United Policyholders™

www.uphelp.org

Addressing Property Insurance Market Failures with a Federal Catastrophe Reinsurance Program

NAIC Fall Meeting, Orlando, Florida, 11/30/23

UP: A 32 year old 501(c)(3) insurance consumer non-profit

Our website, programming, volunteers and guidance help over 500,000 people each year

The Press Democrat

NOVEMBER 8, 2023

'Prompt action' on fire insurance has yet to help California homeowners

While state regulators craft new regulations and consult with the insurance industry, many Californians are paying extra-high premiums — or going without insurance entirely. In September, Gov. Gavin Newsom issued an executive order for "prompt regulatory action" to address the plight of California homeowners facing...

CNN

NOVEMBER 7, 2023

Climate change is impacting the home insurance industry and damaging the housing market

When Michael Monaghan, a real estate agent with Coldwell Banker Sellers Realty in northern California, got an offer for a home in Bayside at the seller's $650,000 list price in September, he told the buyer's agent that the buyer needed to start looking for insurance...

cp colorado politics

NOVEMBER 7, 2023

10th Circuit rules Black Hawk casino's insurance policy did not cover COVID-19 closure

The Colorado Supreme Court and the 10th Circuit have both found COVID-19 harms people, but does not damage property The federal appeals court based in Denver decided last week that a Black Hawk casino's insurance policy, with limited exception, did not provide for hundreds of...

NEWS CHANNEL 21 KTVZ.COM

NOVEMBER 7, 2023

FOX 2 KTVU

NOVEMBER 6, 2023

The Press Democrat

NOVEMBER 5, 2023

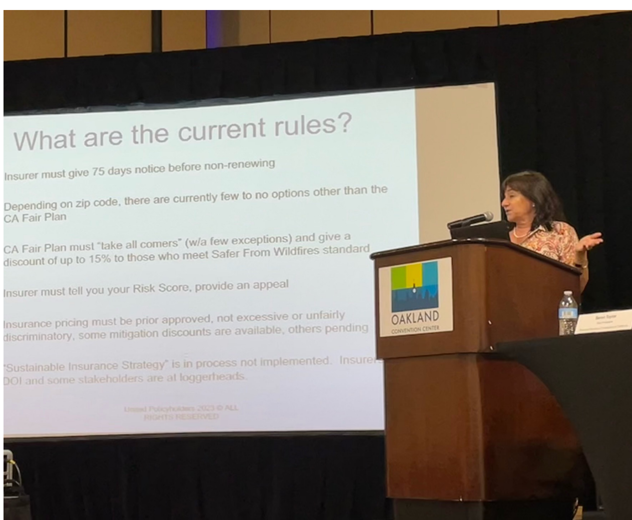
UP Goals:

Contribute to solving market problems and protecting policyholders' reasonable expectations of coverage

Help consumers adapt to the changing P&C landscape/climate change

Restore affordable insurance options for home and business owners that provide essential asset protection and loss recovery financing.

Advance/increase mitigation support and insurance rewards (premium discounts, renewal assurances)



Growing alarm over the extent to which the private market is “failing”

NBC BAY AREA

NOVEMBER 1, 2023

Insurance companies leaving California

A lot of people in the Bay Area are losing their homeowners insurance. Big companies, like State Farm and Allstate, and even some smaller companies, are either refusing to insure you, or simply closing up shop in California. NBC Bay Area’s Raj Mathai spoke to

THE WALL STREET JOURNAL.

OCTOBER 4, 2023

Homeowners Flock to Last-Resort Insurance Policies

Robert Dubie was paying around $1,100 a year to insure his Paradise, Calif., home before it burned down in a wildfire five years ago. He rebuilt it with a host of fire protections, but it costs 10 times as much to insure. He couldn’t get...

MARKETPLACE

AUGUST 29, 2023

More Americans are going without homeowners insurance. That could spell trouble.

Hurricane Idalia intensified Tuesday as it approached the Gulf Coast of Florida. Given that, recent reporting in The Wall Street Journal caught our eye. Its headline: “Americans Are Bailing on Their Home Insurance.” The Journal reported that some 12% of homeowners are choosing not to...

MONEY

Farmers Insurance is the 4th major insurer to leave Florida, underlining insurance crisis

Brandon Girod
Pensacola News Journal

Published 3:04 p.m. CT July 12, 2023 | **Updated 11:55 a.m. CT July 13, 2023**

Realism is in order

“

“Insurance coverage is no longer a one way street. In my opinion, the future won’t support the current model” Jean Bonander, Joint Powers Authority/ Municipal Risk Pooling expert

“A publicly traded insurance company in the face of climate change is not a sustainable business model for the end user, the consumer.” Amy Bach, quoted in “This Changes Everything: Capitalism vs. the Climate”, Naomi Klein, Knopf Press, 2014

Innovating is imperative

Even if the reinsurance market softens in the spring as predicted…

Private reinsurers have an unsustainable degree of control over the P&C marketplace (and by reference, real estate, lending, homeownership, local, state and federal governments)

Reinsurance pricing and treaty conditions are dramatically reducing affordability and availability of essential property insurance

