PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Draft: 12/2/24

Property and Casualty Insurance (C) Committee
Denver, Colorado
November 19, 2024

The Property and Casualty Insurance (C) Committee met in Denver, CO, Nov. 19, 2024. The following Task Force members participated: Alan McClain, Chair (AR); Michael Conway, Co-Vice Chair (CO); Michael Yaworsky, Co-Vice Chair (FL); Mark Fowler (AL); Andrew N. Mais and George Bradner (CT); Holly W. Lambert represented by Alex Peck (IN); Vicki Schmidt (KS); Mike Chaney (MS); D.J. Bettencourt and Christian Citarella (NH); Alice T. Kane represented by Melissa Robertson (NM); Scott Kipper (NV); Andrew R. Stolfi (OR); Larry D. Deiter (SD); Tregenza A. Roach (VI); and Kevin Gaffney and Rosemary Raszka (VT). Also participating were: Ken Allen (CA); Travis Grassel (IA); Phil Vigliaturo (MN); Cynthia Amann (MO); Gennady Stolyarov (NV); Tom Botsko (OH); TK Keen (OK); and Allen L. McVey (WV).

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

Commissioner Mais made a motion, seconded by Commissioner Conway, to adopt the Committee's Aug. 15 minutes (*see NAIC Proceedings – Summer 2024, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

2. <u>Adopted the Reports of its Task Forces and Working Groups</u>

Commissioner Conway made a motion, seconded by Commissioner Bettencourt, to adopt the following task force and working group reports: 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 (Attachment Two); and Transparency and Readability of Consumer Information (C) Working Group (Attachment Three). The motion passed unanimously.

3. <u>Adopted the *Premium Increase Transparency Guidance*</u>

Commissioner McClain noted that the *Premium Increase Transparency Guidance* is a voluntary document that, if adopted by the Committee, would remain one that states could choose to use or modify as they wish.

Bradner stated that the Transparency and Readability of Consumer Information (C) Working Group adopted the *Premium Rate Transparency Guidance* document during its Nov. 12 meeting. The guidance document is intended to be used by states wishing to implement a disclosure notice process for insurers to explain to policyholders the causes of significant premium increases at renewal for personal auto, homeowners, and dwelling policies. Bradner explained that the document is only guidance, so if or how a disclosure notice is implemented is determined by each state.

Bradner said the project was introduced by a now-retired actuary, Charles Angell, as he felt policyholders should understand what key risk variables are driving increases in their premium given the increased complexity of rating models. Policyholders can then consider improving their risk profile and/or correcting any incomplete data the insurer uses in rating the policy. Bradner said the adoption of the guidance document comes after two years of drafting. The Working Group made substantial revisions to the document based on the comments received over two exposure periods. It also took great care in communicating why revisions were or were not made.

Bradner said the guidance uses a bifurcated approach to allow insurers time to implement needed processes. In Phase 1, 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. If and when Phase 2 begins is up to each state based on its review of Phase 1 and implementation of Phase 2 considerations. Phase 2 only applies to insurance policies with annual premium increases of $100 or more. In Phase 2, a 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 disclosure notices at least 30 days before the renewal date. Notices must have reasonable explanations and include primary factors of the premium increase. Primary factors are defined in the guidance. 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.

Dave Snyder (American Property Casualty Insurance Association—APCIA) said he appreciated that the guidance is a voluntary document that could be modified or not adopted by a state. He said the document is labeled as guidance, and that should be emphasized. He said he appreciates the footnote that clarifies that Phase 2 may or may not occur and that the individual state would set the timetable.

Tony Cotto (National Association of Mutual Insurance Companies—NAMIC) said the process has been exemplary over the past several years in terms of responsiveness and dialogue. He said NAMIC still does not support the adoption of the guidance and recommends that Phase 2 should be deleted as it would increase compliance costs and could expose proprietary trade secrets.

Commissioner Chaney made a motion, seconded by Commissioner Yaworsky, to adopt the *Premium Increase Transparency Guidance* (*see the Transparency and Readability of Consumer Information (C) Working Group's Nov. 12, 2024, minutes, Attachment Three and Attachment Three-A*). The motion passed, with Indiana abstaining.

4. <u>Adopted its 2025 Proposed Charges</u>

Commissioner Conway made a motion, seconded by Commissioner Bettencourt, to adopt the Committee's 2025 proposed charges (Attachment Four). The motion passed unanimously.

5. <u>Heard Presentation on the Intersection of Advanced Vehicle Technology and Auto Claim Adjudication</u>

John Petitt (QuantivRisk) said he wants to raise state insurance regulators' awareness of vehicle performance data (VPD) and how it can enhance transparency, accuracy, and fairness in the claims adjudication process. He said VPD can partially solve the current auto insurance affordability issues.

Mike Nelson (QuantivRisk) said QuantivRisk was founded with a mission to bring clarity and transparency to accident evaluation through precise data analysis. The process of looking at liability from a claims department perspective has been largely unchanged since the 1980s in terms of driver A and driver B providing their stories to their respective insurance companies. The current process is inefficient, unfair, and subjective.

Nelson said vehicle data includes: 1) the Event Data Recorder (EDR) or black box, which was designed to capture five seconds of data and is accessed by plugging into the car; 2) telematics data, which assesses driver behavior; and 3) VPD, which is the data captured or generated by the vehicle at thousandths of a second and captured for days, weeks, or months prior to a crash. Car manufacturers transmit VPD from the car to the Original Equipment Manufacturer (OEM) cloud, which is generally unavailable to insurance companies. Consumers rarely know about vehicle performance data. In the future, a data logger would augment EDRs and address some of what the car was doing at the time of the accident, but these loggers are years away.

Petitt said QuantivRisk works with insurance companies in this space. Claims adjusters are often unaware this data exists, so they do not ask for it. He said auto OEMs fund their research and development (R&D) through insurer claim payments. OEMs are not paying for damage when they are responsible.

Nelson said the law should develop so that a neutral platform would leverage VPD to serve as an objective clearing house between insurers, consumers, auto OEMs, law enforcement, lawyers, and state insurance regulators. He said consumers should have the right to decide who uses the data. VPD can improve claim settlement accuracy and efficiency, reduce frictional costs in claim settlement, potentially lower automobile insurance rates, and enhance consumer experience with claim adjusters who understand advanced vehicle systems.

Petitt said that by working with insurers, policyholders consent to get the data in the context of an accident. He said they are seeing a 40% reduction in claim cycle times, clearer identification of subrogation with other parties, and improved fraud determination. They are still challenged with claim adjuster education and the current claim adjudication operating model.

Nelson said state insurance regulators should educate themselves on VPD and consider the removal of outdated legislation in terms of defining such data. He also noted that liability assessment will evolve with advanced vehicles.

6. Heard a Presentation on Using Fire Science and Data to Deliver Home Resilience

Jeff Klein (American Bankers Association—ABA) said he has worked with FortressFire recently and believes it has a science-based approach to mitigation that states can use to manage wildfire risk exposure and improve affordability and availability with respect to property insurance.

Duane Gibson (FortressFire) said FortressFire has created a model that, through fire physics, can predict how a wildfire will transfer to houses and neighborhoods and how to solve for that. He said the system would stop homes from burning, which would be helpful to insurers.

John Wall (FortressFire) noted that 45 million homes are located in wildfire-exposed areas of the western U.S. Insurance coverage has become more expensive, difficult to secure, and insufficient to cover potential losses. He said wildfire outcomes are binary, and current wildfire models predict more severe wildfires, therefore predicting increased losses. FortressFire's wildfire vulnerability score uses energy models that evaluate five ignition vectors of structure loss.

Wall said science-based property-level assessments can cost-effectively guide mitigations and stop wildfires from destroying homes. FortressFire produces an aerial risk report identifying an initial score and the structure's wildfire ignition risk vectors. The report leverages weather, topography, and parcel characteristics as inputs affecting fire vectors to the home. FortressFire gives property owners understand how their homes can ignite in a wildfire. Property owners can then change the home's vegetation, vents, or other materials to make them more fire-resilient. Onsite inspections are also available to refine the precision of the report and customize mitigation for the property. FortressFire offers a comprehensive annual subscription plan that includes homeowner alerts, service visits, event inspections, property preparation, and fire-retardant staging. Wall said FortressFire can identify vulnerabilities of a specific structure and mitigate those vulnerabilities to the point where the home has a near-zero risk of ignition in a wildfire.

