Draft: 11/30/21

Property and Casualty Insurance (C) Committee
Virtual Meeting
November 10, 2021

The Property and Casualty Insurance (C) Committee met via conference call, Nov. 10, 2021. The following Committee members participated: Vicki Schmidt, Chair (KS); Mike Chaney, Vice Chair (MS); Jim L. Ridling and Mark Fowler (AL); Ricardo Lara represented by Ken Allen (CA); Andrew N. Mais (CT); Colin M. Hayashida (HI); James J. Donelon represented by Warren Byrd (LA); Grace Arnold represented by Julia Dreier (MN); Larry D. Deiter (SD); and Mike Kreidler (WA). Also participating were: Matt Gendron (RI); and Don Beatty (VA).

1. Adopted its Summer National Meeting Minutes

Director Deiter made a motion, seconded by Commissioner Kreidler, to adopt the Committee's Aug. 16 minutes (*see NAIC Proceedings – Summer 2021, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

2. Adopted the Pet Insurance Model Act

Mr. Beatty said after the Pet Insurance (C) Working Group released *A Regulator's Guide to Pet Insurance*, it adopted a Request for NAIC Model Law Development on June 27, 2019, which was adopted by the Executive (EX) Committee and Plenary on Aug. 6, 2019. He said the Working Group held 24 open meetings to draft the model, with active participation from industry, consumer representatives, producers, and veterinarian groups. Mr. Beatty noted the model covers required definitions and disclosures, as well as regulations for policy conditions, sales practices for wellness programs, and producer training. He said the Working Group had extensive discussions on the following major issues: preexisting conditions, waiting periods, free-look periods, policy renewals, wellness programs, and licensing. While the Working Group did decide that this model was not the appropriate place to decide the type of license required to sell pet insurance, state insurance regulators wanted to make sure producers are trained on the specific features of pet insurance products before selling those products.

Mr. Beatty noted that the Working Group is aware that industry does have issues with the waiting periods and wellness programs language in the adopted version, but state insurance regulators thought this language was necessary to include in this model. He also said during the course of discussing the model, the Working Group has considered the need for specific data collection on the pet insurance line of business and would like to continue those discussions in order to craft referrals to the proper NAIC working groups.

Mr. Beatty said the Pet Insurance Model Act was initially adopted by the Pet Insurance (C) Working Group on Aug. 4, but after a review by the NAIC Legal Division, members of the Working Group suggested edits, and the Working Group requested the Committee allow further meetings of the Pet Insurance (C) Working Group to address these suggestions. The Working Group met Oct. 21, Oct. 7, and Sept.8. During these meetings, the Working Group considered the suggested changes from the NAIC Legal Division, as well as new suggested changes to the "Sales Practices for Wellness Programs" section and a new section titled "Insurance Producer Training." Mr. Beatty said the NAIC Legal Division has further reviewed the model and made some small, non-substantive changes to the formatting of the model. These changes include moving the "Violations" section to the end of the model and reordering two subsections in Section 4 – Disclosures.

Cari Lee (North American Pet Health Insurance Association—NAPHIA) said NAPHIA appreciates the work of the Working Group but has two objections to the model. She said NAPHIA believes waiting periods should be allowed in order to prevent adverse selection. She said disclosures and an option to waive waiting periods should be sufficient, and without waiting periods, insurers may have to increase premiums. She also said NAPHIA objects to the language in the model related to wellness products. She said the Working Group earlier included language regarding the marketing and sales of wellness products, but later it adopted language that prohibits the marketing of non-insurance wellness products sold during the sale, solicitation, or negotiation of pet insurance. She said consumers want to purchase wellness plans at the same time as insurance.

Birny Birnbaum (Center for Economic Justice—CEJ) said he supports the Committee's adoption of the model but would offer two additional comments. He supports a prohibition on waiting period provisions as industry has offered no credible rationale or evidence for issuing policies with both a preexisting condition clause and waiting periods that delay coverage. He said the broad and extensive waiting periods advocated for by industry will lead to consumer confusion and harm. Purchasers who buy

pet insurance will expect to receive insurance coverage that begins when they pay the insurer and sign the policy contract. However, under NAPHIA's proposal, consumers could actually purchase policies that provide no coverage until a future date, even though the insurer has already taken their premium dollars. He said the potential harm far outweighs any anti-fraud benefit that would be gained from instituting these broad waiting periods, particularly when the preexisting condition exclusion already offers the exact same protection. He noted that while the Working Group ultimately decided to permit a waiting period provision, that provision in the model law is more limited and far less open-ended than the industry proposal and includes some key consumer protections. He said the Working Group's proposal strikes a reasonable balance between consumer and insurer concerns.

Mr. Birnbaum said that regarding wellness, the model appropriately eliminates the ability of insurers to arbitrage insurance versus non-insurance products. He also noted that significantly different approaches were taken in the recently adopted travel insurance model and the pet insurance model. He said both travel and pet insurance are hybrid insurance products with a combination of coverages from health insurance to property/casualty (P/C) insurance. Both are typically sold either online or through retailers, and both are often sold in connection with non-insurance services. He said the model laws for travel and pet insurance take significantly divergent approaches, such as the travel insurance model specifically addressing producer licensing and retailers and the pet insurance model prohibiting the marketing of non-insurance services at the same time as the sale of pet insurance. Mr. Birnbaum urged state insurance regulators to closely monitor insurer and producer behavior and consumer outcomes in these two markets to determine which approach better produces the outcomes sought by state insurance regulators, insurers, and consumers.

Commissioner Chaney asked whether there was separate continuing education training required for producers in the model. Mr. Gendron said a compromise was reached where the model does not have specific requirements of major line producers beyond their standard continuing education, but for limited lines producers, in states where that is allowed, the model requires 10 hours of continuing education.

Mr. Byrd made a motion, seconded by Mr. Allen, to adopt the Pet Insurance Model Act. The motion passed unanimously.

3. Discussed Other Matters

Commissioner Schmidt said the Committee's 2022 proposed charges would be posted within the next week. She also noted that the Committee's meeting at the Fall National Meeting will consist of presentations from various parties related to auto insurance refunds that were granted in response to reduced driving during the pandemic.

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

https://naiconline.sharepoint.com/:w:/r/sites/NAICSupportStaffHub/Member%20Meetings/Fall%202021/Cmte/C/11-10%20CCmte_min.docx?d=wb5db09da87e347d988c295d63352f7b6&csf=1&web=1&e=0hUYGb

