

TO: Property and Casualty Insurance (C) Committee

FROM: NAIC Staff

DATE: April 28, 2020

SUBJECT: Report on Private Flood Insurance Data

The purpose of this report is to inform the Property and Casualty Insurance (C) Committee about the information filed by insurers regarding private flood insurance within the Property and Casualty Annual Statement for 2019. Private flood insurance data was previously reported under Allied Lines (Line 2.0) within the State Page but began to be reported separately on Line 2.5 with the filing of the 2016 Annual Statement data. The report will also address some shortcomings in the data collection process and make some suggestions for future actions.

**Overview**

Floods continue to be the most costly natural disaster in the United States. While the National Flood Insurance Program (NFIP) is the main source of flood insurance coverage, more sophisticated risk assessment and modeling have developed in recent years enabling the private market to more accurately price the risk and generating new interest among private insurers to provide such coverage.

State insurance regulators support facilitating increased private sector involvement in the sale of flood insurance as a complement to the NFIP to help provide consumers with more choices and additional coverage features potentially at more affordable prices.

As the private flood insurance market grows and more companies offer coverage, state insurance regulation will continue to evolve to meet the size and breadth of the market as well as the needs of consumers. In recognition of this growing market, state insurance regulators, through the NAIC, developed a requirement for insurers to include a line item in their Annual Statement highlighting their private flood insurance activity. This data will provide state insurance regulators with an overview of the size of the private flood insurance market and provide insights into the market as it grows. Future proposed revisions to the Annual Statement are explained later in this memo.

 **Data Filed on the Annual Statement**

The State Page requires the following information on private flood policies to be filed on a state-by-state basis:

* Direct Premiums Written
* Direct Premiums Earned
* Dividends Paid or Credited to Policyholders on Direct Business
* Direct Unearned Premium Reserves
* Direct Losses Paid (deducting salvage)
* Direct Losses Incurred
* Direct Losses Unpaid
* Direct Defense and Cost Containment Expense Paid
* Direct Defense and Cost Containment Expense Incurred
* Direct Defense and Cost Containment Expense Unpaid
* Commissions and Brokerage Expenses
* Taxes, Licenses and Fees

**Data Findings**

The initial results of the 2019 private flood insurance filings indicate over 140 insurers wrote private flood insurance in 2019, up from around 120 in 2018, 90 insurers in 2017 and 50 in 2016.

Totals for prior years are reported in this report differently than in prior reports. See the section titled “Caveats” for an explanation. The total direct premium written in states and territories was approximately $523 million in 2019, compared to $420 million in 2018, and $390 million in 2017. States saw a 154% growth in private flood insurance written premium from 2016 to 2019, with nearly all states experiencing over 100% growth.

Direct earned premium reported was $465 million in 2019. Having less earned premium than written premium is indicative of a growing market. For perspective, the NFIP had approximately $3.3 billion in earned premium in 2018.

Fifteen companies wrote over $10 million in private flood insurance in 2019, up from 13 in 2018, while 37 companies wrote at least $1 million in 2019, up from 34 in 2018. The top individual company wrote 13% of all business, down from 16% in 2018. The top ten insurers wrote over 64% of all business in 2019, slightly less than in 2018.

The national pure loss ratio (direct loss incurred/direct premium earned) was 28% in 2019, compared to 35% in 2018. State loss ratios ranged from less than 1% to over 500%. The largest loss ratios were in jurisdictions that experienced large floods in 2019: Nebraska, Missouri, Oklahoma, Wisconsin, and Iowa.