7. Heard a Federal Update

Alex Swindle (NAIC) said a second Trump administration, alongside a new Republican majority in both chambers, will likely see: 1) a dramatic shift away from President Biden's policies; 2) reshaping of the Senate Committee on

Banking, Housing, and Urban Affairs; 3) less activity on risk retention groups (RRGs); 4) less interest in climate-related data; 5) Republicans pursue budget reconciliation and renew the Tax Cuts and Jobs Act (TCJA); 6) rolling back federal encroachment into insurance; 7) less regulation; and 8) lower taxes. He said the NAIC will closely monitor President-elect Trump's proposed 20% tariff on imports, which could increase inflation and impact insurance reserves. He noted that the lighter regulatory approach could ease compliance costs for insurers.

Swindle said the National Flood Insurance Program's (NFIP's) future remains uncertain, and reforms could come next year as bi-partisan support for long-term flood insurance reform continues. He said there will likely be a big push next year to make the program more sustainable, and hearings and markups will likely occur.

Congress members continue to show interest in state resilience and mitigation efforts. An agriculture farm bill will include crop insurance reforms and proposals to reduce subsidies and eliminate duplicative programs. The Terrorism Risk Insurance Program (TRIP) expires in 2027 and is expected to be renewed.

Swindle said President-Elect Trump's policies may include tax incentives for first-time homebuyers and easing of regulations on home construction. It is anticipated there will be further action on the Federal Housing Finance Agency (FHFA) title pilot program as talks about privatizing Fannie Mae and Freddie Mac are becoming the focus.

8. Heard an Update on the PCMI Data Call

Commissioner McClain said the property/casualty (P/C) market intelligence (PCMI) data call was issued March 8 with data due June 6, and filings have been received from most of the insurance companies. Commissioner McClain noted a state insurance regulator data group has been meeting weekly to look at the quality of the data and assist in requesting re-filings from companies, as well as in looking at the data and creating tools to analyze the data. He said the data group continues to reach out to companies with questions about the data to better understand and improve the data. He said the data group has more recently been working on analyzing the data. Commissioner McClain said that if additional state insurance regulators need access to the data or wish to be part of the conversations on analysis, they should reach out to the NAIC.

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

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Cannabis Insurance (C) Working Group
Denver, Colorado
November 18, 2024

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Denver, CO, Nov. 18, 2024. The following Working Group members participated: Katey Piciucco, Chair (CA); TK Keen, Vice Chair, Raven Collins, and Jason Horton (OR); Nathan Hall and Sian Ng-Ashcraft (AK); Lori Plant and Jimmy Harris (AR); Christina Miller and Catherine Reaves (DE); Angela King (DC); C.J. Metcalf (IL); Ryan Blakeney (MS); Gennady Stolyarov (NV); Randall Currier (NJ); Ursula Almada (NM); Andrew Schallhorn and Brian Downs (OK); Sebastian Conforto and Michael McKenney (PA); Damaris Rosado (PR); Beth Vollucci (RI); Karla Nuissl and Rosemary Raszka (VT); and Michael Walker (WA). Also participating was: Megan VanAusdall (NE).

1. <u>Adopted its May 8 Minutes</u>

The Working Group met May 8 and took the following action: 1) adopted its Dec. 19, 2023, minutes; 2) heard an update on cannabis-related legislative activities; 3) heard a presentation from BDSA on trends and emerging issues in the cannabis space; 4) heard a presentation from Jencap Specialty Insurance Services (Jencap) on insurance availability, coverage trends, and new risks in the cannabis space; and 5) heard a presentation on the work of the Insurance Institute for Highway Safety (IIHS) and the Highway Loss Data Institute (HLDI) on the legalization of marijuana for recreational use.

Vollucci made a motion, seconded by Keen, to adopt the Working Group's May 8 minutes (*see NAIC Proceedings – Summer 2024, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

2. <u>Heard a Presentation on Cannabis Regulation in Colorado and CANNRA Activities</u>

Dominique Mendiola (Colorado Department of Revenue [DOR] and Cannabis Regulators Association [CANNRA]) said the Colorado DOR licenses and regulates the commercial cultivation, manufacture, laboratory testing, and sale of medical and adult-use marijuana in the state of Colorado. The Colorado DOR brings issues it has navigated in its regulatory work in Colorado into its national engagement with cannabis regulators who are members of CANNRA. This includes the evolution of products in the market, receiverships/probate matters, premises security and surveillance, managing production to avoid oversupply risks and ensure inventory meets demand, and data-driven approaches to risk-based investigations.

CANNRA is a nonpartisan nonprofit association of government agencies involved in cannabis and/or cannabinoid hemp regulation. Its members are current government members from more than 45 states, as well as Canada and the Netherlands. CANNRA is not an advocacy group and takes no formal position for or against cannabis legalization. It is focused on education and peer-to-peer support. CANNRA has more than a dozen committees spanning the breadth of cannabis and cannabinoid policy topics (traffic safety, public health, banking, equity, packaging and labeling, etc.). Colorado is a statewide member (so all agencies with a tie to administering the state's cannabis laws are engaged, including the Department of Regulatory Agencies (DORA) and the insurance regulators.

CANNRA is focused on consumables, not industrial uses. The cannabis plant has over 100 different molecules that interact with the body (endocannabinoid system). The two most well-known cannabinoids are tetrahydrocannabinol (THC) and cannabidiol (CBD). Unlike CBD, THC has psychotropic effects and includes several "isomers" (delta-8, delta-9, delta-10). Delta-8 and delta-10 are present in smaller quantities than delta-9. The World Health Organization (WHO) estimates delta-8 is about 50%–75% as potent as delta-9 (but not widely studied or understood). Hemp is federally legal and regulated by the U.S. Department of Agriculture (USDA) as an agricultural plant. The legalization of hemp was done with a focus on hemp as a commodity crop (i.e., textile). Post legalization, CBD could be chemically converted into delta-8, delta-9, and delta-10 THC, using solvents (e.g., ethanol) and acids (e.g., sulfuric acid, nitric acid, etc.). Marijuana is federally illegal and regulated by states that have legal cannabis policies in place.

The 2018 Farm Bill legalized "the plant species Cannabis Sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis." The delta-9 THC concentration needs to be not more than 0.3% on a dry weight basis. Its definition focuses on a dry weight measurement of the plant material. When dried, however, a large amount of THC can be extracted in concentrated form, even if it initially met that 0.3% limit. As a result of the Farm Bill's language, the argument and legal interpretation many are taking is that it is legal to have more delta-9 THC in a hemp-derived product than what is allowed in a regulated marijuana product. This created a gray area of regulation and resulted in an influx of CBD products that could be converted into other cannabinoids. The Drug Enforcement Agency (DEA) made clarification efforts in 2020 but did not directly address "synthetic." The DEA has issued other positions that have not yet created significant clarity. The U.S. Court of Appeals for the Ninth Circuit's decision on May 2022 (which was a trademark copyright case over delta-8 vape products) ruled that products that contain delta-8 are completely legal under the 2018 Farm Bill. Other court cases have further assessed whether delta-8 products are legal. The court stated that the text of the Farm Bill was plain and unambiguous and that delta-8 products are lawful. The Farm Bill did not name a regulator for finished cannabinoid products, as the USDA focuses more on farming and cultivation.

Delta-8 products are being advertised in mainstream outlets nationwide (online, convenience stores, etc.). The market is also seeing an increase in delta-10 and products that do not exist in nature (e.g., hexahyrocannabinol [HHC], THC-O-acetate). Products reflect the multiple methods of consumption (edibles, vapes, etc.). Products are marketed with medicinal claims despite there being no consistent required testing or regulatory oversight. The FDA has not taken on regulatory authority but has issued health alerts and warnings to companies making health claims.

Regulatory challenges include limited authority, blurred lines, and a parallel industry that does not have consumer safety in focus but has interstate and online sales. Consumer confusion is a safety concern. Public education is tied to cannabis products. There are not the same educational efforts around hemp-derived cannabinoid products. Hemp-derived cannabinoid molecules are new and unknown, and there is a lack of product testing and oversight (unlike the testing and oversight within the regulated cannabis market). There is no oversight of additives and by-products, and there are risks of heavy metals and other contaminants.

