establish a private flood insurance market have been applauded as a potential model to be used in other states looking to expand their residential private flood insurance offerings. Florida has the largest flood insurance market in the country; approximately 35% of NFIP policies are written there. Florida has enacted legislation to create a statutory framework, allowing private insurers to offer multiple types of flood coverage ranging from standard coverage, which mirrors the NFIP, to other enhanced coverages. This legislation includes: 1) streamlining the rate filing process for private flood insurers; 2) eliminating the diligent search requirement for flood policies issued by surplus lines carriers until July 2019; and 3) providing a process by which the Office of Insurance Regulation (OIR) will certify that a private insurer’s policy equals or exceeds coverage provided by the NFIP. Florida’s OIR issued an informational memorandum providing guidance on how private insurers will need to demonstrate the financial capacity to assume this risk, as well as options for developing private flood rates and policy forms.

In addition to Florida, we can draw upon the existing experiences from other states in developing a robust flood insurance market along the key aspects of insurance regulation.

The NAIC reached out to the states on the drafting group to provide information that was not readily available on the states’ websites, as well as to gather information from other resources, including: 1) the Wharton School of the University of Pennsylvania study The Emerging Private Residential Flood Insurance Market in the United States; 2) Government Accountability Office (GAO) reports; and 3) a recently updated Congressional Research Service (CRS) report regarding private flood insurance and the NFIP. In the future, the NAIC might want to consider sending a more detailed questionnaire to the states to gather more information regarding the developing private flood insurance market.

State efforts to grow a viable private flood insurance market include:

**Legislative and Regulatory Changes**
- Supporting private flood insurance legislation.
- Approving private flood insurance products.
- Tailoring rate and form requirements for private flood insurance coverage.
- Allowing private flood insurers to submit rates on an informational basis.
- Removing diligent search requirements.

**Consumer Information**
- Conducting consumer outreach.
- Listing private flood insurance products on a department of insurance’s (DOI) website.
- Collecting residential private flood insurance data.

**Agent and Lender Actions**
- Implementing specific continuing education (CE) requirements for producers.
- Increasing the weighting of flood insurance questions on producer licensing exams.
- Conducting agent education.
- Conducting lender education.

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LEGISLATIVE AND REGULATORY CHANGES

Supporting Private Flood Insurance Legislation
In addition to Florida’s legislation, West Virginia has passed legislation requiring insurers to file their private flood insurance plan of operation with the insurance commissioner and authorizing expedited processing of surplus lines policies for flood insurance.

Approving Private Flood Insurance Products
Personal lines private flood insurance products are being approved by a number of states. Currently, Alabama, California, Mississippi and Pennsylvania are among states approving new personal lines private flood insurance products for entry into the market.

In January 2018, the Insurance Services Office (ISO) developed a new private flood insurance form, for both personal and commercial flood insurance. The ISO forms are similar to a homeowner’s policy form. However, the damage to the property must be caused by flooding. As of March 2018, ISO personal flood insurance forms have been filed in 43 jurisdictions, and commercial flood insurance forms have been filed in 45 jurisdictions. The states with independent rating bureaus are not reflected in these numbers.

TAILORING RATE AND FORM REQUIREMENTS FOR PRIVATE FLOOD INSURANCE COVERAGE

The states might want to consider permitting insurers to file private flood insurance products without a prior approval requirement. For example, Florida law permits private flood insurance rates to be implemented without prior approval at the time of filing. However, insurers are required to keep supporting actuarial data for two years. Furthermore, Florida law allows insurers to request the state to certify that a private policy provides flood coverage that equals or exceeds that offered by NFIP. (See Appendix I for information on Florida’s process.)

Maryland, South Carolina and Pennsylvania have not relaxed the rate and form filing requirements. However, they are committed to an efficient and swift overview of private flood insurance filings, and they will work with insurers to make the filing and approval process as smooth as possible.

EXPORT LIST / WAIVING DILIGENT SEARCH REQUIREMENTS

Insurance generally must be sold in the admitted market. Only after a “diligent search” of the admitted market is performed and coverage is denied can insurance be placed in the surplus lines market. However, states make exceptions for those types of insurance that are known to not be available in the admitted market. These insurance products are listed on what is known as an “Export list.” When a type of insurance is listed on an Export list, the applicant can go straight to the surplus lines market without the need for the diligent search, thereby obtaining coverage more easily and quickly. At least 14 states have placed flood insurance on their “Export list,” including: Alaska, Arizona, Connecticut, Idaho, Louisiana, New Jersey, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Virginia, West Virginia and Wisconsin.

