

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS  
PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

COVID-19 Discussion - June 10, 2020 Meeting

Over the past several months, regulators, insurance professionals, and advocates have worked tirelessly to serve and protect insureds for the long term. Within this broad insurance community, supervisors, workers, and interested parties have been contributing (many from remote locations) while concerned for health and safety of clients, colleagues, friends, and family. Many of you have probably witnessed with appreciation the actions and approaches of certain people and companies.

At the National Association of Mutual Insurance Companies (NAMIC),<sup>1</sup> we are honored by the mutual industry's strong commitment to helping others during the COVID-19 outbreak. Our website showcases a sampling of member activities,<sup>2</sup> including impressive charitable gifts as well as accommodations that individual insurers decided to make available to their policyholders. This activity is not in a vacuum.

As you know, states have not been silent. Indeed, in the weeks after federal and state governments began taking action to mitigate the spread of COVID-19, **state insurance regulators issued hundreds of regulations and bulletins in response to COVID-19 to guide or mandate a range of ways for insurers to assist insurance consumers.** Common mandates included:

- ✓ Suspending cancellation/nonrenewal for nonpayment
- ✓ Extending grace periods or allowing payment flexibility/delay
- ✓ Waiving late and administrative fees
- ✓ Relaxing claim-related reporting or other deadlines
- ✓ Extending coverage for otherwise excluded activities (i.e. food delivery)

**State Regulators: Consumer-Assistance Regulatory Activity & Thoughts to Consider in Next Steps**

As Americans return to their important places of work and activities, temporary emergency measures will expire, be adjudicated in the courts, or be overwritten by state re-opening processes.

States have taken a variety of approaches in drafting their regulations/bulletins. While some have been explicit about insurer activities upon expiration, others not been clear about how/when to unwind temporary measures (resuming practices consistent with the approach prior to orders). In some instances, additional clarity around regulatory expectations would aid certainty of compliance.

<sup>1</sup> NAMIC is the largest property/casualty trade association in the US, serving regional and local mutual insurance companies on main streets across America as well as many large national insurers. NAMIC membership includes more than 1,400 insurance companies. NAMIC member companies write \$268 billion in annual premiums. Our members account for 59% of homeowners, 46% of automobile, and 29% of business insurance markets.

<sup>2</sup> <https://www.namic.org/resources/covid19/stories>



Looking back to March, insurers and many other companies took measures rapidly to protect employees, facilities, and the public from the virus spread and its ramifications, NAMIC reached out to state regulators to encourage them to provide consistent guidance affording/confirming the acceptability of flexible approaches to some standing requirements. **In that letter NAMIC focused its attention on the kinds of in-person activities or on-site obligations that would be impracticable during this time. Specifically, NAMIC highlighted challenges in conducting mandatory on-site inspections, audits, or other required services within specified deadlines (due to the inability to possibly access sites, government directions, interview employees onsite due to forced remote work or any issues related to accessing sites).** Also, NAMIC encouraged any state that historically had disallowed virtual inspections to waive that restriction in order to allow for safe and efficient communication between insurers and policyholders. NAMIC appreciates that many state insurance regulators took action to recognize and remedy the tension between technical compliance and safety.

#### **State Regulators: Insurer-Operations & Thoughts to Consider in Next Steps**

In moving forward, as insurers consider their ability to engage in on-site activities, NAMIC asks states to consider providing certainty with respect to in-person activities being controlled by applicable public health orders, while also recognizing the value and importance of allowing a virtual inspection option. Specifically, NAMIC suggests that it would be valuable to remove any blanket disallowance of virtual inspections on a go-forward basis.

Similarly, many regulators have allowed for electronic or virtual notarization during recent months. This was very effective in keeping documents and paperwork processes moving. NAMIC suggests that it would be helpful for states to continue to allow the option for virtual notarization (without paper copies being provided to their Departments) permanently.

Over the past several months, there may be some issues that have been raised with state regulators that were not on the horizon earlier. There are a variety of topics that have surfaced through the amazing amount of activity and accommodations. And, we may learn of still more as we move forward. Some are technical types of issues while others are more foundational.

#### **State Regulators: New Considerations and Concerns & Thoughts to Consider in Next Steps:**

State insurance regulators may wish to consider a few more technical items:

- For commercial insurance where premiums are based on audit, some states may have allowed for temporary self-reporting. Will insurers be permitted the option of confirming or auditing self-reported items?
- Where driver's licenses or car registrations have lapsed or expired as a result of limited access to DMV's, will there be flexibility in how insurers address those situations and related reporting?
- Will insurance regulators be turning more attention to fraud-related concerns? The NAIC Antifraud (D) Task Force call of May 20 highlighted a possible need to be alert on these items.

