

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

December 1, 2023  
Orlando, Florida

# Consider Adoption of the Summer National Meeting Minutes

## Draft Pending Adoption

Attachment --  
Property and Casualty Insurance (C) Committee  
--/--/23

Draft: 8/22/23

Catastrophe Insurance (C) Working Group  
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group  
Seattle, Washington  
August 13, 2023

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Seattle, WA, Aug. 13, 2023, in joint session with the NAIC/FEMA (C) Advisory Group of the Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee. The following Working Group members participated: Chlora Lindley-Myers, Chair, represented by Cynthia Amann, Brad Gerling, and Jo LeDuc (MO); Mike Causey, Vice Chair, represented by Jackie Obusek, Vice Chair (NC); Sian Ng-Ashcraft (AK); Mark Fowler and Brian Powell (AL); Alan McClain (AR); Ken Allen, Elsa Carre, Lucy Jabourian, and Lynne Wehmueller (CA); George Bradner (CT); Virginia Christy and Michelle Brewer (FL); Jerry Bump, Randy Jacobson, and Kathleen Nakasone (HI); Travis Grassel (IA); Craig VanAalst (KS); James D. Donelon (LA); Jackie Horigan and Matthew Mancini (MA); Joy Hatchette (MD); Ryan Dakeney (MS); Anna Krylova (NM); Landon Hubbard (OK); Tom Botsko and Maureen Motter (OH); Brian Downs (OK); Raven Collins (OR); David Buono and Michael McKenney (PA); Glorimar Santiago (PR); Beth Vollucci (RI); Will Davis (SC); Stephanie Cope (TN); Marianne Baker, J'ne Byckovski, Nicole Elliott, and Mark Worman (TX); Matt Stoutenburg (WA); Jeannie Tincher and Juanita Wimmer (WV); and. Also participating were Patrik O'Connor (IN); Paige Dickerson and Kevin Dyke (MI); Peter Brickwedde (MN); Dede Bennisan (NV); Tony Dorschner (SD); Tracy Klausmeier (UT); Marly Santoro (VA); Isabelle Turpin Keiser and Beth Sides (VT); and Bryan Stevens (WY).

The following Advisory Group members participated: Glen Mulready, represented by Brian Downs and Landon Hubbard (OK), Chair; Carter Lawrence, represented by Stephanie Cope, Vice Chair (TN); Mark Fowler and Brian Powell (AL); Sian Ng-Ashcraft (AK); Ken Allen, Elsa Carre, Lucy Jabourian, and Lynne Wehmueller (CA); George Bradner (CT); Virginia Christy and Michelle Brewer (FL); Travis Grassel (IA); Patrick O'Connor (IN); Craig VanAalst (KS); James D. Donelon (LA); Joy Hatchette (MD); Ryan Dakeney (MS); Cynthia Amann, Brad Gerling, and Jo LeDuc (MO); Anna Krylova (NM); Raven Collins (OR); Beth Vollucci (RI); Tony Dorschner (SD); Marly Santoro (VA); Matt Stoutenburg (WA) and Raven Collins (OR).

### 1. Adopted its Spring National Meeting Minutes

Botsko made a motion, seconded by Commissioner McClain, to adopt the Working Group's March 21 minutes (see *NAIC Proceedings – Spring 2022, Joint Meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group*, Attachment xx). The motion passed unanimously.

### 2. Heard an Update on the Catastrophe Modeling Primer

Sara Robben (NAIC) provided an update on the progress of the drafting group in drafting the Catastrophe Modeling Primer. The drafting group met July 28 and plans to meet again during the last week of August.

Several primer sections have been drafted, and the drafting group continues to work diligently on this task. The drafting group now has access to a SharePoint site, allowing the state insurance regulators in the drafting group to view and edit the document at any time.

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The drafting group hopes to complete the drafting and be able to expose the document by the Fall National Meeting.

### 3. Heard from Alabama, Louisiana, and Minnesota About Their Mitigation Programs

Commissioner Fowler talked to the Working Group about the wind mitigation program in place in Alabama. The name of the program in Alabama is Strengthen Alabama Homes. Alabama makes grants of up to \$10,000 dollars available to Alabama residents to fortify their homes to the Insurance Institute for Business and Home Safety (IBHS) Bronze Fortified standards. Commissioner Fowler said many qualifications go into the Bronze Fortified standards, and Alabama has built numerous strong partnerships with industry, academia, and nonprofit organizations. These partnerships include: Smart Home America; Habitat for Humanity; the Center for Risk and Resilience at the University of Alabama, Birmingham; and Protective Life. Working with these entities, about 100 homes have been fortified in five historic and mostly underserved neighborhoods around downtown Birmingham's new protective stadium.

Commissioner Fowler said the Alabama legislature passed a bill creating the Strengthen Alabama Homes (SAH) program in 2012. Funding comes from the insurance industry through fees paid to the Alabama Department of Insurance (DOI). The first grant was made in 2016, and since then, the DOI has distributed \$59.2 million to fortify more than 6,000 homes in Alabama. By the end of this fiscal year, the Alabama DOI will have granted \$62.5 million and fortified more than 6,300 homes.

Commissioner Fowler said the application and approval process occurs online through the SAH's website. The site is opened quarterly for grants for new applications at midnight on a designated day. The DOI only had 300 available grants left for this fiscal year, and more than 200,000 people were logged on to get one of those 300 available grants on the designated day. Brian Powell (SAH) is frequently called on by other states to consult with them on forming their own version of SAH.

Commissioner Fowler said that currently, 11 states are looking at establishing a program like SAH, some of which have already passed legislation. Powell often works with the IBHS and others to promote state mitigation programs. Alabama Gov. Kay Ivey strongly supports the SAH program and signed an executive order establishing the Alabama Resilience Council (ARC). The ARC is a broad-based collaborative effort where risk and vulnerabilities can be assessed, and resilience efforts can be aligned through council partners. The most beneficial strategies and actions can be identified, and the ARC's ongoing work is not limited to a single event. Commissioner Fowler serves as the ARC's co-chair, along with cabinet member Jeff Smitherman (Alabama Emergency Management Agency).

Commissioner Fowler said the ARC's consistent coordination with the numerous public agencies and private partners who comprise the members and stakeholders will continually generate rewards by setting priorities, leveraging resources, communicating effectively, and delivering measurable results for the people of Alabama before and after events.

Commissioner Fowler said that when adverse circumstances occur, reimagining the approach to resiliency through the work of the ARC will empower Alabamians in the community to build stronger, live safer, and recover quicker.

Commissioner Donelon said Alabama is the reason Louisiana is where it is today. Louisiana has copied Alabama's legislation as closely as it could. The Louisiana Fortify Homes Program (LFHP) addresses the increasing cost of wind and hail coverage from homeowners by encouraging people to retrofit and upgrade their homes to the Fortified roof standard.

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Commissioner Donelon said Louisiana had back-to-back hurricane seasons that generated 800,000 claims being filed, resulting in \$20.3 billion in payments to homeowners and commercial property owners in 2020 and 2021. Through these events, the Fortified roof standard in construction has proven to offer greater resilience in the face of high wind, hail, and hurricanes. Fortified roofs are more readily insurable at lower rates than homes not built or retrofitted to that standard.

Commissioner Donelon said the two hurricanes making landfall in 2020 and 2021 had winds of 150 mph. In both cases, homes built to the Fortified standards were undamaged. These homes were located on the coast and barrier islands. The Louisiana legislature enacted the LFHP in 2022 but appropriated no money until 2023. In 2023, the legislature appropriated \$20 million from the general fund and another amount not to exceed \$10 million from excess revenue collected by the DOI. The current 2023/2024 fiscal year funding will permit 3,000 grants at \$10,000 per grant to be awarded. Since the creation of the LFHP, the Louisiana DOI has prepared for the receipt of funding by working closely with the SAH and Smart Home America to develop its grant administration system. The program will operate on a first-come, first-served basis, offering grants not to exceed \$10,000 to retrofit existing homes to the Fortified standard. This amount was chosen based on the experience of the SAH. Applicants must own a residential property with a homestead exemption, and the residential property cannot be a condominium or mobile home. The property must also have wind insurance coverage, and if the property is in a Special Flood Hazard Area (SFHA), there must be flood coverage. The grant process is managed through Louisiana's online system, from verification of eligibility to authorization of the grant payment upon receipt of the Fortified group certificate. Grant payments are made directly to participating contractors. In the 2023 legislative session, property insurers, like Alabama, were mandated to file rate discounts for properties with Fortified designation.

