PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Draft: 8/22/24

Property and Casualty Insurance (C) Committee
Chicago, Illinois
August 15, 2024

The Property and Casualty Insurance (C) Committee met in Chicago, IL, Aug. 15, 2024. The following Committee members participated: Alan McClain, Chair, and Russ Galbraith (AR); Michael Conway, Co-Vice Chair, represented by Kate Harris (CO); Michael Yaworsky, Co-Vice Chair, and Virginia Christy (FL); Mark Fowler (AL); Andrew N. Mais and George Bradner (CT); Amy L. Beard represented by Victoria Hastings (IN); Vicki Schmidt (KS); Mike Chaney represented by Andy Case (MS); D.J. Bettencourt represented by Christian Citarella (NH); Alice T. Kane represented by Melissa Robertson (NM); Scott Kipper represented by Gennady Stolyarov (NV); Andrew R. Stolfi represented by Cassie Soucy (OR); Larry D. Deiter (SD); Tregenza A. Roach (VI); Kevin Gaffney (VT). Also participating were: Ken Allen (CA); Cynthia Amann (MO); and Michael McKenney (PA).

1. Adopted its Spring National Meeting Minutes

Commissioner Mais made a motion, seconded by Director Deiter, to adopt the Committee's March 18 minutes (*see NAIC Proceedings – Spring 2024, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

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

   A. Casualty Actuarial and Statistical (C) Task Force

Citarella said private flood insurance is becoming a prominent and needed coverage. While the Task Force was happy to see the Private Flood Insurance Supplement (Supplement) in the Property/Casualty (P/C) Annual Statement Blank to aid state insurance regulators in understanding the private market, insurers are not consistently reporting this information. Additionally, it is likely that the international data does not provide the same information as the Supplement in the annual statement.

Citarella said the NAIC Rate Model Review Team director, Kris DeFrain, reported to the Task Force that the team is booked nine months out. This is a much longer timeline than their goal of 30 days. Most importantly, the Rate Model Review Team cannot accept any new rate submissions for at least the next six months while they are reviewing filings that have already been submitted.

Citarella said the possibility of hiring more actuaries has been proposed to NAIC senior management for possible consideration during the budget process. Senior management would like the commissioners to consider the value of this service and whether they want to staff the team so that reviews are done in 30 days or less. Senior management would also like suggestions on how to potentially fund this program, as well as changes that can be made to make the service more cost-efficient. While the Executive (EX) Task Force will discuss this issue in the budgeting process, the Casualty Actuarial and Statistical (C) Task Force is asking the Committee to provide input into the process and communicate the needs and importance of this team to the state insurance regulators. Citarella said state department of insurance (DOI) resources are often limited. The Rate Model Review Team is helping state insurance regulators as rating models continue to increase in complexity and the frequency in which they need to be reviewed, making the Rate Model Review Team indispensable.

B. Surplus Lines (C) Task Force

Director Deiter summarized that the Task Force exposed the surplus lines service process form for a 30-day public comment period ending Sept. 13. The modifications from the original Uniform Consent to Service of Process (Form 12) primarily addressed an issue related to the location of parties for potential lawsuits. The language within the new surplus lines service process form aligns with the language of the newly adopted *Nonadmitted Insurance Model Act* (#870). The amendments to the International Insurers Department (IID) Plan of Operation were also adopted. He summarized that the Plan of Operation provides guidance and requirements for non-U.S. insurers currently on or seeking admission to the *Quarterly Listing of Alien Insurers*. The Task Force adopted its 2025 charges and the Surplus Lines (C) Working Group's 2025 charges. Director Deiter indicated that new minimum requirements were presented for exempt commercial purchasers, effective Jan. 1, 2025. Lastly, he summarized that the Task Force heard a presentation from the National Association of Public Insurance Adjusters (NAPIA) regarding concerns with anti-public adjuster endorsements within certain policies.

C. Title Insurance (C) Task Force

Commissioner Gaffney said the Task Force met Aug. 14. The Task Force anticipates adopting the updated *Survey of State Insurance Laws Regarding Title Data and Title Matters* at the Fall National Meeting.

Looking into fraud trends, industry is experiencing increased wire fraud from advances in artificial intelligence (AI) combined with a fast-paced real estate market and the prevalence of consumers communicating and transacting via mobile phones. Fraudsters are using AI to draft nearly pitch-perfect emails or voicemails to approach the buyer.

Additionally, there have been several title-related federal activities since President Biden said his administration would eliminate title insurance fees for federally backed mortgages during his State of the Union Address in March. Following this, the U.S. House of Representatives (House) Financial Services Subcommittee held a hearing that included discussion about the Federal Housing Finance Agency's (FHFA's) pilot program to waive traditional title insurance, effectively allowing Federal National Mortgage Association (Fannie Mae) to self-insure.

In May, the Federal Home Loan Mortgage Corporation (Freddie Mac) began allowing attorney opinion letters (AOLs) to replace title insurance in most states. Following this, the bipartisan bill, Protecting America's Property Rights Act (H.R. 5837), was introduced into the House. This bill requires title insurance on all loans purchased by Freddie Mac and Fannie Mae.

In June, NAIC staff responded to Rep. Emmanuel Cleaver (D-MO), addressing his concerns about title insurance, AOLs, and consumer protection. The letter emphasized the Task Force's efforts to analyze the benefits and risks of alternatives to title insurance and its commitment to educating consumers.

On June 13, Rohit Chopra (Consumer Financial Protection Bureau—CFPB) testified before the House Committee on Financial Services about the CFPB's role in regulating title insurance and the importance of disclosures in the Real Estate Settlement Procedures Act (RESPA). Rep. Blaine Luetkemeyer (R-MO) argued that insurance is regulated at the state level and that title insurance is outside their authority. Chopra emphasized that the CFPB does have authority over disclosure practices related to mortgage insurance but respects the state model for the business of insurance.

On July 10, following White House directives to reduce housing costs, the Federal Insurance Office (FIO) held a title insurance roundtable. Commissioner Chlora Lindley-Myers (MO) and Commissioner Doug Ommen (IA) participated. The overarching themes were the demands for more competition, transparency, and consumer protection in the title insurance sector. The FIO is not contemplating further action at this time.

© 2024 National Association of Insurance Commissioners

Commissioner Roach asked if replacing title insurance is to save buyers' fees and if AOLs are without cost. Commissioner Gaffney responded that if the title insurance cost is eliminated, there is still a cost associated with AOLs. AOLs are often backed by surplus lines market products. The Task Force has requested but has been unable to obtain documents on how AOLs address consumer protection. Commissioner Roach said the title-related federal activities should be assessed against traditional title insurance. However, he acknowledged they do not have the jurisdiction to require the information.

D. Workers' Compensation (C) Task Force

Commissioner McClain said the Task Force met Aug. 8 and heard an update on the state of the workers' compensation market from the National Council on Compensation Insurance (NCCI). The workers' compensation industry is quite strong; the combined ratios have been under 90% for the past seven years. Commissioner McClain said the Task Force will be meeting in person at the Fall National Meeting.

E. Cannabis Insurance (C) Working Group

Allen said the Working Group met May 8. There continues to be a lot of activity regarding cannabis issues in U.S. Congress (Congress). Most financial services sectors continue to be reluctant to do business with cannabis-related businesses due to marijuana's federal classification as a Schedule I controlled substance under the Controlled Substances Act (CSA). The Secure and Fair Enforcement Regulation (SAFER) Banking Act of 2023 has had the most momentum in addressing these issues. The bill passed the Senate Banking Committee with bipartisan support but faces challenges in reaching a consensus with all members.

Additionally, in May 2024, the U.S. Department of Justice (DOJ) formally moved to reclassify marijuana as a Schedule III substance alongside drugs like ketamine by sending a proposed rule to the Federal Register. The Drug Enforcement Administration (DEA) took comments on the proposal through July 22. It received over 40,000 comments. The process for a potential approval is anticipated to be lengthy.

In looking at the cannabis market, expansion has been driven by newer markets, mainly in the Northeast and Midwest. Growth and prices have declined substantially in mature markets, mainly in the West and Northeast. Sophisticated products sold by multistate brands account for the majority of sales. Medical-use cannabis is anticipated to continue declining as more states allow for recreational use.

Regarding insurance availability, directors and officers (D&O) and cyber coverage are becoming more affordable with better coverage. Reinsurance capacity has increased. Key person coverage, product contamination, and cannabis-focused specialty solution programs with language specific to cannabis are also becoming available. Admitted general liability and product liability coverages are available in 10–15 states. Outdoor crop coverage remains unavailable outside of parametric coverage. However, parametric coverage is now available in more states. Auto insurance is still problematic and expensive. Property coverage is limited and commonly self-insured. Life insurance remains difficult to find.

F. Catastrophe Insurance (C) Working Group

Amann said the Working Group and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group met in joint session Aug. 13. FEMA presented updates to its Community Rating System (CRS) and will provide a more detailed webinar Aug. 22. FEMA also provided information on its new direct-to-consumer (D2C) product.

Amann said Brian Powell (CIPR) provided an update on the Center of Excellence's (COE) resilience hub. The Working Group will begin meeting monthly with the COE and Climate and Resiliency (EX) Task Force to ensure group collaboration and prevent project repetition or overlap. Dave Snyder (American Property Casualty Insurance

© 2024 National Association of Insurance Commissioners

Association— APCIA) presented information about why insurance prices have increased, how policyholders might lower their premium cost, and discussed mitigation discounts. There was also discussion about how risk mitigation plans are important not only for the individual but for the whole community.

Amann said the Working Group is nearing completion on the Catastrophe Insurance Modeling Primer (Primer). The purpose of the Primer is to offer a document providing the fundamental concepts surrounding probabilistic catastrophe models and to serve as a bridge to available training from the COE.

In terms of the next steps, the Primer is currently being reviewed by experts at the COE and others. Once feedback is received, the drafting group plans to reconvene at the beginning of September with the goal of exposing the Primer to the Working Group, interested state insurance regulators, and interested parties before year-end 2024. The Working Group anticipates adopting the Primer on or before the Fall National Meeting.

G. Terrorism Insurance Implementation (C) Working Group

The Working Group had nothing to report as it has not met since the Spring National Meeting.

H. Transparency and Readability of Consumer Information (C) Working Group

Bradner said the Working Group is working on a guidance document for states wishing to implement a disclosure notice process for insurers to explain to policyholders why their premium for either personal auto or homeowners policy increased.

The guidance uses a bifurcated approach to allow insurers time to implement the needed processes. In Phase One, insurers need to notify policyholders of their right to request an explanation for their rate increase. Instructions on how this should be done are included in the guidance. Once a policyholder provides a written request for an increase at the policy's renewal, insurers must provide reasonable explanations for premium increases. This is in line with current industry practices.

Bradner said the guidance recommends Phase Two begin three years after Phase One. In Phase Two, notice is triggered when the renewal premium increases by 10% or more or upon the policyholder's written request for any increase. Insurers must send the disclosure notice at least 30 days before the renewal date. Notices must have reasonable explanations and include the primary factors, which are defined in the guidance, of the premium increase. A suggested template for auto and homeowners disclosure notices is also included in the guidance.

For both phases, insurers must respond to a policyholder's written request for explanation no later than 30 days for the first request and 20 days for subsequent requests. To address industry concerns, the guidance clarifies that insurers should make every effort to respond prior to the renewal date, but the premium due date will not be altered.

The Working Group made substantial revisions to the guidance document based on comment letters it received during its previous exposure period in February. The most substantial change was combining the capping and non-capping guidance documents into one guidance document that applies to both. Additional revisions focused on improved clarity and readability. During the Working Group's virtual meeting Aug. 8, it exposed the revised guidance document with comments due Aug. 30. The Working Group's intent is for the guidance document to be adopted before the Fall National meeting.

Stolyarov said Nevada is in the early stages of working on a regulation for the disclosure of rate increases, particularly for homeowners policies. He asked if the guidance written by this Working Group could be adapted to the text of a regulation or referenced in some way. Stolyarov said Nevada has written the preliminary text of

© 2024 National Association of Insurance Commissioners

the proposed regulation. He asked if there could be some coordination between Nevada's approach and the NAIC guidance. Bradner responded that this is possible. He also noted that Indiana and Washington have provided guidance to the industry about reporting, which could provide additional guidance for Nevada.

Commissioner Schmidt made a motion, seconded by Commissioner Gaffney, to adopt the following reports of the following task forces and working groups: Casualty Actuarial and Statistical (C) Task Force; Surplus Lines (C) Task Force; Title Insurance (C) Task Force; Workers' Compensation (C) Task Force; Cannabis Insurance (C) Working Group (Attachment One); Catastrophe Insurance (C) Working Group; and Transparency and Readability of Consumer Information (C) Working Group (Attachment Two). The motion passed unanimously.

3. <u>Heard a Federal Update</u>

Shana Oppenheim (NAIC) said the federal government, Congress, White House, and federal agencies continue to be active in several areas that impact the P/C market, including natural disasters and housing affordability, cannabis banking, title insurance, and marine insurance of illicit oil shipments.

On the legislative side of the natural disaster and housing affordability front, several bills are providing funding, tax incentives, and research for state mitigation and resilience programs to address property insurance market challenges arising from natural disasters that have been introduced in both the House and Senate. Oppenheim said that given the August recess Congress is currently in and the limited calendar year before the election, as well as the fact that it is an election year, she does not expect any of those to pass this Congress. Congress has also held several hearings in the past few months on housing affordability and the insurance component of housing and title insurance. Additionally, the FHFA's pilot program allows Fannie Mae to self-insure the title insurance on mortgages to reduce costs. Overall, there is an increased interest in housing affordability and, specifically, how to reduce costs, including targeting insurance and title insurance.

The FHFA initiated a stakeholder engagement process to address concerns over property insurance requirements following recent clarifications. It aims to gather feedback from the mortgage, insurance, and community association sectors, focusing initially on compliance challenges related to a property's replacement cost valuation and claims settlement practices.

Switching to another issue of interest to the P/C market, there continues to be a push for cannabis financial services legalization. Senate Majority Leader Chuck Schumer (D-NY) has indicated that he does plan to bring the SAFER Banking Act to the Senate floor soon. It is uncertain as to whether the Act will pass. The rescheduling of cannabis from a Schedule I to a Schedule III drug, which is being contemplated by the DOJ, could lead to significant tax breaks and increase access to capital for cannabis markets. The rescheduling does not affect the need for the SAFER Banking Act because there is still going to be a need for insurance and banking access within the cannabis industry.

Oppenheim said the Stopping Illicit Oil Shipments Act of 2023 (H.R. 6365) was introduced by Rep. Maxine Waters (D-CA). The Act would require the Office of Terrorism and Financial Intelligence within the U.S. Department of the Treasury (Treasury Department) to issue rules about unverified ship registrants in insurance contracts. This would require the Treasury Department to report to Congress.

Commissioner Roach asked if there is any support from the DOJ to move cannabis from a Schedule I drug to a Schedule III drug. Oppenheim said it will be going through the public exposure process, and she speculates it will likely happen. She said that Congress does not really have anything to do with it; however, there might be some interplay between the overruling of the Chevron deference and whether challenges can be brought under the authorizing statutes that allow the governing agencies to make that move. There has not been much conversation in Congress about this topic.

© 2024 National Association of Insurance Commissioners

4. Heard an Update on the PCMI Data Call

Commissioner McClain said the Property & Casualty Market Intelligence (PCMI) Data Call was issued March 8. Data was due June 6, although some extensions were given. Filings have been received from most of the insurance companies.

Commissioner McClain said that NAIC staff have been reviewing files and have followed up with many companies about data anomalies. In some cases, insurers needed to refile. This process continues to ensure there is a good data set to analyze. The state insurance regulator steering committee meets regularly to provide input on the analysis of the data. State insurance regulators started with a series of questions last fall related to affordability and availability, changing trends and coverages, and deductibles, among other things. States will have access to the raw data to conduct their own analysis. The NAIC also plans to issue a summary analysis later this year.

5. Heard a Presentation on Homeowners Insurance Markets

Robert Gordon (APCIA) said it is well known that property insurance markets are deteriorating, and the industry's profitability is down. He said homeowners and private passenger auto (PPA) lines have seen high losses. These lines have had low to negative returns on net worth, well below other sectors, as reported in the *Report on Profitability by Line by State* (Profitability Report).

Gordon said homeowner losses are being driven by a rise in exposure values and replacement costs; the natural variability that comes with any five-year sample of catastrophe experience; effects of climate change; and impacts of man-made loss drivers, such as social inflation and legal and regulatory factors. He noted that inflation and rebuilding costs are up. He explained that when looking at U.S. insured losses from 2008–2023, general inflation and economic growth/urbanization were the largest drivers, followed by societal and behavioral trends, inflation costs for repair, material, and climate change. He also noted that the costs of legal system abuse are increasing.

Gordon noted that housing affordability is at low levels, and insurance accounts for about 6.5% of homeownership compared to 64% for mortgage, 14% for utilities, 11% for property taxes, and 4% for maintenance. He said homeowner insurers are dealing with these stresses through product design by sometimes using actual cash value (ACV), changing deductibles, and limiting individual perils.