A

Consumer Federation of America
ConsumerFed.org

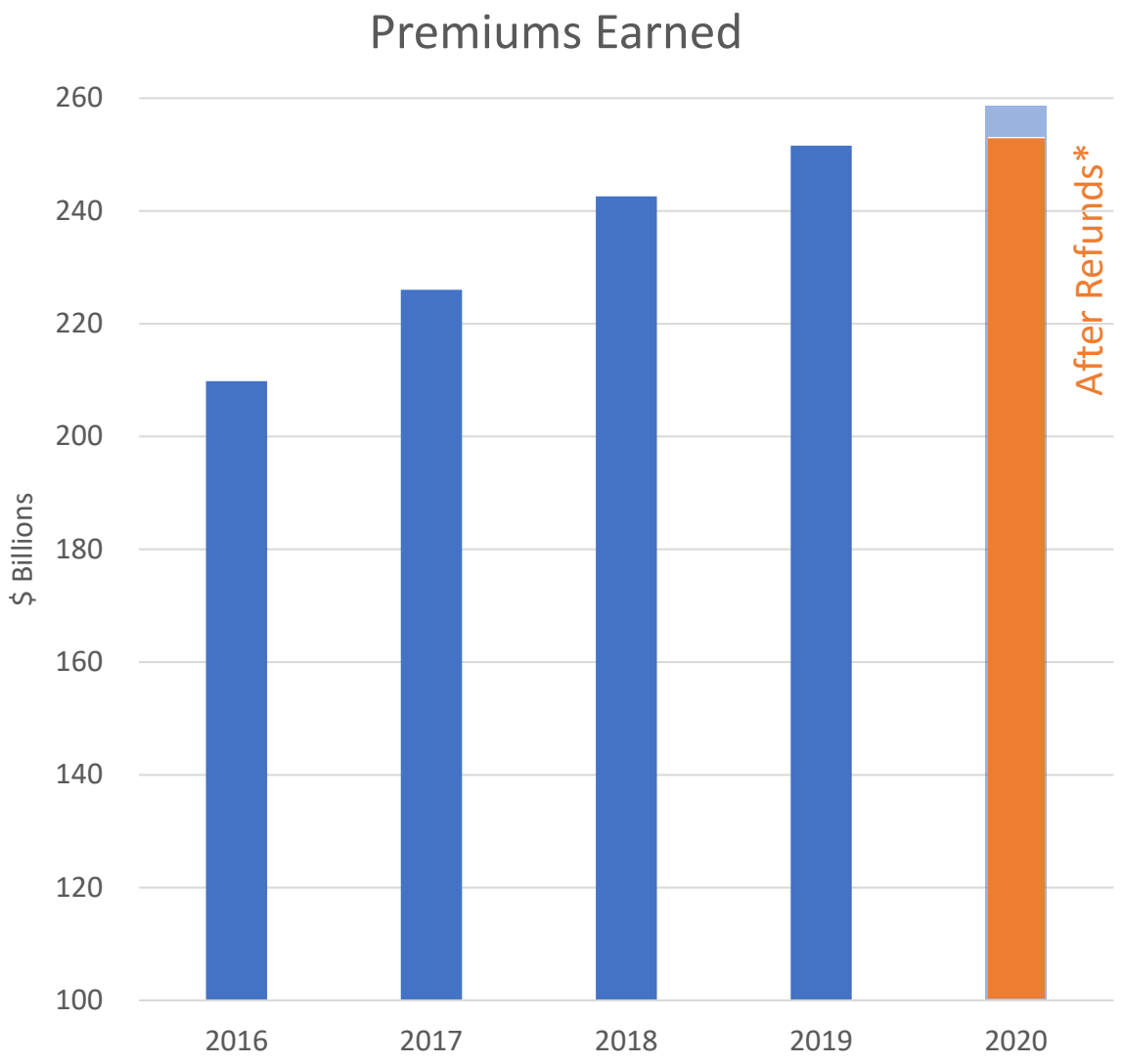
Doug Heller
@DougHeller

Windfall

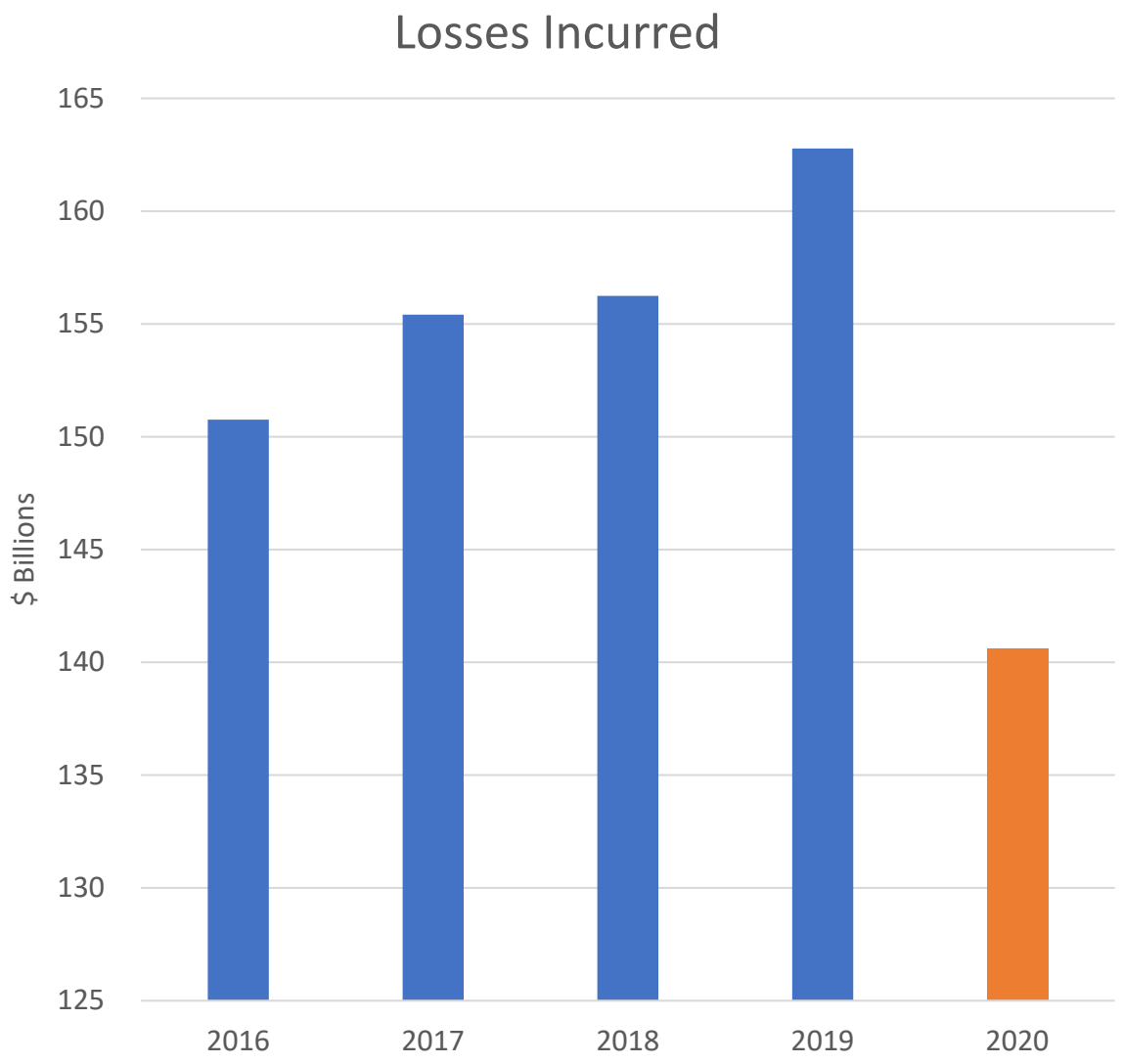
Deserved More Regulatory Attention as Americans Struggled with the Pandemic

How much *should* auto insurance cost when rush hour looks like this?

2020 Auto Premiums Remained Stable…



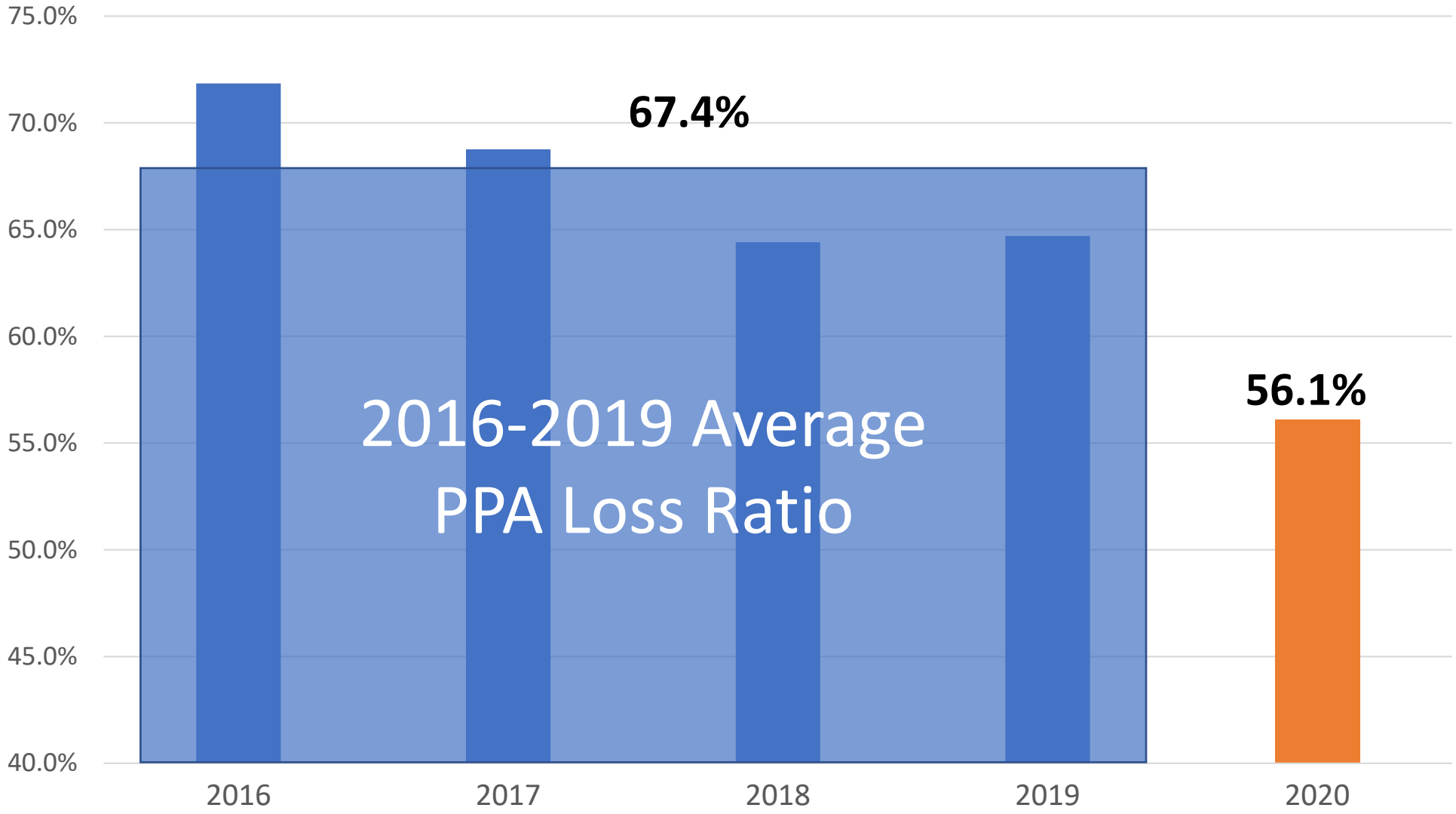
…While Losses Fell Dramatically



Source: NAIC State Page PPA

*Does not include approximately $5 billion in refunds provided as dividends or counted as expenses

2020 Countrywide Auto Insurance Loss Ratio Was Historically Low



PROGRESSIVE®

NEWS RELEASE

PROGRESSIVE REPORTS AUGUST RESULTS

MAYFIELD VILLAGE, OHIO -- September 17, 2020 -- The Progressive Corporation (NYSE:PGR) today reported the following results for August 2020:

Monthly Commentary

- Excluding the impact of catastrophe losses in both August 2020 and 2019, our companywide **loss/LAE ratio was 5.7 points lower** than August last year, reflecting continued lower auto accident frequency on a year-over-year basis **due to restrictions put in place to help slow and/or stop the spread of the novel coronavirus, or COVID-19.**

State Farm

State Farm Mutual is issuing a

$400M dividend

$100 on average per auto policy*

Better than anticipated claim results
June 2020 thru December 2020

*For policies in force 6/1/20 – 12/31/20

April 20, 2021

P/C Insurers Return Nearly $13 Billion in Premiums as COVID-19 Reduces Exposure

Pandemic reduces traffic, accidents, and auto claims

US property/casualty insurers reported returned premiums of over $12.9 billion associated with reduced exposures resulting from the COVID-19 pandemic. We reviewed 2020 statutory statement and related footnote disclosures for

Exhibit 1

US Property/Casualty – COVID-Related Premium Returns, by Classification

	Number of Companies	Amount ($ millions)	% of Total
Decline in premium income	305	7,949.1	61.6
Other underwriting expense	58	1,226.9	9.5
Policyholder dividends	38	3,733.7	28.9
Premium balances charged off	4	4.6	0.0
Totals for year ended December 31, 2020	**397***	**12,914.3**	**100.0**
Totals for 6 months ended June 30, 2020	***305***	***8,321.6***	***100.0***

* Eight companies reported using two different methods to return premiums.
Source: AM Best data and research

The Pandemic Produced a Massive Windfall for Auto Insurers

By The Numbers

State Farm
- $44 Million
- $400 Million

GEICO
- 128%
- $3.4 Billion

Progressive
- $4.50/share
- $338 Million
- $2.6 Billion

Allstate
- $.81/share
- $4 Billion
- $300 Million

And now…

GOVERNMENT EMPLOYEES INSURANCE COMPANY
GEICO GENERAL INSURANCE COMPANY

Voluntary Private Passenger Automobile Insurance and Recreational Vehicle Insurance

Louisiana

Filing Memorandum

Government Employees Insurance Company (GEICO) hereby submits a +9.4% overall rate change in voluntary automobile insurance rates, as shown on Exhibit GE-1, Sheet 1. The submitted changes vary by coverage.

