

## **FEMA INDUSTRY DAY (WYOs, Agent Associations, WYO Vendors, Claims) Notes Bruce Bender (3-4-2020)**

### **Morning Session – Kick-off Sarah Devaney Ice**

- Late March/Early April – WYO Arrangement should be on Federal Register
- Flood Insurance Manual – Version is coming April 1, 2020; Tyler is working on a road map that will illustrate high level changes to give overview of expected changes
- Summary of Coverage document – they are updating it and want comments back by March 20<sup>th</sup>

### **Paul Huang – 5-year vision**

- 34,000 claims; paid \$1.3 billion – very little noise; did a briefing on the Hill yesterday and it went so smoothly
- Wants to make sure to get things in draft form to the group more often for review
- Top 3 Goals still are: world class operation, customer experience, close the insurance gap
- 308,000 claims paid in last 4 years; helping disaster survivors
- Who is our competitor – anyone who is fighting for the consumer's wallet; in 5 years, FEMA needs to reach a goal of meeting or exceeding customer expectations; like ordering flood insurance or renewal over the internet
- Five years from now – be good as any other corporate entity
  - World class operations is their goal
- World Class is also improving the rating – RR2.0; have to have a product they want and system that works
- Two moonshots – close insurance gap; 4 X Mitigation; thru better communications, RR2.0 and others will make mitigation more streamlined, looking to partner with SBA, need more flood-resistant material; need more than just here is your premium, but here are ways to reduce the risk and the premium
- Click thru rates are higher than ever on FS.gov; 5-6 times

### **Steven Goldstein- NOAA-NWS Hazardous Weather Trends in Our Changing Climate**

- FEMA Liaison – gives weather heads-up to FEMA on what might require a federal response; he is deployed at the NRCC whenever FEMA activates it; liaises between two offices – who creates flood inundation maps (USGS? NOAA? FEMA?; it is a permanent appointment)
- Current Situation
  - Wetter and warmer
  - Record high levels of snow water content on the Great Lakes
  - No frozen water on Great Lakes; so heavy snows in Buffalo area
  - Soils are saturated in northern half of the region; south Texas is extremely dry
  - Low-risk of ice jam flooding
  - Great Lakes are as high as they ever have been; but rivers seem to be good
- Outlook
  - Dry and warm in south; wetter than normal in TN Valley and SE
  - Red River and upper and middle basins of the Mississippi and Missouri basin
- Last 5 years – 2015-2019 rank in top 10 wettest years (1, 2, 3, 7)
- Gulf Coast and SE coast is getting impacted more and more from tropical rains
- Greenhouse Gas Index is constantly increasing
- Global temperatures are rising
- Artic Sea Ice Extent from 1985 – 2020 is decreasing and sea level is rising

- Can better predict solar events; low probability but high vulnerability; 2019 was the least number of solar sunspots; quieter than it has ever been
- Temperatures in Phoenix – hotter than past – more concrete and buildings

#### **Kelly Bronowicz-Policyholder Services Division (appeals, policy & data, Marketing & outreach)**

- How are we Reforming and Marketing & Outreach – 2 things she'll talk about
- Reauthorization is hooked up with the Budget Cycle – 15<sup>th</sup> short term since 2017
- Happy got 9-month extension; Paul heard there will be likely short extensions following October 1<sup>st</sup>
- Whole host of FEMA people that deal with technical drafting assistance (along with OCC) for response to Hill (Niki's group)
- They look at what they can and cannot control (what within their own program that are big bold steps to move forward that they can do without Congress)
  - Like Policy Forms – what does it look like to have new products and easier to sell (new policy forms: mobile home, renters, homeowner, etc.- have WYOs helping review); hope to have something in the next 6 months for review by WYOs
  - Next will be putting it into rulemaking – 4 different policy forms, or just try one. They are committed to put into rule making this year (still waiting on Tony's group and Risk Rating for the commercial forms)
- The other is how to we meet where the customer is at...and for renewals
- First thing to tackle is the digital space - social media – like LinkedIn to reach out to agents
- Have a new person on their team to focus on building out 2 places to go for information – one for customer and one for stakeholders that support the customer

#### **Tony Hake – RR2.0**

- They have found a lot about their portfolio in looking through the RR2.0 lens; 146K grandfathered policies; coastal Zone V – 15,000 policies, which pay some of the highest already
- Biggest impact on NFIP is PRP
- For April changes for 2020, the average increase in 11.3% results in \$8 per month (if it was 18% it would be \$4 more than that)
- With RR2.0, premium decreases will be immediate; premium increases have 18% cap
- Not changing – transfers, mandatory purchase, CRS rating, limits on premium increase
- What is changing
  - Eliminating requirement for EC
  - Simplifying premium rules
  - Expanding mitigation credits and CRS discounts
  - Will leverage more info; e.g., reflect prior claims, factor in the cost to rebuild (Replacement Cost)
  - A lot of the info will be brought in from outside sources
- Had Flood Insurance Liaisons into DC this week and walked them thru the process on how it was built; will bring in WYOs to do that too
- Still don't have final rates for single-family residences yet, still working on levees and commercial...these may affect their numbers
- Still shooting for October 2021 for all policies to be rated using RR2.0
- Have an expert to help address the levee issues (from USACE)
- Pre-FIRM 393,700 – 11.3% of single-family homes, \$2,334 avg premium

