

**JOINT MEETING OF THE CATASTROPHE
INSURANCE (C) WORKING GROUP AND THE
NAIC/FEMA (C) ADVISORY GROUP**

**Tuesday, August 13, 2024
10:00 – 11:30 a.m.
Chicago, IL**

Consider Adoption of the Spring National Meeting Minutes

Draft: 3/26/23

Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Phoenix, Arizona
March 16, 2024

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Phoenix, AZ, March 16, 2024, in joint session with the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group. The following Working Group members participated: Chlora Lindley-Myers, Chair, represented by Cynthia Amann and Brad Gerling (MO); Mike Causey, Vice Chair, represented by Jackie Obusek (NC); Heather Lowe (AL); Russ Galbraith (AR); Lucy Jabourian (CA); George Bradner (CT); Richie Frederick (FL); Julie Holmes (KS); Chris Cerniauskas (LA); Jackie Horigan (MA); Kory Boone and Joy Hatchette (MD); Andy Case (MS); Melissa Robertson (NM); Tim Biler and Tom Botsko (OH); Glen Mulready (OK); Cassie Soucy (OR); David Buono (PA); Glorimar Santiago (PR); Beth Vollucci (RI); Will Davis (SC); Stephanie Cope and Emily Marsh (TN); J'ne Byckovski and Mark Worman (TX); Mike Kreidler and Bryon Welch (WA); and Ellen Potter (WV). The following Advisory Group members participated: Glen Mulready, Chair (OK); Carter Lawrence represented by Stephanie Cope, Vice Chair (TN); Heather Lowe (AL); Lucy Jabourian (CA); George Bradner (CT); Jane Nelson (FL); Julie Holmes (KS); Chris Corniauskos (LA); Kory Boone and Joy Hatchette (MD); Cynthia Amann and Brad Gerling (MO); Andy Case (MS); Beth Vollucci (RI); Tony Dorschner (SD); Mike Kreidler and Bryon Welch (WA); and Ellen Potter (WV). Also participating were: Julie Rachford (IL); Patrick O'Connor (IN); Ron Kreiter (KY); Sandra Darby (ME); Paige Dickerson and Kevin Dyke (MI); Peter Brickwedde and Teresa Fischer (MN); Mike Andring, Debra Estes, and Santana Edison (ND); Nguyen Thai (NE); Jesse Kolodin (NJ); Hermoliva Abejar and Dede Benissan (NV); John Lamena and Arlena Zajac (NY); Isabelle Turpin Keiser (VT); Monica Hale (WI); and Joanne DeBella and Shamika McDonald (WY).

1. Adopted its 2023 Fall National Meeting Minutes

Bradner made a motion, seconded by Botsko, to adopt the Working Group's Dec. 1 minutes (*see NAIC Proceedings – Fall 2023, Joint Meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group*). The motion passed unanimously.

2. Heard an Update on Federal Legislation

Shana Oppenheim (NAIC) provided an update on federal legislation. The federal budget proposal for 2025 includes \$23 billion for climate adaptation and resilience across multiple federal departments. The funds include resources for flood hazard mapping, including the development of new data to support future flood conditions so that Americans can have the most up-to-date information regarding their flood risk. The federal government is also investing in wildland firefighting, which includes support for the implementation of permanent and comprehensive pay reform and \$522 million to help address longstanding recruitment and retention problems. There is \$4.4 billion included in the federal budget for the Department of Homeland Security's (DHS') climate resilience programs in addition to the \$1 billion provided by the bipartisan infrastructure law for the programs.

The Government Accountability Office (GAO) released an artificial intelligence (AI) in natural hazard modeling report that identified five policy options for AI and natural hazard modeling. These options include: 1) facilitating and improving data collection, sharing, and use; 2) expanding education and training; 3) addressing hiring and retention barriers; 4) taking steps to mitigate bias and foster trust in data and machine learning (ML) models; and 5) taking stock of the status quo. Oppenheim said this is an interesting area of integration between AI and natural hazard modeling.

Legislative items that involve the Working Group's work include:

- The Reforming Disaster Recovery Act, which accelerates the delivery of funds to reduce recovery time.
- The Wildfire Resilient Communities Act, which intends to bolster support for community efforts through the United States Forest Service (USFS) and the Bureau of Land Management (BLM).
- The Flood Insurance Rate Map (FIRM) Interagency, which would require FEMA to consult with the Department of Defense (DOD), the U.S. Geological Survey, and the National Oceanic and Atmospheric Administration (NOAA) when developing flood maps relative to the National Flood Insurance Program (NFIP) rate maps.
- The Wildfire Response Improvement Act, which will direct the FEMA administrator to conduct a review of the cost-effectiveness of certain mitigation projects.
- The authorization of the Earthquake Hazards Reduction Act of 1977 through fiscal year 2028.
- The Flood Risk Transparency for Homebuyers Act, which would require the Department of Housing and Urban Development (HUD) to provide a disclosure notice to buyers that properties are located in special flood hazard areas (SFHA).
- The Homeowners Defense Act, which would allow the Department of the Treasury to guarantee the debt issued by eligible state catastrophe insurance programs, with limitations on the total amount of debt guaranteed.

3. Received an Update on the Center for Excellence (COE) Resiliency Activities

Jeff Czajkowski (Center for Insurance Policy and Research—CIPR) provided an update on the Center of Excellence (COE) resiliency activities. The COE has partnered with the Federal Alliance for Safe Homes (FLASH) to author the Resiliency Policy Resource Guide and Retrofitting Playbook for Regulators (Playbook). Two of the pillars of the COE are focused on education and training and applied research. These pillars apply to catastrophe modeling, as well as resilience and how it interacts with catastrophe models.

The COE will provide zone training on resilience, which will be held in April for the Northeast, Southeast, and Western zones. The COE also has a resiliency hub designed to assist departments of insurance (DOIs) to become more resilient to disaster, and it will begin to work with states on resiliency efforts.

Brain Powell, formerly with Strengthen Alabama Homes, has now joined the COE as the new catastrophe risk and resilience specialist. A resilience hub has been designed to assist insurance commissioners and their insurance departments in helping their state become more resilient, especially to natural disasters. The resilience hub will use the Playbook to help states achieve a higher level of resilience.

Powell said he would like to continue working with the Working Group and its members to promote resiliency and to continue the COEs mission to help stabilize markets and support the insurance industry.

4. Heard an Update from California on its Recent Flooding

Jabourian said the governor of California declared nine disasters between December 2022 and March 2023. Severe storms related to a series of atmospheric river systems struck California, bringing high winds and heavy rainfall, resulting in urban flooding between December 2022 and January 2023. Another round of storms began in late February and continued into March 2023, bringing snowfall in areas unaccustomed to snow. These storms caused damage and forced highway and road closures, power outages, and evacuations in some areas.

On Aug. 18, 2023, Hurricane Hillary brought heavy rain and flooding to Southern California. Residents and visitors of Catalina Island and a few other areas were ordered to evacuate. The hurricane was downgraded to a tropical

storm by the time it made landfall; however, flooding and debris flow occurred in more than one county. There were three emergency declarations as a result of this storm, which impacted 13 counties in total.

On Aug. 15, a series of lightning strikes occurred in two counties causing fires in the Smith River Complex and the Happy Camp Complex. These wildfires prompted evacuations, road closures, and prolonged power outages. These fires were major fires and prompted gubernatorial declarations. Following these fires, Commissioner Lara issued a bulletin mandating a one-year mandatory moratorium on insurers from canceling policies or not renewing policies in areas within or adjacent to the fire parameter. While Commissioner Lara was serving in the California State Senate in 2018, he authored Senate Bill 824, which requires a one-year moratorium on non-renewals for fire parameters.

From December 2023 through January 2024, a severe winter storm struck Southern California, bringing intense rainfall to San Diego and Ventura counties. These storms caused widespread flooding, mudslides, and debris flows, threatening lives and safety structures.

The governor subsequently issued an amended declaration adding an additional five counties to the list that were impacted in early February 2024 when a powerful, slow-moving atmospheric river struck California. The National Weather Service (NWS) issued multiple winter storm warnings. The heavy-hit areas included the following Southern California counties: Los Angeles, Orange, Riverside, San Bernadino, San Diego, San Luis Obispo, Santa Barbara, and Ventura.

Many of the events between 2023 and 2024 also had several federal emergency declarations. These presidential declarations helped to mobilize personnel and resources and allowed the opening of a record number of disaster recovery centers (DRCs). The most recent declaration was issued on Feb. 19 to provide support to the families and individuals impacted in San Diego.

The California Department of Insurance (CDI) is proactive when it comes to disaster planning. The CDI has a designated team of compliance officers who continually monitor various resources to identify any potential disasters that may have an impact on the property and well-being of consumers in the state. Based on the information the CDI obtains in its internal protocols, alerts are filtered through management up to the executive staff so the commissioner is aware of the progress and extent of the disaster in real time.

The CDI works closely with the California Office of Emergency Services (Cal OES) as the planning of local assistance centers (LAC) or DRCs begins. Once the LACs and DRCs are established, the CDI is called upon to deploy staff and help with recovery efforts based on established protocols. Logistics, such as location, size, and access to the venue at which the LAC or DRC will be held, are just some of the things that need to be considered. The LACs are a one-stop shop to assist consumers and expedite services.

All CDI staff attend a pre-deployment briefing with CDI management to identify any specific issues. Management provides a review of frequently asked questions (FAQ) and relevant laws. Staff are then deployed with laptops and virtual private networks (VPNs) to assist them in the field.

