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Joint Meeting of the Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Chicago, Illinois
August 13, 2024

The Catastrophe Insurance (C) Working Group of the Property and Casual(p)2.3 (e) (s)Tj0.002 Tc -0.002 Tw (4x)Tj0.1 Tc (O

Alexander Swindle (NAIC) said the frequency and severity of natural catastrophes are increasing with a reported

The Coalition for Sustainable Flood Insurance, a coalition of 14 attorneys general, is urging FEMA to update the Stafford Act to include extreme heat and wildfire smoke events as eligible disaster declarations. NAIC staff continue to engage with FEMA representatives and the coalition for opportunities to share information and solutions that build disaster resilience.

Swindle said Congress has been active in various hearings and public press releases about the publicized high cost of property insurance and related natural disasters. Additionally, several federal agencies, including the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA), have held symposiums in the past few months raising awareness and discussing resiliency and affordable housing.

Swindle said the NAIC has continued to engage on these issues at the federal level. During the 2024 Commissioner DC Fly-In, state regulators advocated for a series of bills in Congress that support 1) mitigation and resilience funding, 2) tax incentives, and 3) research for state mitigation and resilience programs to address the challenges that arise from natural disasters. These bills included 1) the Disaster Mitigation and Tax Parity Act of 2023 (S. 1953/H.R. 4070), 2) the National Earthquake Hazards Reduction Program Reauthorization Act of 2024 (S. 3606), 3) the Flood Insurance Relief Act (S. 4143), 4) the Wildfire Response Improvement Act (H.R. 7070), and 5) the Catastrophe Wildfire Prevention Act of 2023 (S. 2132).

Swindle said state insurance regulators through the NAIC are working with Rep. Mike Thompson (D-CA) on the bicameral, bipartisan H.R. 4070, which amenesnm88(W)-Tc 0.081 (p)7.9 (H)29/-9.2 (f)2.w 8.098 0v

Crockett said

consumers and sales leads to insurance agencies. The second phase of D2C will provide everything that was included in phase one, as well as online sales to consumers and servicing by the NFIP directly.

Stone said the NFIP is also working on an agency locator. The purpose of the locator is for consumers to be able to locate an agency within the geographic area of the location of the consumer's property so an agent can help the consumer by answering questions and helping the consumer purchase the policy during the initial phase of the D2C rollout.

Stone said the agency locator is a voluntary web program that allows agencies to sign up to participate in D2C.
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and education materials on mitigation and disaster preparedness, 6) a funding sources guide, and 7) partnership materials used to assist members with resiliency.

Powell said that Alabama, California, Florida, Louisiana, South Carolina, and Texas all have mitigation programs already in place, while Kentucky, Minnesota, and Oklahoma have legislative authority and are designing the implementation and operation of their programs.

Powell said that to accomplish this work, the resilience hub is designed to offer support to state insurance regulators in mitigation and resilience efforts. The hub coordinates partnerships, resources, advocacy, and an engagement team that visits states to address mitigation concerns. The CIPR also offers analytical services.

Powell said states considering starting a mitigation program should visit the hub for guidance. He said the hub is working as a focal point to help state insurance regulators engage and gather resources needed to design and implement a mitigation program. This will help create a consistent approach and competency nationwide. It will also create a level of efficiency with the development and implementation while saving time and money. Powell said the CIPR also has a resource that can assist state insurance regulators with funding for programs.

7. Heard a Presentation from APCIA About Mitigation Discounts

Dave Snyder (American Property Casualty Insurance Association—APCIA) said the increased cost of catastrophic events is not only related to weather but also several other factors in other sectors of the economy that affect insurance. A Verisk study indicated that a rise in exposure values and replacement costs, represented both by continued construction in high-hazard areas and by high inflation levels, is driving up repair and rebuilding costs. Insurers, the public, and state insurance regulators are all dealing with increasing catastrophe losses and rebuilding costs. Snyder said the costs of repairs and claims, coupled with unexpected inflation, added to the costs that insurers and the public had to pay. This year, there were serious and unprecedented downgrades in the insurance industry.