This is evidenced by the crisis in e-cigarette or vaping use-associated lung injuries (EVALI). In the regulated cannabis market, regulators were able to intervene and prevent broad harm from unsafe byproducts (such as vitamin E acetate). The proliferation of intoxicating hemp products is reintroducing the public health/safety risks that cannabis regulators worked hard to mitigate and prevent in the cannabis space. There is no federal regulation for safety over finished products. There is also no recall authority similar to established cannabis frameworks. Medical claims are not approved by the FDA and/or supported by research. Potency, serving sizes, and package limits far exceed the regulated marijuana market. The availability of these hemp-derived intoxicating cannabinoids in retail and online stores makes them widely available to youth. All of these negative factors are undermining the regulated cannabis market, and Colorado is feeling the impact in part due to this parallel market with far lower barriers and oversight.

Cannabis and hemp-derived cannabinoid products are highly technical subjects. This makes it difficult to educate others, including legislatures. Additionally, legislators are focused on a range of issues, resulting in an education gap. There is disagreement regarding how to define "impairing" and how to treat non-natural products (synthetics). There is no or limited regulatory authority over cannabinoid hemp products. The lack of research hinders regulators' ability to make decisions on many of these molecules. There is limited federal engagement, increased challenges in understanding data on safety and adverse events, and increased consumer confusion about what is legal, safe, tested, and intoxicating.

The approaches states are taking include banning, regulating like marijuana, regulating like hemp, or using a hybrid approach. Some states, like California, have banned intoxicating hemp cannabinoid products. Other states, including Maryland, Nevada, and Oregon, regulate all or some cannabinoid hemp products through a state cannabis regulator. Oregon's House Bill 3000 defined "adult-use cannabinoid" and largely moved it under the cannabis regulator with regulatory authority for THC concentration limits. Michigan in 2021 defined THC more broadly (beyond delta-9) and included whether it was artificially or naturally derived and moved it under the cannabis regulatory agency.

Some states regulate cannabinoid hemp products through another state agency (not a cannabis or hemp regulator). For example, Kentucky and Tennessee regulate all or some cannabinoid hemp products through their departments of agriculture. Some states regulate the manufacture of cannabinoid hemp products through their public health department, coupled with restrictions on sales. For example, Colorado has a safe harbor designation for "intoxicating" products, like delta-8, where such products can be manufactured in the state but only sold in other states that do not prohibit them.

Connecticut, Minnesota, and New Jersey provide allowances for THC beverages or other products meeting a specific serving size limit to be sold in certain general retail environments. Minnesota allowed THC derived from hemp to be made available to adults. The state sets a serving size that aligns with some states in their own adult-use policies for the cannabis industry. Colorado allows the manufacture of "intoxicating" cannabinoid hemp products, with restrictions on sales in the state (safe harbor designation). For other categories of products not deemed "intoxicating," there is an imposed age-gating based on the THC/CBD ratio. State actions have occurred through state legislatures (e.g., Arkansas and North Dakota), rules from regulatory agencies (e.g., Alaska), and executive orders (e.g., Missouri).

More state government agencies are engaging in this area. The Colorado Attorney General (AG) consumer protection unit directly engages in supporting efforts toward addressing risks to public health and safety and evidence of misrepresentations to consumers on labels and marketing. It filed suit against a Greeley hemp company and its owner for allegedly selling cannabis products with THC content up to 35 times higher than the legal limit. The suit, filed June 11 in Weld County District Court, alleged the business not only sold high-THC edibles, flower, and concentrates marketed as hemp and CBD products but also forged lab analysis documents. A separate lawsuit initiated against a CBD company by the Colorado AG recently led to an announcement released this week that the involved company agreed to pay a large fine ($225,0000) to resolve the matter. This case involved allegations of misrepresentations about the source of their products, their "organic" status, and misleading information about their support of particular conservation groups. There was also a lack of age-gating (i.e., age verification).

State departments of agriculture face challenges regarding authority, resources, and capacity to regulate the cannabinoid products dominating the market. There have been declines in licensees (especially licensees engaged in industrial hemp production), resulting in decreased funding for departments of agriculture to do this work.

Other challenges include an increase in cannabinoid production over industrial production, the rise of tetrahydrocannabinolic acid (THCA) smokeable flower, and the rise of synthetic cannabinoids. There are also challenges in terms of authority, resources, and capacity to regulate the cannabinoid products dominating the market and litigation against states.

State regulators would benefit from federal regulation and oversight of cannabinoid products coming from hemp. It would also be beneficial to clarify existing state authority to regulate this space as they see fit. Additionally, reliable and sustained funding for state work in this space is needed. Investment and funding are also needed to support true industrial hemp production for food, fiber, and building materials. Additionally, state regulators would benefit from increased research on both the cannabinoid hemp and industrial hemp side.

CANNRA resources include:

- CANNRA Letter on Hemp-Derived Cannabinoids (April 2023)
- CANNRA Testimony to Congress (July 2023)
- CANNRA Response to Congressional Request for Information (RFI) (Aug 2024)
- CANNRA Best Practices for Regulating Cannabinoids
- CANNRA Letter on State Authority (May 2024) (Letter to Congress asking for further clarification to existing state authority to regulate cannabinoid hemp sales within their state.)

VanAusdall asked if CANNRA has educational information. Mendiola stated that CANNRA's website has a host of information on key regulatory topics through factsheets and topic summaries. She also recommended attending the annual stakeholder meeting in Denver in June 2025.

Piciucco asked what external influences CANNRA experiences and how it navigates them. She also asked if CANNRA reaches out to currently inactive states. Mendiola stated the annual stakeholder meeting is held to bring in outside perspectives. Attendees must be engaged in cannabis and/or cannabinoid activities and not involved in the manufacture or distribution of alcohol or tobacco. CANNRA does reach out to those not currently in its organization, particularly those in newly legalized states.

3. Heard a Presentation on Impediments for Otherwise Admitted Carriers to Write Coverage for Cannabis

Christy Thiems (American Property Casualty Insurance Association—APCIA) said cannabis remains an active issue, and many of the same challenges remain. Twenty-four states and the District of Columbia (DC) have legalized cannabis for adult use. Medical use is legal in 29 states and DC. Nebraska is the 30th state to legalize cannabis for medical use, but legal challenges are expected. In the state of Florida, 56% of voters supported legalization for adult use, but 60% were required to update the state's constitution, so the measure failed.

The legalization of cannabis failed in North Dakota and South Dakota. The psychedelics measure failed in Massachusetts. The Arkansas Supreme Court ruled the votes could not be counted. Since the Farm Bill descheduled hemp, intoxicating hemp markets have taken off and, in many states, are essentially legal. Thirteen states expressly permit intoxicating hemp products, but it is prevalent countrywide, and many states do not have an agency tasked with monitoring it.

The legal cannabis industry has the same needs as any other industry. It requires commercial insurance coverages, including general liability, property, workers' compensation, product liability, and directors and officers (D&O). Some concerns relate to complex regulations and increased risks within coverages that may seem like a fit. This includes liability arising from: 1) third parties (e.g., an already impaired customer); 2) collateral exposures, such as the potential increased crime risk for a landlord renting to a cannabis business; 3) products used outside of the intended purpose, such as prepackaged brownie mixed used for edibles; and 4) exposure of reimbursing for legal growing, such as a homeowners policy in the event of a fire. Without an objective impairment standard and a reliable method to measure impairment, insurers continue to have concerns about roadway and workplace safety. Carriers are also concerned about coverage mandates and previously approved exclusions being rejected. While no state has mandated that admitted insurers provide coverage, going as far back as 2018 in California, admitted insurers were publicly encouraged to write for the legal cannabis industry. Some states have attempted to pass legislation "allowing" admitted carriers to write in their state without fear of prosecution, but these measures cannot provide protection from federal prosecution. The largest barrier is still the continued federal illegality of cannabis and the fear of federal prosecution.

The Secure and Fair Enforcement Regulation (SAFER) Banking Act would provide a safe harbor for the financial industry, including insurance, to do business with the legal cannabis industry. It would provide the insurance industry the certainty it needs to provide services to the legal cannabis industry. It would also address the collateral risks for companies not directly involved with the cannabis industry but still doing business (e.g., grow light and irrigation manufacturers, etc.). While the SAFER Banking Act is not expected to pass this year, there will likely be movement in the next Congress.