The CDI communicates with its enforcement branch. Unfortunately, natural disasters create an opportunity for unscrupulous individuals to take advantage of victims. The CDI's Enforcement Bureau deploys staff to the fields to learn about potential misconduct by unlicensed contractors or other potential scams.

Depending on the disaster event in the planning phase, the CDI may initiate communication with insurance company catastrophe teams. One big improvement the CDI has made over the years in response to disaster events is to put the insurers in a location adjacent to the LAC. Historically the CDI has called these locations insurance

villages. The CDI has found it crucial in the initial stages of a disaster to include insurance companies so that advanced payments can be made directly to consumers for immediate displacement needs.

It is important to note that not every disaster event triggers an insurance village. Internally, the CDI identifies a list of potentially affected insurers and contacts the insurers to inform them of the location and layout of the LAC dependent upon the insurers' exposure.

The CDI maintains a consumer hotline that is staffed with insurance professionals who can discuss insurance concerns. The CDI also works diligently to keep its disaster resource pages on its website current. Consumers can access important information about their rights and laws that specifically apply to claims procedures, as well as locations of any active LACs or DRCs.

The CDI also assists property owners with their legal representatives using its residential policy location tool when there is a disaster declaration by the governor or the president. The CDI forwards the information to the insurance company licensed in California and then searches the records to determine if the property was insured. The insurance company will then contact the consumer directly if they locate a policy that was in force at the time of the disaster event and the company has a reason to believe the request is the owner of the property or the legal representative. This service is free of charge.

2023 was an unprecedented year in terms of declared disasters and LAC and DRC deployments. The CDI had a busy start to 2024. More LACs/DRCs have been deployed in 2023 and 2024 than in 2020 through 2022.

The CDI also supported Hawaii during its recent wildfires. The effort was coordinated directly with the NAIC, as Commissioner Gordon Ito requested assistance due to the extensive damage caused by the wildfires in Maui. The CDI deployed five staff members to Hawaii between Nov. 7 and Dec. 2.

Issues continue to arise during the claims process due to recent disaster events in California. Complaints may be filed from six months to a year after the event, as the recovery process takes some time. For the 2023 disaster events, the CDI received a total of 1,536 written complaints related to claims delays, denials, and unsatisfactory settlement offers. A majority of the complaints involved residential and commercial properties, and a few related to auto claims. There were also a handful of travel cancellation complaints related to Tropical Storm Hillary. For the 2024 disaster events, the CDI has received 16 complaints so far.

A question was asked from the online audience about deploying insurers to LACs based on the insurers that have exposures in the affected areas. The question asked was, "How does California track this information?" Jabourian said they use information from its data analysis team by looking at the data call information and determining which insurers might have potential exposure. She said they have numbers that they can use to call the insurers and ask if they are planning on deploying staff. Jabourian said they have established that relationship with the insurers.

5. Heard a Presentation from Maryland About Catastrophe Event Materials

Hatchette presented materials that were available following a catastrophic event to the Working Group. Maryland provides numerous resources that they are willing to share with other DOIs. These materials include information pertaining to pre-disaster, during the disaster, and post-disaster. These resources can be used whether or not a federal disaster declaration has been made.

Maryland uses multiple strategies, including social media channels, such as NextDoor, to get communication started. When using social media, the message should be very brief and contain some type of graphic, which

makes the message visually appealing. It is also helpful to include QR codes. The Maryland Insurance Administration's (MIA's) interactive social media links are found at [Links to Social Media](#). The MIA uses these to stay connected with consumers. Hatchette provided some social media examples and told the Working Group members to contact the MIA if they would like to obtain the materials they use.

The goal of disaster preparedness messages is to communicate the importance of preparation and to make consumers aware that they should review their insurance policy prior to a disaster event. If consumers do not review their insurance policies, they may find out when they have a claim that it is not covered or that they are underinsured at the time of an event. Examples can be found by visiting [Insurance Preparedness for Natural Disasters](#).

The MIA also has several short videos they use. Example videos include "Flooding in Maryland Is More Common Than You Think," "Flood Insurance Tips," "Tips to Help Prepare for a Disaster," "Do I Need Flood Insurance?" and "Tips for Purchasing Flood Insurance." The consumer can subscribe to be notified of more information. These videos should be short, interesting, and have lots of pictures and fewer words. MIA examples can be found by visiting the [Video link](#).

The MIA also has brochures available for consumers. These can be found by visiting [Quick Guide Brochures](#). The brochures can be used to create a consumer advisory or consumer alert. It is helpful for these types of items to be posted on the DOI website. The MIA also travels around the state and puts brochures at libraries, trade shows, and places like the Department of Motor Vehicles.

The MIA additionally has some pre-disaster cards that are handed out at in-person events and are available digitally. These cards can be given to partners, such as emergency managers, fire departments, the Red Cross, and other agencies to provide to consumers. MIA examples can be found by visiting [Consumer Advisory](#).

The MIA also provides insurance FAQs on topics such as [flood insurance](#) and [disaster preparedness](#). MIA also has a podcast called "MIA Minutes." These podcasts can be posted on the DOI website. To find a link to subscribe to the podcasts, visit [MIA Minutes](#). The MIA also has consumer monthly emails. There are over 40,000 subscribers to these emails. These emails by month can be viewed by visiting [Consumer Emails](#).

There are also brochures for "[Weather Related Damage](#)," "[Property Damage – What to do After a Loss](#)," and "[Disaster Relief Resources](#)." FAQs can be found by visiting [Storm Related Damage](#), [Hurricane Preparedness](#), and [Automobile and Homeowners Post Disaster Claim FAQs](#).

The MIA also posts similar types of social media for information about before and after the storm. Following a storm, the number of social media posts increases because consumers have a lot of questions, and the MIA is trying to provide information ahead of the questions. Hatchette said to develop and use hashtags to get more followers. To view a social media example, visit <https://After the Storm Advisory>.

The *Post-Disaster Claims Guide*, which is an NAIC document created by the Transparency and Readability of Consumer Information (C) Working Group, has been changed to meet Maryland's needs. MIA has its guide posted on its website and can be found by visiting <https://Post-Disaster Claims Guide>.

Commissioner Birrane instituted a virtual disaster center (VDC) in Maryland. This approach works well when a DOI has a small staff, and there are events across the state. MIA staff can work with people one-on-one in a virtual environment. There is a short presentation at the beginning of the VDC, which provides consumers with tips. Following the presentation, consumers can go into virtual breakout rooms for individual assistance. The VDC has been implemented for three to four years.

6. Heard FEMA Updates

Commissioner Mulready said several insurers and some of the Southeast Zone commissioners met with FEMA on March 11. FEMA provided information about its new Individual Assistance program and its new initiative to improve the customer experience.

FEMA is making some changes and would like to include the FEMA Advisory (C) Working Group and the Catastrophe Insurance (C) Working Group in future calls, where FEMA will further explain the direction regarding funding and information regarding the Stafford Act. The new rules that will be put into place will allow for initiatives such as additional group flood policies. Insurers said they would like to work with FEMA to create a national process for insurers. Insurers would like to see clear documentation and learn about the additional assistance available. FEMA agreed to hold a second call with the group, as well as more calls if needed. Call notices will be distributed to Working Group and Advisory Group members. The next call should be held sometime in April. FEMA welcomes both Working Group members and commissioners to participate in these calls.

7. Heard an Update on the FEMA Region 3 Workshop

Commissioner Mulready said that FEMA Region 3 and the NAIC will hold a workshop on the afternoon of May 6 and the day of May 7 in Harrisburg, PA. The agenda will include information from FEMA regarding its programs and contacts for the region, as well as how the state DOIs provide help following a disaster. These workshops provide valuable contact information and help forge a beneficial relationship between the DOIs and FEMA. FEMA staff plan to attend the Summer National Meeting to provide more information to the Working Group and Advisory Group about new FEMA initiatives.

8. Heard an Update on the 2024 Earthquake Summit

Amann said the plans for the next annual earthquake summit are ongoing. The summit will be held in early October, and she will provide details for the Working Group as the summit is finalized.

