

Draft: 7/28/21

Catastrophe Insurance (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)
July 22, 2021

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 22, 2021. The following Working Group members participated: Mike Chaney, Chair, David Browning, and Andy Case (MS); James A. Dodrill, Vice Chair, and Robert Grishaber (WV); Katie Hegland (AK); Brian Powell (AL); Ken Allen, Giovanni Muzzarelli, and Lynne Wehmueller (CA); George Bradner and Wanchin Chou (CT); Virginia Christy (FL); Colin M. Hayashida, Grant Shintaku, and Roland Teruya (HI); Travis Grassel (IA); Judy Mottar (IL); Heather Droge (KS); Warren Byrd and Tom Travis (LA); Matthew Mancini (MA); Joy Hatchette (MD); Carrie Couch, Leann Cox, Jo LeDuc, and Jeana Thomas (MO); Kristin Barrow and Fred Fuller (NC); Carl Sornson (NJ); Tom Botsko and Maureen Motter (OH); Cuc Nguyen and Andrew Schallhorn (OK); David Dahl and Van Pounds (OR); David Buono (PA); Segun Daramola, Elizabeth Kelleher Dwyer, and Beth Vollucci (RI); Bill Huddleston (TN); Marianne Baker and Mark Worman (TX); and David Forte (WA). Also participating were: Vincent Gosz (AZ); Sandy Anderson and Steve Klebba (MN); Eric Dunning (NE); Bogdanka Kurahovic (NM); Gennady Stolyarov (NV); and Donna Stewart (WY).

1. Adopted its June 21 and Spring National Meeting Minutes

Mr. Botsko made a motion, seconded by Mr. Grassel, to adopt the Working Group's June 21 (Attachment Three-A) and March 10 (*see NAIC Proceedings – Spring 2021, Property and Casualty Insurance (C) Committee, Attachment Two*) minutes. The motion passed unanimously.

2. Heard an Update Regarding Federal Legislation

Brooke Stringer (NAIC) said there has not been much progress on passing a long-term National Flood Insurance Program (NFIP) reauthorization. The current extension expires Sept. 30, and there will likely be another extension put into place.

Ms. Stringer said the U.S. Senate (Senate) Committee on Banking, Housing, and Urban Affairs has held two NFIP reauthorization hearings. During last month's hearing, Sen. John Kennedy (R-LA) and Sen. Robert Menendez (D-NJ) criticized the Federal Emergency Management Agency's (FEMA's) new methodology, Risk Rating 2.0, which calculates the flood risk of individual properties rather than risk by zones. Sen. Kennedy has introduced the Flood Insurance Fairness Act (S. 1960), which would require Congressional approval before FEMA could make any changes to the NFIP, including the implementation of Risk Rating 2.0. The bill has no cosponsors to date. Ranking Member Sen. Pat Toomey (R-PA) said any plan to reauthorize the NFIP should not interrupt FEMA's implementation of Risk Rating 2.0.

Ms. Stringer said beginning Aug. 1, current NFIP policyholders can contact their insurer or agent to learn more about how Risk Rating 2.0 will affect them. The updated rates will take effect for new policies on Oct. 1 and for renewing policies on April 1, 2022. However, if a policyholder's rate will be decreasing, they will be allowed to renew on Oct. 1 to take advantage of the lower premiums.

Ms. Stringer said in April of this year, U.S. House of Representatives (House) Committee on Financial Services Chairwoman Maxine Waters (D-CA) released a draft of the National Flood Insurance Program Reauthorization Act of 2021. This Act would reauthorize the NFIP for five years, institute a cap on premium increases of 9% per year, forgive over \$20 billion in NFIP debt, and enact several other reforms. This Act also includes language to ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without penalty. Additionally, Rep. Nydia Velázquez (D-NY) released a draft of the NFIP Reform Act of 2021, which would modify the NFIP claims process for policyholders whose NFIP claims are denied, as well as enact other reforms.

Ms. Stringer said in May, Commissioner Andrew N. Mais (CT) testified on behalf of the NAIC at the House Committee on Financial Services' Housing, Community Development and Insurance Subcommittee hearing entitled, "Built to Last: Examining Housing Resilience in the Face of Climate Change." The testimony focused on the importance of mitigation to improve disaster resiliency and highlighted the work of the Climate and Resiliency (EX) Task Force. The testimony noted state insurance regulators' partnership with FEMA and expressed support for a long-term reauthorization of the NFIP.

Ms. Stringer said Sen. Dianne Feinstein (D-CA) and Rep. Mike Thompson (D-CA) are reintroducing the Disaster Mitigation and Tax Parity Act (S. 2432), which would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants. She said this is the first time the bill has been introduced in the Senate, and it is being

introduced by Sen. Feinstein and Sen. Richard Burr (R-NC) as a bipartisan bill. She said this is a bill the NAIC endorsed during the last U.S. Congress (Congress), and the NAIC continues to support this bill.

Amy Bach (United Policyholders—UP) asked if the NAIC has weighed in on Risk Rating 2.0. Ms. Stringer said the NAIC continues to communicate with FEMA and receive briefings; however, the NAIC has not taken a specific position. She said this is the first time FEMA has made changes to the NFIP program since the 1970s.

3. Discussed the Status of the *Catastrophe Modeling Handbook* and Drafting Group Formation

Commissioner Chaney said the Working Group met last month to discuss updating the *Catastrophe Modeling Handbook* (Handbook). He said the referral items include: 1) understanding how state insurance regulators are currently using the Handbook and determine its practical use within the regulatory toolkit; 2) coordinating with the Catastrophe Risk (E) Subgroup to understand the materials it is developing or making available to state insurance regulators regarding catastrophe models; 3) updating questions in Section VII of the Handbook to include wildfire (resource: *Application of Wildfire Mitigation to Property Exposure*); 4) considering questions specific to additional perils for which catastrophe models in use today are including, such as flood; 5) denoting which questions should be directed to insurers and which questions should be directed to catastrophe modelers; 6) exploring which catastrophe modelers have begun including climate change data in their models; 7) considering alternative formats for the Handbook to be able to more easily keep it current; and 8) updating the necessary sections.

Commissioner Chaney said the drafting group will need to determine the order of completion of these items. He said perhaps the drafting group will want to start with a discussion of how state insurance regulators are currently using the Handbook. He said to date, California, Connecticut, Louisiana, and Mississippi have volunteered to be a part of the drafting group. He said there are also some interested parties that would like to help with the drafting; while they will not be official members of the drafting group, it is important for them to participate in the discussions and provide their input, as it is valuable in this endeavor.

4. Discussed Roofing Repair and the MWUA Roof Upgrade Program Implemented in Mississippi

Mr. Case said Hurricane Zeta hit the Mississippi Gulf Coast in November 2020. The hurricane was a significant event for the Mississippi Windstorm Underwriting Association (MWUA), as there were 25,000 residential property claims. Mr. Case said the best time to fortify a roof is when putting a new roof onto a structure.

Mr. Case said during the claims settlement process, the MWUA made \$2,500 available to policyholders for reimbursement to upgrade to a fortified roof. He said surprisingly, Mississippi had very few policyholders take advantage of this offer. He said the average claim submitted for a roof upgrade was below the \$2,500 limit; and on average, the cost of a roof upgrade was \$1,800. He said one of the reasons this may have happened was that it was at the height of the holiday shopping season, so availability of cash was an issue for most policyholders considering a 2–5% deductible they were already having to pay. Mr. Case said there was also the issue of the withholding of depreciation. He said these items likely contributed to the low take-up rate of the reimbursement offer.

Mr. Case said there were three hurricanes in Louisiana, one in Alabama, and one in Mississippi in 2020, and there are only a certain number of Insurance Institute Business & Home Safety (IBHS) certified roofers available on the Gulf Coast. He said Mississippi was in competition with two other states that had as much or more damage than Mississippi for these certified roofers, as well as other property claim experts. He said there was a waiting list to have a roof repaired as it was, and he believes there was some hesitancy for people to have to wait even longer for an IBHS certified roof.

Mr. Case said Mississippi applauds the efforts of the MWUA, as the idea was to mitigate homes for future events and help some policyholders back out into the admitted market.

5. Discussed Items to Help Insurers with Expedited Claims Processing

Lisa Brown (American Property Casualty Insurance Association—APCIA) said the APCIA Catastrophe Actions Toolkit is included as a part of the Working Groups materials. She said the APCIA has heard from its members regarding getting into a catastrophe area quickly to adjust and settle claims, which oftentimes results in some regulatory hurdles. She said these hurdles are outside the jurisdiction of the department of insurance (DOI), but it would like to help eliminate some of the barriers. She said the toolkit includes a draft bulletin, and the APCIA is hoping to begin a dialog on how it can help state insurance regulators in the various states.

