Make it Rain: Disaster Spending - Private Sector

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American Property Casualty Insurance Association
Member market share*

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*Based on companies reporting to NAIC.
APCIA represents groups of all sizes
“Resiliency” is the word

• Not just mitigation as it includes post-event recovery ability
• New BRIC program – mentioned by Colin
  – $450 billion spent on disaster assistance since 2005...
  – $27 billion would have been spent on disaster mitigation!
  – $100-$150 billion could have been ‘saved’
• Insurance can help with all aspects:
  – Safety first – Strong, STATEWIDE minimum building codes
  – Protect infrastructure – “Goodbye” and “Hi”
  – Prudent land-use policies
  – Insurance – the more folks purchase, the less they rely on government $$
“Resiliency” Part 2

• Insurer post-event access to affected communities and policyholders
  – As soon as it is safe following first responders
  – Address access issues locally as well!

• APCIA documents – available on the public portion of our website:
  • Quick Steps for Disaster Preparedness and Recovery
    http://viewer.zmags.com/publication/23e3ba6c#/23e3ba6c/1
  • Catastrophic Risks (info on a variety of topics)
    http://www.pciaa.net/industry-issues/catastrophic-risks

• Legislators and Regulators
  – Regulator post-disaster tool-kit with emergency regs for the insurance industry
    • Claims adjusters - Cancellation non-renewal - Fraud issues
  – Proceed cautiously – consider the impact on ALL!
So what is the industry doing?

• Institute for Business and Home Safety (https://ibhs.org/ or https://disastersafety.org/)

• $40+ million industry-funded facility dedicated to safety and mitigation of structures

• Reforms at the federal and state levels
  – Assignment of benefits - Florida
  – TWIA reform – working on it now for 2021 session
  – California wildfire mitigation/media/state utility fund

• Federal appropriations funding (wildfire/levies/weather related)

• Stronger building standards - EVERYWHERE
So what is the industry doing? APCIA in particular?

- Thought Leadership Plans – Flood, Wildfires, TRIA and TWIA?
- Resiliency/mitigation
  - State and local program
  - Federal appropriations
  - Develop coalition partnerships
- Again, education and knowledge is the key
- Consumers need to UNDERSTAND and ACCEPT their RISK!
- Only then can they make the right decisions on mitigation, products, coverage and costs.
Flood Insurance – An Example

• Flooding is the most common disaster in the US and can occur almost anywhere in the country

• The NFIP has just over 5 million policyholders

• CoreLogic estimates that 29 million homes have “moderate to severe” risk of flood loss

• 1” of water can cause $25,000 in damages to your home

• Where it rains it can flood – and Mother Nature doesn’t pay attention to map lines – no matter who draws them!
Flood Insurance - It’s separate?

• Flood insurance – typically must be purchased separately (NFIP)
  – Maximum limits may not be enough
  – Misperception of risk – “It won’t happen to me!”
  – “Do I have to buy it?” – still the biggest question for agents!

• NFIP needs to be stable (now in its 15th short-term extension)

• Private sector has started to write:
  – Doubled premium in the past two years... but barely a dent!
  – Despite comments – industry is NOT “cherry-picking” the risks
  – Lenders can accept private flood to meet “mandatory purchase requirement”
    (as of July 1, 2019)
  – Consumers now have choices – and can get broader coverage!
Flood Loss
The “government” will step in!

• “Without flood insurance, survivors must recover with loans and very limited federal assistance.
  – The maximum amount of Individual Disaster Assistance through FEMA available to survivors after a presidentially declared disaster is $34,000 for temporary housing, rental assistance, limited home repairs, and other serious disaster related needs.
  – For example, in Harris County, Texas, following Harvey - the average National Flood Insurance Program (NFIP) insurance claim payment was $113,000 and the average Individual Assistance grant was $4,200.” (FEMA-emphasis added)

• Which $$ amount would you rather have?!
Flood - Affordability

- Built-in subsidy – Pre-FIRM Date: 12/31/74
- Belief – Over time, properties would be mitigated or replaced
- Federal legislation has started to eliminate the subsidies
- FEMA required to develop an affordability framework
- Key is that it needs to be “means tested”
- Increased cost of compliance coverage will help... but
- Flood maps are NOT static – Look at Houston!
What can legislators do?

• Encourage adoptions of innovative tools to allow new and unique products in the marketplace for catastrophe perils
  – Protect the consumer, but allow for options
  – Example – parametric insurance products
• Set aside state funds for a “rainy day” = Texas
• Develop education campaigns in conjunction with the industry
• Conduct meetings/town halls around the state to increase awareness
  – our industry would help!
• Increase public risk-awareness!
What can legislators do?

• Talk to state and local officials to support and provide $$ for mitigation to reduce potential losses

• Budget and appropriations requests: State or Federal
  – Specifically related to mitigation/resiliency
  – Insurance industry can help support/advocate
  – Agents, realtors and others

• Risk-aware consumers = risk-aware communities = policy purchases and property protected!
Bridge the Insurance Gap

As a country – we need to make sure our citizens are safer, better protected against catastrophic events and everyone in this room can make a difference!

Thank you for your time!

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