

June 18, 2024

Representative Mike Levin  
2352 Rayburn HOB  
Washington, DC 20515

Representative Levin et al.,

Thank you for your interest in the NAIC's Property Casualty Market Intelligence (PCMI) data call, which will provide insurance regulators across the country with valuable insights into the health of property insurance markets at a more granular level. One of our priorities is responding to and closing coverage or protection gaps which arise when Americans' lives, health, or property are uninsured or underinsured for the risks they face. PCMI was developed by and for regulators to provide the necessary insights into market health and market conditions, that in turn will allow us to better target our efforts at addressing the availability and rising cost of property insurance.

As your letter notes, the Consumer Federation of America estimates that 7.4% of homeowners do not have property insurance. At the same time, the U.S. census reports nearly 40% of homes do not have a mortgage – a major factor in purchasing property insurance as lenders typically require it – so even though the rate of uninsured remains too high, we are encouraged that a majority of Americans understand the importance of protecting what, for many, is their largest asset even when not required to do so by a third party.

To provide context for the answers to your specific questions on PCMI, some background on the approach state regulators took to designing and executing the data call, and what questions state regulators sought to answer, is necessary.

### Regulatory Policy Question Guiding PCMI

To guide development of PCMI, regulators designing the data template identified regulatory policy questions they sought to answer which in turn would allow regulators to focus on the relevant data to respond to those questions. Specifically, regulators sought to better understand:

- What is driving affordability and availability challenges at a granular level?
- Are insurers changing limits, deductibles and policy coverages in policies or otherwise shifting more risk back to consumers?
- Have insurers concentrated their underwriting exposures in geographic areas exposed to catastrophic events?
- How has the competitiveness of homeowners' insurance markets changed over time?
- How has the cost of residential homeowners' insurance changed by geography?

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Within these broad questions are further areas for analysis, but the goal was to provide the same degree of understanding to the market and customer side of the insurance availability and cost equation as our comprehensive financial data provides for the insurer solvency and stability side of the equation.

### PCMI Design and Approach

Regulators initially started with a baseline goal of obtaining zip-code level data from insurers that, collectively, represent 80% of the national property insurance market by premium – this approach essentially focuses on the largest insurers by national premium volume and ultimately resulted in an initial cohort of 113 insurers. However, regulators recognized that the policies and premium dollars of these 113 insurers are not evenly spread across the country and these insurers are not equally represented in every state’s market or in every zip code within a state. Focusing on the 113 largest insurers nationally may capture 87% of one state’s market and 70% of another’s, for example, but nationally would result in the cumulative 80% target. As a result of this approach, a number of states indicated they would scope in additional insurers to PCMI to yield a higher percentage of their particular market, so ultimately both the number of participating insurers and the overall national market percentage grew.

Another key decision was rather than having each state ask the same 113 insurers for data just for their state alone, PCMI would leverage the ability of a state regulator to ask for data from an insurer across its entire business, in every state in which it operates. In this way, even for the largest national insurers operating in every state, effectively only one state’s authority would be necessary to obtain all the data for that insurer nationwide. This approach is more efficient for insurers and for regulators and ultimately meant that only 22 states would need to participate to meet the goal, though we anticipated other states would sign on to include additional insurers important to their market but outside the initial scope of PCMI. To be clear, only 22 states would need to participate to gather data from all 113 insurers in every state in which they operated, meaning PCMI will have data about the market in every state. Ultimately, as PCMI came together the vast majority of states signed on to the data call expanding the number of insurers to nearly 400 and market share percentage to the mid-80s.

Finally, to streamline the process further, participating regulators agreed to direct insurers to submit data directly to the NAIC on their behalf, creating one point of data submission and data validation for all participants. While a number of other approaches were considered, the approach regulators took resulted in the best combination of efficiency, speed, and a dataset that provides valuable insights to regulators. With this background on the process established, we will turn to your specific questions:

#### *1. Which states have submitted data for the data call? Which states are not participating?*

To clarify, states are not submitting data - insurers within the scope of the data call are submitting data directly to the NAIC. PCMI was specifically designed to focus on a particular set of companies relevant to every market across the country, and was never intended to require every state to sign on to be successful.

2. *Which insurance companies will be participating in each state's data collection?*

144 insurers are reporting data in all states in which they write. Additionally, another 270 insurers, outside the initial scope of PCMI, were asked to submit data by a particular state or states.

3. *Will this data call become an annual or quarterly reporting requirement for states? If yes, when is the next report due and what data will be covered? If no, why not?*

While states have not made decisions yet on the future scope or execution of PCMI for subsequent years, the MOU between states and the NAIC does allow for subsequent data calls and it is our expectation this will be an annual effort. If so, in 2025, state regulators expect to request 2023 and 2024 data with subsequent years requesting data for the prior year. Building up this data over time will help identify trends and spots areas of concern or progress on closing protection gaps.

4. *Will you commit to a public process for stakeholder input on additional data necessary for future reporting years?*

The data template and related materials are located on the NAIC website at <https://content.naic.org/industry/data-call/property-ho.htm> Any stakeholder with feedback should direct it to the NAIC's Property and Casualty Insurance (C) Committee through Aaron Brandenburg at [abrandenburg@naic.org](mailto:abrandenburg@naic.org)

5. *What plans do you have for collecting other residential and commercial property insurance data such as condominium, cooperative, manufactured home, and affordable rental housing development coverage?*

PCMI will be gathering more than 70 distinct data elements from nearly 400 insurers across 40,000+ zip codes – it is by far the largest market intelligence data call we've undertaken. For future years, regulators may decide to expand the data call to collect additional coverages, such as renters' insurance and commercial coverages, but regulators want to work through this first effort before deciding how to refine PCMI.