Ms. Brown said the APCIA has heard from its members that it has set up a mobile claims settlement location not knowing that specific permits were needed to do so. She said the APCIA has also had issues with companies needing to bring in a tanker

truck with fuel to refuel claims adjuster's vehicles at a claims settlement location, and it found that another permit was needed to do this, as well as issues with towing and salvage. She said the APCIA would like to be able to get authority for the DOI to make administrative pronouncements that fall outside of its jurisdiction or figure out ways for the DOIs to better coordinate with other state and local agencies that need to be involved. She said the draft bulletin in the toolkit is intended to address both pre-disaster preparation and recovery measures. She said the bulletin also addresses the DOI getting the claims related data and information the APCIA will inevitably need from the insurers following a catastrophic event. She said the APCIA would welcome the opportunity to work on these issues with the state insurance regulators.

Ms. Bach asked if this initiative relates to the growing offers that some insurers are notifying their policyholders about regarding the relationships they have with private firefighting agencies or providing loss mitigation in advance of a wildfire. Karen Collins (APCIA) said this is not part of the initiative being discussed today. She said the initiative the APCIA is discussing today relates to the state insurance regulator's role in coordinating with state and local officials and what that process will look like in preparation, as well as the expedited claims processing.

Mr. Byrd asked regarding the obstacles that authorities put up for entries, how long these last. He said he assumes these are for downed power lines or items such as flooding that take longer to clear. Ms. Collins said the most recent feedback the APCIA has received is for the time immediately following a storm. She said the hurdles insurers are having are the types that are simple to overcome from a simple administrative perspective (e.g., a permit is needed that the insurer did not know about even though access to an area is ready and available). She said knowing about these items and solving them prior to a catastrophic event would help alleviate additional delays.

Ms. Hatchette said many catastrophic events are local, which causes another set of issues. She said she is happy to discuss the individual barriers that various localities might have in place. She said the DOI has a seat at the table with the emergency managers; it has been her experience that it is difficult dealing with localities, and she is not sure a bulletin will provide automatic access. Ms. Collins said the APCIA recognizes that at the local level, there is going to be a lot of variation, but the APCIA hopes to promote a standardized approach or a working model to the various emergency operations individuals and officials and educate them on where these benefits lie, might then allow the local level to overcome some of these barriers. Ms. Brown said the APCIA would like to know if there is any way that as an industry, it can help to make this process smoother for state insurance regulators and the insurance industry. She said part of the toolkit describes putting together a multi-agency response team, where state insurance regulators can talk to the transportation department, or whoever is overseeing the placement of a tanker truck and things like local event permits.

Mr. Bradner said he applauds this effort. He said he is Connecticut's long-term recovery co-chair for FEMA's Emergency Support Function (ESF) #14, and he encourages other states to get involved too. He said Connecticut developed a program working with its Department of Emergency Management and Homeland Security and its state and local police. He said they have a bulletin with a certification program where they can issue placards to companies and the companies can sign up well in advance of a disaster. He said they ask insurers to provide an updated list of all their emergency contacts on a yearly basis. He said the bulletin also tells insurers that if they need several placards assigned to them, they can ask for them and have them distributed now so they are ready in the event of a disaster. He said the local authorities are also familiar with the process. He said he is also the liaison for the DOI at the command center if there is an event; this allows him to quickly work with the authorities to get adjusters into the areas where they need to be.

Ms. Bach said a discussion regarding getting undisputed benefits into the hands of policyholders is related to the topic of expedited claims handling, and she would like for the Working Group to discuss this further. Commissioner Chaney said many states address the issues of pre-payment, partial payment, and additional living expenses in bulletins. He said the biggest hurdle is to be certain you have licensed adjusters and emergency orders in place to get people out into the field.

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

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Draft: 12/1/21

NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Virtual Meeting
November 15, 2021

The NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group of the Catastrophe Insurance (C) Working Group met Nov. 15, 2021. The following Working Group members participated: Glen Mulready, Chair (OK); Carter Lawrence, Vice Chair (TN); Brian Powell (AL); Lucy Jabourian (CA); George Bradner (CT); Travis Grassel (IA); Sharil Sivertson (KS); Warren Byrd (LA); Joy Hatchette (MD); Jo LeDuc (MO); Beth Vollucci (RI); Maggie Dell (SD); and Matt Stoutenburg (WA).

1. Heard an Update on Risk Rating 2.0 From FEMA

David Maurstad (Federal Emergency Management Agency—FEMA) said FEMA began using the Risk Rating 2.0 rating system Oct. 1. Risk Rating 2.0 is equitable, easy to understand and designed to adapt to the increasing perils of the changing climate. Mr. Maurstad said equity in action was developed with the uniqueness of each state and locality in mind. The increasing of dramatic weather events calls for action.

Mr. Maurstad said FEMA has taken a phased approach to the implementation of Risk Rating 2.0. Phase I of Risk Rating 2.0 kicked off with existing National Flood Insurance Program (NFIP) policyholders being able to take advantage of decreases on their policy renewal date. The NFIP also began selling new flood insurance policies on Oct. 1. Risk Rating 2.0 requires new policyholders, for any structure type located across the community, to pay full risk rates. New policies are no longer subsidized or discounted under the NFIP.

Mr. Maurstad said some of the initial reactions the NFIP has seen regarding the Risk Rating 2.0 rollout include: 1) the NFIP sold more than 28,000 new flood policies as of Nov. 7; 2) more than 2,100 current policyholders have renewed their flood insurance policies; 3) 82% of the policyholders renewing their flood insurance policies have seen a decrease in their premium; 4) policyholders renewing their NFIP policy have seen an average savings of \$1,500 per year; and 5) policyholders renewing their NFIP policies that are seeing an increase are seeing an average increase in premium of \$125 per year. He said the NFIP believes Risk Rating 2.0 will help to close the insurance gap.

Mr. Maurstad said as of April 1, 2022, the NFIP will use Risk Rating 2.0 to rate existing NFIP policies. Risk Rating 2.0 uses a broader range of variables, such as multiple flood frequencies beyond the 1% annual chance event and including river overflow, coastal erosion, storm surge, and heavy rainfall. The Risk Rating 2.0 variables also include a property's characteristics such as distance to a water source, elevation, and the cost to rebuild.

Mr. Maurstad said with improved technology, the NFIP can help people to understand a single property's flood risk profile. He said the NFIP is using its years of investment in flood hazard information, incorporating private sector data sets, using catastrophe models, and evolving actuarial science. Data sets incorporated into the Risk Rating 2.0 methodology include: 1) NFIP mapping and claims data; 2) United States Geological Survey (USGS) data; 3) National Oceanic and Atmospheric Administration (NOAA) data; and 4) data from the U.S. Army Corps of Engineers. The NFIP also uses third-party commercial structural data and replacement cost data.

Mr. Maurstad said under FEMA's legacy rating system, flood insurance rates were subject to regular annual increases. He said NFIP flood insurance policies saw an average increase of 11.3% last year; this is equivalent to approximately \$8 per month. Mr. Maurstad said premiums will decrease for over 1 million or 23% of the NFIP policyholders under the Risk Rating 2.0 rating system. Some NFIP policyholders will see increases, which include: 1) 66% of the NFIP policyholders will see a \$0 to \$10 increase in their premiums; 2) 7% of the NFIP policyholders will see an increase of \$10 to \$20 in their premiums; and 3) 4% of the NFIP policyholders will see an increase of \$20 or more in their monthly premiums.

Mr. Maurstad said three catastrophe models were licensed for use by the NFIP. These models include AIR, KatRisk, and CoreLogic. FEMA also developed two additional models based on government data.

Mr. Maurstad said the affordability of flood insurance was an issue under FEMA's legacy rating model. He said the affordability framework FEMA delivered to the U.S. Congress in 2018 will continue to be a valuable resource as the discussion regarding affordability of flood insurance continues. There is currently a budget proposal which, if passed by Congress, would establish

a targeted means tested assistance program. The proposal would offer low to moderate income NFIP policyholders a graduated risk premium discount benefit.

Mr. Maurstad said there are things individuals and communities can do to lower flood insurance premiums. The NFIP offers incentives to policyholders who take actions to mitigate their flood threats. This includes premium discounts to people who elevate expensive items such as heating, ventilating, and air conditioning (HVAC) units, hot water heaters, etc. Communities can receive discounts for their policyholders by participating in the Community Rating System (CRS), as well as taking local actions that enhance flood protection.

Mr. Byrd said under the new infrastructure bill, there will be money available for levy improvements. He asked if FEMA would evaluate levy improvements under the Risk Rating 2.0 methodology if these improvements are made, so there would possibly be some decrease in flood insurance premiums. Mr. Maurstad said the NFIP is involving the analysis of levies in Risk Rating 2.0, more so than they were evaluated in the legacy rating methodology. Partial credits are allowed if a levy is providing partial protection, i.e., is not fully accredited but in the levy database. Levies that provide protection beyond the federal standard provide extra credit in the new pricing methodology. Mr. Maurstad said when there are changes in conditions, they will be reflected in the rates. He said FEMA will coordinate closely with the U.S. Army Corps of Engineers.

