**APCIA Comments on Catastrophe (CAT) Modeling “Center of Excellence” (COE) within the NAIC Center for Insurance Policy and Research**

The American Property Casualty Insurance Association (APCIA) represents nearly 1200 insurers providing coverage in the U.S. We share with regulators and the public the growing challenges posed by climate risk and the related importance of forward-looking catastrophe models. These models are increasingly critical for insurers to better predict and underwrite the changing climate risk, to regulators to assure a solvent insurance market, and to the public we both serve to assist in better identification and mitigation of climate risk.

**Initial Comments on the Proposal**

As stated above, catastrophe models are increasingly necessary for accurate risk assessment, which in turn assists in underwriting, pricing, and solvency regulation and in supporting competition and innovation. Accordingly, some members generally support the concept of the NAIC providing technical expertise to the states to assist them in the efficient, timely and effective review of catastrophe models and the provision of education for state regulators on modeling and how best to technically analyze models.

However, there are fundamental issues. The NAIC is suggesting having only one analyst to support this “Center for Excellence” (COE) in reviewing cat models.  While most catastrophe models have the same overall structure, the portion of the models that are most analysis intensive are extremely peril-specific.  For example, the modeling of hurricanes requires expertise in meteorology, while the modeling of earthquakes requires expertise in geology.  It is extremely unlikely that a single individual would have the necessary expertise in all possible perils for catastrophe modeling.  Those entities that produce these models tend to hire separate experts for separate perils, with the staffing requirements for producing such models to be material.  Therefore, we doubt that the staffing level proposed by the NAIC would be able to provide meaningful analysis in the broad category of catastrophe modeling.

The staffing issues mentioned above with regard to experts at the NAIC are even larger for state insurance departments.  Most states are not going to have enough or the right staff to review these models.  They will have to rely on others to evaluate catastrophe model validity, and most likely will have to rely heavily on the decisions and evaluations made by others.

Strong protections need to be put in place to protect proprietary intellectual property. The loss of such protection would be counterproductive in that it would discourage innovation that is particularly critical in view of the rapidly changing climatic conditions.

The COE should not have approval authority. And, the final structure should prevent “mission creep” into areas such as new or specific data calls, passing judgment on the models, or becoming a *de facto* national approver.

We seek clarification of the discussion of the regulatory “so what” questions. We are not sure from the document the nature, scope and substance that are included under that phrase.

The COE’s work should be driven solely by objective science. It should not be subjective, political, responsive to special interests, or ideological pressures of any kind.

**Important Catastrophe Response Measures**

Catastrophes pose the greatest challenge to insurers and regulators, but also provide the greatest opportunity to demonstrate our fundamental worth to the public we all serve. Accordingly, we have attached some measures which we truly believe are of real benefit to the public, regulators and insurers and we ask the NAIC continue to work on them with us and seek the broadest possible implementation.

**Conclusion**

Thank you for the opportunity to comment on the proposed COE. We look forward to continuing to engage in the discussion of the proposal, if it moves forward.