NATIONAL LEAGUE OF CITIES

RISC RISK INFORMATION SHARING CONSORTIUM

Reflecting on Hurricane Helene’s Impact on North Carolina

Wednesday, October 29th | 9:30 AM

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NC LEAGUE OF MUNICIPALITIES

Reflecting on Hurricane Helene's Impact on North Carolina

A View of Helene's Impact

Hurricane Helene Impact on North Carolina

Hurricane Helene was the most devastating and costly storm in North Carolina’s modern history

Key Impacts at a Glance

01 Landfall as a Category 4 hurricane in Florida; tropical storm in NC (Sep 27, 2024)

02 Record rainfall in western NC: Busick (30.8”), Asheville (20”)

03 Flash flooding and river overflow devastated Asheville, Swannanoa, and Lake Lure and surrounding communities

04 39 tornadoes reported; wind gusts reached 106 mph

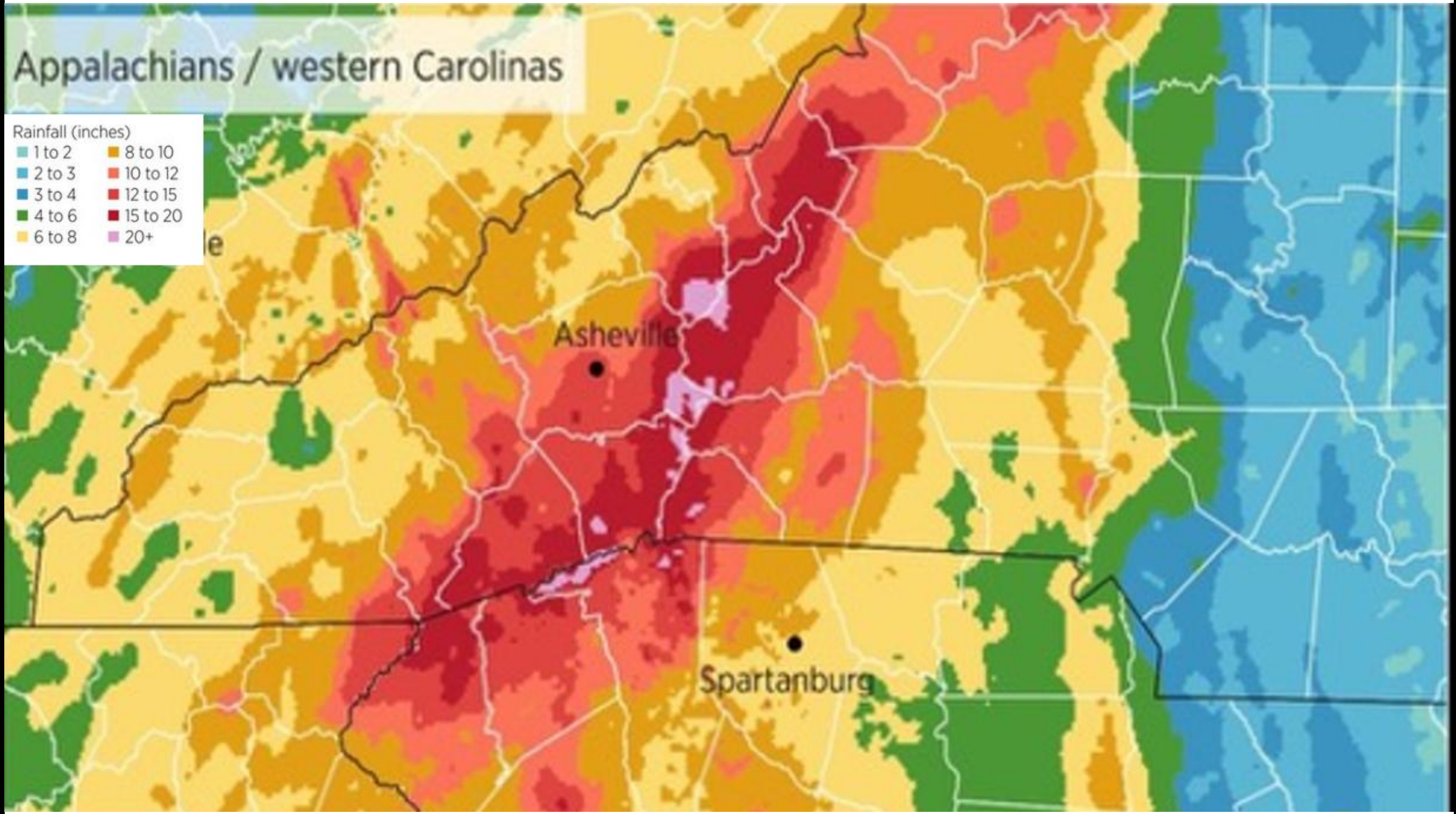
05 108 confirmed deaths, 26 still missing or unaccounted for

