AMERICAN ACADEMY of ACTUARIES

September 8, 2026

Timothy Temple, Chair
Glen Mulready, Vice Chair
Pre-Disaster Mitigation and Risk Modeling (EX) Working Group
National Association of Insurance Commissioners (NAIC)

Re: Public Comments on the drafted Residential Mitigation Grant Program Model Act

Dear Chair Temple and Vice Chair Mulready:

On behalf of the Casualty Practice Council's Homeowners Insurance Task Force, P/C Extreme Events and Property Lines Committee, and Climate Change Joint Committee (Committees) of the American Academy of Actuaries,[1] we appreciate the opportunity to comment on the Residential Mitigation Grant Program Model Act (Model Act) issued for comment on August 7, by the Pre-Disaster Mitigation and Risk Modeling (EX) Working Group (Working Group). The Committees have reviewed the exposure draft and offer the following comments.

Verification and Program Integrity

The Model Act as exposed includes provisions relating to independent verification, audits, and anti-fraud measures. Reliable verification is critical not only for stewardship of public funds but also because insurers, regulators, and homeowners may rely on mitigation certifications when evaluating premium discounts and loss-reduction expectations.

Premium Discounts and the Premium Benchmark Table

Section 9 of the Model Act requires insurers to recognize Qualified Mitigation Measures through actuarially justified premium discounts or rate reductions and contemplates the development of a Premium Benchmark Table. The Committees support the principle that mitigation measures that demonstrably reduce expected losses should be reflected in insurance pricing. However, we encourage the Working Group to clarify that mitigation-related discounts should be supported by credible data, catastrophe modeling, engineering analysis, actuarial studies, or a combination thereof. The Committees further note that discounts that are not supported by sufficient empirical evidence or sound analytical frameworks may reduce pricing accuracy and potentially contribute to market availability challenges over time. Ensuring that mitigation credits remain appropriately aligned with demonstrated risk reduction will help preserve actuarially sound rates and support stable insurance markets.

In addition, the Working Group should consider allowing any Premium Benchmark Table to serve as a reference point, rather than a rigid schedule that overrides an individual insurer's actuarial indications. Loss experience, hazard exposure, underwriting practices, and catastrophe model outputs may vary significantly among insurers and across geographic regions. Providing flexibility for insurers to reflect

[1] The American Committees of Actuaries is a 21,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

these differences will help ensure that premiums remain actuarially sound and appropriately aligned with expected risk.

Data Adequacy and Geographic Variation

Empirical support for mitigation credits varies substantially by peril, region, and mitigation technique. While some perils and geographic areas have relatively mature bodies of experience demonstrating loss-reduction impacts, evidence remains less developed for others. The Committees encourage the Working Group to recognize that credible mitigation performance data may continue to evolve over time. States may wish to consider phased implementation approaches, pilot programs, and periodic review of mitigation credits as additional experience emerges and catastrophe modeling techniques continue to develop. Such flexibility could help ensure that mitigation incentives remain aligned with actual loss-reduction benefits while avoiding situations in which prescribed credits become disconnected from available evidence.

The effectiveness of individual property mitigation measures may also depend on broader community-level resilience efforts. The Working Group should consider that interactions between community-wide and property-specific mitigation efforts could impact expected insurance benefits and should be considered as additional data and analysis become available.

Recognized Mitigation Standards

Section 5 of the Model Act allows a Commissioner to recognize mitigation standards and to approve alternative approaches supported by engineering analysis, catastrophe modeling, peer-reviewed research, or actuarial evidence. The Committees encourage the development of transparent criteria for evaluating mitigation standards and recommend consultation with actuaries, catastrophe modelers, engineers, and building-science experts when standards are added, modified, or removed. We also note that mitigation standards may not be equally appropriate across all states and peril profiles. A mitigation measure that provides meaningful benefits in one region may have limited applicability elsewhere. Preserving flexibility for states to tailor recognized standards to local hazards and construction characteristics will help improve program effectiveness.

Insurer Data Collection and Confidentiality

The collection of insurer data would likely be necessary to evaluate program effectiveness and monitor insurance market conditions. Ensuring clear reporting specifications and aggregation levels can improve data quality while minimizing administrative burden on insurers and regulators. The Committees also support strong confidentiality protections and de-identification standards for any public reporting.

Interaction with Ratemaking and Market Stability

Over time, mitigation grant programs, evolving building standards, and growing adoption of resilience measures may influence base rates, rating relativities, catastrophe model outputs, and insurer portfolio characteristics. The Working Group should consider allowing insurers to retain sufficient flexibility to periodically reevaluate mitigation credits as empirical experience and modeling methodologies evolve. While mitigation incentives can provide important benefits, minimum credits that are not periodically reassessed may eventually become inconsistent with observed loss experience. The Committees encourage the Working Group to preserve flexibility that will allow rates and mitigation credits to remain responsive to emerging data and changing risk conditions.

We look forward to the continued collaborative dialogue with the NAIC as you continue work on this Model Act. If you have any questions or would like to discuss these comments further, please contact Rob Fischer, policy project manager, casualty (fischer@actuary.org, 202-785-7865).

Sincerely,

Ken Doss, MAAA, FCAS
Chairperson, Homeowners Insurance Task Force

Steve Kolk, MAAA, ACAS
Chairperson, PC Extreme Events and Property Lines Committee

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Chairperson, Climate Change Joint Committee