

<b>Meeting Name:</b>	Flood Insurance Premium Assistance Taskforce Meeting 4
<b>Date:</b>	May 8, 2024
<b>Start Time:</b>	1:00 PM
<b>End Time:</b>	3:03 PM
<b>Venue:</b>	Capital Associates Building - Forster Room / Microsoft Teams Meeting

### Attendees

Commissioner Michael Humphreys (Chair), Senator Lisa Baker (Mark Grochoski, Chris Ramsay), Deputy Secretary Stacey Cameron, Director David 'Randy' Padfield, Senator Steve Santarsiero, Representative Perry Warren

### Minutes

#### Welcome

- Motion to approve meeting minutes put forward by Senator Santarsiero
  - Stacy Cameron second

#### Environmental Defense Fund, Dr. Carolyn Kousky

- There are new Insurance approaches to fill gaps in the disaster safety net
- Communities with insurance provide positive spillover to other communities

#### New Insurance Models

- Insurance can be offered on a micro through sovereign scale
- Parametric coverage (actually a financial product, not necessarily insurance)
  - With one of these policies, the amount of money paid out is predetermined based on an observable measure to the loss-causing event
  - One example of this is if wind speeds hit a certain MPH near your house you get a specified payment
  - One benefit of this program is that payouts are faster, they are flexible, and can be used for any kind of loss
  - There is a lower transaction cost associated with these payments
  - However, these policies are not a substitute for indemnity insurance

- Defining triggers
  - The triggers must be independent, objective, credible, quickly verifiable, and directly correlated to the loss
- Potential Models
  - Microinsurance
    - These are policies that have low premiums and low coverage limits, designed for lower income populations
    - Microinsurance emerged in developing countries with hard to reach populations and those that don't have typical insurance markets
    - It provides for immediate needs after a disaster and requires less burdensome documentation
    - These policies can cover losses that are non-property related losses
    - They provide assistance for those who are uninsured to kickstart their recovery
    - Puerto Rico put in place enabling regulations and has launched a micro insurance market
    - Policies can be purchased from a firm, through mobile platforms, embedded within a product or a program (tied to a rental agreement, a government program, AG products)
    - The one drawback is that it be difficult to get this program launched
  - Group Insurance
    - This type of insurance puts an entity between policy holder and insurance company
    - If there is widespread purchase it can close disaster insurance gaps
    - Facilitator Model
      - With this model, an organization works with an insurer and comes up with pricing and terms
    - Purchaser Model
      - An organization buys one aggregate policy with named beneficiaries
    - Purchaser Model 2
      - This model is set up through purchasing a policy and creating an assistance program
        - Assistance could be designed to cover below deductible expenses, emergency needs, unmet needs, etc.

- NYC used this program
  - It is a financial product not insurance - it is a derivative
  - One of the issues is that there wasn't a classification for this – for example, it is not homeowners insurance
  - The Environmental Defense Fund is having some early preliminary conversations with Philadelphia regarding a parametric micro flood program in the neighborhood of Eastwick
  - Some of the biggest losses these communities are experiencing are not covered by the NFIP because these losses are on their first floor or basements
    - The benefit here is that the money received could go towards whatever the homeowner needs
    - Some examples of this are to put in more protection measures - levy, buy outs etc.
- Is everyone getting the same amount of money?
  - In NYC, there are onsite assessors and the non-profit is making judgments in order to make and scale the payments
  - In Philadelphia, you would want the households to have individual contracts and then they would receive the same amount
- How scalable are some of these programs?
  - These programs are very niche so almost every community needs a different program
- How did she connect with NYC or Philly?
  - The program in NYC was started when she was still working with Penn - a project on what needs were not being met after Superstorm Sandy
    - Now many people are just finding her online
- Resilience/Climate Endorsements
  - If there was extra funding for investments at the time of rebuilding it could be used towards the building being more resilient
  - These endorsement have been used along the coast to build fortified buildings against wind
  - It is harder related to flood as wrap around coverage with an NFIP policy or as an endorsement
- Using insurance to relocate
  - The state regulator might need to issue guidance that payout dollars can be used for relocation
  - It's difficult to tie buyouts/relocation to conserving land as open space –

- If people are still allowed to buy the land then this does not lower societal risk
- Other concepts
  - Portland implemented a program for household consultations to help right size the coverage and correct errors in their policies
  - Agents who didn't understand the program were one of the major reasons for the errors
  - This program included:
    - Free or low-cost elevation certificates
    - Flood insurance costs were lowered by about \$700 through correcting errors
  - Improving affordability of flood insurance
    - Make household level premium reductions for flood risk reduction explicit in NFIP pricing
    - One option would be a public subsidy for low income households to afford flood insurance