Snyder said another issue is supply and demand, as property insurance demand and costs increase while capital decreases. Higher rebuilding values, demographic growth and shifts, inflation, worsening weather, and legal system abuse all increase demand. He said the decreasing supply is due to rate suppression, delays, and premiums falling behind losses. The lack of profitability, added to volatility, deters new investment capital.

Snyder said the government and the private sector need to work together, so strengthening those partnerships in ways that perhaps have not been needed in the past is fundamental to the industry's collective success now. It is important to identify those things outside of the normal insurance realm that are affecting the cost of claims and are ultimately creating the availability and affordability challenges being experienced.

Snyder said stronger building codes and land use policies are fundamental to a long-term solution and improvement. Insurers are the principal funders of the Insurance Institute for Building and Home Safety (IBHS).

Snyder said APCIA has advocated at the federal and state levels for financial support to increase resilience, particularly for vulnerable populations. He said APCIA knows this is also a big concern for state insurance regulators. Insurers have a critical role to play in enhancing risk assessment using the latest technology and providing that information more effectively to consumers than has been done in the past.

Finally, it is important to invest in and underwrite climate and renewable energy technology, such as carbon capture and hydrogen.

Snyder said policy priorities include mitigation, catastrophe deductibles, and catastrophe savings accounts (CSAs). Mitigation reduces the likelihood of a loss and potentially avoids an insurance claim. There is a huge payoff when homeowners mitigate their homes because, for every dollar spent on mitigation, less money is spent on repairing or rebuilding a house following a disaster. Mitigation is not just an individual issue; it is also a community issue involving things such as infrastructure, and infrastructure at local levels, in many cases, is out of date.

Snyder said catastrophe deductibles increase the “share of risk” (i.e., a higher deductible) to reduce insurance costs. CSAs establish a pre-tax savings account to help cover pre-disaster expenses, such as mitigation, or, in the event of a loss, post-disaster expenses, such as a deductible.

Snyder said the list of financial incentives for resilience includes grants, low-interest loans, waivers or reductions in fees, tax credits, and insurance incentives. Insurers are more likely to provide discounts when they are collecting adequate rates. He said APCIA urges state insurance regulators to continue to focus on mitigation.

Snyder said that because IBHS FORTIFIED program homes meet a scientifically proven standard to be more resilient than homes built to ordinary building codes, they may benefit homeowners in more than a dozen states. He said in some states, insurers offer specific discounts to homes with a FORTIFIED designation. Other states offer discounts for specific upgrades included in the FORTIFIED standard, and four states offer tax credits to homeowners who strengthen their homes against storms.

Snyder said science-based incentives against wildfire are in place in some states. In California and a couple of other improve resilience and help address affordability issues while also maximizing the availability of coverage. He said APCIA thinks that focusing on parametric insurance at the NAIC might be beneficial to everyone.

Amy Bach (United Policyholders—UP) asked if APCIA members were being more flexible in allowing consumers to break up the mandatory percentages in their policy. She said, for example, that she does not have a garage or other outbuildings, but she had been paying for coverage for these other structures because it was automatically built into the premium, so she was unable to drop that portion of the policy. She asked if APCIA members were looking at giving policyholders the ability to trim their coverages appropriately without requiring a large deductible. Snyder said right-sizing a consumer's homeowners policy is something APCIA would want to stay in contact with UP to hear the recommendations it has to offer. He said there is a desire for APCIA members to empower consumers.

8. Discussed Other Matters

Amann said the Reinsurance Association of America (RAA) recently signed a memorandum of understanding (MOU) to collaborate on the shared goal of analyzing and communicating weather and climate hazard risks to key stakeholders. Under the MOU, the National Oceanic and Atmospheric Administration (NOAA) and the RAA will work together to address the risks communities face and improve the usefulness of NOAA's products and services to the insurance and reinsurance industries. She recommended the Working Group members read the article for more information.

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

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