



# Compliance in a Rapidly Changing Servicing Environment

July 16, 2021

# Today's Agenda

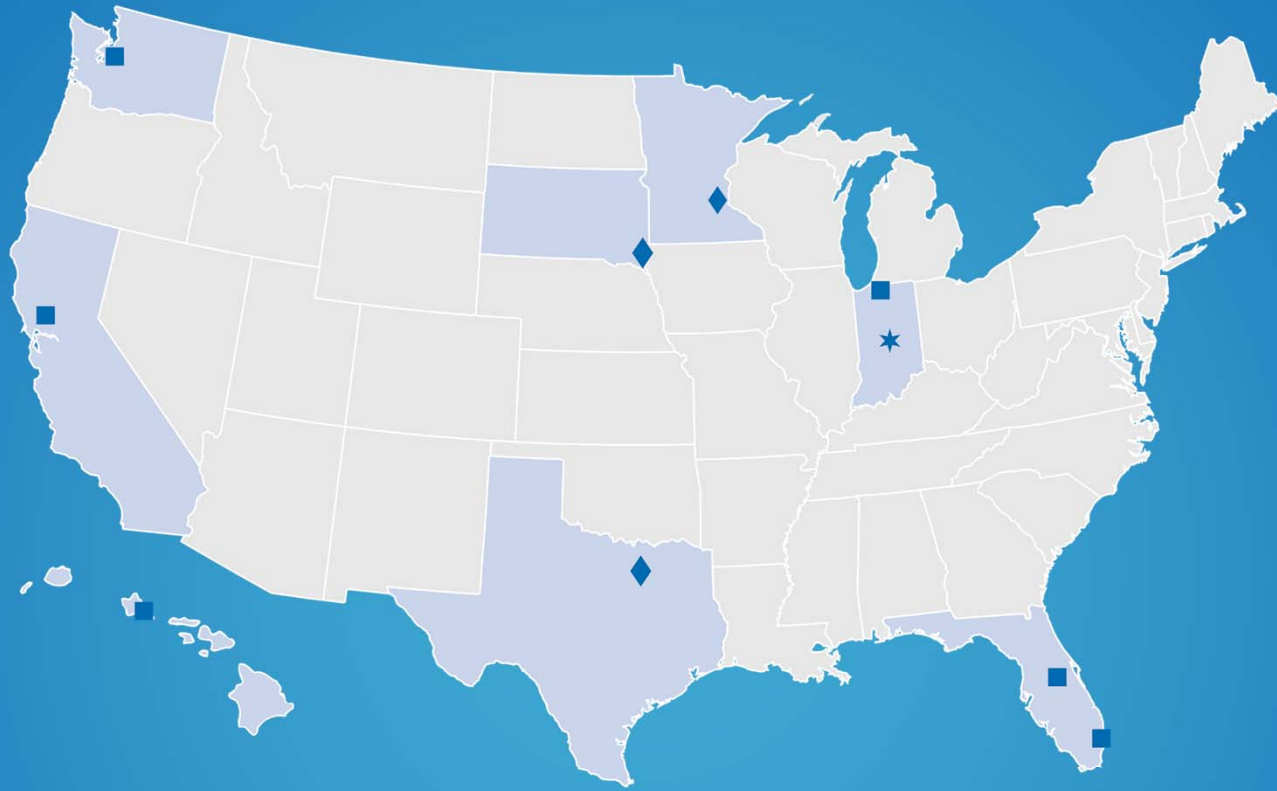
1. Welcome & Introductions
2. COVID-19: Impact on Insurance Industry
3. COVID-19: Impact on Uninsured Collateral
4. COVID-19: Insurance Servicing & Compliance Challenges
5. Q & A



Joey Nemeroff  
*Director,  
Mortgage Solutions*

## Allied Solutions Fast Facts

- 40+ years of industry experience
- Independently operated subsidiary of Securian Financial
- Headquartered in Carmel, Indiana
- One of the largest providers of insurance, lending, marketing and risk management products to North American financial institutions
  - More than 4,000 clients in the Credit Union, Mortgage Servicer and Bank markets
  - Nearly \$1.3B in premium under management and \$227M in annual revenue
  - 23M mortgage and auto loans serviced via proprietary tracking system



- BOCA RATON, FL
- ★ CARMEL, IN
- ◆ DAKOTA DUNES, SD
- HONOLULU, HI
- KENT (SEATTLE), WA
- MAITLAND, FL
- NAPA, CA
- ◆ PLANO, TX
- SOUTH BEND, IN
- ◆ ST. PAUL, MN