Commissioner Donelon said a separate program that is funded is the incentive program for insurers to write coverage in Louisiana, primarily focusing on taking the 120,000 homes that must get their insurance from Louisiana's state-sponsored market of last resort priced at the highest level of any private property insurance company offering coverage in each of Louisiana's parishes plus 10%.

Commissioner Donelon required the first \$15 million to go to those homes insured by Citizens when awarding grants during the October/November time period this year. If any of the \$15 million happens to be left over from that offering, it will be put into the second \$15 million offering, which will go out to the public. Louisiana hopes to get 3,000 homes insured with these grants.

Commissioner Donelon said that the Louisiana Insurance Department was one of several recipients of a two-year Robert Wood Johnson Foundation (RWJF) grant. This grant encourages resilient construction in studying the public health effects of resilient construction in underserved and at-risk communities.

Horigan asked if there is a time frame in which the mitigation must be done to a home. Commissioner Donelon said the contractor is paid directly to certified Fortified contractors. Louisiana has approximately 100 certified contractors. Inspectors also have to meet a certification standard. He said a homeowner has no motive to stall or delay the mitigation, but Louisiana does not have a deadline. Commissioner Fowler said he believes there is a 90-day limit. However, the mitigation is generally completed 55 days from the grant award. Alabama does not make the grants available to the individual and pays the contractor directly.

Brickwedde said Minnesota also used many elements of Alabama's program. Michael Newman (IBHS) and Fred Malik (IBHS) went to St. Paul, MN, in February to testify to the legislature about the work done under the Fortified program, which helped get Minnesota's program through legislation this year. Minnesota received \$1 million from the legislature this year for planning and implementation work over the next two years. Brickwedde said the

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money will be used to hire staff and build some of the relationships needed to get the work done. Currently, three homes in Minnesota have a Fortified roof, so Minnesota has to start at the level of creating a workforce to do the work and then raise awareness among Minnesotans.

Brickwedde said the Minnesota DOI believes there are tremendous health and safety benefits to a mitigation program, as well as cost savings to the consumer. He said the DOI had good discussions with the insurance industry as they put together the legislation to determine how that would be done. They are now working through the first-rate filing received from the insurers they had conversations with. Brickwedde said Minnesota is the first cold-weather state to have a mitigation program. This program will have compounding effects in conjunction with other existing state programs. The DOI has Minnesota's energy offices in its department. The Fortify project will sit next to the weatherization program in the organization chart. In severe weather, this type of program can be helpful.

Amann said other states have mitigation programs in legislation currently or that have been recently enacted. She encouraged the Working Group members and interested state insurance regulators to share what worked and did not work in the process, as there is value in states learning from each other.

Birny Birnbaum (Center for Economic Justice—CEJ) asked how the level of funding relates to the need. He asked how many years it would take to retrofit all the properties needing to be retrofitted. Commissioner Donelon said it is a long process that will take many years to retrofit all the properties needing this done. He said it would be greatly beneficial to fortify the homes of the 120,000 consumers in the residual market, as most consumers using the residual market are in underserved communities.

Commissioner Donelon said the number of consumers in the residual market had depopulated following Hurricane Katrina. However, the residual market has grown again. He said the legislature funded \$55 million to give to insurers to write business in Louisiana amid this crisis. Commissioner Donelon said he had to engage the governor and the legislative leadership to call a special session to get the program in place one month before the regulator session. This was done before the regular session because 10,000 people are hit with up to 70% rate increases each month, causing thousands of people to lose their homes.

Commissioner Fowler said it needs to get to a point where the market reacts and responds to insurance rates, making it easier to provide access and availability. He said the DOI talked to several reinsurers to see what it would take before the market reacts. They determined that once 20% of homeowners in the coastal counties are fortified, they may see some market reaction, and Alabama is close to 20% now. There are 35 counties now that are in the program. Alabama credits former Commissioner Jim Ridling for getting the program started. This is a long-term program.

Birnbaum asked how the funds could be increased to retrofit more consumers' homes. Commissioner Donelon said that following Hurricanes Katrina and Rita, the governor called a special session and did some things, including implementing an incentive program and a statewide building code for the first time. He said that the governor approved upgrading building codes to the latest codes every three years. The building code upgrade was paused during the COVID-19 pandemic for one three-year period. As of Jan. 1, the paused and scheduled upgrades were done. This upgrade requires 95% of fortified or retrofitted construction in new buildings.

Commissioner Donelon said that getting to the last 5% will cost money because fortifying is above and beyond the building code. He said Louisiana is doing both at the same time, and it would be foolish to put an expensive Fortified roof, which is more expensive than a building code roof, on brother-in-law construction, which there was

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a lot of along the coast when roofs were unregulated or loosely regulated for building codes. These are the properties most affected by 135 mph to 150 mph winds. Louisiana is doing everything in its power not to fortify those homes and to strengthen their markets and make them more attractive and, in the process, help the property owners in the state, primarily residential property owners. Commissioner Fowler echoed these comments.

Commissioner Fowler said he believes many other opportunities are coming through at the federal level, like the federal “green bank” opportunities. He said there are also possible state-based “green bank” opportunities. No state will be able to invest the kind of resources it would take to mitigate every single home. The grant program can create an environment where consumers see that some roofs are not damaged following a storm, which makes them question what they can do so their room is not damaged following a storm.

#### 4. Heard a Presentation from FLASH on Resources Available to States for Mitigation Grant Programs

Leslie Chapman-Henderson (Federal Alliance for Safe Homes—FLASH), said FLASH has been around for 25 years and is very diverse. FLASH’s central theme, which has not changed in 25 years, is to strengthen homes and safeguard families from disasters. FLASH is behind many projects, including “Turn Around Don’t Drown.” FLASH focuses on finding trusted voices for audiences that need to know about disaster safety and resilience. Once FLASH finds the audience, it works to provide consumers with information using information outreach and other types of campaigns or training that meets the need of its audiences.

FLASH works with meteorologists, the weather center, and the broadcast community to shape messages that drive solutions.

FLASH’s most recent initiative is its “Disaster Smart” initiative, which began five years ago. Chapman-Henderson said it is an exciting time in resilience because there is much momentum. One of the things FLASH has recognized is that there is increased interest due to disruption in the marketplace. The disruption has likely caused an increased interest in the public about solutions for building better.

FLASH recently completed a research project this year that focused on how to take all the information that Alabama, Louisiana, and Minnesota just talked about and make the information accessible. Building code leadership is an important way to encourage retrofitting.

States like Alabama, Louisiana, and Minnesota are changing the marketplace by creating a culture of preparedness.

FLASH understands that building code leadership is not possible in every state. The dynamics, either structurally or politically, may not lend themselves to stepping forward on building codes and making them a top priority. However, in those cases, many insurance commissioners have been integral to driving positive change in building policy.

FLASH believes that stronger building codes are a way of fixing the older housing stock. Simply talking about building codes and leading and supporting public awareness campaigns helps achieve these goals. The International Code Council (ICC) sponsors Building Safety Month every May. During this time, FLASH presents information regarding the link between resiliency codes, shorter recovery times, healthier insurance markets, and available discounts for retrofitting. During Building Safety Month, building code leadership can lead and support public awareness campaigns, as well as analyze and track the local building code adoption status.

