



October 20, 2021

Ms. Jennifer Gardner
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Dear Ms. Gardner,

This letter is submitted in response to the request for public feedback on the NAIC's proposal to establish a Catastrophe (CAT) Modeling "Center of Excellence" (COE) within the NAIC's Center for Insurance Policy & Research (CIPR), issued on September 20, 2021. AIR Worldwide appreciates the opportunity to offer our perspective as a leading provider of analytics for managing extreme event risk.

We believe the idea of a COE has merit in helping reduce time spent by regulators understanding multiple models. However, we have some questions and concerns as to the implementation of this approach. At the forefront of our questions is better understanding the functioning of the COE, the top priorities and how this will affect modelers and relationships with state regulatory bodies.

Questions

- Is CIPR planning to license and use modeler software, or engage in paid consulting studies for their research and development of processes? How will they be distributing results and underlying assumptions from the various models they license?
- Will modelers be involved in establishing workflows, best practices, agenda and expectations of the COE, including timing?
- Is the intent for the COE to become the primary point of contact between regulators and modelers?
- How many vendors is the COE considering supporting?

Comments

- Intellectual property – Modeling organizations have a considerable amount of IP within their suite of models and software packages. We would like to understand plans for the protection of this IP given that states have varying levels of disclosure within their statutes. While unlikely the intent, there is increased risk that vendor IP may be shared with a competitor in error via ongoing discussions.

- Impartiality – While the proposal states the intended purpose of the COE is not to review models, the proposed process could result in establishing one vendor's model as a de facto standard. Having access to additional documentation, or a particular vendor's expert, or an existing relationship with a vendor may create a bias.
- Communication – Given the complexity of models and breadth of expertise required to build and maintain them, there is a risk that any third party cannot adequately communicate the nuances and justification of models. If the COE plans to coordinate model presentations from the modelers, rather than relaying this information second-hand, this would help alleviate our concerns.
- Relationships with state regulators – Open communication between modeler and state regulator is important and considerable effort has been exerted to foster these lines of communication. Our understanding of the COE suggests communication with state regulators could be impacted. We believe that modelers and state regulators should engage in open conversations regularly to best understand the models being used across the industry.
- Research and development activities – Previous CIPR R&D activities required significant involvement of model vendors on a pro bono basis. We would like to understand the research and support expectations from the COE on modelers.

We thank you for the opportunity to provide our perspective. We would appreciate the opportunity to discuss our questions and comments with you at your earliest convenience.

Thank you,



Roger Grenier, Ph.D.
Senior Vice President, Global Resilience Practice Leader AIR Worldwide