Mr. Bradner asked how Risk Rating 2.0 will reflect actuarially soundness. He said being actuarially sound may not be affordable and asked how rates are going to be reflective of the true risk of the exposure. Andy Neal (FEMA) said the NFIP's legacy rating plan lacked the ability to reflect risk at a state level, much less a local or property-specific level. He said the glide path to full actuarial rates will help. Currently, the NFIP needs to collect 50% more premium for rates to be actuarially sound, and it will take more than 10 years for this to happen. Mr. Neal said most policyholders will be on an 18% glide path. He said policyholders getting decreases are getting them immediately. Therefore, the NFIP will be collecting less premium in year one than it has been collecting, so there is a slow trajectory. Mr. Neal said historical data is also used in conjunction with the models.

Commissioner Donelon asked if there are any plans in place for the residual market to provide for the people who do not have access to affordable flood insurance. Mr. Maurstad said under the legacy rating system, there were low-value homes that low-to-moderate income people lived in who were on a glide path that was beyond their full-risk. This is evident by the large reduction in premiums that many NFIP policyholders are seeing. The NFIP believes that Risk Rating 2.0 helps to relieve some of the affordability issue. Mr. Maurstad said the NFIP does not have a new program in the works for a residual market for their program. He believes one could already consider the NFIP a residual market.

Mr. Maurstad there are three things he believes can help close the insurance gap and make the NFIP sustainable. These items include product, price, and distribution. Currently, the NFIP has new policy forms that are going through the rulemaking process. Additionally, the Risk Rating 2.0 engine and application are easier for insurance agents to use, which should help with distribution.

Mr. Bradner said it was his understanding that Risk Rating 2.0 was going to weight the X zones according to a risk scale. He asked about the intent behind this weighting and asked if the NFIP was hoping that banks would begin looking at this factor and determining whether the property had a higher risk of loss based upon the weighting.

Mr. Neal said the NFIP elected not to use scores as part of the rating process. He said there is a more traditional plan with rating variables, territory factors, and various things that create a multiplicative rating model. Risk Rating 2.0 reflects a much fuller view of risk. The zones in the legacy rating system were based on a single scenario. Risk Rating 2.0 considers where a property sits outside the Special Flood Hazard Area (SFHA), as the resulting flooding can be very different based on the property's location. The NFIP is hopeful that property owners will maintain their flood insurance policy by seeing their full risk.

Mr. Bradner said if property owners are in an X zone, most of the time they are told they are not required to purchase flood insurance and may never see their full-risk or what they would be required to pay for flood insurance. Mr. Maurstad said there is still the issue of how to get property owners to fully appreciate their flood risk, so there will be the need to continue looking for ways to get this message out. He said part of the process is getting agents and lenders to look at this differently from how flood risk has been looked at in the past.

2. Heard About Risk Rating 2.0 Training Opportunities From FEMA

Liana Kang (FEMA) said FEMA has a variety training programs in place for Risk Rating 2.0. FEMA offers a two-part “Key Fundamentals of Flood Insurance for Agents” training course for agents that is offered year-round. The course is not geared toward Risk Rating 2.0 but has been updated to reflect the new rating changes.

Ms. Kang said FEMA offers a “Risk Rating 2.0 – Equity in Action” webinar that is geared toward Risk Rating 2.0. This two-hour webinar provides the latest information on Risk Rating 2.0 and covers key topics including: 1) what is Risk Rating 2.0; 2) what led to the NFIP transformation; 3) what is changing and not changing in Risk Rating 2.0; and 4) the transition of current policies.

Ms. Kang said FEMA offers a “Webinar Wednesdays” training series that provides information on: 1) Risk Rating 2.0 fundamentals; 2) premium calculation; 3) mitigation credits; and 4) transition of policies and use cases. There are four sessions, each lasting approximately two hours. These sessions include a live question-and-answer (Q&A) forum.

Ms. Kang said FEMA additionally offers regionally led methodology workshops. This training is done as needed throughout the FEMA regions. The length of these trainings depends on the need of the stakeholders and can run from two hours to six hours. This training includes much of what is covered in “Webinar Wednesdays” but offers a more interactive experience with the instructor. Ms. Kang said Region 5 is providing some of these trainings in November and December.

3. Heard About Joint Messaging Opportunities From FEMA

Butch Kinerny (FEMA) said FEMA has done a lot of outreach in 2021. He said FEMA has worked with a lot of states on flood awareness weeks and is currently working on a digital engagement strategy. FEMA wants to ensure that when customers or stakeholders ask a question, they get a quick consistent and correct answer. Mr. Kinerny said FEMA is also improving its social media space and has kicked off a new LinkedIn space. Content is updated two or three times a week, and FEMA is open to sharing its information.

FEMA provides education through traditional earned media, which includes press releases, blogs, op-eds, and webinars. It also uses the following to educate consumers: its direct-to-consumer website (*FloodSmart.gov*); social media; paid search; paid digital marketing; out of home; broadcast; direct mail; digital radio; advocates, agents, and infomediaries; and updated publications and graphics.

FEMA conducts regional marketing campaigns, such as urban flooding, flood risks behind dams, hurricanes, agent outreach, flood after fire, and atmospheric rivers. Its marketing campaigns are pushed through ads for websites and apps if a particular event is occurring or likely to occur in an area, such as a hurricane, flooding, or storms. FEMA has also produced videos specific to various regions of the country.

Additionally, the *NFIP Desk Reference Guide for State Insurance Commissioners and Others* is going to be updated in the near future.

4. Discussed Other Matters

Commissioner Mulready said the Advisory Group members may want to facilitate training sessions in their regions. He said he would be interested in facilitating a training for FEMA Region 6 in Oklahoma. Commissioner Mulready asked any other members of the Advisory Group to let NAIC staff know if they are interested in facilitating a training session in their FEMA region.

Having no further business, the Advisory Group adjourned.

 [1115 FEMA AG minutes.docx](#)

Reduce Disaster Suffering

David I. Maurstad

FEMA Deputy Associate Administrator for Insurance and Mitigation
senior executive of the National Flood Insurance Program



FEMA



Risk Rating 2.0: Equity in Action

Why Risk Rating 2.0: Equity in Action

Equity:

Individuals will **no longer pay more than their share** in flood insurance premiums based on the value of their homes.



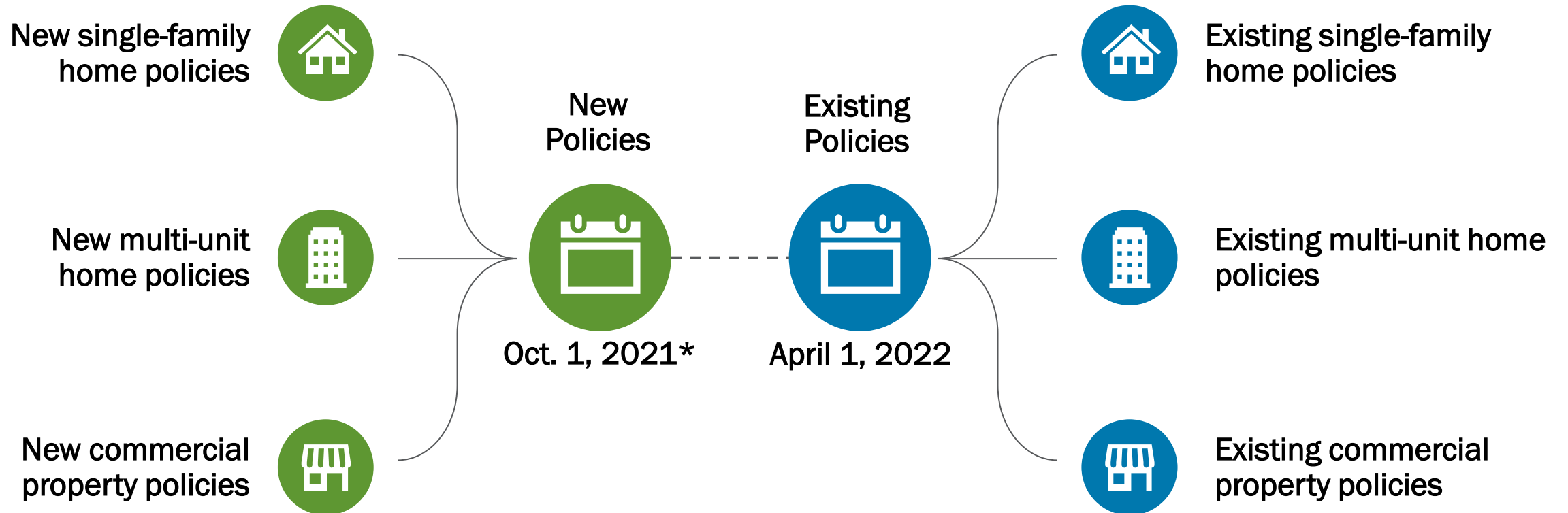
Roughly 2/3 of policyholders with older pre-FIRM homes will see a premium decrease.



