

**2019 NAR DISASTER POLICY WORK GROUP**  
**FINAL REPORT**

**Purpose:**

- Review NAR’s public policy positions and research on the broader range of federal disaster programs beyond flood insurance;
- Consider novel or emerging issues, including sea level rise, “all disaster perils” insurance and the potential for a Carfax-like disclosure for homes; and
- Report to the Insurance Committee with any findings and recommended changes to NAR policy and/or the Committee’s purpose in order to address issues other than flood insurance.

**NAR Policy Recommendations:** The Work Group reviewed NAR’s disaster policy principles as adopted by the Board of Directors in May 2019, and recommends no changes at this time.

**Other Recommendations & Findings:**

- **Continue to monitor and investigate FEMA Risk Rating 2.0**, which would modernize how the National Flood Insurance Program (NFIP) develops insurance rates and has the potential to be one of the most significant reforms in the program’s history. The Work Group met with FEMA to learn more about Rate 2.0 but unfortunately, the new methodology was still under development. FEMA is requesting NAR member input and offering to provide a full briefing as soon as the new methodology and rates can be released. The Work Group cannot overstate the importance of Rate 2.0 to NAR members, and recommends remaining engaged on this far-reaching FEMA initiative.
- **Enhance the natural disaster legal resources available to NAR members.** NAR members are increasingly fielding client questions regarding the disclosure of natural disaster risks and the availability of property insurance. The Work Group discussed recent legal research on state laws as well as several novel approaches to enhance flood risk disclosures. The Group also reviewed NAR’s window to the law video on flood risk and met with FEMA to collaborate on additional resources for NAR members and their clients. NAR should continue to build on the resources available for NAR members and their clients.
- **Review the Insurance Committee’s purpose to ensure it accurately reflects the work of the committee.** Over the past few years, the Insurance Committee has been addressing issues of resiliency in addition to insurance. For example, the Committee has successfully developed several NAR policy positions on NFIP’s mapping and mitigation programs, which do relate to insurance but are not insurance products in and of themselves. Yet currently, the scope of the Committee’s charge technically only speaks to NFIP’s insurance component. In order to fully represent and advance NAR member interests, the Work Group believes that the Committee’s purpose should be clarified to include both insurance and related issues such as resiliency.

**Meeting Topics:**

- Improving Real Estate Disclosures – Several speakers briefed the Work Group on various projects to educate consumers and strengthen the datasets available about disaster risks. NAR recently released a Window to the Law video on flood insurance and disclosures. The Wharton Risk Center is conducting a pilot program to provide property-level disaster cost information to homeowners in North Carolina. The First Street Foundation is building a nationwide website that will enable users to input a property address and see how the property’s appreciation has

been affected by sea level rise and/or flooding. Both groups are requesting NAR's help in messaging and improving the usefulness of the information to NAR members and their clients.

- Closing the Insurance Gap – Last November, NAR and FEMA signed a memorandum of agreement (MOA) to jointly educate consumers about disasters and close the insurance gap. The Work Group met with FEMA to explore and flesh out the nature of agency's collaboration with NAR. Discussions included co-developing brochures, Q&As, door hangers, stickers and FEMA briefings at local and state Realtor® association meetings. The Work Group believes that this is an important collaboration worth continuing next year.
- National Flood Insurance Rates 2.0 – As discussed above, FEMA is currently in the process of modernizing NFIP's insurance pricing methodology to better align the rates to property specific flood risk. The Work Group met with FEMA and its actuarial consultants to learn more about the new methodology. Work Group members had a number of questions and concerns about how the rate changes could affect coastal versus inland communities but the new methodology, rates and analysis were not available at the time of this report. FEMA is requesting NAR member input once cleared to brief Congress early next year. In the interim, NAR's chief executive David Maurstad will be addressing the Insurance Committee at the November 2019 meeting in San Francisco, CA.
- Terrorism Risk Insurance Act (TRIA) Program – Several insurance executives introduced the Work Group to the program, its mission and history, how it is currently structured as well as on-going reform discussions in Congress. The TRIA program is up for reauthorization at the end of 2020. The Insurance Committee should dig further into this program.
- State Disaster Insurance Law Research– The Milliman consulting firm presented their research on how 50 states each address natural disaster insurance issues. Bottom line: Most states default to their homeowners insurance regulations, which may adequately address most perils (i.e., fire, theft, etc.) but not the two typically excluded from the standard homeowners policy (earthquakes and floods). Milliman highlighted particular rules in over a dozen states that either encourage or discourage insurance companies from entering the state and assuming more of the disaster risk. This NAR-sponsored research has been presented to both the National Council of Insurance Legislators and the National Association of Insurance Commissioners, which are both working on state best practices guidance and potentially model legislation.
- Future Development of Disaster Zones – The Work Group met with several speakers to learn more about how property owners and communities are coping with issues of sea level rise and flooding. A property owner shared his experience with building a home above-code in Mexico Beach, FL; his building was one of the few to withstand the devastation of Hurricane Michael. An association executive talked about his time in state and local government helping property owners with homes substantially damaged by disasters and facing cost prohibitive retrofits due to the lack of hazard mapping or higher building standards. Finally, two local officials reported on how the nearby community they represent is currently dealing with high tide flooding on sunny days and trying to make the best of a difficult situation. The briefing offered a cautionary tale for other communities who do not adapt, should the seas continue to rise as projected. This is an area where the Committee should have additional discussion.

**Meeting Dates:** May 1; June 2-4; August 1; October 29; and Nov. 7, 2019

**Speakers:**

- Paul Huang, NFIP Assistant Administrator for Federal Insurance
- Tony Hake, Director, NFIP Product Services Division, FEMA
- Butch Kinerny, Chief, NFIP Marketing and Outreach

- Matt Behnke, Senior Advisor, FEMA
- Howard Kunreuther, Co-Director, Wharton Risk Management Center
- John Dorman, Owner, John Dorman Consulting
- Matt Eby, Executive Director, First Street Foundation
- Steven McAlpine, Head of Data Science, First Street Foundation
- Jeremy Porter, Data Consultant, First Street Foundation
- Dr. LeBron Lackey, Homeowner of “The Sand Castle” of Mexico Beach
- Terry O’Neill, Director of Community Development, City of Hampton
- Dennis Burke, Vice President, Reinsurance Association of America
- Evan Hecht, Founder & CEO, The Flood Insurance Agency
- Nancy Watkins, Principal & Actuary, Milliman Inc.
- Matt Chamberlain, Actuary, Milliman Inc.
- Chad Berginnis, Executive Director, Association of State Floodplain Managers
- Deanne Rymarowicz, NAR Associate Counsel

**Work Group Members:**

Greg Larson (ND) – Chair  
 Melanie Barker (CA) -- Liaison  
 Brandi Gabbard (FL)  
 Mark Ashworth (NV)  
 Ted Oatts (OH)  
 Mabel Guzman (IL)  
 Donna Smith (SC)  
 Nathan Hughes (VA)  
 Eileen Oldroyd (CA)  
 Laura Crowther (SC)  
 Ken Austin (MS)  
 David McKey (LA)  
 Steven Fischer (GA)  
 Dutch Dechert (NJ)  
 Susan Gaston (VA)