PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Property and Casualty Insurance (C) Committee Dec. 3, 2023, Minutes
  Title Insurance (C) Task Force Dec. 2, 2023, Minutes (Attachment One)
    Title Insurance (C) Task Force Oct. 20, 2023, Minutes (Attachment One-A)
  Workers’ Compensation (C) Task Force Nov. 6, 2023, Minutes (Attachment Two)
    Workers’ Compensation (C) Task Force Oct. 18, 2023, Minutes (Attachment Two-A)
Catastrophe Insurance (C) Working Group Dec. 1, 2023, Minutes (Attachment Three)
  Transparency and Readability of Consumer Information (C) Working Group Nov. 20, 2023, Minutes (Attachment Four)
    Transparency and Readability of Consumer Information (C) Working Group Sept. 29, 2023, Minutes (Attachment Four-A)
2024 Charges (Attachment Five)
The Property and Casualty Insurance (C) Committee met in Orlando, FL, Dec. 3, 2023. The following Committee members participated: Alan McClain, Chair (AR); Grace Arnold, Co-Vice Chair (MN); Larry D. Deiter, Co-Vice Chair (SD); Mark Fowler (AL); Andrew N. Mais (CT); James J. Donelon (LA); Mike Chaney represented by Andy Case (MS) David Bettencourt represented by Keith E. Nyhan and Christian Citarella (NH); Glen Mulready (OK); Kevin Gaffney (VT); and Allan L. McVey (WV). Also participating were: Travis Grassel (IA); Vicki Schmidt (KS); Sharon Clark (KY); Cynthia Amann (MO); Troy Downing (MT); Scott Kipper (NV); Tom Botsko (OH); and Michael Wise (SC).

1. **Adopted its Summer National Meeting Minutes**

   Director Deiter made a motion, seconded by Commissioner McVey, to adopt the Committee’s August 15 minutes (see NAIC Proceedings – Summer 2023, Property and Casualty Insurance (C) Committee). The motion passed unanimously.

2. **Adopted the Reports of its Task Forces and Working Groups**

   Commissioner Arnold made a motion, seconded by Commissioner Donelon, to adopt the following task force and working group reports: the Casualty Actuarial and Statistical (C) Task Force; the Surplus Lines (C) Task Force; the Title Insurance (C) Task Force (Attachment One); the Workers’ Compensation (C) Task Force (Attachment Two); the Cannabis Insurance (C) Working Group; the Catastrophe Insurance (C) Working Group (Attachment Three); the Terrorism Insurance Implementation (C) Working Group; and the Transparency and Readability of Consumer Information (C) Working Group (Attachment Four). The motion passed unanimously.

3. **Adopted its 2024 Charges**

   Commissioner McClain said small edits were made to the prior charges, representing tasks that have been accomplished and some that have been altered. Commissioner Mais made a motion, seconded by Commissioner Mulready, to adopt the Committee’s 2024 charges (Attachment Five). The motion passed unanimously.

4. **Heard a Presentation Related to the Use of Telematics in Auto Insurance**

   Tony Cotto (National Association of Mutual Insurers—NAMIC) said auto insurers file rates based on the prospective likely cost of claims and insurers strive to match rate to risk. He noted that discrimination on the basis of risk is not unfair discrimination. More cars are on the roads than ever before, and auto crashes have increased post-pandemic. Mr. Cotto said usage-based insurance programs are voluntary and measure how and how much a person uses their car. He said some studies show that 80% of drivers improve their driving after telematics coaching.

   Mr. Cotto said 16 million policyholders use telematics programs for premium reduction, to enhance accuracy, or for driving assistance. He said telematics are part of the future of road safety. He noted that new laws and regulations are not needed because existing legal and privacy standards already apply to usage-based insurance product filings.

   Ryan McMahon (Cambridge Mobile Telematics) said technology is used to measure the inertial movements of vehicles to derive risk, respond to crash scenes, and help facilitate the claims process. The technology assesses...
risk and then provides that risk assessment back to an individual. He said there has been a rise in roadway fatalities in recent years. Cambridge has contributed to published research on distracted driving and other risks. He said telematics has been shown to improve driving and leads to safer roads and lower insurance premiums.

Dave Snyder (American Property Casualty Insurance Association) said telematics programs have been a success story by reducing underlying losses and premiums. He said there should not be unnecessary burdens put on telematics programs because the real culprit is the underlying losses and regulators and industry should work to deal with those losses.

Commissioner Beard said she would welcome NAMIC to come speak with state agencies to address these issues. She also asked if there were any non-voluntary telematics programs. Cotto said the programs are universally opt-in on the private passenger auto side. Commissioner Beard asked how telematics data is used outside of rating. McMahon said his company looks at events that are shown to cause crashes. These events are shown to the consumer. The technology can also detect the crash before anyone calls 911 and facilitate support at the crash scene.

Director Deiter and Commissioner McVey said a number of commissioners went to the Insurance Institute for Highway Safety (IIHS) on Oct. 31 where they learned about the research and data related to automobile safety features.

Commissioner Gaffney asked if there is any assessment of the risk profile of those who opt-in to telematics programs. Cotto said there has been a doubling of interest in telematics since 2019. McMahon said the early days of telematics made it more cumbersome to engage, meaning those individuals were probably skewed to be more safety conscious. He said one study assessed the individual participants in telematics and these individuals were very representative of the overall population in the cities they studied. Commissioner Gaffney asked if there was a relationship between take-up of telematics and credit scores. McMahon said they do not collect credit scores, but the risk is roughly equal across the spectrum of drivers.

Snyder said the driver, the roadway, and the car all have to be addressed to save lives and prevent injuries. Commissioner Donelon said auto insurance rates have increased in Louisiana by 15 and 20% in the past year because of inflation and increased risk.

Director Wise said there are some companies that have mandatory usage-based insurance programs. He said some groups have underwriting companies with mandatory programs. He said one company showed discounts before and after telematics programs and their predictions were very accurate prior to the monitoring program.

Nyhan asked if companies use telematics data to determine liability during accidents. McMahon said telematics data can help to get emergency response to the scene. He said telematics data to assess liability is in small usage at this point. John Buono said some companies use telematics for settlement of claims.

McKenney said there are insurers that only write policyholders who participate in the telematics program. He said some programs penalize individuals who obey the speed limit if others around them are not. He said some programs use open source information about roads and some use artificial intelligence to determine who is using the phone. McKenney asked if there is standardized reporting on data generated within vehicles that monitor driving. McMahon said Cambridge standardizes across 3500 different data sources.

Commissioner Clark asked if telematics has been used in litigation. The presenters said they would follow up on this question.
Michael DeLong (Consumer Federation of America) said data privacy and restrictions on data use was not discussed. He said most consumers are still suspicious of telematics programs. He said telematics programs need to be transparent, with limits on how the data are used. He also said the data should not be monetized. He said a model bulletin should be adopted that lays out consumer protections related to telematics.

5. **Heard a Presentation on Third-Party Litigation Funding**

John Bauer (RiverStone) said third-party litigation funding (TPLF) is bad for consumers and the industry and disclosure is needed. Bob Sampson (RiverStone) said RiverStone manages insurance liabilities, frequently related to mass tort litigation. He said the cost of litigation is increasing which impacts consumers.

Ginamarie Alvino (RiverStone) said third-party litigation funders spend large amounts of advertising to recruit plaintiffs for mass tort lawsuits. She said TPLF is an investment in a lawsuit where a third-party funder invests money in a lawsuit in exchange for a percentage interest in the potential recovery from a settlement or award. She said she is focused on commercial funding where there are few rules requiring disclosure making it difficult for judges and parties to know whether a funder has an interest in the outcome of the case or has control of the strategic litigation and settlement decisions. Plaintiffs may not even know their lawyer has an agreement with a funder and it is unclear who controls the strategic decisions including the decision to settle.

Ms. Alvino said TPLF can be a cost driver that fuels nuclear verdicts. Complex commercial litigation becomes harder and more expensive to settle cases. She said funders do not have fiduciary obligations to the plaintiffs. She said Congress has introduced legislation to ban foreign investments in U.S. litigation and some state attorney generals support this bill. She said some courts have required disclosure of agreements.

Mr. Bauer suggested regulators support legislation and court rules to require disclosure of TPLF agreements in all commercial litigation and consider the relationship between TPLF and potential impacts on insurance consumers and insurance markets.

Commissioner Donelon said it is against bar rules in Louisiana for a funder to have a contingency interest in the outcome of litigation. Ms. Alvino agreed the professional rules of ethics do bar non-party money from being used to fund litigation. She said several states rejected this rule and the ABA has reconsidered its rule and reaffirmed it as being important to protect confidentiality with attorney and clients to avoid conflicts of interest.

Commissioner Beard said Indiana is interested in the state level at looking into this issue.

Ken Klein said some research finds that the involvement of TPLF does not lead to the filing of a frivolous lawsuit but does reduce the frequency of wasteful bullying strategies by defendants. Mr. Sampson said there have been studies that have found there is a tremendous amount of wasteful litigation, especially in the mass tort context. He said high percentages of mass tort litigation are dismissed because the lawsuits are heavily advertised but often not merited. He said hundreds of millions of dollars are being spent on cases where defendants never should have been named.