■ SERVICE CENTERS    ◆ REGIONAL OFFICES    ★ CORPORATE HEADQUARTERS

**10** OFFICE LOCATIONS  
NATION-WIDE

**1,300** PLUS EMPLOYEES

# COVID-19: Impact on Insurance Industry

## March 11, 2020– Pandemic was declared by WHO

- Over 100 million COVID-19 cases reported worldwide
- Unemployment ballooned to 14.8% in April 2020, down to 5.9% in June 2021
- Estimated 88% of business organizations (world-wide) mandated employees to work from home and 97% suspended travel for work
- Negative impact on mass transit, auto sales, gasoline, restaurants, urban centers
- State-by-state and federal measures enacted to mitigate impact to consumers

# Impact to Flood & Homeowners Insurance Servicing

## State-by-state measures

### Insurance Non-Pay Moratoriums

- **12 States & Washington DC** mandated extension of grace periods or non-cancellation of policies
- **17 States** provided guidance on cancellation of homeowners and/or auto policies for non-payment
- **7 of Top 10 Insurance carriers** implemented grace period extensions & many are still offering flexible payment options at request into 2021


## Federal measures

### NFIP Grace Period

- Extended to **120 days**
- Requirements for financial institutions to maintain coverage **did not change**

# Impact to Insured

## Grace-Periods & Deferred Payments on Hazard & Flood Insurance

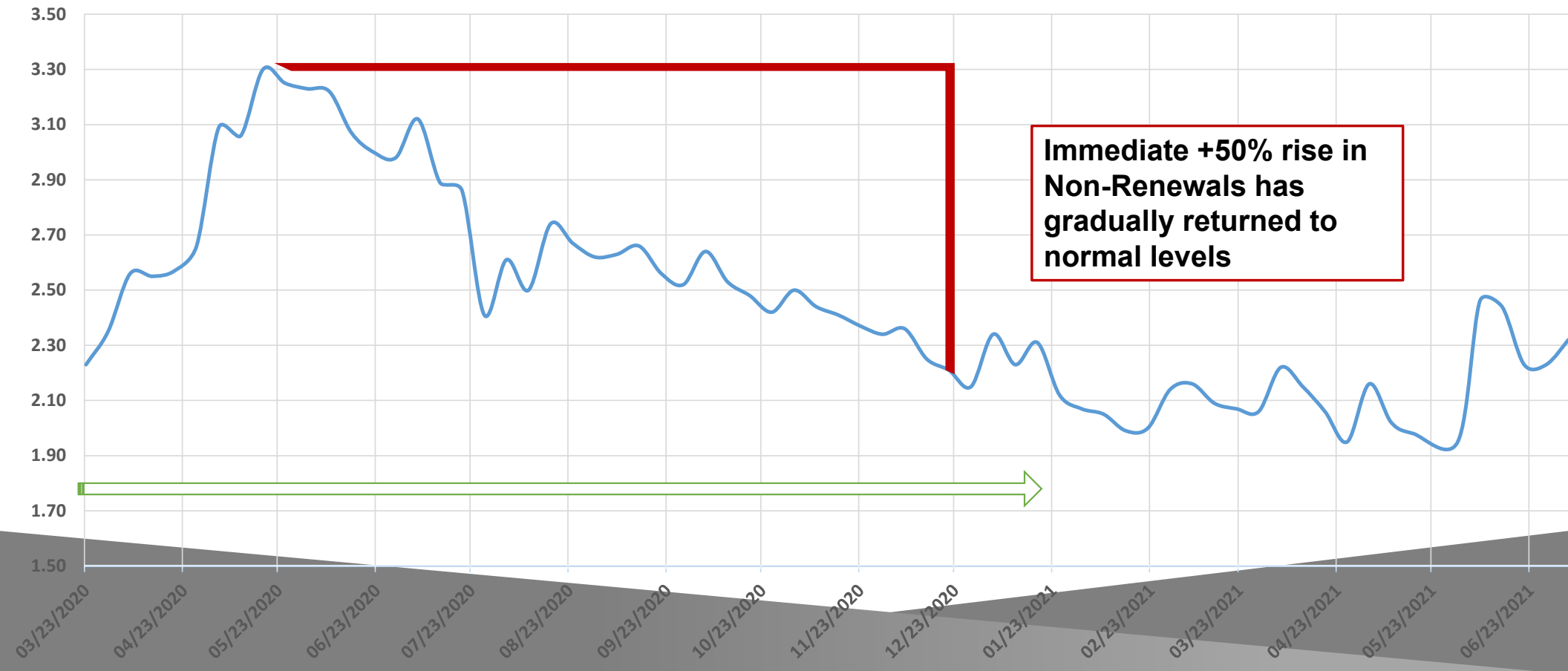
- Decrease in number of cancelled policies
  - Allowed time for financial institutions to implement their BCP's and resume payment of escrowed homeowners & flood insurance
  - Allowed consumers flexibility in managing their finances
- 



