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 20th

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 – 15th short term since 2017
- Happy got 9-month extension; Paul heard there will be likely short extensions following October 1st
- 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 rule making – 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
  o Cat modeling, claims, mapping data reveal that
• Grandfather polices 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
  o 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
  o First time getting near real-time data
  o 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
  o Continual process improvement – handling SRL and RL properties,
  o How can connect better to mitigation folks, with mapping folks etc.
  o 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
  o 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 30th; have been operating in a manor 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 6th 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.)