As for solutions, Gordon said state insurance regulators should not suppress rates, as that contracts capital and encourages overbuilding. He said reinsurers have ample disaster capital on the sidelines, and government-subsidized backstops displace private markets and mask socially beneficial climate risk signals. He said insurers are leading efforts to make communities more resilient and to mitigate risks. They are working with federal and state policymakers, supporting resiliency and mitigation programs, and advocating for stronger building codes and land use policies. Companies are also advocating for financial support to increase resilience for vulnerable populations and investing in climate and renewable technologies. He said the changes to building codes led to significant cost savings following Hurricane Ian compared to what the storm would have caused in the 1970s.

Commissioner Yaworsky said it seems leaders in the industry experience a challenge in separating out, for example, the growing population that is up against climate-impacted or severe weather-impacted areas and muddling those losses together to frame a picture today that climate change is the main driver of these impacts. As shown in this presentation, the areas where climate change is the main driver in those impacts, the entire bundle of challenges that are raising the cost of insurance or putting pressure on the industry in this totality places it at about a 1% impact point.

© 2024 National Association of Insurance Commissioners

Commissioner Yaworsky said the challenge for both industry and state insurance regulators is to convey climate change as accurately as possible when talking about the actual wet global weather and weather patterns that emerge over time so that it is possible to truly tackle the issues, which can include things like the fact that we have a growing population center that is brushing up against more extreme areas with more extreme weather.

Stolyarov said he represents Nevada, with minimal catastrophic loss experience; however, recently, Nevada has had real wildfire loss potential. He said the answer proposed in the presentation of essential rate increases as adequately addressing the risk of catastrophe loss potential might not actually be the answer. Stolyarov said the increase in capacity on the part of the insurer level might be the answer because of how insurance pricing works. He said the premium could have a catastrophe load built into the base rate to account for the expected value of the risk of catastrophe loss. He said there might be a little margin for conservatism, but in a good year, if no catastrophe happens, the portion of the premium dedicated to the catastrophe load does not get stored away in some catastrophe loss fund for future years; it gets paid as dividends perhaps, or it might get used for sheer repurchases or other current expenditures.

Stolyarov said that 10 or 50 years later, when a catastrophe occurs, there is no prior premium to pay for the losses. He said if a rate increase is based on catastrophe losses and the state insurance regulator approves the rate filing, then the money is likely never going to be used to pay for catastrophe losses. Stolyarov asked if there would not be a better solution where insurers could set up dedicated catastrophe loss funds where these assets are locked away and used only for paying for a catastrophe, whether that be this year, five years, or 10 years down the line. This way, states may not have to be faced with rate increase requests every time a major catastrophe happens, or a model predicts that it might happen.

Gordon said that, as an industry, they have supported some of that so that consumers can build up some tax-free catastrophic accounts. Generally, though, when investors look at markets and decide how to allocate capital, whether it is insurers, reinsurance, or alternative capital, they do look at the long-term profitability of the market so it is not just what happened in the last year, but what happened over a long period of time and what the models say is going to happen in the future to decide.

Commissioner Roach said he lives in an area of the Virgin Islands where there is already restricted and shrinking coverage for P/C exposures, but these areas are still prone to the impacts of climate change. He asked whether the APCIA sees more coverage declining or increasing costs of coverage. Commissioner Roach also asked what some of the objective considerations were being made to make the determination to deny coverage due to climate change. He asked what some of the objective considerations being made are when there's a denial of climate change coverage.

Gordon said the APCIA brought together a group of chief executive officers (CEOs) in a catastrophic risk insurability working group to try to understand catastrophic cyber, terrorism, pandemic, wildfire, and windstorm risks, among others. The CEOs concluded that the weather would be very insurable if the government allowed the private marketplace to work. They felt confident that they could bring enough capital to the market, even with the increasing costs being caused by climate change, if they were allowed to charge the right rate.

Gordon said the problem is there is always this tension because of the affordability aspect; just because insurers can bring in more capital at the right rate to provide coverage does not mean it is going to address the concern about how homeownership is getting more and more out of reach for consumers. Gordon said the question is how you make that coverage affordable for as many people as you can. That gets back to mitigation, resiliency, and the ability to offer more coverage options that can help consumers. It is hard for states to fix inflation or the weather, but hopefully, things like the cost of the legal system and regulatory costs can find the right balance to get an efficient system.

© 2024 National Association of Insurance Commissioners

Commissioner Roach said he is preparing himself as an insurance regulator for when consumers can get coverage, and climate change is the undue response. Gordon said he believes it is an affordability issue and that climate change over time is going to make coverage less and less affordable, which is a concern to the APCIA. He said, however, that some perils, like wildfire, are impacted by climate change more than others. Gordon believes that it is important to recognize this in public policy discussions.

McKenney said that he noticed the presentation discussed underwriting results but not investment returns. He said he believes investment returns have been high and asked about their impact. Gordon said that the easiest way to look at the impact of investment returns is to look at the industry surplus; it took a $72 billion hit in 2022, and the global reinsurance industry took a 12% hit on its capital. He said that the surplus is currently at about the same nominal level that it was two years ago, but in real terms, it is less, and compared to the demands, it is a lot less. Gordon said there have been some investment returns, but not every insurer has been putting all their money into profitable investments. Gordon said insurers cannot always depend on market returns, and the thing to look at is the real surplus and the capital available compared to the growth in the economy and the insurance demand. He said that right now, the surplus is still declining in real terms and has not caught up to demand.

McKenney said the presentation indicated that coverage is being moved toward ACV and higher deductibles to help deal with some of the cost issues. He said that Fannie Mae has recently put out a bulletin indicating that it does not accept ACV and that deductibles cannot be higher than a certain amount. McKenney said he has talked with another low-income mortgage loan servicer that has similar deductible requirements. He asked how state insurance regulators should view the strategy of moving toward less coverage that perhaps some mortgage lenders are not accepting. McKenney said the last thing state insurance regulators want is for insurers to write business for a policyholder and then move them to a high deductible or ACV, only to have their mortgage lender force place the insurance.

Gordon said the APCIA has been talking extensively about the ACV issue, not only with Fannie Mae and Freddie Mac but with the FHFA trying to get the rule to recognize and allow how the market works. He said this issue is reminiscent of a similar problem that occurred following some of the Florida hurricanes a couple of decades ago. Gordon said that insurers had to create a separate wind deductible to make insurance affordable. He said Fannie Mae and Freddie Mac did not want to recognize this, and there was a fight with Congress, those mortgage lenders, the state insurance regulators, and the insurance markets before all parties found a workable solution. Gordon said the APCIA is holding constructive, good-faith dialogues to work out this issue. Gordon said it is clear that roof replacements have become the primary cost of non-catastrophic homeowners' losses from hail, thunderstorms, etc. He said there has also been an enormous amount of roofing fraud. Gordon said that this issue must be worked out. He believes the APCIA will arrive at a solution with the FHFA.

Cate Paolino (National Association of Mutual Insurance Companies—NAMIC) gave a presentation and said several pressures are converging to create a new era of risk for the P/C industry, including extreme weather, inflation, and the legal system. She explained that severe convective storm losses have increased by nearly 9% annually since 1990. She said the solution should be bending the loss curve down using hazard and migration measures, including building codes and Insurance Institute for Business and Home Safety (IBHS) building standards. She also noted that people have been moving to coastal areas over the past 50 years.

Paolino noted that unintended consequences should be avoided, such as recent activities by FHFA that consider allowing replacement cost policies. She also noted a rise in nuclear legal verdicts and third-party litigation funding. Paolino said reforms such as the ones Florida took to improve the legal landscape have improved, as at least 19 Florida insurers have filed for rate decreases or no increases in 2024.

Paolino said solutions include a multi-pronged approach to bend the curve through a package of mitigation and resiliency steps, from grants to savings accounts, from building codes to land use, and from collaborating with other agencies; retaining discipline with respect to fundamentals like risk-based pricing, consumer choice, and market-based competition; and putting guardrails around litigation and taking steps to combat legal system abuse.

Amy Bach (United Policyholders—UP) asked for time to provide perspectives on the presentation at the next meeting. She asked if the Committee has looked at ways of reducing non-essential coverages, such as contents and other structures, as an alternative so that it is still delivering products that provide indemnification to restore mortgage collateral, which, at the end of the day, is why those letters require that level of coverage.

Paolino responded that the question and concern NAMIC has is where the requirement for coverage is above and beyond the amount of the loan. Stepping back to Bach's question about other possibilities, Paolino said she believes that having diversity in the marketplace on a whole range of issues is a positive, and though NAMIC cannot necessarily have conversations with members about what they do in the marketplace, they can convey state insurance regulators' questions in her report.

Ken Klein (Consumer Advocate) said he is interested in why Paolino equates a large verdict with a wrong verdict. He asked if the worst actors are being emboldened and policyholders are being harmed by reforms addressing nuclear verdicts, assuming the system is working correctly. Paolino said there were more items she could have referred to but did not. She said the piece by the Institute for Legal Reform (ILR) points to not only the size of the verdict but also to some of the processes around the process of how litigation unfolds to increase the award. Paolino believes there are several different components beyond nuclear verdicts that would make for an interesting conversation.

Gordon said the U.S. is an enormous outlier across the globe in terms of the amount of money that gets sucked out of the legal system and goes to lawyers instead of policyholders or injured victims. He said the APCIA's members want a fair and cost-effective legal system. Gordon said the APCIA is always looking for ways to improve the efficiency of the legal system. He said that the APCIA also recognizes the increasing legal costs while seeing homeownership becoming less and less available to consumers. He said that the property reinsurance market has been stabilizing, but the casualty reinsurance market is hardening again. Gordon said the reserve development from increasing legal costs is becoming worse, which is an emerging problem.

Commissioner Yaworsky said he appreciated the recognition of the number of insurers that have either filed annual filings of zero or a reduction. He noted that this past week, he got an update that there are now 43 companies in the state of Florida that have filed for reduction since its tort reform was enacted. Commissioner Yaworsky said the reforms Florida put into place are biting hard into that space when waste for abuse in the legal environment is discussed, and Florida is seeing positive impacts. He said he believed the goal was to bring Florida back to a rational system. Commissioner Yaworsky said Florida had a law that incentivized anyone, in any situation, to litigate regardless of the merits of their claim, and this precipitated enormous costs.

Commissioner Yaworsky said that, as an example, he believed that in 2022, the pure raw cost to the insurance industry, which was receiving $20 billion in direct written premiums, spent about $2.5 billion defending litigation. He said this was ultimately passed on to the policyholder. He said just by restoring rationality and Florida rejoining 48 other states on a contingency fee-based system, there seem to be dramatic impacts on the cost of insurance in Florida. Commissioner Yaworsky said Florida's system and the reinsurance market were stabilizing, and the reinsurance market, with the average rate of the cost of reinsurance risk-adjusted for the first time in seven or eight years, has gone down. He said Florida is excited to see a stable return for its consumers and would be happy to speak to anyone about the merits.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2024 Summer/National Meeting/C Cmte.docx

Draft: 6/17/2024

Cannabis Insurance (C) Working Group
Virtual Meeting
May 8, 2024

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met May 8, 2024. The following Working Group members participated: Tyler McKinney, Chair (CA); TK Keen, Vice Chair (OR); Austin Childs and Nathan Hall (AK); Catherine Reaves (DE); C.J. Metcalf (IL); Deborah Ivory (MS); Randall Currier (NJ); Elouisa Macias (NM); Gennady Stolyarov (NV); Sebastian Conforto (PA); Carlos Vallés (PR); Beth Vollucci (RI); Karla Nuissl (VT); and Michael Walker (WA).

1. Adopted its Dec. 19, 2023, Minutes

Currier proposed the phrase "for a jewelry store" be removed from the first paragraph on the fourth page of the Working Group's Dec. 19, 2023, minutes.

Currier made a motion, seconded by Walker, to adopt the Working Group's Dec. 19, 2023, minutes (Attachment One-A) with the aforementioned revision. The motion passed unanimously.

2. Heard an Update on Cannabis-Related Legislative Activities

Alex Swindle (NAIC) stated that there continues to be a lot of activity on cannabis issues in the U.S. Congress (Congress). Members of Congress from states where cannabis is legal have historically supported giving the cannabis industry access to insurance and banking services. Most financial services continue to be reluctant to do business with cannabis-related businesses due to the federal classification of marijuana as a Schedule I controlled substance under the Controlled Substances Act (CSA). This leaves many legal businesses unable to access insurance bank accounts or lines of credit. The result is that most cannabis businesses operate on a cash basis, which is very risky. A few bills have been introduced over the years to address this. However, the Secure and Fair Enforcement Regulation (SAFER) Banking Act has had the most momentum. This bill provides protection for federally regulated financial institutions that serve state-sanctioned marijuana businesses. Under the bill, a federal banking regulator may not penalize a depository institution for providing banking services to a state-sanctioned marijuana business. The bill also prohibits a federal banking regulator from requesting or requiring a depository institution to terminate a deposit account unless: 1) there is a valid reason, such as the regulator has cause to believe that the depository institution is engaging in an unsafe or unsound practice; and 2) reputational risk is not the dispositive factor. Additionally, proceeds from a transaction conducted by a state-sanctioned marijuana business are no longer considered proceeds from unlawful activity. Furthermore, a financial institution, insurer, or federal agency may not be held liable or subject to asset forfeiture under federal law for providing a loan, mortgage, or other financial service to a state-sanctioned marijuana business.

The SAFER Banking Act would improve the transparency and accountability of these businesses by enabling their financial information to be tracked and reported. The text of the bill also provides protections for insurers engaging in the business of insurance with a state-sanctioned marijuana business or service provider of the relevant legal jurisdiction against being held liable pursuant to any federal law or regulation solely for providing a financial service or for further investing any income derived from such a financial service. The language of the SAFER Banking Act also expands these protections to insurers that "otherwise engage with a person in a transaction permissible pursuant to a law (including regulations)," Sec. 5(c), language that is not in the U.S. House of Representatives' (House's) Secure and Fair Enforcement (SAFE) Banking Act of 2023. The bill passed the U.S. Senate Committee on Banking, Housing, and Urban Affairs (Senate Banking Committee) with bipartisan support.

It has 35 cosponsors from both sides of the aisle but could still face some challenges in reaching a consensus with all members from both parties. House leadership has made some efforts to bundle the bill with other legislation.

In 2022, President Biden ordered the U.S. Department of Health and Human Services (HHS) to study the effect of moving marijuana from a Schedule I substance to a Schedule III substance under the CSA. In May 2024, the U.S. Department of Justice (DOJ) formally moved to reclassify marijuana by sending a proposed rule to the federal register recognizing the medical uses of cannabis and acknowledging that it has less potential for abuse. The plan would not legalize marijuana for recreational use. The Drug Enforcement Agency (DEA) will next take public comment on the proposal in a potentially lengthy process. It would then need to be reviewed by an administrative judge, and the final rule would be published. If approved, the rule would move marijuana to a Schedule III substance alongside ketamine and some anabolic steroids. Attorney General Merrick Garland's approval of the plan signals that the Biden Administration is prioritizing the reschedule. There are some efforts to entirely remove cannabis from scheduling through congressional actions. However, these seem unlikely to gain support.

McKinney asked if the timeframe for the rule is known. Swindle stated that the timing is unclear and potential approval for the rule will be a long road.

3. Heard a Presentation from BDSA on Trends and Emerging Issues in the Cannabis Space

Roy Bingham (BDSA) stated that BDSA uses point-of-sale and transactional information data from almost 2,000 regulated dispensaries nationwide. It cleanses and catalogs the data because there are no standardized skew bar codes in the cannabis industry yet. From this data, BDSA is able to identify very accurate industry trends and projections of categories and subcategories of products. It also conducts a semiannual survey on consumer behavior trends and consumption patterns. Before this, the cannabis industry did not have the type of data commonly found in other industries. From this data, BDSA develops market forecasting state-by-state.

Due to federal prohibition, BDSA also uses publicly available information to identify locations and provide information to its clients, who are the leading cannabis companies. It works with 28 of the top 30 cannabis companies. There are complexities around the industry with hemp-derived intoxicating cannabinoid products. Many of these products are similar to what is available in dispensaries and are popular in states that do not have licensed and regulated adult-use or medical cannabis. Cannabis prices have been stabilizing and reflect the volatile nature of local supply and demand. When a new market is launched, you typically have a period of short supply because the growers do not have enough supply yet. Then, there is a steady price decline. Prices have declined substantially in the most mature markets, such as California and Colorado. The price decline also reflects competition from illicit markets that operate side-by-side. Cannabis products have become sophisticated. Only about a quarter of sales are from cannabis flower, and much of it is now branded. Packaged vaporizer products and edibles are also branded like any other consumer packaged goods. Investors have been eagerly awaiting federal reform to enter the market. Many anticipate the rescheduling will happen by November. Federal reform would also allow institutions to touch the plant and get started on researching health benefits.