- PRP 1.712 M policies; 49.1% of single family \$470; many are paying less than their risk
- 14,279 V zone single family; 0.4%; \$5,310 avg premium
- Trying to get every footprint in the country, so they all get a risk
- Same flood zones are not equal around the country
  - Cat modeling, claims, mapping data reveal that
- Grandfather policies are below what they thought
- The Hill wants to hear the rates. But FEMA is not ready to share that yet. FEMA may or may not do state profiles

#### **Greta Product Delivery Division (Claims, NFIP Direct Branch...)**

- Focusing on customer experience
- Took 16 forms and streamlined them down to 10 and going through OMB
- WYO Arrangement and Financial Control Plan – looking to modernize these; WYO Arrangement is with DHS now
- Multiple initiatives; one is continuous improvement
  - Increase collaboration; visiting WYOs more
- Looking internally at what can be made less complex and documenting them
- Looking at how to infuse technology, like Pivot
  - First time getting near real-time data
  - Looking at how to use data analytics – working with FEMA Data analytics (Niki Crewes team) how can the reduce complexity with data analytics, customer survey; do they have to have data requests or can there be dashboards; looking at trends – what are they telling us
- NFIP-Direct is like their test lab (Freda oversees it)
- Looking at ways to improve retention with GFIP

#### **Josh Smith Director of Technology and Acquisition**

- Building and maintaining Pivot
- NFIP-Direct – using it as a lab
- B&SA – continue to provide underwriting and claims expertise
- Will have marketing contract coming up and it will continue
- Four major themes
  - Continual process improvement – handling SRL and RL properties,
  - How can connect better to mitigation folks, with mapping folks etc.
  - Infrastructure stuff – cyber and privacy; they are going to err on protecting privacy
    - Question – then why collecting email addresses of policyholders? Not doing anything with it yet; but will let industry know if they do something with it...possibly within the year
  - Long-term innovations – will talk about that

## PIVOT Session - Afternoon

- Major Themes today
  - Business Process Improvements (e.g., RL/SRL, audits, financial reporting)
  - Data Integration – CIS, CRS, Mapping, other
  - Infrastructure – security, privacy, accounts, etc. – security and privacy are very important
  - Mid to long-term innovations (rating, reauthorization, future of delivery of flood insurance)
- Full Operational Capability
  - Cut over to Pivot Sept 2019; will be fully operational 9-30-2020
  - Pivot – will be around until 2038; can't solve all things this year
- Permissive Mode – turning off on April 30<sup>th</sup>; have been operating in a manner allowing most flexibility
  - Permissive mode - WYO sends in a piece of info, even if not right, would let the data in so not to slow down/stop the process – 99.5% came in on their best days; on worst days, 95% came in okay...but 5% is a lot for them to chase down so they need to improve that
  - 115 issues identified and resolved since Sep 2019; every two weeks they tweak and update the system...so agile development
  - Almost perfect alignment to their data – identifying if it is a system issue, WYO system issue, Manual change needed, etc.
  - Comments –
    - WYOs not seeing 99.5%, they are seeing as low as 45%;
    - Don't have specs for June 6<sup>th</sup> changes for testing – not backing down from that date; but vendors and WYOs raised concern that they won't have time to test and implement
- Have setup internally R&D council (first meeting is on 2/25)
  - How to invest money and time
  - Evaluate innovative ideas
  - Develop vision
  - Identify and encourage F&D educational opportunities
- Bruce shared some of AFSPM member frustrations and findings in using Pivot and PART
- Challenges: 4% in the US are covered by flood insurance; 70+ question app; don't have websites to help
- Josh took suggest enhancement/changes
  - What most important from audience seems to be getting data out (FPM, audit, marketing, improve sales journey)
  - Focus on the Buying journey; more data analytics, improve risk communications
  - Three key takeaways
    - More TRUSTED data (data integrity) – from analytics to empowerment – better leverage analytics
    - Improved communications – in increase risk awareness and lead to action
    - Improve buying journey
  - What is our likely initial target in the long-term innovation space?
    - Understand baselines? Know where we are to know the gap to where we want to go and what risks we're taking (accuracy, precision duplication, etc.)
    - Support mitigation – data increase investments, etc.
    - Risk viewers – effective comms to promote action and awareness (e.g., costs, 3D viewers, etc.)