# COVID-19: Impact on Uninsured Collateral

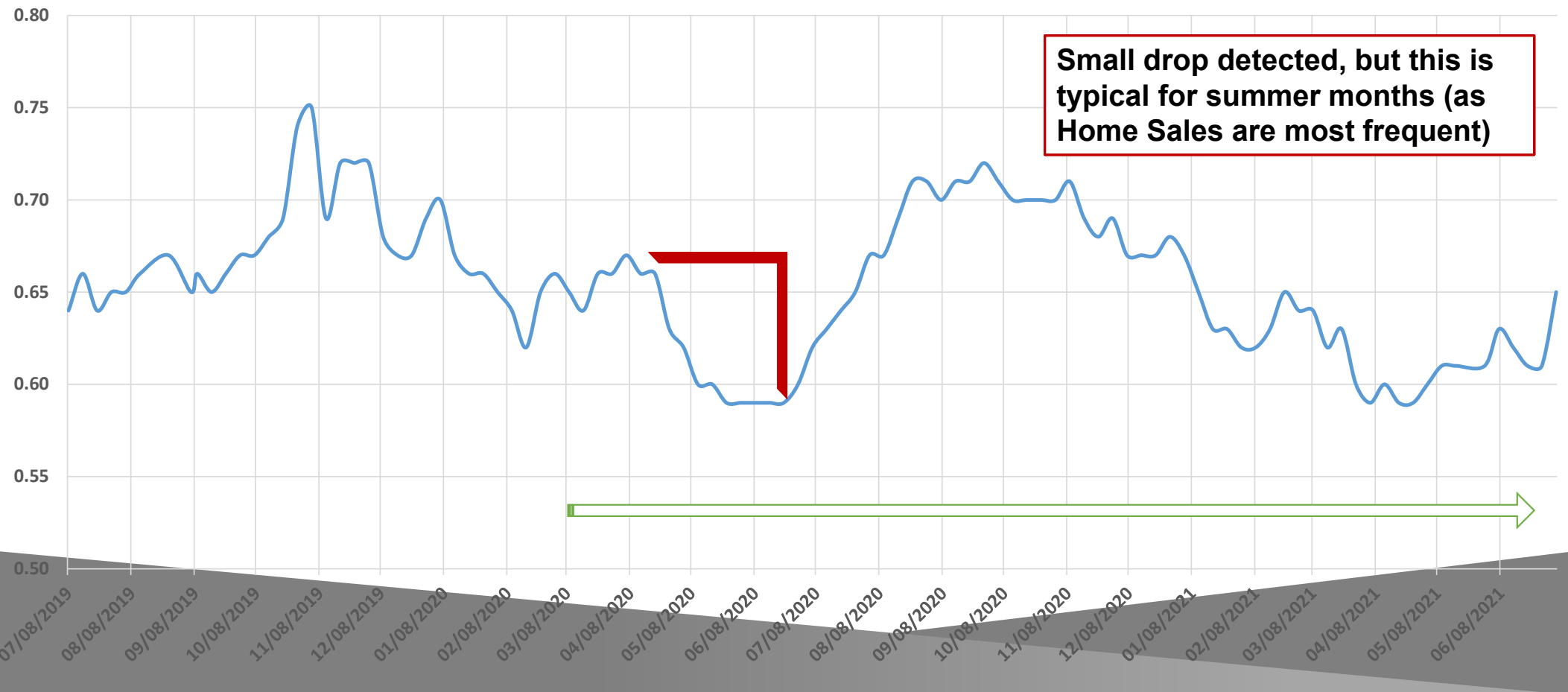
# Impact on Hazard Insurance | What We Have Experienced