Rescheduling cannabis to Schedule III does not solve the federal illegality problem. Many of the same laws and uncertainty will still apply. It will open the door to more research, which is necessary to develop an objective impairment standard and reliable test for impairment. This is key to keeping roadways and workplaces safe as legalization continues.

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

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Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Denver, Colorado
November 17, 2024

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Denver, CO, Nov. 17, 2024, in joint session with the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group of the Catastrophe Insurance (C) Working Group. The following Working Group members participated: Chlora Lindley-Myers, Chair, represented by Cynthia Amann (MO); Mike Causey, Vice Chair, represented by Jackie Obusek (NC); Jimmy Gunn (AL); Crystal Phelps (AR); Ken Allen, Lucy Jabourian, and Mitra Sanandajifar (CA); George Bradner and Wanchin Chou (CT); Virginia Christy, Nicole Crockett, and Richie Frederick (FL); Jerry Bump (HI); Travis Grassel (IA); Julie Holmes (KS); Chuck Myers (LA); Jackie Horigan and Matthew Mancini (MA); Aaron Cooper (MS); Tom Botsko (OH); Glen Mulready (OK); Raven Collins (OR); David Buono (PA); Beth Vollucci (RI); Bill Huddleston (TN); Mark Worman (TX); and Allan L. McVey (WV). The following Advisory Group members participated: Glen Mulready, Chair (OK); Carter Lawrence, Vice Chair, represented by Bill Huddleston (TN); Sian Ng-Ashcraft (AK); Jimmy Gunn (AL); Ken Allen, Lucy Jabourian, and Mitra Sanandajifar (CA); George Bradner and Wanchin Chou (CT); Virginia Christy, Nicole Crockett, and Richie Frederick (FL); Travis Grassel (IA); Julie Holmes (KS); Chuck Myers (LA); Aaron Cooper (MS); Cynthia Amann (MO); Beth Vollucci (RI); and Tony Dorschner (SD). Also participating were: Phil Vigliaturo (MN); and Christian Citarella (NH).

1. Heard an Update on the Recently Released *The Flood Insurance Crisis: A Comprehensive Breakdown on Rising Flood Insurance Premiums* Paper

Alexander Swindle (NAIC) said Sen. Bill Cassidy (R-LA) is urging U.S. Congress (Congress) to reform the financially troubled National Flood Insurance Program (NFIP), aiming to make it more affordable, sustainable, and accountable. The goal is to implement reforms before the end of the next Congress.

Swindle said Sen. Cassidy's proposal includes premium relief for lower-income policyholders to ensure flood insurance does not become a financial burden. The recent *The Flood Insurance Crisis: A Comprehensive Breakdown on Rising Flood Insurance Premiums* paper outlines several critical reforms to the NFIP. These reforms include: 1) capping premium increases and placing limits on premium hikes to protect policyholders; 2) implementing means-tested discounts based on income to make insurance more affordable; 3) strengthening mitigation efforts by prioritizing flood prevention and resilience; 4) simplifying the claims process, making it easier for policyholders to navigate claims; 5) re-evaluating pricing by having FEMA reassess its pricing methodology and focus on affordability; 6) rolling back Risk Rating 2.0 by suspending it and similar changes without Congress's approval; and 7) incorporating stakeholder feedback by ensuring state and local feedback is considered to improve the affordability and effectiveness of the NFIP.

Swindle said Sen. Cassidy's report criticizes FEMA's handling of the program in the following areas: 1) mapping issues, specifically addressing FEMA's mapping methods, especially those under Risk Rating 2.0, which need improvement to align with real-world risks; 2) private partnerships and contracting addressing concerns over FEMA's reliance on private partnerships and contracting without clear accountability; and 3) disaster debt from past events and FEMA's focus on covering the past debt.

Swindle said the potential consequences of inaction include: 1) policyholder drop-off with the possibility of a million people dropping their coverage due to rising rates; 2) concentration of risk in places like Greater New Orleans, where 52,000 policyholders have already dropped their coverage; and 3) an actuarial death spiral due to fewer policyholders, leading to higher rates for policyholders.

Swindle said Sen. Cassidy is working toward bipartisan support and engaging with stakeholders across the political spectrum by meeting with the Congressional Budget Office (CBO) to assess how reforms, especially mitigation efforts, can be funded. Sen. Cassidy plans to follow up with the CBO and other stakeholders by the end of the year for candid feedback.

Swindle said Cassidy stresses that the NFIP must balance two critical goals: 1) making the program financially available to all; and 2) ensuring it remains financially sustainable for all without relying too heavily on taxpayer bailouts.

Swindle said NAIC staff will continue to engage as we approach the introduction of Sen. Cassidy's reforms in Spring 2025.

2. Adopted its Oct. 23 Minutes

Amann said the Working Group met Oct. 23. During this meeting, the Working Group exposed the *Catastrophe Modeling Primer* for a 30-day public comment period ending Nov. 22.

Botsko made a motion, seconded by Bradner, to adopt the Working Group's Oct. 23 minutes (Attachment Two-A). The motion passed unanimously.

3. Heard a Presentation from Connecticut on its New Extreme Weather Mitigation & Resiliency Advisory Council

Bradner said the Connecticut Insurance Department (CID) has been following various initiatives states are working on to help create more resilient communities. The CID began working with the Connecticut governor's office in late 2022 to implement legislation in 2023. Part of the governor's legislative program was implementing an insurance council to examine resiliency and mitigation for both homeowners and small business owners in Connecticut. Bradner said the legislative session last year was short, and due to the full agenda, the bill ultimately did not make it to committees.

Bradner said Commissioner Andrew N. Mais (CT) wanted to move forward with a resiliency council so the CID could move forward in helping residents and communities. The core focus is shifting from a reactive response to proactive risk mitigation. Connecticut's goal is to reduce economic losses, insured losses, and the strain on public resources by making properties more resilient to extreme weather.

Bradner said the primary task of the Resiliency Advisory Council (Council) is to explore and develop a program to incentivize homeowners and businesses to invest in resiliency measures. The program will also consider various facets of the program, like grant standards, emerging insurance products, financial thresholds, and potential public/private partnerships.

Bradner said the CID is continuing to examine various perils and deciding whether to consider wind, flood, wildfire, etc. He said that since Aug. 18, western Connecticut has had record flooding. Over 25 fires have been reported in the state, and the fires are continuing throughout the northeast in Connecticut, Maine, New Hampshire, New York, and Vermont.

Bradner said he has visited communities around the state to inform them of the importance of resiliency. He said most of the resiliency discussions to date have centered around wind. Bradner said he would talk to the Council later this week about flooding, as it is a rapidly rising issue in many states. He said the challenge is figuring out how to change the discussion on flood insurance. One of the challenges is convincing legislators, mortgage companies, realtors, and insurance agents that just because a home is not located in a flood zone does not mean there will not be any flooding.

Bradner said the Council is a multidisciplinary council with expertise in diverse fields, including academia, climate science, construction, the Connecticut Green Bank, and insurance. The Council emphasizes collaboration and public engagement and looks to public/private relationships in this endeavor. He said the Council's first public meeting will include experts from the Federal Alliance for Safe Homes (FLASH), the Insurance Institute for Business & Home Safety (IBHS), and the NAIC. The meetings will be open to the public so the Council can start informing the public about Connecticut-specific issues.

Amann said it is important to remember that implementing any risk mitigation plan requires multiple steps. The Department of Insurance (DOI), legislatures, private citizens, and public companies all have a stake in risk mitigation planning. The Working Group looks forward to hearing about programs from other states as they are implemented.

4. <u>Heard a Presentation from Pennsylvania on its “Flood Insurance Premium Assistance Task Force Final Report”</u>

Amann said Pennsylvania recently released the *Flood Insurance Premium Assistance Task Force Final Report*. The Flood Insurance Premium Assistance Task Force consisted of two state representatives, two state senators, and representatives from the Pennsylvania Department of Banking and Securities (DoBS), Pennsylvania Emergency Management Agency (PEMA), and Pennsylvania Insurance Commissioner Michael Humphreys, who served as chairperson.

