



## CIPR Spring Event:

### *Lessons Learned from Recent Catastrophes*

NAIC Spring Meeting: Milwaukee, Wisconsin, March 2018

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Consumer Representative

# About United Policyholders

- A 501(c)3 non-profit consumer organization
- Expertise in insurance (buying, claims, legal)
- Supported by donors, grants and volunteers
- A trusted source for the media
  - <http://uphelp.org/news/up-in-the-news>
- 3 programs: Preparedness, Recovery, Advocacy
- Active at the NAIC, coordinating with state ins. Regulators on a regular basis

# WISE UP

The Savvy Consumer's Guide  
to Buying Insurance

HOME, RENTAL, AUTO  
& UMBRELLA EDITION



United   
Policyholders.

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## News

Bach Talk

UP in the News

Tip of the Month

UP Newsletters

Studies and Reports

Recovery Surveys

## What people say about UP

"United Policyholders is a 501(c)(3) with unique expertise in insurance recovery and financial preparedness and a teaching team that has

## North Bay Fires - Insurance Claim Help

by United Policyholders



On this website and through the Roadmap to Recovery program you will find tips, tools and resources relevant to the 2017 North Bay wildfires. Our main focus is on helping you navigate your insurance claim toward a full, fair and prompt settlement. We also offer guidance on debris removal, temporary living arrangements, government aid, construction issues, hiring professional help, and deciding how and if you will repair, rebuild or buy a replacement home.

### Roadmap to Recovery Survey

Please take a moment to complete our survey.

- Consumers' experiences in the market
- Economic impact of higher deductibles and broader exclusions
- The imperative to include mitigation impacts in predictive models
- Facilitating and rewarding risk reduction: A shared responsibility

# What we know:

- Coverage gaps impede recovery for property owners, strain local governments and FEMA and create blight
  - Underinsurance, higher deductibles, excluded/capped perils
- Some coverage enhancements are a relative bargain (code upgrades, ERC riders)
- Mitigation is worth investing in
- Home insurance competition, availability and affordability decreases in disaster-struck regions

## UP's experience with mitigation:

- Seismic retrofitting support programs and mandates in the Bay Area
- Wildfire Mitigation and Insurance Project
- Coordination w/coastal property owners, insurers and regulators

## Challenges to applying lessons learned:

- Producer/consumer disconnects re: coverage and pricing
- Resistance to factoring mitigation/local prevention in to models and rate reductions
- Lack of agreement on mitigation techniques/standards, lack of code enforcement



# Hurricane, flood, wildfire:

- Hurricane mitigation standards, support programs, insurer engagement most advanced, IBHS a big factor
- Flood is second most, thanks largely to NFIP/FEMA
- Wildfire is way behind

# Flood messaging:

- Just b/c you're not legally required to buy it doesn't mean you shouldn't. Get a quote
- Keep coverage up to date
- Inventory your assets
- Scan important documents and store offsite
- Invest in improvements that will make it less likely your home will be damaged and qualify you for better insurance coverage and pricing

# Imperatives:

- Get more homes insured for flood (aim: all-risk policies)
- Preserve everything about the NFIP that's working, fix what's not
- Maintain and increase affordable flood insurance options for property owners through expanded private options
- Enforce standards, partnerships and build viable mitigation support programs public AND private:
- Increase private insurers role in facilitating and rewarding mitigation

# Hurricane lessons learned:

- Building code enforcement is critical but challenging
- IBHS standards facilitating state programs
- Agreement on the home improvement techniques that work

# Wildfire mitigation progress:

- Plus: Defensible space/brush management, fire resistant building materials, screening vents all work
- Minus: Perceptions that the proximity of an unmitigated home defeats mitigation efforts, WUI realities, lack of standards, insurer resistance to mitigation mandates

## Consumer challenges related to mitigation:

- Inadequate information/support/financing
- Cost of retrofitting/improving/mitigation
- Perception that investment doesn't get sufficiently rewarded/not worth it
- Resistance (aesthetics, political views)

## Reduce Your Risk, Reduce Your Premium

A primary way to reduce or avoid future flood losses is to raise your building above the Base Flood Elevation (BFE). As the graphic below shows, you could reduce your flood insurance premium by 85 percent or more — and save thousands of dollars over the life of your home or business. It is important to understand the long-term costs and benefits when considering your options for repairing, rebuilding, or relocating.

