

Arkansas Insurance Department

Asa Hutchinson
Governor



Allen Kerr
Commissioner

July 31, 2019

The Honorable Jason Rapert
State Senator
Chairman, Senate Committee on Insurance and Commerce

The Honorable Mark Lowery
State Representative
Chairman, House Committee on Insurance and Commerce

VIA Email

Dear Chairmen:

Please accept this letter in fulfillment of your Committee's request for information of the Arkansas Insurance Department for your scheduled joint meeting on August 1 regarding the historic flooding event that recently occurred in Arkansas.

I am sorry that I cannot be there in person due to a previously scheduled out-of-state meeting with my fellow state insurance commissioners, but rest assured that the Arkansas Insurance Department stands ready with our fellow sister-agencies to help protect the state's citizens when then next event occurs.

Consumer Assistance

The Arkansas Insurance Department's Consumer Services Division was our lead in terms of assisting flooding victims. Our staff logged 23 phone calls from consumers regarding the flood event.

Additionally, our staff participated in both the FEMA-sponsored Disaster Recovery Center (DRC) program. We were at DRCs in the following locations: Houston, Mulberry, Dardanelle, North Little Rock, Mayflower, Pine Bluff, West Little Rock, and Dumas. We met with 69 people at the DRCs. Consumer Services also had staff at the Pine Bluff and Conway Multi-Agency Resource Centers (MARC) hosted by the Arkansas Red Cross where we met with 83 people.

Consumer Complaints with NFIP

One common consumer complaint the Department encountered during this event was from Arkansans who previously held flood insurance policies through the federal National Flood Insurance Program (NFIP) that let their coverage lapse. The complaint was that NFIP would not let the consumer buy another plan when it became evident that flooding was coming to their area.

The Department would refer the Committee to federal officials to discuss this policy, but AID periodically tells Arkansans that any NFIP policy that is purchased has a 30-day period before going into effect.

According to the Federal Emergency Management Agency (FEMA), “a loss caused by a flood in progress at the time a (Standard Flood Insurance Policy) comes into effect may be subject to the flood-in-progress exclusion.”¹ Additionally, if the policy is effective after the date that a flood is in progress, it likely will not be covered. However, each NFIP claim is adjusted on an individual basis.²

According to a fact sheet AID published in conjunction with the Arkansas Department of Emergency Management and the Arkansas Natural Resources Commission, all NFIP policies “expire at 12:01 a.m. on the last day of the policy term. However, coverage remains in force for 30 days after the expiration of the policy and claims for losses that occur during the period will be honored provided that the full renewal premium is received within 30 days of the policy expiration date.”³

NFIP Coverage in Arkansas

According to data provided by FEMA (See Appendix A), there are currently 15,095 NFIP policies active in the State of Arkansas as of July 30, covering \$2.89 billion in property. NFIP collects \$13.2 million in premium. Since 1978, 9,049 claims have been made and \$155,908,252 in claims has been paid out.

The three largest counties in terms of policies in place are Pulaski (2,624), Craighead (1,049), and Garland (1,015). The three largest counties in terms of the dollar amount of property covered are Pulaski (\$587.6 million), Garland (\$204.5 million), and Benton (\$188.6 million).

Private Flood Coverage in Arkansas

At the end of 2018, the Arkansas Insurance Department has information on 22 admitted companies writing policies in the private flood insurance market (See Appendix B). Direct written premiums for private flood insurance in Arkansas is on the rise, but still very small relative to neighboring states. Of the 22 companies, all sell policies that pay in excess to the caps of an NFIP policy.

AID has granted authority to two companies to sell “first-dollar” flood insurance coverage in Arkansas. They are Homeowners Choice Property and Casualty Insurance Company based in Florida, and New York-based Lemonade Insurance Company. Neither company sold policies in Arkansas in 2018.

Since the Department started tracking private flood premiums in 2016, the results have been as follows:

Direct Written Premium – Flood Insurance By Year		
CY2016:	\$	1,555,833 (10 companies)
CY2017:	\$	2,433,439 (19 companies)
CY2018:	\$	2,711,070 (22 companies)

Please note that these numbers do not include flood policies written by non-admitted surplus lines insurers.