Allowing Private Flood Insurers to Submit Rates on an Informational Basis
Allowing insurers to submit rates on an informational basis in states with prior approval rate filing laws is another way to encourage the growth of the private flood insurance market. Two states that have

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taken this approach include Florida and New Jersey.⁹ (See Appendix I for information on Florida’s process.)

**CONSUMER INFORMATION**

**Consumer Outreach**

It is important to understand that everyone lives in a flood zone. Some people live in higher-risk flood zones than others, but we all live in a flood zone.

When people say they live or do not live in a flood zone, they typically mean what is known as a “special flood hazard area”. A “special flood hazard area” is an area within FEMA’s 100-year flood plain. This is where flood insurance is typically mandatory as a condition of obtaining a property loan. But there are flood zones outside of the 100-year flood plain as well. For example, there is also what FEMA classifies as moderate risk flood zones. These are the properties in the 500-year flood plain. By definition, and according to FEMA, these properties have between a 0.2% and a 1% chance of flooding in any given year. That might sound small, but over the course of a 30-year mortgage, these properties, according to FEMA, have between a 6% and 26% chance of being inundated by a flood. And flood insurance is not mandatory as a condition of obtaining a property loan in these moderate-risk flood zones.

Consumers need to understand that their property may still be at risk for flooding even if they do not live in a special flood hazard area and are not required to purchase it. They also need to understand that flood insurance can be relatively inexpensive, especially when the property is not in the highest-risk flood zones. There are options available to them, from both the NFIP and the private flood insurance market. And they can purchase lower limits of coverage; they do not need to insure the full replacement cost of their home if they do not wish to do so. Purchasing just $20,000 of coverage, for example, might go a long way in the event of a flood and may be cheaper to purchase than believed. Further, renters can buy policies that cover only their personal property and not the dwelling that they rent.

There are also many consumers under the misconception that flood damage will be covered by their homeowners insurance policy or rental insurance policy. Therefore, they are unaware of their actual flood risk, and they learn that they are uninsured for this catastrophic peril only after a flood event for which they have no coverage.

State DOIs, as well as the NAIC, are launching consumer outreach programs to help address this coverage gap.

Some states now require a flood disclosure with homeowners policies. For example, Texas recently passed a law requiring a conspicuous disclosure when homeowners policies do not include flood coverage.

The NAIC Communications Department has also launched a flood campaign this year to inform consumers of the importance of purchasing flood insurance, either private flood insurance or flood insurance provided by the NFIP. Additionally, the NAIC recently released a special section of its website dedicated to educating consumers about the risks of flooding and what kinds of coverage options are available to protect against those risks.

Finally, the NAIC’s Transparency and Readability of Consumer Information (C) Working Group has created both a basic flood insurance document and several graphic materials containing flood facts, to be used by DOIs for consumer outreach via social media.

Listing Private Flood Insurance Writers on a DOI Website

While many DOIs include information regarding NFIP policies on their websites, some states, including Florida, Louisiana, New Jersey and Pennsylvania, provide a list of private flood insurance writers and their contact information on their websites.

It is worthwhile to note that surplus lines writers are generally not listed by the line of business they write. However, it has been suggested that there would be value for the states to provide information regarding which surplus lines writers are writing residential private flood insurance. Pennsylvania lists the surplus lines producers placing residential flood insurance on its website.

Collecting Residential Private Flood Insurance Data

Florida and Texas both collect comprehensive data regarding residential private flood insurance. As described previously, the NAIC has been collecting private flood insurance data since the data year 2016. Before that, the private flood insurance line was not a separate entry in the annual statement. While residential and commercial private flood insurance are not separated in the property/casualty (P/C) annual statement blank, the NAIC, through its Property and Casualty Insurance (C) Committee, is considering enhancements to the annual statement that would require insurers to report the residential private flood insurance premiums and commercial private flood insurance premiums independently. The Surplus Lines (C) Task Force is considering similar changes to alien surplus lines private flood insurance data that is reported to the International Insurers Department (IID).

