



Marketplace regulation to address trends in home policies

NAIC Consumer Liaison Meeting

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Trend: Percentage, peril-specific and “named storm” deductibles

- 2-15%
- High wind, hurricane, earthquake
- Replace fixed dollar deductibles
- Some states limit them

Are regulators seeing rate decreases to reflect this decreased exposure?

Who decides if the % deductible is triggered?

Trend: ACV coverage for Roofs

- Cropping up in OK and???
- Danger of more severe future damage due to people not fixing their roofs properly
- Is this fair? Is this practical? Does it discriminate against people with older homes/roofs/lower income?

Are regulators seeing rate decreases to reflect this decreased exposure?

How prevalent is this limited coverage?

Trend: Extended coverages that are contingent and involve math

- 25, 50, 75, 100% of or above Coverage A
- Once Coverage A is adjusted/extended – do the other categories increase too?

How common are these endorsements and are they being consistently applied?

Catastrophic Protection Additional Limits of Liability

- Only available if the Covered Loss is the direct result of an occurrence or series of occurrences that have been assigned a catastrophe serial number by the Property Claims Service unit of the Insurance Services Office, Inc.

Do regulators have or want to have say in this assignment process?

“Increased Limit” for Debris Removal

- This expense is included in the limit of liability that applies to the damaged property.
- If the amount to be paid for actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

Does the 5% get applied to the original coverage A limit or an adjusted limit where the policyholder has purchased "extended replacement coverage" and/or Cat Protection Additional Limits as referenced in the previous slide?

Flood insurance UPdate

April, 2016

NAIC Consumer Liaison Meeting
New Orleans, Louisiana

Amy Bach, Co-Founder, Exec. Dir.,
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An historic opportunity to improve home insurance options:

- Widespread recognition that the flood insurance marketplace needs reform and state regulator engagement
- The pending sunset of the NFIP (Sept. 2017) creates an imperative
- Work is already under way in coastal states to expand private market options

Work already underway:

- AL Governor Bentley's Coastal Insurance Working Group, the Hurricane Homeowners Insurance Initiative (multi-state coastal band/cat ins entity)
- FAIR's Catastrophe Reinsurance Conference
floridainsurancereform.org/conference
- H.R. 2091 – pending in Congress. Goal is to increase private flood market options

The NFIP = more than an insurer

- Mission is MITIGATING *and* INSURING flood risk
 - Home and business owners
 - Lenders
 - Communities/Infrastructure
- 5M policies in force, mostly in high risk areas
- 40 years of Congressional and internal tinkering
- \$23B in debt, on the hot seat post-Sandy

The ball is in play:

- NFIP acknowledges and working on challenges
 - State regulators were hard pressed to help post-Sandy – no mediation program, no authority
- NAIC to gather data on current private flood policies in force
 - All or almost all are non-admitted co. policies
- Roy Wright: “Plenty of flood insurance business to go around”
- Reinsurer capacity/appetite for CAT risk driving private market growth but it fluctuates
 - Healthy now...what about later?

On the table:

- How to develop a private market...
 - without destroying the NFIP's viability, and
 - that includes admitted and non admitted, adequately capitalized carriers
- Reforming NFIP is a given [See IG Report handout]
- Imperative to grow the # of flood-insured households to spread risk more widely and in anticipation of climate change

A growing consensus: It's all about that base...

- Spreading the risk increases affordability
- NFIP remains essential and will for the duration
- Simplify NFIP policy forms, fix claim handling
- Affordability *and value* of coverage is critical
- Putting flood options back in HO policies the logical fix