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Chapman-Henderson said that the states tracking building code status and adding that to their portfolio is something FLASH has seen commissioners do. While it is not an easy process, she said it is worthwhile if there is a level of interest to adopt current model codes and keep them intact. It is also necessary for states advocating for building codes to make sure there are resources to administer a program.

Chapman-Henderson said there are a lot of new resources available. FEMA has helpful publications, including *Building Codes Save: A Nationwide Study*, *Building Codes Strategy*, and a *Building Codes Adoption Playbook*. There are more incentives for building codes at the federal level. IBHS assesses residential building codes and enforcement systems in hurricane-prone regions, and the Insurance Services Office (ISO) has a national building code report. Additionally, FLASH has a study regarding why Americans are not concerned about building codes.

It used to be harder to find information regarding building codes. FLASH has worked with its partners to create a large dataset for the building code statuses in the U.S. The website is consumer-facing and provides a simple illustration. FEMA has a building code adoption tracking portal.

FLASH had a pilot in Florida in 2005 regarding retrofitting. Originally, the conversation around retrofitting focused on new construction. Initially, FLASH could not find a workforce interested in remodeling or retrofitting. FLASH learned that nearly 50% of the housing stock is pre-1980, and currently, homeowners are not moving and are remodeling instead. In 2011, 17% of the housing inventory was from new construction. However, in 2021, only 10% of the housing inventory was from new construction. Due to these decreases, the interest in the industry providing these services is increasing. Therefore, partnerships are being formed to retrofit homes being remodeled. This provides an opportunity to inject resilience into the remodeling trend.

FLASH will be looking at how it can work with the remodeling community to ensure Fortified is part of the conversation as an optional upgrade or for every roof where the code fits. FLASH received a grant from the RWJF to work on a project that supported DOIs in states wishing to participate in retrofitting programs.

FLASH asked three research questions: 1) What resource and knowledge gaps impede widespread retrofitting program implementation?; 2) What are the benefits/barriers for DOIs to implement a retrofitting program?; and 3) Can a losses avoided model focused on mental health, injury, and death be further refined for use by stakeholders?

FLASH started out by looking at existing retrofitting programs. It looked at state and local programs, although some were not DOI programs. FLASH looked at the Texas General Land Office (GLO) mitigation program and the Sonoma County wildfire program. It used the information about the programs to try to figure out what was missing and then conducted interviews and devised a plan for solutions. FLASH looked at the budgets, staffing, timing, timelines, etc. The interviews included those who were doing the programs and who were not doing the programs.

The lack of funding models was one of the resource gaps. However, there is money available, not just at the state level. Some work is happening with Department of Housing and Urban Development (HUD) dollars, where resilience is allowed to be included. There are different time horizons when resilience can be accomplished, namely when the home is built, retrofitting during blue-sky, but also knowing what the plan is for large-scale reconstruction to a higher standard. Some of the federal dollars available require reconstruction to a higher standard.



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FLASH also discussed operational and administrative barriers, such as who will do the inspections, who is the builder, etc. It also discussed knowing what employees would staff the program; i.e., customer service representatives that could answer the phone, etc. States must also be aware of model language and policies, fraud prevention, outreach, and education.

Chapman-Henderson said the benefits of a mitigation program include improved availability and affordability of insurance, overall state economic stability, improved building performance, losses being avoided or reduced, a shorter recovery period, and safer communities overall.

Chapman-Henderson said the barriers that DOIs run into when wanting to implement a retrofitting program include funding availability and sustainability, administrative complexity, workforce availability, and the fact that this is a nontraditional DOI role.

Chapman-Henderson said FLASH's research conclusion was that states needed a resource available or a hub at the NAIC where DOIs could find information that has current information on retrofitting programs. She said this information might include easy access to resources and best practices and how other states are implementing retrofitting programs. Examples like North Carolina's success in retrofitting roofs likely come from their endorsement on their wind pool policy. Other items on the hub would provide information regarding the best standard inspection form, the type of training, what type of software is used, etc.

FLASH hopes to work with the Center for Insurance Policy and Research (CIPR) to create a resilience services hub that would work to host information for DOIs. DOIs could update information for their program or take the information down. The hub will focus on how FLASH can support the natural champions of resilience and make it easier to execute a vision for retrofitting as a program if desired. If not, there can be standby plans focused on recovery.

FLASH will be publishing its findings in the form of a playbook and resource guide in September.

Amy Bach (United Policyholders—UP) said that through its partnership with the California DOI and a grant from the governor's office of emergency services, it has established a Wildfire Risk Reduction and Asset Protection (WRAP) initiative. UP has been coordinating all of the fire-safe councils' fire-wise communities across the state, as well as some of the firefighting agencies. UP's resource center, which provides information at a county level, is a template that DOIs might be able to use as a resource. The resource center provides information regarding who is offering grants in various counties. Currently, UP has only had the funding to complete 30 counties but is hoping to eventually complete the entire state.

### 5. Discussed Ways to Create an Efficient Process for Proof of No Insurance to FEMA for Individual Assistance

Following a storm that qualifies for federal disaster assistance, property insurers are often asked to provide information on behalf of their insureds that can be shared with the FEMA to help the insureds obtain federal loans and grants.

FEMA often will not accept applications for federal aid from impacted consumers until their insurer or the state provides evidence of coverage. The lack of a uniform process leaves consumers with little or no disaster assistance for weeks.

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Steve Simpkins (State Farm Insurance) said that during catastrophes, insurers work with DOIs and FEMA to support consumers following a catastrophic event. There is a requirement in the federal aid packages that does not allow citizens to receive duplicative benefits. This sometimes slows down the process, and it tends to differ from state to state or region to region. Insurers would like a process in place so that each time there is a catastrophic event, insurers are not required to revisit how they will provide information showing proof that consumers do not have other insurance covering their items or have exhausted their insurance benefits. Simpkins suggested getting a group together to work on a way to create a process for future events, allowing consumers to receive their individual assistance in a timelier manner.

Commissioner Clark said this should be a priority because, following a catastrophic event, consumers need help. She said consumers should not be mired in bureaucracy in such devastating situations.

Horigan asked what insurers were required to give to FEMA for proof of no insurance. Simpkins said it had become a letter in a record-only process from the insurer's perspective that provides the available coverages or has been paid. He said the letter often must be reapproved. Sometimes previous letters that were used have not been accepted, and it takes time to resolve this type of issue. The information must include proof of what has been paid, proof of what has not been paid, proof of the insured exceeding their limit, and items like this.

Jabourian said California has been hearing consumers say that they are afraid to apply for individual assistance because they do not want to file a flood claim, as they know that flood is not covered. However, FEMA does not require consumers to file a claim for flood with their normal homeowners insurance policy. Consumers have some misconceptions regarding some of the requirements.

Amann said the Working Group will work with its FEMA partners and bring information back to the Working Group during the Fall National meeting.

### 6. Heard from the CIPR COE on its Available Programs

Jeff Czajkowski (CIPR) said the Center of Excellence (COE) is now fully staffed. He said the COE has good relationships with the catastrophe modeling industry on the property/casualty (P/C) side, as well as has some agreements in place with the eight main modelers. The COE also has relationships with the International Society of Catastrophe Managers (ISCM), which is engaging with state insurance regulators at the annual Reinsurance Association of America (RAA) Catastrophe Risk Management conference.

There are three pillars to the COE: 1) vendor models; 2) education and tools; and 3) applied research. There is work moving across all of these pillars. Work includes the Catastrophe Modeling 101 course, a memorandum of understanding with IBHS, and research collaboration with FLASH.

Jennifer Gardner (NAIC) said the catastrophe models integrate property characteristics and then measure how the losses play out based on the perils. These tools can be used to see how risk mitigation factors can reduce losses over time, which is how insurers are pricing mitigation discounts. The COE is trying to identify the tools that insurers use to manage the risk and how regulators can use these tools to help improve their markets.