The Wholesale & Specialty Insurance Association (WSIA) is also providing the Reinsurance Association of America (RAA) with data regarding surplus lines insurance. The RAA is working on an open source database that provides information regarding private flood insurance.

These changes would allow state insurance regulators and FEMA to better measure the growth of the private residential flood insurance market.

AGENT AND LENDER ACTIONS

Continuing Education and Producer Licensing Requirements

FEMA requires all insurance producers licensed in property, casualty or personal lines of authority who sell flood insurance through the NFIP to complete a one-time course, as required by the federal Flood Insurance Reform Act of 2004. This is also the only educational requirement in many states.

At least one state has increased the weighting of the flood insurance questions on their producer licensing exam.

Agent Education

Selling flood insurance requires an agent to understand the intricacies of NFIP and private flood insurance policies. When purchasing insurance, many times the insurance agent is the consumer’s first point of contact. Therefore, it would be valuable if an agent could explain the risks of flooding, even if a consumer does not own or rent property in a high-risk flood zone. Recent flood events remind us that where it can rain, it can flood, and many floods occur outside of a high-risk flood zone. If agents help to educate the consumer, it will help eliminate the cost of inaction, as the occurrence of a flood event could be financially unbearable for homeowners or renters if they are not insured or are underinsured. It is critical

for agents to make a special effort to educate homeowners regarding the need for flood insurance, even if a business or home is not located in a high-risk flood zone.

DOIs can provide agents with information that they have learned as a result of a flood event, and they can foster agent education by requiring CE requirements to improve an agent's knowledge of flood insurance.

Other states’ adoption of such practices would likely improve agents' knowledge of flood insurance, therefore helping their clients to obtain more effective flood coverage, whether through the NFIP or the private market.

**Lender Education**

A large percentage of Americans have a mortgage on their home. Therefore, lender education is another opportunity for consumer flood insurance education. Recent catastrophic flooding events have illustrated that floods can happen anywhere. Therefore, it may be in the best interest of homeowners to purchase flood insurance even if they do not live in a high-risk flood zone.

While state insurance regulators do not have the authority to regulate lenders, lenders should still be educated regarding the importance of flood insurance. When navigating the loan process, lenders do not always discuss purchasing flood insurance unless the borrower’s home is in a high-risk flood zone. A discussion about purchasing flood insurance even if the homeowner does not live in a high-risk flood zone should ideally be addressed with the borrower.

DOIs can raise awareness regarding flood insurance by bringing agents, consumers, lenders, FEMA, private flood insurance writers, etc. together in communities to discuss the importance of a homeowner purchasing flood insurance.

**MARKET UNCERTAINTY AND THE DEVELOPMENT OF A PRIVATE FLOOD INSURANCE MARKET**

The May 2019 CRS report, “Private Flood Insurance and the National Flood Insurance Program,” identified some of the barriers to the development of a private flood insurance market. Some of the barriers identified in the report include: 1) regulatory uncertainty; and 2) continuous coverage.

Most directly relevant for the NAIC members is the notion of regulatory uncertainty, which is covered below. The remaining topics will be addressed in Appendix II.

In 2016, the U.S. experienced several major flood catastrophes, causing billions of dollars in property losses. Following these storms, it was found that somewhere between 50% and 80% of these losses were not insured, which implies that communities are unable to bounce back quickly following large catastrophic events.

Floods are expected to cost U.S. households $20 billion each year. An Insurance Information Institute (I.I.I.) survey indicated that 15% of American homeowners had a flood insurance policy in 2018 and that there were approximately 5.18 million flood insurance policies held by the NFIP. Milliman estimates the potential private residential flood insurance market to represent between $34 billion and

13 Milliman
14 https://www.iii.org/fact-statistic/facts-statistics-flood-insurance
15 https://www.fema.gov/total-policies-force-calendar-year
$48 billion in direct written premium.\textsuperscript{16} This data clearly indicates an opportunity for growth in the residential private flood insurance market in the U.S.

