

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
SPECIAL COMMITTEE ON NATURAL DISASTER RECOVERY
NEWPORT BEACH, CALIFORNIA
JULY 11, 2019
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Special Committee on Natural Disaster Recovery met at The Marriott Newport Beach Hotel on Thursday, July 11, 2019 at 1:45 p.m.

Senator Vickie Sawyer of North Carolina, Chair of the Committee, presided.

Other members of the Committees present were:

Sen. Jason Rapert (AR)
Rep. David Santiago (FL)
Rep. Matt Lehman (IN)

Rep. Edmond Jordan (LA)
Sen. Dan "Blade" Morrish (LA)
Rep. George Keiser (ND)

Other legislators present were:

Rep. Austin McCollum (AR)
Rep. Collen Burton (FL)
Rep. Richard Smith (GA)
Rep. Tammy Nichols (ID)
Rep. Martin Carbaugh (IN)
Rep. Joe Fischer (KY)
Del. Kriselda Valderrama (MD)

Sen. Paul Utke (MN)
Asw. Maggie Carlton (NV)
Sen. Bob Hackett (OH)
Rep. Lewis Moore (OK)
Rep. Ryan Mackenzie (PA)
Del. Steve Westfall (WV)

Also in attendance were:

Commissioner Tom Considine, NCOL CEO
Paul Penna, Executive Director, NCOIL Support Services, LLC
Will Melofchik, NCOIL General Counsel

MINUTES

After a motion was made by Rep. George Keiser (ND) and seconded by Rep. David Santiago (FL) to waive the quorum requirement, the Committee unanimously approved the minutes of its March 15, 2019 meeting in Nashville, TN and its June 3, 2019 interim conference all minutes upon a Motion made by Rep. Edmond Jordan (LA) and seconded by Sen. Dan "Blade" Morrish (LA), NCOIL President.

CONTINUED DISCUSSION ON PROPOSED AMENDMENTS TO NCOIL STATE FLOOD DISASTER MITIGATION AND RELIEF MODEL ACT

Senator Vickie Sawyer (NC), Chair of the Committee, thanked Senator Morrish for appointing her as Chair of this Committee and stated that she is looking forward to leading this Committee's work as it deals with such important and timely issues. Sen. Sawyer stated that she thought that last month's interim conference call meeting of this Committee was very productive and important in defining the Committee's road ahead.

Sen. Sawyer further stated that after the conference call she spoke with NCOIL staff and Representative Santiago about his private flood insurance model legislation and it was decided that going forward, the proposal will take the form of a separate NCOIL model law proposal for the Committee to consider rather than the form of amendments to the existing NCOIL State Flood Disaster and Mitigation Relief Model Act. Sen. Sawyer stated that she believes that is a better approach for two reasons. First, an issue as important and timely such as the private flood insurance market should be given the focus it deserves as a separate NCOIL Model Law as opposed to being viewed as amendments to an existing NCOIL Model Law. Second, having a separate model law is much easier and streamlined from a procedural perspective because the Committee can now avoid having to make a motion to re-adopt the existing Model every meeting and can now instead, consistent with NCOIL bylaws, move to re-adopt the model for five years. Accordingly, the existing Model will be considered by the Property & Casualty Insurance Committee for a five-year re-adoption during its meeting tomorrow, and the Executive Committee will consider that action during its meeting on Saturday.

Sen. Sawyer noted that in the next couple of weeks or so, a separate NCOIL Model Law proposal regarding the private flood insurance market will be prepared and distributed.

Rep. David Santiago (FL) agreed with Sen. Sawyer's statement regarding last month's conference call being very productive and stated that the language being considered by the Committee was brought forward as a model law proposal partly because private flood insurance is getting a lot of attention nationwide. Rep. Santiago noted that the version of the proposal before the Committee is different than the original proposal and it continues to evolve. Rep. Santiago stated that he has had several conversations with industry members and other Committee members and his commitment is to figure out how to best tweak the language so that the best possible model legislation is distributed to the states with the understanding that there are always going to be different nuances among the states.