FEMA

Federal Emergency Management Agency

Equity in Action – Phased Approach



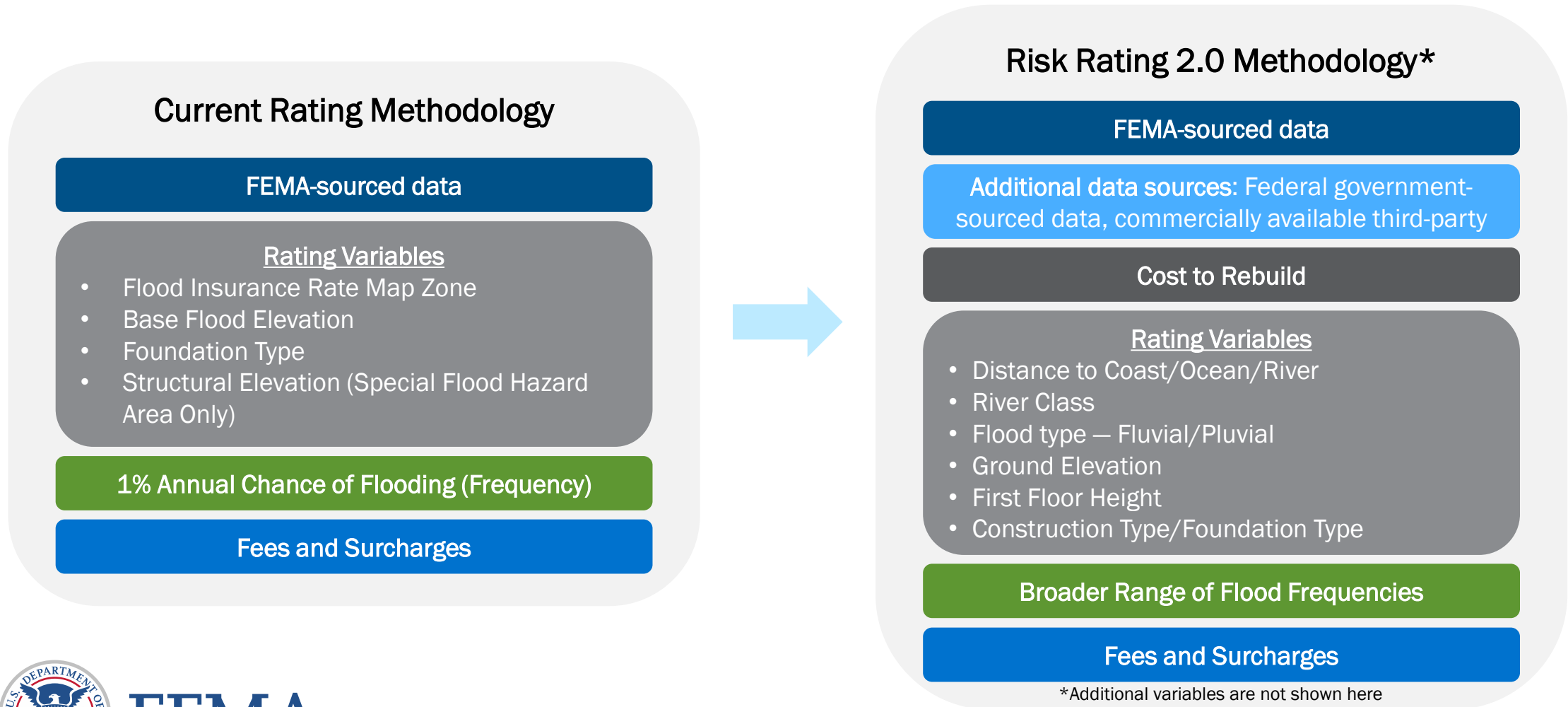
Also beginning Oct. 1, 2021, existing policyholders eligible for renewal will be able to take advantage of immediate decreases in their premiums **at the time of renewal.*



FEMA

Federal Emergency Management Agency

Equity in Action premiums will more accurately reflect a property's unique flood risk by considering a broader range of variables.



FEMA

Federal Emergency Management Agency

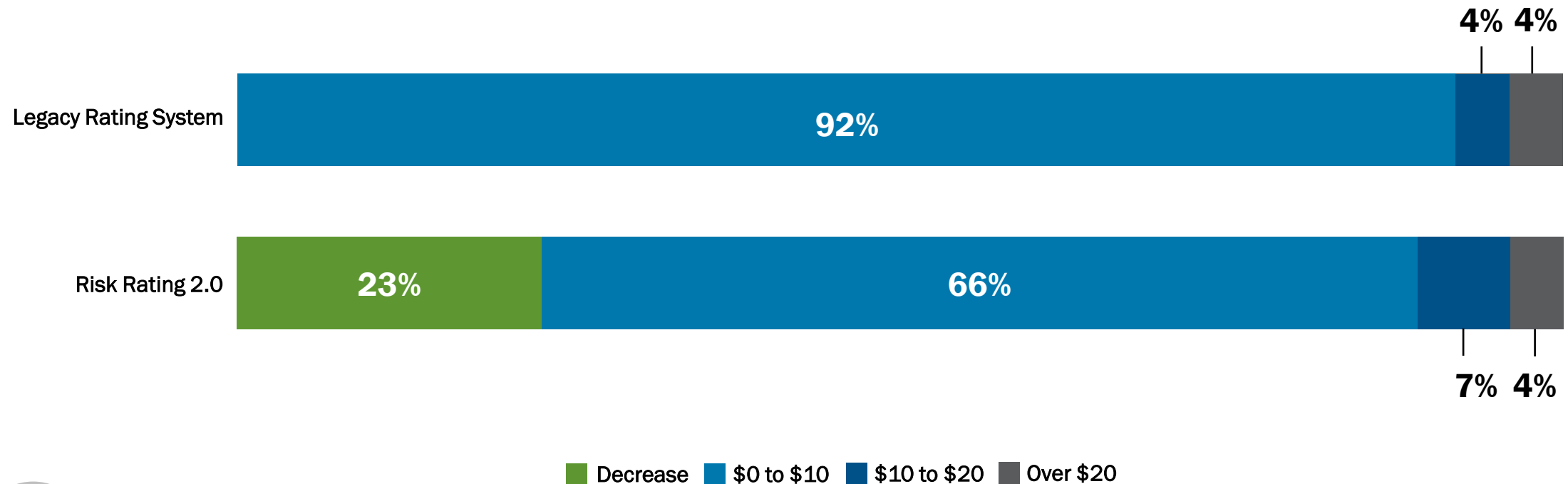
What is Not Changing

- Statutory rate caps on annual premium increases
- Availability of premium discounts
- Transfers of policy discounts to new homeowners
- Use of Flood Insurance Rate Maps (FIRMs) for mandatory purchase and Floodplain Management
- Availability of premium discounts for Community Rating System (CRS) participation



Legacy Rating System vs. Risk Rating 2.0

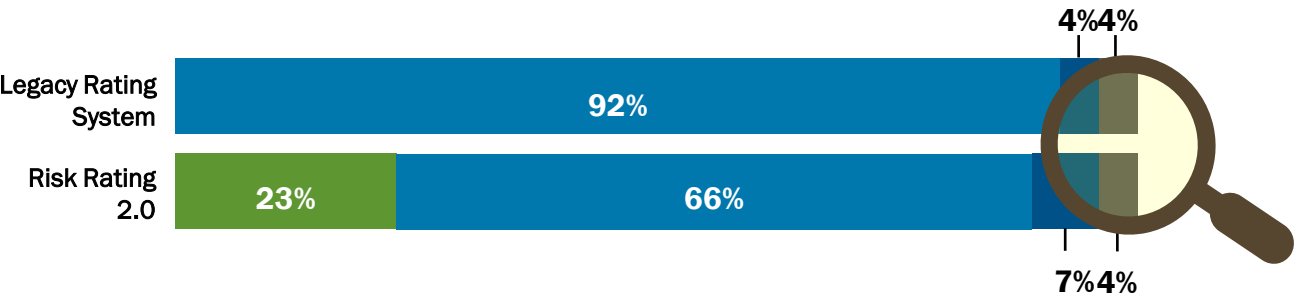
The graphs compare rate analysis under the legacy rating system to the Risk Rating 2.0 rating system.