Buono said the Task Force was established through Act 22 in November 2023 and given six months to develop recommendations for the governor and the legislature. The Task Force was charged with delivering a report containing recommendations to the governor and the general assembly to increase flood insurance awareness, accessibility, and affordability.

Buono said that prior to convening the Task Force’s first meeting, it issued a bulletin notice soliciting public comments to assist in understanding the recommendations and increasing awareness and affordability. Buono said the Task Force held five public meetings between February and June 2024 through facilitated discussions and presentations from experts in the field. The experts included academics, bankers, producers, and realtors. Additionally, the Task Force received assistance from FEMA members, who attended every Task Force meeting.

Buono said one of the recommendations was to establish an office for Community Rating System (CRS) assistance. The Task Force learned that becoming a CRS community is not easy. Several presenters expressed frustration with the complexity, length of time, and extensive resources necessary to do so. The Task Force recommended creating a CRS assistance office to serve as a resource for both existing CRS communities and communities interested in becoming CRS-designated. The Task Force recommended this office be a part of PEMA because it is the entity that watches over the NFIP and works closely with FEMA.

Buono said the CRS assistance office would: 1) assist communities and implement credible activities; 2) establish a cohesive approach to flood mitigation; 3) coordinate county or other local initiatives regarding International Organization for Standardization (ISO) building code effectiveness; 4) assist local communities in completing CRS-related applications and materials; and 5) create, maintain, and distribute educational templates that non-CRS communities can use to increase awareness of flood risk and mitigation programs. The CRS program is important because CRS communities get flood insurance discounts.

Buono said the Task Force also worked to improve disclosures during the home-buying process. He said Pennsylvania currently does not have a law or regulation requiring a property to have flood insurance coverage to obtain a mortgage. He said a seller and homeowner may not know if the property has ever experienced a flood event and, consequently, may not be aware of the need to buy flood insurance until they are at the table buying the house. Buono said some states, such as New Jersey and New York, have improved these disclosures, so the Task Force studied them. The Task Force also studied the District of Columbia's work and tried to ensure the recommendations mirrored the same goal.

Buono said another recommendation was to incorporate continuing education (CE) across professional roles. The Task Force recommended the Pennsylvania General Assembly enact legislation requiring CE on flood risk and insurance for insurance producers, real estate agents, and mortgage lenders to be incorporated into existing CE requirements. The DOI has already taken steps for insurance producers. Two hours of CE for insurance producers writing property/casualty (P/C) insurance must be on flood insurance. There was no increase in the number of hours of CE requirements; there was just the caveat that two of the required CE requirements include flood insurance. Producers need to ensure they do not tell consumers they do not need flood insurance or are not in a special flood hazard area (SFHA).

Buono said the recommendations included enhanced education and outreach because one misconception homeowners have is that a standard homeowners insurance policy covers flood damage. The Task Force recommended that the Pennsylvania Insurance Department employ an individual to act as a flood insurance ombudsman. This individual would help educate consumers and work with PEMA, FEMA, the Pennsylvania Department of Environmental Protection (DEP), and other agencies as needed to discuss flood insurance and its importance with consumers.

Buono said the Task Force recommended that the Pennsylvania General Assembly enact legislation to provide tax credits or deductions for costs incurred by homeowners making home repairs to be more flood resistant. The participating legislators are already working to incorporate this recommendation into action.

Buono said the Task Force recommended enhanced coverage for water damage. While standard homeowners and rental insurance policies exclude flooding, many insurers offer endorsements for coverage expansion provisions to cover water-related damages. The Task Force recommended that the Pennsylvania Insurance Department encourage all companies and agents offering homeowners and renters policies to educate consumers on the availability of such products. Some insurers have products that could help cover consumers up to $25,000, and consumers need to be educated about the existence of this type of coverage expansion.

Buono said there was a recommendation to incorporate flood resiliency into the building code, as it is important for building codes to stay current to protect consumers. This has been enacted in Pennsylvania.

Buono said there is a recommendation proposing the Pennsylvania Flood Insurance Relief Act. The Task Force recommended the General Assembly introduce legislation that would allow Pennsylvania consumers to deduct flood insurance premiums from their state income tax.

Buono said the final recommendation was to further study innovative solutions. He said Puerto Rico has some helpful ideas relating to parametric insurance.

Amann said she envisions using this report to cross-reference some of the Working Group's charges in 2025. She said the report does a good job of pointing out problems from various perspectives.

Amy Bach (United Policyholders—UP) said many states are grappling with connecting mitigation with insurance discounts and whether that is mandatory or optional. She asked Buono if he believes that being in a community that is participating in the program is a model that communities can use as they seek to prepare for various perils based on the work done. Buono said that when the Task Force looked at the CRS, it did not completely comprehend how difficult the process seemed for communities to complete. Becoming a CRS community was set aside. This is a problem because potential discounts would have been available. Buono said he believes some communities have done the work but have not gone through the labor of getting credit for their work.

5. <u>Heard from the CIPR on the Legislative Obstacles in Forming State Mitigation Program</u>

Brian Powell (Center for Insurance Policy and Research—CIPR) said a legislative process typically establishes mitigation programs at the state level. He said he helps states work through the legislative process to form state mitigation programs and has worked with states to create legislative strategies to ensure adequate support and outcomes that benefit the insurance markets in the states interested in establishing programs. Powell said there are four areas he would discuss the following areas: 1) educating stakeholders about programs; 2) the timing of legislation and management of expectations; 3) competing legislation; and 4) situational awareness.

Powell said stakeholders should understand the purpose of mitigation programs and their relationship to insurance. Some of these relationships to insurance include reducing the risk of loss, encouraging entry or increased writing of insurance by insurers, creating competition within the insurance market, and helping control pricing. Mitigation programs benefit insurers in the reinsurance market by reducing the cost of insurance.

Powell said there has been a need to provide better education with the understanding that these programs are typically a launch platform for reducing the risk of loss in specific geographic areas within a state. The most vulnerable geographic areas in the state are not always intuitive. The CIPR provides resources for states to help them determine their most affected areas and help states decide where to invest their funds to get the biggest return on their investment.

Powell said some states may need mitigation programs for multiple perils. He said it is possible to combine two perils, and legislative authority can cover those multiple perils, but some issues need to be discussed with legislators when they reach that point.

Powell said that the risk reduction benefits of concentration and mitigation efforts should be understood geographically. He said that when the number of homes or different properties being mitigated is condensed, you start to see the most effect in the insurance market instead of spreading those mitigation projects out across a wide geographic area, which can sometimes be politically motivated.

Powell said it is important to understand mitigation program specifics, standards, expectations, and how they operate. He also mentioned the needs and avenues for funding to support some of these programs. He said it is important to understand incentives, such as premium discounts, endorsements, and financial incentives through partnerships.

Powell said the timing of legislation requires understanding how long it takes to design and implement a state mitigation program and ensure its proper performance. This requires managing expectations, which can be an obstacle. Additionally, competing legislation can occur when other entities in the state are trying to do the same thing. There are times when other entities do not tie mitigation to insurance. Powell provided an example in which a mitigation program was already up and running and issuing grants for mitigation programs, but another state agency was doing the same thing. This example illustrates the need to combine efforts with other entities.

Powell said situational awareness can be an issue when working with legislators, especially understanding and focusing on the outcome. Other items will be affected when creating a mitigation program. For example, a state that has not enforced a building code will need to have conversations about making one, which can be a contentious conversation depending on the stakeholders involved. The political will of the state also can become a part of the conversation. Ancillary things can come from creating a mitigation program, including stricter laws against insurance fraud.

Powell said state insurance commissioners have a resource within the NAIC that will help walk their state through the process of creating a mitigation program. He said CIPR staff will help walk states through the process of creating a mitigation program and providing support for the state through an engagement team to help walk through the components a state wants to include. Powell said the CIPR is currently working with several states.

Horrigan asked what issues Powell had encountered with dedicated funding sources and whether he thinks there is a lot of support for mitigation programs. She said while there is general support for these types of programs, there is not always an understanding of how the program will be funded and how the money will flow into the program. Powell said a state creating a mitigation program needs to look at funding streams to create some level of sustainability for the program, as states cannot always count on internal funding. Powell said some states are better positioned to provide funding through internal sources within a DOI or work through a legislative authority to find additional funding. He said the legislation needs to include some authority to obtain additional funding. Powell said one thing he has seen across the country is cross-industry support. He said there have been some instances where large companies are providing grants and funding pieces of a mitigation program for some of their key employees, as well as making it a part of their continuity plan. Powell said when a large company has to shut down its operations due to a weather-related event, it can be a two-week process. He said the CIPR has seen a number of public/private partnerships included in the resources the CIPR provides.