New market expansion is what has been driving the industry. Cannabis is fully legal in most of the states in the western and northeast portions of the U.S. 36 states have legalized it for medical use. The majority of U.S. adults are positive about cannabis consumption. Nearly half of adults in the U.S. have access to recreational cannabis. About half of adults have consumed it in the past six months. When a state first legalizes cannabis, consumption is usually around 30% of the population and then steadily rises. Detailed surveys have shown that the majority of people consume on at least a weekly basis. Consumption occurs on a broad demographic profile. Many recreational users consume cannabis products to treat issues such as pain, anxiety, or trouble sleeping. They no longer have to register for a medical card if they are in a recreational-use state. For this reason, medical-use cannabis is declining and is anticipated to continue doing so.

© 2024 National Association of Insurance Commissioners

Globally, the cannabis market is anticipated to grow 10% per year and reach $58 billion globally by 2028. The U.S. market is anticipated to grow 10% to $32 billion in 2024, due largely to new recreational markets like New York and New Jersey. Additionally, strong growth is anticipated in Michigan. Florida and Ohio are expected to become recreational-use states. Growth in mature markets, which tend to be in the West, has been slow due to price reductions. At the same time, the Northeast and Midwest markets are growing rapidly. Growth in California has been negatively impacted by its massive illicit market. It is difficult for consumers to differentiate between a regulated and non-regulated location. Legal states bordering non-legal states are benefiting from consumers crossing state lines to purchase cannabis.

By volume, mature recreational-use markets still had the highest sales in 2023. California led with over $5 billion in sales, and Michigan was close behind with over $3 billion. However, emerging markets are close behind the recreational-use giants. Florida brought in $2.5 billion in medical sales alone, roughly a 16% increase over 2022. Illinois had just under $2 billion in sales.

Price compression has been a big story over the past two years. Although it has affected all legal markets, emerging markets are still holding much higher average retail prices than more mature ones. New Jersey and New York hold the highest prices. Prices are expected to hold more stable in emerging markets amid tight market conditions (such as limited cultivation capacity and restricted licensing). It is worth noting, however, that New Jersey has massively expanded the number of licensed businesses, which will likely lead to price decreases once many of these new businesses get online.

Discounting is widespread, with the five largest categories (flower, pre-rolled, vape, edible, and extracts) all having sold prices about 30% lower than the list price. Multistate brands are the majority of sales in major markets. While some mature markets see a strong presence of "home-grown" brands, Oregon was the lone state to have more than 50% of sales come from single-state brands.

4. <u>Heard a Presentation from Jencap on Insurance Availability, Coverage Trends, and New Risks in the Cannabis Space</u>

Erich Schutz (Jencap Specialty Insurance Services—Jencap) stated that the entrance of some new reinsurers into the market has increased the availability and affordability of named storm and wind/hail coverage over the last two years. Directors and Officers (D&O) and cyber coverage are becoming more affordable with better coverage. However, bonds related to banking or loans, such as default-type bonds, are unavailable. Additionally, outdoor crop coverage remains unavailable outside of parametric coverage, with an extremely high minimum premium coverage. Parametric crop coverage is usually only suitable for unique placements for savvy operations with significant outdoor exposures. On the positive side, parametric crop coverage is now available in more states than just Florida. Reinsurance capacity has increased. Additionally, due to losses from equipment breakdown coverages, insurers are capping equipment breakdown to $1 million or excluding it. Multi-line excess insurance limit products for cannabis-related businesses are not as available as in other markets. Some combinations, such as excess coverage for workers' compensation and auto, can be found together. However, there is no one robust product that provides all excess limit coverage needs.

Coverage take-up is greatest for compulsory coverages, such as workers' compensation, general liability, and property. In states such as California, where product liability coverage is not necessarily required, cannabis-related businesses are more likely to just secure general liability coverage. Property coverage is the most likely coverage to be self-insured. Of the coverages most companies should have, cyber is the least requested coverage. Life insurance is still very difficult for cannabis-related businesses to find. Auto insurance is still problematic and expensive, especially in states with no risk pool and fixed rates, such as Massachusetts and Michigan. There is much room for state insurance regulators to encourage surplus lines carriers to enter markets where admitted auto coverage is not compulsory. This is especially true in the hemp space since hemp is a federally legal product and can be transported across state lines and internationally. Brokers also have difficulty finding international coverage, whether it is a domestic policy with a worldwide extension that will defend an insured in a foreign country or protection against a lawsuit that is alleged outside the U.S. and tried in the U.S.

Key person coverage has recently become available in the cannabis space. Brokers are seeing increased requests for personal cyber, kidnap and ransom, and travel coverages from high-net-worth cannabis professionals. Cannabis-focused specialty solution programs with language specific to cannabis are also becoming available. Coverage for product contamination is also emerging in the cannabis space. There are a number of coverages available on a minor package basis in the admitted market, including general liability, auto, and property. Admitted general liability and product liability coverages are available in 10–15 states. Property is limited. Mature markets, such as California, Colorado, Illinois, Massachusetts, Michigan, Oregon, and Washington, are most likely to be able to support an admitted market. The way an admitted market is implemented and regulated matters. California is a good example of state insurance regulators reaching out to surplus lines carriers and working to transition them to admitted carriers. Michigan is a good example of where the carrier led to charge to provide the admitted coverage mandated by the state's law. However, the Michigan carrier's paper was downgraded last year, resulting in a vacuum in the space and forcing a lot of insurers to rewrite their policies and face issues with their banks for not meeting loan conditions.

Jencap released its *Preparing for the Future of Cannabis Insurance* white paper in 2023, in which it examined four different scenarios of federal cannabis reform. Rescheduling to Schedule III would allow cannabis-related businesses to have access to traditional banking sources. It would also lower their tax rate by about 30–50% by resolving issues with Section 280E of the Internal Revenue Code (IRC). Section 280E currently prevents businesses selling illegal drugs, such as cannabis, from deducting common business expenses such as rent, utilities, and payroll. However, it would also mean that cannabis would be regulated like a pharmaceutical drug; thus, medical cannabis dispensaries would have to compete with pharmacy stores like CVS. This would likely lead to most medical cannabis dispensaries going out of business. Consumers would likely want to shop at pharmacy stores where they can get their medical cannabis and other prescription medications. Unlike CVS stores, medical dispensaries are also not equipped to deal with DEA regulations and lack the infrastructure and knowledge to ship over state lines. Additionally, medical cannabis manufacturers would likely struggle as they lack the knowledge and finances to go through a now-required Food and Drug Administration (FDA) trial.

Pharmacies should not be permitted to sell medical cannabis before cannabis is federally rescheduled. Georgia allowed private pharmacies in its state to dispense low-potency cannabis. The private pharmacies immediately lost their insurance because their insurance carriers did not allow them to sell federally illegal marijuana. As mentioned earlier, Michigan's mandate that cannabis businesses carry product liability insurance coverage by licensed and admitted carriers is another troubled regulation, focusing on the classification of coverage as admitted or nonadmitted rather than the quality of the coverage and financial strength of the insurer. In March 2024, AM Best downgraded the Financial Strength Rating of the primary admitted cannabis insurer to C (Weak) from B+ (Good). This resulted in a panic among cannabis businesses and a flurry of refiled forms to remain compliant. State insurance regulators could help brokers and underwriters in the insurance industry by assisting with more communication and collaboration to prevent these types of problematic circumstances. The industry needs its insurance and cannabis regulators to be in lockstep with each other. This includes addressing the issues in Georgia, Michigan, and other states where there are overly restrictive regulations for cannabis that are impacting insurance availability and pricing.

5. Heard a Presentation on the Work of the IIHS and HLDI on the Legalization of Marijuana for Recreational Use

Matt Moore (Highway Loss Data Institute—HLDI) stated that he is representing the Insurance Institute for Highway Safety (IIHS) and HLDI, which U.S. auto insurers fully fund. Member companies provide them with their coverage and claims data on a monthly basis for both automobiles and motorcycles insured for private use. The data is then scrubbed clean and homogenized in order to conduct studies that can inform insurance customers and/or contribute to the national dialogue around highway safety. At the National Advanced Driving Simulator at the University of Iowa, researchers dosed study participants with both alcohol and marijuana and observed their driving behavior. Those dosed only with alcohol engaged in driving behaviors that are likely to increase crash risk, particularly speeding. By contrast, those only dosed with marijuana exhibited no change in several at-risk driving behaviors, including speeding. They also had greater following distance and drove below the speed limit, which are behaviors associated with reduced crash risk.

The HLDI published two studies analyzing changes in collision claim frequencies in Colorado, Oregon, and Washington, relative to nearby states following the inception of legal recreational use. The results indicated that for all three states, the legalization of retail marijuana sales was correlated with increases in collision claim frequency. However, those increases attenuate over time. The most current study expanded on the 2018 study by including collision loss data through 2019 and adding Nevada as a study state. The study found the legalization of retail marijuana sales is associated with increases in collision claim frequencies in Colorado, Nevada, and Washington but a decrease in Oregon. The collision claim frequency in Colorado was 7.2% higher than in Nebraska, Utah, and Wyoming after legalization. Similarly, claim frequency in Washington state increased by 5.6% compared with Idaho and Montana. For Nevada, claim frequency was 5.4% higher than in Idaho and Utah. However, in Oregon, collision claim frequency decreased by 3.5% compared with Idaho and Montana.

A single analysis that combined these four states was also conducted. In this analysis, the study states were compared with other western states whose monthly collision claim frequencies were highly correlated with the frequencies for each study state before legalization. Using this approach, the legalization of retail sales was associated with a 3.8% increase in collision claim frequency.

The IIHS conducted a similar set of analyses using police-reported crashes to examine differences between injury-producing crashes and fatal crashes. Similar to the results of the HLDI studies, there are some differences between states, and there are differences over time. It found that marijuana legalization was associated with a 5.9% increase in fatal crashes in the five study states.

Stolyarov asked how the percentage of fatal crash rates could exceed either the retail sales or the recreational use. Moore said the slide does not include individual study control states and each time period. He offered to email the full study to anyone who requested it (mmoore@hldi.org).

The HLDI and IIHS studies do not address the critical issue of finding the true relationship between the likelihood of crashing when dosed with marijuana. This is critical because impairment is not necessarily scientifically linked to marijuana use as it is to alcohol use. Results from a 1985 IIHS study that looked at drivers killed in crashes illustrate the complexity. The study found that those who tested positive for alcohol were deemed to be responsible for the crash 92% of the time. Those who tested positive for alcohol and marijuana were deemed to be responsible for the crash 95% of the time. Those who tested negative for both were found to be at fault 71% of the time. However, those who tested positive for just marijuana were only at fault 53% of the time.

A federally funded study published in 2015 examined the relationship between crash risk and marijuana and found a 28% increase in crash risk when no variables were controlled. After adjusting for demographic variables, the study found a 5% increase in crash risk, similar to increases found in the collision claim frequency data and the fatal crash data. However, after adjusting for demographic variables and alcohol use, there was no change in crash risk associated with marijuana use.

To further examine the relationship between marijuana and crash risk, the IIHS partnered with medical centers in California, Colorado, and Oregon. The partnership evaluated injured drivers who were in a motor vehicle crash (cases) and medical patients not in a motor vehicle crash (controls). The study results found that, among the crash survivors, the self-reported substance use in the cases group was much lower than among the control group. Additionally, actual tested consumption of these substances was higher than the self-reported use for both groups. However, the use of alcohol or alcohol and marijuana represented an outsized portion of the risk.

A critical problem in states legalizing marijuana for recreational use is there is no accepted, rapid test that law enforcement can use in the field to test for impairment that is on par with tests for alcohol impairment. This makes testing and/or enforcement of marijuana laws difficult. Alcohol is still responsible for about 30% of fatal crashes. The IIHS messaging around marijuana is that enforcing existing speed and driving-while-impaired laws is an effective way of addressing problems related to marijuana impairment.

Having no other business, the Cannabis Insurance (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2024_Summer/Cannabis/5-CannabisWG.docx

Draft: 12/20/23

Cannabis Insurance (C) Working Group
Virtual Meeting
December 19, 2023

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Dec. 19, 2023. The following Working Group members participated: Katey Piciucco, Chair (CA); Michael Conway, Vice Chair, represented by Bobbie Baca (CO); Austin Childs (AK); Christina Miller (DE); Ryan Blakeney (MS); Randall Currier (NJ); Ravin Collins, Michael Drummonds, and Jan Vitus (OR); Sebastian Conforto (PA); Carlos Vallés (PR); Beth Vollucci (RI); Karla Nuissl (VT); and Michael Walker (WA).

1. <u>Adopted its Nov. 14 Minutes</u>

Currier made a motion, seconded by Walker, to adopt the Working Group's Nov. 14 minutes (Attachment TBD). The motion passed unanimously.

2. <u>Heard an Update on Cannabis-Related Legislative Activities</u>

Shanna Oppenheim (NAIC) stated that earlier this year, the U.S. Senate (Senate) Committee on Banking, Housing, and Urban Affairs pushed through an amended version of the federal Secure and Fair Enforcement Regulation (SAFER) Banking Act, a bipartisan legislative bill. The SAFER Banking Act would create federal safe harbors for financial institutions to accept deposits from state-sanctioned marijuana business operators, potentially mitigating some dangers of running a cash-only business and giving cannabis businesses access to insurance. The NAIC issued a letter in support of this legislation. However, the bill seems dead for 2023, as Montana Sen. Steve Daines, a key Republican backer of the long-stalled legislation, publicly admitted recently. Bipartisan bicameral negotiations continue, with staff meeting as recently as last week.

Key holdups include that the U.S. House of Representatives (House) Republicans are frustrated with how the Senate changed a bill the lower chamber had already passed seven times. Section 10 has been in the House bill since 2019 when it was added as a sweetener for Republicans. It was originally the text of Rep. Blaine Luetkemeyer (R-MO)'s Financial Institution Customer Protection Act, which was introduced in response to the Obama-era initiative Operation Choke Point, which the Republican Party lawmakers said unfairly targeted gun retailers and payday lenders. The latest version of Section 10 gives the federal banking regulator discretion to discuss with the depository institution issues such as financial condition, governance, consumer protection, internal controls, unsafe or unsound conditions, anti-money laundering, or countering the financing of terrorism, which some Republican members see as giving the regulator too much discretion.

In late November, Luetkemeyer said, "I'm very disappointed in the Senate's actions to date." Luetkemeyer is a member of the House Financial Services Committee and the author of language in the bill designed to ensure banks do not refuse the business of industries they dislike, such as gun shops. His approval of language changes is likely key to getting Financial Services Chairman Patrick McHenry (R-NC) and House Speaker Mike Johnson (R-LA) on board.

The fact that the Senate did not loop in the House Republicans on its changes has also exacerbated tensions between the chambers on this bill. Additionally, the replacement of former House Speaker Kevin McCarthy (R-CA), who voted for the Cannabis Banking bill twice, with Speaker Johnson, who has consistently opposed cannabis banking bills further complicates the legislative dynamics.

Lawmakers are still expressing optimism about the bill's prospects. Majority Leader Chuck Schumer (D-NY) has not yet put it on the Senate floor and likely will not do so until spring—barring another international crisis. The Senate is currently mired in immigration talks and funding for Ukraine and Israel, leaving little bandwidth for cannabis banking. Sen. Kyrsten Sinema (D-AZ), a critical negotiator in SAFER, is also a key negotiator in the immigration talks.

Sen. Schumer needs roughly two weeks on the Senate floor to get it passed. However, because cannabis reform is still controversial in the Senate, it is unlikely the minority would agree to expedited consideration of the bill on the floor. Because the Senate would not be able to conduct other business while considering the bill, the majority leader needs a window of time in which other immediate must-do items like government funding or a defense supplemental are not at the top of the agenda. There are two huge funding deadlines in January and February to keep the government running. After those, there could optimistically be space to take up cannabis banking in March or April.

On the regulatory front, in late August, the U.S. Department of Health and Human Services (HHS) recommended rescheduling marijuana from a Schedule I substance to a Schedule III substance under the Controlled Substances Act (CSA). If marijuana is rescheduled as a Schedule III drug, businesses that “manufacture, distribute, dispense, and possess medical marijuana” would be able to do so legally under the CSA, subject to state and federal licensing and manufacturer registration schemes. Further, such rescheduling would render certain manufacturers subject to increased U.S. Food and Drug Administration (FDA) oversight, including requiring manufacturer registration and compliance with current good manufacturing practices. The FDA likely would release additional regulations regarding composition, labeling, and advertising. Research limitations also may decrease, which could further encourage innovation in the industry. The recommendation comes seven years after the U.S. Drug Enforcement Agency (DEA) declined to initiate rulemaking to reschedule marijuana.

At the executive level, as of December 2023, the governors of six states (Colorado, Illinois, Louisiana, Maryland, New Jersey, and New York) have jointly written a letter to President Biden urging him to reschedule marijuana by the end of the year. Election-year politics may make this move more likely.

Currier asked for clarification on which agency proposed the rescheduling. Oppenheim stated HHS recommended rescheduling marijuana from a Schedule I substance to a Schedule III substance under the CSA. The DEA declined to initiate rulemaking to reschedule marijuana.

Walker asked if rescheduling marijuana would make it more palatable to the U.S. Congress. Oppenheim stated it would not necessarily be more palatable because the rescheduling pertains to medical marijuana. Additionally, Speaker Jonson remains a staunch opponent of cannabis.

