



2019 Fall National Meeting

Climate Risk and Resilience (C) Working Group

**Saturday, December 7, 2019
Austin, TX**

Date: 11/13/19

2019 Fall National Meeting
Austin, Texas

CLIMATE RISK AND RESILIENCE (C) WORKING GROUP

Saturday, December 7, 2019

3:00 – 4:00 p.m.

JW Marriott Austin—Lone Star Ballroom D—Level 3

ROLL CALL

Mike Kreidler, Chair	Washington	Derek Oestreicher	Montana
Ricardo Lara, Vice Chair	California	Barbara D. Richardson	Nevada
Austin Childs/Alex Romero	Alaska	John G. Franchini	New Mexico
Peg Brown	Colorado	Marshal Bozzo	New York
Andrew N. Mais/George Bradner	Connecticut	Tracy Snow/Tom Botsko	Ohio
Colin M. Hayashida	Hawaii	Andrew Stolfi	Oregon
Judy Mottar	Illinois	David Buono	Pennsylvania
Robert Baron	Maryland	Javier Rivera Rios	Puerto Rico
Caleb Huntington	Massachusetts	Michael S. Pieciak	Vermont
Peter Brickwedde	Minnesota		

NAIC Support Staff: Anne Obersteadt

AGENDA

1. Call to Order/Roll Call—*Commissioner Mike Kreidler (WA)*
2. Consider Adoption of its Oct. 2 Minutes—*Commissioner Mike Kreidler (WA)* Attachment A
3. Hear an Update on Working Group Members' Climate Resilience Related Activities Attachment B
—*Marshal Bozzo (NY), George Bradner (CT) and Others*
4. Discuss NAIC Climate Risk Disclosure Survey, Including Resilience Measures Reported by Insurers Attachment C
and the Incorporation of the Financial Stability Board (FSB) Task Force on Climate-Related Financial
Disclosures (TCFD) Guidelines—*Commissioner Mike Kreidler (WA)*
5. Hear a Presentation on American International Group's (AIG) Newly Implemented Sustainability Attachment D
Strategy and Enhanced Reporting, Including Participating in the 2018 TCFD Disclosure Report
—*Jennifer Waldner Grant (American International Group)*
6. Adjournment

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Attachment A

Consider Adoption of the Oct. 2 Conference Call Minutes

—Commissioner Mike Kreidler (WA)

Draft: 10/8/19

Climate Risk and Resilience (C) Working Group
(f.k.a. *Climate Change and Global Warming (C) Working Group*)
Conference Call
Oct. 2, 2019

The Climate Risk and Resilience Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call Oct. 2, 2019. The following Working Group members participated: Mike Kreidler, Chair, David Forte, Jay Bruns and Patrick McNaughton (WA); Ricardo Lara, Vice Chair, Lisbeth Landsman-Smith and Michael Peterson (CA); Austin Childs (AK); Peg Brown (CO); George Bradner (CT); Colin M. Hayashida (HI); Judy Mottar (IL); Caleb Huntington (MA); Derek Oestreicher (MT); Marshal Bozzo (NY); and Andrew Stolfi, TK Keen and Ying Liu (OR). Also participating were: William Lacy (AR); Leslie Ledogar (DE); Shaw P. Stiller (FL); Kate Kixmiller (IN); and Holly Campbell (RI).

1. Discussed the Proposed Development of an FAQ

Commissioner Kreidler stated that severe weather events have been escalating in recent years. Using National Oceanic and Atmospheric Administration (NOAA) estimates, this decade has seen an annual average of 10.5 disasters so far. The scale of this increase amounts to one additional billion-dollar disaster every four years. Given the rise in costly disasters, many state policymakers and lawmakers are considering measures that incentivize and strengthen their jurisdictions' resilience. As they do so, they naturally reach out to their insurance departments for information on catastrophe risk, resilience and insurance.

Commissioner Kreidler said that the purpose of today's conference call is to get the Working Group's thoughts on developing a product that can assist insurance departments in fielding these types of questions. This potential product, currently being referred to as the *Insurance Regulatory Frequently Asked Questions* (FAQ) (Attachment A) is meant to be a compilation of questions state insurance regulators find they are frequently being asked. The intent is that the Working Group product would consist only of the questions. This would allow each insurance department to voluntarily answer the questions as they relate to their specific state. The responses can then be disseminated by each insurance department to inform state and local efforts related to resilience and insurance. The FAQ is not proposed to address specific legislation, policies or regulations, but rather to be used as a guideline when such actions are being considered.

