

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
TECHNOLOGY WORKSTREAM of the CLIMATE & RESILIENCY (EX) TASK FORCE

Catastrophe Modeling “Center of Excellence” Proposal
September 21 Notice of Exposure

October 21, 2021

On behalf of National Association of Mutual Insurance Companies (NAMIC)¹ members, thank you for the opportunity to review the proposal² from the NAIC’s Center for Insurance Policy & Research (CIPR) to establish a permanent centralized resource – a “Center of Excellence” (COE) – to provide state insurance departments with support services (technical expertise, tools, and information) relating to insurer use of commercial catastrophe (cat) models.

From a big picture perspective, NAMIC understands that models have grown increasingly complex over the years and appreciates that regulators may seek efficient ways for staff to be educated to expand their understanding of models. Some of the details of how this would be done in the near term and how it may unfold over time seem unclear. For interested parties to better discern the intended scope of and processes for the COE, additional context may be helpful. Some of those aspects of the proposal are highlighted below (while these questions may relate to each of the support services mentioned in the proposal, many of them are prompted by the assistance that may relate to distilling of information).

- Will this CIPR/NAIC COE be structured to remain connected to the Technology Workstream of the Climate and Resiliency (EX) Task Force? What are go-forward plans for regulator and stakeholder understanding and public engagement?
- What is the plan for how COE information, observations, and/or questions about models will be conveyed to state insurance departments? What kind of output will be generated?
- NAMIC appreciates the statement that state regulator decision-making role would not be usurped. Would the kind of information the COE conveys be facts-based or would it include opinions or analysis?
- What kinds of data fields will be included? Will others provide input into the design?

¹ NAMIC membership includes more than 1,400 insurance companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country’s largest national insurers.

² https://content.naic.org/sites/default/files/inline-files/CATModelCOE%20Proposal_1.pdf

- Will the COE reviews and/or output be designed to be geography-specific?
- Will modelers engage in discussions with COE about specific models? Do you expect insurers would be involved in model-related discussions? Will state regulators continue to be open to discussions with modelers (and insurers) about models?
- Would the COE be engaging to connect learnings from the cat model to specific insurer rate making, solvency, and/or business (strategic, reinsurance, claims management) decisions?
- Once a model has been reviewed, what renewal process is envisioned?
- How many states do you expect to be interfacing with the COE?
- Depending on the expected level of granularity for COE work, additional questions may be relevant, such as: would the COE (NAIC/CIPR) need to be prepared to go to a hearing to testify or to respond to discovery?
- Depending on the details of the services provided and how they are funded, additional questions may be relevant, such as: are the state procurement processes relevant to this situation?
- Beyond recruiting for new roles of cat modeling relationship manager and cat model research analyst, how many people at the NAIC/CIPR will be contributing to COE activities? Do you expect that to change over time?
- Does the COE anticipate looking to external experts for some of the implementation or ongoing work?
- Have longer-term plans been prepared and are there budget implications?
- The funding-related portion of the proposal indicates that there would be no new charges and it mentions providing some services, but it does not necessarily speak to the component relating to distilling information. How deep does the COE expect to go into this work and are there anticipated short- and long-term funding implications?

NAMIC can appreciate the goal of taking some of the burden off regulators. Having an educational resource for regulators to be able to understand more about vendor models may prove helpful. The questions shared here are not intended to be exhaustive but are shared to communicate the kinds of details about COE that are practical – relating to what will be done, by whom, how, and for how much – and may be worth additional exploration and communication to further inform expectations at the outset. The way the NAIC/CIPR structures the COE would be important.

Thank you for the opportunity both to share these comments and to continue to provide input on the catastrophe and climate matters being considered at the NAIC.