Rep. Santiago stated that as he entertains potential changes to the model language, he is looking at it from the perspective of whether the language has the best chance of being adopted by as many states as possible. The Florida private flood insurance market continues to expand and it is a good thing for everyone. Rep. Santiago noted that he has talked to consumers and seen policies where some were paying a \$600-\$700 annual premium in the National Flood Insurance Program (NFIP) and there are now some private companies that have been putting it on as an endorsement for as low as \$100 with better coverage and with one deductible. Rep. Santiago closed by reiterating his commitment to making the model law proposal the best it can be so that as many states as possible can adopt it.

Paul Martin, Regional VP – Southwestern Region at the National Association of Mutual Insurance Companies (NAMIC), referenced the comment letter recently submitted to the Committee by the National Association of Realtors (NAR) and noted that it outlines a number of the concerns that NAMIC has. Mr. Martin noted that the decision to move forward with a stand-alone private flood insurance model law is a good one and will provide much needed flexibility. Mr. Martin stated that if a state does not currently have a model law dealing with private flood insurance that should not be discouraging as a recent report from the National Association of Insurance Commissioners (NAIC) to its Property & Casualty Insurance (C) Committee noted that from 2016 to 2018 there has

been a 140% growth in the number of companies writing private flood in America which is phenomenal.

With regard to NAMIC's opposition to the proposed model law language, Mr. Martin noted that NAMIC has member companies that write private flood and is not opposed to a robust private flood market. The question is what the best path is to get there. Mr. Martin then cited some private flood premium increases from 2017 to 2018: Arkansas – 3%; Louisiana – 15%; North Carolina – 12%; North Dakota – 19%; South Carolina – 8%; Texas – 18%; Virginia – 11%. Surprisingly, there was a 6% decrease in Florida so the point is that there are a lot of states looking at private flood without a model law but that is not to say that things cannot improve.

The Honorable Jennifer Hammer, Founder/Principal of JWHammer, LLC and former Director of the Illinois Department of Insurance, stated that the flood insurance market has seen a dramatic increase in severity and frequency of events. Such events are no longer single billion but tens of billions of dollar events. Accordingly, the question is how to create a marketplace that is going to compete with the federal government rates that are subsidized and not making a profit like the private flood insurance marketplace would need. Dir. Hammer stated that we know there is capital out there whether it is sitting in reinsurance companies or in admitted carriers or surplus lines. Upon look at the draft model law language, Dir. Hammer stated that it was clear that there are some freedoms that should be included such as underwriting freedom since we know that data has changed and flood maps are outdated and inaccurate. There are things happening that insurance carriers in the private market would have access to in order to have better data to underwrite products that consumers could want. We all strive as regulators to have a consumer purchase a product at the right place and time and when you put restrictions on underwriting products you do not have the ability to have a product that is variable. When you put the minimum standard at the NFIP-level, you don't have the ability for consumers that may want a product that is not exactly like that to purchase a product like that.

Dir. Hammer stated that having the ability for insurance companies to have additional underwriting freedoms would be helpful. With regard to form freedom, regulators have current standards such as use and file and file and use, and the current draft of the model law is not addressing whether those standards apply. For instance, in Louisiana there are current standards in place where you would not have the ability to cancel or non-renew for three years and it is not clear whether that applies to the private flood market. Giving more clarity and providing more freedom for the state in those areas would be helpful.

Dir. Hammer stated that it would also be helpful to give policyholders the chance to mitigate possible damage as that would provide another opportunity for it to be more affordable in the private space. Most importantly, we know that in order to have a vital and robust insurance marketplace you have to leave ability for the Commissioners to provide the industry the ability to have a variable amount of products that have rates that are across the board and some provisions in the proposed model language to not provide for that. With regard to filing forms, Dir. Hammer stated that putting more of a burden on insurance departments that are already under-staffed and don't have the ability to get to the products they have right now and requiring them to certify that a company is meeting the NFIP standard is something that, as a former regulator, she

would not be interested in and would want to see that as part of a different approval process whether its self-certification from the company or none at all.