California has passed and continues to deliberate on legislation to support resilience, recovery and rebuilding efforts after two destructive years of wildfire losses. Given all this activity, California has provided potential questions for the FAQ by compiling requests it frequently receives from its lawmakers and policymakers. The questions naturally reflect wildfire risk, but many are also applicable to other weather-related perils. Thus, the discussion will focus on getting feedback on the following questions:

- 1) Does the Working Group think it would be advantageous for it to develop an FAQ product to assist state insurance departments in fielding frequently asked questions? This FAQ would consist only of questions. Responses would be left to the discretion of each insurance department.
- 2) What structure should the FAQ take? Options include:
 - a. Peril-specific. In this approach, the questions would focus on just wildfire. Additional FAQs could potentially be later developed for other single perils, such as flood.
 - b. All weather-related perils, with general questions followed by peril-specific questions being broken out into subsections.
 - c. All weather-related perils, with only general questions and instructions to denote when the response varies for a peril.
- 3) Should development of the FAQ be done in an informal drafting group?

Mr. Peterson said California has been through several major wildfires, even before those in 2017. As a result, they have met with many consumers, first responders, state legislators and other stakeholders to discuss wildfire-related issues. This includes the Risk and Resilience Summit, sponsored by the NAIC in May, where state insurance regulators met for two days of discussions on insurance issues and shared responses to growing wildfire insurance risk. The Summit included a visit to Paradise, CA, and meetings with local officials, homeowners and first responders. The questions currently listed in the FAQ are an outgrowth of this Summit, a recent data call and other related discussions. They are by no means exhaustive, but rather a start.

The first section of the FAQ is on mitigation. Mitigation represents an important tool to improving affordability and availability of insurance. However, policy structures can be elusive in how mitigation is best promoted. For instance, the government in the Netherlands invests substantially in flood prevention, which, in part enables people to live where they do. The questions represent different incentive tactics that legislators and policymakers can look to when crafting laws and policies. This includes incorporating incentives into pricing, tax incentives, mitigation grants and resilience standards. For instance, those in the Wildland-Urban Interface (WUI) often believe that meeting a certain level of home mitigation should secure them guaranteed coverage in the admitted market.

The second section of the FAQ is on the supervision of claims themselves. The speed of claims and additional living expenses (ALE) have been common themes for California. It can be advantageous for consumers to receive a portion of their payout without having to go through an exhaustive inventory list. Additionally, issues often surface around time constraints for using ALE and whether ALE should apply in cases of partial loss, when local infrastructure, such as the water system, is unusable.

The third section of the FAQ is on nonrenewal. In August, California released the results of its data call that showed an increase in non-renewals in the WUI communities. One common theme was the amount of notice a consumer gets prior to a nonrenewal. The California legislature responded by increasing the required notice of nonrenewal from 45 days to 75 days to allow consumers adequate time to take mitigation steps to prevent a non-renewal.

The fourth section of the FAQ is on underinsurance, which is a common concern with legislators, state insurance regulators and consumers. There may be a divergence between how much coverage a home has and how much it takes to replace it.

The fifth section of the FAQ is focused on safeguards to abrupt increases in insurance premiums and the impact of using new data sources to more granularly segment risk.

The sixth section of the FAQ is focused on rebuilding restrictions, which needs more focus. In California, some or all of a consumer's insurance payout can be used to rebuild in a less risky area. This could benefit consumers and insurers as it results in a quicker claim resolution and less insured risk. However, there are different interpretations of state statutes in whether consumers can use their full coverage limit to rebuild elsewhere or if a deduction in land value should apply. These are common questions that we have heard in California in the aftermath of catastrophic wildfires and we wanted to see if they are applicable to other states and could be beneficial to consider pre-disaster.

Commissioner Kreidler stated that states may differ in which perils are emphasized in the FAQ, but most of the questions reflect at some level the dilemmas all states face after a catastrophe. Most states have Fair Access to Insurance Requirements (FAIR) Plans dating back to their implementation in the 1960s. Washington almost discontinued its FAIR plan due to low use but ultimately decided to keep it.