3. <u>Heard a Presentation on ALM’s Cannabis Insurance Coverage Specialist Designation</u>

Steve Hallo (Property/Casualty 360—PC360) stated the Cannabis Insurance Coverage Specialist (CICS) is a designation tailored for insurance producers, agents, risk managers, and professionals within the cannabis industry, including growers, suppliers, manufacturers, and dispensary operators. It was developed by ALM staff, including the team at PC360 and subject matter experts (SMEs), a number of whom have spoken to the Working Group before. The program aspires to foster a forward-thinking mindset among professionals, ultimately contributing to the growth and resilience of the cannabis business ecosystem. To date, there are 24 CICS holders from across the insurance ecosystem, from agents to folks at carriers.

The designation is broken down into six courses, which cover workers’ comp issues, banking and financial services, real estate, claims handling, and risk management. The Legal and Regulatory Issues lesson delves into variations in state-by-state legislation concerning legalization and regulation, examines key legislative acts responding to legalization, and explores court cases influenced by or impacting the progression of legalization. The Cannabis and Insurance lesson explores the impact of cannabis on the insurance industry, specifically focusing on workers' compensation and product liability insurance, examining exclusions related to insurance and cannabis, and identifying risks for insurers in this context. The Workers' Compensation course section includes an overview of the workers' compensation system as well as a deep dive into the workers' compensation system as it pertains to cannabis. It also touches on challenges around the National Council on Compensation Insurance (NCCI) classification systems. Workers' compensation premiums are determined by unique 4-digit class codes, each associated with a specific description and rate, tailored to the nature of the work performed. The NCCI manages nearly 800 such classification codes. Historically, the absence of adequate classification codes for diverse employee roles within the cannabis sector posed a challenge, and although progress has been made, there remains room for improvement.

NCCI organizes classifications into five overarching industry categories: Manufacturing, Contracting, Office and Clerical, Goods and Services, and Miscellaneous. Common classifications encompass retail stores, outside salespersons, clerical office employees, clubs, and various educational institutions. Notably, NCCI lacks dedicated classifications for the cannabis industry; however, in legalized states, some existing classifications have been enhanced, and insurers may opt for industry classifications resembling cannabis operations. This section also covers the impact of cannabis legalization on workers' compensation exposures. The Real Estate and Cannabis Insurance lesson discusses various types of cannabis-related properties and their aspects, as well as articulates different zoning regulations pertaining to cannabis, with specific examples from Michigan and Oklahoma. Other portions of this section review cannabis lease contracts, address insurance aspects regarding real estate and cannabis, and aim to help users understand the products and completed operations policy.

The Claims Handling module encompasses claims on specific insurance topics, details the claims handling process for various types of insurance in the context of cannabis, and explores issues of fraud and ethics in insurance claims related to cannabis. The Real Claim 1 lesson involves the common issue of dispensaries struggling to secure bank accounts due to federal cannabis illegality and money laundering regulations. Despite adhering to good-faith claims practices and confirming coverage, a bank refused to honor an insurance settlement check, putting the adjuster and insurer in an ethical dilemma. To resolve this, the money was wired to the insured's account, highlighting the absurdity of the bank accepting a wire transfer but rejecting a paper check. The insurer and adjuster found relief despite navigating obstacles posed by federal regulations.

The Real Claim 2 lesson involves a claim that involved a dispensary robbery, requiring standard procedures to determine the stolen amount. The insured initially failed to provide evidence, leading to the closure of the claim. Subsequently, suspicious receipts with red flags for fraud were submitted. Despite fears of government intervention, the insured's reluctance to disclose distributor information complicated the claim handling. Nevertheless, by adapting procedures and considering the insurer's fiduciary duty, the claim was managed in good faith, highlighting the distinctive challenges in handling cannabis claims.

The Delta-8 and Other Hemp-Derived Tetrahydrocannabinol (THC) module includes potential blind spots. The module discusses that Delta-8 is a THC isomer that results in a less intense experience than Delta-9 THC. Some studies suggest it can offer a clear-headed high, letting you enjoy the benefits of Cannabidiol (CBD) while staying focused. Delta-8 THC currently occupies a legal gray area, stemming from the regulatory framework established by the 2018 Farm Bill, which removed hemp and its byproducts from the list of controlled substances due to their low THC levels (less than 0.3%).

The Farm Bill makes no explicit mention of Delta-8 THC, but hemp and commercial entities advocates have strategically leveraged this gap to legally market Delta-8 products. Consequently, Delta-8 THC has emerged as the fastest-growing commodity within the hemp industry, highlighting the industry's adept navigation of legal nuances and exploitation of regulatory gaps. As of November, 17 states explicitly ban or severely restrict the sale of Delta-8 products.

Risks faced and coverage needs are also covered by the designation. The Property Risks Faced by Retailers, Growers, and Manufacturers section of the course also breaks down the biggest property risks cannabis businesses face based on where they are in the supply chain.

The Retail: Theft and Vandalism lesson discusses that, when reviewing the submission and application, the carrier wants to know what has been implemented to reduce the ability of anyone to damage the building. Any deterrents are considered for pricing; conversely, a lack of proper deterrents may affect pricing or the ability to get coverage. For example, cultivation risks include heat, fire, vandalism, pollution, and mold. Pollution and mold are excluded perils under the property form (pollution coverage is discussed later in this course). Heat and fire are a risk from the bulbs used for cultivation, the generators used, or the sheer amount of electricity used in these facilities. Extractors' and manufacturers' risks include explosion and fire. The carrier wants to know the differentiators that will keep the extractor's or manufacturer's operations from starting a fire or having an explosion.

While commercial lines get most of the attention when it comes to discussions about cannabis and insurance, there are implications for personal lines. From a homeowner's standpoint, growing cannabis at home introduces potential issues, particularly if it involves large indoor operations. Improper ventilation can lead to mold or mildew problems, while the use of elaborate high-voltage grow lights increases the risk of fire hazards. The handling of losses depends on factors such as the legality of cannabis growing in the state, the nature of the damage (accidental, deliberate, or due to neglect), and whether the grow operation is for personal use or sale. Homeowners insurance is designed to cover personal risks, but it may not extend to commercial operations, especially if the homeowner is growing cannabis for sale. Growing an illegal plant could lead to policy exclusions for losses related to criminal activities, and intentionally setting a fire would not be covered. Assuming the loss was accidental, the grow was for personal use, and it was legal in the state, the homeowner's insurance should provide coverage. For outdoor grow operations, coverage for damaged or stolen plants is likely, but specific liability limits apply, usually set at 5% of the home value and contingent on the loss occurring during a covered peril.

Case law varies on covering losses related to destroyed or stolen marijuana plants, with some courts granting damages while others cite federal illegality to deny coverage. To ensure proper coverage, homeowners with extensive grow operations are encouraged to consult with an insurance agent. Additionally, considering liability, homeowners in states with strict liability laws should be aware that serving cannabis to guests could hold them accountable for accidents, emphasizing the importance of understanding state laws.

The intersection of cannabis use and auto insurance presents a significant challenge, primarily when a driver faces arrest for driving under the influence (DUI). Regardless of whether the impairment is caused by alcohol, cannabis, or prescription medication, from an insurance standpoint, a DUI can wreak havoc on the driver's auto premiums. However, the complexity deepens when it comes to cannabis-related DUI cases due to the absence of a reliable roadside intoxication test.

Unlike alcohol, where a breathalyzer can quickly determine intoxication levels, cannabis lacks a similarly straightforward testing method. Bloodwork, often a go-to solution, falls short as cannabis remains detectable in the blood long after the intoxicating effects have subsided. The mere presence of THC in the bloodstream does not definitively prove impairment during driving. In the absence of foolproof roadside toxicology tests, law enforcement officers often resort to field sobriety tests to assess impairment, underscoring the pressing need for more effective methods.

A less obvious way cannabis usage can impact auto insurance premiums is through one's occupation, particularly if the individual works in the cannabis industry. In several states, a driver's employment industry serves as a valid criterion for assessing risk. If an insurance company discovers that an insured individual is employed by a cannabis-related business, it might leverage this information to justify higher premium rates. This dual challenge—the lack of a reliable roadside test and the influence of occupation on premium rates—underscores the intricate relationship between cannabis use and the realm of auto insurance.

There is a THC breathalyzer technology emerging as a potential solution. Presented at last year's Risk World conference by Hound Labs, Inc., the breathalyzer can detect marijuana within a three-hour window after use, offering a more precise timeframe. After this period, THC becomes nearly undetectable on the breath. This advancement could be instrumental in determining not just whether an employee used cannabis but also when, which provides valuable insights for employers.

While breathalyzers can indicate if a person has consumed a THC-containing product during the past three hours, the ability to prove intoxication persists. Unlike alcohol intoxication, which can be determined based on established scientific methods, the case is not so cut and dry from marijuana, as there is an established spectrum of THC intoxication. Many sources believe that THC breathalyzers could serve more as a tool to prevent accidents on the job as opposed to being used in defense. For example, roofers could blow before getting on a ladder.

In recent years, there has been a growing interest in exploring psychedelic drugs as a potential alternative for treating both injury recovery and mental health issues. This momentum is fueled by the legalization of certain psychedelics, including psilocybin, the main psychoactive compound in "magic" mushrooms. Similar to cannabis, research on the potential applications of psychedelic drugs is limited and not very current. However, this was not always the case. Extensive research took place starting in the 1950s, but as psychedelics became embraced by the counterculture, concerns about substance abuse led to federal prohibition in the late 1960s. The shift in legal status resulted in a swift halt to research on these substances.

The limited available information primarily focuses on a few mental health disorders, including treatment-resistant depression, anxiety, addiction, post-traumatic stress disorder (PTSD), and potential applications for pain. While most studies related to pain management focus on cluster headaches, there is growing interest in whether psychedelics can effectively address chronic pain. The Psychedelics and Health Research Initiative (PHRI) at the University of California San Diego is actively conducting research in this area. Preliminary findings from the initiative suggest that psychedelics may lead to "significant, meaningful, and lasting reductions" in chronic pain conditions, ranging from complex regional pain to phantom limb pain, according to researchers at PHRI.

Some researchers have posited that psychedelics, which have been shown to promote neuroplasticity, are in a way rewiring the brain to better manage and demote pain. Virtual reality (VR) is also showing promise as a drug-free pain management tool in much the same way. Other researchers suggest that psychedelics might be working further down, and in some way hitting an internal reset button that helps modulate how the user experiences pain. As with any emerging therapy, the full suite of risks associated with using psychedelics remains unknown. Many experts posit most risks in psychedelic therapy are short-term, including issues such as headaches, elevated heart rates, nausea, and vomiting. However, there is some evidence that suggests hallucinogens could lead to permanent heart damage. Despite the need for extensive research on the potential benefits and risks of psychedelic therapies, certain aspects are established. Psychedelics exhibit low toxicity levels, and there is limited potential for abuse. Nevertheless, ongoing investigation is crucial to fully understand the effects and potential risks.

One less risky way to help injured workers recover is using VR technology, which has shown an ability to reduce dependence on prescription painkillers, alleviate anxiety, and depression, enhance sleep quality, and expedite the recovery process. Much like psychedelics, VR uses neuroplasticity to address maladaptive signals like pain, depression, anxiety, and PTSD obstructing the path to recovery. By establishing neural pathways around these impediments, VR therapy enables the brain to relegate such signals to a lower priority, facilitating a more effective recovery process. In a study conducted by one of the companies providing VR therapy, patients experienced a pain reduction of approximately 40%, and this relief persisted for hours afterward. Significantly, 69% of the study participants successfully reduced or eliminated their reliance on painkillers, showcasing the potential of VR therapy in curbing opioid utilization among patients undergoing rehabilitation.

Currier asked if industry was past the issue of coverage availability. Hallo stated it is getting better but there are still some policies with unexpected exclusions for cannabis.

Walker asked if there were any trends on who was taking the designation. Hallo stated it was mostly risk managers followed by agents.

Summer Jenkins (One General Agency—OGA) stated OGA, as an insurance provider of emerging products, is seeing an increasing number of businesses using psychedelic therapy.

Beau Whitney (Whitney Economics) stated his company has done a lot of work on data with North American Industry Classification System (NAICS) classifications. The Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA), and Census Bureau have demonstrated little interest in deploying more granular NAICS codes, despite the many federal requirements on data gathering. States will have to gather data independently, and it will not be uniform from state to state. Updates to NAICS occur every four years, so we will not see improvements in data-gathering systems for another 3.5 years at a minimum. Whitney said he has published extensively on the economics of hemp-derived cannabinoids and can be reached at beau@whitneyeconomics.com for more information. He also stated data from the National Institutes of Health (NIH) and HHS show a decrease in healthcare expenditures with cannabis use because it is a more proactive treatment. The use of psychedelics is showing much less of a decrease in healthcare expenditures. A comprehensive nationwide survey Whitney Economics performed showed cannabis operators' delinquent accounts receivables are significantly impacting their ability to service debt. Additionally, cannabis users are increasingly from an older demographic because they are seeking an alternative to opioids for pain management. Further, data shows Delta-8 is a high percentage of total cannabis industry sales because it requires no license and is readily available online and over-the-counter due to it not triggering interstate commerce restrictions. This raises safety and potency concerns because these products are untested and unregulated.

Hallo stated use of medical cannabis can be less expensive than opioids. In one workers' compensation insurance claim, a court ruled a plaintiff could use cannabis instead of opioids to control life-long pain. The cost of opioids for life was $500,000 as compared to $20,000 for cannabis. Older generations may prefer Delta-8 due to its milder cognitive effect than THC-derived products.

Having no other business, the Cannabis Insurance (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2024_Spring/Cannabis/12-CannabisWG.docx

Draft: 8/21/24

Joint Meeting of the Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Chicago, Illinois
August 13, 2024

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Chicago, IL, Aug. 13, 2024, in joint session with the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group of the Property and Casualty Insurance (C) Committee. The following Working Group members participated: Chlora Lindley-Myers, Chair, represented by Cindy Amann and Jo LeDuc (MO); Mike Causey, Vice Chair, represented by Angela Hatchell and Jackie Obusek (NC); Jimmy Gunn and Travis Taylor (AL); Lisa Watson (AR); Lucy Jabourian and Tina Shaw (CA); Wanchin Chou and Amy Waldhauer (CT); Virginia Christy, Nicole Crockett, Richie Frederick, and Bob Lee (FL); Jerry Bump (HI); Travis Grassel (IA); Marsha Hanson, Lisa Wood, and Chris Hollenbeck (KS); Timothy J. Temple (LA); Jackie Horigan (MA); Kory Boone (MD); Aaron Cooper (MS); Marissa Krafthefer and Melissa Robertson (NM); Tom Botsko (OH); Glen Mulready (OK); Cassie Soucy (OR); David Buono and Michael McKenney (PA); Glorimar Santiago (PR); Beth Vollucci (RI); Matt Watts (SC); Stephanie Fagnani (TN); J'ne Byckovski and Mark Worman (TX); Bryon Welch (WA); Ellen Potter (WV). Also participating was Susan Jennette (DE). The following Advisory Group members participated: Glen Mulready (OK), Chair; Carter Lawrence, Vice Chair represented by Stephanie Fagnani (TN); Molly Nollette (AK); Jimmy Gunn (AL); Lucy Jabourian and Tina Shaw (CA); Wanchin Chou (CT); Virginia Christy, Nicole Crockett, and Richie Frederick (FL); Travis Grassel (IA); Timothy J. Temple (LA); Kory Boone (MD); Cynthia Amann and Jo LeDuc (MO); Marissa Krafthefer and Melissa Robertson (NM); Raven Collins and Tricia Goldsmith (OR); Beth Vollucci (RI); Tony Dorschner (SD); Rebecca Nichols (VA); Bryon Welch (WA) and Ellen Potter (WV).

1. <u>Adopted its Spring National Meeting Minutes</u>

Botsko made a motion, seconded by Buono, to adopt the Working Group and Advisory Group's March 16 (*see NAIC Proceedings – Spring 2024, Joint Meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group,*) minutes. The motion passed unanimously.

2. <u>Heard an Update on Federal Legislation</u>

Alexander Swindle (NAIC) said the frequency and severity of natural catastrophes are increasing with a reported $62 billion in global insured losses from natural disasters for the first half of 2024 alone. Key developments at the federal level in this space include FEMA's introduced changes to disaster aid, expanded reinsurance, and funded resilience projects.

FEMA activity includes 1) significant changes to disaster aid, providing more financial support, and removing the Small Business Administration (SBA) loan requirement, which aims to streamline aid; 2) purchasing $619.5 million in additional reinsurance for the National Flood Insurance Program (NFIP) to cover losses from major flood events; 3) revising and streamlining its application process and offering $191 million for 110 mitigation programs across the U.S.; 4) making $300 million available through the Swift Current program to boost flood resilience for insured property owners; and 5) mandating the Federal Flood Risk Management Standard (FFRMS), which requires higher elevations for new construction in flood-prone areas and aligning with climate science.

