PRIVATE FLOOD INSURANCE DATA CALL

Purpose and Definitions

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PURPOSE AND EXPLANATION OF DATA CALL

This data call is intended to provide state regulators with information regarding the size of the private market for flood insurance, particularly as it relates to residential coverage. The size of the private market is of interest due to constraints in federal coverage such as pricing and limits of coverage offered through the National Flood Insurance Program (NFIP), and in order for state regulators, FEMA and the public to understand the growth of the private flood insurance market.

The data call will be split into two parts, in order to collect private flood insurance data for the data years 2018 and 2019. Subsequently, private flood insurance data will be collected through the NAIC Financial Annual Statement beginning in 2021 with 2020 data. The information contained in each submission is considered non-confidential. The NAIC reserves the right to publish the data and insights in any format requested by the state departments of insurance.

Data submitted for the data call should be separated into five parts/exhibits plus an introductory tab for company information. Exhibits are described in detail below.

DESCRIPTION OF PARTS/EXHIBITS

Part 1 | Company Information

NAIC Company Code - The NAIC Cocode for the reporting company. This is a required field. Entries are limited to five digits. Your file will be rejected if left blank. If you have questions or concerns, please contact flooddata@naic.org.

Company Name - Legal name of the insurance company. No commas please.

NAIC Group Code - The NAIC Group code if the carrier is part of a holding company. If not part of a holding company, leave the field blank.

Submission Contact Name - A contact assigned from your company responsible for the submission. Format should be First name last name. No commas please.

Contact Phone Number – XXX-XXX-XXXX or XXXXXXXXXX.

Contact E-mail Address - The email address for the company contact included above. This may be an email account used for distribution if necessary.

Part 2 | Standalone Residential Private Flood Policies. First Dollar

This Exhibit should include data relative to residential policies sold on a standalone basis for the sole purpose of insuring against losses due to flood. May be bundled with other policies but flood coverage should be rated, underwritten and otherwise treated as a separate policy. Coverage should be included for first dollar losses, not contingent to NFIP coverage or amounts over and above NFIP policy limits.

Part 3 | Standalone Residential Private Flood Policies. Excess

This Exhibit should include data relative to residential policies sold on a standalone basis for the sole purpose of insuring against losses due to flood. May be bundled with other policies but flood coverage should be rated, underwritten and otherwise treated as a separate policy. Coverage should be included for amounts over and above NFIP policy limits.

Part 4 | Residential Private Flood Policy Endorsement. First Dollar

This Exhibit should include data relative to residential policies sold as an endorsement for the purpose of insuring against losses due to flood attached to another policy, including but not limited to, homeowners, dwelling or umbrella. This differs from data collected through the Market Conduct Annual Statement as it includes all endorsements in one place. MCAS collects separately on homeowner’s policy endorsements and all other policy endorsements. Coverage should be included for first dollar losses, not contingent to NFIP coverage or amounts over and above NFIP policy limits.

Part 5 | Residential Private Flood Policy Endorsement. Excess

This Exhibit should include data relative to residential policies sold as an endorsement for the purpose of insuring against losses due to flood attached to another policy, including but not limited to, homeowners, dwelling or umbrella. This differs from data collected through the Market Conduct Annual Statement as it includes all endorsements in one place. MCAS collects separately on homeowner's policy endorsements and all other policy endorsements. Coverage should be included for amounts over and above NFIP policy limits.

Part 6 | Commercial Private Flood Policy Endorsement. First Dollar and Excess

This Exhibit should include data relative to commercial policies sold both as stand-alone coverage and as an endorsement to any underlying policy for the purpose of insuring against losses due to flood. This differs from data collected through the Market Conduct Annual Statement as it includes coverage offered under commercial policies. These amounts should include policies offered as first dollar coverage as well as excess to NFIP policy limits.

COMMON DEFINITIONS

Private Flood Insurance is coverage that insures commercial and residential property against the peril of flood, not offered through the National Flood Insurance Program. This includes creditor-placed/lender-placed/force-placed policies.