6. *Please provide a copy of the data sharing agreement between NAIC and the states, and between NAIC and FIO.*

States made modifications to the template agreement with NAIC to reference state law or authority, so each version is state specific, but the agreements generally provide for the following: The agreements between the NAIC and the states direct the NAIC to conduct the data call on a particular state's behalf and set out the statutory authority for the state's participation. The Agreement calls for company specific responses to be treated as confidential under state law but allows for certain aggregated and anonymized information to be shared with the Federal Insurance Office. Further, the Agreement provides that it does not call for any designation of regulatory authority to the NAIC, that the data collected remains the property of the participating states and directs the NAIC on how to respond to any third-party request for confidential information.

The agreement between the NAIC and FIO sets out the scope and timeline of the provision of data from the NAIC to FIO. Other questions concerning the FIO agreement should be addressed by the Treasury Department.

- 7. The data call only requests information from 2018 through 2022. Why does the data call not include 2023 data, now that it is available?*

When the regulator drafting group first developed the template in the latter half of 2023, 2022 was the most recent data year available. Even though the data call was not issued until March 8, 2024, regulators decided to move forward with the 2018-2022 data in the interest of not further delaying the process by changing expectations. 2023 and 2024 data would be requested in 2025, and each successive year will include prior year data.

- 8. Will companies be required to report a description of all exposures covered at the time of their submissions?*

PCMI includes data pertinent to the standard HO-1, HO-2, HO-3, HO-5 and HO-8 homeowners' policies, which provide coverage for a broad array of perils, though typically not flood and earthquake. These policies are broadly used across the country and include coverage for things like fire, wind, lightning, hail, tornadoes, etc., so the data that is derived from PCMI will have utility for every state regardless of the unique risks their residents experience. In addition, the data call explicitly requests information on policies that exclude wind, wildfire, and earthquake coverage, and requests premium information related to separate earthquake and wind coverage.

- 9. Some of our constituents are being forced onto backstop insurance plans such as state-run FAIR plans because the traditional insurance market will not cover their home. Will future data collections include all residual market carriers that cover high risk properties that standard insurance companies will not cover?*

As referenced above, state regulators will consider revising the data call in future years based on the needs of the states. We welcome feedback on this from interested parties.

- 10. Will the disaggregated raw data be published for researchers, policymakers, and the general public in a manner that does not risk public disclosure of personally identifiable information of policyholders?*

The data is collected under state regulatory authority so there may be limitations on what data can be shared publicly, but commissioners are working through these considerations at this time. We do intend to utilize the data publicly to help inform stakeholders and policymakers about market conditions which in turn can help target responses like mitigation and resilience planning, building codes and land use policy, and other considerations, but we must balance that with any confidentiality attached to the raw data. At this time, we can say we do not envision releasing company names associated with a particular set of data – while that data is important for regulators to have to address issues with a particular regulated entity, we do not believe it is appropriate for broader public use. Beyond that, use of the data publicly is still being worked through by commissioners. There is no personally identifiable information about policyholders included in the data.

11. Does your office have any plans to contract with, through competitive bidding, statistical agents to review the data for accuracy and completeness?

Data validation and accuracy is important to the success and utility of PCMI. Since PCMI was launched in March, we have answered questions and provided assistance to insurers to minimize the “clean up” work, but as a new and significant endeavor, we anticipate a fair amount of data quality and validation work will be necessary in this first iteration. Over time, as insurers adapt to PCMI and the expectations, that work should diminish. We are currently considering whether and how best to use vendors for data validation to supplement and speed up our work, but at this time no decisions have been made.

### Conclusion

State insurance regulators across the country are acutely aware of the property insurance market challenges being experienced by their residents, as they live and work in the same communities. The factors impacting insurance availability and cost are many, from inflationary pressures on building materials and temporary housing when rebuilding, to labor supply, to reinsurance cost and availability, and of course, to the frequency and severity of weather events that impact every corner of this country. PCMI will help regulators be better equipped to assist our residents by ensuring a stable and competitive market, while targeting limited resources for mitigation and resilience that can directly reduce the impact and cost of losses. Congress can help by supporting any of the myriad mitigation and risk reduction bills pending before Congress (S. 3606, S. 4143, H.R. 7070, and S 2132 among others) and passing pending legislation (S. 1953 and H.R. 4070) to eliminate federal taxation of state disaster mitigation grants for our residents, just as federal grants are tax free. NAIC members support all these efforts to respond to the underlying cost drivers of property insurance.

Again, we thank you for your interest in PCMI and your leadership on these important issues.

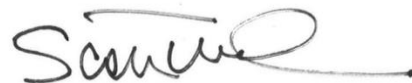
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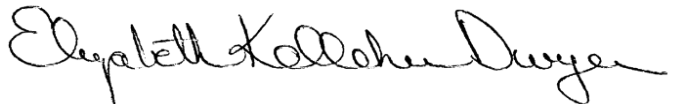
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