In response to Mr. Martin's remark about the 6% decrease in premium in Florida, Rep. Santiago stated that he believes it is a good thing because that means Florida is having more private sector market involvement and premiums are going down.

Jeff Hinesly, NFIP Program Director at Farmers Insurance Group stated that Farmers is one of the top 10 companies participating in the NFIP's Write Your Own (WYO) program, and about a year and a half ago, Farmers began allowing its agents to write private flood insurance on a brokered surplus lines basis. Farmers started with eight states on a pilot basis and as of June, expanded to all 50 states. Mr. Hinesly stated that personally, he would love to see Farmers offering a product on an admitted basis and would love to see Farmers offering flood insurance as an endorsement to a homeowners insurance policy. However, when he goes to his personal lines product team and presents his vision, they do not think it is realistic.

With regard to growing the private flood insurance market, Mr. Hinesly stated that if all that is done is moving from the public to private marketplace, that is not a bad thing. We have failed America because they biggest challenge right now is that there are not enough people insured. 80% of the homes and businesses in Houston suffering damage from Hurricane Harvey were not insured. Innovation and more product choices are needed. Mr. Hinesly stated that he does not view the proposed model law language as encouraging the private flood insurance market because what is needed for this market in its infancy is more form and underwriting freedom. Mr. Hinesly also noted that on the federal level, recognition of private flood by the FHA and VA is needed.

Mr. Hinesly noted that some might say that the surplus lines market is where experiments and growth can take place, but stated that he believes there is a chance for both of those things in the admitted market as well. We all need regulation at some point in time but as of now it is too soon, albeit well intentioned, as time is needed for the product to develop.

Dennis Burke, VP of State Relations at the Reinsurance Association of America (RAA), stated that reinsurers have the capacity and willingness to write private flood insurance for adequately priced risks. For that reason, RAA supports efforts by NCOIL and the NAIC to facilitate the development of the private flood insurance market. It is not just a matter of taking risks from the NFIP but rather about broadening the pie of risks that are transferred to the private market and spread around the world. Mr. Burke stated that RAA appreciates those opportunities and when there is a disaster, reinsurers will pay to insurers and insurers will pay to consumers and recovery will happen that much faster. There are mitigation steps to protect property so it is resilient, and there is also financial resiliency of which RAA is a part of. RAA welcomes the opportunity to see growth in this market. Mr. Burke stated that one of the things to be aware of when looking towards developing a model law is that this will not be the last time we have to visit this issue. The market is changing and we need to have opportunities for insurance to change as states are laboratories of democracy.

Mr. Burke noted that in order to write, reinsurers must have insurance clients who are willing to write, and insurers need agents who are willing to place business with them. Mr. Burke encouraged the Committee to listen to the concerns that the insurers and

agents are raising as it is important that a model law passed out of the Committee be one that does in fact facilitate the private flood insurance market.

Lisa Miller, President & CEO of Lisa Miller & Associates stated that with regard to the comments made surrounding form freedom, Ms. Miller noted that while attending the National Flood Insurance Conference in Washington D.C. she heard from bankers the angst they have with private flood insurance. If banks ultimately do not accept the product, it does no one any good and that is the reason behind the form approach in the draft model legislation. Ms. Miller also noted that the draft model legislation uses the word “may” when discussing prior form approval so it will be up to the state adopting the model whether or not to make that a requirement. Similarly, the Insurance Commissioner certification language is permissive and Ms. Miller noted that she has had insurers say to her that they want the Commissioner to certify their product so that they can use it in their marketing materials.

