Swiss Re

Partnering for progress

Via Email

NAIC Affordability and Availability
Playbook Drafting Group

aobersteadt@naic.org

Swiss Re America Holding Corporation
200 Massachusetts Ave, NW
Washington, DC 20001
USA
www.swissre.com

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Re: NAIC Affordability and Availability Playbook Drafting Group

Dear Drafting Group members,

Swiss Re appreciates the opportunity to provide comments on the NAIC's Affordability and Availability Playbook (Playbook). The Playbook should be an important tool for state regulators in their work to help address insurance affordability and availability and close the protection gap. We value the thoughtful approach taken by the NAIC Affordability and Availability Playbook Drafting Group (Drafting Group) to create the fulsome document and recommend further data and information gathering on an ongoing basis to ensure that regulators are working with up-to-date information and an understanding of current market dynamics.

While there are many different factors that impact the overall cost of insurance and reinsurance (e.g. economic inflation, increased construction and repair costs, social inflation, frequency and severity of natural catastrophes, etc.), many are out of the control of the re/insurance industry and policyholders. As the issue of affordability and availability gains attention and importance, it increasingly demonstrates the impact and necessity of resilience and mitigation investments as a primary tool. The most impactful action that can be taken to increase affordability and availability is to address the frequency and severity of risks. In the property market, this is best accomplished by improving construction methods and building codes and making resilience and mitigation investments at the individual and community levels. Educating consumers on their risk and the benefits of risk mitigation is a critical component to achieving individual and societal resiliency. These actions benefit from a coordinated, collaborative effort between all impacted stakeholders.

As the Drafting Group works to refine the Playbook, Swiss Re recommends the following changes, redlined below, to the reinsurance section in Part I:

i. Reinsurance

~~a.~~ Reinsurance is an extremely important layer of protection that ultimately is ~~the insurer~~ insurance for ~~of~~ insurers. Reinsurance is primarily a risk transfer tool that helps an insurance company manage and protect its capital, which is essential to solvency and growth in the primary market. As a result, reinsurers help cover catastrophic losses and take shocks out of the system and help grow availability and affordability to consumers. Reinsurers share in insurers' losses and rate based on the loss experience of the book of risks being ceded. As such, reinsurers and insurers are subject to similar market challenges such as economic inflation, lawsuit abuse, financial market losses, and rising natural catastrophe losses, which require careful and prudent underwriting and rating. ~~Reinsurance appetite, availability, and capacity helps promote protective layers of reinsurance protections to insurers for catastrophic exposure levels widening availability and affordability to consumers. Pricing for insurers can fluctuate annually when negotiating reinsurance contracts/agreements based on prior years' profits/losses.~~ Layers of protection complementing the reinsurance layer are alternative capital and insurance-linked securities (e.g. Catastrophe bonds) as well as government-backed risk pools and markets of last resort~~. typically guarantee associations and governmental entities.~~

b. Current environment includes increased capacity to an all-time high ~~reduced capacity~~, increased costs, and loosening ~~tightening~~ terms and conditions, lower limits, and a strong push for higher retentions from reinsurers. However, due to exposure growth from the primary market, there is an effective erosion of the retentions taken on by primary insurers [Reinsurance Market Dynamics 2025 - July Report]

~~c. A strong correlation exists between an insurer's credit rating (like an AM Best rating) and its reinsurance premiums~~ (Recommend deletion)

d. ~~Emerging~~ Risks: Weather-correlated losses, increased litigation and nuclear verdicts, cyber risk, unknown risks with AI adoption, pandemic, and social inflation impact reinsurer appetite

Comments on revisions to the Reinsurance section's subparagraphs:

- Subparagraph 'a' does not fully cover all elements of reinsurance and the NAIC should consider expanding the sub paragraph in future iterations.
- Regarding subparagraph 'b,' the inclusion of a current market environment section, it will be important to either update on an ongoing basis or note the time passed between the subparagraph's last iteration.
- In subparagraph 'c,' despite any correlation between reinsurance premiums and credit rating, there is no causation between the two variables. Primary insurers have different capital strategies and reinsurance programs that impact their overall reinsurance premiums without regard to credit ratings.
- In subparagraph 'd,' Swiss Re believes that many of the emerging risks such as weather-correlated losses, increased litigation/social inflation have already been highly impactful to reinsurance capacity in the property and casualty lines of business.

Thank you for your consideration of these comments. We look forward to continued dialogue with the Drafting Group and the Property & Casualty (C) Committee and please let us know if you have any questions.

Yours sincerely,

Matthew Wulf
Head Regulatory Risk Management US
Swiss Re America Holding Corporation