Standalone Policy: private flood coverage sold as an individual policy or as a policy bundled with other policies.

Endorsement: private flood coverage sold as an endorsement to another policy. If a rider, endorsement or floater acts like a separate policy with separate premium, deductible and limit, then it is to be recorded on the same annual statement line as if it were a stand-alone policy regardless of whether it is referred to as a rider, endorsement or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement or floater should be reported on the same annual statement line as the base policy.

Creditor-placed (also known as lender-placed and force-placed insurance): insurance that is placed by the lender subsequent to the date of the credit transaction, providing coverage against loss, expense or damage to collateralized property as a result of fire, theft, collision or other risks of loss that would either impair a creditor's interest or adversely affect the value of collateral covered by limited dual-interest insurance. It is purchased by the lender according to the terms of the credit agreement as a result of the borrower's failure to provide required insurance, with the cost of the coverage being charged to the borrower. It may be either single-interest insurance or limited dual-interest insurance.[1]

For Residential Policies, Standalone and Endorsements, First Dollar and Excess, please include flood policies covering the following property types:

- Mobile/manufactured homes intended for use as a dwelling
- Individual unit condo coverage
- Single family homes
- Residential structures including four or fewer family units

Exclude:

- NFIP policies
- Sewer/water backup coverage issued as an endorsement to a homeowners or residential policy.
- Private flood written on a surplus lines basis (subject to the separate flood data collection conducted through the International Insurers Department—IID).

[1] NAIC Financial Annual Statement Instructions, 2020 Property Casualty, Line of Business Definitions.

For <u>Commercial</u> Policies, Standalone and Endorsements, First Dollar and Excess, please include flood policies covering the following property types:

- Non-residential coverage
- Commercial coverage including, but not limited to;
    - Allied lines
    - Businessowners policies
    - Commercial general liability
    - Condo master policies

Exclude:

- NFIP policies
- Sewer/water backup coverage issued as an endorsement to a commercial policy.
- Private flood written on a surplus lines basis (subject to the separate flood data collection conducted through the International Insurers Department—IID).

DATA ELEMENTS CONTAINED IN PARTS 2 THROUGH 6

Direct Written Premium

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract.[2] Amounts should be consistent with the amount reported on the NAIC Annual Financial Statement Exhibit of Premiums and Losses. This includes direct premium written during the calendar year specified (2018 for the first reporting year). Premiums reported should be gross, including policy and membership fees, less return premiums and premiums on policies not taken. Premiums may include new and renewal policies. If premium is refunded or additional premium is written during the reporting period (regardless of the applicable policy effective date) the net effect should be reported. Reporting shall not include premiums received from or losses paid to other carriers on account of reinsurance assumed by the reporting carrier, nor, shall any deductions be made by the reporting carrier for premiums added to or for losses recovered from other carriers on account of reinsurance ceded. Decimals are allowed, no symbols such as dollar signs please.

Direct Premium Earned

Earned premium may be pro-rated daily or monthly, accounting for the portion of expired premiums under the contract. Additional premiums charged to policyholders for endorsements or changes in coverage under the contract shall be recorded on the effective date and accounted for in a manner consistent with the expiration of the initial premium charged pursuant to the policy contract.[3] Amounts should be consistent with the amount reported on the NAIC Annual Financial Statement Exhibit of Premiums and Losses. This includes direct premium earned during the calendar year specified (2018 for the first reporting year). Premiums reported should be gross, including policy and membership fees, less return premiums and premiums on policies not taken. Reporting shall not include premiums received from or losses paid to other carriers on account of reinsurance assumed by the reporting carrier, nor, shall any deductions be made by the reporting carrier for premiums added to or for losses recovered from other carriers on account of reinsurance ceded. Decimals are allowed, no symbols such as dollar signs please.

Direct Losses Paid (Deducting Salvage)

Direct losses paid should include losses paid less salvage, not including reserves or unpaid claim amounts. Amounts should be consistent with the amount reported on the NAIC Annual Financial

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[2] Statement of Statutory Accounting Principles No. 53. Property Casualty Contracts—Premiums.
[3] Statement of Statutory Accounting Principles No. 53. Property Casualty Contracts—Premiums.