Grassel asked Powell how important he thinks updating building codes is. He said some states are further behind than others, and building codes may be less important. Grassel said some states may also feel like they cannot pass stricter building codes at the legislative level. Powell said having stricter building codes is certainly important; however, there are differing thoughts. He said one thing the IBHS is finding out through the mitigation programs is that these programs and the science behind them work. Powell said a paper will be released soon showing how well the IBHS fortified standards worked in Alabama following Hurricane Sally. He said this was the first time there was a real opportunity for a concentration of mitigated homes to be affected by a storm. Powell said the resilience of this area was measured once the storm passed. He said these programs are a platform to start a conversation about building codes if a state does not have strong or enforced building codes.

Powell said the IBHS and its work typically go beyond code, but he believes once the type of mitigation program is standard, it is relatively easy to convince others how it is to develop building codes to a certain standard.

Amann encouraged Working Group members to make others at their DOIs and state legislatures aware of the work the CIPR is doing. She asked the Working Group to bring any suggestions or deficiencies to the attention of the Working Group and the CIPR.

6. Heard Comments on the *Catastrophe Modeling Primer*

Amann said the *Catastrophe Modeling Primer* will introduce state insurance regulators to the catastrophe modeling process. She said more advanced information is available through the Center of Excellence (COE). The primer will provide guidance to examiners and rates and forms personnel. Amann said the document includes links to charts and more detailed information for those interested in further reading. She said state insurance regulators participating in the project included: Kristen Barrow (NC); Bob Lee (FL); Buono; Chou; Grassel; Lizabeth Landsman (CA); Mitra Sanandajifar; and Amy Waldhauer (CT). Amann said Crockett chaired the drafting group.

Crockett said it was a long process due to the intricate nature of catastrophe modeling. She thanked Sara Robben (NAIC) for her integral part in the process.

There were no oral comments from the Working Group, interested regulators, or other interested Parties. Amann said the document is exposed for a 30-day comment period ending Nov. 22.

7. Discussed Collaboration with Other Working Groups

Amann said that over the past few years, many issues have crossed over into the various working groups. She said the Working Group wants to be mindful of its charges while paying attention to any overlap.

Amann said she would like the Working Group to examine the data collected, make suggestions, and suggest additional information the Working Group members would like to see available. She would also like to hear how states are using and analyzing the data being collected.

Amann said she would like the Working Group to know what other groups are doing to see if there is room for collaboration and to eliminate duplication of efforts. She said she would like to have various members of the Working Group be responsible for reporting on what some of the other groups they participate in are doing to achieve this.

8. Heard an Update on FEMA Workshops

Commissioner Mulready said the NAIC and FEMA are planning a workshop for FEMA Region 5, which includes Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin. The workshop will be held Feb. 11–12, 2025. Commissioner Mulready said these workshops have been held in many FEMA Regions. He said Oklahoma hosted the workshop held for FEMA Region 6 and believed it was a great experience for FEMA and the participating DOIs.

Commissioner Mulready said FEMA has recently sent out communications about the recent hurricanes and told Working Group members that if they would like to receive FEMA communications, they should contact Robben, who will forward the information.

9. <u>Heard an Update on a Recent Catastrophic Event in Tennessee</u>

Huddleston said Hurricane Helene moved through East Tennessee Sept. 27. He said that while the hurricane was downgraded to a tropical storm, East Tennessee still experienced a lot of flooding and destruction. The flooding was exacerbated by heavy rainfall two days prior to the storm. Huddleston said Tennessee Gov. Bill Lee signed an executive order declaring a state of emergency. The declaration gave Commissioner Carter Lawrence (TN) the discretion to direct the insurers licensed in Tennessee to make reasonable efforts to assist policyholders who had experienced losses because of the severe weather. Huddleston said the DOI issued a bulletin clarifying what was expected of the insurers. The second bulletin was about a data call the DOI initiated with the assistance of the NAIC. The data call will continue for six months.

Huddleston said the DOI has created the Helene Emergency Assistance Loans (HEAL) program, which makes interest-free loans available to the affected counties in Tennessee. These loans can help with wastewater and water service damage, rebuilding local communities, and removing debris.

10. <u>Heard an Update on a Recent Catastrophic Event in North Carolina</u>

Obusek said North Carolina experienced a flood event Sept. 27 as a result of Hurricane Helene. She said not many people in the western part of North Carolina had flood insurance. Their data call reflects a total of 27,000 flood insurance policies, with only 277 claims filed against those policies.

Obusek said that, as of the end of October, 98,000 claims had been filed in North Carolina, and approximately $1.2 billion in losses had been incurred by North Carolina insurers. They have been conducting insurance camps in both Boone and Ashville. Obusek said there has been participation from insurers, FEMA, and the NFIP. She said they did not have many consumers participate because most affected consumers do not have insurance coverage, so they did not think they needed to go to the insurance camp. Obusek said it would have benefited consumers to attend the insurance camps, as they could have interacted with FEMA. She said they have been conducting victim assistance centers one or two days a week since they were able to get into the affected areas.

Obusek said North Carolina has released five bulletins related to the catastrophe, including one for insurers on how to handle policyholders. They hope these bulletins will be beneficial.

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

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Draft: 11/4/24

Catastrophe Insurance (C) Working Group
Virtual Meeting
October 23, 2024

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Oct. 23, 2024. The following Working Group members participated: Chlora Lindley-Myers, Chair, Cynthia Amann, and Jeana Thomas (MO); Shauna Nickel (AK); Ken Allen, Giovanni Muzzarelli, and Mitra Sanadajifar (CA); Hawi Chibessa (DC); Nicole Crocket, Richie Frederick, and Whitney Herrington (FL); Gordon I. Ito and Kathleen Nakasone (HI); Travis Grassel (IA); Kevin Gregg, Chris Hollenbeck, and Craig VanAalst (KS); Chris Cerniauskas, Jessica Excano, Crystal Stutes, and Timothy J. Temple (LA); Caleb Huntington and Matthew Mancini (MA); Joy Y. Hatchette (MD); Tim Vigil (NM); Gennady Stolyarov (NV); Tom Botsko (OH); Raven Collins, David Dahl, and Ying Liu (OR); David Buono (PA); Elizabeth Kelleher-Dwyer and Beth Vollucci (RI); Zachary Crandall, Mary Freeman, Will Garrett, and Vickie Trice (TN); Marianne Baker, J'ne Byckovski, and Mark Worman (TX); and Allen L. McVey (WV). Also participating were Linda Grant (IN) and Chris Arth (MI).

1. Adopted its Summer National Meeting Minutes

Crockett made a motion, seconded by VanAalst to adopt its Summer National Meeting minutes (*see NAIC Proceedings, Summer 2024, Catastrophe Insurance (C) Working Group*). The motion passed unanimously.

2. Exposed the *Catastrophe Modeling Primer*

Amann asked Crockett to update the Working Group on the drafting group's progress on the *Catastrophe Modeling Primer*. Crockett said the drafting group includes California, Connecticut, Florida, Iowa, Missouri, North Carolina, and Pennsylvania, and she thanked Shaveta Gupta (Center for Insurance Policy and Research—CIPR) and Sara Robben (NAIC) for their integral participation in the drafting of the document.

Crockett said the document provides the fundamental concepts surrounding catastrophe modes and serves as a bridge to the Center of Excellence's (COE's) available training about catastrophe models. The primer provides information about the usefulness of catastrophe models for state insurance regulators and introduces new state insurance regulators to catastrophe modeling. Other topics discussed include the evolution of catastrophe models, how they work, catastrophe model's components, key metrics, regulatory interaction, and some additional introductory concepts. The primer is advisory only and is not intended to provide mandatory guidelines.

Crocket reminded the Working Group that the COE provides state insurance regulators with more advanced technical training and expertise regarding catastrophe models and how they are used within the insurance industry.