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

SharePoint/NAIC Support Staff Hub/Committees/C CMTE/2024 Spring /Catastrophe/Minutes – CatFEMA – SprNM 31624

Hear an Update on Federal Legislation

Hear an Update on the Catastrophe Modeling Primer from the Drafting Group


**Hear an Update on Changes to the Community Rating System
(CRS)**



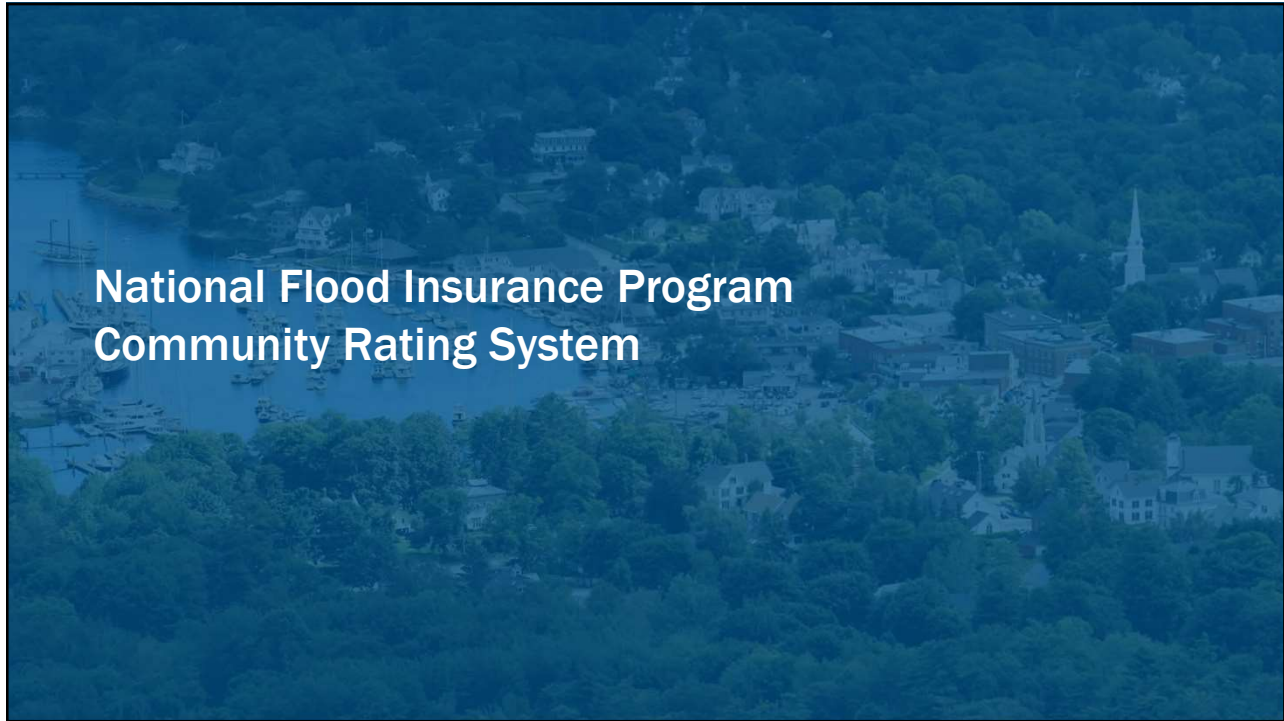
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Contents

- National Flood Insurance Program - Community Rating System (CRS) Overview
- CRS Redesign: Context
- CRS Redesign: Process, Progress, & Focus
- Engagement
- What's Next

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What is the Community Rating System (CRS)?

Overview

CRS is an incentive program that recognizes and rewards community floodplain management practices that exceed the minimum requirements of the National Flood Insurance Program (NFIP).

Authorization

First authorized by Congress in 1994

CRS Program Goals

- ❖ Reduce and avoid flood damage to insurable property
- ❖ Strengthen and support the insurance aspects of the NFIP
- ❖ Foster comprehensive floodplain management


How Communities Earn Benefits

Community activity categories:

- ❖ Public Information (7 activities)
- ❖ Mapping & Regulations (5 activities)
- ❖ Flood Damage Reduction (4 activities)
- ❖ Warning & Response (3 activities)

Flood Insurance Benefits

- ❖ CRS Discounts currently range from 5% to 45% and are calculated based on a community's credit points obtained through various flood risk management activities.



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Source: <https://www.fema.gov/floodplain-management/community-rating-system>

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CRS Redesign Overview

CRS Redesign is a multi-year effort intended to take a **comprehensive look** at the CRS program, exploring both **incremental improvements** and **bold shifts in approach**. Launched in 2022, the project aims to revamp the CRS programmatic framework, potentially including revisions to the CRS scoring and operational elements.

CRS Redesign is FEMA's way of analyzing and potentially making changes to the CRS program. This effort encourages the public to provide input on the proposed program redesign.

FEMA needs your feedback!



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Several factors influenced FEMA’s desire to consider bold programmatic changes to CRS.



Improvements in FEMA’s:

- ❖ Capability to analyze, assess, and communicate flood risk
- ❖ Flood risk reduction techniques
- ❖ Technology since program inception



Overwhelming feedback from within FEMA and from external stakeholders centered around:

- ❖ Program Challenges
- ❖ Enhancing Resilience Incentives & Increasing CRS Impact



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GAO Recommendations

GAO United States Government Accountability Office Report to Congressional Addressees

July 2023 FLOOD INSURANCE

FEMA’s New Rate-Setting Methodology Improves Actuarial Soundness but Highlights Need for Broader Program Reform

GAO-23-105977

GAO Report: GAO-23-105977

❖ Available at: <https://www.gao.gov/products/GAO-23-105977>

Recommendation #1

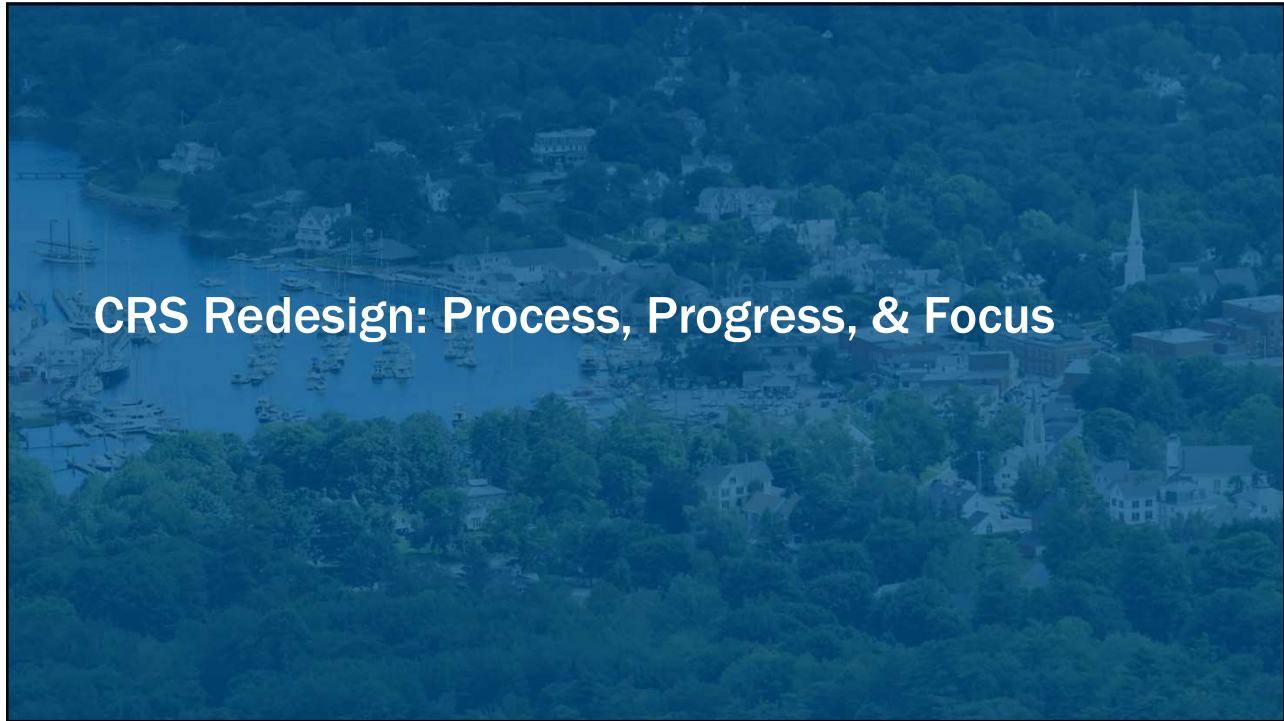
❖ Adjust CRS by calculating a community’s rating based only on community activities that reduce flood risk and by incorporating discounts into the full-risk premium based on the actuarial evaluation of risk reduction.

Recommendation #2

❖ Evaluate other means for incentivizing desirable community activities that cannot be actuarially justified but are currently a basis for discounts in CRS.



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FEMA is following a deliberate and analytical process to redesign CRS.

CRS Redesign is a **multi-year, intentional process**. FEMA is taking the time necessary to ensure the future CRS program is designed based on **rigorous data, evidence, and public input**.

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graph LR; subgraph FY23; A[CRS Redesign Goals & Objectives]; end; subgraph FY24; B[Evaluation of the Current Program & Suggested Program Alternatives]; end; subgraph FY25; C[Plan for Implementation]; end; A --> B; B --> C; C --> D[FY26+ New CRS Program];
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FY23
CRS Redesign Goals & Objectives

FY24
Evaluation of the Current Program & Suggested Program Alternatives

FY25
Plan for Implementation

FY26+
New CRS Program

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Note: Future timeframes are illustrative and subject to change.

