To: Hon. Ricardo Lara, Hon. Lori Wing-Heier, Aaron Brandenburg (NAIC)

From: United Policyholders

Date: December 20, 2023

Re: National Climate Resilience Strategy for Insurance

United Policyholders appreciates the time and effort the NAIC is putting into strategizing around the impact of climate change, technological developments and economic conditions on the availability, affordability and quality of property insurance across the United States.

We support the initiatives through which the NAIC is coordinating on an ongoing basis with FEMA and the National Flood Insurance Program, the increased emphasis on promoting and facilitating risk reduction, and current efforts to set up ongoing national data gathering on deductibles, non-renewals and premiums.

While United Policyholders recognizes the critical importance of monitoring and ensuring insurer solvency and fiscal integrity in these volatile times, our primary focus in these comments is on restoring and maintaining the financial safety net that property insurance has traditionally provided to home and business owners across the country.

As state regulators know all too well, an unfortunate confluence of factors is resulting in a dramatic reduction in property insurance underwriting, dramatic increases in premiums, an ever-growing list of limited and excluded perils, multiple and percentage deductibles and related increases in consumer complaints and uninsured properties and losses.

We support the "bones" of the National Climate Resiliency Strategy for Insurance and offer the following priorities:

1) Recognize that state-sponsored and legislatively mandated insurers of last resort are playing and will to continue to play an increasingly important role in insuring homes and businesses. Focus on ways the NAIC can support and strengthen them, facilitate coordination, cost savings and efficiency in their operations and give them access to a state-supported reinsurance fund and/or low-cost loan guarantees that would help them have to buy less reinsurance than they currently have to buy. Given that these

plans are serving a public purpose and must generally take all comers, the NAIC should develop a model for helping them sell affordable basic coverage, give appropriate mitigation discounts and operate soundly and with management integrity.

2) Coordinate to the fullest extent feasible with the Federal Insurance Office. Given the Treasury's role in connection with our nation's banking and lending sectors and NAIC member's roles in maintaining solvent, healthy insurance markets in their states, it is critical that we remember the word "United" in our country's name and work together to get and keep a current picture of property insurance availability, affordability and quality throughout the nation. By quality we mean essential coverage, and deductibles, limits and exclusions that don't defeat reasonable expectations of coverage and loss indemnification or result in illusory coverage.[1]

3) Assist NAIC member states in requiring risk score disclosures and an appeal process so consumers can understand what factors matter to insurers, and what they can do to improve their risk scores and insurability. [2]

4) Consider and recommend reasonable underwriting limitations that states can implement to limit non-renewal decisions and new business application rejections based on aerial imagery and mined data that may be incorrect and/or not reasonably related to risk.

5) Provide NAIC member states with model regulation parameters including:

    a. A minimum of 75 days notice before a non-renewal. Consumers need more time to shop today, period.
    b. Transparency requirements related to declinations and non-renewals that give the policyholder substantive information on ***why*** they were turned down and/or dropped and an opportunity to cure whatever defects caused the insurer to reject them.
    c. Mandatory risk score disclosures and an appeal process for curing erroneous information contributing to the risk score.
    d. Mandatory insurance discounts for documented mitigation and plain language consumer information on how to qualify for them.[3]

[1] https://epp.law.rutgers.edu/
[2] https://uphelp.org/wp-content/uploads/2023/12/Transparency-and-Readability-Working-Group-Premium-Increase-Notice-Guidance-UP-Comments-12-23.pdf
[3] https://uphelp.org/wp-content/uploads/2022/09/Wildfire-Risk-and-Insurance-Markets-9-29-22-Meeting-Presentation.pdf

6) Continue developing the Catastrophe Modeling Center of Excellence so it provides state insurance regulatory agencies with enhanced capacity to review rate filings that incorporate catastrophe models and overcome trade secret claims by catastrophe modelers.

7) Examine new policy language that departs from the Standard Form Fire Policy by limiting or excluding water, mold, smoke, hail and/or wind damage and issue findings on recommended limits on the validity of the language and insurers' ability to impose those limits and exclusions.[4]

8) Evaluate and endorse the most viable proposal to create a Federal Catastrophe Reinsurance program.[5]

9) Examine post-wildfire claim handling reform legislation that has been implemented in California, Oregon, Washington and Colorado and create a model for other states to adopt. They include:
    a. Requiring policies to provide additional (temporary) living expense benefits of up to 36 months to reflect the reality that homes cannot realistically be rebuilt within 12 months after a disaster.
    b. Requiring policies that provide Replacement Cost Value coverage to give the policyholder the option of applying their benefits toward the purchase or rebuild of a replacement home not at the original loss location. This helps people avoid rebuilding in an area vulnerable to severe weather events and/or future wildfires, storm surge, etc.

Respectfully submitted,

Amy Bach

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NAIC Consumer Representative, Member, Federal Advisory Committee on Insurance

[4] https://uphelp.org/restoring-the-insurance-safetynet-coalition-risc-a-national-initiative/
[5] https://uphelp.org/wp-content/uploads/2023/12/Bach-NAT-CAT-NAIC-Fall-2023-Consumer-Liaison.pdf