Peter Kochenburger (Southern University Law Center) said transparency of some type makes sense for TPLF, but he said there is not support for the assertions that many of the claims are frivolous. He said most of the costs to the court system are payments to claimants who were victims in some way. He said investors would arguably invest in the best claims. He said the Committee should hear from a TPLF investor. Mr. Sampson said sometimes the TPLF investor will buy out litigation and overrule an agreed upon settlement which drives up costs.

6. **Heard an Update on the State Regulator Data Call**
Commissioner McClain said the Committee announced during the Summer National Meeting that a drafting group of regulators was looking at what data would be needed to answer specific regulatory questions. He said the drafting group started with the purpose of the data call and questions regulators wanted to answer about the homeowners insurance market, such as what factors are driving affordability and availability challenges and how limits, deductibles and policy coverages in policies are changing, as well as cost changes in geographic areas. He said for each of those questions, the drafting group created formulas and metrics and then developed data elements that would go into those metrics. Commissioner McClain said the group identified data elements that would go into a data template. He said the data template asks for five years of data, at a ZIP Code level and by homeowner policy type. Some of the data elements included within the final template include:

- Premiums and policies, with and without certain coverages.
- Non-renewals and cancellations.
- Claims and losses
- Deductibles, bucketed by type of deductible, such as flat dollar or percentage deductible, and by peril type.
- Mitigation discounts.

Commissioner McClain said the group sought industry feedback over the past several weeks. The group plans to improve upon the definitions and include examples of how to file the data under specific circumstances. He said state regulators plan to ask for data from the top 80% of the national homeowners insurance market, and individual jurisdictions may also request data from insurers making up a certain portion of their own individual markets. He also noted that state regulators are continuing to engage with the U.S. Treasury’s Federal Insurance Office (FIO) on how they can collaborate to share data and lessen industry burden.

Having no further business, the Property and Casualty Insurance (C) Committee adjourned.

SharePoint/NAIC Support Staff Hub/Committees/ ...
Draft Pending Adoption

Draft: 12/7/23

Title Insurance (C) Task Force
Orlando, Florida
December 2, 2023

The Title Insurance (C) Task Force met in Orlando, FL, Dec. 2, 2023. The following Task Force members participated: Eric Dunning, Chair (NE); Kevin Gaffney, Vice Chair (VT); Michael Yaworsky represented by Anoush Brangaccio (FL); Doug Ommen represented by Mathew Cunningham (IA); Vicki Schmidt represented by Craig VanAalst (KS); James J. Donelon represented by Chuck Myers (LA); Kathleen A. Birrane represented by Mary Kwei (MD); Mike Causey represented by Robert Croom (NC); Glen Mulready represented by Diane Carter (OK); Michael Humphreys represented by Michael McKenney (PA); Elizabeth Kelleher Dwyer represented by Patrick Smock (RI); Michael Wise represented by Melissa Manning (SC); Larry D. Deiter represented by Tony Dorschner (SD); and Scott A. White represented by Richard Tozer (VA). Also participating were: George Bradner (CT); Patrick O’Connor (IN); Christian Citarella (NH); and Scott Kipper (NV).

1. **Adopted its Oct. 20 Meeting Minutes**

The Task Force conducted an e-vote that concluded Oct. 20 to adopt its 2024 proposed charges.

Commissioner Gaffney made a motion, seconded by Brangaccio, to adopt the Task Force’s Oct. 20 minutes (see NAIC Proceedings – Fall 2023, Title Insurance (C) Task Force). The motion passed unanimously.

2. **Heard an Update on the Administration of the Survey of State Insurance Laws Regarding Title Data and Title Matters**

Director Dunning stated the *Survey of State Insurance Laws Regarding Title Data and Title Matters* is being administered using Microsoft Forms. An email was sent to the NAIC General Counsel distribution list Nov. 27, 2023, asking for its assistance in coordinating the completion and final submission of the *Survey of State Insurance Laws Regarding Title Data and Title Matters* questionnaire. This email was also forwarded to those on the Task Force’s member and interested regulator distribution list Nov. 29, 2023.

The email requests responses from all parties involved in filling out the questionnaire to be coordinated, compiled, and submitted by one person designated by the Department so that one response is received from each jurisdiction. A link to the questionnaire in Microsoft Forms was included. Questions added since the last survey update in 2018 are in blue font. Questionnaire responses are requested to be completed by Dec. 22, 2023.

3. **Heard a Presentation on AM Best’s Market Segment Outlook: U.S. Title Insurance**

Kourtne Beckwith (AM Best) stated that AM Best rates six title insurance companies, including three of the ‘Big 4’. It collects data from more than 30 companies and publishes the *Market Segment Report: U.S. Title Insurance Report* in the fourth quarter annually. It publishes the *Market Segment Outlook: U.S. Title Insurance Report* in the first quarter annually. The current outlook is negative for the title insurance sector. Key drivers for the negative outlook include: 1) a significant decline in home sales and refinancing activity; 2) continued economic slowdown; 3) an expected rise in unemployment; 4) continued monetary tightening and high prevailing mortgage interest rates; and 5) potential recessionary pressures.
Beckwith stated title companies experienced pressure during the housing crisis in 2008–2009. Defalcation was higher during this period. Underwriting guidelines tightened following this period, and the sector experienced recording breaking financial results in 2020 and 2022. Refinance transactions began to slow in 2022. The 2023 Market Segment Report found that despite this and lower financial indicators in 2023, the title sector still produced solid operating results. However, operating margins were compressed, and premium volume was lower. The sector had an average combined ratio of 90.8 over the past five years and 92.0 over the past 10 years. The aggregate expense ratio has remained below 90.0 since 2012.

Major themes impacting the operating performance of AM Best’s rated title insurance companies from 2022 through the second half of 2023 include: 1) the Federal Reserve lifting interest rates beginning March 2022; 2) macroeconomic headwinds for the housing industry led to a 40% drop in title premium in the first half of 2023; 3) current homeowners are locked into lower rates leading to a 51% decrease in refinance activity in the second quarter of 2023 over 2022; and 4) increased title acquisitions of appraisals, other title companies, and online brokers. The title marketplace was dominated by the Big 4 (Fidelity National, First American, Old Republican, and Stewart), accounting for 86% of the market’s direct written premium in 2022. Smaller companies made inroads to diversifying the title market through 2021. There is a regional carrier preference by customers.

Title insurance operations are cyclical. However, current trends are not comparable to the 2008 financial crisis. Title companies are expected to remain profitable despite the expectation of higher mortgage interest rates and decreased affordability into 2024.

4. Heard a Presentation on the Impact of Current Mortgage Rates, Operating Expenses, and Housing Market Cyclicality on the Title Industry

Mark Fleming (First American Financial Corporation) stated the title industry is highly cyclical and correlated to the housing market, and the housing market is highly cyclical and correlated to mortgage rates. The federal funds rate and market uncertainty have pushed mortgage rates up and increased their spread against long-term treasury rates. However, mortgage rates over the last 10 years have been unusually low compared to years prior. As a result, 66% of all households have a mortgage rate of 6% or less. The current higher-rate environment provides little incentive for these households to refinance or sell their current home and purchase another. As 90% of all home sales are from existing homeowners, this means there is little supply or demand in the housing market. The lack of housing stock inventory also provides few enticing purchase options for home buyers, discouraging them from entering the market. The U.S. also has a housing shortage from not building enough homes over the past 10–20 years. This housing shortage is the reason housing prices continue to rise despite higher mortgage rates. Housing affordability is being impacted by the mortgage dollar not going as far and increasing home prices due to short supply. Additionally, while inflation provides equity for existing homeowners, it creates affordability issues for first-time home buyers. Homebuilders are not expected to double or triple the number of homes they build and bring to market soon. However, the housing market is not expected to deteriorate further. The Federal Reserve is not expected to increase interest rates further, and housing market growth is expected to return next year.

The housing market is intertwined with the title industry. Higher loan amounts benefit the title industry through higher policy premiums. However, this is not enough to offset the lower volume of policies being issued because of fewer home sales and refinancing. Title insurers collect premiums only at policy issuance. Thus, they bear duration risk. Slower mortgage prepayment speeds increase title insurance policy duration. Policy demand is driven by the housing and mortgage market cycles. Serious delinquency and foreclosure increase the risk of title claims and losses. Risk can be insured or, because title insurance uniquely insures against past events, cured to
achieve marketable title. Title insurers’ losses are lower than those of insurers from other lines of business, but the addition of curative costs increases operating expenses.

Losses can typically be traced back to serious delinquency and foreclosure rates in the market. It is important to note that title insurer losses incurred today are not related to the premium the insurer is writing today. Current losses are funded from statutory reserves for losses set up at the time the premium is collected from the issued policy. Title insurers are in a unique position of insuring past events and thus have the choice to curate this. Current statistics are unlikely to show the actual stress on homeowners and mortgage holders today because of all the forbearance programs.