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Goals of the Redesigned CRS Program



Incentivize communities to take measurable actions and make sustained progress that reduce current and future flood risk



Embed equity as a foundation of the CRS program



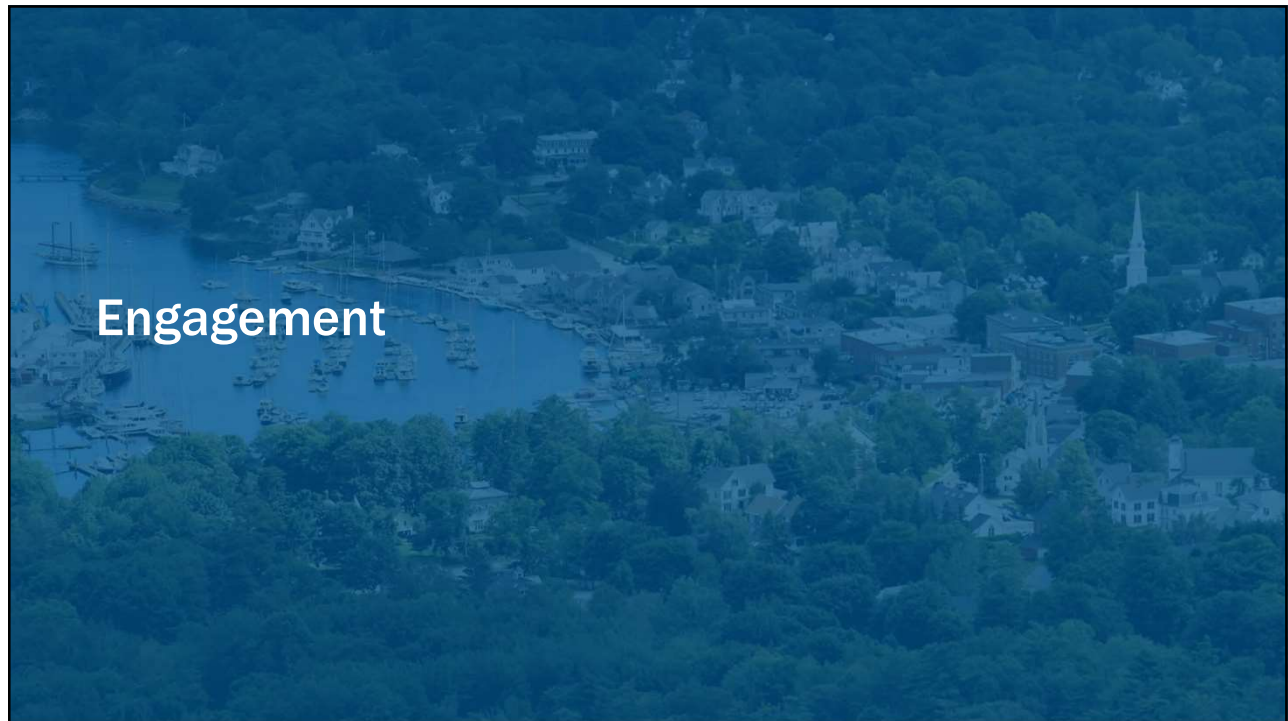
Incentivize communities to promote property owners to purchase flood insurance to reduce their financial risk due to flood



Deliver a participant-centered and modernized program



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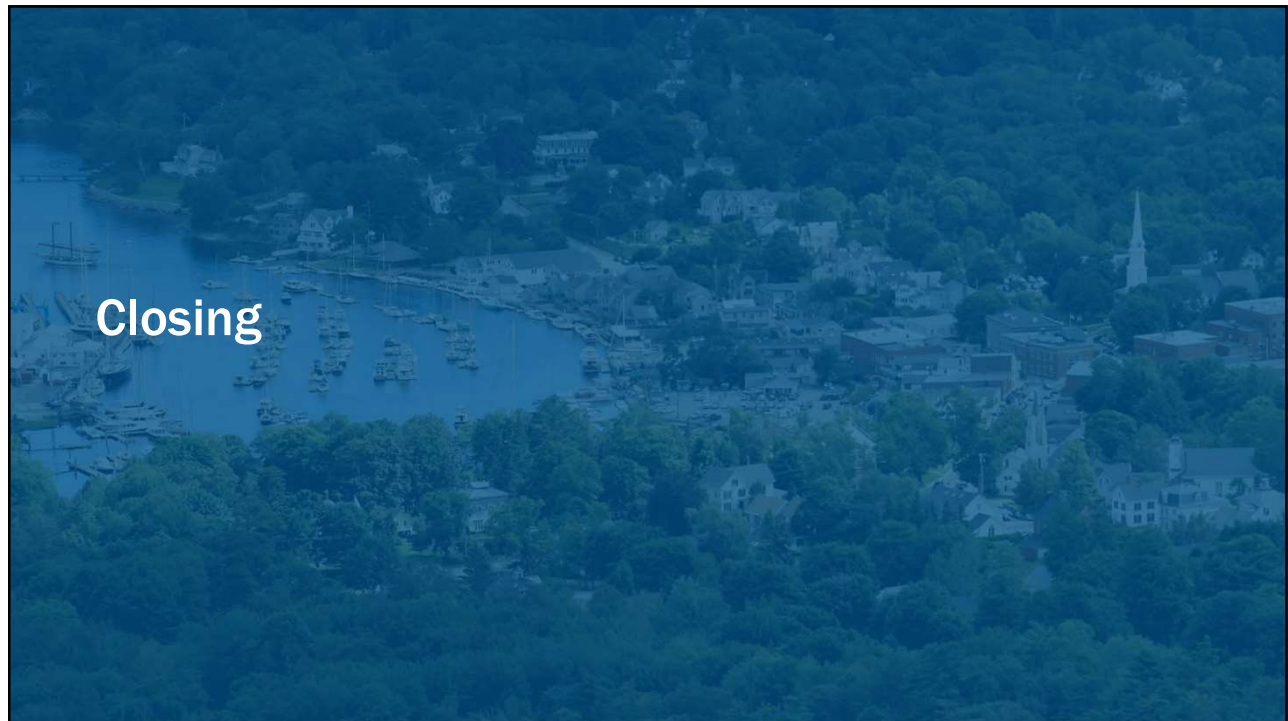
Based on previous stakeholder feedback, FEMA is considering alternative ways the CRS program could be designed.

Stakeholder engagement questions will provide FEMA with further public input on the following potential CRS program features, which are based on previously suggested alternatives to the CRS program:

- ❖ Automatic Enrollment
- ❖ Premium Surcharges
- ❖ Risk-Based Premiums & CRS Discounts
- ❖ Exchanging Individual Benefits for Community Benefits
- ❖ Enhanced Technical Assistance
- ❖ Simplification of CRS
- ❖ Multi-Jurisdiction CRS Participation



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What's Next

FEMA will continue to collect feedback through external engagements during FY24. Be on the lookout for more opportunities to provide input through:

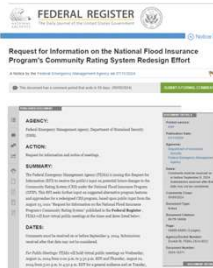
- Upcoming conferences and events
- Federal Register Notice Request for Information (RFI) and public comment period
- Public meetings and webinars

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Give FEMA your input on suggested CRS program alternatives



FEMA posted a Request for Information (RFI) in the Federal Register on suggested alternatives for CRS.

- ❖ Available at: <https://www.federalregister.gov/d/2024-15271>
- ❖ Docket ID: FEMA-2024-0022
- ❖ Public Comment Period (60 days): July 11, 2024 – September 9, 2024

How to Give Input

- ❖ Submit written comments through Federal eRulemaking Portal*: <https://www.regulations.gov/docket/FEMA-2024-0022>
 - Make sure to include Docket ID: FEMA-2024-0022
- ❖ Provide verbal comments at a public meeting (visit [FEMA.gov/events](https://www.fema.gov/events) for more info):
 - 2 p.m. ET on Wednesday, Aug. 21
 - 3 p.m. ET on Thursday, Aug. 22
 - 3 p.m. ET on Tuesday, Aug. 27 (Tribal Nation focused)



Note: This Request for Information and comment period is not rulemaking and the Federal eRulemaking Portal is being used only as a mechanism to receive comments

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Thanks!

Please send questions to
FEMA-CRS-Redesign@fema.dhs.gov



FEMA

Hear a Presentation on Direct to Customer (D2C) and Timeline and Hear About Agent Registry

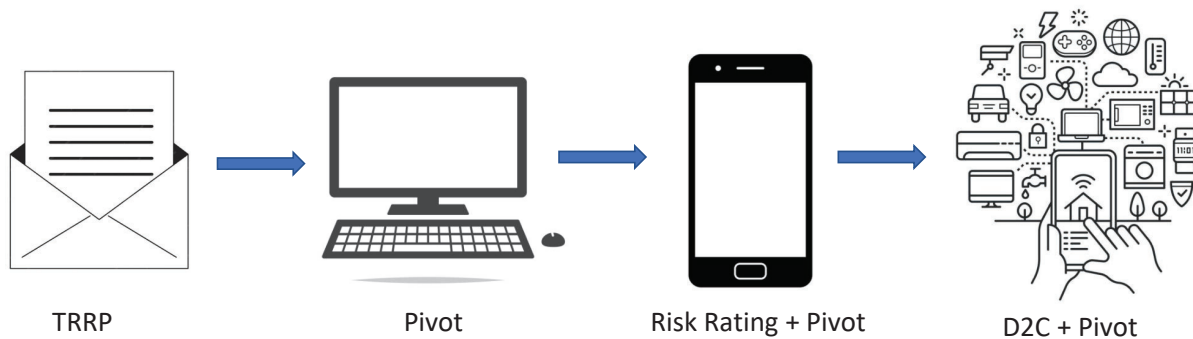
Direct to Customer

FID Mission Support: Innovation Branch



FEMA

Meeting the Customer where they are...



And where they want to go...