**State Regulators: New Considerations and Concerns & Thoughts to Consider in Next Steps:**

Next, NAMIC asks state insurance regulators to reflect on foundational items:

- Transparency in state insurance regulation is extremely important, especially with regard to setting clear expectations for filings. Temporary emergency times should not introduce desk drawer rules for the months and years ahead.
- State insurance regulators play a critical role in preserving the market for the long term. Maintaining focus on solvency is essential always, including as the dust settles.
- Individual insurers should have the flexibility to submit rate filings that reflect risk-based pricing. Insurers should not be precluded from reviewing and rating based upon actual data, consistent with accepted actuarial practice. The integrity of supporting evidence and analysis standards should continue to apply. This is not a time to abandon fundamentals of ratemaking. And, NAMIC strongly urges state regulators to return to allowing rate filings (rather than limiting or refusing to permit insurers to make rate changes).

The NAIC plays an integral role in providing a framework for financial reporting. This has been an area in which it has been helpful for the NAIC to step in – through issuing a model bulletin – to facilitate a uniform process for states in providing regulatory reporting extensions. The model bulletin encourages states to issue bulletins to allow insurers additional time to complete most of the following filings:

30-Day Delay

- o May 1, 2020 Combined Annual Statement Filing (Property)
- o May 1, 2020 Combined Insurance Expense Exhibit (Property)
- o June 1, 2020 Accountant's Letter of Qualifications (Property, Life/Fraternal, Health, Title)
- o Aug. 15, 2020 PBR Exemption filing due to state 7/1 and to NAIC 8/15 (Life/Fraternal)

60-Day Delay

- o June 1, 2020 Audited Financial Report (Property, Life/Fraternal, Health, Title)
- o Aug. 1, 2020 Communication of Internal Control Related Matters Noted in Audit
- o June 1, 2020 Corporate Governance Annual Disclosure
- o 2020 Own Risk and Solvency Assessment (ORSA) Summary Report
- o 2020 Form B Registration Statement & Related Form C
- o 2020 Risk Assessment Report (Form F)

Other operational areas relating to Statutory Accounting on which the NAIC has addressed follow:

**Extension of the 90-day Rule:** In response to state activity related to moratoriums on cancellation and non-renewals due to non-payment from policyholders experiencing economic hardship, the NAIC responded to the sudden impact to the economy and its effect on the timeliness of payments by policyholders by extending the 90-day rule, extending the non-admission guidance for premium receivables due from policyholders. This is helpful and may need to be revisited.



**Investment Issues:** The Financial Condition (E) Committee issued a memo and SAPWG issued accounting guidance to apply to troubled debt restructuring investment issues. The NAIC responded to actions by federal and state prudential regulators and the Financial Accounting Standards Board seeking to address potential accounting or regulatory capital barriers to prudent actions taken by financial institutions attempting to work with borrowers who may be unable to meet their contractual payment obligations because of the effects of COVID-19. These actions had a direct impact on insurer statutory financial statements, in particular on how mortgage loans and bank loans are accounted for and the capital implications when these loans are modified. Without regulatory action, insurers could be forced to mark down these assets and to take the RBC capital hit as well.

**Premium Refund Accounting:** Currently, the SAP working group is considering whether to provide flexibility for how insurers account for the refunds/credits/payments made to policyholders given the reduced economic activity and driving in recent months due to COVID-19. The working group is considering whether insurers can account for these relief measures as an underwriting expense or strictly a return of premium. Both methods have a direct impact on the combined ratio and loss ratio. NAMIC members want it both ways.

Through the posting of the **NAIC Coronavirus Resource Center**, the NAIC has provided an important central location for sharing information on state actions in response to COVID-19. This has been a valuable service.

#### **NAIC: Resources & Thoughts to Consider for Next Steps**

NAMIC appreciates the NAIC's attention on accounting-related matters and guidance. Depending on how the reporting aspects of the COVID-19 situation continue to unfold, additional accounting interpretations may be needed.

NAMIC appreciates the NAIC Coronavirus Resource Center and asks the NAIC to continue to support this resource.

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NAMIC appreciates all of the hours and work that has gone into addressing the temporary emergency. NAMIC also appreciates regulator willingness to allow interested party feedback on these issues. NAMIC shares some specific high-level thoughts and examples, as highlighted throughout this statement. They are summarized below, as we conclude.

The NAIC and state insurance regulators have provided some much-needed flexibility in reporting (including timing, method of delivery, and substantive guidance). Also, the NAIC has served an important role in publishing their Resource Center. NAMIC appreciates these steps.

As states and businesses reopen, NAMIC may ask state regulators to review the documents their Offices and Administrations have issued to be sure there is adequate clarity for insurers to understand compliance as the temporary measures that were put into place expire.

Finally, there may be some lessons learned about ways to streamline communications and processes. NAMIC may ask states to consider making them permanent. These efficiencies mean one less step in continuity planning as we think about smoothing future transitions between business-as-usual and getting the job done during emergencies.

Thank you for the opportunity to share these observations and suggestions.