



Wisconsin Office of the
COMMISSIONER
OF INSURANCE

Building a Stronger Wisconsin

Sarah Smith, Director of Public Affairs

OCI Mission

To **protect** and **educate** Wisconsin consumers by maintaining and promoting a **strong insurance industry**.



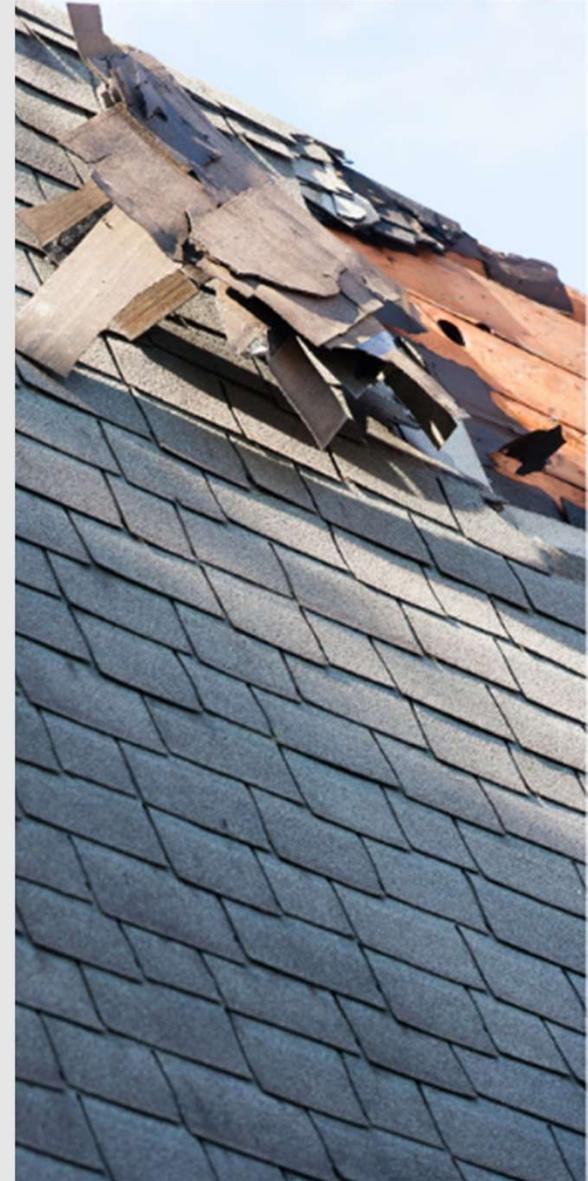
Insurance Regulator Perspective

- A recent Deloitte survey of insurance regulators across the country found that the top two ways to enhance preparedness are:
 - Educating clients on climate-related risks
 - Encouraging policyholders to take steps to reduce losses
- The survey also found the need to raise the overall profile of climate risk within insurance organizations
 - A 2017 report found that only 38% of insurers made senior executives responsible for sustainability performance – a lower rate than in other industries



Climate Resiliency and Insurance

- Escalating severe weather events have resulted and will continue to result in increased losses for consumers and their insurers
- For example, Acuity Insurance recently announced that the Wisconsin storms during the week of June 12th resulted in storm-related losses of over \$130 million
 - Highest in the company's history at this point of the year
 - Acuity's Wisconsin storm losses alone in 2022 are greater than they were for all of 2021
- These increased losses may cause instability in the insurance market and impact the financial stability of insureds as their insurers work to adjust premiums to account for climate risk



Florida's Market: "Spiraling Toward Collapse"

- Since February 2022, four property insurance companies operating in Florida have gone into receivership
- A study commissioned by the Senate Banking and Insurance Committee was released earlier this year titled **Florida's P&C Insurance Market: Spiraling Toward Collapse**
- Premiums have been dramatically increasing for Florida homeowners (up by 25% this year) and in some cases, homeowners are unable to find insurance coverage at all
- Citizens Property Insurance Corp., the state's insurer of last resort, has more than doubled its volume of policyholders in less than two years



“The projected escalation of climate risk, such as the occurrence of more floods and wildfires, may lead to **underinsurance**—or to **no insurance at all**. The result, **substantial market dislocation**, will include premium loss, higher rates of self-insurance, and an increased demand for disaster relief from the public sector.”

“Stakeholders—such as customers, shareholders, and regulators—are therefore likely to demand that insurance solutions go beyond traditional risk transfer to **explicitly address risk mitigation**.”

Climate change and P&C insurance: The threat and opportunity, McKinsey & Company





Stronger Wisconsin

Be Prepared. Stay Protected.