Recently, comments have surfaced regarding the possibility of the residential private flood insurance market cherry-picking their risks. It is important to remember the NFIP was meant to be a temporary solution that was put into place 50 years ago due to private insurers not insuring flood. While the NFIP is important, every state has some type of residual market that aids in insuring and providing flood insurance coverage for those who are unable to obtain flood insurance coverage available in the market. While not directly related to flood insurance, two good examples of successful residual markets are Florida Citizens and Louisiana Citizens. As the market has grown and shrunk in both Florida and Louisiana, both Florida Citizens and Louisiana Citizens needed to and provided a safe and reliable source of insurance for consumers. The NFIP can continue to evolve and do the same thing. Milliman believes Risk Rating 2.0 will help the NFIP and provide helpful information regarding the actual risk of a flood insurance policy; however, it was recently announced that the implementation of Risk Rating 2.0 will be delayed until Oct. 1, 2021 to allow for more analysis of its impact.

Milliman is of the opinion that a private market can coexist alongside the NFIP. Private flood insurance can be written in the admitted and non-admitted market. However, it needs to be determined if the guaranty funds will cover flood insurance in the admitted market, as flood may be excluded in many states.

Many private insurers have not serviced or written flood insurance policies. Additionally, private insurers do not have access to historical data; this poses a problem. It will be important to balance the need to protect consumers against the need to promote the private flood insurance market.

New entrants to the private flood insurance market are likely to purchase significant amounts of reinsurance. Flood insurance is inherently high-risk and volatile, so insurers may require higher amounts of profit and contingencies built into rates than for a typical homeowner’s insurance product. States allowing these options might make it easier for an insurer to offer private flood insurance. For example, Wisconsin has no limitations or requirements for reinsurance cost and profit provision assumptions.

The issue of continuous coverage is problematic. In order for an NFIP policyholder to preserve any subsidies provided by the NFIP, a policyholder is required to have continuous flood insurance coverage. Currently, a policyholder loses subsidies or cross-subsidies when private flood insurance is purchased, if the policyholder chooses to return to the NFIP.

Unless there is legislation in place allowing private flood insurance to be deemed as continuous coverage, homeowners may be averse to purchasing private flood insurance. Homeowners do not want to find themselves in a situation causing them to lose their subsidy should they elect to return to the NFIP for flood insurance coverage. While legislation has been introduced in the U.S. House of Representatives allowing private flood insurance to count towards continuous coverage, legislation has yet to be passed.

The availability of private flood insurance provides the added benefit of increasing consumer choice. As private insurers are entering the flood insurance market, some of the policies offered are providing broader coverage than that provided by the NFIP. Additionally, some policyholders are finding private flood insurance policies to be less expensive than those offered by the NFIP.\textsuperscript{17}

\textsuperscript{16} Milliman
\textsuperscript{17} Congressional Research Service report, “Private Flood Insurance and the National Flood Insurance Program, May 7, 2019
SUMMARY

In the past few years, many states have experienced catastrophic flooding. Following the flood events, it has become even more apparent that a significant number of consumers are either uninsured or underinsured for the flood peril.

While the NFIP still writes a majority of the residential flood insurance policies, there are considerable opportunities for the development of the residential private flood insurance market.

This document provides details about how a few states have put procedures in place to enhance the private flood insurance market in a state. These procedures include: 1) supporting private flood insurance legislation and initiatives; 2) tailoring rate and form requirements for residential private flood insurance products; and 3) consumer, agent and lender education.

It is noteworthy to say that the states experiencing large flooding events have seen growth in the private flood insurance market regardless of any other actions. For example, following Hurricane Harvey, Texas saw growth in its residential private flood insurance market. Catastrophic events are a reminder to consumers of the devastation caused by flooding.

While there are several barriers for the residential private flood insurance market, the most significant barrier for private insurers may be uncertainty about the state regulatory environment.

The attached appendices discuss steps that Florida has taken in its approach to cultivate the private residential flood insurance market and discussion of other barriers to the entrance of residential private flood insurers.
Appendix I – Actions Florida Has Taken

FLORIDA’S FORM FILING PROCESS EXAMPLE
Florida reviews form filings, providing flood coverage differently based on the type of flood coverage being provided.