Nick Lamparelli, co-founder and Chief Underwriting Officer at reThought Insurance, stated that he spends most of his time trying to place coverage for catastrophic risks, specifically flood. As an MGA he has direct experience with how the process is working and not working. In other industries, the creation of novel and innovative products requires the ability of the manufacturer to quickly deliver some minimal version of that hypothetical solution to the market and then be able to assess feedback as to whether the solution begins to satisfy the customer demand. This product-market fit often takes multiple rounds of product delivery and feedback just to evaluate the viability of whether it is going to work. In the insurance space there is only one tool in the toolbox to provide this flexible approach which is the excess and surplus (E&S) lines offerings. In order to have a health admitted market where carriers are able to offer novel and innovative risk transfer solutions for catastrophic and non-catastrophic exposures a healthy E&S market is vital as a sandbox to test risky solutions without the additional risk and burden of the admitted regulations.

Mr. Lamparelli stated that legislators and regulators would be doing the market a service by thinking of the E&S space as a laboratory for both market solutions and potential re-regulation in terms of looking at the admitted space and seeing what can be changed to make it function better and have the novel approaches that are occurring in the E&S space more adaptable in the admitted space. If it is the goal of this group in this space to increase take-up coverage to reduce the protection gap and raise resiliency of property owners, the model legislation being debated will go a long way towards making that happen. Mr. Lamparelli stated that in both football and flood insurance, inches matter, which means the traditional admitted rate filing process would be equivalent to fitting a square peg into a round hole. It is not the proper mechanism to assure proper pricing in flooding. Mr. Lamparelli stated that the threshold and the standard should be raised for how agents and policyholders are communicating with one another. It is by no means a burden to have agents communicating the flood risk or any potential risk to potential property owners – it is the right thing to do.

John Ashenfelter, Associate General Counsel at State Farm Insurance Company, stated that he appreciated the fact that this issue will now take the form of a stand alone model law given the magnitude that it presents for the public and legislatures. Mr. Ashenfelter stated that the federal government faced a \$20 billion dollar deficit from two catastrophic flooding events. That amount of money is not something that an insurance company could step in and cover with ease. It is for that reason that NAMIC and others have

testified to the importance of rating, form, and underwriting freedom and the incredible responsibility for mitigation because over \$20 billion dollars for two separate storms is too much if you cannot price it, underwrite it, and provide the form with the right amount of coverage to ensure there are not insolvencies.

Mr. Ashenfelter stated that the big difference between the surplus lines and admitted lines is that the surplus lines do not enter into the guaranty fund. If this type of business is placed in the admitted market and the aforementioned catastrophic events occur, that will put several homeowners insurers "under water" through a guaranty fund situation and you are going to have the fallout on the guaranty fund assessments. That is why it is important to take caution and be smart about this and be sure that underwriting, rating, and form freedom along with mitigation are enabled. Mr. Ashenfelter stated that when Biggert-Waters passed there was a great uproar about increases in flood rates and Congress ended up reversing field as it did not mean to cause the increase as it could not afford to do that in the state sandbox.

Wes Bissett, Senior Counsel – Gov't Affairs, at the Independent Insurance Agents & Brokers of America (IIABA), stated that IIABA shares the Committee's excitement about private flood insurance but would oppose the model legislation in its current form. IIABA is one of the strongest proponents of expanding the private flood insurance market as agents enjoy having more insurance products and options to sell. IIABA was also the only industry group that was invited to testify at a hearing before the House Financial Services Committee several months ago on private flood insurance. Accordingly, it would be ironic and unfortunate for IIABA to oppose a proposal designed to foster private flood insurance.