## Hazard Insurance Percent in an Expired / Non Renewal Status



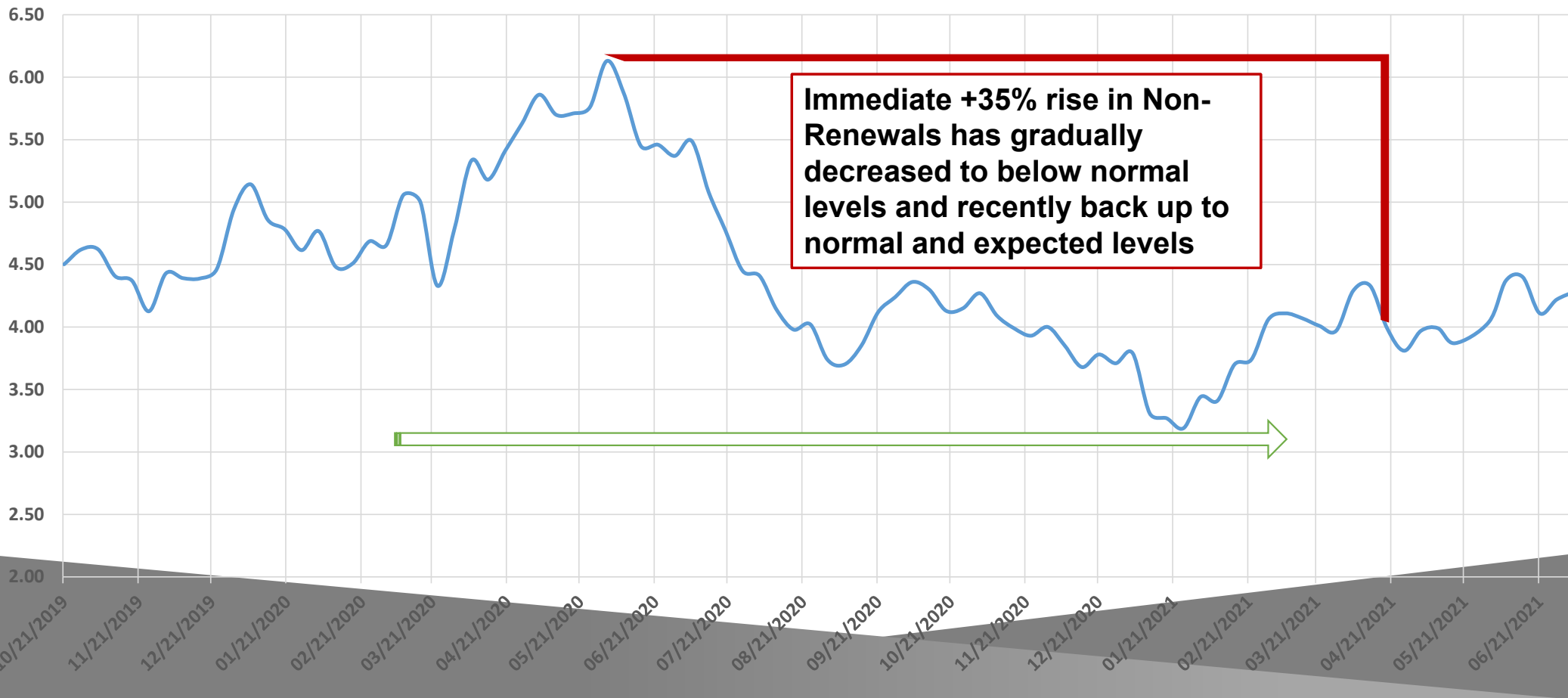
# Impact on Hazard Insurance | What We Have Experienced