The statewide experience indications are developed on Exhibit GE-1, Sheets 2-5, using three fiscal/accident years of data ending September 30, 2020 evaluated as of December 31, 2020. Assumptions fo ns a or C ed ca of 6 .

Therefore, **the actual loss experience in 2020 is not indicative of what we expect to see** in Louisiana by the effective date of this filing. **Adjusting 2020 losses up to pre-COVID levels** produces indications that are actuarially sound and representative of our rate need during this future time period.

Th ng C es co ng m in Louisiana by the effective date of this filing. Adjusting 2020 losses up to pre-COVID levels produces indications that are actuarially sound and representative of our rate need during this future time period. We are adjusting our losses in a two-step process:

1) Experience Adjustment: We calculated an adjustment to bring our 2020 data to pre-COVID levels, as shown on Confidential Exhibit GE-1. We compared 2020 monthly frequencies to expected

Additional Premium That Should Have Been Refunded

$29.2 Billion ($130/Insured Vehicle)

CENTER for ECONOMIC JUSTICE | FAIR ACCESS FAIR TREATMENT

1	2020 Premium Reported by Insurers	$250.63
2	2020 Premium Relief Accounted for as Reduction in Premium	$7.90
3	Total 2020 Premium Before Relief	$258.58
4	2016-2019 Personal Auto Average Loss Ratio	67.40%
5	Expected 2020 Claims	$174.20
6	Actual 2020 Claims	$140.60
7	Actual 2020 Loss Ratio	56.10%
8	Estimated Claims Reduction Resulting from Pandemic	$33.60
9	Reasonable 2020 Premium Based on 2020 Claims	$216.40
10	Excessive Premium	$42.10
11	"Premium Relief" Provided	$12.90
12	Windfall Profit	**$29.20**
13	Estimated 2020 Insured Vehicles (Millions)	225
14	Windfall Profit / Insured Vehicle ($)	**$130**

Billions except where noted

THANK YOU.

DouglasHeller@Ymail.com
@DougHeller
@ConsumerFed

Attachment Two
Property and Casualty Insurance (C) Committee
12/15/21

Rich Gibson, Senior Casualty Fellow

American Academy of Actuaries

Auto Insurance Refunds

AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

Property and Casualty Insurance (C) Committee—Dec. 15, 2021

General Considerations

- Rates for insurance are set on a prospective basis.
- Actuarial Standards of Practice (ASOPs) provide guidance.
- The expected loss ratios are frequently estimated using historical accident period results.
- The industry aggregate underwriting expense ratio is 24%.
- Recent Academy publication:
  Considerations for Handling Auto Insurance Data in the Era of COVID-19

Accident Year Historical Data

Accident Year	Loss and LAE Ratios[1] Personal Auto Liability	Auto Physical Damage
2011	80.4%	73.7%
2012	80.1%	75.5%
2013	79.6%	72.1%
2014	79.6%	74.2%
2015	85.4%	73.9%
2016	86.6%	76.9%
2017	81.6%	75.0%
2018	78.3%	70.4%
2019	79.6%	70.2%
2020	69.6%	65.8%
2011-2019 Average	81.3%	73.5%
2011-2019 Standard Deviation	2.9%	2.3%

[1] Source: S&P Capital IQ

Limitations

- This does not consider the investment income earned by the industry for this line of business.
- Industry aggregate data and averages therefrom may not be the best way to judge the appropriateness of refunds provided to date.
- The auto physical damage data includes both personal and commercial auto.

Further Considerations

- Any potential need for refunds should be measured and considered at the company and state levels.
- Arriving at broad conclusions without a depth of analysis would be ill-advised.
- Companies continue to monitor their individual results and adjust rates as appropriate.

- Questions?

- Contact: Rob Fischer, Casualty Policy Analyst, fischer@actuary.org

Attachment Two
Property and Casualty Insurance (C) Committee
12/15/21

The Importance of Maintaining a Longer-Term Perspective

NAIC Property and Casualty Insurance (C) Committee
December 2021
Dave Snyder, APCIA

Regulators and Insurers Responded Prudently to the New Pandemic Realities

- Insurers and regulators quickly moved in-person operations to virtual, to better serve consumers
- Regulators offered flexibility to insurers who in turn offered flexibility to customers in areas such as grace periods for late payment and waiving delivery exclusions
- Insurers provided more than $14 billion in premium relief and credits reflecting the sudden and dramatic downturn in activity and losses
- As the pandemic continued, we warned against mandating more premium actions as we began to see reports that traffic speeds increased, as did serious accidents and eventually so did miles driven

The Reality Was Even Worse than We Feared

- Fatalities in 2020 actually increased 7.2% over 2019, leading to 2,500 more deaths than in 2019 (38,680 versus 36,096) and 2020 fatalities were the highest in the last 10 years
- Those tragic trends have intensified so far in 2021:
  - First half of 2021—18.4% increase over 2020
  - First half of 2021—highest number of fatalities for the first half of a year since 2007
- And no signs of decline 2Q 2021:
  - Highest 2Q fatalities since 1990
  - Highest quarterly percentage change ever in the federal data system (FARS)

Insured Losses Rapidly Escalated Well into 2021

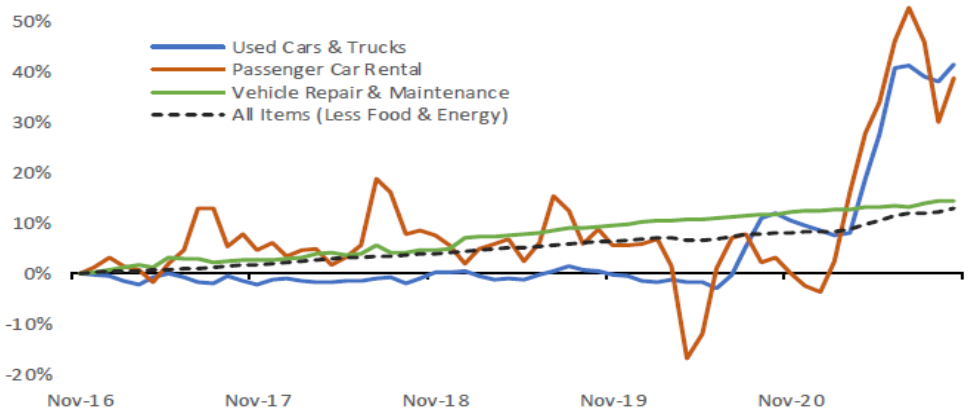
- Rising insured losses are being driven by the intersection of more dangerous driving behavior, return of mileage and rapid inflation impacting the cost of products and services covered by auto insurance
  - Severity continued a steep upward trend in the latter part of 2020 and so far into 2021
  - Increased driving is also putting pressure on frequency
- The net effects include higher costs and higher loss ratios as illustrated by the next two slides

Inflationary Pressures Particularly Severe for Insured Products and Services

The rising claims costs reflect the cost to repair and replace motor vehicles

Cumulative Price Changes - U.S. City Averages

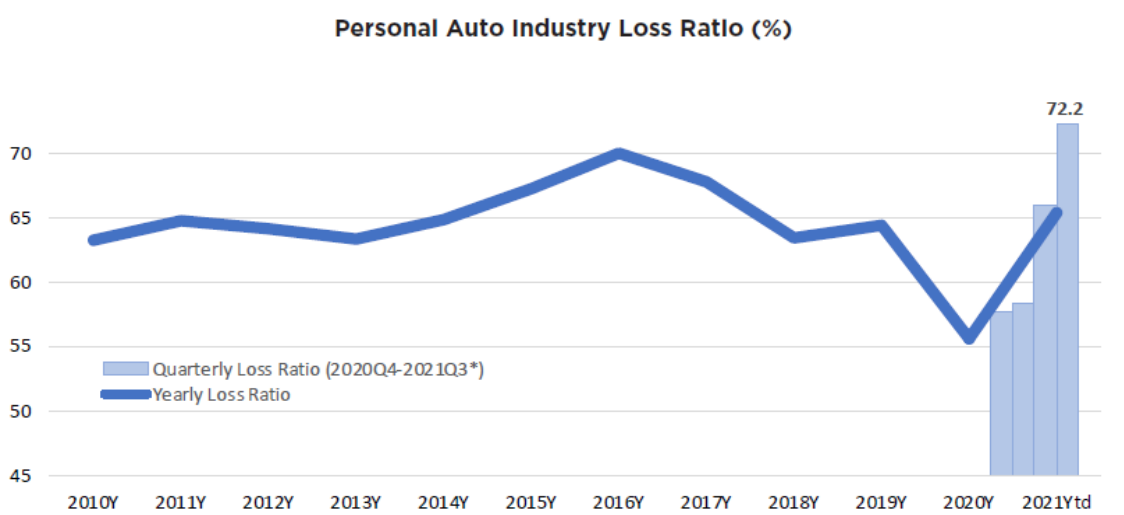
Vehicle-Related Costs



Source: U.S. Bureau of Labor Statistics | fred.stlouisfed.org (data as of Nov 10, 2021)

Source: U.S. Bureau of Labor Statistics | fred.stlouisfed.org (data as of Nov 10, 2021)

Personal Auto Industry Loss Ratio (%)



Source: S&P Global Market Intelligence

**2021Q3 estimate based on APCIA calculation from S&P Global Market Intelligence individual company data*

(Premiums in the 2020 loss ratio calculation exclude premium refunds in the form of dividends and those accounted for as expenses. If these were accounted as reductions in premium the loss ratio would be higher.)