FEMA

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D2C Implementation Overview

Phase 1 CY24

Phase 1 = Quotes to customers + Sales Leads to agencies



Phase 2 FY25, FY26

Phase 2 = Phase 1 + Online Sales to customers + Servicing by the NFIP Direct



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Agency Locator

- Allow agencies to register to appear in the quote tool
- Data validation process
- Display of agencies will be based on geography

Local Agency Information

Agency Name*	<input type="text"/>
Agency NPN*	<input type="text"/>
Address Line 1*	<input type="text"/>
Address Line 2	<input type="text"/>
City*	<input type="text"/>
State or Territory*	Select State or Territory...
Zip*	<input type="text"/>
Are you a National and/or Regional Producer?*	<input checked="" type="radio"/> No <input type="radio"/> Yes



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Activities to date

- Customer Journey Mapping
 - User interviews
 - Workflow design
 - Edge case mapping
 - Front end design
 - Core working group sessions
 - Data mapping
 - Technical design
 - Industry communications
- Acquisitions
 - ALF/SELC documentation
 - Development/testing



External Engagement Coordination

FIPNC

PIA

WYOs

Vendors

IBHS

NFC

NAIC



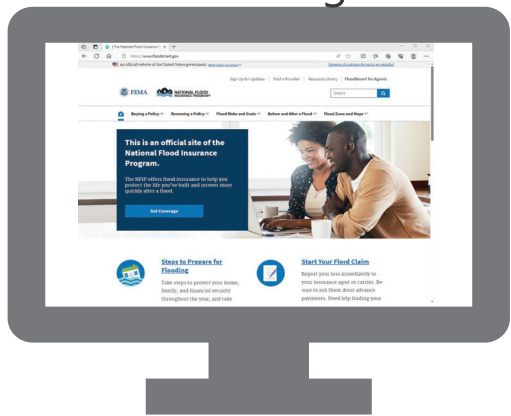
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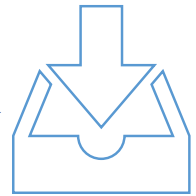
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Phase 1- Fiscal Year 2024

Floodsmart.gov



Quotes for customers



Sales leads for agents through the agent locator tool

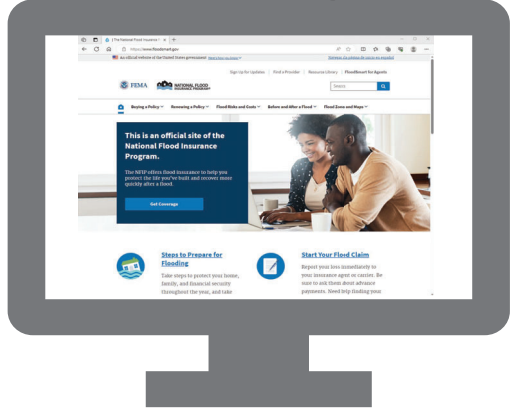


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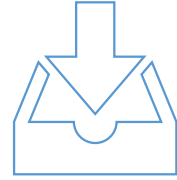
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Phase 2- Fiscal Year 2025-2026

Floodsmart.gov



Quotes for customers



Sales leads for agents through the agent locator tool



Customers directly purchase policy and serviced through NFIP Direct



FEMA

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Hear an Update on the Catastrophe Modeling Center of Excellence (COE) Resilience Hub

Center for Insurance Policy and Research

Catastrophe Center of Excellence: Resilience HUB Update

August 13, 2024

Brian E. Powell, MBA, CPM
Catastrophe Risk Resilience Specialist

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS



CENTER FOR INSURANCE POLICY AND RESEARCH

NAIC Priority: Catastrophe Insurance Working Group

As part of the CIPR CAT COE's Resilience HUB accomplishments this year has directly supported this working group's adopted charges for 2024.

Example of on-going work performed by the CAT COE and Resilience HUB:

- Assisting in evaluating, developing and implement various loss mitigation programs (wildfire, wind, hail, earthquake, and flood) and demonstrating leadership in building code education and adoption.
- Support the education, use by demonstrate the importance of catastrophe models through training and use case studies for departments of insurance.
- Continue to build resources for regulators to utilize in support of insurance policy and research. More specifically, all states have access to the CIPR CAT COE SharePoint site for resources affecting insurance, mitigation and highlighted studies.
- Working with departments of insurance and FEMA regions across the country to address flood mitigation and development a risk transfer programs for flood.



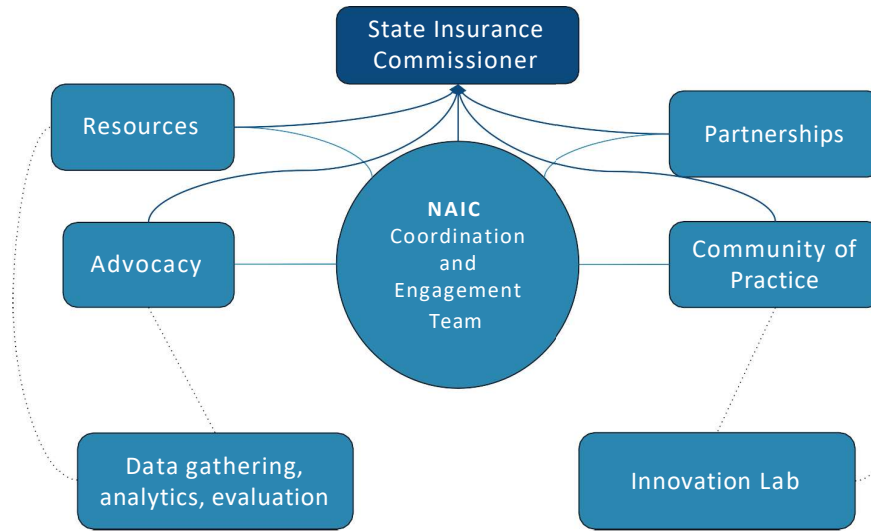
Mitigation and Resilience Assistance – Resilience HUB

Mitigation Program Coordination and Development

- Leads DOIs through establishment of mitigation programs
- Coordinates between partners to establish operating programs

Peer to Peer Learning Opportunities

- Educational Events
- Legislative Templates



Consumer Education and Outreach

- Federal Alliance for Safe Homes
- Insurance Institute for Business and Home Safety
- Smart Home America
- United Policyholders

Resilience Funding

- Internal and external resources
- Reinsurers and Brokers

Data and Analysis

- Insurance Market Insight
- Mitigation Research
- Hazard Impacts Research

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IBHS Research Material, Sharing with NAIC Members

The CIPR shares IBHS research material on the member SharePoint site:

The most recent research material published by IBHS of research findings on the effects of wind, wildfire, hail and rain to the built environment are made available to NAIC members.

The site contains samples of different types of draft legislation, regulations and additional material to support mitigation programs.

This research is reviewed by the engagement team and incorporated into presentations and conversation with stakeholders.

Work is being done now to create a page to the CIPR public website and reorganization of a Resilience Hub tab within the member section of the SharePoint site to provide information about the effects of mitigation and benefits to the insurance industry.

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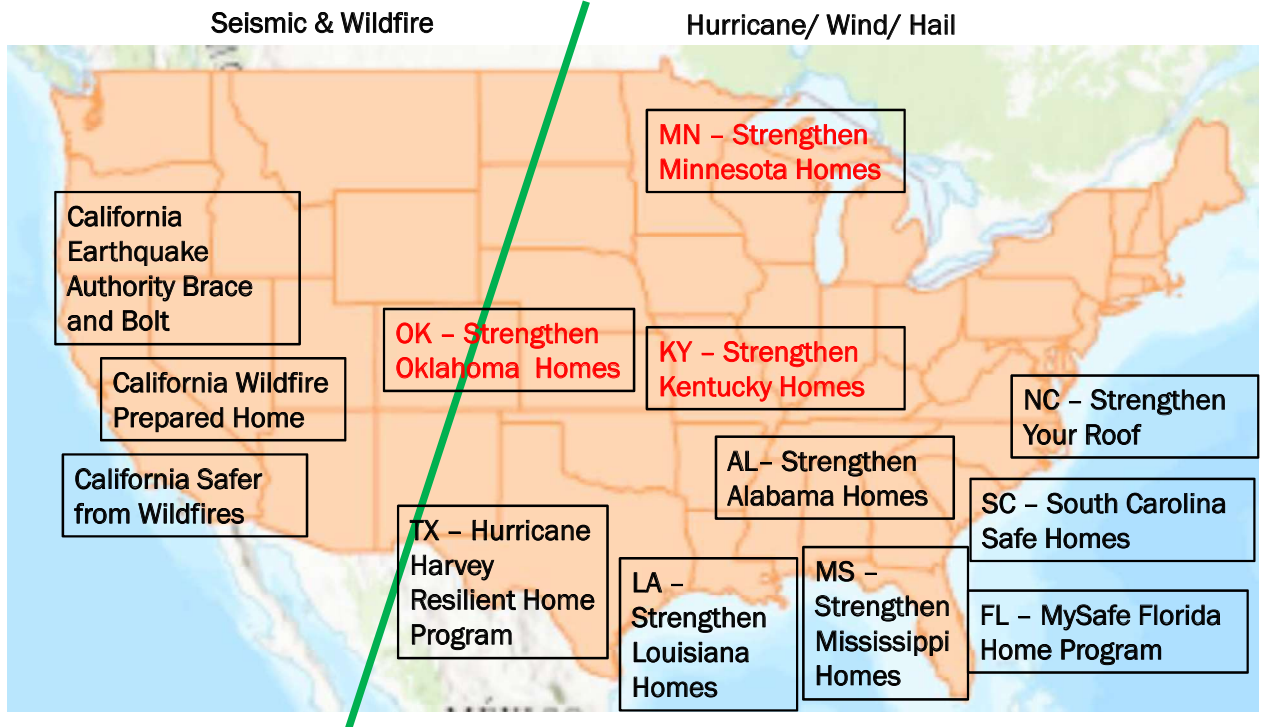
Material recently added or currently in review for site:

- Samples and drafts of legislation for the establishment of mitigation programs
- Draft regulations
- Mitigation program "Playbook"
- FEMA engagement material
- Outreach and education material regarding mitigation and disaster preparation,
- Funding sources guide
- Partnership material used to assist members with resiliency

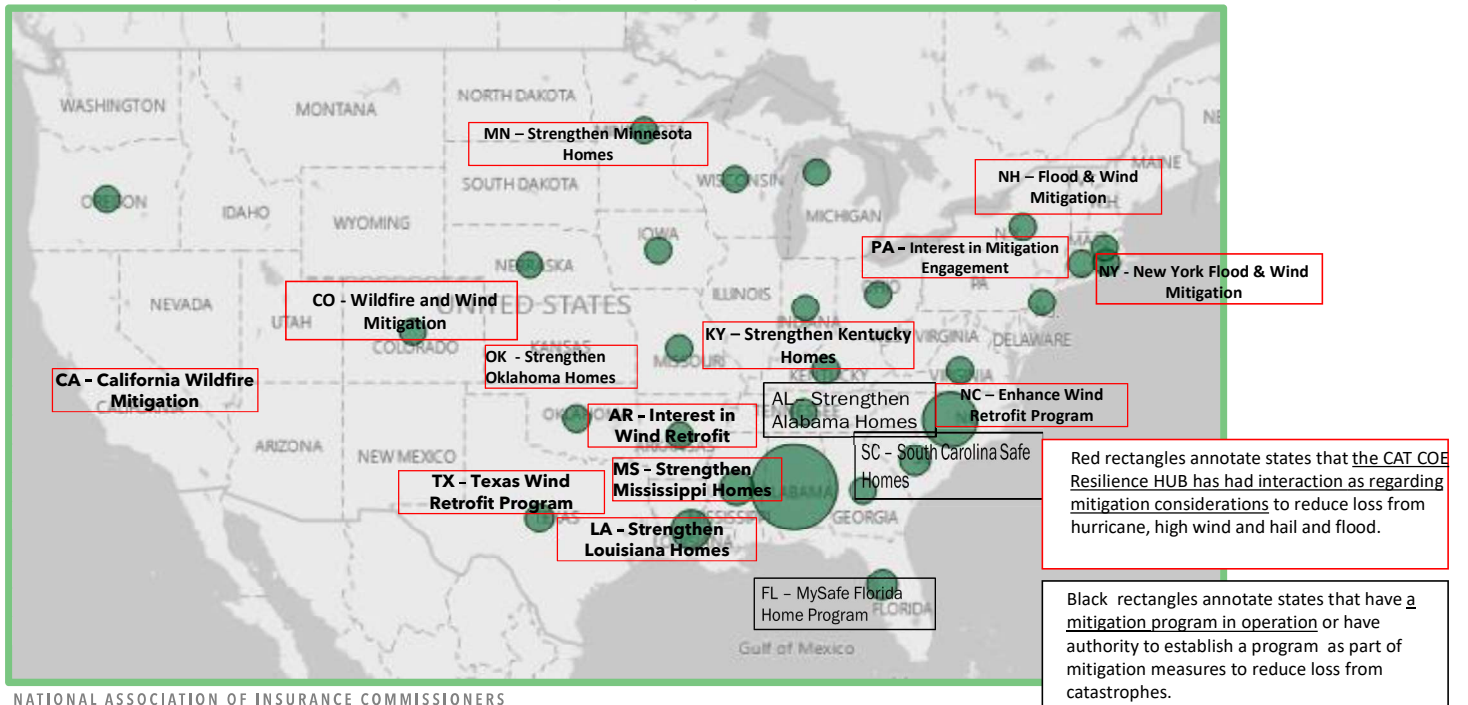


Programs

- Resilience efforts involve a number of stakeholders
- Leverage knowledge to build consistency of approach and competency
- Includes aspects of policy, business design, accounting and state operational authorities



Cat COE Resilience HUB Engagement – Working with Established and Potential Opportunities for Establishing Mitigation Programs Across the U.S.





State Considering a Mitigation Program

We ask that the first thing you do is you reach out to the Resilience HUB for guidance:

- Resource of the most knowledgeable and experienced engagements team regarding policy development strategy, program design, development and implementation of mitigation programs.
- Creates consistency in approach and competency between program operations across the country and creates a level of efficiencies during development and implementation – saves time and money.
- Assistance with funding for programs.
- Provide access to the use of catastrophe modeling and development of analytics and performance measures as program support.
- Resources for research to understand impact of programs to the industry and economy.


Thank you.

Brian E. Powell, MBA, CPM
Catastrophe Risk Resilience Specialist

bpowell@naic.org

Cell/Text: 334-315-1766

Hear a Presentation from the American Property Casualty Insurance Association (APCIA) About Mitigation Discounts



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NAIC 2024 Summer National Meeting


Some Ways to Manage and Reduce Property Risk and Improve Insurance Affordability and Availability

David Snyder
Vice President, Policy, Research & International
August 13, 2024

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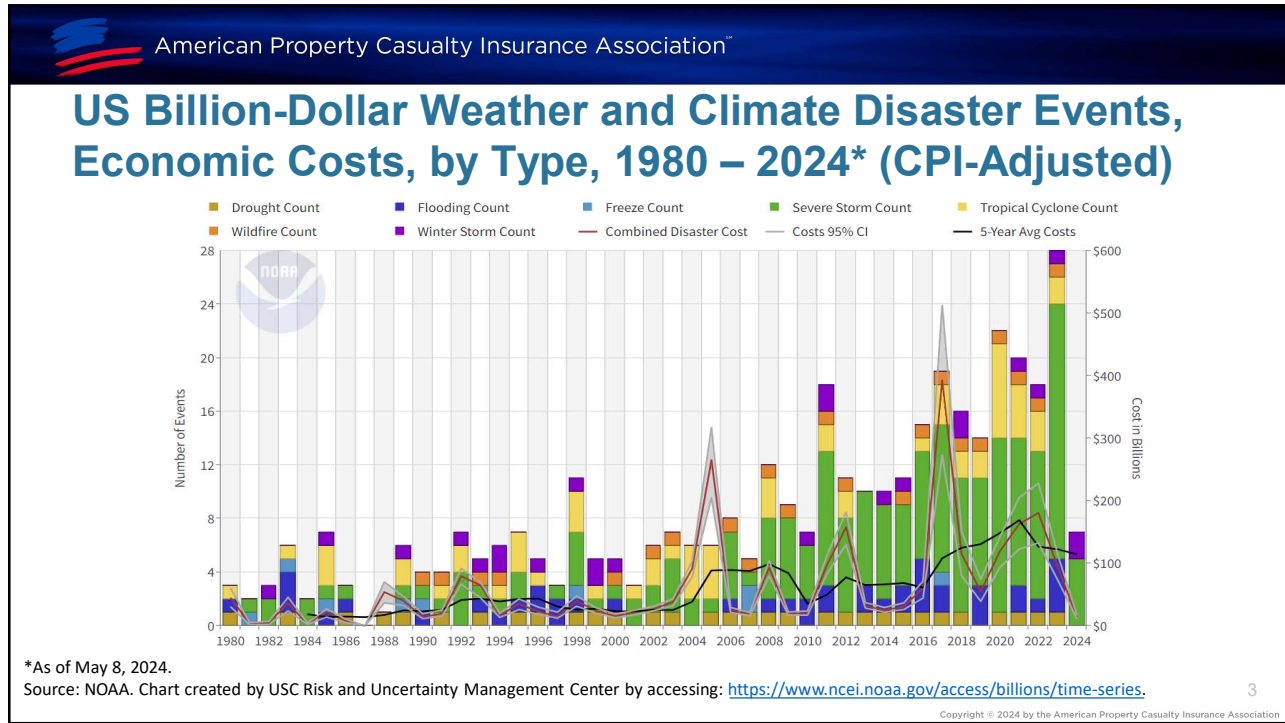
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The Shared Challenge

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Correcting the Narrative: It's Not Just the Weather

It's Not Just the Weather
 The man-made crises rolling property insurance markets
 August 2022

Man-made issues
 Legal system abuse, inflation, claims fraud, and hostile government controls are exacerbating property market pressure from record natural catastrophes losses

U.S. Insured Natural Catastrophe Losses 2003-2023
 USD Billion (in 2023 prices)

■ Annual Losses ■ Rolling 4-Year Total

Data Source: APCA, via Aon
 Includes 50 U.S. States & Territories (Puerto Rico, U.S. Virgin Islands and other U.S. territories)

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What is Causing Increased Property Losses

It's not just the weather

Verisk: The factors causing a doubling of average annual natural catastrophe losses over the last decade are (in order of importance):

1. A rise in exposure values and replacement costs, represented both by continued construction in high-hazard areas and by high levels of inflation that are driving up repair and rebuild costs
2. The natural variability that comes from selecting any five-year sample of natural catastrophe experience
3. The effects of climate change on different atmospheric perils
4. The impacts of man-made loss drivers, such as social inflation and legal and regulatory factors

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Increasing Cat Losses / Rebuilding Costs

Global Insured Natural Catastrophe Losses (USD bn)

Legend: ■ Secondary perils ■ Primary perils (incl secondary effects) — 10-year moving average