The Department is currently considering ways to ensure an Arkansas property owner is, at the very least, given the opportunity to decline private flood coverage like we see with earthquake coverage.

¹ FEMA, *Answers to Questions About NFIP (FEMA F-084 March 2011)*, 23a.

² Ibid. 23a.

³ “Myth Vs. Fact: Arkansas Flood Insurance Availability,” Arkansas Insurance Department, June 8, 2019, <https://insurance.arkansas.gov/news/2019/jun/08/myth-vs-fact-arkansas-flood-insurance-availability/>. (Accessed July 30, 2019)

Earthquake Coverage in Arkansas

For purposes of comparison, there were 137 companies writing earthquake coverage in Arkansas with direct written premiums of \$31.9 million in 2018.

Private Flood Coverage in Neighboring States

According to NAIC data⁴, all of our neighboring states had larger amounts of direct premium written for private flood insurance policies in 2018.

Louisiana:	\$	20,518,942
Mississippi:	\$	5,401,764
Missouri:	\$	10,054,439
Oklahoma:	\$	3,076,462
Tennessee:	\$	12,179,549
Texas:	\$	63,221,041

Moreover, Arkansas had lower private flood premiums than all southern states for the same time period.

Attitudes for Flood Insurance

Earlier this year, the National Association of Insurance Commissioners (NAIC) commissioned a national survey on flood insurance where it found that the Millennial generation were more likely to buy a flood policy than members of either Generation X or the Baby Boomer generation.⁵

The survey revealed that 41% agree that flood insurance is a “good idea” but only 17% have actually purchased coverage. Please see Appendix C for more information.

Thank you for the opportunity to report this information to the Committees. The Department, as always, stands ready to answer any questions you or your membership may have.

Sincerely,



Allen Kerr
Arkansas Insurance Commissioner

AK:krj

⁴ NAIC Center for Insurance Policy and Research, “Report on Private Flood Insurance Data,” April 3, 2019, https://www.naic.org/documents/cmte_c_related_memo_private_flood_insurance.pdf (Accessed July 30, 2019)

⁵ “NAIC Survey Reveals Love for Flood Insurance Far Outstrips Purchase,” National Association of Insurance Commissioners, June 3, 2019, https://www.naic.org/Releases/2019_docs/naic_survey_flood_insurance.htm (Accessed July 30, 2019).