There is a regulator-only SharePoint site that provides model documentation from seven vendors, as well as the IBHS member-only research. The COE has participated in both the Southeast and Northeast Zone meetings. Before these meetings, the COE surveyed the states about their regulatory and legislative oversight of catastrophe models. The survey intended to develop and share information among the states about catastrophe models. The

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survey asked questions about where models have been approved, which models have been improved, and the common practices regarding reviewing the models in rate filings. The surveys are being conducted and shared by the zone.

The COE is developing a property and vendor model insights document that will provide information on catastrophe losses and relevant reports coming from the catastrophe modeling vendors. State insurance regulators interested in receiving information regarding catastrophe losses and product development should sign up for the SharePoint site.

The COE is developing education and training events. These events have been conducted for Colorado, Massachusetts, New York, and Puerto Rico. The Cat Modeling 101 course is being rolled out virtually for all insurance regulators. This course will be launched on Oct. 1 for all regulators.

The COE has an ongoing relationship with the ISCM. The ISCM offers training produced by the insurance industry for the insurance industry and is not geared specifically to state insurance regulators. Therefore, the COE decided to provide its own program. However, the COE provides access to the ISCM if any state insurance regulators are interested in learning more about what they produce.

The COE will conduct four sessions at the upcoming Insurance Summit. One of these sessions will focus on state insurance regulator financial oversight training related to catastrophe modeling. This is provided in conjunction with the referrals from the Climate and Resiliency (EX) Task Force to integrate more climate-specific data into the financial analysis tools. There will also be three sessions at the Insurance Summit focusing on research and current market trends. These sessions include: 1) an update on the reinsurance market; 2) a panel discussion on wildfire based on the wildfire risk assessments the COE has done; and 3) ways to reduce the risk of property loss due to fire propagation. Much of this information is obtained from the research conducted by IBHS in conjunction with its Wildfire Prepared Home and Community programs. Finally, there will be a session at the Insurance Summit regarding research on the impact of roof age on claims and loss exposure over time.

The COE has been working with the Society of Actuaries (SOA) on a report focusing on how insurers are identifying their risk and using catastrophe models to assess and manage this risk. This report should be ready to be released in the next month or so.

### 7. Heard a Recap of the FEMA Region 1 Event Held in Maynard, MA

Amann said FEMA Region 1 met in Maynard, MA, on May 21–22. During the meeting, the group heard from several FEMA employees regarding items like:

- Historical disaster and emergency declarations for Region 1 and the surrounding regions.
- Response planning for flood risk in New England.
- The National Oceanic and Atmospheric Administration's (NOAA's) climate services.
- Tropical cyclone forecasting and threats in New England.
- FEMA's disaster operations.
- FEMA's public assistance and individual assistance.
- FEMA's outreach and communication program.

Amann said the takeaways included:

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- The improvement needed in consumer education.
- The need to continue working with FEMA on messaging.
- The need to strengthen relationships with agents through education.
- Interest from FEMA Region 1 members in discussing adjuster access to disasters.

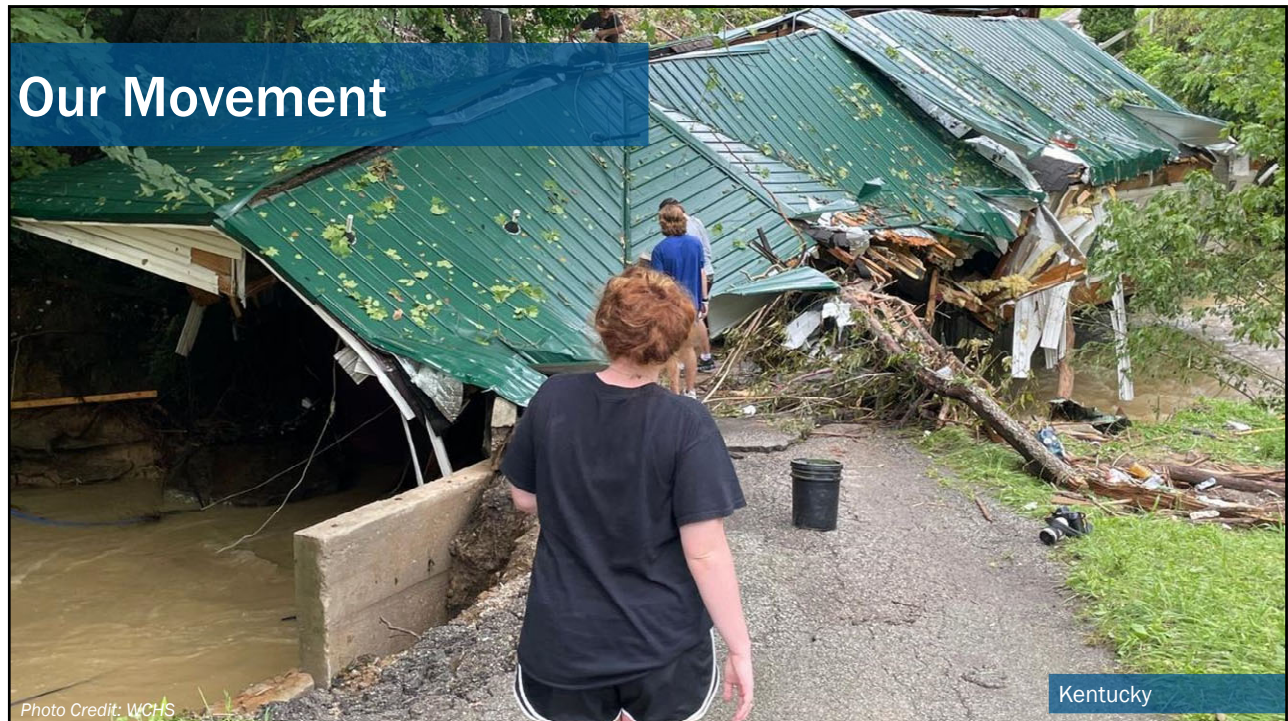
Having no further business, the joint meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group adjourned.

# Hear a Federal Update

Hear a Presentation from FEMA regarding the Reauthorization of the National Flood Insurance Program (NFIP), Underserved Communities, and Penetration Rate of NFIP Policies



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“We are clearly at a **turning point**. The actions we take now will have a **tremendous impact on future generations.**”  
– FEMA Administrator Deanne Criswell

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# The Urgency is Real

“With COP28 starting this week, what can be looked at with a critical eye is that the **momentum of action has been far too slow.**”