### Insurance Considerations:

- How elevating your home or business can help reduce your rates
- Future premium increases for all homes and businesses
- Options for insuring your building and its contents
- Changes in rates for secondary homes
- Other circumstances that could increase your rates

*If you rebuild to pre-flood conditions, your flood insurance premium could increase dramatically in the future.*

### Building Considerations:

- Meeting building code requirements and current best practices
- Revised Flood Insurance Rate Maps and advisory flood risk products
- Hazard mitigation grant programs
- Other grant programs and loans to help rebuild or acquire your home or business

## Under the Flood Insurance Reform Act of 2012, You Could Save More than \$90,000 over 10 Years if You Build 3 Feet above Base Flood Elevation\*

PREMIUM AT 4 FEET BELOW  
BASE FLOOD ELEVATION

\$9,500/year  
\$95,000/10 years



PREMIUM AT  
BASE FLOOD ELEVATION

\$1,410/year  
\$14,100/10 years



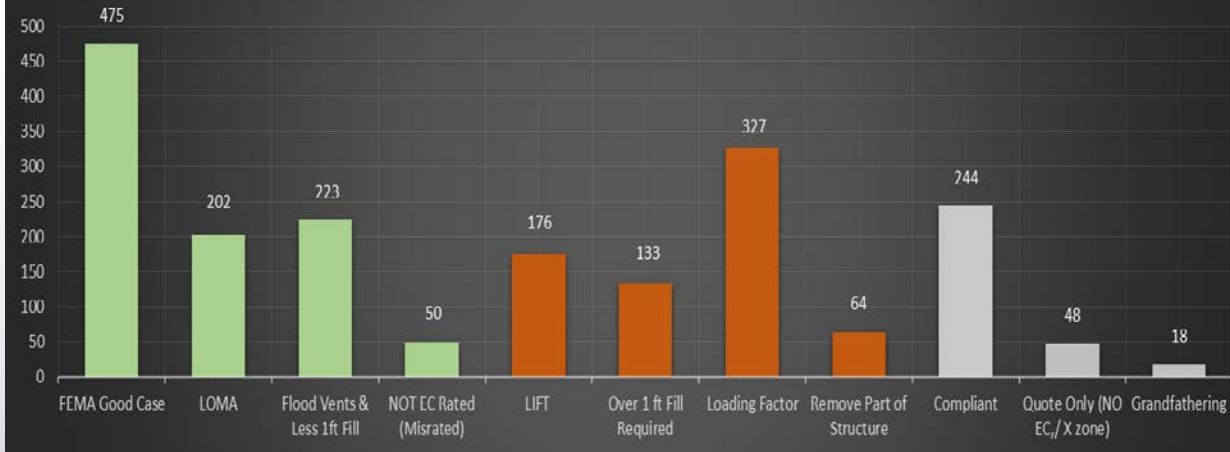
PREMIUM AT 3 FEET ABOVE  
BASE FLOOD ELEVATION

\$427/year  
\$4,270/10 years



\*\$250,000 building coverage only (does not include contents), AE (high to moderate risk) zone, single-family, one-story structure without a basement at: 4 feet below Base Flood Elevation (BFE); at BFE; and at 3 feet above BFE. (Rating per FEMA flood insurance manual, October 1, 2012). The illustration above is based on a standard National Flood Insurance Program (NFIP) deductible.

## F.R.E. Statistics



FEMA Good Case	475	32%
LOMA	202	14%
Flood Vents & Less 1ft Fill	223	15%
NOT EC Rated (Misrated)	50	3%
LIFT	176	12%
Over 1 ft Fill Required	133	9%
Loading Factor	327	22%
Remove Part of Structure	64	4%
Compliant	244	16%
Quote Only (NO EC, / X zone)	48	3%
Grandfathering	18	1%
	1485	100%

**1485 Reviews / Total Customer Premium Reductions = \$2,344,252.00**

**32%** of our reviewed cases can pay lower premiums with reasonable mitigation.

The Reasonable Mitigation Cases saved **\$843,503.00** this year.

**FEMA Good Case:** This is a simple combination of the sections below:

**LOMA:** Structure is eligible to apply for a LOMA with FEMA and be placed into the X Zone.

**Flood Vents:** These are structures where the addition of compliant Flood Vents and less than 1' of fill/LAG change, will lower flood premiums.

**Not EC Rated:** Policy in force does not use the existing Elevation Certificate for rating, which would reflect a lower premium. As well as other misratings.

### Top Errors on Policies (Misratings) :

- Residency status incorrect (Primary/Non-Primary)
- Pre-FIRM structures not rated off EC, when it would be more beneficial to the owner.
- Floor Elevation difference is misrated (compared to BFE)
- Some cases are eligible for LOMA's and still have high policies. Agents don't catch this info.