06 Over 175,000 homes and business structures damaged or destroyed

07 2000+ documented landslides

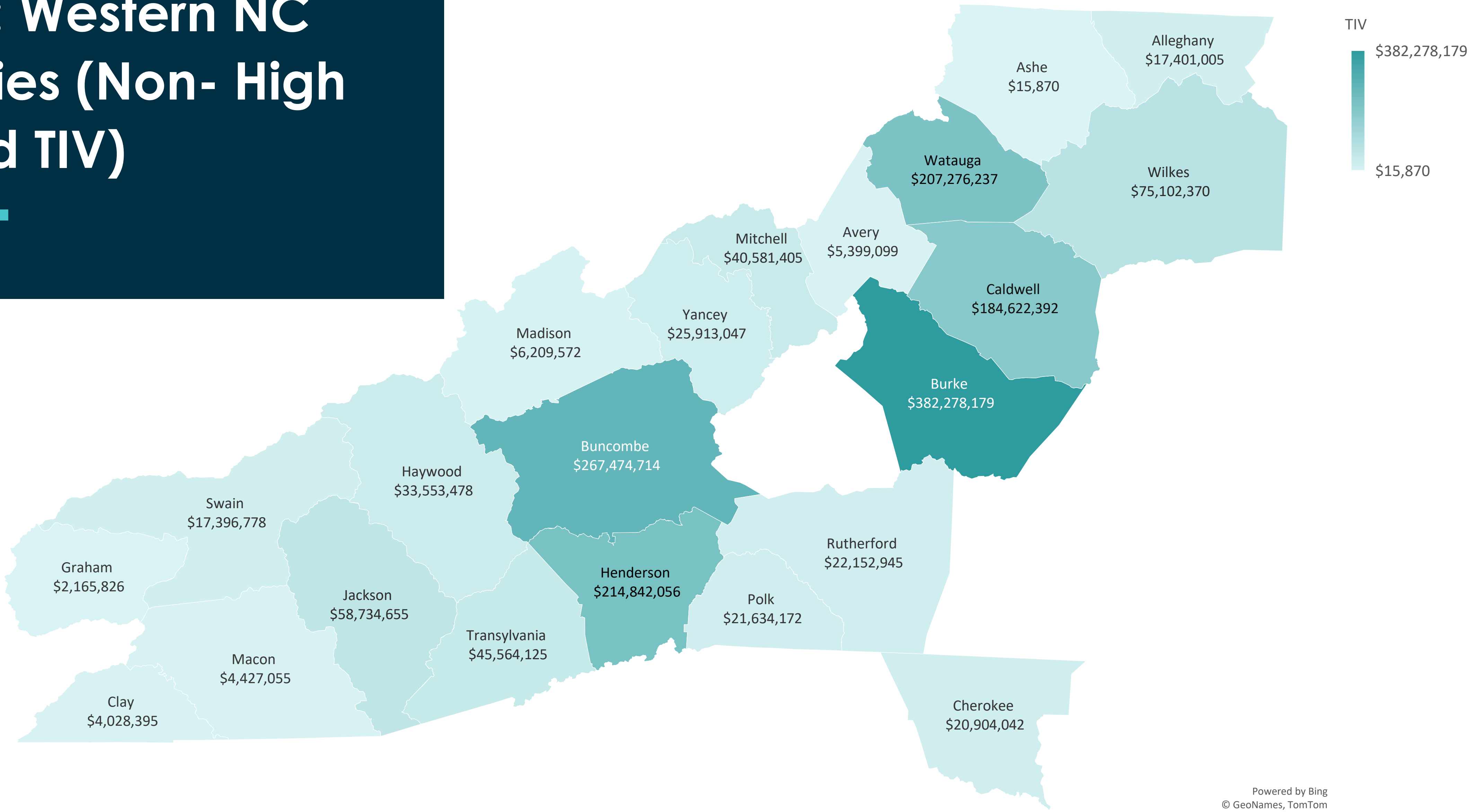
08 $78.7 billion in statewide damages