Title insurers’ premium and expense ratios have slightly increased in the first half of 2023 due to reduced home sales volume. Unlike in other countries, a deed is not evidence of ownership. Expense ratios reflect the costs of curative work to determine whether a title is marketable and free from liens and forgery (i.e., not in public records). On average, at least one requirement on a title commitment is found 60% of the time. It is important to separate the costs of title settlement and title insurance. Settlement is a service to file the records and process the paperwork. Using Federal National Mortgage Association (Fannie Mae) data, the insurance product itself is only, on average, .42% of the lifetime costs of the mortgage. Unlike home insurance, title insurance is charged once, not monthly.

Gaffney asked how public records encumbering real estate, particularly liens and judgments, have fluctuated over the past five years with housing pressures and mortgage balances. He also asked about the trend of mortgage balances for new transactions. Additionally, Gaffney asked for the source of the number of curative transactions in the presentation. Fleming stated mortgage values have moved in lockstep with the average values of homes. When interest rates were low, principal values increased because homeowners could borrow more. For new transactions, the average house price is in the mid $300,000 range, and the average down payment is 14%, leaving a mortgage amount of $307,000. First-time home buyers average a down payment of only 8%. The analysis on curative transactions used transactions First American Financial Corporation has been an examiner on year-to-date.

Having no further business, the Title Insurance (C) Task Force adjourned.
Title Insurance (C) Task Force
E-Vote
October 20, 2023

The Title Insurance (C) Task Force conducted an e-vote that concluded Oct. 20, 2023. The following Task Force members participated: Eric Dunning, Chair (NE); Kevin Gaffney, Vice Chair (VT); Mark Fowler represented by Erick Wright (AL); Karima M. Woods represented by Angela King (DC); Michael Yaworsky represented by Jeffrey Joseph and Christina Huff (FL); Vicki Schmidt represented by Julie Holmes (KS); James J. Donelon represented by Chuck Myers (LA); Kathleen A. Birrane (MD); Grace Arnold represented by Jacqueline Olson (MN); Troy Downing represented by Sharon Richetti (MT); Mike Causey represented by Fred Fuller (NC); Glen Mulready represented by Erin Wainner (OK); Michael Humphreys represented by Michael McKenney (PA); Elizabeth Kelleher Dwyer represented by Patrick Smock (RI); Michael Wise represented by Will Davis (SC); and Scott A. White represented by Richard Tozer (VA).

1. **Adopted its 2024 Proposed Charges**

The Task Force conducted an e-vote to consider adoption of its 2024 proposed charges (see NAIC Proceedings – Fall 2023, Property and Casualty Insurance (C) Committee). The motion passed unanimously.

Having no further business, the Title Insurance (C) Task Force adjourned.

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The Workers’ Compensation (C) Task Force met Nov. 6, 2023. The following Task Force members participated: Alan McClain, Chair, and Jimmy Harris, (AR); John F. King, Vice Chair and Paula Shamburger (GA); Mark Fowler, Jennifer Brown, Jimmy Gunn, Erick Wright, and Yada Horace (AL); Ricardo Lara represented by Yvonne Hauccarriague and Mitra Sanandajifar (CA); Andrew N. Mais represented by George Bradner (CT); Karima M. Woods represented by Angela King (DC); Michael Yaworsky represented by Greg Jaynes (FL); Doug Ommen represented by Mathew Cunningham and Travis Grassel (IA); Dean L. Cameron represented by Maria Del Villar and Randy Pipal (ID); Vicki Schmidt represented by Julie Holmes and Sara Hurtado (KS); Sharon P. Clark and Sue Hicks (KY); James J. Donelon represented by Tom Travis (LA); Gary D. Anderson represented by Jackie Horigan and Matthew Mancini (MA); Timothy N. Schott represented by Brock Bubar, Sandra Darby, and Robert Wake (ME); Grace Arnold represented by Tammy Lohmann (MN); Chlora Lindley-Myers represented by Joe LeDuc, Patrick Lennon, and Rebecca Shavers (MO); Mike Causey represented by Tracy Biehn, Robert Croom, Fred Fuller, Sharon Thornton-Hall, and John Wren (NC); Scott Kipper represented by Gennady Stolyarov (NV); Glen Mulready represented by Kim Hunter and Cuc Nguyen (OK); Andrew R. Stolfi represented by Raven Collins (OR); Michael Humphreys represented by Aaron Hardenstine, Shannon Kost, Xiofeng Lu, Michael McKenney, Dennis Sloand, and Eric Zhou (PA); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Michael Wise represented by Will Davis (SC); Larry D. Dieter and Tony Dorsche (SD); Carter Lawrence represented by Jessica Thomas (TN); Kevin Gaffney, Rosemary Raszka, Mary Richter, and Zoe Y. Swaim (VT); and Allan L. McVey and Ellen Potter (WV). Also participating were: Tom Zuppan (AZ); Susan Jennette and Lucretia Prince (DE); Reid McClintock and Julie Rachford (IL); Patrick O’Connor (IN); Chris Arth and Paige Dickerson (MI); Chris Aufenthie (ND); and Christian Citarella (NH).

1. **Heard a Presentation from QPWB on the Unintended Consequences of the Legalization of Cannabis on Workers’ Compensation**

Julie Schum (Quintairos, Prieto, Wood & Boyer, P.A.—QPWB) provided a history of cannabis legalization. The Pure Food and Drug Act of 1906 established the Food and Drug Administration (FDA). This act was followed by the Marijuana Tax Act of 1937, which effectively outlawed cannabis. However, the Marijuana Tax Act was found to be unconstitutional because it was passed for discriminatory reasons. By the time the bias against cannabis had taken effect, the Controlled Substances Act of 1970 was passed, making cannabis a Schedule 1 drug. The Comprehensive Drug Abuse Prevention and Control Act of 1970 followed the comprehensive act and further increased penalties. In 1986, the Anti-Drug Abuse Act was passed. In 1996, California passed Proposition 215, which was the first legalization of cannabis in the U.S. since the early 1900s.

Currently, 38 states have medical cannabis laws, and 21 states, the District of Columbia, and Guam have legalized cannabis for adult use. Only one state has not done anything regarding cannabis, meaning the state has not decriminalized, legalized cannabis medically, or legalized cannabis for adult use. U.S. Congress (Congress) has been considering the Secure and Fair Enforcement Regulation (SAFER) Banking Act, which would pave the way for the legalization of cannabis. Cannabis would be taxable. The Drug Enforcement Administration (DEA) is considering the recommendation to reschedule cannabis and remove it from Schedule 1, which would effectively legalize cannabis for medical purposes.
Cannabis and hemp are technically the same plant. However, they differ in the content of tetrahydrocannabinol (THC). Most states have a threshold at which a plant would convert from hemp to cannabis. Leaving a hemp plant in the ground can turn it into a cannabis plant.

A cannabinoid is a component of cannabis. However, the term is sometimes used to cover all of the types of cannabidiol (CBD) and the derivative products being sold. The various components of a cannabis plant can have different effects on the body. Additionally, some of these components provide benefits without being intoxicating substances.

Cannabis fits into workers’ compensation in the following ways: 1) it can be the cause of an accident; 2) intoxication can be used as a defense to an accident; 3) intoxication of any kind can make a difference in an accident; 4) it can be used to treat a workers’ compensation injury; and 5) it can be a long-term alternative for workers’ compensation injuries.

The main question is whether legalized cannabis has increased the number of workplace accidents. The answer is not known. The Journal of the American Medical Association’s (JAMA’s) studies indicate that employees who tested positive for cannabis had 55% more industrial accidents and 85% more injuries compared to those who tested negative. Unfortunately, a similar scope study by the National Bureau of Economics Research found that the workers’ compensation claims frequency and benefits declined 20% in workers over the age of 40 in response to recreational cannabis laws. Hence, the severity of those injuries declined. There is insufficient evidence at this point to say whether cannabis use increases occupational accidents. However, there is a caveat: workers performing hazardous or ultra-hazardous activities, such as construction workers working with heavy equipment, make the use of cannabis more dangerous. Until cannabis is legalized federally, research is limited and cannot cross state lines. Once cannabis is federally legal, the FDA will be able to do nationwide studies.

So far, every state that has enacted its cannabis laws has completely failed to consider workers’ compensation when the substance is first legalized. Every state that has legalized cannabis has had to reconsider cannabis. Most states have considered workers’ compensation when they wanted to add an intoxication defense to their statute or practice. The state must decide if it wants to bar an employee from any benefits when testing positive for cannabis or if the employee must be so intoxicated it is outside of the scope of employment. Unless the employer is set up to monitor the intoxication levels of their employees, the employer will fail on the intoxication defense.

Commissioner King said the challenge that he has discussed with many people in Georgia is that it is easy to determine the presence of cannabis, but it is difficult to assess the level of intoxication. He said no one asked the question regarding what effect cannabis would have on the workforce. Schum said this is a barrier because science has not yet caught up with the state of the law.