Source: S&P Global Market Intelligence

Net Result—Longer-Term Losses in Late 2020-2021 Offset Any Short-Term Gains in Early 2020

- Insurance regulators fully appreciated the potentiality of the longer-term being far worse than the short-term and requested companies to reflect short-term trends but not at the expense of solvency and stability
- A similar loss ratio methodology used by activists to demand mandating more premium refunds based on 2020 short-term trends, that have long since been cancelled by the longer-term trends, would impliedly justify estimated mid-term premium surcharges of up to $14 billion
- The reality of what has transpired well illustrates the importance of insurers and regulators prudently acting to take account of longer-term trends

Conclusion

- Short- term loss declines in early 2020 were overwhelmed by negative loss developments later in the year and into 2021
- Insurers should not be mandated to provide mid-term premium reductions based on short-term fluctuations in losses
- Using actuarially relevant longer-term data results in a more stable and predictable environment for consumers
- The greatest underlying concerns are: deteriorating highway safety, rapidly rising insured losses, and the inflationary pressures on the products and services covered by auto insurance

NAIC PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

DECEMBER 2021

AUTO INSURANCE FUNDAMENTALS

- Auto insurance is a highly regulated product
  - Rates and methodologies are filed with and approved or acknowledged by state DOI's
- The underwriting and rating of policies is a complex, sophisticated, time-consuming exercise that aims to use credible data to correlate prices as closely as possible to the ***likely*** cost of claims
  - Rates are prospective and already designed to be sensitive to claims frequency and severity
  - The more accurately a company estimates actual costs, the better they are able to serve their policyholders
  - Vehicle miles traveled (VMT) is only one of many factors in the rating process
- Auto insurance rates respond to systemic changes and behavioral patterns over periods of **years**, not weeks

AUTO INSURANCE REFUNDS

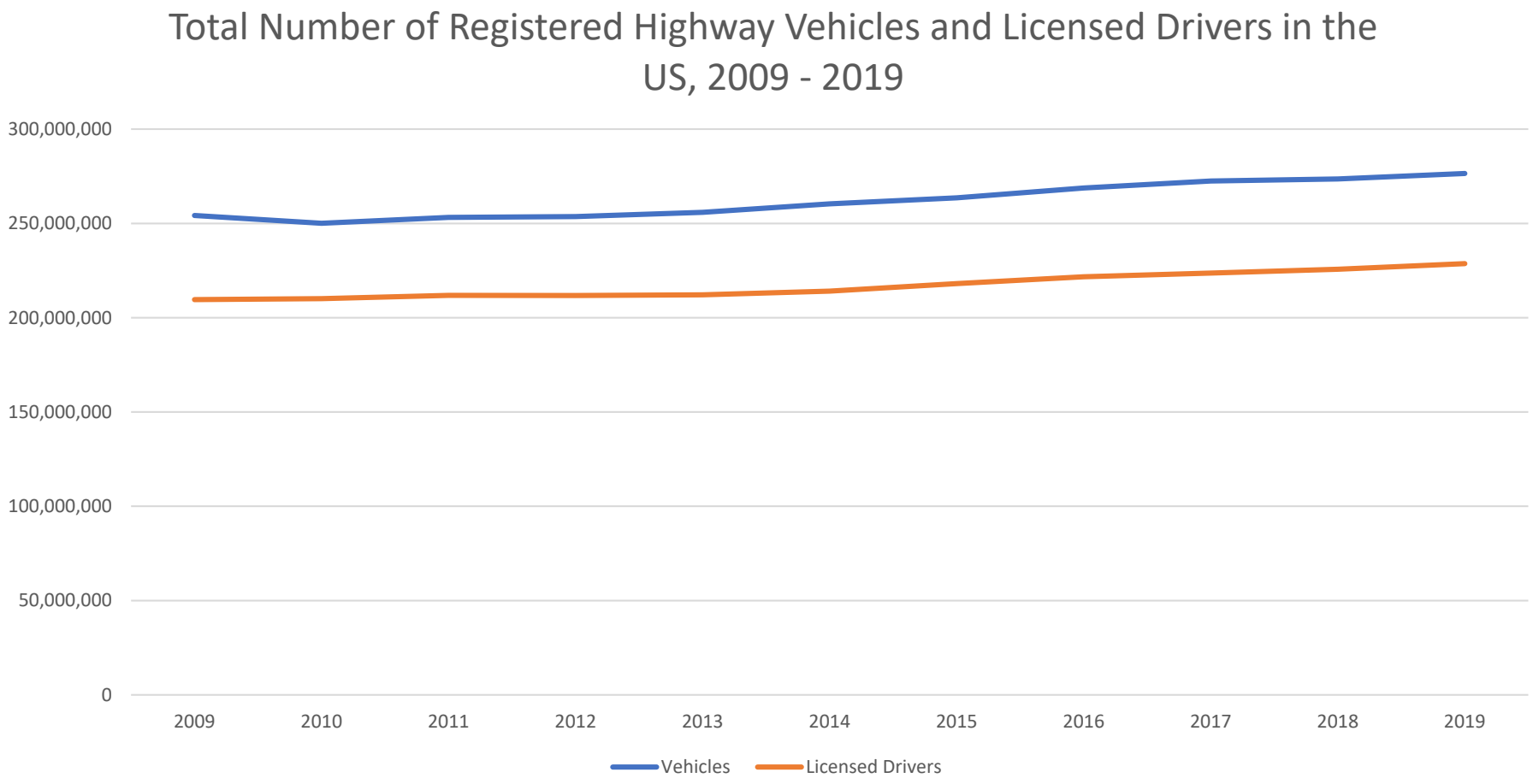
- In early 2020, Vehicle Miles Traveled (VMT) across the U.S. decreased dramatically at the onset of temporary closures responding to the initial outbreak of COVID-19:
  - March – 220,950 (-18%); April – 165763 (-39%); May – 212421 (-25%)
  - By the summer, VMT was back within 10% of 2019
- While facing their own operational challenges in a time of unprecedented uncertainty, NAMIC member auto insurers promptly started taking temporary assistance actions:
  - Suspension of cancellations for non-payment
  - Extension of forbearance, grace periods, and payment plan opportunities
  - Waiver of late and administrative fees
  - Extension of coverage for otherwise excluded uses of vehicles (e.g. food delivery)
  - Developing and permitting telephone or smart-phone app claim filings
  - Premium adjustments/assistance/refunds/relief (pending regulatory approval)
  - Additional NAMIC member stories can be found at www.namic.org/resources/covid19/stories
- All told, insurers have returned more than **$13 billion** to consumers to date

AUTO INSURANCE REFUNDS

- CFA/CEJ allegations of "windfall profits" conveniently ignore facts that do not fit their narrative
  - Consumer assistance actions were taken voluntarily while insurers continued to provide routine protection and claims management to minimize disruption for policyholders.
  - These actions were taken despite the fact that **at no point was any covered policyholder unable to get in their vehicle and drive.**
  - In addition to returning more than $13 billion to consumers, many insurers filed new, lower rates throughout 2020, resulting in a 4.6% decrease in the cost of auto insurance according to the BLS while the overall cost of living saw a 1.2% increase.
- Any talk of mandatory rebates should carefully consider the experience of auto insurers over the last decade: a combined ratio over 100 every year from 2011 to 2019.
  - Logical consistency should dictate that CFA/CEJ advocate for consumers to pay additional premiums for those years when auto insurers were subject to these combined ratios

MORE…

MORE CARS ON ROADS



MORE SPEEDING, CRASHES, AND DEATHS

- Overall VMT across the country was down 13% for 2020
- Despite the decrease, in 2020 traffic fatalities were **UP** 7% - 38,680 deaths according to NHTSA
  - Fatality rate per 100 million VMT was **UP** 24% in 2020
  - Early estimates for 2021 are similarly grim – 20,160 deaths from January to June
  - Record numbers of citations for 100+ mph traffic violations

"This is a crisis. We cannot and should not accept these fatalities simply as part of everyday life in America. It will take all levels of government, industries, advocates, engineers, and communities across the country working together toward the day when family members no longer have to say goodbye to loved ones because of a traffic crash."