Ernst Rauch  
Chief Meteorologist, Munich Re

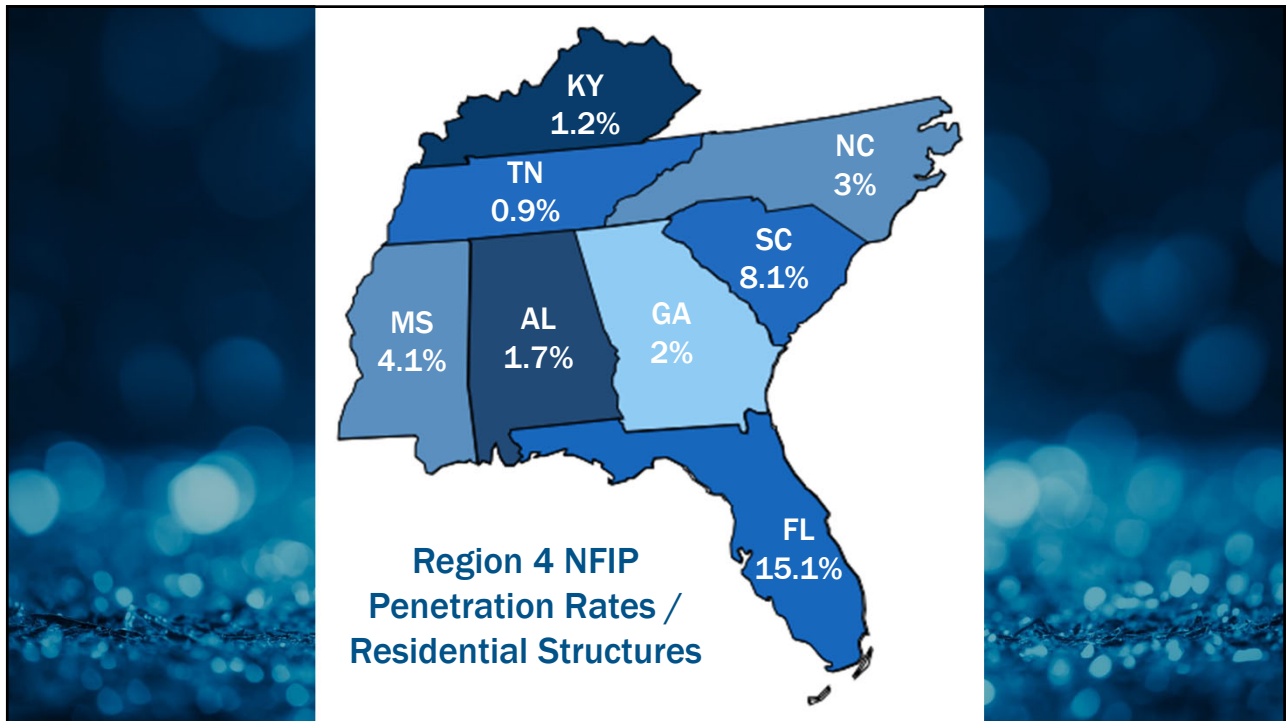


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# Build a Sound Financial Framework



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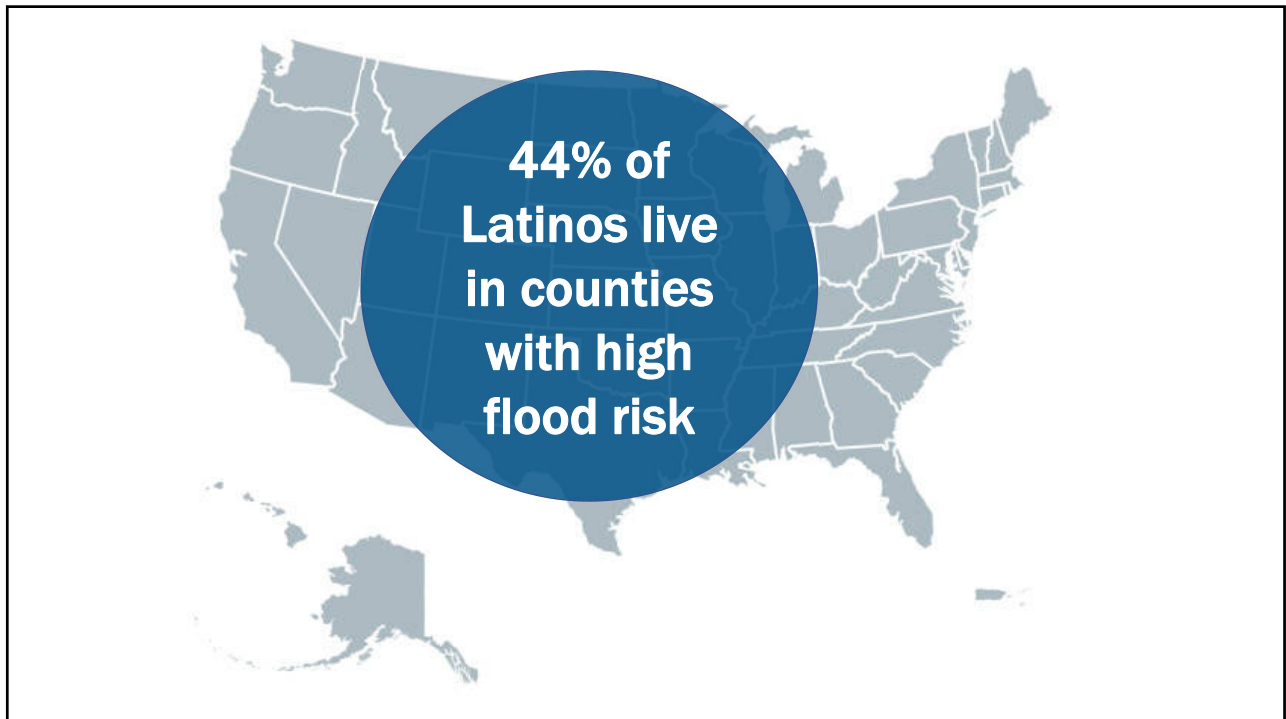


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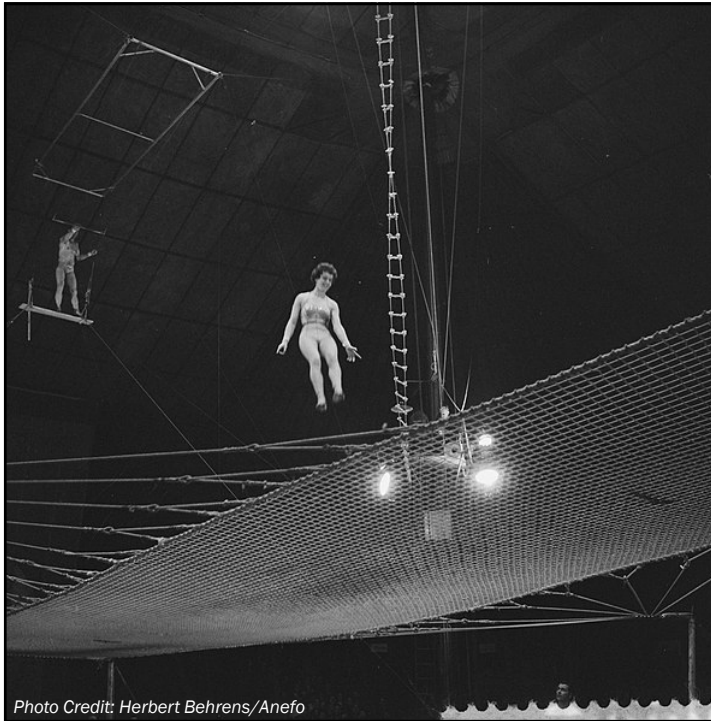