Schum said since cannabis is federally illegal, research cannot be done on a larger scale. Research is conducted on a limited population. There is no ability to have the population studies that the U.S. has with alcohol. There is no formula for how intoxicated a person is with cannabis, so there is no way of knowing how long the drug has stayed in a person’s system.

Cannabis can stay in a person’s bloodstream for up to 30 days, depending on the compounds that are being tested. Cannabis can only be found in saliva for a short period of time, but it can be found in a habitual user’s hair for more than a month. Following an accident, the testing for cannabis needs to stand up in court. Hospitals that have
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trauma centers are more equipped to conduct a double-blind test because state police have trained them that this is necessary. A rural hospital that does not deal with trauma regularly will not be aware of this type of testing.

Several substances, including cannabis, can produce a false positive based on the type of testing done. The occurrence of false positives is one of the reasons why the New England area has banned testing for cannabis in any employment-related setting.

Many employers are starting to train their supervisors to identify the signs of traditional intoxication. This training helps supervisors to spot any type of intoxication, not just cannabis. It also identifies employees who are experiencing sleep deprivation.

Some employers have established a neurological baseline. This means when a person is hired, they go through something like the alcohol intoxication test. If at any point intoxication is suspected, the neurological test can be run at that time to see if the employee is deviating from their norm. While other factors for deviation can occur, there are at least some protocols in place.

There is confusion surrounding intoxication in the workplace. There is a difference between an accident that happens to someone and an accident where something happens to someone. For example, if an auto mechanic is walking across the floor and someone hits the wrong button, the mechanic might have an engine fall on them. It does not matter whether the person walking across the floor was intoxicated. However, if the worker who pushed the button was intoxicated, they caused an accident that hurt someone.

If an injured worker wants to use medical cannabis for treatment, six states require payment or reimbursement for cannabis. These states are Connecticut, Minnesota, New Hampshire, New Jersey, New Mexico, and New York. This reimbursement requirement for cannabis has been codified in both New Jersey and New York. New Mexico was one of the first to require reimbursement for cannabis as a medical treatment. However, New Mexico has never actually determined how reimbursement can be made while it is a federal crime to make payments or provide money for cannabis.

There have been a few studies about opioid use for injuries:

- A 2017 study conducted by the Centers for Disease Control and Prevention (CDC) found that opioid healthcare and recovery costs slightly less than $35 billion.
- A John Hopkins study indicated that the addition of cannabis to a regimen of someone who had been on chronic opioids led to a 25% reduction in overdose deaths.
- A study in 2022 conducted by the National Institute for Occupational Safety & Health (NIOSH) found that 32% of workers’ compensation claims had at least one prescription for opioids.

The National Council on Compensation Insurance (NCCI) data indicates that claims in the top three expense brackets have risen 7% in the last three years. The top three expense brackets are $1 to $5 million, $5 - $10 million, and over $10 million. However, death claims have remained steady.

Cannabis can be used as part of a treatment plan, as well as to mitigate costs. For example, cannabis can have a positive effect on people who are suffering from certain types of post-traumatic stress disorder (PTSD).
Insurers need employers to keep their human resource (HR) policies up to date and within legal bounds. Cannabis law is shifting every six months, and some regions have undergone radical changes. These shifts include what cannabis law is restricting and what it is allowing. New England laws do not allow the use of cannabis in any employment-related decisions. However, there is a small window in which an employer can test for cannabis in some post-accident scenarios. In the western part of the U.S., cannabis can be used for employment-related decisions. An employer’s drug testing policies need to be kept up to date.

Employers need to decide if they will categorize employees into hazardous, ultra-hazardous tiers and standard employees. Employers also need to ensure that separating these categories is effective within their business.

Newer workers’ compensation policies are being written with the duty to investigate. This gives the employer more responsibility to look for potential witnesses to speak to whether the injured party was showing any kind of neurological signs of intoxication that could be documented. Employers should be tracking documentation, such as cannabis prescriptions. Most medical cannabis users have a strict regimen, and they keep to it.

Insurers are beginning to look at policy issues, like whether they should or should not be writing cannabis exceptions into their insurance policies or whether the insurer should write cannabis into the policy’s coverage. Insurers are also considering what investigation and training support they can offer. Additionally, since cannabis is still federally illegal, the payment of or giving of money for cannabis is a federal crime, which causes payment issues. Federal banks cannot process a transaction for cannabis. Rescheduling cannabis may solve the payment problems in part, but the banking system will also need to provide updates. Most state banks have part already started making mechanisms to have isolated transactions regarding cannabis.

There is evidence that cannabis is damaging for people under the age of 25. The brain is still developing until this time, and the consistent use of cannabis makes those under the age of 25 more prone to certain mental disorders, such as schizophrenia, bipolar disorder, and other mood disorders.

There is no hard science regarding how cannabis affects a person differently when using edibles as opposed to smoking it. Smoking is more effective in certain scenarios for transporting certain cannabinoids. However, there is no science on edibles.

Susan Donegan (NCCI) asked if there is a parallel between the legalization of cannabis and the legalization of hallucinogens. Schum said she believes this is an up-and-coming issue. There have been studies showing that hallucinogens for people with certain types of autism, as well as some with brain damage, are helpful. For instance, there are studies that show that developmental windows that have been closed due to autism can be reopened by micro-dosing hallucinogens. It remains to be seen when and if hallucinogens will become legal for treatment.

Schum addressed some of the best ways to spot cannabis intoxication in the workplace. She said it is important to focus on the quality of a person’s interactions in the workplace by paying attention to detail. People can be trained to look for specific signs, like eye redness, unusual activity, and impaired coordination. These things could also identify sleep deprivation.

Having no further business, the Workers’ Compensation (C) Task Force adjourned.
Workers’ Compensation (C) Task Force
E-Vote
Oct. 18, 2023

The Workers’ Compensation (C) Task Force conducted an e-vote that concluded Oct. 18, 2023. The following Task Force members participated: Alan McClain, Chair, and Jimmy Harris (AR); John F. King, Vice Chair, represented by Steve Manders (GA); Lori K. Wing-Heier represented by Sian Ng-Ashcraft (AK); Mark Fowler represented by Erick Wright (AL); Ricardo Lara represented by Mitra Sanandajifar (CA); Andrew N. Mais represented by George Bradner (CT); Michael Yaworsky represented by Christina Huff (FL); Michelle B. Santos (GU); Gordon I. Ito represented by Kathleen Nakasone (HI); Doug Ommen represented by Travis Grassel (IA); Dean L. Cameron represented by Randy Pipal (ID); Vicki Schmidt represented by Julie Holmes (KS); Sharon P. Clark (KY); James J. Donelon (LA); Gary D. Anderson represented by Matthew Mancini (MA); Timothy N. Schott represented by Sandra Darby (ME); Grace Arnold represented by Tammy Lohmann (MN); Chlora Lindley-Myers represented by Jo LeDuc (MO); Mike Causay represented by Fred Fuller (NC); Scott Kipper (NV); Glen Mulready represented by Kim Hunter (OK); Michael Humphreys represented by Michael McKenney (PA); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Michael Wise represented by Will Davis (SC); Larry D. Deiter (SD); Carter Lawrence represented by Bill Huddleston (TN); Kevin Gaffney (VT); and Allan L. McVey (WV).

1. Adopted its 2024 Proposed Charges

The Task Force conducted an e-vote to consider adoption of its 2024 proposed charges. Its charges remain consistent with its 2023 charges. A majority of the members voted in favor of adopting the charges see NAIC Proceedings – Fall 2023, Property and Casualty Insurance (C) Committee(see NAIC Proceedings – Fall 2023, Property and Casualty Insurance (C) Committee). The motion passed.

Having no further business, the Workers’ Compensation (C) Task Force adjourned.
1. Adopted its Summer National Meeting Minutes

Botsko made a motion, seconded by Obusek, to adopt the Working Group’s Aug. 13 minutes (see NAIC Proceedings – Summer 2023, Joint Meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group). The motion passed unanimously.

2. Heard an Update on Federal Legislation

Shana Oppenheim (NAIC) said that in coordination with the Fifth National Climate Assessment, President Joe Biden announced that more than $6 billion will be available to strengthen climate resilience across the country. The assessment includes the Department of Energy (DOE) announcing $3.9 billion in funding through the Bipartisan Infrastructure Law to strengthen and modernize America’s grid. There also is an environmental justice piece, and the Federal Emergency Management Agency (FEMA) announced $300 million through a second round of funding through the Swift Current initiative, fueled by the Bipartisan Infrastructure Law, to help communities that have been impacted by catastrophic flooding during the 2022-2023 flood season become more resilient to future flood events. The Swift Current initiative is focused on making mitigation assistance rapidly available for those who have suffered the effects of flooding disasters. It also boosts climate resilience through the Department of Interior. The Department of Defense is also launching a new climate resilience portal.
Additionally, the White House is publishing a synthesis of insights from 13 roundtable discussions on climate resilience that the administration hosted earlier this year. It also invests in conservation and makes several investments in this field. The federal government remains active in this area.