FEMA

Federal Emergency Management Agency

Legacy Rating System vs. Risk Rating 2.0 – Policies Increasing >\$100/Month



Zoom in on Policies Increasing >\$100/Month

- Under the legacy rating system, **45,035** policyholders have seen premium increases of more than \$100 per month. The single-family homeowners in this group have an average replacement cost value (RCV) of **\$399,643**.
- Under Risk Rating 2.0: Equity in Action, only **3,246** policyholders will see premium increases of more than \$100 per month. The single-family homeowners in this group have an average RCV of **\$1,064,537**.

Legacy Rating System



Risk Rating 2.0



■ <\$100 ■ >\$100



FEMA

What can policyholders with steep flood insurance costs today expect under Risk Rating 2.0?

Methodology	Single-Family Home Maximum Policy Cost*
Legacy Rating Methodology	\$45,925
Risk Rating 2.0	\$12,125

Policyholders paying the most under the legacy methodology will see dramatic decreases when they transition to Risk Rating 2.0.



FEMA

*Amounts shown include premium, fees, assessments, and surcharges

Federal Emergency Management Agency

Equity in Action – Resource Investments

TECHNOLOGY: Cutting-edge technology and **best available data** used to make a **modern-day program**:

Private Sector
Rate Setting Methods



Private Sector
Catastrophe Models



Government Models, Available
Data, and Collaborations



FEMA



US Army Corps
of Engineers®



FEMA

Federal Emergency Management Agency

Equity in Action - Endorsements



“Based on FEMA's nationwide analysis, Risk Rating 2.0 will help ensure NFIP policyholders pay a **rate proportionate to their property risk**. The new initiative will also help FEMA identify and target mitigation grant dollars to the highest risk properties.”

NAR includes 1.4 million brokers, salespeople, property managers, appraisers, counselors, and others engaged in all aspects of the real estate industry.



“Pew fully supports FEMA’s updated approach and concludes that **Risk Rating 2.0 will better align rates with risk, create a fairer program, increase transparency and understandability, and encourage additional mitigation from policyholders and communities.**”



FEMA

Equity in Action – In the Press



Opinion: *Stopping price reform won't eliminate flood risk* ★ 4/2/2021



FEMA

“Better preparing the NFIP for the realities of climate change is an important policy task in the coming years.

Risk Rating 2.0 is the first critical step.”

*This article was written by Carolyn Kousky, executive director at the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania

Equity in Action – In the Press

WSJ | OPINION

Op-ed: *A Step Toward Flood Insurance Fairness* ★ 6/25/2021

“Better pricing will help taxpayers ... More reform is needed ... But letting FEMA's changes move forward would be a small step toward fairness and solvency.”

*This article was written by WSJ's editorial board.



FEMA



Photo Credit: Mario Tama/Getty Images

Equity in Action – Industry Support

“We oppose efforts to delay this important initiative.”

Risk Rating 2.0...

- 1.2 million policyholders eligible for insurance premium decrease
- 90% will see a decrease or increase or less than \$10 a month
- More accurate and equitable way to determine a property's unique flood risk
- Provide property owners information on their full risk rate

- American Rivers
- Association of State Floodplain Managers
- Enterprise Community Partners, Inc.
- League of Conservation Voters
- National Association of Mutual Insurance Companies
- National Institute of Building Sciences
- Natural Resources Defense Council
- National Wildlife Federation
- National Taxpayers Union
- R Street Institute
- Reinsurance Association of America
- SmarterSafer
- Smart Home America
- Taxpayers for Common Sense
- The American Consumer Institute
- The Pew Charitable Trusts



FEMA

Affordability

- The 2018 Affordability Framework is guiding policy conversations
- The President's FY22 Budget includes a legislative proposal to provide affordability assistance
- A targeted assistance program would support low to moderate income policyholders
- We will continue to engage with Congress to reduce barriers to purchasing flood insurance



Equity in Action – Learn More

Explore more about Risk Rating 2.0 – Equity in Action by visiting www.fema.gov/nfiptransformation.

Available Products and Resources

- [Equity in Action Fact Sheet](#)
- [Video: Defining a Property's Unique Flood Risk](#)
- [National Rate Analysis](#)
- [State Profiles](#)
- [ZIP Code-Level Data](#)
- [County-Level Data](#)
- [Methodology Data Source](#)
- [Premium Calculation Worksheet Examples](#)
- [Appendix D Rating Factors](#)



FEMA

Federal Emergency Management Agency

Reduce Disaster Suffering

David I. Maurstad

FEMA Deputy Associate Administrator for Insurance and Mitigation
senior executive of the National Flood Insurance Program



FEMA

FEMA Regional Flood Insurance Specialists

Edie Lohmann, FEMA Region 9 Flood Insurance Specialist
December 12, 2021



FEMA

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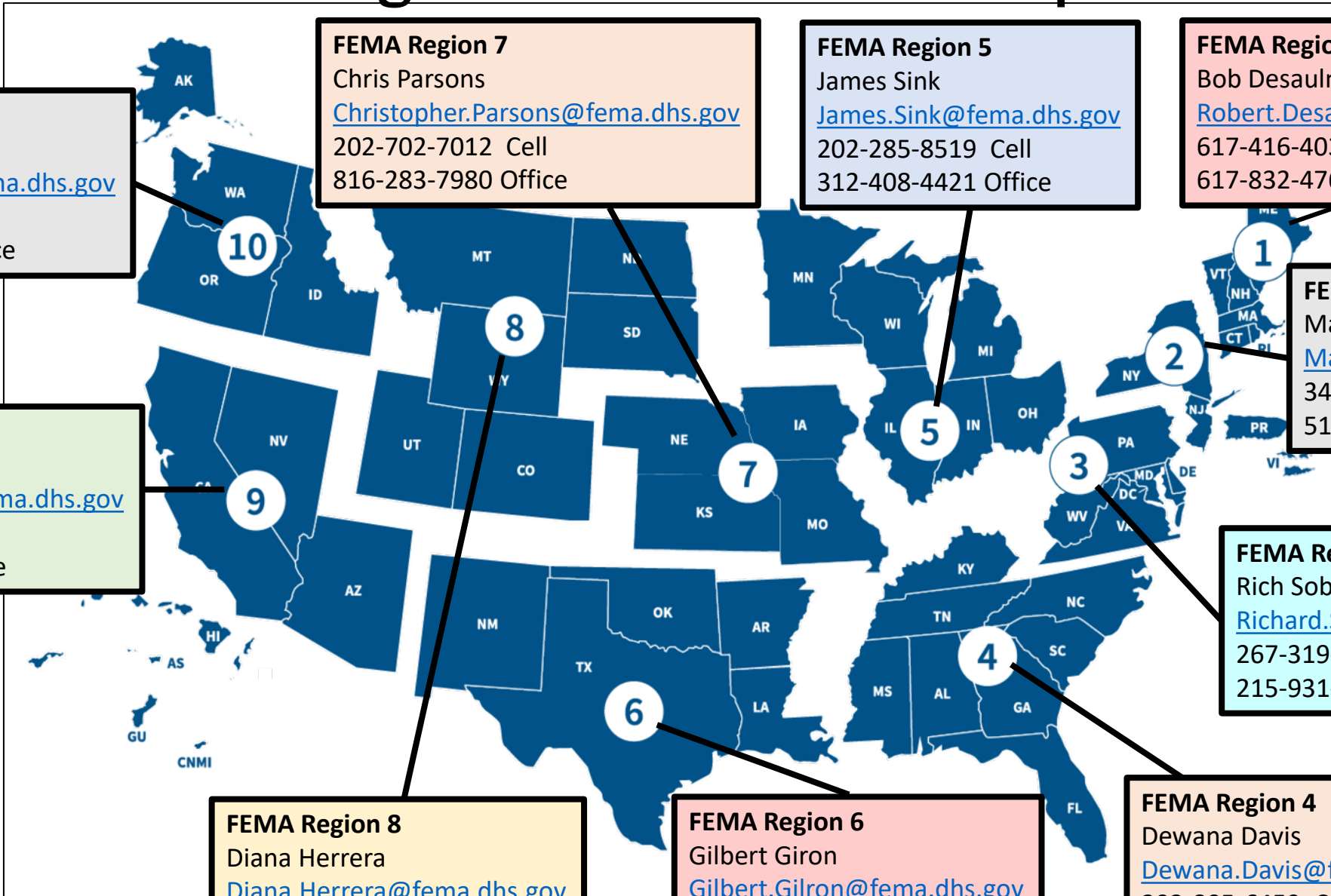
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FEMA

How We Can Help You



- Risk Rating 2.0
- Outreach, Education & Training
- Technical Assistance
- NFIP Claims, Underwriting & Coverage
- Pre and Post Disaster Support
- Public Awareness Events & Activities