Robben walked through the *Catastrophe Modeling Primer* section by section. The sections include: 1) the purpose and background; 2) the evolution of catastrophe modeling; 3) observed trends of hazards and losses; 4) demographic changes; 5) what a catastrophe model is and how a catastrophe model should be used; 6) model components; 7) key metrics and outputs; 8) modeled hazards; 9) state insurance regulators' perspectives; 10) regulatory concerns; 11) state-specific information; 12) consumers' perspectives; 13) summary; and 14) appendices with additional information regarding a few states' regulations and questions for regulators following a preliminary assessment of catastrophe models.

Amann said the Working Group undertook the revising of this primer, recognizing that it is meant for the entry-level department of insurance (DOI) employee or someone new to catastrophe modeling. She said the goal of the primer is to spark interest and provide guidance to a new person. Amann said going forward the primer would serve as an introductory level to the COE.

Amann said that while state insurance regulators recognize the consumer component of catastrophe model use, consumer concerns would be better addressed in a document meant for the consumer divisions of a DOI. She asked for a motion to expose the *Catastrophe Modeling Primer* for a 30-day exposure period.

Grassel made a motion, seconded by Crockett, to expose the *Catastrophe Modeling Primer* for a 30-day public comment period ending Nov. 22. The motion passed unanimously.

Amann said the Working Group will address the comments it receives and plans to conduct an e-vote on Dec. 18. Amann said anyone wanting to make comments at the Fall National Meeting could make them orally for the Working Group to address.

Shaw asked for California's deadline to review its regulations for correctness. Amann said on or before Nov. 22 if possible.

Having no further business, the Catastrophe Insurance (C) Working Group adjourned.

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Draft: 12/3/24

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
November 12, 2024

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 12, 2024. The following Working Group members participated: George Bradner, Chair (CT); Dusty Smith (AL); Ken Allen (CA); David Martinez (CO); Angela King (DC); Sara Zuniga (KS); Ron Henderson (LA); Daniel Bryden (MN); Jeana Thomas (MO); Angela Hatchell (NC); Tricia Goldsmith (OR); David Buono (PA); Vickie Trice (TN); and Marianne Baker (TX). Also participating was: David Forte (WA).

1. <u>Discussed Proposed Revisions to the Premium Increase Transparency Guidance Based on Comment Letters</u>

Bradner said the Premium Increase Transparency Guidance was previously exposed for a comment period that ended Aug. 30. Comment letters were received from Brenda J. Cude (University of Georgia), United Policyholders (UP), American Property Casualty Insurance Association (APCIA), National Association of Mutual Insurance Companies (NAMIC), and the Independent Insurance Agents & Brokers of America (IIABA). The following details revisions made to the guidance document. Sections in blue are the relevant guidance document language with redlined revisions.

NAMIC's comment letter emphasized that it believes the guidance does not consider the complexity of composite rating models, and it is disappointed with the inclusion of Phase Two without an analysis of the effectiveness of Phase One. Similarly, APCIA's comment letter stated it believes insurers will have difficulties properly "pricing" factors in the example notices and reiterated that the notices pose significant compliance challenges and burdens. Subsequent to its comment letter, APCIA requested the Working Group consider revising the guidance to reflect that Washington is considering delaying the start of Phase Two in its rule from June 2027 to June 2029. This change would move the start date of Phase Two from three years to five years after the start date of Phase One.

Forte said insurers have expressed concerns about the cost of going into Phase Two. For insurers to meet the June 2027 Phase Two deadline, they would need to begin information technology work next quarter. In response, Commissioner Kreidler has provided a Notice of Proposed Rule Making (NPRM) that he is considering delaying the start of Phase Two. However, it will be Commissioner-elect Patty Kuderer (WA), who takes office Jan. 15, 2025, who will make the ultimate decision.

Lisa Brown (APCIA) asked if the data call planned by Washington to collect information about insurer experience with Phase One is dependent on the new commissioner. Forte said that if there is a data call, it will be later in the rule-making process and collect information on insurers' experiences with Phase One began in June. Insurers are reporting they are not receiving many inquiries from consumers.

Bradner said the Working Group believes the growing complexity of rates necessitates transparency to enable consumers to understand the factors behind the increase in insurance premiums. However, it is recommended that the timing of Phase Two in the exposed guidance mirrors Washington's original premium change transparency rule timing of three years. In light of Washington's contemplation of a Phase Two date change, the Working Group has revised its wording in the Notification Thresholds section of the guidance to remove the suggested three-year Phase Two start date. It also added a footnote that specifies states should determine the Phase Two implementation time based on their review of Phase One and implementation of Phase Two considerations.

Revised to:

Notification Thresholds

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

‘(2) Phase Two: Beginning [enter date phase two begins], insurers must automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase at renewal. Automatic premium change notice applies to insurance policies with annual premium increases of $100 or more.

* The second phase implementation date should be decided by states based on a review of Phase One and implementation of Phase Two considerations.

NAMIC also expressed disappointment that the Working Group decided not to include Section 4(b)(2)(A) of the National Council of Insurance Legislators (NCOIL) Insurance Underwriting Transparency Model Act, which would exclude “an increase in the insurer’s filed rate plan and automatic inflationary increases.” The Working Group continues to believe policyholders would benefit from knowing these factors, particularly given the impact of recent inflation on rate increases. As such, this exemption would be contrary to the intent of the disclosure.

Additionally, NAMIC expressed concern that the Scope and Communication Standards sections of the guidance are inconsistent with regard to their treatment of the Fair Credit Reporting Act (FCRA). However, the Working Group did not see a conflict with the guidance document if, for example, an entity is required to provide notice regarding driving records under FCRA. The exemption of FCRA-required notices would not mean the requirements cannot mention items covered by the FCRA.

Furthermore, NAMIC felt the undefined term “major” used in the notice examples is challenging because many rating models are multiplicative, not additive. It recommended replacing “major” with “examples of” and deleting “along with the dollar impact of each of those reasons.” The Working Group believes specificity provides important information to the policyholder on the factors driving the increase in their premium. However, as this is just guidance, a footnote was added to the examples to denote states may choose to exclude the requirement that specific premium amounts be attributed to the increase in premium.

Revised to include:

[* States may choose to exclude the requirement for insurers to specify each factor’s dollar impact for the increase in premium. In these instances, insurers should include a statement informing policyholders they can contact a designated representative for details about the specific dollar impacts, along with the necessary contact information.]

Lastly, NAMIC suggested that, with the consolidation of the proposed notices, it would be helpful for the document to clarify that the “Factors for your policy premium increase” should be clearly tied to the uncapped premium. The

Working Group agreed. However, no revision was made, as the example already includes the following statement indicating factors are tied to uncapped premium: “*[If the policy premium is capped, a statement such as the following must be included:].”*

UP suggested that the Scope of Applicability, Exemptions, 4e, specify the telematics exemption is for those who “routinely” disclose information. They also suggested changing “may want to” to “should consider having these programs included in this disclosure.” The Working Group agreed and implemented these suggestions.

Revision Accepted:

Scope of Applicability

‘(4) Exemptions

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

UP also suggested revising the Notifications and Administrative and Notification Requirements sections to specify insurers must automatically provide at least a 60-day (rather than a 30-day) notice of renewal and disclose causes of premium increase within 15 days. The Working Group did not implement these suggestions as this is a guidance document, and, as such, the actual timelines will be determined by states in accordance with their statutory language. The guidance document intends for insurers to 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.

The Working Group also did not implement UP’s suggestion to specify that primary factors and composite rating variables are specific to the policy in the Communications section for No. 2 and No. 3. The notice already states this.

UP suggested clarifying changes in personal and/or driving characteristics come from members of the household in the Auto Notice Example. For both notice examples, it also suggested adding a requirement that the insurer disclose actions the consumer can take to reduce their premium. The Working Group did not implement these suggestions as they go beyond the scope of the guidance document. Additionally, the carrier may not always reduce premiums for the reasons stated.

APCIA suggested the Working Group amend its draft to provide a minimum premium charged to a consumer in order for the notice to be required under Phase Two of the proposal to avoid requiring notice for minor amounts. The Working Group implemented this suggestion by adding an exemption to exclude policies with an increase of less than $100 annually.

Revised to:

Scope of Applicability

‘(4) Exemptions

'f. For Phase 2, this chapter does not apply to insurance policies with a premium increase of less than $100 annually.

