

August 26, 2022

Bryan Falcone
Federal Insurance &
Mitigation Administration
500 C St SW
Washington, DC 20472

RE: Federal Emergency Management Agency
National Flood Insurance Program
Request for Information Response
via email

Dear Mr. Falcone:

The undersigned organizations, representing agents, brokers, Write-Your-Own (WYO), and private insurance writers respectfully submit this response to your “request for information” (RFI) that was sent to a subset of these stakeholders in mid-July with an August 4 deadline for responses. We understand that the deadline for responses was extended to August 26, 2022, and our comments on the “Direct to Customer” (D2C) virtual proposal and some responses to the questions posed are below.

The insurance industry partners that work with the National Flood Insurance Program (NFIP) continue to support efforts to modernize the program. While the program was established by federal legislation in 1968, as stated in the RFI, many aspects of the program have not changed significantly since the program was administered by department of Housing and Urban Development, before FEMA was even formed.

FEMA has made great progress in recent years by putting the “customer experience” first, following years of complex claims issues. The organizations listed and their members have publicly supported and absorbed (without additional reimbursement) the significant cost, the recent move to Risk Rating 2.0 (RR2.0), as a more modern, and fiscally responsible method to price and underwrite flood risk. We have also worked closely with the NFIP on modernizing the policy language to keep up with the marketplace that, once implemented, will provide consumers with more options and protections against the most common catastrophe peril in our country, flood loss. This support has required significant commitments on the part of the NFIP, the agents, and the WYOs to test, learn, and promote. Insurers and agents have done so, including providing input to ensure that the product and the experience benefit consumer and business policyholders.

Still, with all the modernization that has taken place, and even when contemplating such a program as the D2C, this is still a misunderstood product offering, a complex protection product, and the source of more claims issues than almost any other product offered by the private insurance sector.

There are also statements made in the request document that require correction. For example, the first sentence in the third paragraph of the “background” section states that “Flood insurance has been sold in the same manner since the program’s inception.” While indeed, it has been sold by insurance agents, the WYO program, mentioned in the second paragraph, was not established until 1983 and the first insurers became part of that program in 1984. The addition of insurance company partners through this program significantly increased the number of policyholders in the program. This is important as it is the companies and the agent system that caused the program to grow.

Another needed correction is in the same paragraph. The sentence beginning with “Flood insurance remains behind the times, leading to potential customer frustration...” asserts at its end that there is for that reason the “inability to protect one’s home or business.” The insurance industry has partnered with and supported most every twist and turn taken in the program, whether through congressionally required changes or administrative and regulatory changes that we have helped implement over most of the last 50+ years. This partnership sustains customers’ “ability to protect one’s home or business.”

The goal of our industry, and we believe it aligns with that of the NFIP, is to help consumers protect what matters most – their homes, businesses, and communities. While there are approximately 4.5 million NFIP policyholders, we understand that more than 40 million properties are at risk of moderate to severe flooding. We all want to make sure more property owners are protected against devastating floods, and one just needs to look at the recent events in Kentucky where very few properties were insured against flood loss, and to the Dallas/Ft. Worth, Texas area to understand that there is a significant amount of work to be done.

More also needs to be done to address mitigation and resiliency. Climate change impacts are significant, and we all need to do more to reduce its impact by building resilient properties and communities.

There are a number of ways that digital sales and service can be used, and in fact are used daily by agents and companies. However, to improve resilience, interaction with agent or company personnel is critical. Property owners need to understand the specific benefits of actions taken, and agent/company staff need to make sure that those steps have been completed.

Agents/companies currently use a number of D2C tools such as rating systems, insurer portals and other electronic information to assess risk. Agents and insurers are used to combining expertise in the industry with the digital tools. Agent/company websites are often utilized by insureds and can be helpful to allow insureds to ask specific questions, understand policy wording or billing. However, systems should provide personal/hands-on assistance when appropriate. Also, digital systems are often used to successfully to advertise products.

There are times when the insured’s online experience can be frustrating as well and result in purchasing the wrong coverage, being underinsured, and result in an unhappy customer service experience. So, utilizing such a system would still likely require a number of personal agent/company interactions

Many insurers have completed digital direct to consumer pilot programs but simply due to the complexity of the product the vast majority of property owners felt it necessary to speak to someone before purchasing.

There are ways in which the NFIP can partner with agents in order to move digitally that would not only meet the NFIP mission of modernization but that would also benefit customers with agents' engagement in flood insurance. The first is by making tools for agents to service. For example, links for insureds to go and pay premiums online, some of which already exist with some WYO companies. Another is to make a policy portal where insureds can request an endorsement for the agent to process. And finally, a better connection between the lending community and the agent/insured, where a digital platform could allow a lender or servicer to pay online or ask for endorsements as well. However, note that all these processes could be utilized for "existing" policyholders, not for the initial sale.

Customer portals would need to be designed, thoroughly tested, and agents and insurers would need access to all information and data submitted for verification and correction. The agent would also need additional errors and omissions protections should there be errors that were not able to be corrected before a loss.

Potential customer and policyholder equity is another issue. Are all consumers digitally proficient? Recent figures show that as many as 42 million households do not have broadband internet access. How do you reach those that are not and address the problems associated with this potentially large segment of the population?

Even with a "mandatory purchase requirement," a major concern is that if there is little or no agent/company involvement initially to write the policy – what can be expected? Will/can the customer be adequately served given the several points we have already made? Will the customers have a better shot at understanding their flood coverage, pricing and more? Currently the "mandatory purchase requirement" is helpful, but many more policies are being sold or renewed due to the agent/company working with the lender and the policyholder. If the NFIP leaves the agent/company out of the sales process by going digital, important relationships will be lost.

Using a digital process would mean that there would not likely be a recommendation or encouragement to purchase flood insurance. Even if there is a statement or a request to consider the policy digitally, would the consumer just "click-through"? Most agents and companies still struggle with the compensation related to this product, and such a move would result in even less policies when the opposite is the goal!

FEMA should focus on how to make process with the agent or company operate more smoothly and a digital environment could help. For example, there is an online widget for the insured to access on the agent's website. The customer enters in some basic information, and gets an indication, but NOT the actual quote. The agent/company is alerted and reaches out to the insured to finalize the quote and check the information that was entered. This gives the agent the ability to advise the coverages available through the NFIP as well as other lines a customer might consider.

Finally, the state regulatory system includes rules and regulations regarding the sales and service of insurance products. Compliance will be necessary as the sales process is still one of the areas that is still completely regulated at the state level. Certainly, state regulation should not be disregarded.

As described above, the organizations listed believe that there are a number of improvements that can be made to further encourage consumers to purchase flood protection, help protect properties and streamline the process short of trying to sell this complex and misunderstood product. We look forward to exploring this issue further with you and all the stakeholders that should be involved as

we work together to prevent catastrophic loss and suffering due to significant flooding that is increasing devastation due to development and our changing climate.

Respectfully submitted by the following organizations:

American Property Casualty Insurance Association (APCIA)
Council of Insurance Agents and Brokers (CIAB)
Independent Insurance Agents and Brokers of America (IIABA)
Write-Your-Own Flood Insurance Coalition