The Coalition for Sustainable Flood Insurance, a coalition of 14 attorneys general, is urging FEMA to update the Stafford Act to include extreme heat and wildfire smoke events as eligible disaster declarations. NAIC staff continue to engage with FEMA representatives and the coalition for opportunities to share information and solutions that build disaster resilience.

Swindle said Congress has been active in various hearings and public press releases about the publicized high cost of property insurance and related natural disasters. Additionally, several federal agencies, including the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA), have held symposiums in the past few months raising awareness and discussing resiliency and affordable housing.

Swindle said the NAIC has continued to engage on these issues at the federal level. During the 2024 Commissioner DC Fly-In, state regulators advocated for a series of bills in Congress that support 1) mitigation and resilience funding, 2) tax incentives, and 3) research for state mitigation and resilience programs to address the challenges that arise from natural disasters. These bills included 1) the Disaster Mitigation and Tax Parity Act of 2023 (S. 1953/H.R. 4070), 2) the National Earthquake Hazards Reduction Program Reauthorization Act of 2024 (S. 3606), 3) the Flood Insurance Relief Act (S. 4143), 4) the Wildfire Response Improvement Act (H.R. 7070), and 5) the Catastrophe Wildfire Prevention Act of 2023 (S. 2132).

Swindle said state insurance regulators through the NAIC are working with Rep. Mike Thompson (D-CA) on the bicameral, bipartisan H.R. 4070, which amends the Internal Revenue Code to exempt state-based catastrophe loss mitigation programs from federal taxation, as they are currently taxed like federal mitigation programs.

Swindle said Thompson and Rep. Doug LaMalfa (R-CA) are also working on the Disaster Resilience and Coverage Act of 2024 (H.R. 7849), which provides homeowners in disaster-prone regions with broad incentives to harden their properties against wildfires and other risks. The legislation includes four main provisions: 1) creating a grant program, administered through state governments, that provides eligible, individual households in disaster-prone regions up to $10,000 in resilience work on their homes; 2) stipulating that payments from the state-run disaster resilience programs and payments from various federal emergency agricultural programs are not considered for federal income tax purposes, which are similar to the provisions that are included in H.R. 4070 regarding taxation; and 3) providing a 30% tax credit for qualified disaster risk mitigation activities conducted by individuals or businesses. Swindle said state insurance regulators through the NAIC have been working with Thompson to ensure that the role of state insurance commissioners is preserved in this legislation.

3. Received a Report from the Catastrophe Modeling Primer Drafting Group

Crockett said the Catastrophe Insurance (C) Working Group is charged with updating the *Catastrophe Computer Modeling Handbook*, now known as the *Catastrophe Modeling Primer*. It was last updated in November 2010. During the Catastrophe Insurance (C) Working Group's June 2021 conference call, the Working Group agreed to form a drafting group to update the handbook.

Crockett said NAIC staff sent out a questionnaire to state insurance regulators and formed a drafting group in September 2021 to determine what state insurance regulators wanted to cover in the document. NAIC staff summarized the responses and shared them at a Working Group meeting in early March 2022. The Drafting Group began meeting in April 2022, and more recently, it has convened monthly to complete the drafting of the primer before the end of 2024.

Crockett said California, Connecticut, Florida, Iowa, Missouri, North Carolina, and Pennsylvania are the states participating in the Drafting Group. The primer provides the fundamental concepts surrounding probabilistic catastrophe models and serves as a bridge to available training from the Center for Insurance Policy and Research's (CIPR's) Center of Excellence (COE).

Crockett said the primer provides background on catastrophe models and their use by regulators who need an introduction to catastrophe modeling. It is advisory only and is not intended to provide mandatory guidelines. The primer is currently a 30-page document that touches on the basic concepts of catastrophe modeling, such as 1) the evolution of catastrophe modeling, 2) what a catastrophe model is, 3) how catastrophe models work, 4) model components, 5) key metrics, 6) regulatory interaction, and 7) additional concepts.

Crockett said it's important to recognize that the *Catastrophe Modeling Primer* represents a separate function and is not intended to replace any work completed by the COE but serves as a high-level introduction to catastrophe modeling. The COE provides state insurance regulators with technical training and expertise regarding catastrophe models and information about their use within the insurance industry. This document will be particularly useful to employees entering a department of insurance (DOI) workforce.

Crockett said regarding the next steps, the primer is currently being reviewed by experts at the COE and others. Once feedback is received, the Drafting Group plans to reconvene at the beginning of September. The end goal is to ultimately expose the primer to the Catastrophe Insurance (C) Working Group, interested regulators, and interested parties prior to the end of 2024. The Drafting Group plans to have the document ready for the Working Group to consider for adoption prior to or at the Fall National Meeting in Denver.
Crockett made a motion, seconded by Grassel, to adopt the Drafting Group's report. The motion passed unanimously.

4. Heard an Update from FEMA on Changes to the CRS

Tony Hake (FEMA) said the community rating system (CRS) is a community that exceeds the minimum requirements of the NFIP. These communities get credits that result in flood insurance discounts. Currently, the discounts range between 5% and 45% for the individual policyholder. Communities earn benefits using community activity categories in four main areas, which include 1) public information, 2) mapping and regulations, 3) flood damage reduction, and 4) warnings and response. The goals of the program are to 1) reduce and avoid flood damages to insurable property, 2) strengthen and support the insurance aspects of the NFIP, and 3) foster comprehensive floodplain management within the communities.

Hake said the CRS redesign is a multi-year effort to revamp the program, exploring both revisions to CRS scoring, as well as operational elements. He said several factors influenced FEMA's desire to consider bold programmatic changes to CRS. Stakeholders have been engaged over the past couple of years. Additionally, the Government Accountability Office (GAO) engaged FEMA in a report asking them to adjust CRS by calculating a community's rating based only on community activities that reduce flood risk and by incorporating discounts into the full-risk premium based on the actuarial evaluation of risk reduction. Secondly, the GAO asked FEMA to evaluate other means for incentivizing desirable community activities that cannot be actuarially justified but are currently a basis for discounts in CRS.

Hake said in fiscal year (FY) 2023, CRS redesign goals and objectives were established. These goals included 1) incentivizing communities to take measurable actions and make sustained progress in reducing current and future flood risk, 2) embedding equity as a foundation of the CRS program, 3) incentivizing communities to encourage property owners to purchase flood insurance to reduce their financial risk due to flood and 4) delivering a participant-centered and modernized program.

Hake said during FY 2024, FEMA is evaluating the current program and suggesting program alternatives. Stakeholder engagement questions will provide FEMA with further public input on the following potential CRS program features, which are based on previously suggested alternatives to the CRS, including 1) automatic enrollment, 2) premium surcharges, 3) risk-based premiums and CRS discounts, 4) exchanging individual benefits for community benefits, 5) enhanced technical assistance, 6) simplification of CRS, and 7) multi-jurisdictional CRS participation. FEMA will continue to collect feedback through external engagements during FY 2024. Opportunities to provide feedback will be available at upcoming conferences and events, a federal register notice request for information (RFI) with a public comment period, and public meetings and webinars.

FEMA will plan to implement the new CRS program in FY 2025; however, the earliest it could be implemented would be in FY 2026. He said FEMA would give communities adequate time, up to 18 months, to transition into the new CRS program.

Commissioner Mulready asked if the timeline included more details, such as recommendations, or if details would come out all at once. He also asked what the implementation would look like. Hake said FEMA is currently reviewing the recommendations. Once FEMA's review is complete, it will engage with stakeholders once again to provide the options being considered. He said the decisions will be based on both comments and analytical data. Hake believes the recommendations will likely be shared with stakeholders in early 2025.

Commissioner Mulready asked when the implementation would occur. Hake said it would occur in the first quarter of 2026 at the earliest. McKenney asked if the caps apply at the individual policyholder level to help mitigate the possible removal of discounts and additions of surcharges for communities not meeting CRS standards. Hake said the 18% cap set for rate increases still applies. He said that individuals could lose their discount in communities with the new CRS program depending on the activities selected for the new program.

5. Heard a Presentation from FEMA on its D2C Timeline and Agent Registry

Randy Stone (FEMA) said that the NFIP operated on a mainframe about 10 years ago, which processed all of the transactional data. This process took 30 to 60 days, was often inaccurate, and required a lot of manual intervention.

Stone said that due to the inconsistencies, the Pivot program was created. Pivot took the manually intensive process and automated much of it. This process set up much of the information technology (IT) infrastructure the NFIP would need going forward to enhance both operational and technical capabilities.

Stone said the NFIP then started looking at the rating process, known as risk rating. This process leveraged all of the technology that Pivot built, using data and automation to actually further personalize the rating structure. Now that the rating process is simplified and personalized, the NFIP is creating a direct-to-consumer (D2C) platform that is in line with other insurance lines of business.

Stone said the D2C system will allow consumers to get a quote for flood insurance and eventually be able to purchase the insurance directly online. He said the implementation of D2C will be a multi-phased process. The NFIP hopes to roll out the first phase of D2C by the end of this year. During this phase, D2C will provide quotes to consumers and sales leads to insurance agencies. The second phase of D2C will provide everything that was included in phase one, as well as online sales to consumers and servicing by the NFIP directly.

Stone said the NFIP is also working on an agency locator. The purpose of the locator is for consumers to be able to locate an agency within the geographic area of the location of the consumer's property so an agent can help the consumer by answering questions and helping the consumer purchase the policy during the initial phase of the D2C rollout.

Stone said the agency locator is a voluntary web program that allows agencies to sign up to participate in D2C. During the sign-up process, FEMA will review the data and validate it to ensure accuracy. Once the agencies' sign-up is complete, the locator will populate the validated agencies during the quoting process. Stone said that the consumer would initially enter their zip code. If the zip code does not show any agencies, the locator will move to the county level, followed by the state level. FEMA randomizes the agencies throughout the process and leaves the customer with the choice of the agency they use.

Stone said FEMA has been focusing on the consumer’s journey and has conducted a lot of usability testing and interviews. He said several prototypes for the tool, making sure that the tool balances speed with a purchasing decision by the consumer. Stone said it is important to balance speed with a purchasing decision while also educating the public on the risk and premium breakdown they will ultimately receive

Stone said FEMA has worked on flow designs to handle various cases, such as those in a particular zone who cannot purchase flood insurance for a particular reason.

Stone said FEMA has established core working groups across the organization to ensure expertise is leveraged from around the organization. FEMA has also been working with a lot of reporting and oversight. Finally, FEMA is ready to roll out its internal testing. FEMA will be working with its underwriting branch, its Advancing Capabilities for Mitigation (ACM) branch, its marketing branch, stakeholders, etc., prior to rolling out the locator.

Stone said FEMA will roll this tool out on the FloodSmart website and allow consumers to begin using it while gathering data and improving the product as needed. FEMA will have a full launch later in the 2025 calendar year, during which the marketing and engagement team will drive traffic toward the quoting tool.

6. Heard an Update from the CIPR on the Catastrophe Modeling COE Resilience Hub

Brian Powell (CIPR) said the COE has been working diligently to drive resilience among DOIs and create a measurable impact on the insurance industry. Some examples of work being done on the resilience hub include 1) assisting in evaluating, developing, and implementing various loss mitigation programs for all perils, 2) demonstrating leadership in building code adoption, and 3) supporting education on the importance of catastrophe models by training DOIs using case studies.

Powell said the COE continues to build resources for state insurance regulators to utilize in support of policy and research. The COE has a SharePoint site available to regulators, and the center is working with DOIs and FEMA regions nationwide to address flood mitigation and develop risk transfer programs for floods.

Powell said the COE SharePoint site includes: 1) samples and drafts of legislation that establish mitigation programs, 2) draft regulations, 3) a mitigation program “playbook,” 4) FEMA engagement materials, 5) outreach and education materials on mitigation and disaster preparedness, 6) a funding sources guide, and 7) partnership materials used to assist members with resiliency.

Powell said that Alabama, California, Florida, Louisiana, South Carolina, and Texas all have mitigation programs already in place, while Kentucky, Minnesota, and Oklahoma have legislative authority and are designing the implementation and operation of their programs.

Powell said that to accomplish this work, the resilience hub is designed to offer support to state insurance regulators in mitigation and resilience efforts. The hub coordinates partnerships, resources, advocacy, and an engagement team that visits states to address mitigation concerns. The CIPR also offers analytical services.

Powell said states considering starting a mitigation program should visit the hub for guidance. He said the hub is working as a focal point to help state insurance regulators engage and gather resources needed to design and implement a mitigation program. This will help create a consistent approach and competency nationwide. It will also create a level of efficiency with the development and implementation while saving time and money. Powell said the CIPR also has a resource that can assist state insurance regulators with funding for programs.

7. Heard a Presentation from APCIA About Mitigation Discounts

Dave Snyder (American Property Casualty Insurance Association—APCIA) said the increased cost of catastrophic events is not only related to weather but also several other factors in other sectors of the economy that affect insurance. A Verisk study indicated that a rise in exposure values and replacement costs, represented both by continued construction in high-hazard areas and by high inflation levels, is driving up repair and rebuilding costs. Insurers, the public, and state insurance regulators are all dealing with increasing catastrophe losses and rebuilding costs. Snyder said the costs of repairs and claims, coupled with unexpected inflation, added to the costs that insurers and the public had to pay. This year, there were serious and unprecedented downgrades in the insurance industry.

Snyder said another issue is supply and demand, as property insurance demand and costs increase while capital decreases. Higher rebuilding values, demographic growth and shifts, inflation, worsening weather, and legal system abuse all increase demand. He said the decreasing supply is due to rate suppression, delays, and premiums falling behind losses. The lack of profitability, added to volatility, deters new investment capital.

Snyder said the government and the private sector need to work together, so strengthening those partnerships in ways that perhaps have not been needed in the past is fundamental to the industry's collective success now. It is important to identify those things outside of the normal insurance realm that are affecting the cost of claims and are ultimately creating the availability and affordability challenges being experienced.

Snyder said stronger building codes and land use policies are fundamental to a long-term solution and improvement. Insurers are the principal funders of the Insurance Institute for Building and Home Safety (IBHS).

Snyder said APCIA has advocated at the federal and state levels for financial support to increase resilience, particularly for vulnerable populations. He said APCIA knows this is also a big concern for state insurance regulators. Insurers have a critical role to play in enhancing risk assessment using the latest technology and providing that information more effectively to consumers than has been done in the past.

Finally, it is important to invest in and underwrite climate and renewable energy technology, such as carbon capture and hydrogen.

Snyder said policy priorities include mitigation, catastrophe deductibles, and catastrophe savings accounts (CSAs). Mitigation reduces the likelihood of a loss and potentially avoids an insurance claim. There is a huge payoff when homeowners mitigate their homes because, for every dollar spent on mitigation, less money is spent on repairing or rebuilding a house following a disaster. Mitigation is not just an individual issue; it is also a community issue involving things such as infrastructure, and infrastructure at local levels, in many cases, is out of date.

Snyder said catastrophe deductibles increase the "share of risk" (i.e., a higher deductible) to reduce insurance costs. CSAs establish a pre-tax savings account to help cover pre-disaster expenses, such as mitigation, or, in the event of a loss, post-disaster expenses, such as a deductible.

Snyder said the list of financial incentives for resilience includes grants, low-interest loans, waivers or reductions in fees, tax credits, and insurance incentives. Insurers are more likely to provide discounts when they are collecting adequate rates. He said APCIA urges state insurance regulators to continue to focus on mitigation.

Snyder said that because IBHS FORTIFIED program homes meet a scientifically proven standard to be more resilient than homes built to ordinary building codes, they may benefit homeowners in more than a dozen states. He said in some states, insurers offer specific discounts to homes with a FORTIFIED designation. Other states offer discounts for specific upgrades included in the FORTIFIED standard, and four states offer tax credits to homeowners who strengthen their homes against storms.

Snyder said science-based incentives against wildfire are in place in some states. In California and a couple of other states, laws have been passed to require insurers to provide discounts for actions that make homes more resilient to wildfire. The IBHS Wildfire Prepared Home program standard requires a set of actions to be taken together to meaningfully reduce the risk of ignition from embers, direct flames, and radiant heat. Homes that meet this standard are scientifically shown to be the most resilient. Similar action must be taken and maintained at a community level to fully reduce the risk of wildfire events.

Snyder said APCIA believes the key to an effective insurance-based mitigation program ensures that it incentivizes the right actions that ultimately benefit consumers and facilitate a healthy insurance marketplace. APCIA believes a mitigation program should be 1) voluntary, flexible, and limited in scope; 2) verifiable, grounded in science, and risk-based; and 3) cost-effective, consistent, and complementary.

Snyder explained that a deductible could be a specific dollar amount or percentage of the total amount of insurance covered on a policy. He said the deductible could be a standard deductible, applying to all perils, unless otherwise specified, or a catastrophe deductible that applies to a specified catastrophe risk. APCIA said that while deductibles are highly controversial, they allow the policyholder to have at least some coverage as opposed to a situation where the coverage levels are mandated to be higher than a policyholder can manage.