3. **Heard a Presentation from FEMA about the NFIP, Underserved Communities, and Penetration Rate of NFIP Policies.**

David I. Maurstad (FEMA) said he spends much time and energy seeking solutions to one question: What more can we do to close the flood insurance gap and reduce needless suffering from disasters? The U.S. experienced catastrophic flooding this year, which is the No. 1 cause of natural disasters.

Maurstad said he views the effort to reduce suffering from flood events as a movement that unites everyone around a common purpose. He said the actions taken now will tremendously impact future generations. During the 28th meeting of the Conference on the Parties (COP28) of the United Nations Framework Convention on Climate Change (UNFCCC), a chief meteorologist with a major reinsurance insurer noted that the action momentum has been too slow.

A resilient National Flood Insurance Program (NFIP) must be resilient and structured for long-term success. Flooding remains a greatly underappreciated risk nationwide, illustrated by the NFIP policies in force, which are 4.7 million. Following a downward trend of NFIP policies nationwide, the numbers recently leveled off. Given recent flooding events, the NFIP policy penetration rates for FEMA Region 4 are far lower than necessary. (FEMA Region 4 includes the states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee)

Despite evidence of the mounting flood risk in Florida, people are still rapidly relocating to the state. In 2022, Florida became the fastest-growing state, gaining nearly half a million new residents. Nationwide, only about 4% of homeowners have flood insurance despite all U.S. counties having experienced flooding at some level of flooding event. However, the private flood insurance market is beginning to grow.

FEMA believes there needs to be a long-term reauthorization of the NFIP to close the insurance gap. Last month, the NFIP received its 27th short-term reauthorization. FEMA believes Congress needs to pass a 10-year reauthorization. FEMA has proposed a reauthorization including 17 legislative reforms. These reforms strategically structure the NFIP for long-term sustainability. For more information, details can be found at FEMA.gov.

One of FEMA’s proposed NFIP reforms is to build a solid financial framework, starting with the NFIP’s debt and capacity to pay it. Over the last 20 years, when losses from catastrophic events exceed the NFIP’s ability to pay, Congress raised the NFIP’s borrowing authority rather than providing the needed funds. Currently, the NFIP is $20.525 billion in debt and pays an average interest rate of 3.02%, meaning every day, the NFIP accrues $1.7 million in interest. Debt cancellation and other recommendations would create a sound financial framework that balances the support of the program between policyholders and taxpayers.

Affordability is a significant barrier to accessing flood insurance. Underserved communities are disproportionately hit hardest by flood damage and take longer to recover than communities with greater access to resources like insurance. FEMA worked with academia and other government agencies to create the first quantitative data-driven analysis for developing an affordability program. An extensive affordability framework was delivered to Congress in 2018. The framework is intended to help guide the policy discussion based on data and facts and to
separate the debate about the ability to pay from the willingness to pay the bottom line, absent legislative action. FEMA is constrained in its ability to offer affordable options to those who need it, which is why FEMA believes Congress must pass FEMA’s means-tested premium assistance program that has been a part of the last three Biden administration proposals.

The Bipartisan Infrastructure Law includes $3.5 billion in flood mitigation, or Flood Mitigation Assistance (FMA), grants over five years. These grants target multi-loss properties. The Swift Current program provides money to mitigate eligible insured structures immediately following a major presidential disaster declaration as part of this funding. Eligible projects include property acquisition, structure demolition, relocation, and elevation. $60 million was allocated during the inaugural launch of the Swift Current funding for the 2022 fiscal year. The funding aided repetitively flooded homes for the survivors of Hurricane Ida in Louisiana, Mississippi, New Jersey, and Pennsylvania. Swift Current funding for the 2023 fiscal year is approximately $300 million and is now available nationally. The application period opened on Nov. 14 and closes on Jan. 15, 2025. Funding for eligible properties will be made on a rolling basis. The application period for building resilient infrastructure in communities or Building Resilient Infrastructures and Communities (BRIC) grants and other funding is available under the FMA grants. The application period for these opportunities closes on Feb. 29, 2024.

Aaron Brandenburg (NAIC) provided an update on private flood insurance data, which has been collected by the NAIC since 2019. The 2019 data was received via a data call; however, since 2020, the data has been collected through the property/casualty (P/C) annual statement. The data is separated into commercial flood policies and homeowners policies. Private flood insurance has increased not only in the number of policies but in direct written premiums from 2018 to 2022, and there has been substantial growth each year. There are approximately 640,000 private flood insurance policies and $1.3 billion in premiums. There was approximately a 16% increase in the number of residential flood policies from 2021; premiums increased at a higher rate. The International Insurance Department (IID) also receives alien surplus line data. When this data is added to what is written in the admitted market, there is a total of around 900,000 private flood insurance policies. There has been a decline in the number of NFIP policies in force since 2018.

Chaney asked Maurstad to address the portability issues that have been a problem for several years. Maurstad said the regulations currently restrict the NFIP from bringing someone back to the NFIP who has left the program and allow them to follow the same premium glide path they were on before leaving the NFIP. Once a policyholder has left the NFIP, they are considered a new policyholder if they return to the program and must pay the full risk rate. One of FEMA’s recommendations in its reauthorization package is to allow a policyholder to return to the program at the point they were on the glide path prior to leaving the NFIP.

Chaney asked if there was anything state insurance regulators could do to encourage re-entry to the NFIP program with the same rates they had when they left to encourage this to happen nationally. Maurstad said it is important to continue working with insurers and insurance agents on the importance of policyholders keeping their coverage in place to continue having an NFIP policy with a discounted premium.

4. Received a Presentation from NAIC Staff on Ways to Create an Efficient Process for Proof of No Insurance to FEMA for Individual Assistance

Sara Robben (NAIC) discussed what individual assistance (IA) applicants need to provide to FEMA before getting IA. Individuals must inform FEMA of all insurance, including flood, homeowners, vehicle, mobile home, medical, and burial, among others. The documentation necessary for a consumer to get IA includes all insurance settlements or benefits for categories of assistance that may be covered by insurance. Following a declared
disaster, the FEMA’s IA program provides help with uninsured or under-insured disasters that cause home repair or replacement, require temporary housing, or cause personal property expenses, damage, or losses. Applicants must meet the eligibility criteria for each of FEMA’s categories of assistance to receive it. If an IA applicant has insurance coverage for the cause of damage identified, additional verification is needed. Verification includes either verification of settlement or a denial letter from the insurer. An insurer is also able to confirm these items verbally. Consumers needing rental assistance or temporary and direct housing assistance must simply provide a declaration page showing a lack of additional living expenses (ALE).

Robben said the Working Group may consider providing information on its webpage to help insurers understand the documentation needed by FEMA by posting frequently asked questions (FAQs). The Working Group might also consider putting this information into a template for insurers to use. FEMA Region 4 could try using these options to see which works best for insurers and FEMA to provide IA money to consumers as soon as possible.

Chaney said Mississippi experienced severe tornados in March and is still dealing with FEMA adjusters. He said that additionally, company adjusters do not have to be certified in FEMA flood programs, where other adjusters must be certified. Chaney said he just wanted to tell FEMA about these issues once again.

Amy Bach (United Policyholders—UP) said it is difficult for the insured because many claims are not fully adjusted for a long period of time. Now that FEMA is offering more housing assistance than they had in the past, she is not sure insurers have been asked to provide this information in the past.

5. Heard a Presentation from the American Property and Casualty Insurance Association on the Latest Mitigation Developments

David Snyder (American Property and Casualty Insurance Association—APCIA) said risk mitigation is a shared priority. Most of the premium dollars today go toward paying claims resulting from losses. These losses are high in cost and are continuing to rise due to the frequency and severity of weather events; more people and property in vulnerable areas; and inflation, among other reasons.

Inflation has greatly impacted the replacement costs of structures in the U.S. in the past two to three years. The APCIA believes that risk mitigation must continue to be a shared priority. Insurers and state insurance regulators are more engaged across a wide range of communications and actions on mitigation. Other sectors and the media are also beginning to understand the role of losses and the importance of mitigation.

The Wildland Fire Mitigation and Management Commission’s recent report, On Fire: The Report of the Wildland Fire Mitigation and Management Commission, says the use of proactive pre- and post-fire planning and mitigation is necessary to break the cycle of increasingly severe wildfire risk and losses, restore fire-adapted ecosystems, reduce risks to communities, and increase resilience. The International Association of Insurance Supervisors (IAIS) issued A Call to Action: The Role of Insurance Supervisors in Addressing Natural Catastrophe Protection Gaps in November. Recommendations include assessing insurance protection gaps; improving financial literacy and risk awareness; incentivizing risk prevention and reduction of insured losses; creating an enabling regulatory/supervisory environment to support the availability of insurance products and services and uptake of coverage; and advising government and industry, including on the design and implementation of public-private partnerships (PPPs) or insurance schemes. Insurance discounts may play an additional small role but need to be cost-effective. When insurance discounts are regulated, APCIA asks that they be regulated consistently using the following principles: voluntary, flexible, and limited in scope; verifiable, grounded in science, and risk-based; and cost-effective, consistent, and complementary.
APCIA believes it is necessary to continue to help the public understand that natural catastrophe losses must be mitigated to improve insurance conditions, which is a society-wide challenge. Public buy-in about the risk policyholders are subject to is important and must be addressed by insurers and state insurance regulators so the public better understands their risk and how to mitigate it. Bach asked APCIA to share how its members see renewal assurances and discounts when using mitigation. Snyder said insurers are willing to work with state insurance regulators to increase consumer knowledge of mitigation efforts and help create a mitigation mindset.