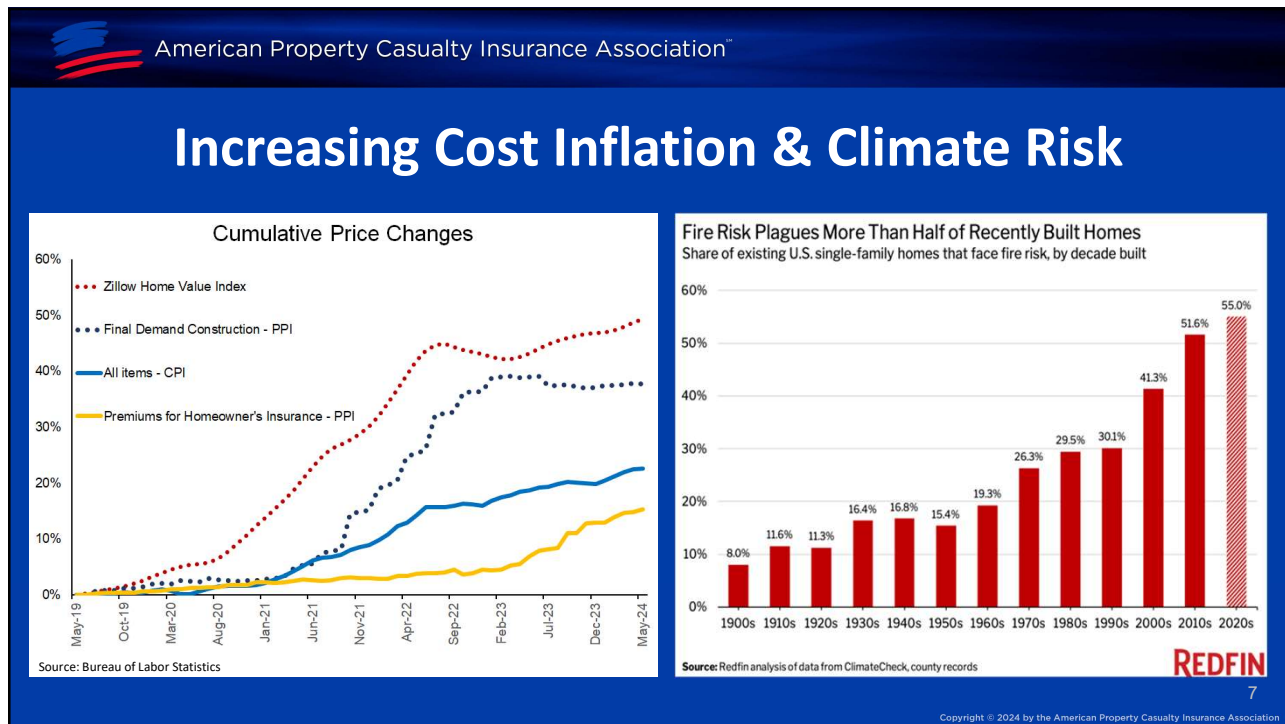
U.S. Replacement Cost of Structures

BEA Current-Cost Net Stock of Private Fixed Assets (\$T)

Source: APCA using U.S. Bureau of Economic Analysis year-end estimates; Swiss Re 2022 estimate via sigma No 1/2023. ("Structures" include residential and non-residential structures.)

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AM Best Downgrades Personal Lines Insurance – Both HO & Auto (March 2024)

Personal lines insurance outlook = Negative (first ever)

- Underwriting losses: 2022-2024(est.) = **-\$40/48/21 billion**
- “underwriting profitability... over the near term appears highly unlikely”

Auto insurance outlook = Negative

- Worst 3-year stretch of losses in recent memory
- Causes: Inflation, supply chain disruption, record driving, worse driving, technology costs, legal system abuse

Homeowners insurance outlook = Negative

- 5 consecutive years of underwriting losses (HO & Farmowners Multi-peril 2020-2024p)

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Insurance Availability Pressures

Property insurance demand and costs are increasing; capital is decreasing

DEMAND = INCREASING

- Higher Rebuilding Values
- Demographic growth/shifts
- Inflation
- Worsening weather
- Legal System Abuse

SUPPLY = DECREASING

- Rate suppression/delays
(1 to 2-year lag time for rate filings, approvals, and rolling into new policies)
- Premiums falling behind losses
- Less surplus
- Lack of profitability + volatility = Deters new investment capital

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Demand/Supply Mismatch = Unavailability

Capital & Surplus (Supply) vs. GDP (Demand)

Quarter	Value (%)
2021 Q3	4.1
2021 Q4	4.2
2022 Q1	3.9
2022 Q2	3.7
2022 Q3	3.6
2022 Q4	3.6
2023 Q1	3.7
2023 Q2	3.8
2023 Q3	3.7

Global reinsurance capital vs exposure growth: a mismatch that looks set to stay

Demand for coverage for natural disasters had risen on evidence of increased catastrophe activity, and because of higher insurable values of buildings and other fixed assets. At the same time, catastrophe claims pay outs have reduced the supply of re/insurance capital. Rising interest rates and lower financial asset values have also contributed to supply constraints. Risk appetite has further decreased due to poor property re/insurance underwriting results in recent years, and widely held perceptions that risk assessments are underestimating actual loss experience. This is leading to hesitation on the part of capital providers to commit new funds to re/insurance risks and replenish the industry capacity.


Global reinsurance capital vs exposure growth, 2018=100

Source: AM Best, Swiss Re Institute

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Meeting the Challenge




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Insurability Solutions – Mitigation and Resiliency

Insurers are leading efforts to make communities more resilient and to mitigate risks

- Working with federal & state policymakers
- Supporting resiliency & mitigation programs, such as infrastructure improvements and wildfire solutions
- Advocating for stronger building codes & land use policies
- Funding science-based research into risk mitigation
- Advocating for financial support to increase resilience for vulnerable populations
- Enhancing risk assessment and information
- Investing in and underwriting climate and renewable energy technology

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Policy Priorities: Consumer Empowerment

A three-prong strategy to help consumers better manage disaster risk



Mitigation

- Reduce the likelihood or potential severity of a loss, potentially avoiding an insurance claim

Catastrophe Deductibles

- Increase 'share of risk' (i.e., higher deductible) to reduce insurance costs
- Reinvest premium savings in mitigation or CSA

Catastrophe Savings Account (CSA)

- Establish a pre-tax savings account to help cover pre-disaster expenses (e.g., mitigation), or in the event of a loss, post-disaster expenses (e.g., deductible)

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The Critical Role of Individual and Community Mitigation

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Mitigation Impact Potential

	Overall	Riverine Flood	Hurricane Surge	Wind	EQ	Wildland-Urban Interface Fire
Retrofit vital infrastructure	4:1	8:1	N/A	7:1	3:1	N/A
Retrofit existing buildings	4:1	6:1	N/A	6:1	13:1	2:1
New builds meet codes	11:1	6:1	N/A	10:1	12:1	N/A
New builds exceed codes	4:1	5:1	7:1	5:1	4:1	4:1

Source: APCA via National Institute of Building Sciences and Swiss Re; vital infrastructure includes utilities, roads, other.

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Insurance Institute for Business & Home Safety (IBHS)

Turning research into resilience




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Insurance Institute for Business & Home Safety (IBHS) *Mitigation to Bend the Loss Curve Down*



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IBHS 'Live Burn Demonstration'

Started with Two Homes and Ended with Only One Standing

Unmitigated Property



Mitigated Property



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IBHS 'Live Burn Demonstration'

... *Only One Left Standing*

The mitigated home remained largely untouched and still livable.

However, in **only 12 minutes** of embers igniting vegetation, the unmitigated home is burned to the ground.



See the video...

NBC Bay Area:
<https://www.nbcbayarea.com/investigations/consumer/two-tiny-homes-set-on-fire-big-lessons-for-everyone/3360568/>

Good Morning America:
<https://www.goodmorningamerica.com/news/video/demo-shows-protect-home-wildfires-103680552>

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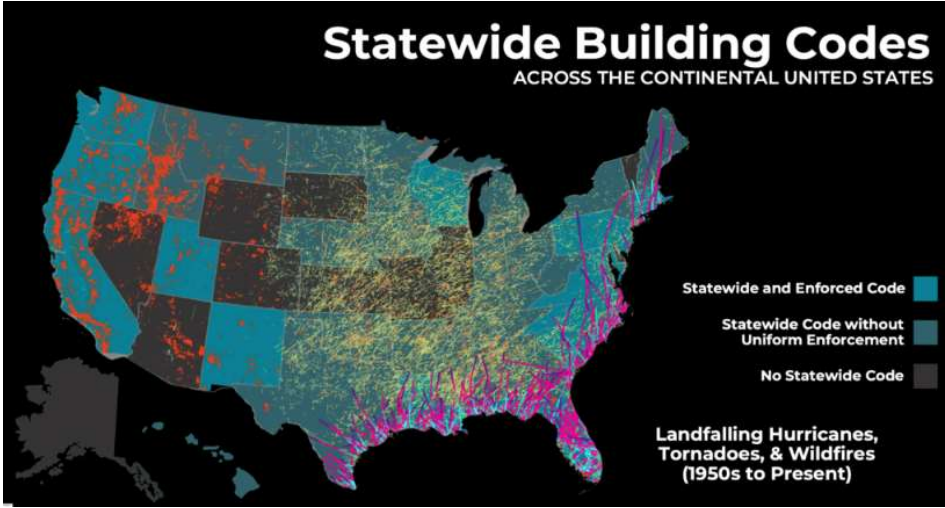
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Building Codes: Hurricanes, Tornadoes, Wildfire

Statewide Building Codes

ACROSS THE CONTINENTAL UNITED STATES



<https://ibhs.org/building-codes/>

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Building Codes: IBHS Rating the States (Coastal)

2024 RANKINGS	
#1	Virginia
#2	Florida
#3	South Carolina
#4	New Jersey
#5	Louisiana
#6	Connecticut
#7	Rhode Island
#8	North Carolina
#9	Massachusetts
#10	Maryland
#11	New York
#12	Georgia
#13	New Hampshire
#14	Maine
#15	Mississippi
#16	Texas
#17	Alabama
#18	Delaware

<https://ibhs.org/public-policy/rating-the-states/>

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Building Codes: Performance in Texas (2017)

The houses above all went through **Hurricane Harvey** in 2017. The more recent the building code, the better the house faired.