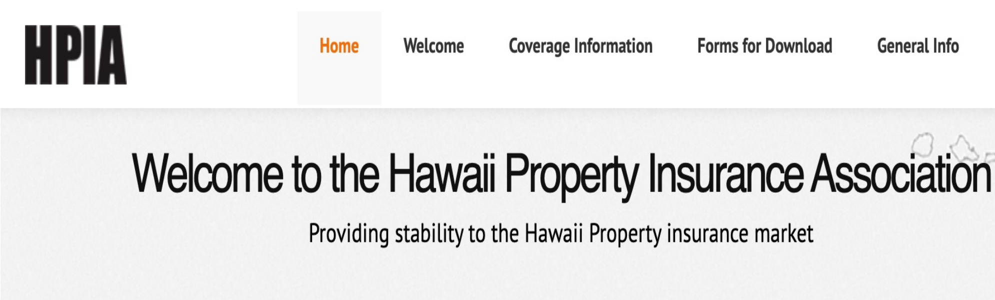
Reinsurers are directing underwriting, setting minimum risk scores

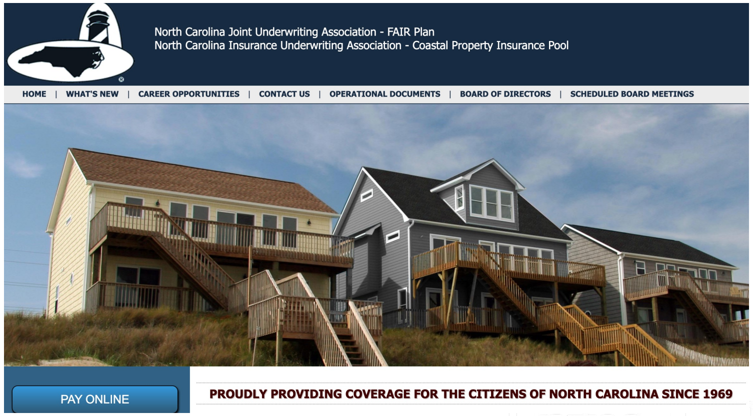
Gov't-sponsored insurers of last resort are in higher demand and experiencing significant reinsurance challenges

Gov't supported programs aimed at stabilizing property insurance markets, filling gaps/voids

National: National Flood Insurance Program, Terrorism Risk Insurance Program, Standards and programs related to Health, Workers Comp, Long Term Care, Crops, etc.

State: California Earthquake Authority, Citizens (Florida and Louisiana), California Fair Plan, Texas Windstorm Ins. Assn. Alabama Ins. Underwriting Assn., North Carolina Ins. Underwriting Assn., Georgia Underwriting Assn., Hawaii Property Ins. Assn., Florida Hurricane Catastrophe Fund





Risk Pool History and Innovation

Through the 1970s, a majority of municipalities carried commercial insurance. Beginning in the mid-1970s and accelerating in the early-1980s, a crisis in the municipal insurance market led to a period of substantial insurance cost instability. Reinsurers were folding rapidly and rates paid by cities grew dramatically as the market contracted from the supply side. The causes of the market disruption are still debated today, but the result of municipalities shouldering the burden of untenable premiums for their insurance led many to seek out alternative sources of coverage.

Intergovernmental risk pools gained traction as commercial markets experienced their collapse in the early 1980s. In practice, they function much like commercial insurance companies. Cities, counties, or other government entities group together to pool their risk to diversify it and to control costs. By managing risk factors collaboratively, member entities reduce the overall cost of coverage for one another.

https://riskandinsurance.com/considering-forming-an-insurance-pool-heres-what-the-public-sectors-found/

Risk Pool History and Innovation

Formed in 2007 by a group of Caribbean governments, the Caribbean Catastrophe Risk Insurance Facility (CCRIF) is a pooled catastrophe fund that helps limit the financial impact of natural disasters to member nations. The CCRIF provides liquidity and the means of recovery for various nations that, individually, would have found it impossible or cost-prohibitive to access such safeguards…. The CCRIF was among the first to develop parametric policies backed by traditional and capital markets. Impressively, the CCRIF was able to distribute $29.6 million in payouts in less than 15 days to six countries in the wake of Hurricanes Irma and Maria in September 2017.

The Power of Community Risk Pooling, Raghuveer Vinukoilu, Climate Insights and Advocacy, Munich Re US

Concepts to consider

- A new national all-risks disaster insurance program offering limited essential benefits that would pair with existing Small Business Administration low-interest loans (already available up to $500,000) and parametric products

- Community risk pools/Parametric products

- Federal and state loan guarantees for government sponsored insurers of last resort that would supplant a portion of the reinsurance

- Enhanced resources for State Insurance Regulators to be able to to evaluate CAT models, promptly review new rate filings, prevent excessive executive compensation and profits but allow pricing that's adequate to the risk to be assumed.

- Independently created public catastrophe models as a yardstick for commercially derived models

The fundamentals of a catastrophic property loss reinsurance program

- Provide reinsurance for primary insurance companies offering residential and commercial property insurance that include coverage for the perils of flood, wind, hurricane, severe convective storms, wildfire, and earthquake.

- To be eligible insurers must offer an all-perils product and actively facilitate and reward loss mitigation activities

- Financial threshold at which an insurer may receive amounts from the fund shall be based on a percentage of no greater than 40% of the individual insurer's probable maximum loss as determined for the catastrophe perils included in the program

- Insurers will pay premiums for the reinsurance

(A) The expected average annual losses for the exposure of the participating insurer in the Program based on a (i) 100-year return; and (ii) pro-rata portion, based on the share of Program premium of the participating insurer.

(B) The administrative costs to administer and manage the Program.

Thank you!

Consumer Liaison Committee members and meeting attendees for your time and attention

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