Subject to the Requirements of Florida’s Flood Statute
The coverage provided under the policy must meet one of the definitions of type of flood coverage, as defined by S. 627.715, F.S. Of the five defined types, "standard," "preferred" and "customized" are defined to meet or exceed the coverage provided by the standard NFIP policy. "Flexible" flood insurance must cover losses from the peril of "flood" as defined by the statute, but it does not have to provide coverage comparable to the entire NFIP policy. "Supplemental" flood coverage is meant to supplement an NFIP or private flood policy. Policies that fall under these definitions may have certain provisions that differ from that which would otherwise be required if not written under the flood statute.

Items Not Subject to the Requirements of Florida’s Flood Statute
The coverage does not have to meet or exceed the coverage provided by the standard NFIP policy. However, the provisions of the flood statute that allow changes to the form and rate requirements, as well as allowing for a certification provided by the Florida OIR, do not apply. This means that forms and rates would be subject to all the requirements of Florida law, and the coverage does not have to meet the definition of "flood" under the statute.

Florida’s private flood insurance statute, S. 627.715 F.S., does not apply to the commercial lines market. Forms providing commercial flood coverage must comply with all applicable Florida laws.

REVIEW OF FLORIDA’S FORM FILING PROCESS
How the Florida OIR Reviews Form Filings Subject to its Flood Statute
The Florida OIR coordinates with FEMA about training to educate forms analysts about the details and nuances of a federal NFIP policy. Forms analysts:

- Review the policy or endorsement and compare it to the NFIP policy.
- Review the provisions of the underlying policy that are not superseded by changes made in the endorsement.
- Make sure that the flood coverage in total (including definitions, deductibles, limits, conditions, property not covered, exclusions, etc.) are as broad as that provided under the NFIP policy.
- Exclude provisions, specific to the NFIP, that would not make sense to be in a private company’s policy.

State Law Conflict
There are certain provisions in the federal private flood definition that may conflict with a state’s law. For example, the statute of limitations under the standard NFIP policy is one year after the date of denial. In Florida, the statute of limitations for most claims is five years from the date of loss. The insurer could use the standard NFIP provision, or the insurer could use a provision such as one year after the date of denial of a claim or five years from the date of the loss, whichever is greater. The modified provision would be considered as providing better coverage.

Another potential area in which there could be conflict between the standard NFIP policy and state law is the requirement for notice of cancellation. The NFIP requires 45 days, which may be more or less than state provisions.
In Florida, the statute requires a 10-day cancellation for non-payment of premium. In Florida, to comply with the flood statute, the insurer would have to give at least 45 days.

**The general filing requirement for forms is found in S. 627.410, F.S., which requires the Florida OIR to approve forms before use.**

**For commercial flood coverage, the insurer has the option to file the forms as informational pursuant to S. 627.4102, F.S.**

**FLORIDA RATE PROCESS EXAMPLE**

Florida allows insurers to offer personal residential flood insurance coverage that meets the requirements of the flood statute. Insurers may decide to either submit the rate filings subject to the normal filing requirements of review and approval or (until Oct. 1, 2025) submit the filing for informational purposes.

Personal residential flood insurance rates submitted for informational purposes are subject to examination by the Florida OIR for a period of two years from the effective date to determine if the rates are excessive, inadequate or unfairly discriminatory.

If the coverage does not meet the requirements of the “flood statute,” the rate filing is subject to the normal filing requirements of review and approval. Commercial non-residential property rates (including that for flood coverage) are informational due to a separate provision of Florida laws, and they are an exception to these filing requirements.

**FLORIDA FLOOD STATUTE – FLOOD POLICY TYPES**

Florida’s flood statute (S. 627.715, F.S.) sets up five types of flood coverage that may be written using the special deviations allowed for flood insurance.

- Standard flood insurance (equivalent to coverage provided under the standard flood policy under the NFIP).
- Preferred flood insurance.
- Customized flood insurance.
- Flexible flood insurance.
- Supplemental flood insurance.

