



Wisconsin Office of the  
**COMMISSIONER**  
**OF INSURANCE**

# Building a Stronger Wisconsin

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# OCI Mission

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



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# 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 announced that the Wisconsin storms during the week of June 12, 2022 resulted in storm-related losses of over \$130 million
  - Highest in the company's history at that 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*



# NAIC Climate and Resiliency

- NAIC Climate and Resiliency Task Force is the coordinating body for discussion and engagement on climate-related risk and resiliency issues, including dialogue among state insurance regulators, industry, and other stakeholders
- Considers innovative insurer solutions to climate risk and resiliency, including:
  - Evaluation of how to apply technology and innovation to the mitigation of storm, wildfire, other climate risks, and earthquake
  - Evaluation of insurance product innovation directed at reducing, managing, and mitigating climate risk, as well as closing protection gaps
- Considers pre-disaster mitigation and resiliency and the role of state insurance regulators in resiliency
- Engages with the Center for Insurance Policy and Research (CIPR) Catastrophe Modeling Center of Excellence (COE) regarding climate-related risk and mitigation research and analysis





# 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:

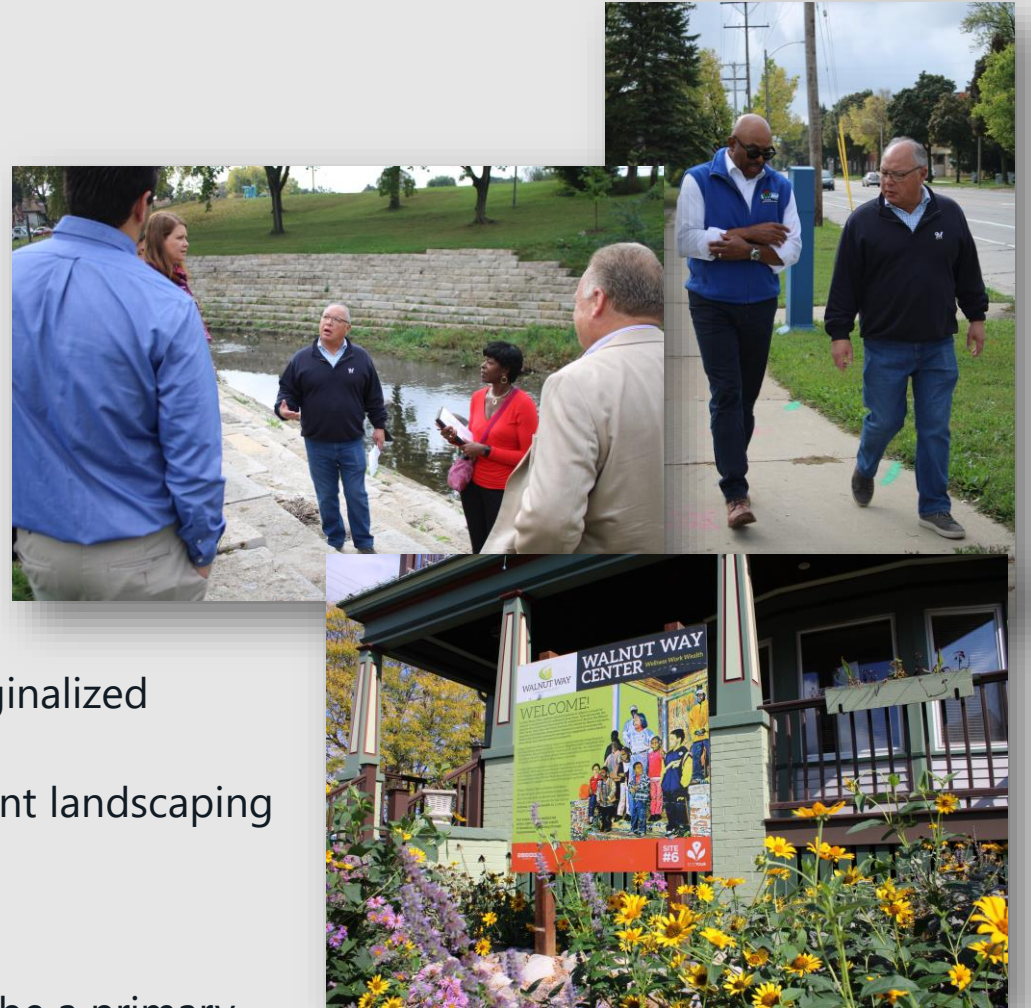
- Wisconsin Department of Safety and Professional Services
- Wisconsin Department of Natural Resources
- Wisconsin Department of Financial Institutions
- Milwaukee County Executive
- Milwaukee Metropolitan Sewerage District
- Community leaders and local homeowners
- Large P&C insurance company

## 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



# Research: Forest Products Lab

## Engaged with:

- USDA Forest Products Lab
- Wisconsin Department of Safety and Professional Services
- Wisconsin Department of Financial Institutions

## Met with USDA Researchers

- Visited the USDA Forest Products Lab
- Discussed their ongoing research and outcomes they've found so far

## Takeaways:

- Wood products are a sustainable building material that can be more resilient than insurers and others believe
- Research



# Research: Roof Farm

## Engaged with:

- Institute for Building and Home Safety
- American Family Insurance
- Director of Office of Sustainability and Clean Energy

## Met with IBHS Researchers

- Visited the IBHS roof farm installation at the American Family campus
- Discussed their ongoing research and outcomes they've found so far

## Takeaways:

- Research has led to the use of more resilient building practices





# Nonprofit Engagement: Green Bay

## Engaged with:

- Large P&C insurance company
- Municipal staff
- Local nonprofit entity

## Met with Local Leaders

- Visited area with past flooding to learn about the impact and the research related to that watershed
- Discussed the growing risk of flooding and the role of insurance in mitigation

## Takeaways:

- Important to raise awareness of flooding mitigation and preparation among local and state elected officials
- Insurance company engagement is important to help them understand the policyholder experience and potential for future losses



# 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
  - Promotion of IBHS FORTIFIED Standard



# 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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