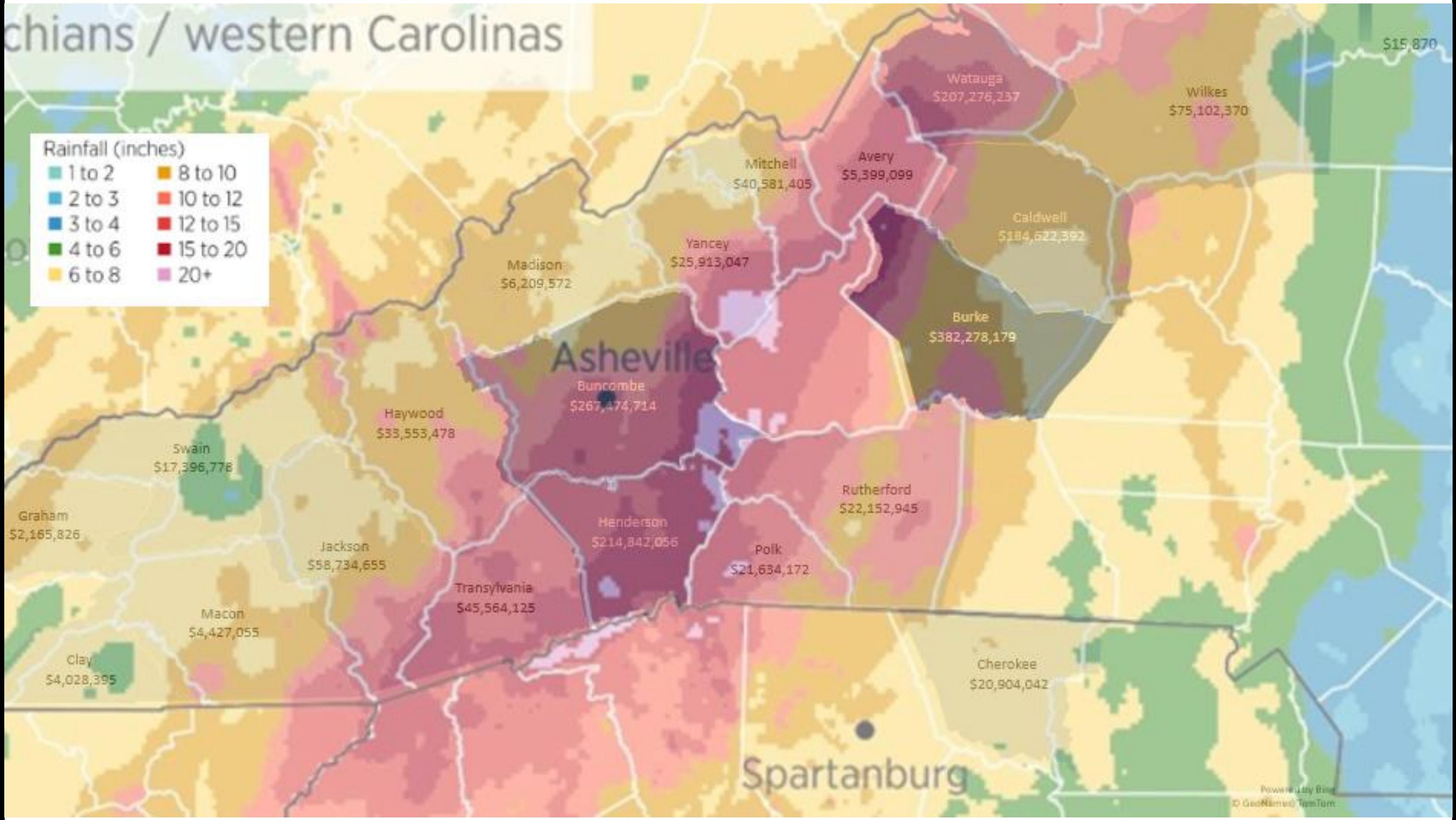
Visualizing the Impact



Appalachians / western Carolinas
Rainfall (inches)
1 to 2
2 to 3
3 to 4
4 to 6
6 to 8
8 to 10
10 to 12
12 to 15
15 to 20
20+
Asheville
Spartanburg