**Pennsylvania Insurance Department, Caroline Boehm**

- For the final flood report, below are the compiled recommendations from the previous task force meetings
- Recommendation 1: Office of Community Rating System Assistance
  - Create this office to be housed in PEMA in the office of recovery
  - This would be a commonwealth wide support for those communities that do not have the resources to apply to CRS
  - PEMA currently houses community assistance visits, CRS used to be over at DCED and has moved to PEMA because PEMA deals with floodplain managers and other positions associated with flood risk
  - Senator Santarsiero - supportive, thinks that financial help to assist communities to qualify is also necessary, capital costs seem to be indicated
    - Would be helpful to understand associated costs if the GA are going to be expected to pick up these recommendations
  - Bill Bradfield, FEMA - the states that do the best with CRS are the ones who have CRS users' groups where CRS communities get together for information exchange and build off of best practices
- Recommendation 1a: expanding PEMA grant funding
  - Municipal assistance program is housed at DCED

- Senator Baker's office raised concerns with cost associated with 1 & 1a and is wondering if the program would be better housed at DCED
- Tom Hughes thinks that this funding could help stand up the administrative portion of CRS for maybe a three-year time period
- Recommendation 2: Improve Disclosures During the Home Buying Process
  - PA is currently rated a C meanwhile neighboring states are A
  - This recommendation proposes to adopt stronger flood disclosures and expand upon the disclosures we already have
  - Senator Santarsiero – Related to errors in policies and right sizing policies, maybe set up some sort of online portal or website that could help homeowners catch common mistakes?
  - Stacy Cameron - Improving the disclosure is critical, is it possible to get the flood certificate earlier on in the process?
    - One suggestion is to look at NY and NJ to see when they require flood certificate
  - Carolyn Kousky – NY, NJ, NC, SC, FL, all improved their disclosures and they have to disclose flood risk when you first go to see the house which is helpful to understand risk
    - Riskfactor.com allows you to look at homes to see if you are in a flood zone
  - Senator Baker's office - When was the disclosures law last updated in PA?
    - PID will find out and follow up
- Recommendation 3: Continuing Education Credits Across Professional Roles
  - The recommendation is to incorporate 2 hours of CE credits to existing professional requirements targeted on flood and flood risk
  - Stacey Cameron – The taskforce should consider a different weight for insurance producers and real estate agents vs. mortgage lenders
- Recommendation 4: Education/Outreach
  - PID/FEMA/PEMA should focus on increasing awareness of flood insurance and flood risk and increasing the number of individuals with flood insurance
  - This should be done through partnerships with state legislators, state agencies, and county commissioners
  - Outreach must be done by communities that are in CRS, we could look at CRS for their template on this outreach
  - Tom Hughes: Add information to municipality's website to talk about flood risk/resiliency

- Director Padfield – We should be targeting this outreach to the folks that have the capability to afford flood insurance to ensure we are using limited resources as best as possible
- Recommendation 5: Water Damage Mitigation Premium Discount or Credit
  - This recommendation would establish a premium discount or credit for water damage mitigation efforts
  - Commissioner Humphreys: It would reward folks for taking mitigation steps, 5% is small but could be helpful
- Recommendation 5a: Tax Credits for Home Mitigation Measures
  - This recommendation would provide tax credits or deductions for retrofitting a home to a stronger standard
  - Insurance Institute for Business and Home Safety (IBHS) provides a program for flood mitigation
  - This is suggested as an income tax credit, but it does not necessarily have to be put forth as a credit
- Recommendation 6: Enhanced Coverage for Water Damage
  - Insurers would be encouraged to create policy offerings that enhance/expand coverage provisions
  - PID would also collaborate with insurers to identify best practices
- Recommendation 7: Incorporating Flood Resiliency into the Uniform Construction Code (UCC)
  - This recommendation is to strengthen the UCC administered by L&I to improve flood resiliency across the Commonwealth
  - We recommend supporting PEMA and that the Taskforce support this effort
  - Tom Hughes- appendix G is an important part of the codes
  - We should look into how many states have adopted the 2021 recommendations
- Recommendation 8: State Flood Fund
  - This recommendations would create a state flood fund designed to provide financial assistance for homeowners who experience loss after a flood event
  - Senator Santarsiero - supports this, but thinks that this is an opportunity to provide another incentive to flood insurance purchasers
  - Alabama’s program, Strengthen Alabama is not means tested, uses money from increased DOI fees
  - 2 years ago the budget sent \$5 million to PEMA for a fund

- This program is narrow scoped and for individuals who would normally fall through the cracks, but PEMA is taking a look to see the cost caps and if we need to make any changes to this program
- Access to federal funding should be looked into, particularly the STORM Act (Pennsylvania would need enabling legislation to access it)

#### **Next Steps**

- PID staff will work to beef up some of the recommendations and answer the questions asked throughout the process
- The taskforce will have a meeting the first week in June to focus on the report and narrow down the work product

#### **Adjournment**

- Adjourned at 3:03