Notification Thresholds

'2) Phase Two: Beginning [enter date phase two begins], insurers must automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase at renewal. Automatic premium change notice applies to insurance policies with annual premium increases of $100 or more.

The Working Group did not implement APCIA's suggestion to allow insurers to interpret for themselves what "prominent disclaimer" means. As guidance, prominent disclosure requirements will be decided by each state. APCIA also noted continued concerns about disclosing proprietary information. However, the Working Group has stated there is no intent to disclose proprietary information (such as rating algorithms). The consumer just needs to understand the factors impacting their rate change.

The Working Group agreed with IIABA that the Communications Standards section needed clarity to indicate the list of primary factors is not exhaustive. It suggested revising 1e to state: "In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase."

Accepted Revision:

Communication Standards

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

'e. In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase. ~~Factors not listed above as primary are optional. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.~~

Dr. Cude suggested that the example notices should have a "headline" that indicates it includes important and relevant information. The Working Group implemented this concept by adding a bold, 16 pt. font, centered heading that reads, "Notice of Auto (or Homeowners) Premium Increase."

Revised to:

Notice of Auto/Homeowners Premium Increase

In response to Dr. Cude's concern that the use of the word "anticipated" in the example notices would imply uncertainty, the Working Group replaced it with "estimated."

Revised to:

According to the rating plan we filed with your state, your estimated ~~anticipated~~ renewal policy premium is [$2,121].

The Working Group also agreed that the word "only" in "only $88" implies a judgment about the dollar amount and removed it.

Revised to:

- **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.**

Tony Cotto (NAMIC) said that while NAMIC does not agree with all the Working Group's decisions, it appreciates the Working Group's revision process and its inclusion of explanations of why revision recommendations were or were not made. Detailing this in a document is helpful to NAMIC's efforts to inform its members. NAMIC appreciates the additional footnotes but continues to have grave concerns with Phase Two. It is out of order to move to Phase Two before studying Phase One. Brown said she echoed Cotto's comments.

2. Adopted the Revised Premium Increase Transparency Guidance

Baker made a motion, seconded by Zuniga, to adopt the revised Premium Increase Transparency Guidance (Attachment Three-A). The motion passed, with Smith voting against.

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

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PREMIUM INCREASE TRANSPARENCY DISCLOSURE NOTICE GUIDANCE FOR STATES

For renewal premium that results or does not result from a capping procedure used by the insurer

Scope of Applicability

(1) Disclosure applies to policies renewed on or after [Enter Date].
(2) Disclosure applies to authorized insurers with these types of personal insurance policies:
    a. Private passenger automobile coverage;
    b. 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 such as policyholder-initiated changes to deductible, frequency of payments, or increase/decrease in what is covered.
    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 routinely disclosing information to drivers on how their performance is impacting their rate, an additional disclosure is not required. Otherwise, a state should consider having these programs included in this disclosure, while keeping within state confidentiality laws.
    f. For Phase Two, this chapter does not apply to insurance policies with a premium increase of less than $100 annually.

Notification Thresholds

(1) Phase One: Beginning [enter date], and effective until [enter date Phase One ends*], insurers must reasonably explain changes in premium for policies described in the Scope of Availability, upon written request by the policyholder, for any premium increase at renewal.

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

Automatic premium change notice applies to insurance policies with annual premium increases of $100 or more.

[* The second phase implementation date should be decided by states based on a review of Phase One and implementation of Phase Two considerations.]

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 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 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 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 has elected to receive email notifications). Guidance for prominent disclosure remains the same as in Phase One.

(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 written request for explanation of premium change no later than 30 calendar days from receipt of the written request.
   c. Subsequent requests from a policyholder for 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) 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 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.
   e. In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase.

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

(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 the degree of accuracy the estimated dollars achieve.

(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 allow the insurer to continue to use the process that is in place.

Phase Two: Auto Insurance Policy Premium Increase Notice Example

Notice of Auto Premium Increase

Your current auto insurance policy premium is [$1,175].

Each insurer files a rating plan with the state insurance department. According to the rating plan we filed with your state, your estimated renewal policy premium is [$2,121] .

[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 <u>increase</u> will be limited to $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 there also are other rate factors that could cause your auto insurance premium to 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 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 for this increase in your policy premium, along with the dollar impact of each of those reasons:

<u>Factors for your policy premium increase and the dollar impact</u>*

- **<u>Factor</u> 1 raised your premium $A**
- **<u>Factor</u> 2 raised your premium $B**
- **<u>Factor</u> 3 raised your premium $C**
- **<u>Factor</u> 4 raised your premium $D**
- **<u>Factor</u> 5 raised your premium $E**

[* States may choose to exclude the requirement for insurers to specify each factor's dollar impact for the increase in premium. In these instances, insurers should include a statement informing policyholders they can contact a designated representative for details about the specific dollar impacts, along with the necessary contact information.]

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

<u>Phase Two: Homeowners Insurance Policy Premium Increase Notice Example</u>

Notice of Homeowners Premium Increase

Your current homeowners insurance policy premium is [$1,175].

Each insurer files a rating plan with the state insurance department. According to the rating plan we filed with your state, your estimated renewal policy premium is [$2,121].

[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 $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 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.]

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

Factors for your policy premium increase and the dollar impact*

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

[* States may choose to exclude the requirement for insurers to specify each factor's dollar impact for the increase in premium. In these instances, insurers should include a statement informing policyholders they can contact a designated representative for details about the specific dollar impacts, along with the necessary contact information.]

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

2025 Proposed Charges

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

The mission of the Property and Casualty Insurance (C) Committee is to: 1) monitor and respond to problems associated with the products, delivery, and cost in the property/casualty (P/C) insurance market and the surplus lines market as they operate with respect to individual persons and businesses; 2) monitor and respond to problems associated with financial reporting matters for P/C insurers that are of interest to regulatory actuaries and analysts; and 3) monitor and respond to problems associated with the financial aspects of the surplus lines market.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Property and Casualty Insurance (C) Committee** will:
    A. Discuss issues arising and make recommendations with respect to advisory organization and insurer filings for personal and commercial lines, as needed. Report yearly.
    B. Monitor the activities of the Casualty Actuarial and Statistical (C) Task Force.
    C. Monitor the activities of the Surplus Lines (C) Task Force.
    D. Monitor the activities of the Title Insurance (C) Task Force.
    E. Monitor the activities of the Workers' Compensation (C) Task Force.
    F. Provide an impartial forum for considering appeals of adverse decisions involving alien insurers delisted or rejected for listing to the *Quarterly Listing of Alien Insurers*. Appeal procedures are described in the International Insurers Department (IID) Plan of Operation.
    G. Monitor and review developments in case law related to risk retention groups (RRGs). If warranted, make appropriate recommendations to the Risk Retention Group (E) Task Force for changes to the *Risk Retention and Purchasing Group Handbook.*
    H. Monitor the activities of the Federal Crop Insurance Corporation (FCIC) that affect state insurance regulators:
        i. Serve as a forum for discussing issues related to the interaction of federal crop insurance programs with state insurance regulations.
        ii. Review law changes and court decisions, and, if warranted, make appropriate changes to the *Federal Crop Insurance Program Handbook: A Guide for Insurance Regulators.*
        iii. Monitor the regulatory information exchanges between the FCIC and state insurance regulators, as well as the FCIC and the NAIC, and make recommendations for improvements or revisions, as needed.
    I. Monitor regulatory issues that arise with the development of autonomous vehicles. Study and, if necessary, develop recommendations for changes needed to the state-based insurance regulatory framework.
    J. Provide a forum for discussing issues related to parametric insurance, and consider the development of a white paper or regulatory guidance.
    K. Study and report on the availability and affordability of liability and property coverage for nonprofit organizations.
    L. Assist state insurance regulators in better assessing their markets and insurer underwriting practices by developing property market data intelligence so regulators can better understand how markets are performing in their states, and identify potential new coverage gaps, including changes in deductibles and coverage types, and affordability and availability issues. Provide analysis of property insurance markets to states.

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

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

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

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

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE *(continued)*

   C. Discuss ways in which states in the same FEMA region can collaborate and share information with other states in their FEMA region.

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

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

NAIC Support Staff: Aaron Brandenburg

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