Flexible and supplemental coverage are the only flood coverage types under the statute that do not require flood insurance coverage to meet or exceed what is provided under the standard NIFP policy. Flexible coverage must provide coverage for the peril of flood as defined by the statute (which mirrors that of the NFIP). However, there are ancillary coverages that are not required to be provided.
Flood Coverage Being “At Least as Broad as” the NFIP

Biggert-Waters specifies that private flood insurance satisfies the mandatory purchase mortgage requirement when a private flood insurance policy affords coverage that is “at least as broad as” the coverage offered by an NFIP flood insurance policy.¹⁸

Many property owners are not required to purchase flood insurance because their home is outside of a Special Flood Hazard Area (SFHA) or because they do not have a federally backed mortgage. Lenders may accept private flood insurance that meets the “discretionary acceptance” definition, which states that lending institutions may accept private flood insurance policies that do not meet the “mandatory acceptance” requirements, provided that certain conditions are met, such as that the policy provides sufficient protection of the loan, consistent with general safety and soundness principles.¹⁹ This distinction may be important for insurers with a product designed with higher-deductible options and/or a shorter cancellation notice for nonpayment of premiums.

Since there was not a federal banking rule in place regarding private flood insurance following the passage of Biggert-Waters, it was challenging to implement the use of private flood insurance for the mandatory purchase mortgage requirement. Some lending institutions thought that they did not have the knowledge necessary to assess whether a flood insurance policy met the definition of private flood insurance set forth in Biggert-Waters.

The federal banking rule became effective July 1, 2019. The rule fulfills the condition in Biggert-Waters that regulated lending institutions accept private flood insurance policies satisfying the conditions specified in the Act. Furthermore, the federal banking rule allows lending institutions to accept an insurer’s written assurances stated in a private flood insurance policy that the appropriate criteria is met. The rule also permits lending institutions to accept some flood insurance coverage plans provided by mutual aid societies.

Theoretically, the federal banking rule removes the acceptance of private flood insurance as a barrier to the private flood insurance market. However, educating the banking industry is clearly still needed as state insurance regulators are still hearing that lenders are telling borrowers that the only flood insurance policy that is acceptable is an NFIP flood policy. Thus, further education regarding the federal banking rule needs to be done. States may want to consider drafting a bulletin that can be used for these purposes.

**Continuous Coverage**

If an NFIP policy holder lets an NFIP policy lapse, by either not paying premium or going to a private flood insurer, any subsidy the NFIP policy holder would have received is immediately eliminated.²⁰ Legislation currently being considered by Congress to reauthorize the NFIP includes the ability of policyholders to leave the NFIP in order to purchase a private flood insurance policy and then return to the NFIP without penalty.

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¹⁸ 42 U.S.C §4012a(b).
¹⁹ Ibid
²⁰ As required by §100205(a)(1)(B) of Biggert-Waters (P.L. 112-141, 126 Stat. 917), only for NFIP policies that lapsed in coverage as a result of the deliberate choice of the policyholder.
Non-Compete Clause

FEMA dropped its non-compete clause in 2018. FEMA now allows Write Your Own (WYO) companies to sell NFIP policies. Therefore, this is no longer a barrier.

NFIP Subsidized Rates

One of the hurdles facing private flood insurance growth involves the NFIP’s subsidized rates, as NFIP premiums do not always reflect the full risk of flooding. NFIP rates allow certain policyholders to have more affordable premiums. Additionally, NFIP rates do not incorporate profit, which is an important element for private flood insurers.\(^\text{21}\) Private flood insurers need to charge rates that represent the full risk of the peril.\(^\text{22}\)

If the NFIP were to reform its rate structure to collect full-risk rates, it might result in the encouragement of more private insurers to write policies in the private flood insurance market. Full-risk NFIP rates would fall closer to what a private insurer would charge. It is important to note that full-risk rates would likely lead to higher rates than those that currently exist.\(^\text{23}\)

Presently, FEMA is in the process of redesigning its rating system. The new NFIP rating system will be known as Risk Rating 2.0. This new rating structure will add replacement cost value and consider the distance between a property and a source of water. Additionally, Risk Rating 2.0 takes into consideration things that are not reflected in the current rating structure, such as intense rainfall.\(^\text{24}\) As stated previously it was recently announced that Risk Rating 2.0 will be delayed until Oct. 1, 2021 to allow for more analysis on its impact.

Ability to Assess Flood Risk Accurately

On June 11, 2019, the NFIP released data on flood losses and claims. Prior to the release of this data, insurers viewed the lack of access to NFIP data on flood losses and claims as a barrier for private companies offering flood insurance.