Snyder said insurance is largely a passthrough mechanism of the conditions in other sectors and other aspects of society, including the movement to climate-sensitive areas, higher asset values, inflation, and other factors. He said losses are increasing dramatically, which leads to higher insurance costs. Snyder said that allowing adequate insurance rates to cover the increasing losses is critical to avoiding market disruptions. He said these are all important actions that can be taken, as well as taking advantage of opportunities to work together, that would improve resilience and help address affordability issues while also maximizing the availability of coverage. He said APCIA thinks that focusing on parametric insurance at the NAIC might be beneficial to everyone.

Amy Bach (United Policyholders—UP) asked if APCIA members were being more flexible in allowing consumers to break up the mandatory percentages in their policy. She said, for example, that she does not have a garage or other outbuildings, but she had been paying for coverage for these other structures because it was automatically built into the premium, so she was unable to drop that portion of the policy. She asked if APCIA members were looking at giving policyholders the ability to trim their coverages appropriately without requiring a large deductible. Snyder said right-sizing a consumer's homeowners policy is something APCIA would want to stay in contact with UP to hear the recommendations it has to offer. He said there is a desire for APCIA members to empower consumers.

8. Discussed Other Matters

Amann said the Reinsurance Association of America (RAA) recently signed a memorandum of understanding (MOU) to collaborate on the shared goal of analyzing and communicating weather and climate hazard risks to key stakeholders. Under the MOU, the National Oceanic and Atmospheric Administration (NOAA) and the RAA will work together to address the risks communities face and improve the usefulness of NOAA's products and services to the insurance and reinsurance industries. She recommended the Working Group members read the article for more information.

Having no further business, the joint meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Advisory Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/2024 Summer/Catastrophe Ins/Minutes – CatWG – Summer 2024.docx

Draft: 8/20/24

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
August 8, 2024

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Aug. 8, 2024. The following Working Group members participated: George Bradner, Chair (CT); Melissa Breager (AK); Ken Allen (CA); Bobbie Baca (CO); Julie Rachford (IL); Patrick O'Connor (IN); Sara Hurtado (KS); Ron Henderson (LA); Bubba Aguirre (MN); Jeana Thomas (MO); Angela Hatchell (NC); Tricia Goldsmith (OR); David Buono (PA); Rachel Chester (RI); Vickie Trice and Jennifer Ramcharan (TN); Marianne Baker (TX).

1. Discussed Proposed Revisions Based on Comment Letters to the Premium Increase Transparency Guidance

Bradner said the premium increase transparency guidance was previously exposed for a comment period that ended Feb. 1, 2024. Comment letters were received from Lemonade Insurance, Brenda Cude (University of Georgia), United Policyholders, American Property Casualty Insurance Association (APCIA), National Association of Mutual Insurance Companies (NAMIC), Texas, and Alabama. The Working Group decided to focus on making revisions that provided additional clarity and improved readability in the most succinct form. The most substantial change was its decision to combine the capping and non-capping guidance documents into one guidance document that applies to both. The following details revisions made to this combined document (Attachment Two-A). Sections in blue are the relevant guidance document language with redlined revisions.

The title was revised to "Renewal Premium that results or does not result from a capping procedure used by the insurer" to reflect that this is now a combined document. Revision suggestions for readability and a typo were also implemented.

Title Revisions:
Renewal Premium that ~~is a result~~ results or does not result from a capping procedure ~~employed~~ used by the ~~insured~~ insurer

The Scope of Applicability section specifies that disclosure applies to authorized insurers on renewal policies for private auto, homeowners, and dwelling coverage on or after a set date.

For (2) in this section, the Working Group implemented the suggestion to exclude the apostrophe in the spelling of "Homeowners." This change was made throughout the document. There also was a minor readability suggestion implemented to replace "the following" with "these."

Scope of Applicability #2 Revisions:
(2) Disclosure applies to authorized insurers with ~~the following~~ these types of personal insurance policies:

a. Private passenger automobile coverage;
b. ~~Homeowner's~~ Homeowners coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
c. Dwelling property coverage for owner occupied dwellings only

Like the Washington rule, the exemptions listed in (4) of this section specify excluding things such as boats and motorcycles, policyholder-initiated changes, and umbrella policies.

© 2024 National Association of Insurance Commissioners

The Working Group implemented revision suggestions to add exemption "d." for notices required by the federal Fair Credit Reporting Act (FRCA) and "e." for usage-based telematics. It also added clarification to the usage-based telematics exemption to specify that this only applies if a company does not have a process for disclosing to the policyholder how driving performance impacts their rate.

Suggestions to add exemptions for an increase in the filed rate plan and automatic inflationary increases, aging of things such as roofs, and items reasonably known by the insured, such as a vehicle crash, were deemed contrary to the intent of the disclosure and not implemented.

Scope of Applicability #4 Revisions:

(4) Exemptions

a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.

b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.

c. This chapter does not apply to personal umbrella policies.

d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).

e. Where a usage based or telematics program is being used, if a company has a process for disclosing information to drivers on how their performance is impacting their rate, disclosure is not required. Otherwise, a state may want to consider having these programs included in this disclosure, while keeping within state confidentiality laws.

The "Notification Threshold" section spells out what triggers a notice to insureds. It adopts Washington's bifurcated phased approach. A notice is triggered in Phase 1 when the policyholder provides a written request for any increase at renewal. Explanations just need to be reasonable. A notice is triggered in Phase 2, which is recommended to begin three years later, with renewal premium increases of 10% or greater or upon written request for any increase. Notices must have reasonable explanations and include primary factors of the premium increase.

Language describing Phase 1 was slightly revised for readability based on feedback in comment letters. "Phase one expires" was changed to "Phase one ends." "Insurers shall provide reasonable explanations for changes" was changed to "insurers must reasonably explain changes."

Suggestions to have insurers remain in the first phase indefinitely and narrow the language to not allow written requests for "any" premium increase were not implemented. The Phase 2 disclosure is an essential part of this premium change transparency initiative. Insurers only need to provide an explanation of the premium increase if a policyholder sends an inquiry. This is in line with current insurer practices.

Notification Threshold, Phase 1 Revisions:

(1) Phase One: Beginning [enter date], and effective until [enter date phase one ends ~~expires~~ – such as 3 years], insurers must ~~shall~~ reasonably explain ~~provide reasonable explanations for~~ changes in premium for policies ~~as~~ described in the Scope of

Availability, upon written request by the policyholder, for any premium increase ~~occurring~~ at renewal.

Revisions to the language in Phase 2 reflect improved readability. Based on comment letters, "shall" was changed to "must," and "occurring" was struck from "premium increase occurring at renewal." The Working Group also revised the sentence to be more concise by stating "insurers must automatically provide notices" and "disclosing the causes of premium increases for insurance policies for any premium increase of 10 percent."

Several revision suggestions were not implemented. These included suggestions to increase the trigger percentage or use a fixed dollar amount, go straight to Phase 2 with a 12-month start date, and use a 20% threshold. The revisions pertaining to the threshold were deemed not needed, as this document is only a guidance document, and as such, the actual threshold will be determined by states. Additionally, Phase 1 is needed to provide insurers with time to implement the necessary processes.

Notification Threshold, Phase 2 Revisions:

(2) Phase Two: Beginning [enter date phase two begins], insurers must ~~shall~~ automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any ~~. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent~~ premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase ~~occurring~~ at renewal.

The "Administrative and Notification Requirements" section instructs the insurer to notify the policyholder in Phase 1 of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements.

(1) pertains to Phase 1. Revisions to (1) in this section were made to improve readability and execution clarification. They reflect, in part, suggestions made in comment letters. The revised second sentence specifies placement by renewal form type. It now reads, "For example, a state may want to provide guidance that a prominent disclaimer be at the beginning of the first page (for printed notices), or first screen (for electronic notices) and at or near the top of renewal billing statements..."

Administrative and Notification Requirements, Phase 1 Revisions:

(1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a state may want to provide guidance that a prominent disclaimer ~~may~~ be at the beginning of ~~required to be included on~~ the first page (for printed notices), or first screen (for electronic notices) and at or near the top of ~~view of renewal notices, and~~ renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.

(2) in this section refers to Phase 2. For Phase 2, this section specifies that insurers must automatically send disclosure at least 30 days before the renewal date. (Washington's rule uses 20 days, but the Working Group felt 30 days was more appropriate to allow time for inquiries and responses before the renewal date.) It can be included with the renewal notice or sent in a separate mailing/email.

The suggestion that "insured" be changed to "policyholder" throughout the document was implemented. To address comments that guidance for prominent disclosure is needed, the last sentence, "Guidance for prominent disclosure remains the same as in Phase 1," was added to provide clarity that the guidance for prominent disclosure remains the same as in Phase 1.

The suggestion to require a disclosure notice to be sent at least 60 days prior to renewal was not implemented. This is only a guidance document, and states will ultimately customize criteria such as this to fit their specific needs. However, the guidance document's intent is that insurers should make every effort to respond to policyholders' inquiries before renewal.

<u>Administrative and Notification Requirements, Phase 2 Revisions:</u>

(2) For the second phase, insurers must automatically send the disclosure notice at least 30 days prior to the renewal date if the policyholder ~~insured~~ receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email~~,~~ (if the policyholder ~~insured~~ has elected to receive email notifications). Guidance for prominent disclosure remains the same as in phase 1.

(3) in this section states that, for both phases, insurers must respond to an insured's written request for explanation no later than 30 days for the first request and 20 days for subsequent requests.

To address comment letter concerns on the timing of insurer responses to subsequent policyholder requests, (3)c was modified to clarify insurers should make every effort to respond prior to the renewal date, but the premium due date will not be altered.

The suggestion that insurers respond no later than five calendar days prior to the renewal date was not implemented, as this is not always possible. If the complexity of the request prevents insurers from making a good faith effort to respond prior to renewal, consumers are expected to continue paying their premium.

<u>Administrative and Notification Requirements, #3 Revisions:</u>

(3) For both phases:
   a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
   b. Insurers should respond to a policyholder's ~~an insured's~~ written request for explanation of premium change no later than 30 calendar days from ~~the~~ receipt of the written request.
   c. Subsequent ~~R~~requests from a policyholder ~~an insured~~ for ~~subsequent~~ additional information should be responded to no later than 20 calendar days. Insurers should make every effort to respond prior to the renewal date. However, there is no expectation that the premium due date will be altered.

(4) in this section defines how receipt and response dates are determined. Several comments were made on the need to improve readability. The Working Group revised the language to be more concise and include that receipt and response dates will be in accordance with each jurisdiction's requirements.

<u>Administrative and Notification Requirements, #4 Revisions:</u>

(4) ~~The effective date of~~ Receipt and response ~~will be in accordance with each jurisdiction's requirements. For instance, receipt and response~~ dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.

(5) in this section remains the same.

For (6) in this section, the Working Group implemented the suggestion to change that notification may be sent "via postal mail" to "by mail."

Administrative and Notification Requirements, #4 Revisions:

(6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent by ~~via postal~~ mail or electronically.

The "Communication Standards" section specifies what constitutes primary factors for auto, property, demographic, and other (age, credit history, gender) that are required to be included in the notice if it contributed to the premium increase. The use of primary factors in the premium change notice is optional in the first phase and mandatory in the second phase.

Revisions to (1) in this section were based on comment letter suggestions. This includes clarifying that the factors reflect a "change in" things such as garage location, age, and claims history. Additionally, "Other factors" now include automatic inflationary increases and updates to an insurer's rate plan. Small changes for readability were also made.

Communication Standards Revisions for #1:

(1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:
   a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
   b. Property related factors: change in age, location, and value,
   c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
   d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer's rate plan ~~changes~~.
   e. Factors not listed above as primary are ~~considered as~~ optional ~~factors~~. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.

(2) in this section states insurers must include primary factors if applicable in the second phase. The Working Group revised (2) to be more concise. The suggestion to change "shall" to "must" was implemented.

Communication Standards Revisions for #2:

(2) For the second phase, insurers must ~~shall~~ include the primary factors in the premium change notice processed for renewals, if applicable to the premium increase~~, with any premium change notices processed for renewals~~.

(3) in this section remains the same.

(4) in this section states insurers should provide a degree of accuracy for estimated dollars. At commenters' suggestions, "as specifically applied to that policy and premium increase" was stuck to reduce redundancies. The suggestion to replace "on the degree of accuracy" with "about the degree of accuracy" was also implemented.

Communication Standards Revisions for #4:
(4) If insurers use estimated dollars, a reasonable explanation should be provided about ~~on~~ the degree of accuracy the estimated dollars achieve~~, as specifically applied to that policy and premium increase~~.

(5) in this section remains the same.

The suggestion to clarify (6) in this section was implemented by revising "notification" to "premium increase notification" and "it could be allowed to continue" to "the regulator may allow the insurer to continue."

Communication Standards Revisions for #6:
(6) If an insurer already has a premium increase notification process acceptable to the State's regulator, the regulator may ~~it could be~~ allow~~ed~~ the insurer to continue to use the process that is in place.

The following pertains to the Phase 2 premium increase notice examples.

For the premium increase notice examples for Phase 2, in keeping with the use of a combined guidance document, the non-capping notice example for auto/homeowners was removed. There is now one notice example for auto and one for homeowners that can each be used for non-capping and capping.

Auto Example:

For the first lines, the Working Group removed the reference to rating plans being approved by states because not all states require this. References to "insurance premium" were changed to "insurance policy premium" for clarity. References to the premium's effective period, frequency, and scheduled date of renewal were removed to simplify the language.

Mocked Revisions:

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Your auto insurance policy **premium is increasing.**
Your current auto insurance policy premium ~~[for what period]~~ is $1,175 ~~[how often~~].
Each insurer files a rating plan with the state insurance department ~~for their approval~~.
According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ $2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

Instructions were added for when a premium is capped by adding "If the policy premium is capped, a statement such as this must be included" in brackets.

Mocked Revisions:
[If the policy premium is capped, a statement such as the following must be included:]

The first line of the statement to be used if the policy premium is capped remains the same.

Mocked Revisions:
However, the next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.

In the second line, “premium” was “changed to “policy premium.”

Mocked Revisions:
Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121.

In the next paragraph, references to changes in personal characteristics potentially impacting rates were clarified by changing “personal characteristics” to “personal and/or driving characteristics.” As suggested, examples of these characteristics were added in parentheses. The suggestion to change “reasons” to “factors” throughout the examples to clarify that these are the rating factors was also implemented. To account for varying methods among states, a statement in brackets was added specifying that states using a driver's experience instead of age should substitute accordingly.

Mocked Revisions:
Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your auto insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or driving characteristics change, (such as your age* or ~~number of~~ any accidents or violations in the household), your policy premium could increase or decrease from the premium amounts stated above. [States that use drivers experience instead of age should substitute accordingly.]

The remainder of the example disclosure reflects the revisions mentioned earlier of changing “reasons” to “factor” and “premium” to “policy premium.”

Mocked Revisions:
Here are the major factors ~~reasons~~ for this increase in your policy premium, along with the dollar impact of each of those reasons:
~~Reasons~~ Factors for your policy premium increase and the dollar impact
- **~~Reasons~~ Factor 1 raised your premium $A**
- **~~Reasons~~ Factor 2 raised your premium $B**
- **~~Reasons~~ Factor 3 raised your premium $C**
- **~~Reasons~~ Factor 4 raised your premium $D**
- **~~Reasons~~ Factor 5 raised your premium $E**

The revisions made to the auto disclosure example were also implemented into the homeowners disclosure example, where appropriate. The only variance is in the paragraph that begins with “Remember” where the factors added in brackets are specific to homeowners.

This paragraph now reads, “Remember there also are other rate factors that could cause your homeowners insurance premium to change in the future. For example, if you change your coverage, or if your personal and/or property risk characteristics change, (such as claims filed, age of the home and/or roof, the coverage A value, etc.) your policy premium could increase or decrease from the premium amounts stated above. [States may want to modify language to reflect their specific exposures, such as wildfires or other catastrophe exposures.]”

Bradner stated that Cude's comments on the revised guidance would be considered along with any additional comments received during the exposure period. Cude said her revision suggestions focused on readability. Bradner and Cude agreed to discuss Cude’s suggested use of “anticipated.”

Tony Cotto (NAMIC) said the Working Group may want to revisit the “accidents or violations in the household” because it is inconsistent with the language in the earlier part of the guidance that says it does not pertain to items already known, such as a vehicle crash or moving violation. He said NAMIC will include this in its comment letter. He also expressed appreciation for the Working Group’s thought and time in revising the guidance, especially implementing NAMIC’s suggestion to add the Fair Credit Reporting items.

Wes Bissett (Independent Insurance Agents and Brokers of America—IIABA) expressed gratitude for not accepting revision suggestions that would have lessened the impact of the guidance. He asked how this guidance would apply to a nonrenewal situation. Bradner stated the guidance is purely focused on a company renewing a policy and the premium increasing. Explaining reasons why a policy is not renewed is not within the scope of this guidance. States generally require nonrenewal notices to be clear and provide contact information for the insurance department for those who have concerns.

Lisa Brown (APCIA) stated premium increases in Virginia are due to statutory changes to financial requirements. She asked how this would be addressed in the guidance. Bradner stated that the insurer would work with its state regarding appropriate language, but the disclaimer would indicate that the state legislator increased renewal limits to protect society and that comes with an associated cost and indicate the resulting increase in premium.