NCLM: Western NC Counties (Non- High Hazard TIV)

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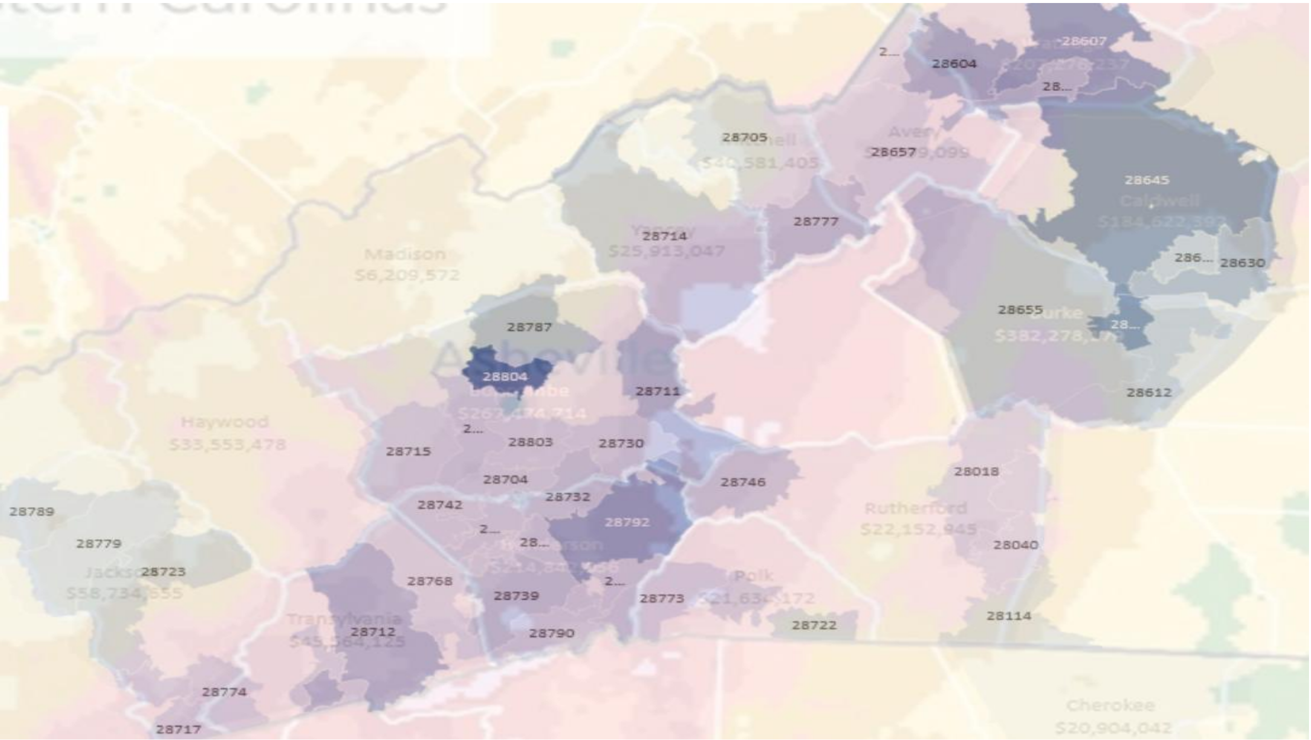
Rainfall (inches)
1 to 2
2 to 3
3 to 4
4 to 6
6 to 8
8 to 10
10 to 12
12 to 15
15 to 20
20+
$15,870
Watauga
$207,276,237
Wilkes
$75,102,370
Mitchell
$40,581,405
Avery
$5,399,099
Caldwell
$184,622,392
Yancey
$25,913,047
Madison
$6,209,572
Burke
$382,278,179
Asheville
Buncombe
$267,474,714
Haywood
$33,553,478
Swain
$17,396,778
Rutherford
$22,152,945
Graham
$2,165,826
Henderson
$214,842,056
Jackson
$58,734,655
Polk
$21,634,172
Transylvania
$45,564,125
Macon
$4,427,055
Cherokee
$20,904,042
Clay
$4,028,395
Spartanburg

NCLM: Western NC Zip Codes (Non- High Hazard TIV)