For private flood insurers to manage and diversify their risk exposure, consumer participation to manage and diversify their risk exposure is required. Many private insurers have expressed the view that broader participation in the flood insurance market would be necessary to address adverse selection and maintain a sufficiently large risk pool.\(^\text{25}\)

An established goal of the NFIP is to increase the number of flood insurance policies in force. Even though there is a mandatory purchase requirement for homeowners to purchase flood insurance in certain flood zones, this does not always occur.

As more insurers begin to write private flood insurance, it is likely that consumers will be offered more choices. Private flood insurers may also offer coverages not available through the NFIP. These coverages might include coverage such as basement coverage, business interruption, additional living expenses, etc. Private insurers might also be able to offer higher coverage limits than those offered by the NFIP.

\(^{22}\) Ibid.
\(^{23}\) Ibid.
\(^{24}\) Ibid.
Private flood insurance offered as an endorsement to a standard homeowners insurance policy could possibly eliminate instances where it is necessary to differentiate between flood and wind damage.26

Hear a Presentation Regarding Risk Rating 2.0
National Flood Insurance Program - the need for change

NAIC Catastrophe Working Group – Austin, TX

Nancy Watkins

DECEMBER 7, 2019
Risk Rating 1.0 is 1\textsuperscript{st} generation technology
Limitations of current NFIP rates

- Problem 1: There is an inconsistent match of risk to rate
- Problem 2: Current rates are based on outdated methods
- Problem 3: Current rates are confusing and opaque
Problem 1: Inconsistent match of risk to rate

Neighbors with very different premiums

Hypothetical, identical houses*
- Risk 1 near a creek
- Risk 2 across the street from Risk 1
- Risk 3 far away from the creek

Current NFIP premiums:
- Risk 1: $6,042
- Risk 2: $400
- Risk 3: $400

*One-story, frame house worth $200k, 1 foot above ground, no basement, built 1990
Problem 1: Inconsistent match of risk to rate

Mispriced and underwater

- All homes are in X zone
- Estimated percentage uninsured:
  - Harvey 70%
  - Florence 77%
  - Matthew 60%

Beaumont, TX, after Harvey
Leland, NC, after Florence
Nichols, SC, after Matthew
Problem 1: Inconsistent match of risk to rate

Repetitive loss properties

Source: John Dorman, Assistant State Emergency Management Director for Risk Management, North Carolina

<table>
<thead>
<tr>
<th>PROPERTY FLOOD PROFILE</th>
<th>Hurricane Matthew</th>
<th>Hurricane Florence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flood Elevation (NAVD88 ft)</td>
<td>69.5 ft</td>
<td>71.6 ft</td>
</tr>
<tr>
<td>1% Base Flood Elevation</td>
<td>25</td>
<td>90</td>
</tr>
<tr>
<td>Building Type</td>
<td>Single-Family</td>
<td>Single-Family</td>
</tr>
<tr>
<td>Flood Elevation in Structure</td>
<td>4.3 ft</td>
<td>6.6 ft</td>
</tr>
<tr>
<td>Estimated Cost to Repair Structure **</td>
<td>$44,309</td>
<td>$55,252</td>
</tr>
<tr>
<td>Estimated Cost for Content **</td>
<td>$22,155</td>
<td>$27,626</td>
</tr>
<tr>
<td>Estimated Total Recovery Cost</td>
<td>$66,464</td>
<td>$82,878</td>
</tr>
<tr>
<td>Estimated Annual NFIP Insurance Rate*</td>
<td>$1,530 - $2,290</td>
<td></td>
</tr>
<tr>
<td>Gauge Location</td>
<td>Neuse River at Goldsboro</td>
<td></td>
</tr>
</tbody>
</table>

* The estimated NFIP insurance premium utilized the legacy NFIP methodology and North Carolina provided structure-specific information to generate the rate.