2. <u>Discussed General Comments Received from Comment Letters on the Previously Exposed Premium Increase Transparency Guidance</u>

Bradner stated the Working Group has compiled general comments received from the previously exposed premium increase transparency guidance and provided responses to them (Attachment Two-B). In summary, the Working Group did not implement a static example rating factor, as it would not let policyholders know what is impacting their specific premium increase. In regard to comments related to dedicated rating variables not reflecting actual multivariate filed/approved products, the Working Group felt its guidance met the goal of providing consumers with an understanding of the key variables that are impacting their premium change.

The Working Group did not implement comments related to changing the phase approach because it is being used to alleviate concerns around insurers who may not have the needed in-house data and may need to make programming changes. Comments of concern related to proprietary information should note there is no intent for proprietary information (such as rating algorithms) to be disclosed. The consumer just needs to understand the factors impacting their rate change. This document is only guidance. As such, any state wishing to use it will need to review it for conflicts with their state’s statutory requirements and needed reference to state authorization. The suggestion to use an annual report or complaint data would not provide the details specific to a consumer and why that consumer’s rate changed. Concerns about including information to enable the policyholder to validate the accuracy of the renewal premium were addressed with the revisions in the consumer notice examples. The suggestion to have dynamic and clear messaging was implemented where applicable.

Clarity was sought on how a mid-term policy change would be handled. If the mid-term policy change resulted in a change in premium for the policy period, for purposes of determining whether or not the 10% premium increase threshold is met, an insurer would compare the renewal premium to the full-term premium that would have been charged had the mid-term policy change occurred at the beginning of the policy period.

The Working Group determined that the suggestion to include information policyholders can use to reduce their premiums or amend their coverage was beyond the scope of the guidance document. Providing details about the coverage limit for a dwelling structure and how that limit was derived was also determined to be beyond the guidance's scope. The Working Group's Auto and Homeowner's Shopping Tools provide guidance to consumers on these topics.

Cude suggested including a reminder that the shopping tools are available when the guidance is distributed after adoption. Bradner agreed.

3. Exposed the Revised Premium Increase Transparency Guidance

Brown asked that the comment period end after the NAIC Summer National Meeting. Bradner agreed to Aug. 30, 2024.

Allen made a motion, seconded by Hurtado, to expose the revised premium increase transparency guidance for a 22-day public comment period ending Aug. 30, 2024 (Attachment Two-A). The motion passed unanimously.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.

SharePoint/NAIC Staff Support Hub/Committees/C Cmte/2024 Summer/Transparency/8.8 Transparency Minutes.docx

FINAL VERSION OF DISCLOSURE NOTICE

Renewal Premium that ~~is a result~~ results or does not result from a capping procedure ~~employed~~ used by the ~~insured~~ insurer

Scope of Applicability

(1) Disclosure applies to policies renewed on or after [Enter Date].
(2) Disclosure applies to authorized insurers with ~~the following~~ these types of personal insurance policies:
   a. Private passenger automobile coverage;
   b. ~~Homeowner's~~ Homeowners coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
   c. Dwelling property coverage for owner occupied dwellings only
(3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
(4) Exemptions
   a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
   b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
   c. This chapter does not apply to personal umbrella policies.
   d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).
   e. Where a usage based or telematics program is being used, if a company has a process for disclosing information to drivers on how their performance is impacting their rate, disclosure is not required. Otherwise, a state may want to consider having these programs included in this disclosure, while keeping within state confidentiality laws.

Notification Thresholds

(1) Phase One: Beginning [enter date], and effective until [enter date phase one ends ~~expires~~ – such as 3 years], insurers must ~~shall~~ reasonably explain ~~provide reasonable explanations for~~ changes in premium for policies ~~as~~ described in the Scope of Availability, upon written request by the policyholder, for any premium increase ~~occurring~~ at renewal.

(2) Phase Two: Beginning [enter date phase two begins], insurers must ~~shall~~ automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any ~~. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent~~ premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase ~~occurring~~ at renewal.

Administrative and Notification Requirements

(1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a state may want to provide guidance that a prominent disclaimer ~~may~~ be at the beginning of ~~required to be included on~~ the first page (for printed notices), or first screen (for electronic notices) and at or near the top of ~~view of renewal notices, and~~ renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.

(2) For the second phase, insurers must automatically send the disclosure notice at least 30 days prior to the renewal date if the policyholder ~~insured~~ receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email~~,~~ (if the policyholder ~~insured~~ has elected to receive email notifications). Guidance for prominent disclosure remains the same as in phase 1.

(3) For both phases:
   a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
   b. Insurers should respond to a policyholder's ~~an insured's~~ written request for explanation of premium change no later than 30 calendar days from ~~the~~ receipt of the written request.
   c. Subsequent ~~R~~requests from a policyholder ~~an insured~~ for ~~subsequent~~ additional information should be responded to no later than 20 calendar days. Insurers should make every effort to respond prior to the renewal date. However, there is no expectation that the premium due date will be altered.

(4) ~~The effective date of~~ Receipt and response ~~will be in accordance with each jurisdiction's requirements. For instance, receipt and response~~ dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.

(5) Insurers should include their contact information in all premium change notifications and explanations to policyholders and may include the producer's (if any) contact information.

(6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent by ~~via postal~~ mail or electronically.

Communication Standards

(1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:

a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
b. Property related factors: change in age, location, and value,
c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer's rate plan ~~changes~~.
e. Factors not listed above as primary are ~~considered as~~ optional ~~factors~~. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.

(2) For the second phase, insurers must ~~shall~~ include the primary factors in the premium change notice processed for renewals, if applicable to the premium increase~~, with any premium change notices processed for renewals~~.

(3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.

(4) If insurers use estimated dollars, a reasonable explanation should be provided about ~~on~~ the degree of accuracy the estimated dollars achieve~~, as specifically applied to that policy and premium increase~~.

(5) Insurers may include premium change explanations for all premium increases beyond those required.

(6) If an insurer already has a premium increase notification process acceptable to the State's regulator, the regulator may ~~it could be~~ allow~~ed~~ the insurer to continue to use the process that is in place.

[REMOVED THIS EXAMPLE:]

~~Phase 2: Auto/Homeowners Insurance Premium Increase Notice Example~~

~~Your auto/homeowners insurance premium is increasing.~~

~~Your current premium is $1,175.~~

~~Your renewal premium is $1,250.~~

~~Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:~~

~~Reasons for your premium increase and the dollar impact~~

- **~~Reason 1 raised your premium $A~~**

- ~~**Reason 2 raised your premium $B**~~
- ~~**Reason 3 raised your premium $C**~~
- ~~**Reason 4 raised your premium $D**~~
- ~~**Reason 5 raised your premium $E**~~

~~Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions~~.

[MODIFIED THE NEXT TWO EXAMPLES TO APPLY TO CAPPING AND NONCAPPING:]

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Your auto insurance policy **premium is increasing.**

Your current auto insurance policy premium ~~[for what period]~~ is $1,175 ~~[how often~~].

Each insurer files a rating plan with the state insurance department ~~for their approval~~. According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ $2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

[If the policy premium is capped, a statement such as the following must be included:]

However, **the next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.**

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your auto insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or driving characteristics change, (such as your age* or ~~number of~~ any accidents or violations in the household), your policy premium could increase or decrease from the premium amounts stated above. [States that use drivers experience instead of age should substitute accordingly.]

Here are the major factors ~~reasons~~ for this increase in your policy premium, along with the dollar impact of each of those reasons:

~~Reasons~~ Factors for your policy premium increase and the dollar impact

- ~~**Reasons**~~ Factor **1 raised your premium $A**
- ~~**Reasons**~~ Factor **2 raised your premium $B**
- ~~**Reasons**~~ Factor **3 raised your premium $C**
- ~~**Reasons**~~ Factor **4 raised your premium $D**

- **~~Reasons~~ Factor 5 raised your premium $E**

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Phase 2: Homeowners ~~Homeowner's~~ Insurance Policy Premium Increase Notice Example

Your homeowners ~~homeowner's~~ insurance policy premium is increasing.

Your current homeowners ~~homeowner's~~ insurance policy premium ~~[for what period]~~ is $1,175 ~~[how often]~~.

Each insurer files a rating plan with the state insurance department ~~for their approval~~. According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ $2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

[If the policy premium is capped, a statement such as the following must be included:]

However, the next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your homeowners ~~homeowner's~~ insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or property risk characteristics change, (such as claims filed, age of the home and/or roof, ~~location, and~~ the coverage A value, etc.) your policy premium could increase or decrease from the premium amounts stated above. [States may want to modify language to reflect their specific exposures, such as wildfires or other catastrophe exposures.]

Here are the major factors ~~reasons~~ for this increase in your policy premium, along with the dollar impact of each of those reasons:

~~Reasons~~ Factors for your policy premium increase and the dollar impact

- **~~Reasons~~ Factor 1 raised your premium $A**
- **~~Reasons~~ Factor 2 raised your premium $B**

- **~~Reasons~~ Factor 3 raised your premium $C**
- **~~Reasons~~ Factor 4 raised your premium $D**
- **~~Reasons~~ Factor 5 raised your premium $E**

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

FINAL VERSION OF DISCLOSURE NOTICE

Working Group: Revisions for the title were for readability improvements and typo correction.

Renewal Premium that is a result of a capping procedure employed by the insured

Texas: Implemented. Revisions improve readability.

Renewal Premium that ~~is a result of~~results from a capping procedure ~~employed~~used by the ~~insured~~insurer

Working Group: Revisions for this section were for readability improvements and reflect member-initiated changes and revision suggestions from comment letters for additional specificity on exemptions.

Scope of Applicability

(1) Disclosure applies to policies renewed on or after [Enter Date].
(2) Disclosure applies to authorized insurers with the following types of personal insurance policies:

Texas: Implemented. Revisions improve readability.
(2) Disclosure applies to authorized insurers with ~~the following~~these types of personal insurance policies:

a. Private passenger automobile coverage;
b. Homeowner's coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and

Texas: Implemented. Revisions improve readability.
b. ~~Homeowner's~~Homeowners coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and

c. Dwelling property coverage for owner occupied dwellings only

(3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
(4) Exemptions
a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
c. This chapter does not apply to personal umbrella policies.

NAMIC: Partially implemented. Exclusions e, g, and f are contrary to the intent of the disclosure.

d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).
e. This chapter does not apply to an increase in the filed rate plan and automatic inflationary increases.
f. This chapter does not apply to additional premium due to a change in risk exposure as a result of the policyholder's participation in a usage-based or telematics insurance program.
g. This chapter does not apply to the aging of such things as a policy, consumer, roof, and home that change the risk profile.
h. Disclosure does not apply to items reasonably known by the insured (such as a vehicle crash or moving violation).

Notification Thresholds

Working Group: Revisions for this section were for readability improvements and reflect member-initiated changes and revision suggestions from comment letters.

(1) Phase One: Beginning [enter date], and effective until [enter date phase one ends ~~expires~~ – such as 3 years], insurers must ~~shall~~ reasonably explain ~~provide reasonable explanations for~~ changes in premium for policies ~~as~~ described in the Scope of Availability, upon written request by the policyholder, for any premium increase ~~occurring~~ at renewal.

NAMIC: Not implemented. This request was withdrawn after NAMIC received clarification that Phase 1 does not include an automatic disclosure notice requirement.

(1) ... for ~~any~~ premium increases over [specified percent] occurring at renewal.

Texas: Implemented. Revisions improve readability.

(1) Phase One: Beginning [enter date], and effective until [enter date phase one ~~expires~~ends – such as 3 years], insurers ~~shall~~must ~~provide reasonable explanations for~~reasonably explain changes in premium for policies ~~as~~ described in the Scope of Availability, upon written request by the policyholder, for any premium increase ~~occurring~~ at renewal.

(2) Phase Two: Beginning [enter date phase two begins], insurers must ~~shall~~ automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any ~~. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent~~ premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase ~~occurring~~ at renewal.

NAMIC:
Not implemented. Disclosure requirements in Phase 2 are at the heart of the premium rate increase transparency goal.

(2) Delete Phase Two

Or

Not implemented. The 10 percent premium increase threshold is only a recommendation. This is a guidance document and, as such, the actual threshold will be determined by states.

(2) Phase Two: Beginning [enter date phase two begins], insurers shall provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies. Insurers shall provide premium change notices automatically when a renewal will result in a ~~10~~ percent premium increase [higher percent or fixed dollar amount or carrier choice] or more, or upon written request by the policyholder for any [narrow language so not ANY increase] premium increase occurring at renewal.

Texas: **Implemented. Revisions improve readability.**

(2) Phase Two: Beginning [enter date phase two begins], insurers ~~shall~~must provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies. Insurers ~~shall~~must provide premium change notices automatically when a renewal will result in a 10 percent premium increase or more, or upon written request by the policyholder for any premium increase ~~occurring~~ at renewal.

Brenda Cude: Not implemented. Insurers need time to implement systems needed to provide the disclosure requirements.

Skip phase 1 and go straight to 2 with insurers being given up to 12 months to begin to provide this information to consumers.

APCIA Not implemented. The 10 percent premium increase threshold is only a recommendation. This is a guidance document and, as such, the actual threshold will be determined by states.

The 10% increase threshold is quite low and arbitrary. We have all seen news stories about double-digit premium increases driven by inflation, rising claims costs, and increased impacts of natural catastrophes – all of these are beyond the control of individual policyholders. Using 20% better targets notice to customers who may be most interested in additional information.

Administrative and Notification Requirements

Working Group: Revisions for (1) of this section were for readability improvements and reflect member-initiated changes and revision suggestions from comment letters.

(1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a state may want to provide guidance that a prominent disclaimer ~~may~~ be at the beginning of ~~required to be included on~~ the first page (for printed notices), or first screen (for electronic notices) and at or near the top of ~~view of renewal notices, and~~ renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.

Brenda Cude: Implemented. Revisions improve readability and execution clarification.

(1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a prominent disclaimer may be required to be included at or near the top of ~~on~~ the first page (for printed notices), or first screen (for electronic notices) ~~view~~ of renewal notices, and at or near the top of renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.

Texas: Not implemented. The premium rate transparency guidance is only meant to be a recommendation and, as such, states can modify language as they see fit.

(1) For the first phase, insurers should notify policyholders ~~of~~about their right to ~~request~~ask for an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a prominent disclaimer may be required ~~to be included~~ on the first page (~~,~~ or online view) of renewal notices~~,~~ and on renewal billing statements ~~indicating~~ telling policyholders receiving an increase to their premiums ~~at renewal~~ that they can ~~request~~ask for an explanation by contacting the insurer in writing.

Working Group: Revisions for (2) of this section reflect members' decision to make a minor grammatical addition of "the," change "insured" to "policyholder," and add clarity that the guidance for prominent disclosure remains the same as in phase 1 as suggested from a comment letter.

(2) For the second phase, insurers must automatically send the disclosure notice at least 30 days prior to the renewal date if the policyholder ~~insured~~ receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email~~,~~ (if the policyholder ~~insured~~ has elected to receive email notifications). Guidance for prominent disclosure remains the same as in phase 1.

Brenda Cude: Intent Implemented. The suggested revision provides execution clarification, and its intent has been incorporated within the Working Group's revisions.

(2) For the second phase, insurers must automatically send disclosure notice at least 30 days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal. A ~~D~~disclosure notification must prominently indicate the insurance premium is increasing and may be included with the renewal notice or may be sent in a separate mailing, or by email, if the insured has elected to receive email notifications.

Texas: Partially Implemented. Throughout the document, "insured" was changed to "policyholder." The parenthesis was added. To address the grammatical suggestion to make "notice" plural, the Working Group inserted "the" before "disclosure notice."

(2) For the second phase, insurers must automatically send disclosure notices at least 30 days ~~prior to~~before the renewal date if the ~~insured~~policyholder receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email~~,~~ (if the ~~insured~~policyholder has elected to receive email notifications).

United Policyholders: Not implemented. As this is a guidance document, states will ultimately choose their timeframe. States may also need to assess if they need statutory language changes related to the quantity of days specified. The guidance document's intent is that insurers should make every

effort respond to policyholders' inquiries before renewal. However, if the complexity of the request prevents insurers from doing so, consumers are expected to continue paying their premium payment while seeking explanations from the insurer.

(2) For the second phase, insurers must automatically send disclosure notice at least 60 ~~30~~ days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal.

Working Group: Revisions for (3) of this section reflect members' decision to change "insured" to "policyholder." A small grammatical change of striking "the" before "receipt" was made to 3b. To address comment letter concerns on timing of insurer responses to subsequent policyholder requests, 3c was modified to clarify insurers should make every effort to respond prior to the renewal date, but the premium due date will not be altered.

(3) For both phases:

a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.

Texas: Not implemented. The premium rate transparency guidance is only meant to be a recommendation and, as such, states can modify language as they see fit.

a. Insurers should include a statement in notifications ~~and/~~or explanations (or both) that the policyholder may contact their insurer to ~~request additional~~ask for more information about premium increases.

b. Insurers should respond to a policyholder's ~~an insured's~~ written request for explanation of premium change no later than 30 calendar days from ~~the~~ receipt of the written request.