## Hazard Insurance Percent of Portfolio in a Cancelled Status



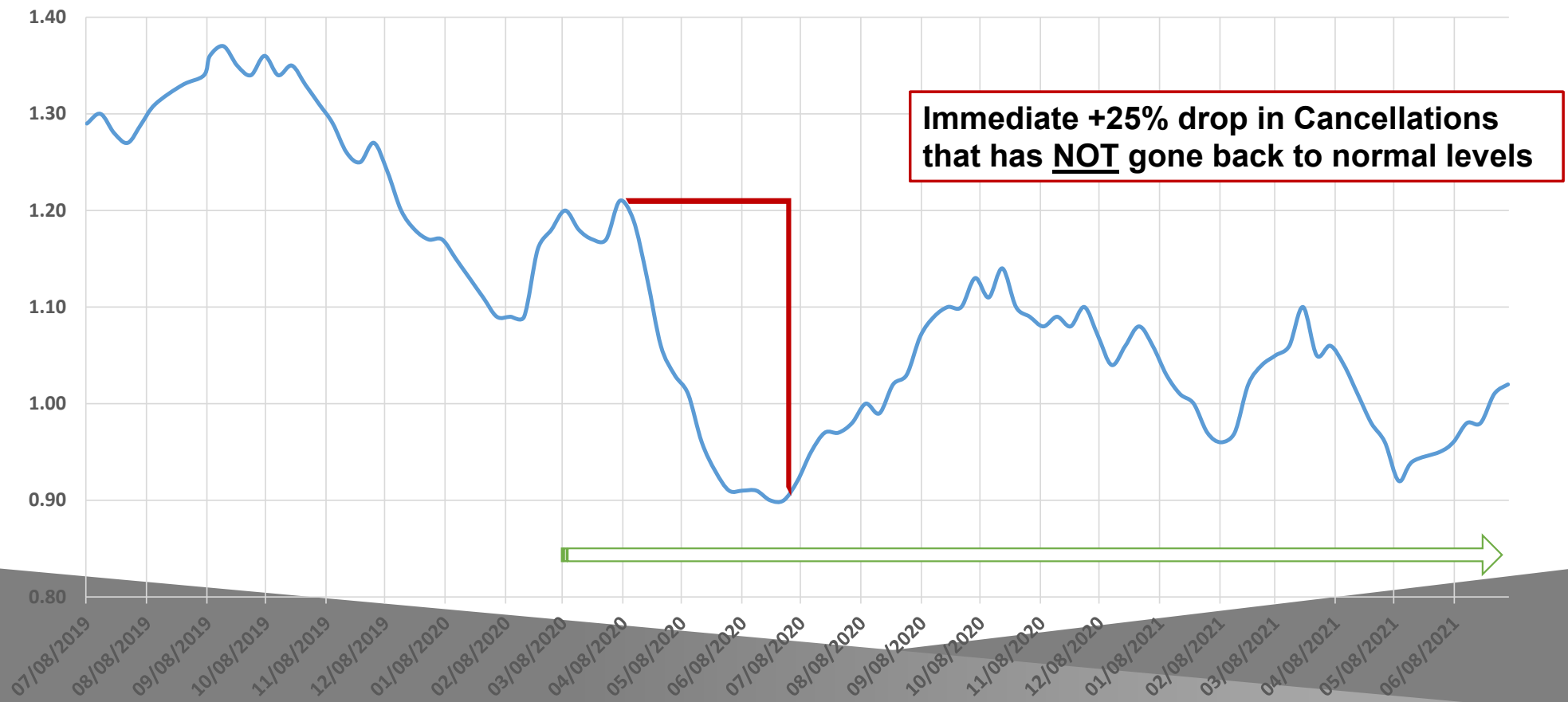
# Impact on Hazard Insurance | What We Have Experienced

## Flood Insurance Percent in an Expired / Non Renewal Status



# Impact on Auto Insurance | What We Have Experienced

## Auto Physical Damage - Cancelled %



## Insurance Servicing Regulatory Impact

- 2020 was a very slow year for regulatory changes
- The “redesign” of the Interagency Flood Q&A has been delayed
  - Comment period was extended
  - Presidential election and change in administration could have slowed it down as well
  - Expected to include details on handling Private Flood

# COVID-19: Insurance Servicing & Compliance Challenges

# Service Disruptions Due to Remote Work

## **Influx of refinance/PPP/other temp measures**

- Increased volume of work AND employees working remotely
- Only 65% of Americans have fast enough internet service to support video conferencing
- Expected 25-30% of the workforce will be working from home multiple days a week by the end of 2021

## **Impact to financial institutions**

1. Technology and digital logistics challenge
2. Data and security accessibility for clients and employees
3. Delayed service and operations
4. Reduced production and long-term workforce effects



# Receiving and Processing Mail for Insurance Policies

## Operations heavily dependent on in-office employees

- Increased work from home protocols sent many employees home in 2020
- At Allied about 90% of our workforce transferred to remote in March 2020
- Handling mail is core function that requires some level of onsite handling
- **Post office delivery delays:** July & August 2020 show 31% increase in first class package delays and a continued backlog through the holiday season

## Impact to financial institutions

1. Delayed receipt of insurance renewal invoices (PO Delivery Delays)
2. Delayed processing of insurance renewal invoices
3. Delayed delivery of insurance premium payments (checks via PO Delivery)
4. Delayed processing of checks due to insurance carriers experiencing staffing constraints

# Prepare for Future Disruption

## Decreased Dependence on Mail

Leverage digital methods for monitoring and servicing of homeowners insurance

- Utilize electronic data interchange (EDI) to receive and pay insurance
  - Work with a 3<sup>rd</sup> party that can receive policy information via EDI
- Continue to develop new technologies in the digital age to reach out to homeowners and agents to resolve insurance issues
  - Improved BCP regarding insurance servicing
  - Increased efficiencies
  - Increased consumer satisfaction

## In Summary

1. Potential impact of the changing regulatory and economic environment remains in flux for lenders and servicers
2. After initial increases, non-renewals for flood and hazard insurance are seeing a return to normal levels
3. In 2021, servicers need to be prepared for future disruption

# Questions?

# Thank you for joining!



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