Commissioner Stolfi stated the FAQ is a good idea. He asked if the FAQ should focus on personal lines issues, commercial lines issues or both. He stated Oregon receives many questions on whether carriers are trying to exclude wildfire coverages. He suggested adding questions relating to building codes, exclusions and withdrawals. He stated it would be extremely useful to Oregon, and likely other states, to see how other states respond to these questions. As such, he is in support of compiling each state's answers to the FAQ for sharing purposes.

Mr. Bozzo stated the FAQ represents a good set of discussion points. He added that being able to compare what is being done in each state would be of great benefit. He also stated it would be more beneficial to all states to include all perils.

Commissioner Kreidler stated he agrees that a more all-perils approach is best in the FAQ. He stated that an all weather-related perils, with general questions followed by peril-specific questions being broken out into subsections, makes the most sense.

Mr. Bradner suggested questions relating to the type of products each state offers in its FAIR plan be added to the FAQ. The residual market can vary drastically by state. FAIR plan products can offer consumers an option when there is not one in the admitted market.

Commissioner Kreidler stated he agrees. States can benefit from seeing other states' FAIR plan structures and how they provide needed coverage without diminishing the admitted market.

Ms. Brown stated the FAQ is interesting. Colorado does not have a FAIR plan and is currently developing a data call to find out what areas do not have admitted insurance coverage options due to carriers withdrawing from higher risk communities. She said she also supports compiling state responses to the FAQ. Additionally, the Working Group may get industry directed suggestions on what changes are necessary to improve the affordability and availability of insurance.

Commissioner Kreidler stated he agrees, and he said Washington is also in the process of doing a data call to develop a baseline. He asked if there were any objections to developing an FAQ.

Mr. Bozzo stated the questions were an effective starting point but should be fine-tuned to reflect questions relevant to all and those that are more region-specific.

Commissioner Kreidler stated he would be interested in seeing how other states, such as New York, view and deal with flood issues, even if Washington does not face flood risk in the same way. The Working Group should begin with more general questions that apply to all states but may decide in the future to develop a more peril-specific FAQ. Additionally, responding to the FAQ would, of course, be voluntary for states and they could modify the questions as they fit.

Commissioner Stolfi said Oregon supports the FAQ and the collection of states' responses to it.

Anne Obersteadt (NAIC) said the NAIC state government relations policy advisor recommended tweaking the FAQ toward each peril and packaging it accordingly. State lawmakers are more likely to see an FAQ packaged specifically for the peril under consideration as relevant. For instance, the FAQ could be packaged with a flood coverage page and added discussion related specifically to flood. The FAQ could then be repackaged for wildfire risk in the same way. The Working Group could consider developing general questions relevant to all states and perils first and then add subsections to the FAQ for peril-specific questions in the future. The FAQ with a flood subsection could then be packaged as a flood-specific FAQ for those lawmakers and policymakers only interested in flood. Likewise, the FAQ with a wildfire subsection could be packaged as a wildfire-specific FAQ for those only interested in wildfire.

Commissioner Kreidler stated the approach to start general and then narrow the scope by adding subsections with peril-specific questions later makes sense. He asked NAIC staff to implement the revisions thus far suggested by Working Group members on the call, with further drafting of the FAQ to be done through an informal drafting group.

Having no further business, the Climate Risk and Resilience (C) Working Group adjourned.

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Attachment B

Hear an Update on Working Group Members' Climate Resilience Related Activities

***—Marshal Bozzo (NY), George Bradner
(CT) and Others***

Attachment C

Discuss the NAIC Climate Risk Disclosure Survey, Including Resilience Measures Reported by Insurers and the Incorporation of the Financial Stability Board (FSB) Task Force on Climate-Related Financial Disclosures (TCFD) Guidelines

—Commissioner Mike Kreidler and Jay Bruns (WA)

Attachment D

**Hear a Presentation on AIG's Newly
Implemented Sustainability Strategy and
Enhanced Reporting, Including
Participating in the 2018 TCFD
Disclosure Report**

—Jennifer Waldner Grant (AIG)