Statement Exhibit of Premiums and Losses. Policies may include per-occurrence or claims-made. Decimals are allowed, no symbols such as dollar signs please.

Direct Losses Incurred (modified to accommodate concerns regarding granularity of reserves)

Direct losses incurred should include losses incurred during the reporting year, including amounts held in case reserve but not including IBNR. Decimals are allowed, no symbols such as dollar signs please.

Direct Losses Unpaid

Amounts should include liability for reported losses, expected payments for losses relating to insured events that have occurred and have been reported to, but not paid by, the reporting entity as of the statement date. Amounts should exclude liability for defense and cost containment (DCC) paid or held for in reserves. Decimals are allowed, no symbols such as dollar signs please.

Defense and Cost Containment Expense Paid

Defense and cost containment expense paid should include only those amounts actually paid during the reporting year. Amounts should be consistent with the amount reported on the NAIC Annual Financial Statement Exhibit of Premiums and Losses. DCC include defense, litigation, and cost containment expenses, whether internal or external. DCC include, but are not limited to, the following items:

- Surveillance expenses
- Litigation management expenses
- Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim;
- Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- The cost of engaging experts[4]

Decimals are allowed, no symbols such as dollar signs please.

Defense and Cost Containment Expense Incurred

Defense and cost containment expense incurred should include expenses incurred during the reporting year, including amounts held in reserve. Amounts should be consistent with the amount reported on the NAIC Annual Financial Statement Exhibit of Premiums and Losses. DCC

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[4] Statement of Statutory Accounting Principles No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses

include defense, litigation, and cost containment expenses, whether internal or external. DCC include, but are not limited to, the following items:

- Surveillance expenses
- Litigation management expenses
- Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim;
- Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- The cost of engaging experts[5]

Decimals are allowed, no symbols such as dollar signs please.

Defense and Cost Containment Expense Unpaid

Amounts should include liability for DCC of reported losses. Reported losses are expected payments for losses relating to insured events that have occurred and have been reported to, but not paid by, the reporting entity as of the statement date. Amounts should only include those amounts held in reserve for DCC. DCC include, but are not limited to, the following items:

- Surveillance expenses
- Litigation management expenses
- Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim;
- Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- The cost of engaging experts[6]

Decimals are allowed, no symbols such as dollar signs please.

Number of Policies In Force End of Prior Year

Amounts should include a count of policies in effect as of Dec. 31 of the prior reporting year. Only whole numbers will be accepted, no decimals please.

Number of Policies In Force End of Current Year

Amounts should include a count of policies in effect as of Dec. 31 of the current reporting year. Only whole numbers will be accepted, no decimals please.

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[5] Statement of Statutory Accounting Principles No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses

Number of Claims Open Beginning of Current Year

Number of claims open as of Jan.1 of the current reporting year. Only whole numbers will be accepted, no decimals please.

Number of Claims Opened During the Reporting Year

Number of claims opened at any time during the current reporting year. This number includes claims opened throughout the year regardless of whether they were closed. Only whole numbers will be accepted, no decimals please.

Number of Claims Open End of Current Year

Number of claims open as of 12/31 of the data reporting year. Only whole numbers will be accepted, no decimals please.

Number of Claims Closed with Payment

Amounts should include claims closed with payment where the claim was closed during the reporting period (calendar year 2018 or 2019 depending on data year included in the submission) regardless of the date of loss or when the claim was received. For claims where the net payment is $0 due to subrogation recoveries, report the number of claims in which any amount was paid to the insured; do not net the payment with subrogation recoveries when counting the number of paid claims. Please EXCLUDE:

- If a claim is reopened for the sole purpose of refunding the insured’s deductible, do not count it as a paid claim.
- If claims were paid for company loss adjustment expenses and no payment is made to the insured/claimant, do not count it as a paid claim.
- If claims are closed because the amount claimed is below the insured’s deductible, do not count it as a paid claim.

Only whole numbers will be accepted, no decimals please.