**Private Flood Insurance, Premium Written 2016-2019**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **State** |  **Direct Premium Written 2019**  |  **Direct Premium Written 2018**  |  **Direct Premium Written 2017**  |  **Direct Premium Written 2016**  |  **Percent Change Premium Written 2018 to 2019**  |  **Percent Change Premium 2016 to 2019**  |
| **AK** | **$733,694** | **$456,165** | **$710,592** | **$363,020** | **61%** | **102%** |
| **AL** | **$6,175,422** | **$4,204,498** | **$4,097,525** | **$2,072,373** | **47%** | **198%** |
| **AR** | **$3,161,373** | **$1,851,158** | **$1,827,542** | **$669,848** | **71%** | **372%** |
| **AS** | **$409** | **$0** | **$0** | **$0** |  |  |
| **AZ** | **$8,944,398** | **$8,058,005** | **$6,311,582** | **$2,440,120** | **11%** | **267%** |
| **CA** | **$59,230,476** | **$48,716,733** | **$41,342,096** | **$23,323,982** | **22%** | **154%** |
| **CO** | **$8,256,012** | **$4,655,145** | **$4,302,480** | **$2,246,160** | **77%** | **268%** |
| **CT** | **$6,814,606** | **$6,021,468** | **$5,240,603** | **$3,384,828** | **13%** | **101%** |
| **DC** | **$1,440,768** | **$1,143,596** | **$1,241,085** | **$691,575** | **26%** | **108%** |
| **DE** | **$1,542,424** | **$1,369,255** | **$1,190,084** | **$493,124** | **13%** | **213%** |
| **FL** | **$88,352,222** | **$65,385,887** | **$71,926,024** | **$36,315,229** | **35%** | **143%** |
| **GA** | **$11,356,978** | **$8,362,411** | **$8,388,616** | **$3,860,484** | **36%** | **194%** |
| **GU** | **-$3,604** | **$17,738** | **$31,305** | **$0** | **-120%** |  |
| **HI** | **$5,370,731** | **$2,947,861** | **$3,641,582** | **$2,398,190** | **82%** | **124%** |
| **IA** | **$3,148,917** | **$2,373,115** | **$2,100,885** | **$939,559** | **33%** | **235%** |
| **ID** | **$1,740,654** | **$1,177,889** | **$1,085,298** | **$728,143** | **48%** | **139%** |
| **IL** | **$14,486,502** | **$9,583,150** | **$8,741,486** | **$2,854,433** | **51%** | **408%** |
| **IN** | **$6,272,566** | **$4,089,407** | **$4,112,701** | **$2,227,211** | **53%** | **182%** |
| **KS** | **$3,722,424** | **$2,517,647** | **$2,417,887** | **$1,116,098** | **48%** | **234%** |
| **KY** | **$7,070,391** | **$2,867,987** | **$2,747,999** | **$1,261,315** | **147%** | **461%** |
| **LA** | **$14,665,268** | **$12,481,175** | **$10,659,416** | **$4,663,623** | **17%** | **214%** |
| **MA** | **$11,528,999** | **$11,503,188** | **$10,023,679** | **$5,238,783** | **0%** | **120%** |
| **MD** | **$5,706,648** | **$5,184,225** | **$3,956,899** | **$2,366,532** | **10%** | **141%** |
| **ME** | **$1,510,503** | **$1,230,202** | **$1,044,042** | **$1,140,991** | **23%** | **32%** |
| **MI** | **$7,572,956** | **$5,333,956** | **$4,420,140** | **$1,495,522** | **42%** | **406%** |
| **MN** | **$4,557,746** | **$3,056,080** | **$2,943,051** | **$1,393,694** | **49%** | **227%** |
| **MO** | **$5,781,100** | **$5,903,307** | **$5,421,485** | **$2,519,193** | **-2%** | **129%** |
| **MP** |  | **$0** | **$0** | **$0** |  |  |
| **MS** | **$3,929,809** | **$2,910,699** | **$2,793,900** | **$1,275,756** | **35%** | **208%** |
| **MT** | **$828,503** | **$758,878** | **$652,391** | **$302,566** | **9%** | **174%** |
| **NC** | **$10,171,284** | **$8,318,046** | **$7,379,256** | **$3,603,422** | **22%** | **182%** |
| **ND** | **$694,503** | **$704,772** | **$554,712** | **$307,520** | **-1%** | **126%** |
| **NE** | **$2,380,408** | **$2,085,226** | **$1,363,592** | **$471,233** | **14%** | **405%** |
| **NH** | **$1,457,279** | **$1,047,287** | **$881,648** | **$319,395** | **39%** | **356%** |
| **NJ** | **$27,176,563** | **$22,956,942** | **$19,006,062** | **$8,964,469** | **18%** | **203%** |
| **NM** | **$2,706,083** | **$1,585,113** | **$1,353,377** | **$472,615** | **71%** | **473%** |
| **NV** | **$3,651,919** | **$3,037,955** | **$3,199,731** | **$1,342,137** | **20%** | **172%** |
| **NY** | **$42,085,797** | **$34,263,872** | **$33,106,579** | **$21,334,173** | **23%** | **97%** |
| **OH** | **$10,512,806** | **$8,452,465** | **$7,631,914** | **$2,806,824** | **24%** | **275%** |
| **OK** | **$4,041,875** | **$2,317,432** | **$2,664,130** | **$910,087** | **74%** | **344%** |
| **OR** | **$6,053,109** | **$3,987,629** | **$2,986,831** | **$1,277,509** | **52%** | **374%** |
| **PA** | **$15,252,227** | **$10,576,515** | **$9,460,411** | **$4,112,366** | **44%** | **271%** |
| **PR** | **$568,697** | **$21,067,895** | **$18,856,123** | **$18,717,913** | **-97%** | **-97%** |
| **RI** | **$1,818,492** | **$1,621,319** | **$1,528,962** | **$549,775** | **12%** | **231%** |
| **SC** | **$14,681,383** | **$9,699,213** | **$9,584,031** | **$7,519,711** | **51%** | **95%** |
| **SD** | **$558,429** | **$375,113** | **$325,147** | **$222,703** | **49%** | **151%** |
| **TN** | **$7,702,168** | **$5,343,827** | **$4,346,069** | **$2,103,754** | **44%** | **266%** |
| **TX** | **$49,027,163** | **$37,149,608** | **$33,122,112** | **$14,081,217** | **32%** | **248%** |
| **UT** | **$2,072,264** | **$1,755,704** | **$1,495,392** | **$794,551** | **18%** | **161%** |
| **VA** | **$10,152,262** | **$5,685,468** | **$5,824,289** | **$1,828,678** | **79%** | **455%** |
| **VI** | **$322,270** | **$22,078** | **$43,054** | **$122,374** | **1360%** | **163%** |
| **VT** | **$585,711** | **$489,548** | **$334,370** | **$163,608** | **20%** | **258%** |
| **WA** | **$8,729,057** | **$7,796,452** | **$6,900,133** | **$4,112,747** | **12%** | **112%** |
| **WI** | **$4,537,869** | **$3,300,764** | **$2,485,586** | **$1,002,919** | **37%** | **352%** |
| **WV** | **$1,733,021** | **$1,268,229** | **$1,259,779** | **$883,632** | **37%** | **96%** |
| **WY** | **$921,378** | **$638,402** | **$625,382** | **$442,129** | **44%** | **108%** |
|  |  |  |  |  |  |  |
| **Total** | **$523,492,912** | **$419,707,699** | **$389,691,047** | **$206,249,813** | **25%** | **154%** |