- Outreach and messaging campaign focused on climate resiliency across sectors
- Conducted in partnership with other state agencies to expand reach
- Visits are diverse in their focus and constituency
- Industry stakeholders regularly included to share best practices or learn about unfamiliar topics



Single-Family Homeowners: Door County

Engaged with:

- Wisconsin Department of Safety and Professional Services
- Local architects focused on sustainability
- Homeowners willing to invest in sustainability and resiliency
- Large P&C insurance company

Toured ongoing construction projects as well as completed homes

- Nonstandard building materials
- Different construction styles that meet higher sustainability and resiliency standards

Takeaways:

- Challenges with building codes and accurate property value assessments



Grassroots Community Building: Milwaukee

Engaged with:

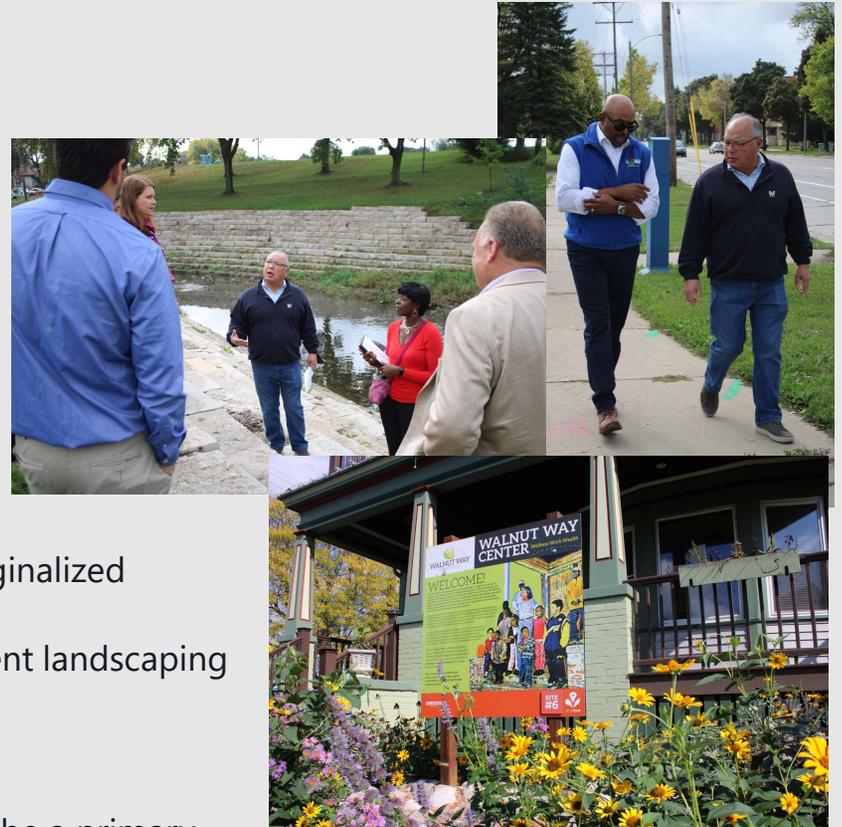
- Wisconsin Department of Safety and Professional Services
- Wisconsin Department of Natural Resources
- Wisconsin Department of Financial Institutions
- Milwaukee County Executive
- Milwaukee Metropolitan Sewerage District
- Community leaders and local homeowners
- Large P&C insurance company

Toured local projects to reduce flooding severity

- Municipal projects focused on reducing flooding in historically marginalized communities
- Grassroots, neighborhood-led efforts to reduce flooding with resilient landscaping

Takeaways:

- Community and consumer buy-in is key
- Financial benefit- such as an insurance premium discount- may not be a primary motivator for everyone



Local Government Involvement: Monroe County

Engaged with:

- Wisconsin Department of Financial Institutions
- Wisconsin Emergency Management
- Local county government
- Congressional staff
- Local consumer affected by flooding

Visited land acquisition site and met with Monroe County staff to learn about flood mitigation work and challenges

- Severe flooding in Monroe County prompted the creation of their Climate Change Task Force
- Earned media coverage encouraging flood insurance coverage

Takeaways:

- Local government may need additional support to take advantage of existing federal or state programs that incentivize mitigation projects
- Direct experience of climate events helps build community support for action



Local Government Involvement: Eau Claire

Engaged with:

- Wisconsin Department of Safety and Professional Services
- City government
- Local elected officials

Met with City of Eau Claire staff to learn about their participation in the Community Rating System