Mr. Bissett stated that the source of IIABA's concern is current Section 4 of Part V which would impose a series of subjective and vague requirements on agents which are undoubtedly well-intentioned but really have nothing to do with fostering and promoting private flood insurance. That section would require agents to explain how the NFIP and private flood markets work, and even explain the rate-making process which is something that is not easily done in a quick conversation with a client. The section also requires agents to produce evidence that they accomplished that explanation. Mr. Bissett stated that those type of requirements are notably not in the Florida private flood insurance statute which the model language is based off of. IIABA is also not aware of any sort of analogous provision elsewhere in state law. IIABA believes that the requirements raise some practical concerns such as how to subjectively explain the NFIP and how it can be accomplished in an on-line innovative insurance marketplace. Further, what if there are no viable alternatives besides the NFIP, or if there are bad alternatives – is the agent in a position where they must force those on a client when they might not be appropriate? Mr. Bissett urged the Committee to remove Section 4 of Part V and not dampen the enthusiasm of the agent community for supporting private flood insurance as the agent community wants to be in a position where it can support any effort, legislative or otherwise, to foster the private flood insurance market.

Rep. Matt Lehman (IN), NCOIL Vice President, questioned whether the biggest hurdle in developing private flood insurance model legislation is the federal government because it sounds like they need to either get out of the way as they have done with other things or be a partner with the states but on a different level than how they are currently. Rep. Lehman stated that flood insurance has the perfect model for government intervention – the Terrorism Risk Insurance Act (TRIA). If you look at the largest claims in U.S. history,

it is not weather but rather 9/11 which was a \$2 trillion dollar loss and the industry said it could never cover that type of exposure again. Accordingly, the federal government stepped in and said it will put a cap on what the industry has to cover and then cover the rest. Now, every carrier offers terrorism insurance because of that backstop and the risk can be calculated. Rep. Lehman questioned why flood insurance does not follow a similar model and stated that the NFIP wouldn't be in so much debt if it was not the primary carrier. The insurance industry is great and will adapt given the opportunity but thus far said opportunity has not been given to it.

With regards to the model legislation, Rep. Lehman stated that he agreed with Mr. Bissett's concerns regarding the agent requirements, and asked if the states are doing anything to actively communicate to the federal government that it should either help the states solve the problem or let the states handle it because at the end of the day the industry will figure it out.

Ms. Miller stated that the concept presented to the NFIP is that it become a residual market just like how Citizens Property Insurance functions in Florida. For the past 10 years, the residual market has shrunk and the private market has grown. Ms. Miller suggested starting to "plant the seed" on this issue when talking with federal officials.

Mr. Burke noted that the NFIP is not just an insurance program – it is partly a social and risk management program. Accordingly, under the model legislation it would be difficult for an agent to explain the NFIP. The thing that would facilitate the private flood insurance market the most would be to remove impediments to said market, the primary impediment being the ability to go in and out of the NFIP without losing discounts. Some of the carriers currently writing private flood insurance are smaller carriers such as in Florida. If they lose their reinsurance they could change their underwriting standards and if that happens and someone has to go back to the NFIP without their discounts they might have to go back at full risk rate and that is a problem for agents, carriers, reinsurers and consumers.

Mr. Burke further noted that the TRIA analogy made by Rep. Lehman is not a good analogy because in addition to creating the government behind the industry, TRIA also caps the actual liability of the insurance industry. The maximum loss that can be covered under a terrorist event that is subject to TRIA is \$100 billion dollars so if there is a \$200 billion dollar event, the industry covers \$100 billion dollars and the people that bought insurance are out of luck for the other \$100 billion. The private insurance market has an obligation to pay the amount it said it would pay and it has a good track record in doing that.

Sen. Dan "Blade" Morrish (LA), NCOIL President, stated that it sounds like the panel is saying that the private flood insurance industry has the ability to figure this out and can do so as long as there is no consumer protection. Sen. Morrish stated that he believes Rep. Santiago's draft model contains consumer protections along with the ability to write the insurance. Sen. Morrish asked where the middle ground was for the industry to offer coverage at a rate that is better than an NFIP rate while also offering consumer protections.