- Hon. Pete Buttigieg, U.S. Secretary of Transportation

MORE DISTRACTED AND IMPAIRED DRIVING

- Distracted driving accounts for nearly 1 million crashes per year
  - In 2019, 3,142 people were killed in distracted driving crashes
  - In 2019, 424,000 people were injured in distracted driving crashes
  - Severe disconnect between consumer perceptions and consumer behavior
- Impaired driving accounts for nearly 10,000 lives lost per year
  - More than one life every hour of every day
  - Cannabis and alcohol use both increased during 2020
    - Stress of COVID, job losses, evictions, death of loved ones, and uncertainty all contributed
    - Perception law enforcement would be sidelined by COVID
    - March and April saw DUI arrests decline, but the remainder of the year saw over 40% year-over-year increases in DUI arrests in some of the largest jurisdictions

MORE EXPENSIVE CARS, PARTS, AND REPAIRS

- Average new car in the U.S. now costs more than $40,000
- Average used car in the U.S. now costs $25,000

2017 Toyota Camry

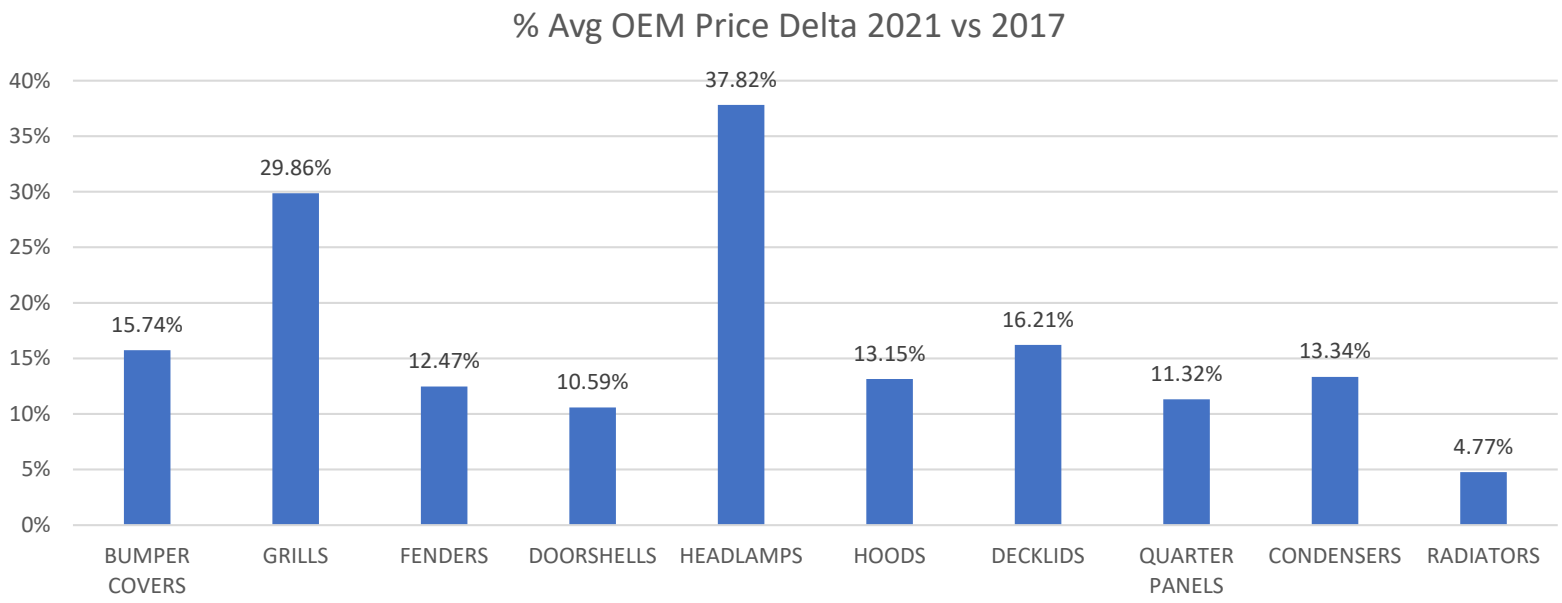
Total parts in front bumper assembly: 18
Total front bumper repair cost: $947.43

2018 Toyota Camry

Total parts in front bumper assembly: 43
Total front bumper repair cost: $2,063.73

MORE EXPENSIVE CARS, PARTS, AND REPAIRS

- Top 10 most frequently replaced auto parts are all up significantly over last 4 years

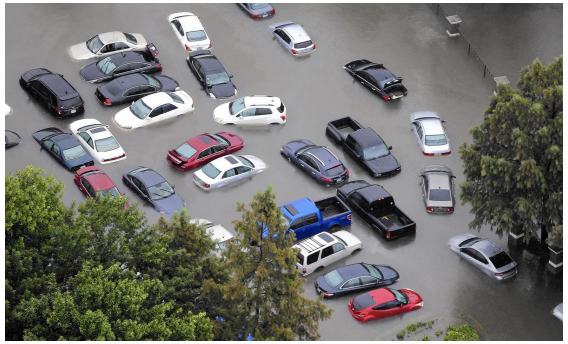


- Cost of training, labor, and diagnostics are all increasing at same time
  - Nearly 80% of vehicles repaired in 2021 received complex diagnostic scans, the average cost of which is more than $120

MORE, MORE, MORE…

- More expensive medical care
  - Medical care supplies are up 30% and hospital services up 46.3% since 2010

- More extreme weather
  - Hurricanes, wildfires, named storms, and other natural disasters are increasingly frequent
  - 2020 broke multiple records for weather and climate disaster events in the U.S.
  - Following a hurricane, auto claim severity rises by as much as 300%



- More Theft and Fraud
  - Following back-to-back drops in 2018 and 2019, 2020 saw a 9.2% increase in auto theft – more than 873,000 vehicles stolen across the country – one every 36 seconds
  - Catalytic converter thefts were up over 400%
  - CAIF estimates auto insurers lose at least $29 billion per year to fraud

REAL SOLUTIONS REQUIRE REAL WORK

- Embrace Consumer Choice and Data Privacy
  - Right to Repair
  - Data Access
- Promote Sound Underwriting
  - Remove restrictions on discounts and rebates
  - Resist calls to restrict underwriting and rating factors
  - Preserve or expand insurer ability to use driving records
  - Preserve use of territory rating
- Enhance Study, Education, and Enforcement of Auto Laws
- Stop Civil Abuse of Phantom Damages


NAMIC
NATIONAL ASSOCIATION OF
MUTUAL INSURANCE COMPANIES
SHAPING OUR MUTUAL FUTURE

QUESTIONS?

NAIC NATIONAL MEETING FALL 2021

Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE
Tuesday, December 7, 2021

Meeting Summary Report

The Casualty Actuarial and Statistical (C) Task Force met Dec. 7, 2021. During this meeting, the Task Force:

1. Adopted its Nov. 17, Nov. 9, Oct. 19, Oct. 12, Aug. 20, and Summer National Meeting Minutes, which included the following action:
   A. Adopted the *Report on Profitability by Line by State* (Profitability Report).
   B. Adopted a decision to discontinue requiring continuing education (CE) categorization by Appointed Actuaries in 2023.
   C. Adopted its 2022 proposed charges.
   D. Adopted the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2021* (Regulatory Guidance).
   E. Adopted a comment letter on the second exposure draft of the *U.S. Qualification Standards* to send to the American Academy of Actuaries (Academy).
   F. Adopted a response to the Blanks (E) Working Group regarding proposal 2021-11BWG.
   G. Heard reports on the NAIC Rate Model Reviews.

2. Adopted the report of the Actuarial Opinion (C) Working Group, including its Sept. 23, Sept. 8, and Sept. 2 minutes and took the following action:
   A. Adopted its 2021 Regulatory Guidance.

3. Adopted the report of the Statistical Data (EX) Working Group, which met in regulator-to-regulator sessions and took the following action:
   A. Researched the ability to collect and publish auto and home premium and exposures under an accelerated timeline.
   B. Adopted the Profitability Report.
   C. Adopted the *Competition Database Report* (Competition Report).
   D. Adopted the *Auto Insurance Database Report* (Auto Report) to be considered by the Task Force before the end of December.

4. Exposed a proposal in answer to the referral Project #2019-49: Retroactive Reinsurance Exception, as presented by a drafting group, for a 45-day public comment period ending Jan. 20, 2022.

5. Exposed a proposal about the regulatory review of random forest models, as presented by NAIC staff, for a 60-day public comment period ending Feb. 4, 2022. The proposal includes the appendix of information items from the *Regulatory Review of Predictive Models* white paper modified from generalized linear models (GLMs) to random forest models. The proposal also included a proposed glossary of random forest models' terminology.

6. Heard reports from professional actuarial organizations about their research and other activities.

CASTF

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

SURPLUS LINES (C) TASK FORCE
Monday, November 29, 2021

Meeting Summary Report

The Surplus Lines (C) Task Force met Nov. 29, 2021. During this meeting, the Task Force:

1. Adopted its Summer National Meeting minutes.

2. Adopted the report of the Surplus Lines (C) Working Group. The Working Group met Oct. 14 and Sept. 22 to discuss two administrative tasks.

3. Received an update from the *Nonadmitted Insurance Model Act* (#870) drafting group, which included details on meetings held and the overall progress on Model #870.

4. Heard an update on the surplus lines industry, which included details on the overall surplus lines market population, non-U.S. insurer participation in the U.S. market, cybersecurity exposure, and private flood exposure.

SLTF Summary.docx

NAIC NATIONAL MEETING FALL 2021

Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

TITLE INSURANCE (C) TASK FORCE
Tuesday, Nov. 16, 2021

Meeting Summary Report

The Title Insurance (C) Task Force met Nov. 16, 2021. During this meeting, the Task Force:

1. Adopted its Oct. 19 minutes, which included the following action:
   A. Adopted its Summer National Meeting minutes.

2. Adopted its 2022 proposed charges. Revisions from its 2021 charges include removing outdated or completed charges and minor editorial changes for clarification of intent.
   A. Prior to the charges being adopted, the Center for Economic Justice (CEJ) proposed two additions to the charges during the meeting. Due to the late submission of the charges and the Task Force members indicating they would need time to research the charges proposed, CEJ stated they would submit the proposed charges to the Property and Casualty Insurance (C) Committee for consideration. The proposed charges were formally submitted to the Property and Casualty Insurance (C) Committee and are pending a determination.

B. Heard a presentation from AM Best on how the robust housing market has driven historic title industry performance.

C. Heard a presentation from American Land Title Association (ALTA) on key changes to the homeowners policy of title insurance and ALTA endorsements.