** Rates were calculated by North Carolina Risk Management utilizing ACOE Wilmington District damage curves and RS Means.
Problem 1: Inconsistent Match of Risk to Rate

Interstate subsidization

- Homes in same zones are subject to same rates across states
- AE zones in coastal Tampa and Columbus, OH
- Identical, hypothetical houses at these locations
  - One-story, frame house worth $250k
  - First floor 1 foot above base flood elevation
  - No basement, built 1990
Problem 1: Inconsistent match of risk to rate
Insurance to value effects

- Dwelling replacement cost is not considered in premium calculation
- Two houses with the same amount of coverage can pay the same premium, even with very different home values
- High value homes are subsidized by low value homes
Problem 1: Inconsistent match of risk to rate

Insurance to value effects

Example of Insurance to Value Effects

<table>
<thead>
<tr>
<th></th>
<th>House 1</th>
<th>House 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Cost</td>
<td>$250,000</td>
<td>$1 Million</td>
</tr>
<tr>
<td>NFIP Building Limit</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>NFIP Premium</td>
<td>$474</td>
<td>$474</td>
</tr>
<tr>
<td>20% Flood Damage</td>
<td>$50,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Damage / Premium</td>
<td>105</td>
<td>422</td>
</tr>
</tbody>
</table>

Example homes both in X zone, no basement
**Problem 1: Inconsistent match of risk to rate**

Large premiums

- $300k house, $250k policy
- VE Zone
- -8 feet below BFE
- 2013 NFIP quote: $87,574
- Total loss every 3-4 years?
Problem 2: Current rates are based on outdated methods
Flood zones ignore pluvial (flash) flood risk

“Hurricane Harvey damaged more than 204,000 homes and apartment buildings in Harris County, almost three-quarters of them outside the federally regulated 100-year flood plain, leaving tens of thousands of homeowners uninsured and unprepared.”

Most urban flooding is pluvial and not considered in Risk Rating 1.0
Problem 2: Current rates are based on outdated methods

Historical experience is volatile and reflects only what has happened -- not what could happen

Percentage by state of cumulative NFIP paid loss since 1980

Katrina: LA 12% to 49%
Sandy: NJ 4% to 12%, NY 3% to 11%
Harvey: TX 12% to 23%

Source: OpenFEMA data June 2019
Problem 2: Current rates are based on outdated methods

Other flood zone limitations

- Flood zones based on greater depth of a 100 year flood from either storm surge or riverine flooding at a given point
- Combined effects of storm surge and riverine flooding not considered
- Current mapping only produces 100 year flood elevations, but floods come in all sizes
- Flood depths at other return periods not considered
- Correlation between flooding at nearby locations not considered
- Concentration risk that contributes to volatility and reinsurance cost not considered
Problem 3: Confusing to customers
Elevation certificate requirements

- Required for some homes, but not all
- Depends on several factors: flood zone, year of construction, year of initial map
- May result in lower premium even when not mandatory
- Process / decision / cost that most homeowners don’t fully understand
Problem 3: Confusing to customers
Grandfathering, remapping effects

- Home built in 2006 in AE zone, at the time elevated 4 feet above BFE
- Area was remapped in 2009 to VE zone
- Home is now 8 feet below BFE
- Grandfathered rates $655
- Potential buyer did not make offer due to premium uncertainty
Problem 3: Confusing to customers

Take-up rate effects

- Mandatory purchase does not apply in X zones (typically inland, not near rivers)
- Lack of rate differentiation in X zones means higher risk insureds tend to purchase coverage
- Lower risk insureds tend not to purchase coverage, lowering take-up rate

Source: NFIP and US Census
<table>
<thead>
<tr>
<th>Summary of issues for Risk Rating 1.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Rating 1.0</strong></td>
</tr>
<tr>
<td>Rates for only 1/3 of the country reflect geographical differences</td>
</tr>
<tr>
<td>Low price homes subsidize high value homes</td>
</tr>
<tr>
<td>Rates based on experience of what has happened</td>
</tr>
<tr>
<td>Total risk premium &amp; expected loss for program unknown; premiums reflect subsidization &amp; grandfathering</td>
</tr>
<tr>
<td>Max rate is not explicitly capped and comes from rating method</td>
</tr>
<tr>
<td>Total risk premium missing pluvial &amp; tsunami risk</td>
</tr>
<tr>
<td>Hard cliffs at flood zone boundaries</td>
</tr>
<tr>
<td>Rates are made by zone for all states</td>
</tr>
<tr>
<td>Annual premium changes capped for existing policies</td>
</tr>
</tbody>
</table>
Questions?
Thank you
Discuss Any Other Matters