APPENDIX A

Federal Emergency Management Agency

NFIP Policy and Claims Report

ARKANSAS

County	Number Policies	Total Coverage	Total Premium	Total Claims Since 1978	Total Paid Since 1978
ARKANSAS COUNTY	172	\$ 23,515,000	\$ 168,183	64	\$ 979,197
ASHLEY COUNTY	86	\$ 11,239,600	\$ 63,497	60	\$ 928,588
BAXTER COUNTY	158	\$ 24,285,300	\$ 178,803	116	\$ 3,046,304
BENTON COUNTY	767	\$ 188,580,700	\$ 738,978	275	\$ 6,740,143
BOONE COUNTY	60	\$ 14,352,500	\$ 119,706	35	\$ 484,502
BRADLEY COUNTY	36	\$ 4,084,100	\$ 40,966	66	\$ 1,309,920
CALHOUN COUNTY	4	\$ 494,000	\$ 1,821	8	\$ 138,393
CARROLL COUNTY	6	\$ 1,764,000	\$ 5,493	2	\$ 5,936
CHICOT COUNTY	329	\$ 85,447,300	\$ 198,235	160	\$ 3,839,866
CLARK COUNTY	87	\$ 15,355,600	\$ 77,117	24	\$ 441,660
CLAY COUNTY	192	\$ 22,612,700	\$ 139,508	168	\$ 3,729,290
CLEBURNE COUNTY	180	\$ 42,602,200	\$ 178,189	33	\$ 1,216,605
COLUMBIA COUNTY	10	\$ 3,548,000	\$ 18,071	8	\$ 21,810
CONWAY COUNTY	44	\$ 6,054,000	\$ 31,131	24	\$ 182,446
CRAIGHEAD COUNTY	1,049	\$ 167,707,200	\$ 875,503	392	\$ 7,181,055
CRAWFORD COUNTY	196	\$ 42,329,200	\$ 188,154	59	\$ 1,008,437
CRITTENDEN COUNTY	613	\$ 130,517,300	\$ 406,665	834	\$ 9,556,558
CROSS COUNTY	159	\$ 16,935,400	\$ 174,206	65	\$ 1,729,325
DALLAS COUNTY	3	\$ 238,800	\$ 1,910	1	\$ 7,084
DESHA COUNTY	272	\$ 35,175,900	\$ 176,778	217	\$ 2,386,416
DREW COUNTY	35	\$ 5,561,400	\$ 24,725	32	\$ 407,010
FAULKNER COUNTY	643	\$ 135,753,400	\$ 477,482	246	\$ 4,228,445
FRANKLIN COUNTY	19	\$ 3,851,200	\$ 15,695	45	\$ 701,501
FULTON COUNTY	33	\$ 2,571,100	\$ 27,643	52	\$ 1,142,263
GARLAND COUNTY	1,015	\$ 204,537,400	\$ 875,683	239	\$ 3,842,867
GRANT COUNTY	26	\$ 5,064,700	\$ 14,124	12	\$ 104,401
GREENE COUNTY	524	\$ 57,045,200	\$ 249,526	218	\$ 876,847
HEMPSTEAD COUNTY	12	\$ 2,036,700	\$ 8,470	4	\$ 47,333
HOT SPRING COUNTY	73	\$ 15,154,600	\$ 70,359	15	\$ 28,743
HOWARD COUNTY	24	\$ 2,350,400	\$ 28,339	22	\$ 90,029
INDEPENDENCE COUNTY	169	\$ 29,124,100	\$ 284,890	181	\$ 2,219,139
IZARD COUNTY	73	\$ 11,965,300	\$ 118,548	72	\$ 2,618,664
JACKSON COUNTY	237	\$ 35,217,400	\$ 195,261	172	\$ 2,994,830
JEFFERSON COUNTY	380	\$ 64,746,300	\$ 356,441	518	\$ 8,143,885
JOHNSON COUNTY	101	\$ 8,349,100	\$ 73,338	5	\$ 26,439
LAFAYETTE COUNTY	6	\$ 239,000	\$ 3,713	1	\$ 1,412
LAWRENCE COUNTY	158	\$ 18,979,900	\$ 146,034	54	\$ 763,977
LEE COUNTY	77	\$ 9,132,000	\$ 73,814	31	\$ 340,581