Title Insurance (C) Task Force-Summary.docx

NAIC NATIONAL MEETING FALL 2021

Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

CANNABIS INSURANCE (C) WORKING GROUP
Wednesday, Dec. 1, 2021

Meeting Summary Report

The Cannabis Insurance (C) Working Group met Dec. 1, 2021. During this meeting, the Working Group:

1. Adopted its Oct. 21 minutes, which included the following action:
   A. Adopted its Summer National Meeting minutes.

2. Heard a presentation from the University of Colorado on emerging scientific issues in the cannabis space. The landscape of legality and products is constantly changing, with minor THC-like cannabinoids able to be synthesized from legal hemp.

3. Heard a presentation from the Cannabis Regulators Association (CANNRA) on cannabis policy and regulation trends. There is now a broader focus on how policy is made with increased parity in regulations across the use of cannabis. Social equity, restorative justice, and public health and safety are priorities.

4. Heard an update on the drafting of the appendix for the *Understanding the Market for Cannabis Insurance* white paper. The drafting group assigned sections of the outline to be drafted by participants during its Nov. 10 meeting. It will meet Dec. 8 to begin reviewing drafted sections.

5. Discussed the potential to collaborate with the Producer Licensing (D) Task Force. Task Force leadership stated they would review their database for information they can share with the Working Group on potential equity concerns.

https://naiconline.sharepoint.com/:w:/r/sites/NAICSupportStaffHub/Member%20Meetings/Fall%202021/Summaries/Final%20Summaries/Cannabis%20Insurance%20(C)%20Working%20Group-Summary.docx?d=wfa03525fa1cf41e5b9e45d3aaed4155c&csf=1&web=1&e=XodXjg

NAIC NATIONAL MEETING FALL 2021

2021 Fall National Meeting
San Diego, California

JOINT SESSION OF THE
CATASTROPHE INSURANCE (C) WORKING GROUP
NAIC/FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) (C) ADVISORY GROUP
Sunday, December 12, 2021
11:00 a.m. – 12:30 p.m.

Meeting Summary Report

The Catastrophe Insurance (C) Working Group met in a joint session with the NAIC/FEMA (C) Advisory Group Dec. 12, 2021. During this meeting, the Working Group and Advisory Group:

1. Adopted the Catastrophe Insurance (C) Working Group's Summer National Meeting minutes.

2. Adopted the NAIC/FEMA Advisory Group's Nov. 19 minutes, which included the following action:
   A. Heard an update from FEMA regarding Risk Rating 2.0. Phase I of Risk Rating 2.0 began on Oct. 1. Phase I included selling new flood insurance policies under the new rating system, as well as allowing current National Flood Insurance Program (NFIP) policyholders to take advantage of premium decreases.
   B. Heard about Risk Rating 2.0 training opportunities that are available from FEMA. This training includes the following topics: 1) what Risk Rating 2.0 is; 2) what led to the NFIP transformation; 3) what is changing and not changing in Risk Rating 2.0; and 4) the transition of current policies.
   C. Heard from FEMA regarding joint messaging opportunities.

3. Heard a Report from FEMA regarding Risk Rating 2.0 about implementation of the new rating system for the NFIP. Risk Rating 2.0 is meant to better align individual property rates with risk.

4. Heard a report from FEMA regarding the FEMA structure and FEMA regional flood insurance specialists. FEMA discussed the ways in which it can assist the various departments of insurance (DOIs), including: 1) outreach, education, and training; 2) technical assistance; 3) NFIP claims, underwriting, and coverage; 5) pre- and post-disaster support; and 6) public awareness events and activities.

5. Heard an update regarding the NAIC Catastrophe Resource Center. NAIC staff updated the Working Group and Advisory Group of the items added to the resource center, including FEMA regional information and FEMA contact information.

6. Heard a report from Louisiana regarding Hurricane Ida. Topics covered included: 1) the scope of the hurricane; 2) the path of the storm; 3) the parishes affected; 4) storm damage; and 5) the Louisiana DOI response to the hurricane.

7. Heard a report concerning the update of the *Catastrophe Modeling Handbook*. NAIC staff discussed a survey that was sent out to the state DOIs. There was a discussion held regarding the evaluation of models for various perils, as well as information regarding the usefulness of each section in the current handbook. The drafting group will meet in January to further discuss the survey and the drafting process.

8. Discussed future engagements with FEMA, including: 1) an NAIC/FEMA meeting for FEMA Region 6 tentatively planned for early 2022; 2) an earthquake event to be hosted by the Missouri DOI in May 2022; and 3) the Cascadia Rising 2022 National Level Exercise.

CAT NAIC FEMA.docx

Draft: 12/9/21

Pet Insurance (C) Working Group
E-Vote
December 8, 2021

The Pet Insurance (C) Working Group conducted an e-vote that concluded December 8, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair (CA); George Bradner (CT); Sheri Cullen (MA); Shirley Corbin (MD); Jo LeDuc (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron (RI); and Kathy Stajduhar (UT).

1. Adopted its Dec. 1, 2021 Meeting Minutes

The Working Group considered adoption of its Dec. 1, 2021 meeting minutes. During its Dec. 1, 2021, meeting, the Working Group took the following action: 1) discussed data collection for pet insurance; 2) voted to move forward referrals to the Market Analysis Procedures (D) Working Group and the Market Information Systems Research and Development (D) Working Group; and 3) voted to ask the Property and Casualty Insurance (C) Committee to make the appropriate referrals to collect pet insurance data on the financial annual statement.

A majority of the Task Force members voted in favor of adopting the Task Force's Dec. 1, 2021 (Attachment -) The motion passed.

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

PetInsminE-vote

Draft: 12/6/21

Pet Insurance (C) Working Group
Virtual Meeting
December 1, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Dec. 1, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair (CA); Colin Corsetti (AK); Charles Hansberry (LA); Sheri Cullen (MA); Linas Glemza (MD); Jo LeDuc, Lockey Travis, and Marjorie Thompson (MO); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Jamie Gile and Anna Van Fleet (VT); and John Haworth (WA). Also participating were: Linda Grant (IN); Tate Flott and Brenda Johnson (KS); Brock Bubar (ME); Joseph Sullivan (MI); Chris Aufenthie (ND); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its Oct. 21 Minutes

The Working Group met Oct. 21 and took the following action: 1) discussed language related to wellness plans and producer training in the draft Pet Insurance Model Act; and 2) adopted the Pet Insurance Model Act

Mr. Gendron made a motion, seconded by Ms. Zoller, to adopt the Working Group's Oct. 21 minutes (Attachment -). The motion passed unanimously.

2. Discussed Collection of Pet Insurance Data

Mr. Beatty said the Working Group had previously discussed data collection for pet insurance in early 2020. He said the group had adopted a referral to the Market Conduct Annual Statement Blanks (D) Working Group, but it was determined that the referral should actually be sent to the Market Analysis Procedures (D) Working Group. He said this referral was to consider adding pet insurance as a line of business reported on the Market Conduct Annual Statement (MCAS). He said the Working Group also previously adopted a referral to the Market Information Systems Research and Development (D) Working Group to collect complaint data on pet insurance. Mr. Beatty said due to a large gap in meetings in 2020, the referrals were not sent at that time. He said if the Working Group still thinks it is necessary to collect this data, the referrals will be forwarded to the appropriate groups at this time.

Ms. Van Fleet said Vermont supports the referrals for data collection.

Birny Birnbaum (Center for Economic Justice—CEJ) said he is supportive of both referrals. He said the Market Analysis Procedures (D) Working Group has a specific set of procedures in order to consider a new line of business. Mr. Birnbaum said that while the Market Information Systems (MIS) data is public, the MCAS data that is collected is not public. He said he would like to see pet insurance data collected on the financial annual statement in order to have publicly available data. He said this will allow consumers to compare pet insurers.

Ms. LeDuc said the Market Information Systems Research and Development (D) Working Group had already considered adding a pet insurance complaint code. She said the Working Group should ensure that the complaint code has not already been added before sending the referral.

Mr. Gendron made a motion, seconded by Ms. Van Fleet, to move the proposals forward, with the understanding that the Market Information Systems Research and Development (D) Working Group referral should not move forward if the pet insurance complaint code already exists. The motion passed unanimously.

Mr. Beatty said the Working Group had previously discussed developing a supplement to the financial annual statement to collect pet insurance data. He said pet insurance data should be collected separately from the inland marine line of business because it is a growing line of business, and state insurance regulators should be able to see how much pet insurance business is being written.

Mr. Gendron said MCAS ratios are publicly available on dashboards. He asked if the MCAS data collection could also include premiums by state. Mr. Birnbaum said dashboards contain state aggregate information, not individual company information. He said the dashboards only include selected ratios and do not provide premium data, even if that data is collected. He said this MCAS data is also collected later in the year, whereas the financial annual statement data is collected in April.

Brendan Bridgeland (Center for Insurance Research—CIR) said data from the financial annual statement is vitally important for public users such as consumers and academics.

Ms. Van Fleet made a motion, seconded by Mr. Gendron, to ask the Property and Casualty Insurance (C) Committee to make the appropriate referrals to collect pet insurance data on the financial annual statement.

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

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Draft: 11/9/21

Pet Insurance (C) Working Group
Virtual Meeting
October 21, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Oct. 21, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair, Tyler McKinney, and Charlene Ferguson (CA); Austin Childs (AK); Jimmy Harris (AR); George Bradner and Kristin Fabian (CT); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); Jo LeDuc and Jeana Thomas (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Mary Block and Anna Van Fleet (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Linda Grant (IN); Heather Droge, Tate Flott, Brenda Johnson, and Vicki Schmidt (KS); Brock Bubar and Sandra Darby (ME); Joseph Sullivan (MI); Christine Peters (MN); Chris Aufenthie (ND); Cuc Nguyen (OK); Colette Hittner (OR); and Maggie Dell (SD).

1. Adopted its Oct. 7 Minutes

The Working Group met Oct. 7 to discuss language related to wellness plans and producer training in the draft Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Mr. Forte, to adopt the Working Group's Oct. 7 minutes (Attachment -). The motion passed unanimously.