County	Zip Code	TIV
Avery	28616	$717,536
	28622	$3,870,868
	28657	$2,851,559
Buncombe	28704	$665,374
	28711	$37,672,250
	28715	$196,353
	28730	$366,602
	28757	$1,884,763
	28787	$40,601,124
	28801	$298,823
	28803	$279,355
	28804	$197,470,531
	28806	$8,757,836
	28813	$4,682,121
Burke	28612	$1,185,578
	28619	$12,753,197
	28628	$881,840
	28637	$9,221,669
	28655	$209,005,512
	28671	$3,409,866
	28680	$38,476,518
	28690	$118,260,163
Caldwell	28630	$57,574,661
	28638	$20,375,648
	28645	$112,992,286
Henderson	28729	$76,038
	28731	$4,085,829
	28732	$18,600,312
	28735	$138,864
	28739	$24,717,170
	28742	$124,612
	28759	$6,738,626
	28790	$846,593
	28791	$6,683,979
	28792	$95,488,886
	28793	$66,940,528
Jackson	28717	$7,001,141
	28723	$9,438,535
	28725	$514,277
	28779	$41,030,816
	28789	$4,239,573
Mitchell	28705	$1,001,015
	28777	$40,322,499
Polk	28722	$13,889,222
	28773	$7,744,950
Rutherford	28018	$3,302,226
	28040	$11,267
	28114	$168,286
	28746	$28,658,825
Transylvania	28712	$59,691,129
	28768	$1,063,724
	28772	$8,174,488
	28774	$1,625,528
Watauga	28604	$69,247,452
	28605	$45,415,235
	28607	$97,820,364
Yancey	28714	$26,786,186

Early Day Concerns

Initial Concerns

01

Limit Impairment

$50m Flood Limit (Non-High Hazard - $5m Per Member CAP)	APD – Could be $20m + (No Reinsurance)

02

How to Allocate

Interpleader	Allocation Based on TIV or Amount of Loss

Purchase of Additional Limits

Secured $25m Flood Reinstatement within one week of Helene (that sat excess of the remaining $50M Flood limit) and allowed for protection in the event a 2nd Flood Loss were to occur during the policy period.

Multiple markets/products were able to offer coverage for the reinstatement

- Most competitive option via the primary panel of insurers on the 24-25 All-Risk program.

Member and Program Impact

58

Members impacted

3

that exceeded the $5M per member Flood limit

Initial Reserves vs Current Reserves

Initial **ROMS** were thought to be well in excess of **$50M (upwards of $80m)**

First **reserve circa $45M net**

- **We wanted to ensure conservative reserve setting throughout the process. Allowed us to avoid any surprises with the reinsurance panel and steady reductions throughout the adjustment process.**

Current Reserve circa $25m net

What Worked

01 CAT plan

02 IA contracts in place

03 Counsel engagement (9/30)

04 Financial tracking

05 Frequent triage meetings

06 Exposure assessment – UW, Alliant

07 Layers of review:
- IA
- Consultant
- Staff
- Counsel
- Management

08 Initial field outreach:
- Coordination w/adjacent departments
- Business Services and Risk Control

09 FEMA consultants for members and IRFFNC

Opportunities

Cadence and quality of communication/ reporting from IAs

IA expectations

Validation of IA provided data

Flood/FEMA mapping challenges

Field staff accompanying IAs

Internal claims protocols – individual IM

Member Flood for Obtain and Maintain (FEMA Recoveries)

FEMA, Insurance, and the Future of Disasters

Katie Harwood
Witt O'Brien's

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FEMA's Public Assistance (PA) Program

- FEMA grant program that provides funding for disaster response and recovery, including:
  - Emergency protective measures
  - Debris removal
  - Repair, restoration, and rebuilding
- Government entities and certain nonprofits are eligible
- Reimbursement-based
- Passthrough grant program (via State)
- A major piece of the puzzle for communities recovering from large events
- One of the only paths to recuperate *response and operational* costs

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FEMA's Public Assistance (PA) Program

- **Not simple or easy to access**
- Limits to eligibility
  - Applicant, facility, work, and cost must all meet requirements of FEMA policy
  - Must be legal responsibility of applicant
  - Only available during certain federally declared disasters (large events)
- FEMA policy can be extremely narrow in defining what is eligible or disaster-related

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The PA Program and Insurance