Brenda Cude: Not implemented. The guidance document's intent is that insurers should make every effort respond to policyholders' inquiries before renewal. However, if the complexity of the request prevents insurers from doing so, consumers are expected to continue paying their premium payment while seeking explanations from the insurer.

b. Insurers should respond to an insured's written request for explanation of premium change no later than 30 calendar days from the receipt of the written request or no later than 5 calendar days prior to the renewal date.

Texas: Implemented. "Insured" was changed to "policyholder" throughout document and "the" was struck before "receipt."

b. Insurers should respond to a~~n insured~~policyholder's written request for explanation of premium change no later than 30 calendar days from ~~the~~ receipt of the written request.

United Policyholders: Not implemented. As this is a guidance document, states will ultimately choose their timeframe. States may also need to assess if they need statutory language changes related to the quantity of days specified. The guidance document's intent is that insurers should make every effort respond to policyholders' inquiries before renewal. However, if the complexity of the request prevents insurers from doing so, consumers are expected to continue paying their

premium payment while seeking explanations from the insurer. Revisions were made to 3c to express both these points.

b. Insurers should respond to an insured's written request for explanation of premium change no later than 60 ~~30~~ calendar days from the receipt of the written request.

c. Subsequent ~~R~~requests from a policyholder ~~an insured~~ for ~~subsequent~~ additional information should be responded to no later than 20 calendar days. Insurers should make every effort to respond prior to the renewal date. However, there is no expectation that the premium due date will be altered.

Brenda Cude: Partially Implemented. For grammatical consistency with 3b, "Requests from" was changed to "Insurers should respond to." The request that insurer responses be made at least 5 calendar days prior to the renewal date was not implemented. The guidance document's intent is that insurers should make every effort to respond to policyholders' inquiries before renewal. However, if the complexity of the request prevents insurers from doing so, consumers are expected to continue paying their premium payment while seeking explanations from the insurer. Revisions were made to 3c to express both these points.

c. Insurers should respond to ~~Requests from~~ an insured's written request for subsequent additional information ~~should be responded to~~ no later than 20 calendar days after the insured's request but at least 5 calendar days~~. Insurers should respond~~ prior to the renewal date.

APCIA Intent Implemented. The concern that prompted this revision suggestion was addressed by revising 3c to clarify insurers should "make every effort" to respond prior to the renewal.

c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. ~~Insurers should respond prior to the renewal date.~~

NAMIC: Intent Implemented. The concern that prompted this revision suggestion was addressed by revising 3c to clarify insurers should "make every effort" to respond prior to the renewal.

c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. ~~Insurers should respond prior to the renewal date.~~

Texas: Partially Implemented. "Requests from an insured for subsequent" was revised to "Subsequent requests from a policyholder for additional" for improved readability. The additional readability revisions suggestions were deemed not needed.

c. Subsequent ~~R~~requests from a~~n~~ ~~insured~~policyholder for ~~subsequent additional~~more information should be responded to no later than 20 calendar days. Insurers should respond ~~prior to~~before the renewal date.

Working Group: Revisions for (4) of this section reflect members' decision to improve readability as suggested in comment letters.

(4) ~~The effective date of~~ Receipt and response ~~will be in accordance with each jurisdiction's requirements. For instance, receipt and response~~ dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.

Brenda Cude: Not implemented. Readability was improved with different revisions to better reflect each jurisdiction's requirements.

(4) Evidence of ~~T~~the effective date of receipt and response will be established in accordance with each jurisdiction's requirements. For instance, the jurisdiction may establish that receipt and response dates may be indicated by either postmark or electronic timestamp.

NAMIC: Implemented. Revisions improve clarity and readability.

(4) Receipt and response dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements. ~~The effective date of receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.~~

Texas: Not implemented. Readability was improved with different revisions to better reflect each jurisdiction's requirements.

(4) The effective date of receipt and response will ~~be in accordance with~~follow each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.

Working Group: No revisions for (5) of this section were received in comment letters or made by the Working Group.

(5) Insurers should include their contact information in all premium change notifications and explanations to policyholders and may include the producer's (if any) contact information.

Working Group: A small revision to change "via postal mail" to "by mail" was implemented to (6) of this section to improve readability as suggested in comment letters.

(6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent by ~~via postal~~ mail or electronically.

Texas: Implemented. Revision improves readability.

(6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent ~~via postal~~by mail or electronically.

Communication Standards

(1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:

Brenda Cude: Not implemented. Original wording is more concise.

(1) Insurers should provide sufficient information about the amount, timing, and reasons for the premium increase. Reasons must ~~,~~ include~~ing~~ the primary factors listed below that are relevant to the rate increase and be explained~~,~~ in terms understandable to an average policyholder. The ~~P~~primary factors include:

a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
b. Property related factors: change in age, location, and value,
c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer's rate plan ~~changes~~.

NAMIC: Implemented. Revisions improve clarity.

a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
b. Property related factors: change in age, location, and value,
c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer's rate plan ~~changes.~~
e. Factors not listed above as primary are ~~considered as~~ optional ~~factors~~. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.

Texas: Implemented. Revisions improve readability.

e. Factors not listed above as primary are ~~considered as~~ optional ~~factors~~. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.

(2) For the second phase, insurers must ~~shall~~ include the primary factors in the premium change notice processed for renewals, if applicable to the premium increase~~, with any premium change notices processed for renewals~~.

Brenda Cude: Not implemented. Different revisions were implemented to be more succinct and improve readability.

(2) In ~~For~~ the second phase of implementation of the requirement, insurers must ~~shall~~ include the primary factors ~~in the premium change notice~~, if applicable to the premium increase, in ~~with~~ any premium change notices processed for renewals.

APCIA: Intent implemented. The revision's intent was addressed with alternate revisions.

(2) For the second phase, insurers shall include the primary factors in the premium change notice, if applicable to the premium increase~~, with any premium change notices processed for renewals~~.

NAMIC: Intent implemented. The revision's intent was addressed with alternate revisions.

(2) For the second phase, insurers shall include the primary factors in the premium change notice, if applicable to the premium increase~~, with any premium change notices processed for renewals~~.

Texas: Implemented. Revision improves readability.

(2) For the second phase, insurers ~~shall~~ must include the primary factors in the premium change notice, if applicable to the premium increase, with any premium change notices processed for renewals.

(3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.

NAMIC: Not implemented. The guidance does not specify that insurers must include composite rating variables. It says that *if* they do, they need to include and explain the premium increase attributed to the composite rating variables.

~~(3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.~~

(4) If insurers use estimated dollars, a reasonable explanation should be provided about ~~on~~ the degree of accuracy the estimated dollars achieve~~, as specifically applied to that policy and premium increase~~.

Brenda Cude: Implemented. Revisions improve readability.

(4) If insurers use estimated dollars, a reasonable explanation should be provided about ~~on~~ the degree of accuracy the estimated dollars achieve, as specifically applied to that policy and premium increase.

APCIA Implemented. Revisions improve readability and reduce redundancies.

(4) If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve~~, as specifically applied to that policy and premium increase.~~

NAMIC: Implemented. Revisions improve readability and reduce redundancies.

(4) If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve~~, as specifically applied to that policy and premium increase~~.

(5) Insurers may include premium change explanations for all premium increases beyond those required.

(6) If an insurer already has a premium increase notification process acceptable to the State's regulator, the regulator may ~~it could be~~ allow~~ed~~ the insurer to continue to use the process that is in place.

Brenda Cude: Implemented. Revisions improve readability.

(6) If an insurer already has a premium increase notification process acceptable to the State's regulator, the regulator may ~~it could be~~ allow~~ed~~ the insurer to continue to use the process that is in place.

Texas: Not implemented. Alternative revisions were implemented for readability.

(6) If an insurer already has a notification process acceptable to the State's regulator, it ~~could~~ may be allowed to continue to use the process ~~that is~~ in place.

Working Group: Phase2 Auto/Homeowners Insurance Premium Increase Notice Example for renewal premium that does not result from a capping procedure used by the insurer was removed. The Phase 2 Auto and Homeowners Insurance Premium Increase Notice Examples for renewal premium that does result from a capping procedure used by the insurer was modified to also apply to renewal premium that does not result from a capping procedure.

REMOVED THIS EXAMPLE:

~~Phase 2: Auto/Homeowners Insurance Premium Increase Notice Example~~

~~**Your auto/homeowners insurance premium is increasing.**~~

~~Your current premium is $1,175.~~

~~Your renewal premium is $1,250.~~

~~Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:~~

~~**Reasons for your premium increase and the dollar impact**~~

- ~~**Reason 1 raised your premium $A**~~
- ~~**Reason 2 raised your premium $B**~~
- ~~**Reason 3 raised your premium $C**~~
- ~~**Reason 4 raised your premium $D**~~
- ~~**Reason 5 raised your premium $E**~~

~~Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions~~.

Working Group: The Working Group removed the reference to rating plans being approved by states because not all states require this. References to "insurance premium" were changed to "insurance policy premium" for clarity. References to the premium's effective period, frequency, and scheduled date of renewal were removed to simply the language. Instructions were added for when premium is capped. References to changes in personal characteristics potentially impacting rates was clarified by changing "personal characteristics" to "personal and/or driving characteristics." Examples of these characteristics were added in parenthesis. "Reasons" was changed to "factors" throughout the examples to clarify these are the rating factors.

MODIFIED THIS EXAMPLE TO APPLY TO CAPPING AND NONCAPPING:

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Your auto insurance policy **premium is increasing.**

Your current auto insurance policy premium ~~[for what period]~~ is $1,175 ~~[how often]~~.

Each insurer files a rating plan with the state insurance department ~~for their approval~~. According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ $2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

Lemonade: Not Implemented. Capping and non-capping examples were combined and simplified language was added to incorporate both.
Each insurer files a rating plan with the state insurance department for their approval. Your policy will renew on <date>, and it will increase to a monthly payment of <price> based on the rating plan we filed in <State>. ~~According to the rating plan we filed with your state, your premium would increase to $2,121 the next time you renew your policy, which is scheduled for [date].~~

Brenda Cude: Not Implemented. Capping and non-capping examples were combined and simplified language was added to incorporate both.
Each insurer files a rating plan with the state insurance department for their approval. In ~~According to~~ the rating plan we filed with your state, ~~your premium would~~ we asked to increase your premium to $2,121 the next time you renew your policy, which is scheduled for [date].

[If the policy premium is capped, a statement such as the following must be included:]

However, the next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.

Lemonade: Not implemented. The existing sentence provides needed information for the policyholder.
~~**However, the next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.**~~

Brenda Cude: Not implemented. The existing language is more concise. The next sentence addresses concerns on frequency of premium.
Instead, ~~However,~~ the next time you renew your policy, your premium will increase by ~~will be limited to only~~ $88. Your new premium [for what period] will be ~~, resulting in a renewal premium of~~ $1,257 [how often].

NAMIC: Not implemented. The existing sentence is more concise. The use of "However" provides need delineation.
~~However~~, the next time you renew your policy your premium increase will be limited to only $88, ~~resulting in a renewal premium of $1,257~~.

Texas: Not implemented. The existing language is more concise. The sentence that follows this one addresses the number of renewals.
However, we are not increasing your premium that much now. ~~t~~The next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121.

Brenda Cude: Not implemented. The existing language is more concise.
Your premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121 when you renew [date].

APCIA: Not implemented. It is important to let the policyholder know the number of renewals needed to reach the full premium amount.
~~Your premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121.~~

NAMIC: Not implemented. The existing language is more concise and easier for policyholders to understand.
Your premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121. But for the rate capping explained in the next sentence, your premium would be less stable. Rate capping allows regulators to approve more gradual changes to insurance rating plans.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your auto insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or driving characteristics change, (such as your age* or ~~number of~~ any accidents or violations in the household), your policy premium could increase or decrease from the premium amounts stated above. [States that use drivers experience instead of age should substitute accordingly.]

Lemonade: Not implemented. These sentences are needed to explain the capping issue stated above these sentences.
~~Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above.~~ (Move to below reasons for premium increase.)

Brenda Cude: Partially implemented. Examples of personal characteristics were added to the existing language.
Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics ~~change,~~ (such as your age, where you park your car, and your car's ~~location, and~~ value) change, your premium could increase or decrease from the premium amounts stated above.

APCIA: Not implemented. The placement of these sentences is intended to explain the capping issue stated above them.

~~Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above.~~

Texas: Implemented. Superfluous "that" removed.
Remember ~~that~~ there also are other reasons your auto insurance premium could change in the future.

Alabama: Implemented. "Reasons" was changed to "factors" throughout to clarify these are the rating factors.
Remember that there also are other ~~reasons~~ factors that could cause your auto insurance premium ~~could~~ to change in the future.

Here are the major factors ~~reasons~~ for this increase in your policy premium, along with the dollar impact of each of those reasons:

NAMIC: Partially implemented. Replaced "reason" with "factors" to keep language consistent with the earlier section.
Examples of ~~Here are the~~ major reasons for an ~~this~~ increase in your premium~~, along with the dollar impact of each of those reasons~~:
Or
Here are the major/influencing factors ~~reasons~~ for this increase in your premium, along with the dollar impact of each of those reasons:

Texas: Not implemented. The existing language provides sufficient clarity.
Here are the major reasons for this increase in your premium, along with the dollar impact of each ~~of those reasons~~reason:

Alabama: Implemented. Replaced "reason" with "factors" to keep language consistent with the earlier section.
Here are the major ~~reasons~~ factors for this increase in your premium, along with the dollar impact of each of those reasons:

~~Reasons~~ Factors for your policy premium increase and the dollar impact

- **~~Reasons~~ Factor 1 raised your premium $A**
- **~~Reasons~~ Factor 2 raised your premium $B**
- **~~Reasons~~ Factor 3 raised your premium $C**
- **~~Reasons~~ Factor 4 raised your premium $D**
- **~~Reasons~~ Factor 5 raised your premium $E**

Alabama: Implemented. Replaced "reason" with "factors" to keep language consistent with the earlier section.

~~Reasons~~ Factors for your premium increase and the dollar impact

- **~~Reason~~ Factor 1 raised your premium $A**
- **~~Reason~~ Factor 2 raised your premium $B**
- **~~Reason~~ Factor 3 raised your premium $C**
- **~~Reason~~ Factor 4 raised your premium $D**
- **~~Reason~~ Factor 5 raised your premium $E**

Lemonade: Not implemented. The original placement is needed as these sentences explain the capping issue stated above them.
Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above. (moved from above to here)

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Working Group: Same language changes from above were implemented into the homeowners example. Only revision suggestions unique to homeowners are included below. References to changes in personal characteristics potentially impacting rates was clarified by changing "personal characteristics" to "personal and/or property characteristics." Examples of these characteristics were added in parenthesis.

Phase 2: Homeowners ~~Homeowner's~~ Insurance Policy Premium Increase Notice Example

Texas: Implemented.
Phase 2: ~~Homeowner's~~Homeowners Insurance Premium Increase Notice Example

Your homeowners ~~homeowner's~~ insurance policy **premium is increasing.**

Texas: Implemented.
Your ~~homeowner's~~homeowners insurance premium is increasing.

Your current homeowners ~~homeowner's~~ insurance policy premium ~~[for what period]~~ is $1,175 ~~[how often]~~.

Texas: Implemented.
Your current ~~homeowner's~~homeowners insurance premium [for what period] is $1,175 [how often].

Each insurer files a rating plan with the state insurance department ~~for their approval~~. According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ $2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

[If the policy premium is capped, a statement such as the following must be included:]

However, the next time you renew your policy your premium increase will be limited to only $88, resulting in a renewal premium of $1,257.

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your homeowners ~~homeowner's~~ insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or property risk characteristics change, (such as claims filed, age of the home and/or roof, ~~location, and~~ the coverage A value, etc.) your policy premium could increase or decrease from the premium amounts stated above. [States may want to modify language to reflect their specific exposures, such as wildfires or other catastrophe exposures.]

Brenda Cude: Partially implemented. Examples of personal characteristics were added to the existing language.
Remember that there also are other reasons your homeowner's insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics ~~change~~, (such as the number of claims you filed or the condition of your home ~~your number of accidents or violations~~) change, your premium could increase or decrease from the premium amounts stated above.

Texas: Partially implemented. Superfluous “that” removed and use of apostrophe in “homeowners” was removed.
Remember ~~that~~ there also are other reasons your ~~homeowner's~~homeowners insurance premium could change ~~in the future.~~.

Here are the major factors ~~reasons~~ for this increase in your policy premium, along with the dollar impact of each of those reasons:

~~Reasons~~ Factors for your policy premium increase and the dollar impact

- **~~Reasons~~ Factor 1 raised your premium $A**
- **~~Reasons~~ Factor 2 raised your premium $B**
- **~~Reasons~~ Factor 3 raised your premium $C**
- **~~Reasons~~ Factor 4 raised your premium $D**
- **~~Reasons~~ Factor 5 raised your premium $E**

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.