



Coastal Hurricane Program – Key Challenges

For the Consumer:

- Availability of Coastal Insurance
- Affordability of Insurance Premiums

For the Policymakers:

- Economic Growth
- Disaster Recovery

For the Carriers:

- Stable Regulatory Environment
- Reasonable Long-Term Profitability

Coastal Hurricane Program Proposal – Key Aspects

A private market program to provide insurance coverage for similar risk exposures

- Coastal zone(s) from Texas to Maine
- Personal Lines homeowners policies
- Hurricane (named storm) wind coverage – does not cover flood

Federal oversight of rating & coverage to ensure a stable & uniform environment

- Risk-based rates – ensures adequate pre-funding of CAT risk
 - Incorporates output from certified stochastic models
- Premium adjustment mechanism based on actual long-term wind experience
 - Prospective adjustment incorporating occurrence (or not) of major event

Coastal Hurricane Program Proposal – Key Aspects

Continued State Regulation for Certain Matters

- Solvency
- Residual market regulation
 - Safety net – market of last resort
 - Rating approach is consistent with Federal Program for pre and post event funding
- Authority on all non-wind coverages now regulated by states

Accounting Policy

- Change CAT reserve accounting approach to accrued over time, rather than when incurred
- No change in tax treatment – continue deductibility when incurred

Mandatory participation in the National Flood Program in coastal and flood zones

Coastal Zone

Corporate Coastal Definition