- FEMA reduces PA awards by amount of insurance coverage
- Obtain and Maintain (O&M) requirements:
  - After FEMA pays for damage from a hazard, the applicant must retain insurance coverage against that hazard for that facility (where reasonably available)
  - Future awards are reduced by the amount of this coverage, even if they don't have it
  - State insurance commissioners determine what is and isn't reasonably available

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Common Insurance Challenges

- Difficulty adhering to O&M requirements
  - Double-counting of umbrella policies against new FEMA claims
  - Flood damage to non-structure facilities <$500k
  - Lack of awareness of requirements, particularly for damage far in the past
- Failure to update schedule of values
- Slow insurance processes (or lack of clear documentation) delay funding through PA

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Other Recovery Challenges

- Lack of understanding of which costs are eligible, slowing project formulation
- Failure to meet stringent procurement (and procurement documentation) requirements
- Cashflow management while waiting for reimbursement
- Difficulty in providing accurate accounting of force account labor, equipment, and materials usage and costs

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FEMA is changing.

- Bipartisan, national interest in reforming FEMA to simplify and speed the recovery process.
- Changes under the current administration:
  - Significant staffing reductions at FEMA and increased utilization of contractors
  - Manual, not automatic, review of new obligations
  - Secretary of Homeland Security reviewing all $100k+ obligations
  - DOGE oversight of state drawdowns
  - Strong push to close older disasters
- Overarching theme: scrutiny is good! But delays are not.
- However, these measures are temporary; the intention is to reform the process altogether.

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The Fixing Emergency Management for Americans (FEMA) Act of 2025

- H.R. 4669 - introduced in the house July 23; currently in committee
- Re-establishes FEMA as a cabinet-level agency (moved under DHS following 9/11)
- Proposes something akin to a block-grant model for PA
  - Cost estimates prepared by licensed professionals are presumed to be accurate
  - FEMA reviews and approves within 90 days, and provides funding within another 30 days
- Proposes simplification of historic, environmental, and regulatory reviews

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The Fixing Emergency Management for Americans (FEMA) Act of 2025

- Provides cost share incentives for states that reduce risk by:
  - Maintaining dedicated disaster accounts
  - Provide state funding for insurance
  - Creating state-run disaster recovery programs
  - Encourage participation in the Community Rating System (CRS)
  - Facilitate strong code adoption
  - Robustly manage the floodplain
- Provides cost share *disincentives* for states that fail to do these things

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The Fixing Emergency Management for Americans (FEMA) Act of 2025

- Creates option for state-level Block Grants for Small Disasters (125% of statewide per capita indicator or less)
- Governor requests a lump sum payment for estimated damages, in lieu of FEMA providing the PA program
  - Federal share is 80% of what they would provide under PA
  - State and FEMA must agree on lump sum amount NLT 90 days of the incident
  - FEMA approves funding LNT 90 days after receipt of a "complete application . . . and supporting documentation"
- Cannot request changes to funding amount based on actuals
  - Communities must *rapidly and accurately* assess their needs

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Predicting the Future

- This storm season, we are likely to see more of the same:
  - Current PA program delivery model
  - Higher threshold for disaster declarations
  - Slow down in service and delivery of funds
  - Increased cash flow challenges for communities
- The specifics of the FEMA Act will change during legislative process
- Communities are well served in all circumstances by strengthening their administrative procedures pre- and post-disaster
- The return on investment for hazard mitigation is increasing in the face of uncertainty