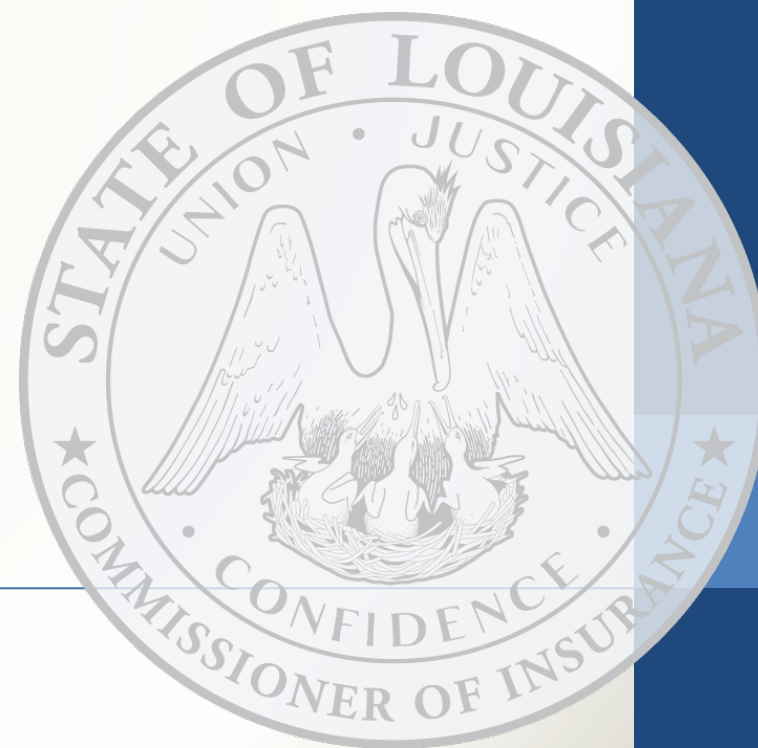


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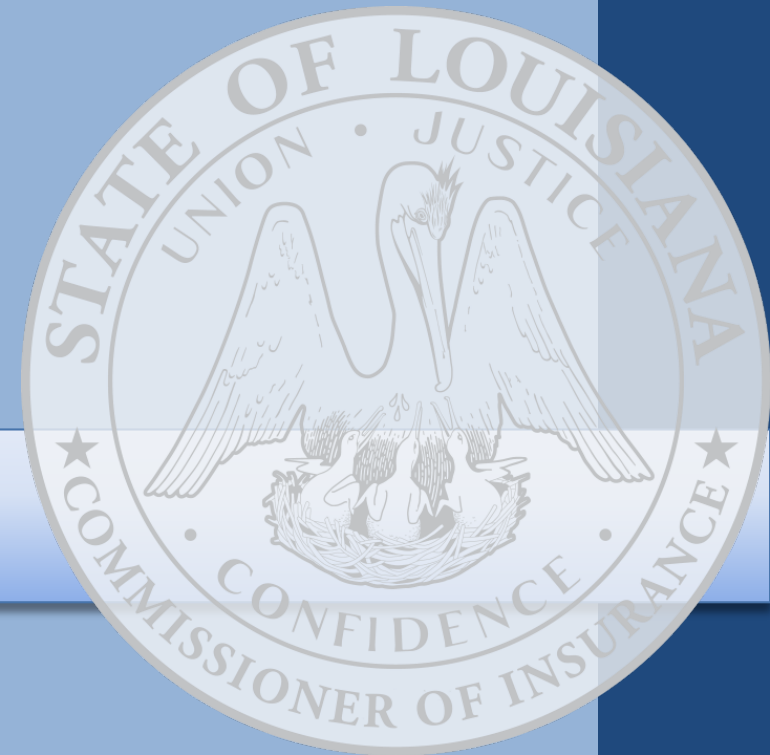
Hurricane Ida

NAIC National Meeting
Fall 2021

Warren Byrd, Deputy Commissioner
Office of Property & Casualty
Louisiana Department of Insurance



Scope of the Hurricane



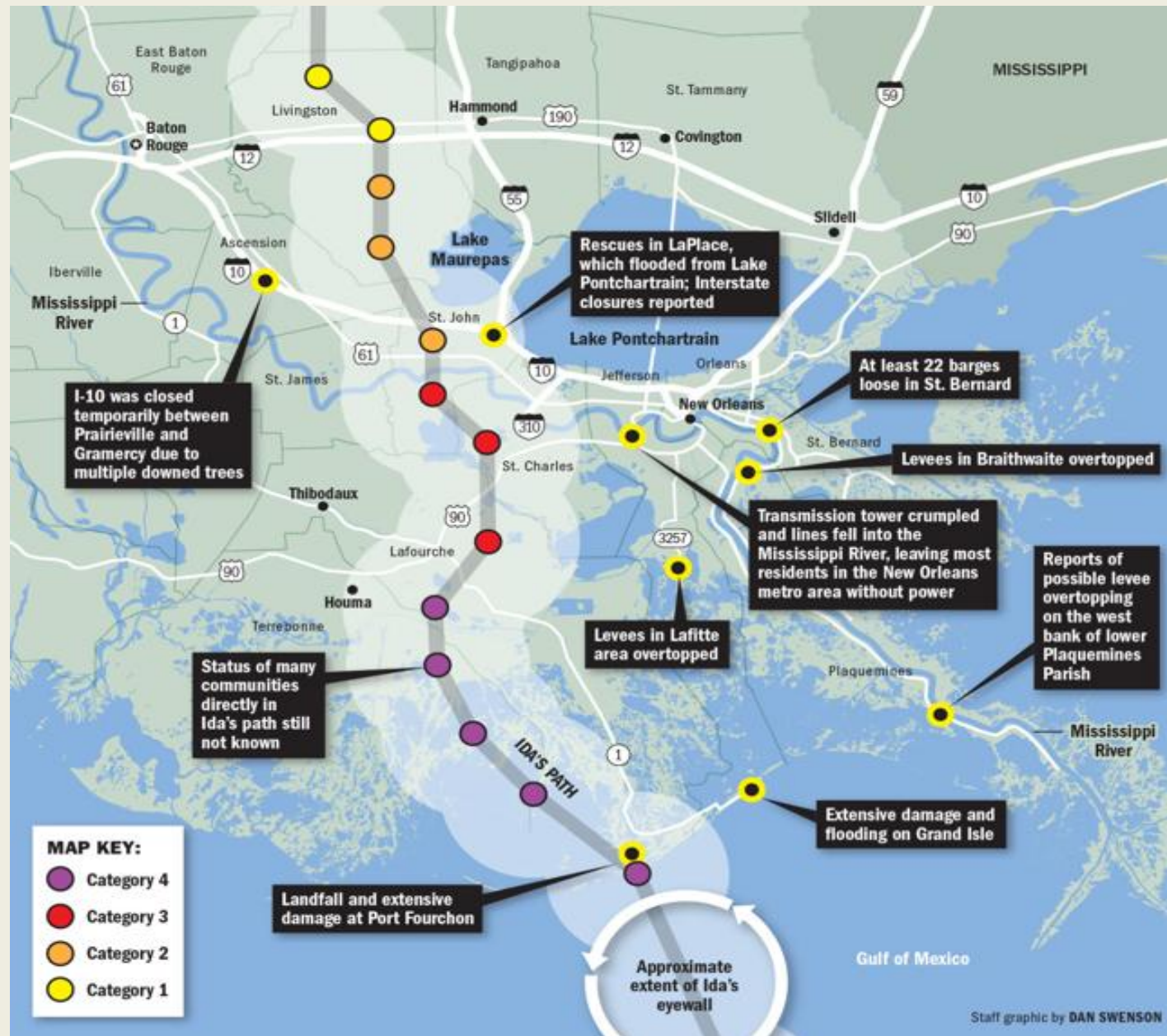


Hurricane Ida Landfall

- **Date:** August 29, 2021
16th anniversary of Hurricane Katrina
- **Location:** Terrebonne Parish near Port Fourchon, LA
- **Strength:** Category 4 storm with winds of 150 mph.
- **Pathway:** Toe of LA boot, then north through populous area