Mr. Ashenfelter stated that the NFIP will always be more than a residual market because it has subsidized inadequate rates. That may be hard for NFIP policyholders to accept but it is the reality. The federal government has offered to the private market all sorts of

claims loss experience over 30 years which is helpful and may help create models that will not have to go through a rigorous approval process as long as it is using credible data. It is imperative to match the price to the risk and if you cannot do so and have a profit margin then private insurers will not enter into the market. And if you tell those insurers that if they are on a certain risk for three years then they are on it forever, and an event like Hurricane Katrina or Sandy occurs and you expect them to stay on that risk, that will not encourage them to come into the market. That is the harsh reality, in addition to the reality that perhaps some people should move off the coast away from the risk but they cannot do so because their livelihood is on the coast.

Dir. Hammer stated that the entire job of an Insurance Commissioner is to balance consumer education and protection with creating a vital and robust insurance marketplace. You provide consumer education and protection by providing rates that consumers can afford. When you encourage a competitive marketplace and getting consumers the right product at the right place and right time you are simultaneously providing education and protection. Dir. Hammer stated that the products are also becoming more complex which is why it is important to have agents discuss and explain the products with consumers but it is also important to not stifle innovation before it has a chance to get off the ground, especially for consumers who are not required to purchase flood insurance. You want to embrace and encourage a marketplace whereby if an insurer wants to offer parametric flood insurance then they should be able to do so. Innovation should not be stifled before it has the chance to develop. Some of the consumer education and protection should be left to the insurance departments whose entire mission is to protect and educate consumers.

Rep. Santiago stated that he believes Mr. Ashenfelter actually made the case for why the model legislation is needed because when talking about credible data, the proposed model doesn't require the rating methodologies to be approved but does require insurers to retain it for two years after the effective date of a rate change and the Insurance Commissioner can review if she or he chooses. The goal of the model is to create an admitted market so a message can be sent to consumers that some form of government has looked at the product to ensure that it has met the minimum standard of the NFIP coverage. That is strong for the consumer and strong for mortgages.

Rep. Santiago stated that the concerns from the agent community are valid as he does not want to create some sort of pitfall for agents as they already have a fiduciary responsibility due to the fact that they are licensed. Rep. Santiago committed to working with the agent community on the model legislation. Rep. Santiago also noted that the proposed model does not require the Insurance Commissioner to approve rate filings. Rather, the model allows the free marketplace to move wherever it wants. It is also important to note that in Florida, the majority of the expanded private flood insurance market is being backed by reinsurance. The consumer expects that if state legislators are going to endorse something by having it admitted then it meets some minimum standard. The E&S market is where innovation and experiments can take place and depending on how they develop, can be adopted in the admitted market. Rep. Santiago closed by stating that the minimum standard requirement is important for consumers, and that he is open to suggested changes to the model before the Committee meets again in December.

DISCUSSION ON THE FALLOUT FROM THE CALIFORNIA WILDFIRES

Karen Reimus, Outreach Coordinator in the Roadmap to Recovery Program at United Policyholders stated that in 2003 she and her husband lost their home in the Cedar Fire. They purchased the house four months before the fire and had bought a brand new insurance policy and extended replacement cost policy, in addition to an earthquake rider because they wanted to make sure they were extra-covered. However, after the fire it soon became clear that they and many of their friends and neighbors were facing significant insurance recovery issues. Six months later, then CA Insurance Commissioner John Garamendi came to their community and in a townhall asked, among other things, how many people were underinsured.

Ms. Reimus stated that she could never imagine that with a brand new policy from one of the nation's leading insurers that she would be underinsured. One of the biggest problems that disaster survivors face that causes economic problems are the painstaking and re-traumatizing insurance recovery processes. As an example, Ms. Reimus referenced the personal inventory document she had to complete for her children's bathroom. Disaster survivors should not be spending hours upon hours creating lists like that, especially when in the case of a disaster people often flee their homes with no time to spare. That time could be better served navigating the dwelling portion of their claim so that they can re-build in a timely fashion and get back into the community.

