

Report of the Availability Subcommittee to the Federal Advisory Committee on Insurance

May 28, 2021

The Availability Subcommittee has met several times since the last FACI meeting. We've discussed three topics:

1. Reform of the National Flood Insurance Program
2. Addressing Systemic Racism in Insurance
3. Availability / Affordability Studies

The subcommittee asks the FACI's consideration of the following two recommendations to FIO regarding availability / affordability studies:

1. FACI recommends FIO update its 2017 study of auto insurance affordability.
2. FACI recommends FIO study the availability and affordability of residential property insurance.
3. FACI recommends that FIO prioritize updating the 2017 study of auto insurance affordability.

Discussion:

FIO has a mandate to “to monitor the extent to which traditionally underserved communities and consumers, minorities (as such term is defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note)), and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance, except health insurance.”

To date, FIO has published one study of access to affordable insurance – the 2017 *Study on the Affordability of Personal Automobile Insurance*. The study “relied upon data with ZIP Code level vehicle counts and premium data for most states for many (but not all) policies in the voluntary market written at the applicable state FR Limits, with policy inception dates between July 1, 2014 and June 30, 2015.”

The subcommittee believes the personal auto insurance affordability study should be updated to reflect more recent experience.

The subcommittee discussed including any additional recommendations regarding changes in methodology, but concluded that updating the study using the same methodology as the original study would be faster and permit easier comparison of results. The subcommittee is always available to FIO for feedback on methodology or proposed changes to methodology.

The subcommittee also recommends that FIO study the availability and affordability of residential property insurance both because of the key role property insurance plays in the economic development of individuals and communities, but also because of a variety of challenges faced by insurers offering or wanting offer residential property insurance including:

- Growth in natural catastrophe risk exposure from a variety of factors, including climate change;
- Greater awareness of the impact of systemic racism on the availability and affordability of property insurance; and
- Federal agency actions impacting residential property insurance markets, including the NFIP, financial regulators' private flood rules and HUD's disparate impact rule.

The subcommittee discussed including any additional recommendations regarding the methodology for the residential property insurance study, but, again, decided to be available to FIO for feedback on proposed methodology

While the subcommittee believes it is a high priority for FIO to develop a study of the availability and affordability of residential property insurance, the subcommittee recommends FIO prioritize an update to the auto insurance availability study.

Race and Insurance

The subcommittee devoted several meetings to our ongoing discussions of how to identify and address systemic racism in insurance. Our meetings used recent action by the National Conference of Insurance Legislators as a focal point. NCOIL adopted a definition of proxy discrimination some members of the subcommittee believe will block meaningful efforts to address racial bias in insurance. The subcommittee heard presentations, but has not developed any recommendations to date. Attached are comments from the Center for Economic Justice, the American Property Casualty Insurance Association and Professors Anya Prince and Daniel Schwarcz to provide the FOCI with the materials the subcommittee has reviewed to date.

Reform of the NFIP

The subcommittee discussed structural reform of the NFIP at one of our meetings, but has not developed any recommendations for FOCI's consideration.