Federal Emergency Management Agency

NFIP Policy and Claims Report

ARKANSAS

County	Number Policies	Total Coverage	Total Premium	Total Claims Since 1978	Total Paid Since 1978
LINCOLN COUNTY	38	\$ 5,179,300	\$ 53,508	20	\$ 144,238
LITTLE RIVER COUNTY	19	\$ 1,168,000	\$ 13,911	5	\$ 127,304
LOGAN COUNTY	23	\$ 2,757,900	\$ 21,399	7	\$ 78,179
LONOKE COUNTY	302	\$ 60,971,200	\$ 213,439	73	\$ 1,099,673
MADISON COUNTY	15	\$ 2,194,300	\$ 14,861	7	\$ 112,500
MARION COUNTY	15	\$ 1,528,400	\$ 9,717	3	\$ 104,325
MILLER COUNTY	199	\$ 33,959,900	\$ 239,106	101	\$ 1,655,306
MISSISSIPPI COUNTY	190	\$ 37,519,100	\$ 138,023	73	\$ 790,146
MONROE COUNTY	178	\$ 22,402,000	\$ 148,822	169	\$ 4,423,026
MONTGOMERY COUNTY	65	\$ 11,280,000	\$ 30,808	87	\$ 2,051,127
NEVADA COUNTY	5	\$ 797,700	\$ 7,187	1	\$ 5,209
NEWTON COUNTY	2	\$ 1,088,100	\$ 5,133	6	\$ 116,841
OUACHITA COUNTY	76	\$ 12,298,500	\$ 75,892	84	\$ 1,342,751
PERRY COUNTY	42	\$ 5,109,800	\$ 33,245	18	\$ 256,855
PHILLIPS COUNTY	202	\$ 28,685,600	\$ 184,906	499	\$ 3,699,813
PIKE COUNTY	18	\$ 4,817,700	\$ 32,064	10	\$ 230,064
POINSETT COUNTY	169	\$ 26,895,400	\$ 138,125	58	\$ 1,530,440
POLK COUNTY	30	\$ 3,914,200	\$ 18,520	19	\$ 184,344
POPE COUNTY	197	\$ 43,176,200	\$ 240,217	58	\$ 857,176
PRAIRIE COUNTY	61	\$ 8,316,000	\$ 54,728	91	\$ 3,094,620
PULASKI COUNTY	2,624	\$ 587,630,700	\$ 2,373,556	1,551	\$ 22,633,553
RANDOLPH COUNTY	177	\$ 30,368,100	\$ 133,475	222	\$ 9,023,569
SALINE COUNTY	358	\$ 83,469,300	\$ 201,023	217	\$ 4,130,829
SCOTT COUNTY	12	\$ 2,387,800	\$ 20,351	7	\$ 520,223
SEBASTIAN COUNTY	491	\$ 107,603,200	\$ 510,492	344	\$ 5,225,464
SEVIER COUNTY	16	\$ 1,518,300	\$ 9,075	17	\$ 748,307
SHARP COUNTY	88	\$ 16,852,600	\$ 70,659	87	\$ 1,832,498
ST. FRANCIS COUNTY	118	\$ 19,550,000	\$ 135,806	21	\$ 413,951
STONE COUNTY	2	\$ 252,000	\$ 583	3	\$ 51,684
UNION COUNTY	112	\$ 19,678,500	\$ 113,641	135	\$ 1,395,943
VAN BUREN COUNTY	29	\$ 5,824,000	\$ 42,483	16	\$ 519,245
WASHINGTON COUNTY	791	\$ 182,211,000	\$ 776,014	306	\$ 9,312,475
WHITE COUNTY	302	\$ 62,159,800	\$ 251,884	130	\$ 3,048,678
WOODRUFF COUNTY	64	\$ 7,964,900	\$ 54,883	65	\$ 1,571,467
YELL COUNTY	37	\$ 5,901,900	\$ 27,528	9	\$ 64,538
State Total :	15,095	\$ 2,895,949,400	\$ 13,222,063	9,049	\$ 155,908,262

APPENDIX B

2018 Private Flood Insurance Premiums Written in Arkansas

Company Name	Domicile	Direct Premiums Written	Market Share
Factory Mut Ins Co	RI	\$ 1,067,682	39.38%
Zurich Amer Ins Co	NY	\$ 424,392	15.65%
American Security Ins Co	DE	\$ 417,925	15.42%
Affiliated Fm Ins Co	RI	\$ 342,412	12.63%
Allianz Global Risks US Ins Co	IL	\$ 114,868	4.24%
Westport Ins Corp	MO	\$ 93,415	3.45%
Liberty Mut Fire Ins Co	WI	\$ 70,914	2.62%
American Guar & Liab Ins	NY	\$ 46,172	1.70%
North Amer Elite Ins Co	NH	\$ 45,287	1.67%
AIG Prop Cas Co	PA	\$ 37,034	1.37%
Employers Ins Co of Wausau	WI	\$ 36,574	1.35%
The Cincinnati Ins Co	OH	\$ 4,028	0.15%
Hartford Fire Ins Co	CT	\$ 3,869	0.14%
Depositors Ins Co	IA	\$ 2,535	0.09%
Bankers Standard Ins Co	PA	\$ 1,926	0.07%
Amco Ins Co	IA	\$ 1,648	0.06%
Zurich Amer Ins Co Of IL	IL	\$ 960	0.04%
The Cincinnati Ind Co	OH	\$ 625	0.02%
The Cincinnati Cas Co	OH	\$ 500	0.02%
Massachusetts Bay Ins Co	NH	\$ 207	0.01%
Continental Cas Co	IL	\$ 26	0.00%
American Cas Co Of Reading PA	PA	\$ 7	0.00%
Hanover Amer Ins Co	NH	\$ -59	0.00%
American Modern Home Ins Co	OH	\$ -1,877	-0.07%
Total		\$ 2,711,070	