Ms. Reimus stated that some of the most common problems associated with disaster survivors are underinsurance, low-balling, and non-responsive adjusters. Ms. Reimus noted that after working 15 natural disaster recovery efforts for United Policyholders these types of problems occur again and again. It is also important to note that communities and economies suffer when disaster recoveries are slow. Local tax revenue also decreases because disaster survivors commonly have their property reassessed and the reassessed value is lower without the home on the land. The longer it takes to re-build, the longer people are forced to live in another community and spend their money there, thereby hurting local businesses. There is also a risk of job loss for disaster survivors as going through the recovery process was like having another full-time job. Families also lose during disaster recovery efforts as many marriages often dissolve due to the stress from trying to obtain the insurance money needed to re-build.

Ms. Reimus noted that there has been progress made and cited some legislation that has been passed in California for other states to consider. "Re-build or buy" allows disaster survivors to use their dwelling benefits to rebuild or purchase a replacement home at a different location. That is great for everyone, particularly for seniors who may not want to spend several years navigating the disaster recovery process. Another option is to extend time to collect additional living expense (ALE) and full replacement cost when loss occurs in a natural disaster. It is best if losses are paid for by insurance funds but sometimes when there is a demand surge for building supplies and labor it takes more than a year and that is not the fault of the disaster survivor and they need to be able to access their benefits for as long as possible to ensure that they can use those benefits that they paid for.

Another option is to require insurers to provide a complete copy of the insurance policy to the insured within 30 calendar days of receipt of request from the insured. Furthermore, states can allow one insurance policy renewal after a declared disaster which recognizes the challenges disaster survivors face in obtaining new coverage for a property that is in the middle of an existing claim. States can also consider requiring

insurers to provide a list of items covered by ALE upon request which lessens the need for publicly funded assistance. Ms. Reimus stated that certain legislative fixes are still needed: underinsurance is still a huge problem; the earlier mentioned personal property inventory form use is burdensome and not an appropriate use of resources; and lowballing needs to be addressed.

Brad Roeber, Executive Director of the California Insurance Guarantee Association (CIGA) stated that he took over as Executive Director of CIGA in September and on November 8 the campfire began to burn. Shortly thereafter CIGA began to receive coordination phone calls from the CA conservation and liquidation officer (CLO) which is CIGA's receiver. It became clear that there would be a problem with some carriers and it ended up being Merced Property & Casualty Insurance Co (Merced), which is a small central CA company that had been in business since 1906. The company had less than 200 homes insured in Butte County. The camp fire was focused on two small communities – Paradise and Magalia – totaling about 40,000 people. Virtually 75-80% of the homes were totally destroyed as a result of the fire.

Mr. Roeber stated that on December 3 Merced was declared insolvent. Through good pre-planning and work with the CLO, CIGA was prepared. After data exchanges, CIGA started issuing checks on December 7. It was a tremendous example of transfer of responsibility and really is what the guaranty funds exist to do and why admitted carriers and members of the funds get assessed – so that the funds can be there to provide something for the people that have nowhere else to go. Mr. Roeber noted that CIGA partnered with then CA Insurance Cmsr. Dave Jones to eliminate the inventory requirement and make upfront offers of 80% of the dwelling limits without inventory. If people stated that they don't want to rebuild and could not face going back, they were cashed out. CIGA took on about 200 claims in Paradise and as of today about $\frac{3}{4}$ are completely closed.

Mr. Roeber stated that he knows many carriers have done similar things. Mr. Roeber stressed the importance and capability of guaranty funds. To put in context, Paradise has a population of about 40,000 people and the insured losses totaled around \$20 billion dollars. Mr. Roeber stated that he is proud as the leader of CIGA to highlight the great work it did in helping people throughout this difficult process.

ADJOURNMENT

There being no further business, the Committee adjourned at 3:00 p.m.