**As reported on Property & Casualty Annual Statement Blank,**

**State Page, as of April 1, 2019**

**Caveats**

A large commercial writer had previously reported on the Private Flood line of the State Page. This data was included in totals in prior iterations of this report for data years 2016, 2017 and 2018, That insurer did not report data on the Private Flood line in 2019 as it felt its writings should not be included under the Private Flood line because its policies were “all-risk” and not specific to the flood peril. In order to show meaningful comparisons, that company’s data was removed for years 2016, 2017 and 2018.

It is important to understand a number of limitations within the Annual Statement data. The reported information is limited to only those insurers required to file a Property and Casualty Annual Statement with the NAIC. Insurers doing business as non-licensed or non-admitted insurers are known as surplus lines insurers. They serve as an alternative marketplace to provide coverage for unique exposures and often serve as a testing ground for product innovations before they are written by the admitted market. Domestic and foreign insurers are required to file the Annual Statement as they are considered an admitted insurer in at least one state. Alien insurers, which are domiciled outside the U.S., can choose to be licensed or admitted in one or more states if they become a U.S. branch. If they do choose to be licensed or admitted, they must file an Annual Statement. Premium writings by alien surplus lines insurers on the NAIC’s *Quarterly Listing of Alien Insurer,* began to be collected for private flood data as of year-end 2019.

**Future Analysis of the Private Flood Market**

A proposal from the Property and Casualty Insurance (C) Committee is currently before the Blanks (E) Working Group that would significantly expand the collection of private flood insurance data. This Private Flood Supplement would differentiate between commercial and residential private flood coverage and would separate first-dollar from excess and standalone from endorsement policies. If adopted, that new Supplement would be required in 2021, collecting 2020 data. In the meantime, all states and the District of Columbia have embarked on a data call that would collect data similar to what would be collected in the Private Flood Supplement. This data was to be due to states in June 2020, but due to insurer and state regulator responsibilities in responding to the COVID-19 pandemic, the due date for data submission was pushed back to Aug. 15, 2020. Analysis of this more granular data will be included in future versions of this report.

**Conclusion**

This report summarizes findings within the fourth submission of private flood insurance data. Information obtained from the alien surplus lines insurers will provide a more complete picture of the U.S. private flood insurance market. The quality of the data collected should also improve in subsequent years as additional data points are collected. It is expected the private flood insurance market will continue to grow, first in the surplus lines market, and then in the admitted market. Having more complete and accurate data will provide regulators with important insight into the private market as it grows.

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