Photo Credit: Herbert Behrens/Anefo

**\$1.8 billion of NFIP flood risk transferred to private sector in 2023.**

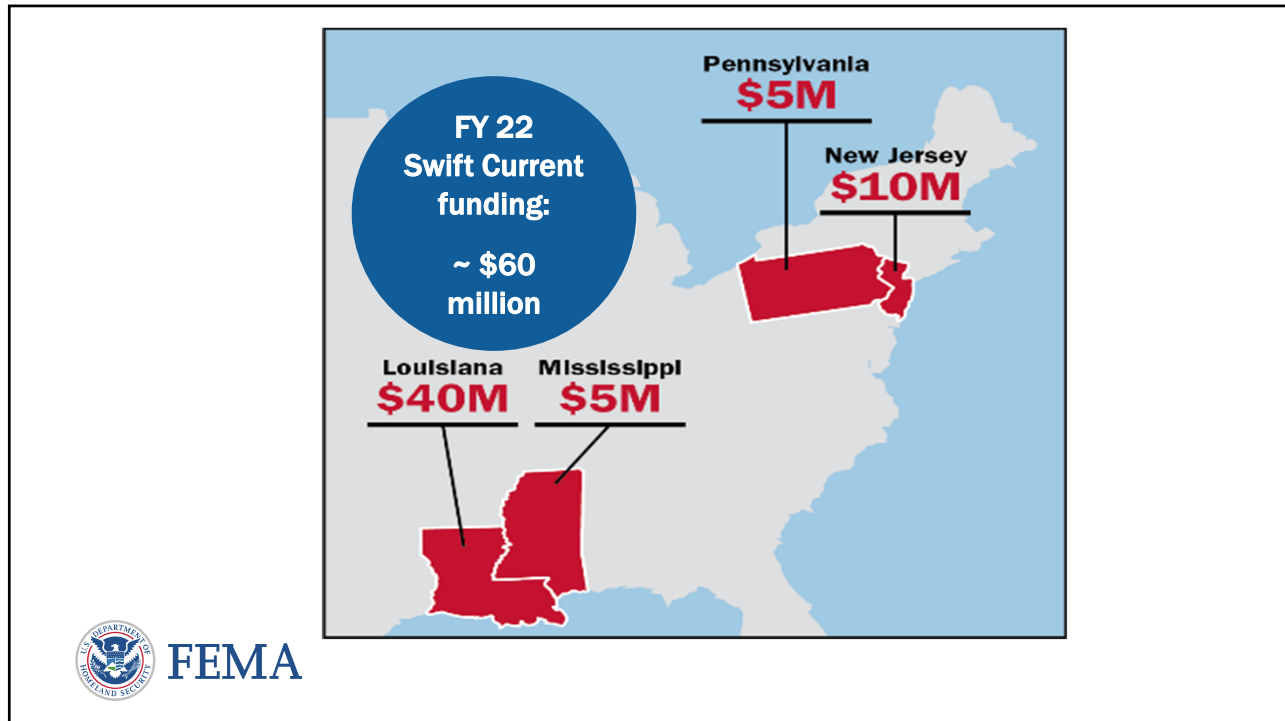
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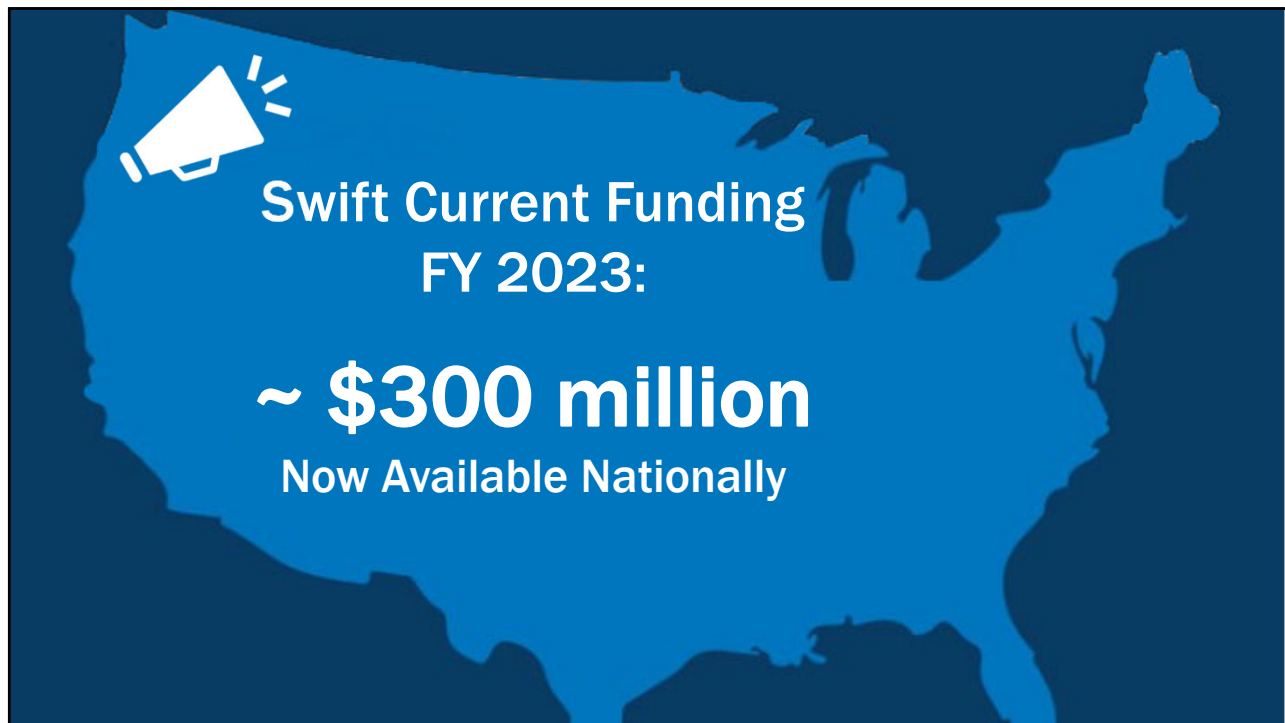
Fort Myers Beach, FL

Photo Credit: FEMA

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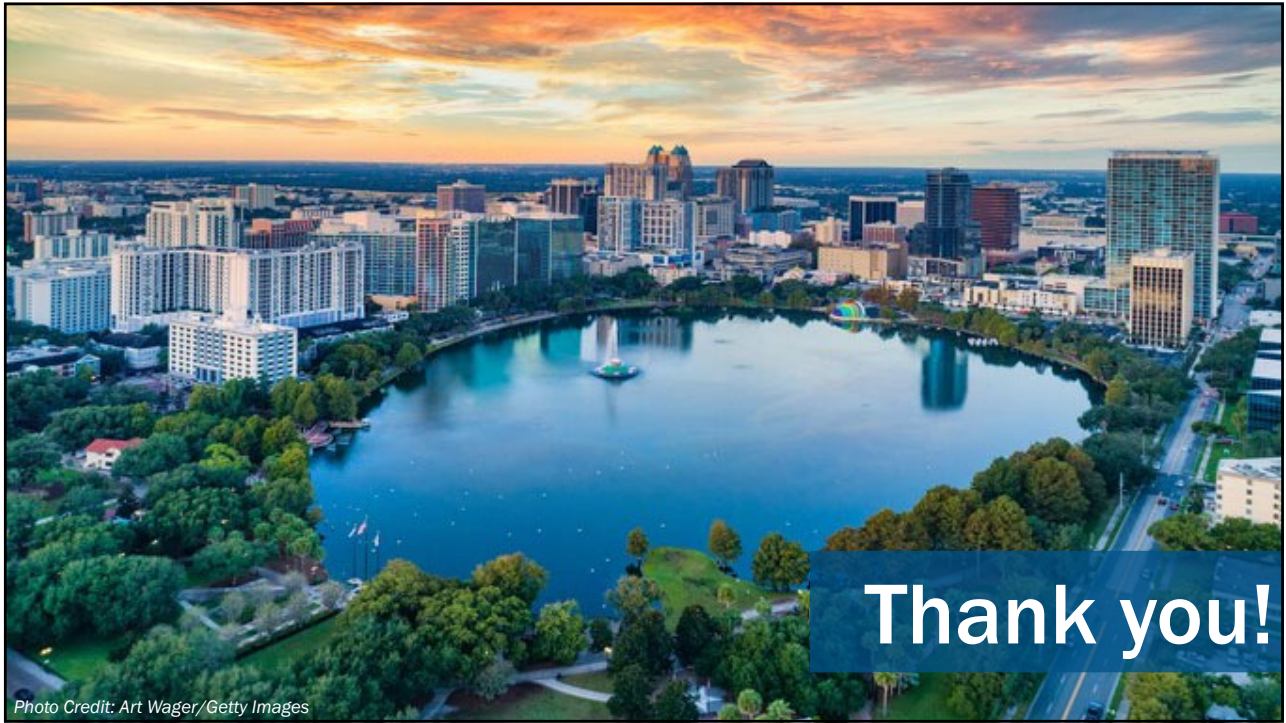


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21



# Private Flood Insurance Data

Joint Meeting of Catastrophe Insurance (C) Working Group and NAIC/FEMA (C) Advisory Group