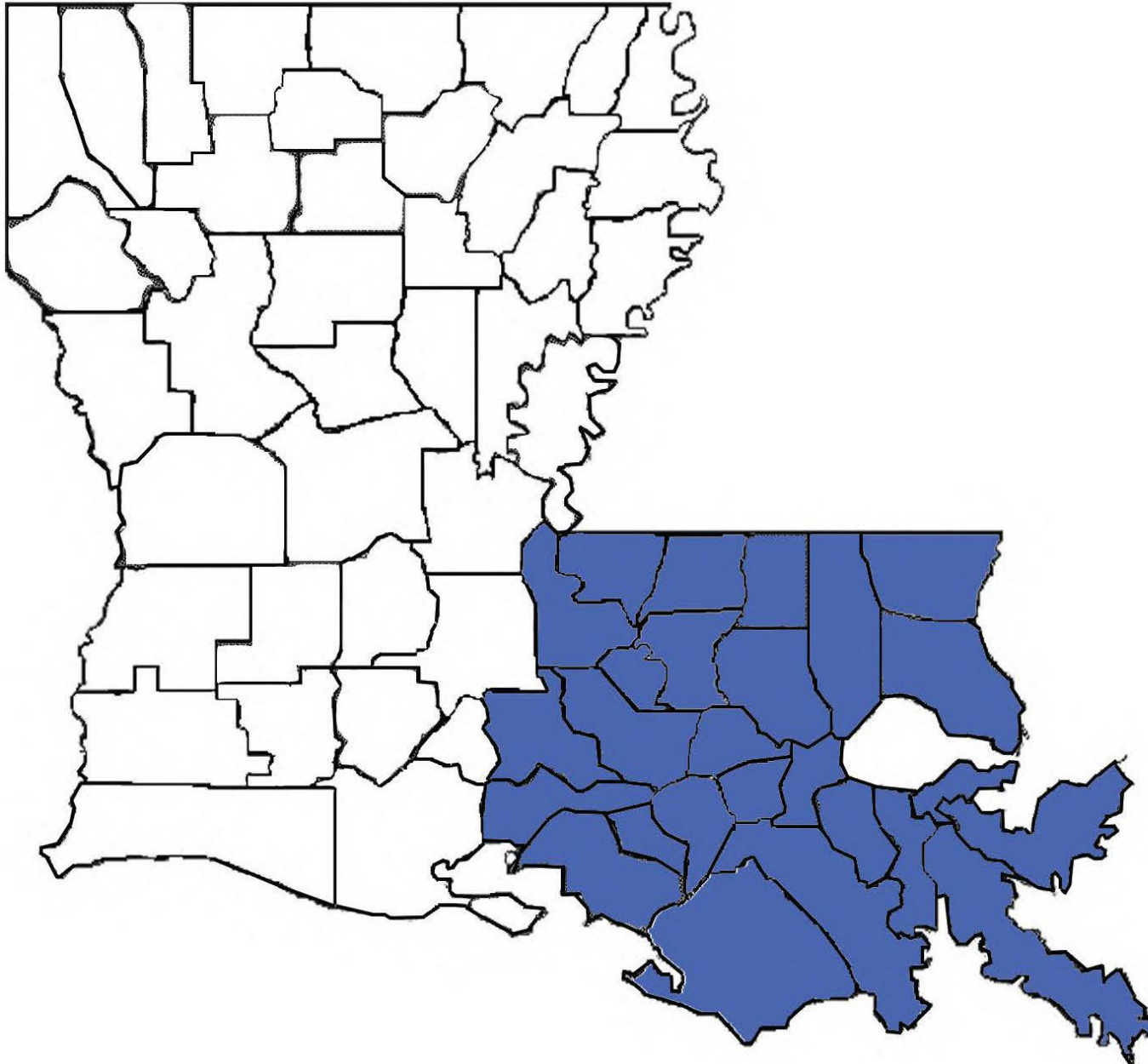


Path of the Storm





Parishes Impacted





Storm Damage





Storm Damage



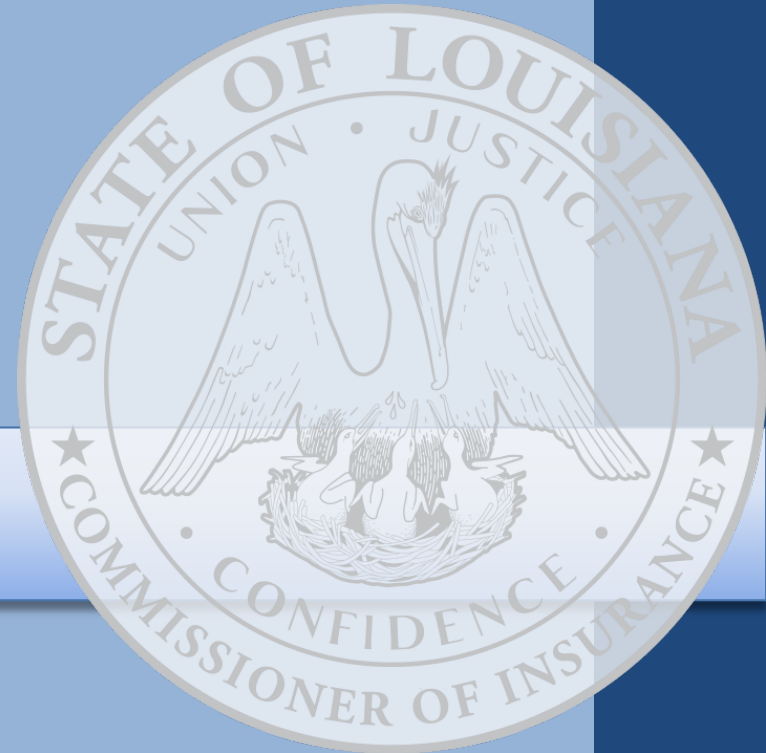


Adjusters

Since August 27, 2021, Louisiana has issued or reinstated licenses to 14,625 adjusters.



LDI Response to Hurricane Ida





Protecting Policyholders

Emergency Rule 47





Post-Disaster Recovery

Bulletin 2021-07
Directive 218





Post-Disaster Recovery

Bulletin 2021-08

Bulletin 2021-09



Louisiana insurance commissioner creates mediation program for disputed Hurricane Ida claims

Lyle Adriano
October 20, 2021

To help policyholders with disputed insurance claims related to Hurricane Ida, the Louisiana Department of Insurance (LDI) has established a new mediation program.

The "Hurricane Ida Mediation Program," which begins this week, is open to all authorized property and casualty insurers, as well as surplus lines insurers. It will facilitate disputes for personal lines residential insurance claims of up to \$50,000, a release from the LDI said.

Either the insurer or policyholder can make a request for mediation through the program – the other party may accept or reject the invitation, LDI said. Those who decline the invitation are still eligible to participate again in the program. When a mediator is assigned to a case, they will ask the parties involved to provide all relevant documentation related to the claim and explain why they have not been able to resolve their differences.

Policyholders can bring an attorney or other representative in the mediation, and both insurers and policyholders can bring adjusters, appraisers, contractors or other expert witnesses.



Louisiana Implements Mediation Program for Hurricane Ida Claims

October 18, 2021

Louisiana has established a voluntary mediation program for the purpose of resolving property/casualty insurance claim disputes related to damage caused by Hurricane Ida, which struck Southeast Louisiana as a category 4 hurricane in late August.

Bulletin 2021-08 states its purpose "is to establish a voluntary mediation program for all authorized property and casualty insurers and surplus lines insurers (hereinafter 'insurers') and their policyholders."

The program is intended for mediation of residential property insurance claims disputes of up to \$50,000. It begins Oct. 18, 2021, and expires June 30, 2022, unless terminated at an earlier date by the insurance commissioner.

The Louisiana Department of Insurance noted that the success of a similar, mandatory, program following the 2005 Hurricanes Katrina and Hurricane Rita prompted the creation of the mediation program for Hurricane Ida. There were approximately 12,000 mediations under Emergency Rule 22 in the aftermath of Katrina and Rita and the success rate was very high, the department said.

Based on the success rate of the Katrina/Rita program, it "is optimistic that a similar mediation program as the 'Hurricane Ida Mediation Program' (the Program), could yield similar results."

Under the program, either the insurer or the policyholder may make a written offer to the other party to mediate the dispute. The other party may accept or reject the offer. That all parties that agree to mediation must negotiate in good faith.

Parties may choose between two firms that have been selected to provide mediation services: Arbitration Professional Systems [https://map-adr.com] and Perry Dampf & Associates Solutions [https://www.perrydampf.com/ (225)389-9899].

Cost:

The program will not "disburse the specific dollar amount agreed to by both parties to the policyholder or insurer (10) business days of the conclusion of the mediation." The cost of the mediation is \$600.00 to be paid by the insurance company.