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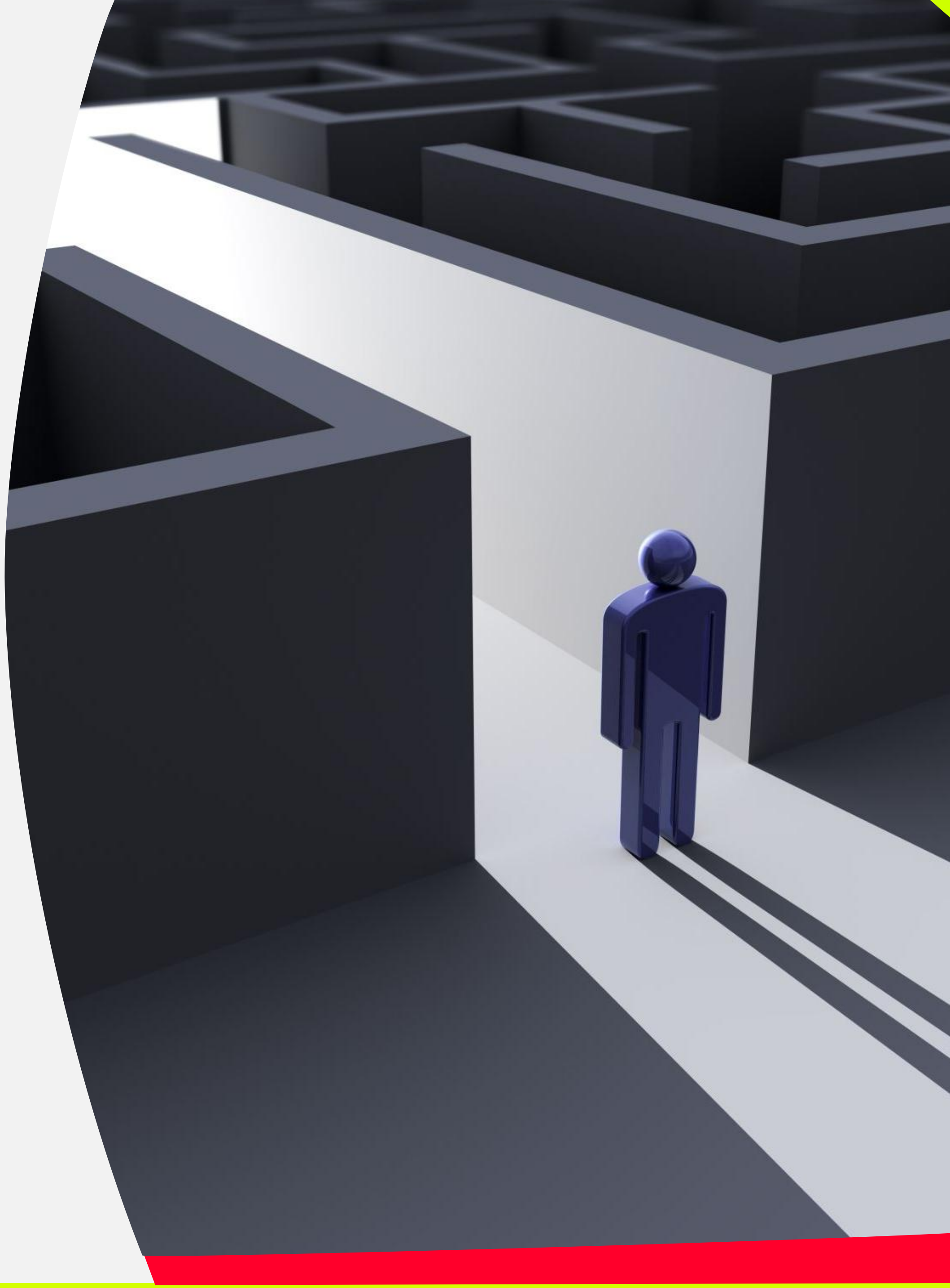

How can communities be better prepared?

- Have a plan in place for short- and medium-term cashflow management
- Invest in cost-effective hazard mitigation
- Review disaster-readiness of internal procedures:
  - Do ground and field crews routinely take photos?
  - Does timekeeping reflect actual tasks performed?
  - Are clear policies for hazard pay and overtime in place?
- Pre-position contracts for debris and disaster recovery support
- Audit true flood risk
- Perform comprehensive reviews of insurance coverages

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How can communities speed recovery?

- Make cost tracking a position in your emergency operations center, even if it requires surge staffing
- Clarify the record for force account labor, equipment, and materials *quickly*
- Prioritize rapid estimates of disaster costs
- Create <u>your own</u> clear and detailed record of disaster costs
  - Don’t wait for FEMA to ask
  - Don’t rely on federal or state computer systems to organize and maintain your documentation
- Engage with the state in a conversation about your unmet needs as soon as possible
- Consult the experts – federal policy and procedures are changing constantly