Birny Birnbaum (Center for Economic Justice—CEJ) said the NFIP has been in existence for more than 50 years and consumers still do not understand that their homeowners policy does not cover flood insurance. He believes the federal government needs to change the way it requires flood insurance because it gives consumers the misperception that if they are not in a Special Flood Hazard Area (SFHA) then insurance is not required, and therefore, the consumer believes they are not at risk for flooding. Birnbaum said an alternative would be to tell consumers that any federally insured mortgage requires the purchase of flood insurance.

Dennis Burke (Reinsurance Association of America—RAA) said the Florida mitigation program made some mistakes in the program and with the mandatory credits that it imposed. He said mistakes will likely be made if more discounts are mandated than the mitigation credits entail or if a one-size-fits-all approach to mitigation discounts is used.

Burke said the insurance industry is willing to work with states during the creation of a mitigation program. Insurers want to help their customers and ensure affordable insurance so that consumers can mitigate their homes.

6. **Heard a Summary of the Earthquake Summit**

Amann said the Second Annual Earthquake Summit was held in St. Louis, MO, on Nov. 13–14. The summit was held in conjunction with the annual Central United States Earthquake Consortium (CUSEQ) meeting and sponsored by CUSEQ, the NAIC, and the Missouri Department of Commerce and Insurance.

There were approximately 100 attendees comprised of emergency management personnel, the insurance industry, state and federal government agencies, and state and local governments. Presentations were heard from leaders in communication research, disaster preparedness, earthquake science, and insurance.

The topics covered were diverse, and not all were insurance-related. Summit attendees heard about the role parametric insurance can play in providing protection, the role of risk mitigation programs, the need for funding and grants to improve awareness and preparation, and the need for preparation and coordination in insurance, seismic, and emergency management perspectives.

The Third Annual Earthquake Summit will be held next fall and will tentatively be held in Arkansas.

7. **Discussed State Mitigation Programs**

Amann said she envisions the Working Group creating some documentation on creating a mitigation program by using the experience of the states that have already created such a program. NAIC staff will distribute a document that Amann created, which addressed these matters following the national meeting.
Having no further business, the joint meeting of the Catastrophe Insurance (C) Working Group and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group adjourned.
The Transparency and Readability of Consumer Information (C) Working Group conducted an e-vote that concluded Nov. 20, 2023. The following Working Group members participated: Joy Hatchette, Chair (MD); Jimmy Gunn and Stephanie Tompkins (AL); Elizabeth Merrill (AK); Ken Allen (CA); George Bradner (CT); Angela King (DC); Julie Rachford (IL); Sara Hurtado (KS); Carrie Couch (MO); Janelle Middlestead (ND); Cuc Nguyen (OK); Tricia Goldsmith (OR); Rachel Chester (RI); Vickie Trice (TN); Marianne Baker (TX); and Mike Kemlock (WV).

1. **Adopted its Sept. 29 Minutes**

The Working Group conducted an e-vote to consider adoption of its Sept. 29 minutes (Attachment Four-A). During this meeting, the Working Group took the following action: 1) heard a presentation from Washington on its recently adopted premium change transparency rule, which requires insurers to disclose to insureds the reasons for their premium change using consumer-friendly language; and 2) heard from Indiana on H.B. 1329, which makes a material change to an insured’s personal automobile or homeowners policy to provide a written notice explaining the principal factors for the change. The motion passed unanimously.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.
The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Sept. 29, 2023. The following Working Group members participated: Joy Hatchette, Chair (MD); Elizabeth Merrill (AK); Willard Smith (AL); Ken Allen (CA); Bobbie Baca, Keilani Fleming, and Debra Judy (CO); George Bradner (CT); Elijah Grigsby and Julie Rachford (IL); Sara Hurtado (KS); Ron Henderson (LA); Carrie Couch and Jeana Thomas (MO); Chris Aufenthie and Janelle Middlestead (ND); Tricia Goldsmith (OR); Rachel Chester (RI); Jennifer Ramcharan (TN); and Marianne Baker (TX). Also participating were: Christina Miller (DE); Michelle Brewer and Kevin Phelan (FL); Paula Shamburger (GA); Patrick O’Connor, Erin Robling, Kristina Shelley, and Claire Szpara (IN); Jackie Horigan (MA); Renee Campbell (MI); Michael Walker (WA); Darcy Paskey and Mark Prodoehl (WI); and Tana Howard and Lela Ladd (WY).

1. **Heard a Presentation on the Washington Rule**

Walker said consumer complaints to the Washington State Office of the Insurance Commissioner (OIC) have been trending upward in recent years and that many consumers are inquiring about insurance premium increases. Walker said when reviewing the complaints, the OIC staff noticed that the lack of transparency about premium changes to their policyholders contributed to these trends. When reviewing complaints from February 2021 to January 2022, the OIC found more than 5,000 consumer inquiries and complaints referenced credit scoring and underwriting transparency.

The consumer complaints indicated that policyholders were not receiving detailed explanations about the factors contributing to their insurers’ premium increases. Insurer responses to policyholders were overly technical and did not always apply to their policy. Walker said the OIC identified that transparency in the reasons behind a premium increase would benefit policyholders in making informed decisions on their insurance policies regarding coverages and the pricing of renewals.

Following the OIC’s consumer complaint data review, the OIC reviewed its current state of authorities to determine an insurer’s responsibilities and duties under Washington’s insurance code. The Washington Insurance Code indicates that insurers must send a renewal notice and provide the new premium at least 20 days before the renewal of an insurance policy. Additionally, the insurance code indicates that not providing a renewal notice would be an unfair trade practice. The code also gives insurers a time frame to respond to a consumer complaint. While the OIC has authority on adverse actions and notification requirements for not following this code, none of these authorities sufficiently disclose the totality of financial factors and underwriting decisions to policyholders.

Walker said the OIC researched what other states were doing to address premium increase notifications, as well as reviewing the National Council of Insurance Legislators’ (NCOIL’s) Insurance Underwriting Transparency Model Act and the NAIC consumer guides for personal auto and homeowners insurance.

Walker said the OIC identified some issues during the review process. These issues included: 1) consumers contacting the OIC to complain about their insurer not providing premium change transparency; 2) complaints centered on premium increases and not decreases; 3) complaints identified in certain lines and types of insurance; 4) conditional renewal notice requirements vary by state and insurance classification; and 5) premium change transparency can be complex, confusing, or even frustrating having experienced increased costs and waiting for delayed insurer responses.
Walker said the OIC’s potential solutions to the lack of the policyholder’s understanding of their premium increase included: 1) achieving increased premium change transparency between the insurer and insured without having a consumer complaint; and 2) upholding the public interest in the business of insurance, while avoiding unfair trade practices.

Walker said the process followed for initiating rulemaking included: 1) a preproposal statement of inquiry; 2) an adaptive timeline to allow the time to get the rulemaking right; 3) assembling a rulemaking team that included staff across the different divisions; and 4) enhanced outreach and coordination, which included written comment periods, draft rules, stakeholder meetings, continued correspondence, and industry surveys.

The OIC only requires a rulemaking notice once per the OIC’s Administrative Procedure Act. However, the OIC wanted to increase its efforts with coordination and engagement so the regulation would work for all stakeholders. The OIC increased opportunities to participate in the rulemaking process by creating four prepublication drafts and holding five interested parties’ meetings, one for each draft. The OIC also conducted an industry survey through which it learned that additional time for implementation would ease industry impacts. Additionally, the OIC found that changing some of the provisions would reduce regulatory burdens while still achieving the same consumer protections.

Finally, the OIC engaged in the agency and rule team meetings that included interested parties, individual insurers, industry trade representatives, producer advisory committees, and the NAIC. These meetings identified the pivotable points in the rulemaking. One of the focus areas was the scope of applicability (i.e., where these rules would apply). The timelines for consumers and insurers to request and receive transparency were an important part of the process. Other pivotal points included communication standards, the notice method and medium for distribution, like the form and content, requests for additional information, and the appropriate penalties.

The OIC narrowed the scope of its rule to private passenger automobile (PPA) coverage, homeowners and renters coverage, and dwelling property coverage. The scope eliminated surplus lines, earthquake coverage, personal liability and theft coverage, personal inland marine coverage, and mechanical breakdown coverage for personal auto or home appliances. The decision to narrow the scope of the rule was based on the areas in which the agency received complaints.

