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April 15, 2021

Kimberly Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Docket No. AD21-13-000

Dear Secretary Bose:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), thank you for the opportunity to provide comments in advance of the Federal Energy Regulatory Commission's (the "Commission") technical conference to discuss issues surrounding the threats to electric system reliability posed by climate change and extreme weather events. We would like to offer comments in response to Question 8 in the Commission's *Supplemental Notice of Technical Conference Inviting Comments*:

> *8. Are relevant regulatory authorities, individual utilities, or regional planning authorities considering measures to harden facilities against extreme weather events (e.g., winterization requirements for generators, substations, transmission circuits, and interstate natural gas pipelines)? If so, what measures? Should additional measures be considered?*

NAMIC is the largest property/casualty insurance trade group, with a diverse membership of more than 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowners insurance market and 53 percent of the auto market. Through our advocacy programs, we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve as well as foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

The insurance industry anticipates a long-term upward trend in weather-related threats; both frequency and severity of extreme weather events are predicted to continue to rise. Critical services including electricity generation, transmission, and distribution will continue to experience reliability and safety challenges in the face of these threats. It is important to note that weather events are not the only issues that imperil critical systems – intentional, human-made threats (e.g., cyber-attacks and physical attacks on critical infrastructure) and geomagnetic disturbances are equally concerning. The insurance industry believes that adaptation focused on preventative and mitigative actions is crucial to minimize the human and financial toll from both extreme weather events and other natural and human-made threats. An increasingly proactive risk management approach to the nation's electric infrastructure is in all parties' best interests. Enhancing resiliency and reliability would help ensure the viability of insurance markets as well as the availability and affordability of insurance coverage – a critical social good – for the public.

Recent experiences highlight the impacts that the confluence of extreme weather conditions and inadequate resiliency measures may have on the power sector, insurance markets, and the public. Examples include:

1. 2021 Texas Power Crisis: Expected to result in approximately $10-20B in insurance industry losses due to property damage, business interruption, and pending liability claims. The impacts on insurance availability and the market in general are yet to be fully realized.
2. 2018 Northern California Wildfires (Camp Fire): Resulted in property damage to homes and businesses, with greater than $10B in liability assigned to PG&E. Offering coverage became untenable for insurers in some instances. California legislators imposed a moratorium preventing market withdrawal.
3. 2019 California Wildfire Fund: A string of unsustainable wildfire losses incurred by California-based utilities led to the creation of the California Wildfire Fund, for losses greater than $1B, which is funded by utilities and ratepayers. This failure of private risk transfer markets may be indicative of things to come in the face of future climate-related risks.

These examples demonstrate the necessity for federal and state energy regulators to support investment in adequate reliability and resiliency measures. Failure to support the adoption of such resiliency measures negatively impacts consumers and the economy, as well as insurance markets, and ultimately impedes the ability of insurance commissioners to fulfill their missions related to promoting the affordability and availability of insurance.

We hope that this proceeding will facilitate a productive dialogue between the energy and insurance sectors. In particular we believe that state-level insurance commissioners could play an important and more active role in advocating, on the public's behalf, for the value of increased investment in electric infrastructure resiliency. A partnership between the Commission, insurance commissioners, and the insurance industry could enable greater understanding of policy decisions affecting resiliency.

We suggest that the Commission pursue transparent accounting of the full cost of resiliency measures, both those taken and not taken. While there are trade-offs and balancing required in resiliency decision-making, we believe that a more complete understanding of both the shifting threats and the associated full cost of resiliency measures will be essential in finding that appropriate balance.

Ultimately, we see this as an opportunity to optimize outcomes, in both the power and insurance sectors, on behalf of customers. The challenges that growing natural and human-made threats pose to electric reliability will require holistic solutions and new levels of engagement. The insurance industry seeks to be an active participant in that dialogue.

Again, thank you for the opportunity to comment, and we look forward to continued discussions with the Commission on these critical issues.

Sincerely,

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