APPENDIX C

2019 NAIC National Flood Survey

Do you have flood insurance (distinct from general homeowners or renter's insurance) for your home or apartment?													
	USA	Region	Sex		Age Group					Millennial	Gen X	Boomer	
	Total	South	Male	Female	18-34	35-44	45-54	55-64	65+	(21-38)	(39-54)	(55-73)	
Yes	17%	20%	18%	16%	25%	24%	12%	11%	10%	25%	16%	9%	
No	83%	80%	82%	84%	75%	76%	88%	89%	90%	75%	84%	91%	
	Household Income			Race			Children in Household			Education			
	< \$50K	\$50K-\$100K	\$100K<	W (Non-H)	B (Non-H)	H (Any)	No	Yes	U-13	13-17	HS or Less	Some College	
Yes	12%	17%	28%	15%	13%	26%	14%	24%	25%	21%	16%	13%	22%
No	88%	83%	72%	85%	87%	74%	86%	76%	75%	79%	84%	87%	78%

How much do you agree or disagree with the following statement? I believe purchasing flood insurance for my home or apartment would be a good idea.													
	USA	Region	Sex		Age Group					Millennial	Gen X	Boomer	
	Total	South	Male	Female	18-34	35-44	45-54	55-64	65+	(21-38)	(39-54)	(55-73)	
Agree*	41%	43%	42%	39%	59%	49%	38%	31%	18%	57%	41%	24%	
Neutral	27%	29%	21%	33%	22%	25%	28%	30%	32%	21%	27%	30%	
Disagree^	32%	28%	37%	28%	19%	27%	34%	39%	50%	22%	31%	46%	
	Household Income			Race			Children in Household			Education			
	< \$50K	\$50K-\$100K	\$100K<	W (Non-H)	B (Non-H)	H (Any)	No	Yes	U-13	13-17	HS or Less	Some College	
Agree*	37%	39%	50%	35%	54%	55%	36%	52%	56%	45%	39%	42%	41%
Neutral	29%	24%	25%	26%	26%	29%	28%	24%	22%	24%	30%	27%	23%
Disagree^	34%	37%	24%	39%	21%	17%	36%	24%	22%	31%	30%	31%	36%

*Agree/Strongly Agree

^Disagree/Strongly Disagree

2019 NAIC National Flood Survey

Has the recent national news about major spring floods made you more or less likely to purchase flood insurance?													
	USA	Region	Sex		Age Group					Millennial	Gen X	Boomer	
	Total	South	Male	Female	18-34	35-44	45-54	55-64	65+	(21-38)	(39-54)	(55-73)	
More Likely*	38%	44%	40%	36%	52%	46%	38%	28%	20%	50%	41%	23%	
Neutral	55%	50%	52%	58%	42%	44%	56%	65%	74%	42%	52%	71%	
Less Likely^	7%	6%	8%	6%	6%	11%	6%	7%	6%	8%	7%	6%	
	Household Income			Race			Children in Household			Education			
	< \$50K	\$50K-\$100K	\$100K<	W (Non-H)	B (Non-H)	H (Any)	No	Yes	U-13	13-17	HS or Less	Some College	
More Likely*	32%	40%	48%	32%	53%	50%	32%	50%	54%	43%	35%	38%	42%
Neutral	59%	55%	47%	61%	40%	41%	61%	42%	40%	48%	56%	55%	54%
Less Likely^	8%	6%	5%	7%	7%	9%	7%	7%	6%	9%	9%	7%	4%

*More Likely/Somewhat More Likely/Much More Likely

^Less Likely/Somewhat Less Likely/Much Less Likely