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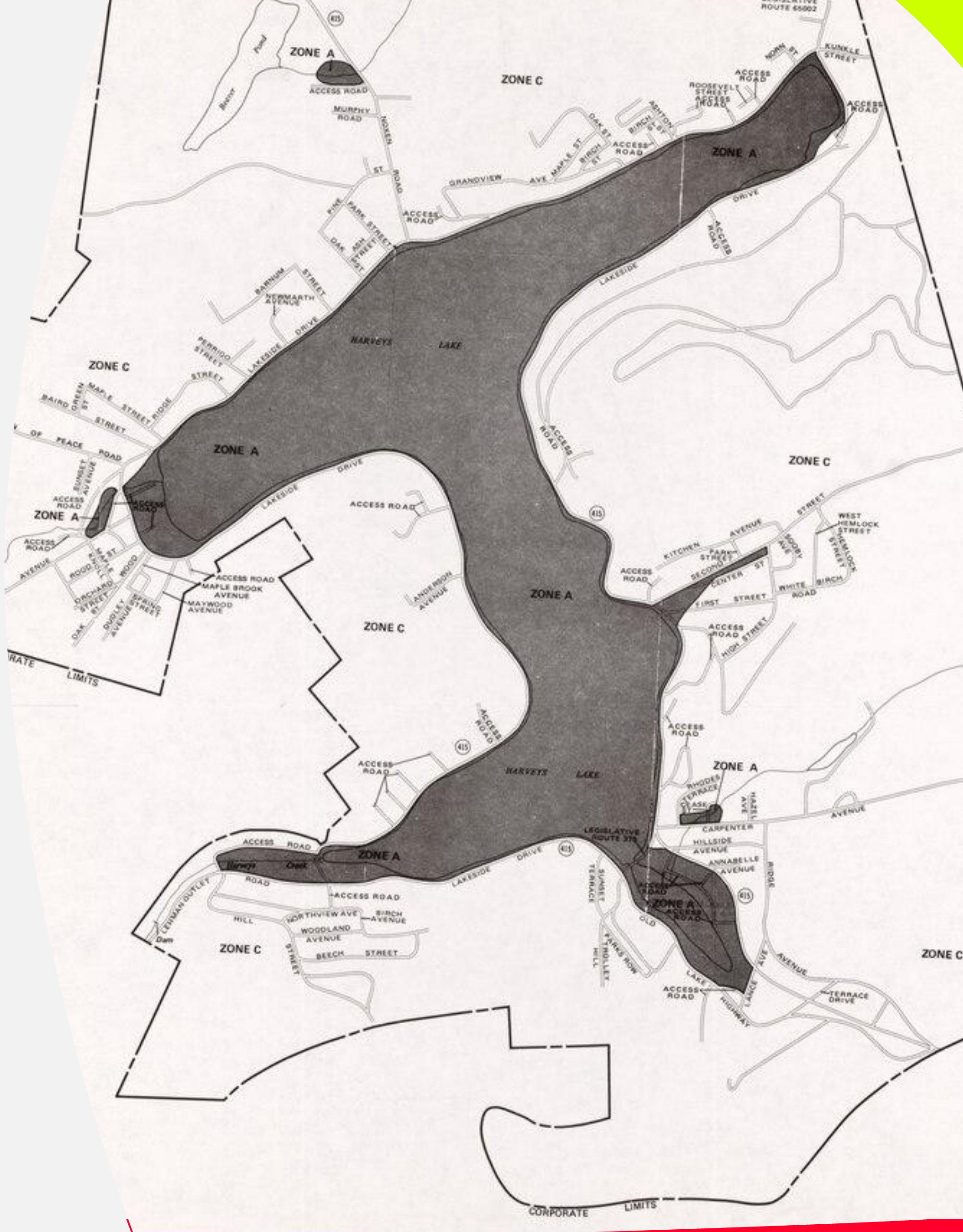
How can insurers help?

- Support communities in auditing their true flood risk
- Participate in comprehensive reviews of coverages
- Explore solutions for common coverage gaps:
  - Flood coverage for non-structure facilities
  - Response and operational costs
- Incentivize and support hazard mitigation
  - Encourage your state to invest in the type of mitigation that would increase cost shares if FEMA Act passes
  - Educate communities about mitigation and amplify information about funding opportunities
  - Encourage and support CRS participation
  - Discuss premium reduction benefits of hazard mitigation



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Resources:

- FEMA Public Assistance Program and Policy Guide (PAPPG)
- The Fixing Emergency Management for Americans (FEMA) Act

Q&A