Additionally, the OIC revised and updated its thresholds from “any premium change” to apply only to increases and not decreases, as the OIC has not received complaints regarding premium decreases. The OIC also has two phases of requirements, as insurers will need to update their legacy systems and start creating a record of the renewal transaction. During Phase 1, the threshold for triggering notice is “upon request,” requiring a written request. Three years later, in Phase 2, insurers must provide notice for premium increases of 10% or higher; the transition to the second phase is automatic.

The OIC revised the disclaimer requirements, making revisions need only be published on the renewal notices and billing statements. The original rulemaking proposal required this information to additionally be placed on the insurer’s internal websites, declaration pages, and applications. This change reduces regulatory burdens but still provides the same level of consumer protection.

The OIC optimized communication standards. These standards will be phased in over time. Insurers must include a “reasonable explanations” section in their premium change notices for insurance policies renewed on or before June 1, 2024. For insurance policies renewed on or after June 1, 2027, insurers shall provide premium change notices with a “reasonable explanation and the primary factors” applicable to the premium increase. The primary factors must include those that most commonly cause premium increases or those of such high importance or
interest to the consumer that they should be communicated in the process. The OIC removed the requirement to provide 100% itemization of the premium charge that was in the original rulemaking and replaced it with a narrative approach.

The final rulemaking adopted by the OIC included: 1) a more limited scope than it initially set out to receive; 2) a broad set of exemptions and exceptions; 3) a limited threshold requiring notices to be sent; 4) a phased implementation timeline; 5) phased communication standards; 6) a notice distribution; and 7) a notice template.

The OIC plans to track the rule’s effectiveness by tracking consumer contacts and complaints to the agency and to the consumer protection division. The OIC also plans to communicate with its consumer advocacy program to see if consumers are receiving the transparency they need to make informed renewal decisions. The OIC will also watch for substantiated investigations and agency enforcement actions to see where there have been either decreases in consumer complaints or increases in investigation and enforcement actions.

Henderson asked if the OIC received much pushback from insurers when it put the rule into production. Walker said the OIC received a large amount of pushback from insurers. He said the insurers and trades representing the insurers indicated they do not get a lot of requests from policyholders regarding their premiums. Walker said the OIC data provided information showing they were being contacted yearly by thousands of consumers regarding premium increases.

Henderson asked if the reason policyholders were not contacting insurers was due to the possibility that consumers did not know they could contact their insurers. Walker said he was unsure, but insurers did say putting the disclaimer requirement on the first page, or a review of renewal notices and billing statements, would allow more consumers to request information from the insurer.

Hurtado asked if the OIC has changed how it views and reviews the models received by insurers and if the OIC is asking for information during the review. Walker said that when the OIC looked at the issue of composite rating variables, it noticed there are insurers that are communicating this information with spreadsheets and intricate insurance terminology that the average consumer would not understand without additional education or assistance in the process. He said the OIC looked at solutions offered by other states and insurers that had best practices in place. Walker said they observed that some insurers, with no regulations for disclosure of premium increases, do a great job explaining some of the composite rating variables in a way policyholders can understand. He said he does not believe the OIC has changed any protocols for the internal review of filings of rates. Walker will follow up with the OIC analysts and actuaries to see if there have been any optimizations in their divisions and their review protocol.

Walker said the OIC tried to set a floor with the way it defined its communication standards so policyholders could get a reasonable explanation in terms that are understandable by the average policyholder. The OIC rule lets insurers know they must provide a reasonable explanation following the same standard. Walker said it may require a request for information, and the OIC may have to wait and see if any issues are identified in implementing that framework.

Tony Coto (National Association of Mutual Insurance Companies—NAMIC) asked if Washington’s population growth in various geographic regions affected the number of complaints or if the population was considered. Walker said the OIC did not track population growth data in its transparency rulemaking.

2. Heard a Presentation on Indiana Legislation
O’Connor said Rep. Matt Lehman (R-IN) has been working on a transparency bill for several years in Indiana and at NCOIL. While NCOIL continues to work on a data transparency model, the Indiana legislature passed Insurance Matters (H.B. 1329). This legislation included compromised language from the original proposal. O’Connor said some items, including the 10 most heavily weighted factors, were not included in the bill. He said HEA 1329 includes changes to the producer continuing education (CE), public adjusters, stop loss coverage, anti-rebating, health maintenance organization (HMO), and Medicare eligibility statutes.

O’Connor said the Indiana Department of Insurance (DOI) is tasked with the implementation of the bill. The bill applies to automobile and homeowners policies issued after June 30, 2024. Once the law goes into effect, an increase of more than 10% over the expiring premium or another adverse or unfavorable change in terms of coverage or amount of insurance in connection with a personal auto or homeowners policy will require notice to the policyholder. A material change does not include: 1) an increase in an insurer’s filed rate plan and automatic inflationary increases; 2) an additional premium due to a change initiated by the insured; 3) an additional premium due to a change in risk exposure as a result of an insured's participation in a usage-based or telematics program; or 4) changes resulting from a property inspection.

If an insurer is going to make a material change, it must provide written notice to the insured that explains the principal factors for the material change or states that the insured has a right to request and obtain an explanation of the principal factors for the material change. The insurer must provide a copy of the written notice to all applicable parties, like: 1) the insurance producer (if any) representing the insured in obtaining coverage; and 2) the insurer portal for agent communications.

The notice of material change: 1) may be provided by mail or electronically; 2) must be sufficiently clear, and language must enable the insured to identify the basis for an insurer’s decision to make the material change; 3) must include a description of the principal factors most heavily weighted by an insurer in making a material change; 4) may provide a point of contact where the insured may discuss the reasons for the material change; and 5) does not require the disclosure of factors otherwise disclosed to the insured.

Examples of statements that would not meet written notice requirements include: 1) material change based on the insurer’s internal policies, standards, or models; 2) the insured failed to achieve a particular score on the insurer’s scoring system; 3) a statement containing generalized terms; and 4) a statement that change is being made is due to the insured's poor credit history, poor credit rating, or poor insurance score.

O’Connor said the requirements are still a work in progress. It is required that the commissioner adopt the rules to implement the chapter. There is a monetary penalty for a violation, and the commissioner is solely responsible for enforcing the chapter.

O’Connor said the law was effective July 1, 2023. However, the chapter is not effective until after June 30, 2024. The requirements are heavily insurer-focused and do not require any Indiana DOI interpretations. The Indiana DOI has not begun the rulemaking process.

Bradner asked what heavily insurer-focused means. O’Connor said this is going to be incumbent on the insurers. Insurers must meet and work with the DOI because they want insurer feedback. The Indiana DOI will include a variety of stakeholders with whom they will work.

Ken Klein (California Western School of Law) said when there is something specific to how a consumer behaves or what a property looks like might drastically change the premium to a policy, he is interested in the thinking behind making an exception for those instances from telling the consumer why their premiums have changed. O’Connor
said insurers must price a policy for risk. If there are things on the property, without regard to income or a variety of matters, that an insurer was unaware of that increase risk, that can be considered.

3. **Discussed Any Other Matters**

NAIC staff will set up a meeting for the drafting group to continue looking at the NAIC disclosure drafts, taking the information highlighted in the presentations today into account.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.
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performing in their states, and identify potential new coverage gaps, including changes in deductibles and coverage types, and affordability and availability issues. Provide analysis of property insurance markets to states.

N. Provide a forum for discussing issues related to the use of telematics in insurance, and consider the development of a white paper or regulatory guidance.

2. The **Cannabis Insurance (C) Working Group** will:
   A. Assess and periodically report on the status of federal legislation and regulation involving cannabis, especially as it pertains to protecting financial institutions from liability associated with providing services to cannabis businesses operating legally under state law.
   B. Support insurance regulators’ efforts to encourage the development of admitted market insurers, as well as the expansion of existing admitted market insurers, and reinsurers supporting the market, to ensure coverage adequacy in states where cannabis, including hemp, is legal.
   C. Stay abreast of new products and innovative ideas that may shape insurance in this space. Provide insurance resources to insurance regulators and stakeholders, as needed.
   D. Explore potential sources of constraint to coverage limits and availability of cannabis insurance products within the admitted and non-admitted market. Explore the effect of the use of cannabis and related products on P/C insurance lines of business.

3. The **Catastrophe Insurance (C) Working Group** will:
   A. Monitor and recommend measures to improve the availability and affordability of insurance and reinsurance related to catastrophe perils for personal and commercial lines.
   B. Evaluate potential state, regional, and national programs to increase capacity for insurance and reinsurance related to catastrophe perils, including mitigation efforts being used in states and investigating loss trends in homeowners markets, with the goal to provide rate stability in the marketplace and protect consumers.
   C. Monitor and assess proposals that address disaster insurance issues at the federal and state levels. Assess concentration-of-risk issues and whether a regulatory solution is needed.
   D. Provide a forum for discussing issues and recommending solutions related to insuring for catastrophe risk, including terrorism, war, and natural disasters.
   E. Complete the drafting of a Catastrophe Modeling Primer that addresses the basic concepts of catastrophe modeling.
   F. Investigate and recommend ways the NAIC can assist states in responding to disasters by continuing to build the NAIC’s Catastrophe Resource Center for state insurance regulators to better prepare for disasters.
   G. Continue to monitor the growth of the private flood insurance market and assess the actions taken by individual states to facilitate growth. Update the Considerations for Private Flood Insurance appendix to include new ways states are growing the private flood insurance market.
   H. Study, in coordination with other NAIC task forces and working groups, earthquake, severe convective storms and wildfire matters of concern to state insurance regulators.
   I. Work with the Catastrophe Modeling Center of Excellence (COE) in order to be aware of what states are doing related to mitigation.