2. Discussed Comments on the Revised Draft Pet Insurance Model Act

Mr. Beatty said during its Oct. 7 meeting, the Working Group discussed a proposal from California on revisions to the wellness programs language and a proposal from Rhode Island on adding language about producer training requirements. He said both proposals had been revised based on comments heard during that meeting.

Ms. Zoller said there were quite a few concerns about how to regulate not allowing the insurance policies and wellness programs to be advertised together. She said the language was changed to reflect that a "pet insurer shall not market a wellness program as pet insurance or during the transaction of pet insurance." She said there was also issue with whether to use the term "coverage" or "product," so language was changed to include both terms. Mr. Byrd asked if the language in Section 7A should be reworded to be clearer. He said he agrees with the purpose of the language but does not think it is reading the way the language is meant to be read. Mr. Gendron clarified that the goal of the language in Section 7A is to be read as two separate points.

Birny Birnbaum (Center for Economic Justice—CEJ) said insurance policies are sold with a wellness component built into the policy or added as an endorsement to the policy. He said the Working Group should consider adding language to clarify that the requirements in in Section 7A do not apply to insurance coverage, described as wellness benefits, that is included in the policy contract. Mr. McKenney agreed with the language that Mr. Birnbaum proposed.

Lisa Brown (American Property Casualty Insurance Association—APCIA) asked if the term "transaction" referred to the moment the policy was issued. She said the word could be interpreted as any time the insured used pet insurance after it is purchased. Ms. Zoller clarified that the marketing of the wellness products should be separate from the transaction of purchasing a pet insurance policy. Ms. Zoller said it may be best to instead use the term "sell, solicit, or negotiate." Mr. Byrd agreed that it would be better to use "sell, solicit, or negotiate."

Mr. Birnbaum asked if this language in Section 7A would prohibit an insurer from offering a wellness program for purchase until after an insurance policy has already been purchased. Ms. Zoller said that is the goal of the language.

Cari Lee (North American Pet Health Insurance Association—NAPHIA) asked if an insurer can sell a wellness program that is part of the insurance coverage. Ms. Birnbaum said this language would not apply to those policies and that the issue would be clarified by the additional language he submitted.

Ms. Zoller made a motion, seconded by Mr. Gendron, to adopt the changes to the wellness language in Section 3 and Section 7. The motion passed unanimously.

Mr. Gendron said the first provision in his proposed Section 9 – Insurance Producer Training says that a producer must be appropriately licensed and complete the required training before the sale, solicitation, or negotiation of pet insurance. He said the next provision applies to those producers with a major lines license and would require them to be appropriately trained on the features of the pet insurance product. He said this would be in-house training that would not require approval from the state insurance department but would be subject to market conduct examination. Mr. Gendron said the third provision deals with limited lines license holders. He said the original proposal required10 credits at initial licensing and 10 credits of continuing education (CE) every two years. He said that after conversations with other states and producers, that requirement was changed to 10 credits at initial licensing and four credits of CE every two years. Mr. Gendron said the final part of his proposal outlines the required covered topics for in-house training and licensing education courses.

Mr. Byrd asked if the required credits are in addition to the requirements already in place. Mr. Gendron said this proposal does not add any credit requirements for major lines license holders. He said limited lines license holders do not currently have a required number of credits to obtain a license.

Ms. Zoller said she would like to add a provision to require a certificate of completion for the training for state insurance regulators to track the completed training. Mr. Gendron said he would expect the company to keep track of the course list and who was at the training, but he would not expect the producer to provide that information. Mr. Beatty said the insurer would keep track of this, and it would be checked during a market conduct exam.

Mr. Harris said he is concerned about placing CE requirements on a limited lines licensee, and he asked if there are other limited lines where there are continuous requirements. Mr. Gendron said there is a lot more to selling pet insurance than other limited lines products, and the CE requirements would make sense for this line of business.

Mr. Birnbaum said Section 9B(1)(i) should clarify that both the producer and the insurer shall ensure that the producer has been appropriately trained on the product. Mr. Gendron agreed that the subsection should read: "Both the producer and the insurer shall ensure that its producers have been appropriately trained on the features of its products."

Isham Jones (American Veterinary Medical Association—AVMA) asked who would be providing the training on medical conditions. Mr. Gendron said for major lines license holders, the insurer would provide training on the specifics of pet insurance, and for limited lines license holders, the training would come from training providers that are required to register with the state department of insurance (DOI).

Wes Bissett (Independent Insurance Agents & Brokers of America—IIABA) said Section 8 – Regulations should be moved to the end of the model. He said in Section 9B(2)(iii), the term "limited lines" should be added before "insurance producer" for clarification.

Mr. Gendron made a motion, seconded by Mr. Byrd, to adopt Insurance Producer Training as Section 8 into the model, with the suggested edits in Section 8B(2)(iii) from Mr. Bissett and Section 8B(1)I from Mr. Birnbaum, and to move Regulations to Section 9. The motion passed unanimously.

3. Adopted the Pet Insurance Model Act

Mr. Gendron made a motion, seconded by Mr. McKenney, to adopt the Pet Insurance Model Act as drafted. The motion passed unanimously.

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

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Draft: 10/15/21

Pet Insurance (C) Working Group
Virtual Meeting
October 7, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Oct. 7, 2021. The following Working Group members participated: Don Beatty, Chair, and Jessica Baggarley (VA); Kendra Zoller, Vice Chair (CA); Katie Hegland and Colin Corsetti (AK); Jimmy Harris (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); Cynthia Amann and Jo LeDuc (MO); Michael McKenney and Dennis Sloand (PA); Elizabeth Kelleher Dwyer, Matt Gendron, and Beth Vollucci (RI); Kathy Stajduhar (UT); Chris Antoine, Jamie Gile, and Anna Van Fleet (VT); and David Forte and John Haworth (WA). Also participating were: Michele Mackenzie (ID); Linda Grant (IN); Heather Droge (KS); Brock Bubar and Sandra Darby (ME); Sandra Anderson and Christine Peters (MN); Chris Aufenthie and Janelle Middlestead (ND); Maggie Dell (SD); Jody Ullman (WI); and JoAnne DeBella (WY).

1. Adopted its Sept. 8 Minutes

The Working Group met Sept. 8 to discuss language related to wellness plans in the draft Pet Insurance Model Act.

Mr. Forte made a motion, seconded by Mr. Byrd, to adopt the Working Group's Sept. 8 minutes (Attachment -). The motion passed unanimously.

2. Discussed Comments on the Revised Draft Pet Insurance Model Act

Mr. Beatty said the Working Group received new comments from both state insurance regulators and industry since the last meeting.

Ms. Zoller said she submitted comments that address some changes to the language in Section 3–Definition and Section 7–Sales Practices for Wellness Programs. She said the changes include using the terms "shall and shall not" instead of "may," removing blood tests from the activities covered under wellness programs in the definition, and using clear language that wellness programs should not be marketed with insurance products. Mr. Byrd said he agrees that there should be separation between the wellness products and insurance products, including separate billing and contract forms. Mr. McKenney said the term "products" in Section 7(4) should be changed to "coverages." Mr. Forte agreed with this change. Birny Birnbaum (Center for Economic Justice—CEJ) said the term "products" should be used when talking about wellness programs, and the term "coverage" should be used when talking about insurance. Ms. Zoller agreed with this change.

Cari Lee (North American Pet Health Insurance Association—NAPHIA) asked whether products would be exempt from premium tax if wellness products are separated from the insurance policy. Mr. Forte said if wellness benefits are made a part of the insurance policy, then they are considered insurance. Ms. Lee asked for clarification of what separate marketing would be if the products are combined. Ms. Zoller agreed with Mr. Forte that if it is part of the policy, it is considered insurance, but currently some wellness plans that are sold as add-ons to an insurance policy do not make it clear to the consumer that the wellness program is not insurance. Ms. Mackenzie said there are insurance policies that pay for veterinary wellness visits, and she asked for clarification on the types of policies being addressed by this language. Mr. Gendron said he knows of four companies that sell a wellness product that they do not consider to be insurance, but the way these products are sold looks like how other companies sell endorsements to their pet insurance policies for wellness, which would be considered insurance. Mr. Birnbaum asked how something could be considered insurance because it is included in the policy, but the same services are not considered insurance if they are sold separately. Mr. Beatty said if a wellness program is included in the insurance policy and has been appropriately filed and approved in a state, then state insurance regulators have jurisdiction over that product. He said the Working Group is trying to separate out those products from the ones not sold as insurance, making it clear to the consumer that those products are not insurance and would not provide coverage that they may expect.

Ms. Lee said proposed Section 7(C)(1) reads "pet insurance and wellness programs should not be advertised together to avoid consumer confusion." She asked if the intention is to not allow those products to be sold on the same website. Ms. Zoller said the language is not preventing the products from being on the same website, but the products need to be clearly distinct. She said right now added on wellness products only have fine print indicating that it is not insurance. She said the websites should not allow customers to purchase an insurance policy with the wellness product already added on if that wellness product is not considered insurance and not a part of the policy. Ms. Lee said NAPHIA proposed that this should be addressed with clear

disclosures to the consumer. Mr. Birnbaum said he thinks the purpose of the language is that the purchase of a wellness program cannot be tied to the purchase of an insurance policy, and vice versa.

Mr. Forte said the purpose of the proposal is to change the language from permissive to restrictive and further clarify that pet insurance and wellness programs need to be clearly delineated as unique products, and they should not be contingent.

Mr. Forte said the adopted definition of wellness program says it is a subscription or reimbursement-based program that is separate from an insurance policy and provides services to promote general health, safety, and well-being. He said pet insurance policies are property policies, and anything that is for general health, safety, and well-being is not considered insurance and an insurable item.

