

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes

August 25, 2022

Call to Order and Roll Call

Pursuant to the approvals of the President of the Senate and Speaker of the House, the Senate Standing Committee on Banking and Insurance and the House Standing Committee on Banking and Insurance met jointly at the Kentucky State Fair on August 25 during the 2022 Special Session. Senator Girdler, Chair and Representative Rowland, Chair called the meeting to order, and the secretary called the roll for each committee.

Present were:

Members: Representative Bart Rowland, Co-Chair; Senators Julie Raque Adams, Ralph Alvarado, Donald Douglas, Rick Girdler, Morgan McGarvey, Dennis Parrett, and Brandon J. Storm; Representatives Danny Bentley, Joseph M. Fischer, Patrick Flannery, Deanna Frazier Gordon, Jim Gooch Jr., Angie Hatton, Norma Kirk-McCormick, Derek Lewis, Matt Lockett, Michael Meredith, Michael Sarge Pollock, Rachel Roberts, Cherlynn Stevenson, and Susan Westrom.

Guests: Shelby Williams, Great Louisville Inc.; Mark Haney, President, Kentucky Farm Bureau Federation; John Sparrow, Executive Vice President & CEO, Kentucky Farm Bureau Mutual Insurance Company; DJ Wasson, Chief of Staff and Legislative Liaison, Public Protection Cabinet

LRC Staff: Jessica Sharpe, Breanna Patterson, and Elizabeth Hardy

Introduction

Shelby Williams, Greater Louisville Inc., gave a brief introduction and thanked the committee for coming to the Kentucky State Fair.

Discussion of recent storm responses and relief efforts

Kentucky Farm Bureau

Mark Haney, President, Kentucky Farm Bureau Federation, thanked the committee for their oversight and provided an introduction.

John Sparrow, Executive Vice President & CEO, Kentucky Farm Bureau Mutual Insurance Company introduced multiple Vice Presidents. Next, a video was played for the committee which showed the devastation of the recent floods in Eastern Kentucky, how Kentuckians and communities came together, and Kentucky Farm Bureau (KFB) assisting people in need. Mr. Barrow discussed KFB's relief efforts for Kentuckians impacted by

recent natural disasters. The December tornadoes that hit Western Kentucky resulted in over 8,000 claims and approximately \$220 million in losses with KFB. To date, the recent floods that affected Eastern Kentucky resulted in around \$52 million worth of loss and 5,000 claims with KFB, with 20 percent of those being automotive claims.

Traditionally, most mobile homes have flood coverage. However, other homes, farms, businesses, and buildings do not traditionally have flood coverage unless it is provided by a third party. The Federal Emergency Management Agency (FEMA) has an insurance program and KFB also provides a lot of that coverage, which is funded with FEMA dollars. Flood coverage is expensive and complicated to get. KFB tries to quickly provide denial letters when there is no coverage and in cases of coverage, proof of deductibles so that the insured can apply for and obtain FEMA assistance. Lastly, Mr. Sparrow showed a video featuring KFB's annual skeet shooting charity event to help feed the hungry around the Commonwealth.

In response to Representative Rowland's questions, Mr. Sparrow explained that KFB has not experienced any negative financial impact due to the amount of claims that resulted from natural disasters. This is due to KFB being part of reinsurance programs and because they have been fiscally prudent. While he does not have exact numbers, Mr. Sparrow estimated that the December 2021 tornadoes was probably the largest claim event in KFB history.

In response to Representative Hatton's questions, Mr. Sparrow stated that there is no requirement to have flood insurance unless the individual has a loan. KFB is actively looking for more affordable flood insurance coverage options.

In response to Representative Kirk-McCormick's question, Mr. Sparrow explained that most insurers traditionally do not provide flood or surface water coverage unless it is a mobile home, it is an automobile with comprehensive coverage, or the coverage is purchased separately. Insurance rates are increasing across the board due to inflation.

Department of Insurance

DJ Wasson, Chief of Staff and Legislative Liaison, Public Protection Cabinet (PPC) discussed the Department of Insurance's (DOI) response to the recent tornadoes and floods. When Western Kentucky was devastated by multiple tornadoes in December 2021, DOI deployed its disaster response team to provide on-site assistance that included answering questions, distributing educational materials, providing information on how to avoid fraud and locate a lost life insurance policy, and providing contact information for insurers. DOI returned to the area two more times to provide additional assistance. DOI issued guidance to insurers to set a level playing field and provide some grace during the disaster's aftermath. DOI also issued data calls to insurers, who were very responsive, to obtain information for the purpose of monitoring claims and providing FEMA and the Department for Local Government location information for affected homes. As of January 7, there

were 12,443 claims resulting from the December 2021 tornadoes, and from those claims, the DOI only received 40 complaints, which shows that the insurers were very responsive after this disaster. Most of the complaints dealt with confusion between actual cash value and replacement cost coverage. Finally, DOI is conducting some fraud investigations that are primarily related to debris removal.

The PPC administers the Team Western Kentucky Tornado Relief Fund, which is made up of private donations. Approximately 150,000 people donated over \$52 million. PPC used some of the funds to help assist with immediate needs, but is also saving funds for long-term recovery. Ms. Wasson detailed some of the disbursements from the Fund, which included funeral payments, assistance to both uninsured and insured homeowners and renters, funding to nonprofit organizations for longer-term recovery efforts, and assistance to farmers in Graves County due to a destroyed grain elevator. PPC is also meeting with long-term recovery groups in the area to assist impacted families with future needs.

Ms. Wasson briefly discussed DOI's response to the floods, which was very similar to the tornado response. The government response to the floods was more coordinated due to lessons learned from the tornadoes. In response to Representative Hatton's previous question, Ms. Wasson stated that between 1 and 2.5 percent of impacted homes in Eastern Kentucky were believed to be insured with flood coverage. There is a flood relief fund, which is up to about \$8.2 million in donations. Funeral assistance payments have been made for the 39 deaths to date resulting from the floods. PPC is currently meeting with community partners in the area to provide immediate assistance, especially with getting mud out of homes. They are also meeting with federal and local government partners to address longer-term needs.

In response to Representative Westrom, Ms. Wasson stated that she would provide a link to the Team Eastern Kentucky Flood Relief Fund for disbursement to the members.

There being no further business, the meeting was adjourned.