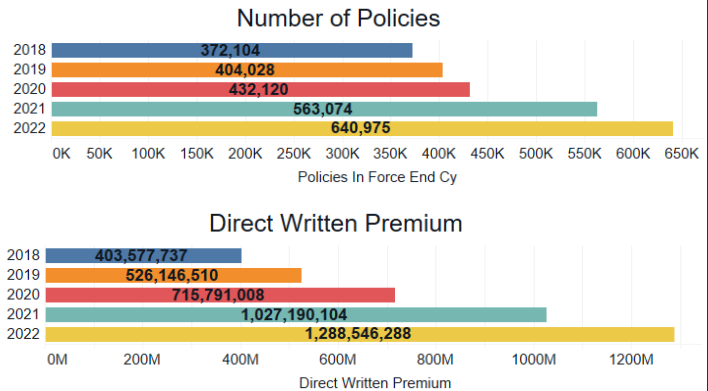
December 1, 2023



1

## Private Flood - Commercial and Residential

- Includes Standalone and Endorsements
- 641K Policies in Force at end of 2022
- \$1.3 Billion in DWP for 2022

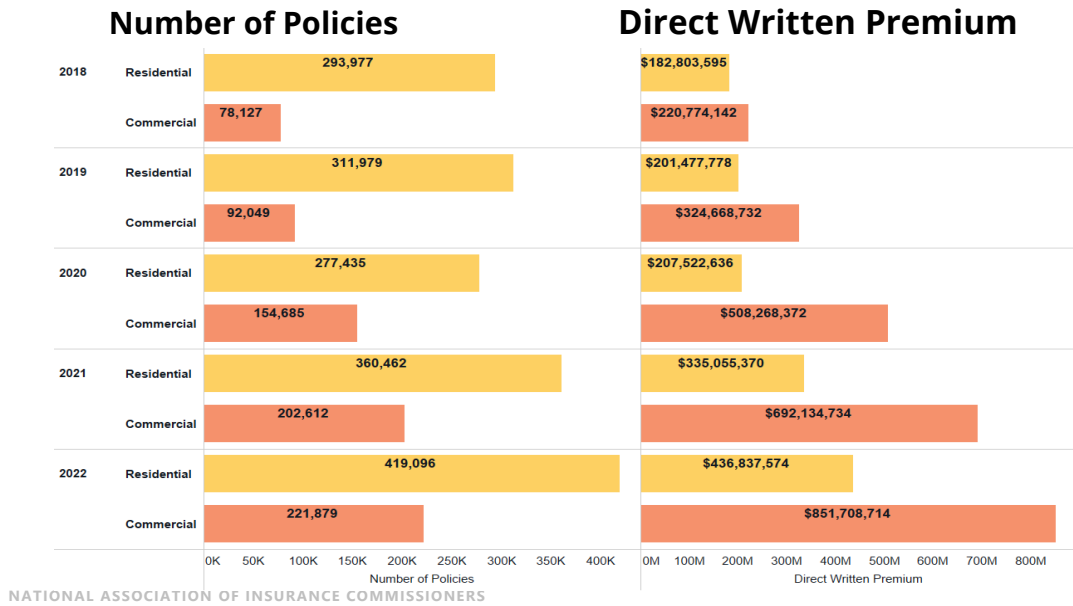


NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

2

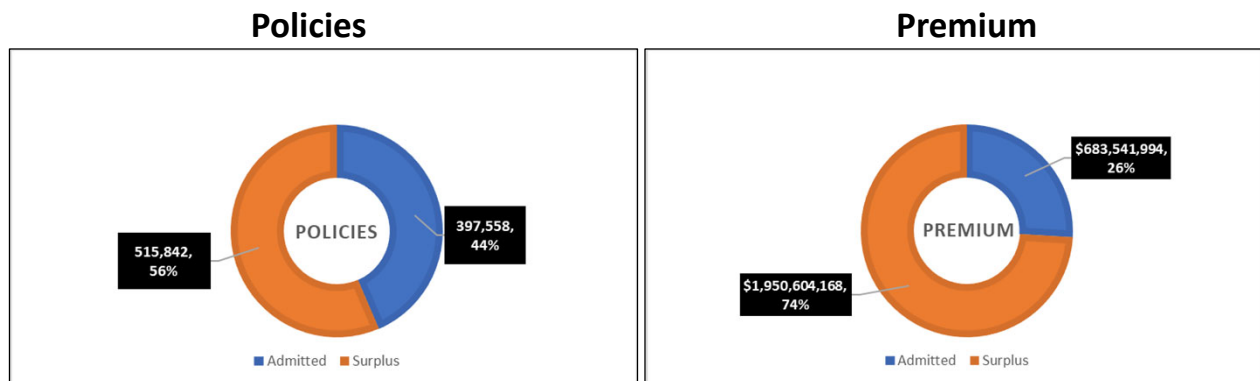
2

## Policies and Premiums – Commercial and Residential



3

## Admitted vs. Surplus Lines



- Surplus lines includes Domestic and Non-U.S. Lloyd's Syndicates and Alien Companies.

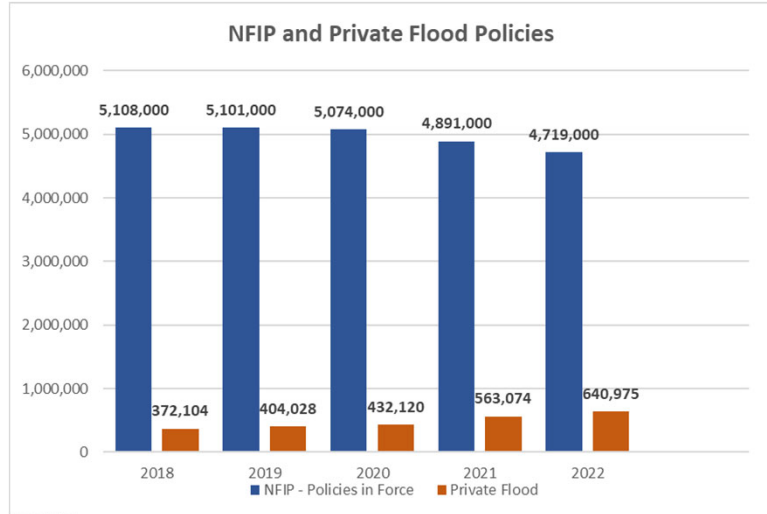
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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4

# National Flood Insurance Program

- NFIP policies have been slightly decreasing while private flood policies (commercial and residential) have continually increased over the last five years.



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

5

5

# Receive an Update about Creating an Efficient Process About Proof of No Insurance to FEMA for Individual Assistance

## What must Individual Assistance Applicants Provide to FEMA

- Individuals must inform FEMA of all insurance
  - Flood
  - Homeowners
  - Vehicle
  - Mobile Home
  - Medical
  - Burial
  - Etc.
- Must provide documentation identifying insurance settlements or benefits for categories of assistance that may be covered by insurance

3

## Eligible Expenses – for a Declared Disaster

- Assistance with uninsured or under-insured disasters that:
  - Caused Home Repair/Replacement
  - Require Temporary Housing
  - Caused Personal Property Expenses, Damage or Losses
- The Main thing FEMA looks for is if habitability repairs are needed
- Applicants must meet the eligibility criteria for each category of assistance in order to receive assistance

4

## ***NO INSURANCE COVERAGE VS INSURANCE COVERAGE***

The applicant ***DOES NOT*** have insurance coverage for the *cause of the damage (COD)* identified

**OR**

The applicant ***DOES have*** insurance coverage for the cause of damage identified:

### ***Additional Verifications Needed***

- ✓ If the net insurance settlement for the structure and/or contents is less than the financial House Assistance and/or Other Needs Assessment maximum award and less than the applicable FEMA Verified Loss?
  - Need verification of settlement amount from the insurance company
  - A denial letter from the insurance company
  - Verbal confirmation of these items from the insurance company

5

## **Types of Assistance & Requirements**

- Home Repair/Replacement
  - Need verification of settlement amount from the insurance company
  - A denial letter from the insurance company
  - Verbal confirmation of these items from the insurance company
- Other Needs Assistance (Personal Property)
  - Need verification of settlement amount from the insurance company
  - A denial letter from the insurance company
  - Verbal confirmation of these items from the insurance company
- Rental Assistance / Temporary Housing and Direct Housing Assistance
  - An insurance declaration page showing a lack of ALE/LOU coverage is sufficient verification to pay initial Rental Assistance. A settlement or denial letter is not required.