4. The **NAIC/Federal Emergency Management Agency (FEMA) (C) Working Group** will:
   A. Assist state insurance regulators in engaging and collaborating with FEMA on an ongoing basis by establishing a process for the oversight, prioritization, and reporting of disaster-related regional workshops and other exercises to improve disaster preparation and resilience.
   B. Liaise with insurers and FEMA to provide timely information to necessary parties following a catastrophic loss.
C. Discuss ways in which states in the same FEMA region can collaborate and share information with other states in their FEMA region.

5. The Terrorism Insurance Implementation (C) Working Group will:
   A. Coordinate the NAIC’s efforts to address insurance coverage for acts of terrorism. Work with the U.S. Department of the Treasury’s (Treasury Department’s) Terrorism Risk Insurance Program (TRIP) Office on matters of mutual concern. Discuss long-term solutions to address the risk of loss from acts of terrorism.
   B. Review and report on data collection related to insurance coverage for acts of terrorism.

6. The Transparency and Readability of Consumer Information (C) Working Group will:
   A. Facilitate consumers’ capacity to understand the content of insurance policies and assess differences in insurers’ policy forms.
   B. Assist other groups with drafting language included within consumer-facing documents.
   C. Discuss disclosures for premium increases related to P/C insurance products.
   D. Update and develop web page and mobile content for A Shopping Tool for Homeowners Insurance and A Shopping Tool for Automobile Insurance.
   E. Study and evaluate ways to engage department of insurance (DOI) communication with more diverse populations, such as rural communities.

NAIC Support Staff: Aaron Brandenburg
1. **The Casualty Actuarial and Statistical (C) Task Force** will:
   A. Provide reserving, pricing, ratemaking, statistical, and other actuarial support to NAIC committees, task forces, and/or working groups. Propose changes to the appropriate work products, with the most common work products noted below, and present comments on proposals submitted by others relating to casualty actuarial and statistical matters. Monitor the activities regarding casualty actuarial issues, including the development of financial services regulations and statistical reporting, including disaster.
   i. Property and Casualty Insurance (C) Committee: Ratemaking, reserving, or data issues.
   ii. Blanks (E) Working Group: Property/casualty (P/C) annual financial statement, including Schedule P; P/C quarterly financial statement; P/C quarterly and annual financial statement instructions, including the Statement of Actuarial Opinion (SAO) and Actuarial Opinion Summary Supplement.

   B. Monitor national casualty actuarial developments and consider regulatory implications.
   i. Casualty Actuarial Society (CAS): Statements of Principles and Syllabus of Basic Education.
   iii. Society of Actuaries (SOA): Anticipated changes to education pathways.

   C. Facilitate discussion among state insurance regulators regarding rate filing issues of common interest across the states through the scheduling of regulator-only conference calls.

   D. Conduct the following predictive analytics work:
   i. Facilitate training and the sharing of expertise through predictive analytics webinars (Book Club).
   ii. Coordinate with the Innovation, Cybersecurity, and Technology (H) Committee and the Life Actuarial (A) Task Force on the tracking of new uses of artificial intelligence (AI), auditing algorithms, product development, and other emerging regulatory issues. Discuss regulatory oversight of AI and machine learning (ML) in insurers’ ratemaking, reserving, and other activities.
   iii. With the NAIC Rate Model Team’s assistance, discuss guidance for the regulatory review of models used in rate filings.

   E. Research cyber liability insurance and discuss regulatory data needs.

2. **The Actuarial Opinion (C) Working Group** will:
   A. Propose revisions to the following as needed, especially to improve actuarial opinions, actuarial opinion summaries, and actuarial reports, as well as the regulatory analysis of these actuarial documents and loss and premium reserves:
   iii. Annual Statement Instructions—Property/Casualty.
   iv. Regulatory guidance to appointed actuaries and companies.
   v. Other financial blanks and instructions, as needed.
B. Assess the need for changes to the Property and Casualty Statement of Actuarial Opinion instructions upon release of the SOA’s proposed changes to its education pathways.

3. The **Statistical Data (C) Working Group** will:
   A. Consider updates and changes to the *Statistical Handbook of Data Available to Insurance Regulators*.
   B. Consider updates and developments, provide technical assistance, and oversee the production of the following reports and databases. Periodically, evaluate the demand and utility versus the costs of production of each product.
      i. *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner’s Insurance* (Homeowners Report).
   C. Enhance the expedited reporting and publication of average auto and average homeowners premium portions of the annual Auto Report and Homeowners Report.
2024 Proposed Charges

TITLE INSURANCE (C) TASK FORCE

The Title Insurance (C) Task Force will:

1. Discuss and/or monitor issues and developments impacting the title insurance industry, and provide support and expertise to other NAIC committees, task forces and/or working groups, or outside entities, as appropriate.

2. Review and assist various regulatory bodies in combating fraudulent and/or unfair real estate settlement activities. Such efforts could include working with the Antifraud (D) Task Force and other NAIC committees, task forces and/or working groups to combat mortgage fraud and mitigating title agent defalcations through the promotion of closing protection letters (CPLs) and other remedies.

3. Consult with the Consumer Financial Protection Bureau (CFPB) and other agencies responsible for information; education; and disclosure for mortgage lending, closing and settlement services about the role of title insurance in the real estate transaction process.

4. Update the Survey of State Insurance Laws Regarding Title Data and Title Matters, 2019.

5. Stay abreast of consumer issues and complaints submitted to states regarding title insurance. Consider regulatory best practices or standards related to consumer protection. (revised charge)

6. Evaluate alternative title products and provide guidance to state insurance regulators as needed. (new charge)
2024 Draft Charges

SURPLUS LINES (C) TASK FORCE

The mission of the Surplus Lines (C) Task Force is to monitor the surplus lines market and regulation, including the activity and financial condition of U.S. and non-U.S. surplus lines insurers participating in the U.S. market by providing a forum for discussion of issues and to develop or amend relevant NAIC model laws, regulations and/or guidelines.

The Surplus Lines (C) Task Force will:

A. Provide a forum for discussion of current and emerging surplus lines-related issues and topics of public policy and determine appropriate regulatory response and action.

B. Review and analyze industry data on U.S. domestic and non-U.S. surplus lines insurers participating in the U.S. market.

C. Monitor federal legislation related to the surplus lines market, and ensure all interested parties remain apprised.

D. Develop or amend relevant NAIC model laws, regulations, and/or guidelines.

E. Oversee the activities of the Surplus Lines (C) Working Group.

The Surplus Lines (C) Working Group will:

A. Operate in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings and in open session when discussing surplus lines topics and policy issues, such as amendments to the International Insurers Department (IID) Plan of Operation.

B. Maintain and draft new guidance within the IID Plan of Operation regarding standards for admittance and continued inclusion on the NAIC Quarterly Listing of Alien Insurers.

C. Review and consider appropriate decisions regarding applications for admittance to the NAIC Quarterly Listing of Alien Insurers.

D. Analyze renewal applications of alien surplus lines insurers on the NAIC Quarterly Listing of Alien Insurers and ensure solvency and compliance per the IID Plan of Operation guidelines for continued listing.

E. Provide a forum for surplus lines-related discussion among jurisdictions.
2024 Proposed Charges

WORKERS’ COMPENSATION (C) TASK FORCE

The mission of the Workers’ Compensation (C) Task Force is to study the nature and effectiveness of state approaches to workers’ compensation and related issues, including, but not limited to: assigned risk plans; safety in the workplace; treatment of investment income in rating; occupational disease; cost containment; and the relevance of adopted NAIC model laws, regulations and/or guidelines pertaining to workers’ compensation.

Ongoing Support of NAIC Programs, Products or Services

1. The Workers’ Compensation (C) Task Force will:
   A. Oversee the activities of the NAIC/International Association of Industrial Accident Boards and Commissions (IAIABC) Joint (C) Working Group.
   B. Discuss issues with respect to advisory organizations, rating organizations, statistical agents and insurance companies in the workers’ compensation arena.
   C. Monitor the movement of business from the standard markets to the assigned risk pools. Alert state insurance department representatives if the growth of assigned risk pools changes dramatically.
   D. Follow workers’ compensation issues regarding cannabis in coordination with the Cannabis Insurance (C) Working Group.
   E. Discuss workers’ compensation issues related to COVID-19 and Teleworking.

2. The NAIC/IAIABC Joint (C) Working Group will:
   A. Study issues of mutual concern to state insurance regulators and the IAIABC. Review relevant IAIABC model laws and white papers and consider possible charges in light of the Working Group’s recommendations.