

September 16, 2019

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: 2019 Residential Flood Program

NORTH CAROLINA DEVELOPS STATEWIDE FLOOD INSURANCE PROGRAM

RALEIGH, NC, September 16, 2019 - The North Carolina Rate Bureau (Bureau), in conjunction with leading industry experts, has developed a stand-alone insurance program covering the damaging effects of flooding faced by North Carolina homeowners. The flood program, which has been filed with the North Carolina Commissioner of Insurance for approval, combines the expertise of several industry-leading organizations, including policy coverage forms from ISO®, a Verisk (Nasdaq:VRSK) business, ratemaking from Milliman, and KatRisk's flood model. This program comes in the wake of several recent flood events in North Carolina – \$4.8 billion in losses from Hurricane Matthew (2016) and \$24 billion from Hurricane Florence (2018). The impacts of Hurricane Dorian (2019) are too recent to estimate.

Brandon Katz, Vice President of KatRisk, stated, “The North Carolina Rate Bureau has utilized the KatRisk Inland Flood and Storm Surge model to analyze the hazard to homes in North Carolina at a level of detail and resolution equal to, and in many cases, greater than we have seen in the market to date. This level of granularity and respect for the complicated nature of flooding has allowed the NCRB to precisely quantify the risk for its millions of homeowners.”

This state-of-the-art flood program does not group policyholders, but rather establishes more than 140 million individual rates based on a 30-meter by 30-meter grid that covers the entire state. The Bureau program matches price to risk, and allows individual companies to offer private market flood insurance. This program does not replace the National Flood Insurance Program (NFIP), but rather offers an alternative. More than 95 percent of homeowners in low to medium flood hazard areas are expected to see lower premiums in the Bureau program than those charged by the NFIP. In high flood hazard areas, more than 40 percent of policies are expected to see lower premiums relative to the NFIP.

“This program will offer coverage that exceeds what is offered by the National Flood Insurance Program, and will more closely align with property insurance policies in the market today,” said Andy Montano, personal lines director of the North Carolina Rate Bureau.

Ray Evans, the general manager of the North Carolina Rate Bureau, added that “The North Carolina Rate Bureau's program represents how much the insurance industry has changed. At one time, no carrier would have been willing to write a private flood policy. We believe the program we have developed is responsive to the changing insurance market place.”

Corise Morrison, executive director at USAA, led the team on behalf of the Bureau. She added, “Every house in the state of North Carolina has some risk of flooding – because wherever it rains,

there is potential for flooding. Approximately 98 percent of the U.S. population lives in a county that has experienced a flood disaster.”

The program in North Carolina includes the two primary sources of flooding – inland flood occurs due to intense precipitation events whereas storm surge occurs primarily due to water buildup at the coast caused by intense winds from tropical storms and hurricanes.

The filed program can be found on the Rate Bureau’s website, located here:

[Rate Filings | Residential Property | NCRB](#)

About the North Carolina Rate Bureau

The North Carolina Rate Bureau (NCRB) is a non-profit, unincorporated rating bureau created by the General Assembly of North Carolina under the provisions of Article 36 of Chapter 58 of the General Statutes of North Carolina on September 1, 1977. NCRB provides services and programs for the insurance industry in North Carolina for automobile, property, and workers compensation.

Media Contact:

Ray Evans, General Manager – (919) 582-1001

Joanna Biliouris, Chief Operating Officer – (919) 582-1050

Sincerely,

Raymond F. Evans, Jr., CPCU

General Manager

RFE:ko

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