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## Information considered when reviewing insurance settlements or denial letters

- The insured property address matches the Damaged Dwelling
- The date of loss matches the incident period; AND
- The denial is specific to the peril(s) generally covered by that insurance type and the cause of damage to which the comparison is being made.
  - For Example: A Homeowners Insurance denial for water damage should NOT be considered a denial from Flood Insurance
  - If the applicant DOES NOT receive a settlement for a peril(s) that is generally covered, e.g. Wind with Homeowners Coverage, CONFIRM with the insurance company that a claim was filed for that peril

7

## Considerations

An FAQ for insurance companies

Form letters for insurance companies to use

Pilot this in FEMA Region 4

8



# Hear a Presentation on the Latest Developments on Mitigation



# Natural Catastrophe Risk Mitigation--A Shared Priority

David Snyder

APCIA

December 2023

1

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1



## Losses Are High and Rising

- The vast majority of the premium dollar is used to pay claims resulting from losses
- Those losses are high and rising due to:
  - ✓ Frequency and severity of weather events
  - ✓ More people and property in vulnerable areas
  - ✓ Inflation
  - ✓ Other contributing factors that make it very expensive to deliver benefits to policyholders

2

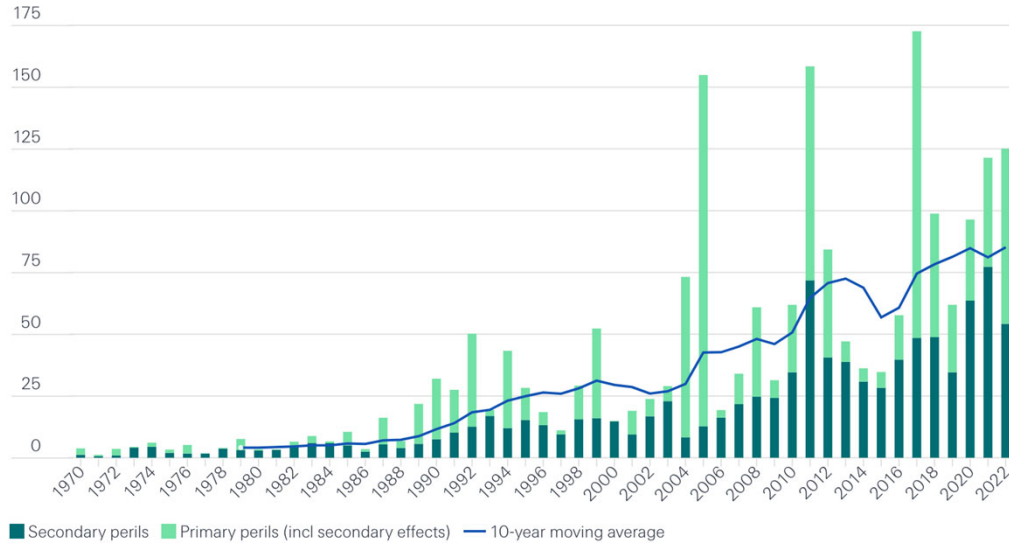
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# Growing Losses

Insured natural catastrophe losses (USD bn)



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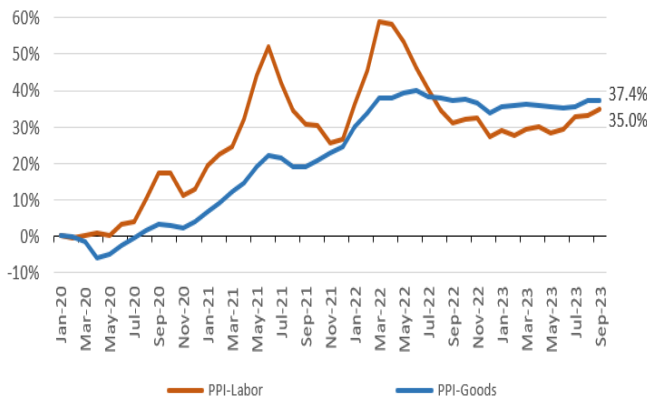
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# Increasing Homeowners Cost Inflation

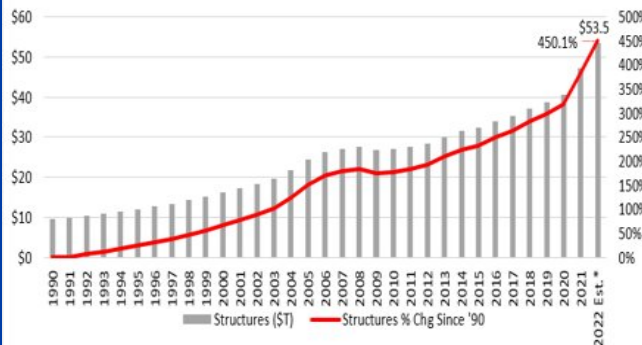
## Cost Inputs: Homeowners Insurance

Producer Price Inputs, Cumulative Percent Change since COVID-19 Pandemic



## U.S. Replacement Cost of Structures

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



Source: APCIA 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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4



# Need for Mitigation Increasingly Recognized

- APCI Board in late 2020 issued environmental principles including: “Risk mitigation must continue to be a shared priority”
- Insurance industry and regulators are more engaged across a wide range of communications and actions on mitigation
- Other sectors and the media are beginning to understand the role of losses and the importance of mitigation
- Two recent publications illustrate the growing recognition of the role of losses and the importance of mitigation—a wildfire report and a call to action by international insurance regulators

5

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# Wildland Fire Mitigation and Management Commission



## 148 Recommendations

Unanimous consensus from nonpartisan commission. Commission comprised of 50 members representing diverse geographies and backgrounds.

<https://www.usda.gov/topics/disaster-resource-center/wildland-fire/commission>



6

6



## Mitigation—A Key Message from the Commission Report

On Fire: The Report of the Wildland Fire Mitigation and Management Commission: “Only by putting significantly more focus and resources toward proactive pre-fire and post-fire planning and mitigation can we break the cycle of increasingly severe wildfire risk and losses, restore fire-adapted ecosystems, reduce risks to communities and increase resilience.”

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## International Insurance Regulators Call to Action

- In November, the International Association of Insurance Supervisors (IAIS) issued: A call to action: the role of insurance supervisors in addressing natural catastrophe protection gaps.
- Recommendations were broadly:
  - Assessing insurance protection gaps
  - Improving financial literacy and risk awareness
  - Incentivizing risk prevention and reduction of insured losses
  - Creating an enabling regulatory/supervisory environment to support availability of insurance products and services and uptake of coverage
- Advising government and industry, including on the design and implementation of PPP or insurance schemes

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## The Role of Insurance Discounts

- With regard to insurance provided incentives, risk-based pricing is key to providing awareness of risk to policyholders and communities
- Insurance discounts may play a small additional role but need to be cost/effective
- When insurance discounts are regulated, we ask that they be regulated consistent with the following principles:
  - ✓ voluntary, flexible and limited in scope
  - ✓ verifiable, grounded in science and risk-based
  - ✓ cost-effective, consistent and complementary

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## Conclusion

- Appreciate work by NAIC and state regulators on mitigation
- Need to continue to help the public understand that natural catastrophe losses must be mitigated to improve insurance conditions and that this is a society-wide challenge
- Two recent reports serve to illustrate the significance of mitigation and the important role of insurers and regulators in helping the public understand and take action
- Need to make sure that regulation of insurance discounts is cost-effective

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# Discuss State Mitigation Programs

# Hear a Summary of the Earthquake Summit



## Discuss Any Other Matters