- Raised awareness of CRS with local elected officials representing Eau Claire
- Earned media coverage encouraging flood insurance coverage

Takeaways:

- Local government may need additional support to take advantage of existing federal or state programs that incentivize mitigation projects
- Engaging state, local, and federal elected officials increases visibility across resiliency program landscape



Insurance Innovation: Three Lakes

Engaged with:

- Wisconsin Department of Financial Institutions
- Large P&C insurance company
- Insured organization
- State elected officials

Met with Wisconsin insurer innovating in wildfire mitigation

- Toured insured property to understand wildfire risks facing northern Wisconsin
- Met with CEO and state elected officials to discuss the growing risk and the role of insurance in mitigation

Takeaways:

- Important to raise awareness among local and state elected officials
- Regulatory understanding is important to prevent regulatory barriers to mitigation innovation



Commercial Buildings: Appleton

Engaged with:

- Wisconsin Department of Safety and Professional Services
- Wisconsin Department of Financial Institutions
- Developer
- Construction industry
- Architects

Toured award-winning mass timber commercial building

- Visited mass timber building to learn about sustainability benefits of building material

Takeaways:

- New building materials like mass timber may be inaccurately assessed in both value and risk
- Insurance and financial industries can impact the utilization of sustainable materials like mass timber





Agency Feedback

“Stronger Wisconsin is a wonderful example of how inter-agency collaboration can foster meaningful and robust conversations about issues that span areas of regulation. Flooding is not simply a code issue or an insurance issue or a financial issue. It is all of those and more.

When communities prepare for or recover from severe weather events, they think in terms about what happened and the help they need—not in terms of which agency has jurisdiction over what.

These kinds of collaborations put the issues, not the agencies, at the forefront, which is the right order. This helps us work together to identify solutions, connect partners, and elevate important topics.”

Department of Safety and Professional Services Secretary, Dawn Crim

Next Steps for Stronger Wisconsin

- Expanding outreach to new constituencies and new areas of the state
- Honing our focus of these visits to particular areas
 - Flood insurance and community rating system
 - Sustainability that supports resiliency
 - Climate-focused building codes
 - Insurer agility and flexibility
- Connecting with locals first
 - Starting at the ground level and working our way up will help us ensure that our outreach is meeting people where they are to build from existing success
- Learning from successful models in other states



Pre-Disaster Mitigation Programs Across the Country

- Outreach and education are initial steps toward understanding the challenges facing pre-disaster mitigation efforts
- States around the country have also implemented:
 - Regulatory Incentive Programs / Mandated Mitigation Discounts
 - State-funded Grant Programs



Regulatory Incentive Programs

- Alabama
 - Insurers must give a premium discount to homeowners who retrofit their homes to resist hurricane and wind losses
- Georgia
 - A mitigation credit, offered through the Georgia Underwriting Association, applies for retrofitting against wind damage
- Oklahoma
 - Homeowners can qualify for insurance discounts on the wind portion of their property insurance for meeting FORTIFIED Home High Wind and Hail standards.
- Louisiana
 - Provide tax deductions for policyholders who voluntarily retrofit existing homes to bring them into compliance with the LA Uniform Construction Code



Grant Programs

- Strengthen Alabama Homes
 - SAH provides grants to Alabama residents for residential wind mitigation on existing, owner-occupied, single family homes
- Earthquake Brace + Bolt (California)
 - EBB is a grant program that provides eligible California homeowners up to \$3,000 toward a residential seismic retrofit
- Coastal Resilience Grant Program (Massachusetts)
 - Open to municipalities located within the coastal zone
 - Grants can be utilized for risk assessments, public outreach and partnership building efforts, redesign and retrofits, and shoreline restoration



Other Approaches

- Catastrophe Savings Account
 - Alabama, Mississippi, South Carolina
 - Residents may deduct deposits made to a catastrophe savings account from their gross income
 - A catastrophe savings account is a savings or money market account established to cover repair costs related to storm or flood damage



Insurance Impact

- The insurance industry and insurance regulation impact the day-to-day life of nearly every individual, business, and community
- Opportunities for promoting climate resiliency exist across many facets of insurance
 - Policyholder incentives voluntarily implemented by insurers
 - Regulatory requirements for premium discounts or other insurer practices
 - State-level grant or loan programs for property owners to make retrofits that qualify them for discounts
 - Municipal and county government engagement to encourage participation in programs like the CRS
 - Connecting insurers with community leaders and subject matter experts to build industry buy-in for new, innovative practices
 - Educating regulators on innovative insurance practices that can protect and serve policyholders





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Questions?



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