<https://www.smarthomeamerica.org/policy/building-codes>

Source: Google Earth

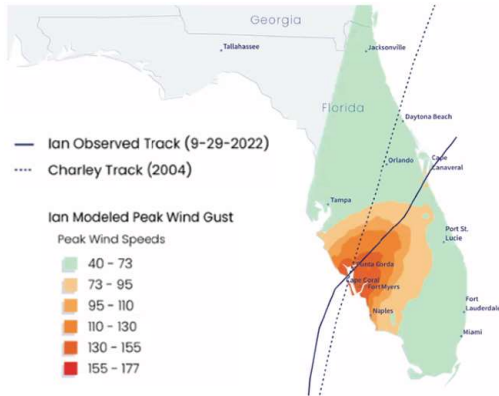
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Building Codes: Performance in Florida (2022)



Source: CoreLogic (Command Central: Hurricane Ian, Sep 30, 2022).



Image: Aerial photograph of Fort Myers Beach following hurricane Ian

18 homes built before 1981 were completely wiped out, while a home built in 2020 appears to be almost unscathed

www.insurancejournal.com/news/southeast/2022/10/17/690281.htm

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Building Codes: Performance in Florida (2022)



Babcock Ranch is a 2,000-home community built 12 miles northeast of Fort Myers, Florida, and only 35 miles (as the crow flies) from where Ian made landfall in Cayo Costa. Touted as the first fully sustainable and "hurricane-proof" community, it received considerable attention because the community never lost power, experienced no flooding, and sustained minimal damage following category 4 Hurricane Ian.

Photo Credit: <https://www.floridaforboomers.com/babcock-ranch-hurricane-ian>



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Building Codes: Performance in Hawaii (2023) (and defensible space)

The fire that devastated historic Lahaina in western Maui left a red-roofed house relatively unscathed. Its owner says he wants to open the house to the neighborhood to help the rebuilding process.
Patrick T. Fallon/APF via Getty Images

<https://www.npr.org/2023/08/24/1195331310/red-roof-house-fires-lahaina-hawaii>

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Policy Priorities: Stakeholder Alignment

- **Communities**
 - **Where and how we build:** Improve land use policies, adopt and enforce building codes (& defensible space)
 - **Risk awareness:** Updated hazard maps (e.g., wildfire, coastal wind, etc.) and related hazard disclosures
 - **Resources:** Access to available federal funding, financial incentives for individuals and communities, etc.

The key: alignment and rooted in science... IBHS FORTIFIED and IBHS Wildfire Prepared Home
- **Infrastructure**
 - **Harden utility equipment/lines, flood control (e.g., gray infrastructure, green nature-based solutions)**



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Financial Incentives, Deductibles and Coverage Flexibility

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Financial Incentives for Resilience

- **Grants** – States or local communities can establish resilience grant programs to help property owners. Programs could include a cost-share match from the property owner or through a public-private partnership.
- **Low interest loans** – States or local communities can establish a revolving fund that helps provide loan interest loans for resilience projects. Alternatively, incorporate funding for mitigation into mortgage costs, to spread over 20-30 years (i.e., points or better rates) or through home equity lines of credit (HELOC).
- **Waive/reduce fees** – Communities can provide a rebate, waive, or reduce building permit fees or the cost of designation program inspections, for properties that achieve a qualified resilience designation, such as IBHS FORTIFIED or IBHS Wildfire Prepared Home.
- **Tax credits** – States or local communities can provide a variety of tax credits, such as income tax credits for costs to retrofit homes or businesses, sales tax credits for materials purchased to retrofit, or property tax credits for properties that achieve and/or maintain a resilience designation, such as IBHS FORTIFIED or Wildfire Prepared Home.
- **Insurance Incentives** – States can encourage insurers to provide premium credits for resilience actions.



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Incentives Based on Science: WIND

Because **IBHS FORTIFIED** homes meet a standard that is *scientifically proven* to be more resilient than homes built to ordinary building codes, they may provide financial benefits to homeowners in more than a dozen states.

In some, insurers offer specific discounts to homes with a FORTIFIED designation, and they can be as high as 55%!

In other states, discounts are offered for specific upgrades included in the FORTIFIED standard. Four states also offer tax credits – which can be as high as \$5000 – to homeowners who strengthen their homes against storms.

<https://fortifiedhome.org/incentives/>

<p>State-specific incentives</p> <p>Insurance discounts, grants and/or tax credits are available to help offset the costs of upgrading to the FORTIFIED standard. Additionally, FORTIFIED endorsements may be available, as well.</p>	<p>Other incentives</p> <p>Items consistent with the FORTIFIED standard, like impact-resistant shingles, hurricane shutters, or pressure-rated garage doors can result in insurance discounts, grants and/or tax credits.</p>
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Incentives Based on Science: WILDFIRE

In California, and a couple other states, laws have similarly been passed to require insurers provide discounts for actions that make homes more resilient to wildfire.

The **IBHS Wildfire Prepared Home** standard requires a set of actions to be taken together to meaningfully reduce risk of ignition from embers, direct flames, and radiant heat. Thus, homes that meet (and maintain) this standard are *scientifically shown* to be the most resilient.

Though, similar action must be taken (and maintained) at a community-scale to fully reduce risk of conflagration events.

<https://wildfireprepared.org/>

<p>IBHS Wildfire Prepared 'Home' program:</p> <p>■ Now available ■ Pending launch</p>	
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IBHS Wildfire Prepared 'Community' program:
Under Development

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Insurance Incentives

Keys to an effective insurance-based mitigation incentive program

Ensure it **incentivizes the right actions** that ultimately **benefit consumers** and facilitates a **healthy insurance marketplace**

1. Voluntary, flexible, and limited in scope

Voluntary actions are preferred, however, laws or regulations prescribing requirements for insurance premium credits must provide insurers flexibility in setting rates and related credits (not one-size-fits-all), to ensure rates are adequate and companies can individually manage their unique exposure. Laws and regulations should also be limited to residential property lines due to the complexity of large commercial lines accounts.

2. Verifiable, grounded in science, and risk-based

To help meaningfully reduce losses, insurers must be able to verify actual implementation of mitigation actions via an independent and credible source. Additionally, prescribed mitigation actions must scientifically demonstrate a reduction in risk, with premium credits commensurate to the actual level of risk reduction. Discounts must be based on actuarially credible data and applied to actuarially supported premium components for the peril (e.g., wildfire, wind, hail) being mitigated against.

3. Cost-effective, consistent, and complementary

The cost and measures needed to implement an insurance-based mitigation incentive program should not be excessive, thus negating the potential savings a mitigation program may provide for consumers. Mitigation actions should also be consistent with local codes and ordinances, so insurance incentives help reinforce efforts of state and local government officials and amplify other financial incentives, such as tax credits or grant programs, to maximize consumer benefits and resilience.

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How Deductibles Work

- A deductible is the amount “deducted” from an insured loss that the policyholder pays when a covered loss occurs.
 - It represents a sharing of the risk between the insurance company and you as the policyholder.
 - Generally, the larger the deductible, the less you pay in premiums.
 - A deductible can be either a specific dollar amount (e.g., \$500 or \$1,000) or a percentage of the total amount of insurance on a policy (e.g., 1%, 2%... 10%).
- The amount of the deductible(s) is usually on the declarations (or front) page of the insurance policy.
 - Standard deductible – typically applies to all perils, unless specified otherwise
 - Catastrophe deductible – typically higher deductible and applies to specified catastrophic risks (e.g., Wind/Hail, ‘Named Storm’)

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Policy Priorities: Coverage Options

Ensure consumers can access coverage options that best meets their needs and budget

- **Flexible insurance coverage design**
 - Well-intentioned mandates that require higher minimum coverage requirements to reduce underinsurance rates inadvertently lead to higher uninsured rates, as more consumers may no longer be able to afford the minimum entry point for coverage (or choose to “go bare”)
 - Unintended consequences of such policies is it places a higher cost burden on state or federal government programs to support recovery or other housing and financial needs in the aftermath of disasters
- **Reduce regulatory barriers to facilitate innovation**
 - Support insurance regulator efforts to reduce unproductive regulatory barriers
 - Ensure insurance provides appropriate risk assessment and risk-based pricing, which helps reduce moral hazard
 - Support beneficial use of technology to reduce costs
 - Facilitate the development of innovative insurance products (e.g., parametric products)

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Summary

- Insurance is largely a passthrough of the conditions in other sectors and other aspects of society (i.e. movement to climate sensitive areas, higher asset values, inflation and other factors).
- Losses are dramatically increasing, leading to much higher insurance costs.
- Allowing adequate insurance rates to cover those losses is critical to avoiding market disruptions.
- There are important actions that can be taken and opportunities to work together that would improve resilience and help address affordability issues while also maximizing availability of coverage.

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? Questions?

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Hear an Update on the FEMA Region 3 Meeting

Discuss Any Other Matters Before the Working Group