Data Call

Data Call for Hurricane Ida

Data Call Report Number	Cumulative Catastrophe Claims Date Reported As Of	Due Date
1 st Report	December 31, 2021	January 7, 2022
2 nd Report	March 31, 2022	April 8, 2022
3 rd Report	June 30, 2022	July 8, 2022
4 th Report	September 30, 2022	October 7, 2022



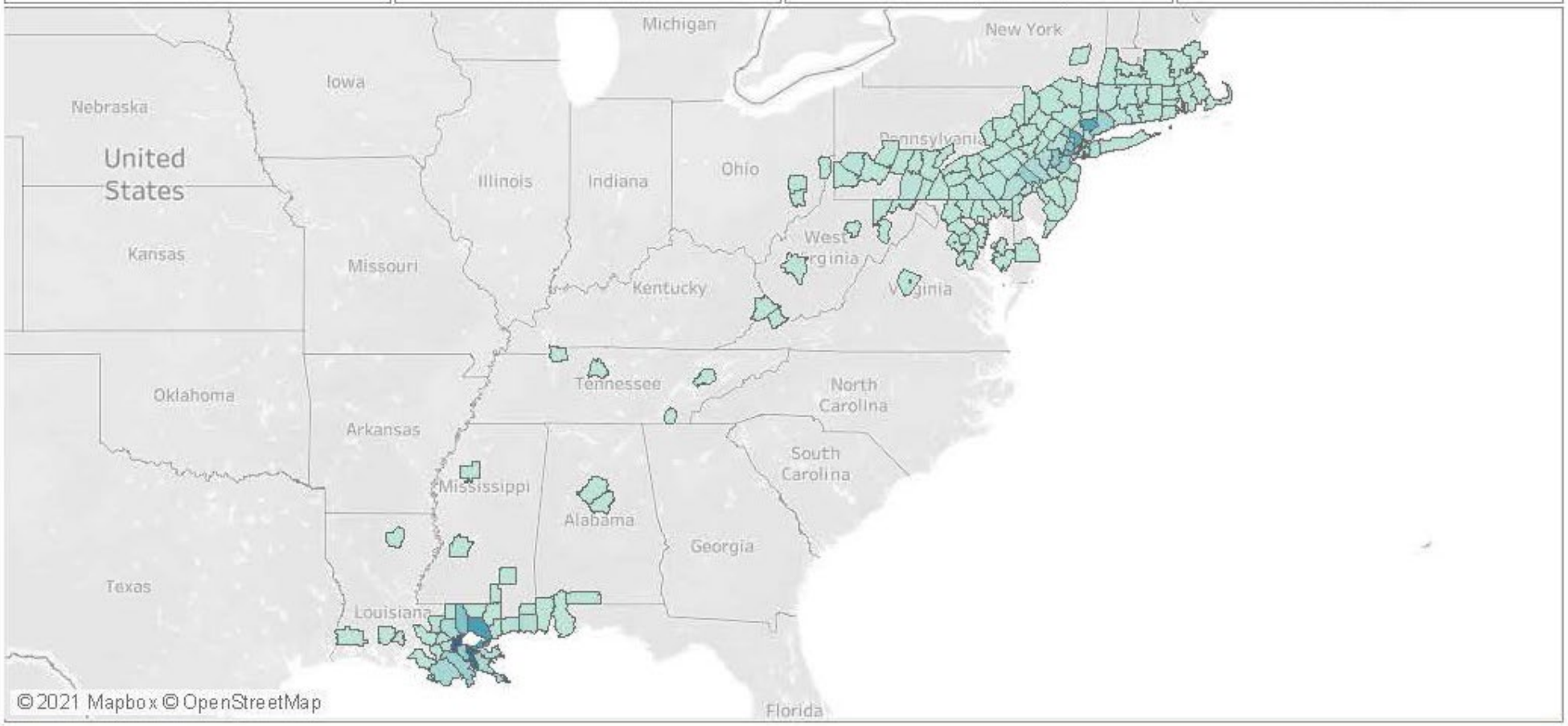
NFIP Claims

National Flood Insurance Program (NFIP)

NFIP Claim Estimate Report

Hurricane Ida (2021), Dates of Loss: 8/28/2021-9/4/2021

Total Claims Submitted	Total Paid in Claims	Claims Remaining Open (%)	Average CWP Claim Payment
27,569	\$869,674,067	5,073 (18.4%)	\$48,362





NFIP Claims

Event Claim Counts by State

State	Claims Submitted	Open Claims	CWOP Claims	CWP Claims	Total Closed Claims	% Claims Closed	Total Advance Payments	Building Payment Total	Content Payment Total	Total Paid	Avg. Paid on Closed Claims (CWP Onl..
Grand T...	27,569	5,073	5,444	17,052	22,496	81.6%	\$86,940K	\$755,236K	\$114,438K	\$869,674K	\$48,362
LA	14,230	2,181	4,065	7,984	12,049	84.7%	\$47,071K	\$428,928K	\$78,175K	\$507,104K	\$60,790
NJ	6,880	1,528	584	4,768	5,352	77.8%	\$22,868K	\$177,215K	\$20,387K	\$197,602K	\$38,708
NY	3,284	703	410	2,171	2,581	78.6%	\$8,134K	\$76,264K	\$6,708K	\$82,972K	\$35,988
PA	1,775	403	184	1,188	1,372	77.3%	\$6,321K	\$47,114K	\$6,553K	\$53,667K	\$41,948
CT	685	160	83	442	525	76.6%	\$1,409K	\$14,290K	\$1,276K	\$15,566K	\$33,759



Consumer Complaints



Connect with LDI

General Information:

1-800-259-5300

www.lidi.la.gov

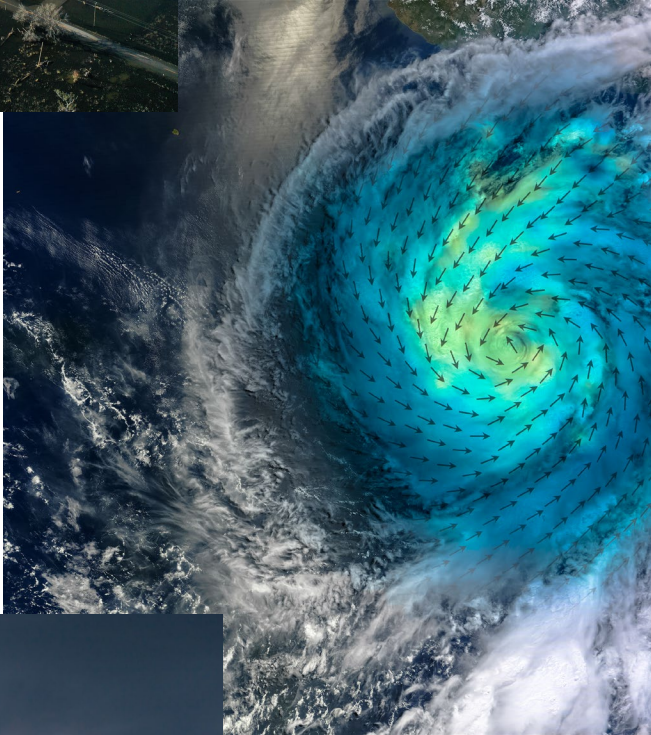
Facebook:

[@lainsurancedept](https://www.facebook.com/lainsurancedept)

Twitter:

[@LAInsuranceDept](https://twitter.com/LAInsuranceDept)





Catastrophe Modeling Questionnaire

Aaron Brandenburg, NAIC

December 13, 2021

States completing the survey (20)

- Arizona
- California
- Colorado
- Delaware
- Florida
- Hawaii
- Indiana
- Iowa
- Kentucky
- Massachusetts
- Mississippi
- Montana
- New Hampshire
- North Dakota
- Ohio
- South Dakota
- South Dakota
- Tennessee
- U.S. Virgin Islands
- Wyoming

Updating the Catastrophe Modeling Handbook

Survey results indicate:

- **Sections III, IV, V, and VI are helpful to insurance regulators**

SECTION TITLES

- **Section III – “General Overview of Catastrophe Models”**
- **Section IV – “Model Input Provided by Company”**
- **Section V – “Model Output”**
- **Section VI – “Model Validation and Update”**

Does your DOI use the questions in Section VII of the handbook when evaluating models?

Number of states using questions : 8

Number of states using some questions: 4

Number of states not using questions: 8

Would it be helpful to include questions regarding flood or wildfire?

18 → Yes

2 → No

Would be helpful to add questions about:

- **Cyber – 2**
- **Convective Storms (including Hail/Tornado) – 13**
- **Flood – 18**
- **Pandemics - 1**
- **Terrorism – 1**
- **Wildfire – 18**
- **Winter Storms – 2**

Coordination with other states regarding the use of catastrophe models

2 states indicated they coordinate with other states

- **Through zones**
- **May contact states that use same or similar models (if known)**

Work Plan

- **NAIC staff will create a summary of the survey responses and break the responses down into sections**
- **Drafting Group will be provided with materials to review in late December to help prepare for the drafting process**
- **Drafting Group will meet in January to discuss the survey and process**
- **Begin the drafting process following the call**

WE ENCOURAGE THOSE THAT HAVE NOT COMPLETED THE SURVEY TO DO SO – IF YOU NEED A LINK TO THE SURVEY, PLEASE CONTACT Sara Robben – srobben@naic.org.