Mr. Byrd asked where the differences are in how wellness programs are handled in health insurance as opposed to how they are handled in pet insurance. Mr. Birnbaum said consumers have come to understand that wellness programs are a part of health insurance policies. He said he does not see how consumers are supposed to know that wellness programs for pets would not be a part of the pet insurance policy. He said there has been a push in property/casualty (P/C) policies to include loss mitigation and resilience activities into the policies, and those activities are analogous to wellness programs in health insurance.

Mr. Beatty suggested that the proposal should be re-drafted after considering the comments made during the meeting and re-submitting them for viewing before the Working Group votes on adopting the new language.

Mr. Gendron said the Working Group previously discussed the issue of producer licensing and determined that the decision on what type of license was needed to sell pet insurance should not be made in this group. He said based on discussions in the Producer Licensing (D) Task Force, this Working Group would be the appropriate place to address what is required to obtain the license to sell pet insurance and what kind of training should be required to maintain that license. He said both the *Long-Term Care Insurance Model Act* (#640) and the *Suitability in Annuity Transactions Model Regulation* (#275) require initial training, and Model #640 requires ongoing training. He said because of the innovations in the industry that have been discussed in the Working Group's meetings, it is a good idea to have ongoing training requirements in addition to the initial training requirements. He proposed requiring four credits of pet insurance specific training for those that hold a major lines license before they can market and sell pet insurance, plus four credits of training at license renewal. He proposed 10 credits of pet insurance specific training for those that hold a limited lines license, plus 10 credits of training at license renewal.

Mr. McKenney asked how the proposed training requirements compare to other lines of insurance. Mr. Gendron said he is not aware of specific training in other lines of business, but pet insurance is a unique coverage type because it is more like health insurance than other property lines of business. Mr. McKenney said he does not want to create requirements for producers that would cause pet insurance to only be sold direct.

Jack Chaskey (Westmont Associates) asked if the education requirements are additive or if they are intended to be part of the qualifying education requirements. Mr. Gendron said the intent of the proposal is that these requirements would not be additive. Mr. Byrd asked if these training requirements should be addressed in state code provisions or in the draft Pet Insurance Model Act. Mr. Gendron said the *Producer Licensing Model Act* (#218) sets standard training, but this provision would require four of those credits to be specifically focused on pet insurance education for anyone that is selling pet insurance. He said because this is a unique line of business and there is a lot of innovation in the pet insurance industry, it is important to require specific training. Superintendent Dwyer said continuing education (CE) is not currently tracked by subject matter. She said this is a good way to confirm that P/C producers that are selling pet insurance are staying informed on that subject. Mr. Birnbaum said he would support the proposal to address producers training in the draft Pet Insurance Model Act.

Mr. Beatty asked if NAPHIA would still recommend their proposed drafting note that addresses producer licensing requirements and compliance with the Uniform Licensing Standards.

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

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Draft: 9/16/21

Pet Insurance (C) Working Group
Virtual Meeting
September 8, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Sept. 8, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair (CA); Katie Hegland (AK); Jimmy Harris (AR); Angela King (DC); Warren Byrd (LA); Shirley Corbin (MD); LeeAnn Cox and Jo LeDuc (MO); Dennis Sloand (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Mary Block and Jamie Gile (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Lucretia Prince (DE); Linda Grant (IN); Heather Droge, Brenda Johnson, and Tate Flott (KS); Brock Bubar (ME); Joseph Sullivan (MI); Christine Peters (MN); Chris Aufenthie (ND); Maggie Dell (SD); and Jody Ullman (WI).

1. Discussed the Definition of "Wellness Plans" in the Draft Pet Insurance Model Act

Mr. Beatty said during its Aug. 4 meeting, the Working Group adopted the Pet Insurance Model Act. He said following that meeting, there were suggested edits to some elements of the model.

Mr. Beatty said the first suggested change was to remove the word "internet" and make "website" one word throughout the model. Mr. Gendron made a motion, seconded by Mr. Forte, to make this change throughout the model. The motion passed unanimously.

Mr. Beatty said the next suggested change was to make "preexisting" consistent throughout the model. He said the Working Group should decide whether to use "pre-existing" or "preexisting." Mr. Gendron made a motion, seconded by Mr. Forte, to use "preexisting" throughout the model. The motion passed unanimously.

Mr. Beatty said the next suggested change was to insert language in Section 4–Disclosures, titled Right of Return, that addresses the free look period. Mr. Sloand said in the adopted version of the model, there was a statement indicating that a claim must have been paid in order to negate the free look period. Brendan Bridegland (Center for Insurance Research—CIR) said he agrees with Mr. Sloand's point. He said the substantive sections of the model should stay intact and these issues should not all be addressed in the disclosure section. Cari Lee (North American Pet Health Association—NAPHIA) said NAPHIA's submitted comments suggest adding language to the Right of Return section that clarifies that a policy cannot be returned if the insured has filed a claim. Mr. Byrd said whether or not a claim has been paid, when an insured makes a claim, he or she is making a demand of the policy. Mr. Beatty said it is unlikely that an insured would make a claim under the policy and then try to return it. He said the paid language is not necessary. Mr. Gendron said it is unlikely that a claim would even be paid or denied within the first 15 days of the policy.

Mr. Gendron made a motion, seconded by Mr. Byrd, to add Section 4D–Right to Examine and Return the Policy, with the following language:

(1)Unless the insured has filed a claim under the pet insurance policy, pet insurance applicants shall have the right to examine and return the policy, certificate or rider to the company or an agent/insurance producer of the company within fifteen (15) days of its receipt and to have the premium refunded, after examination of the policy, certificate or rider, the applicant is not satisfied for any reason,
(2)Pet insurance policies, certificates and riders shall have a notice prominently printed on the first page or attached thereto including specific instructions to accomplish a return. The following free look statement or language substantially similar shall be included:

> "You have 15 days from the day you receive this policy, certificate or rider to review it and return it to the company if you decide not to keep it. You do not have to tell the company why you are returning it. If you decide not to keep it, simply return it to the company at its administrative office or you may return it to the agent/insurance producer that you bought it from as long as you have not filed a claim. You must return it within 15 days of the day you first received it. The company will refund the full amount of any premium paid within 30 days after it receives the returned policy, certificate or rider. The premium refund will be sent directly to the person who paid it. The policy, certificate or rider will be void as if it had never been issued."

The motion passed, with Pennsylvania voting against.

Mr. Beatty said the next suggested change is to remove repetitious language in Section 6(B)(4) and instead address this language in Section 4–Disclosures. Mr. Forte said this language should be moved to Section 4 because it does relate to a disclosure to the insured. Mr. Forte made a motion, seconded by Mr. Byrd to move the language in Section 6(B)(4) to Section 4. The motion passed unanimously.

Mr. Byrd said any mention of "insurer" in the model should be changes to "pet insurer" for clarification. Mr. Byrd made a motion, seconded by Mr. Forte, to change "insurer" to "pet insurer" throughout the model. The motion passed unanimously.

Mr. Beatty said the next suggested change was removing the reference to the *Unfair Trade Practices Act* (#880) and replacing it with a reference that each state can change to include its own unfair trade practice law. Mr. Byrd made a motion, seconded by Mr. Gendron, to adopt this change. The motion passed unanimously.

Mr. Beatty said the next suggested change was to change Section 4(E) to read: "An insurer shall clearly disclose a summary description of the basis or formula on which the insurer determines claim payments under a pet insurance policy within the policy itself, prior to policy issuance and through a clear and conspicuous link on the main page of the insurer or insurer's program administrator's website." Mr. Gendron said he had never seen the word "itself" inserted after referring to a policy and said the change was not necessary.

Mr. Beatty said the next suggested change was to insert a drafting note in Section 4(H) to refer to the specific insurance department in each state. There was no objection to this change.

Mr. Beatty said the next suggested change was to move the definition of "preexisting condition" from Section 3 to Section 4. Mr. Forte said the definitions guide the policy, and they should not only be a part of the disclosures. There was no motion to make this change.

Mr. Beatty said there were a few more suggestions of moving language from Section 6 to Section 4. There was no motion to make those changes.

Mr. Forte said the Working Group had previously voted that there should not be waiting periods for accidents. He said the current language in Section 6 is ambiguous if waiting periods for accidents are prohibited. Ms. Lee said that prohibiting waiting periods for accidents could allow for insurance fraud since a consumer could purchase and immediately use the insurance to cover his or her pet after an accident has already occurred. Mr. Forte said state insurance regulators do not want insurance fraud to occur. Mr. Bridgeland said that if the accident occurred before coverage, that would be considered a preexisting condition. Ms. Lee said the insurer would not know it is a preexisting condition if the consumer does not disclose the accident. Mr. Byrd said a waiting period of three days for accidents should mean that the policy is not effective until that waiting period is over. Ms. Lee said these policies have different waiting periods for different coverages, so only the accident coverage would not be effective during that period. Mr. Bridgeland said it is problematic to charge a consumer for a 365-day policy with only 362 days of coverage.

Mr. Forte made a motion, seconded by Mr. Gendron, to change the language in Section 6B to: "A pet insurer may issue policies that impose waiting periods upon effectuation of the policy that do not exceed 30 days for illnesses or orthopedic conditions not resulting from an accident. Waiting periods for accidents are prohibited."

Ms. Zoller said state insurance regulators do not have authority over non-insurance products, and she said Section 7 and language relating to wellness programs should not be included in the model. Mr. Forte said the language says "by a licensed insurance entity" to refer to products sold by licensed pet insurers.

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

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NAIC NATIONAL MEETING FALL 2021

Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP
Wednesday, November 17, 2021

Meeting Summary Report

The Transparency and Readability of Consumer Information (C) Working Group met Nov. 17, 2021. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes.

2. Adopted the report of the Consumer Education Drafting Group. The Consumer Education Drafting Group has split into two subgroups to complete the drafting of consumer education materials about rating factors and discounts on automobile insurance policies. Once the information regarding automobile insurance is complete, the drafting group will draft documents about homeowners insurance.

3. Heard a presentation regarding disparities in insurance access. This presentation was based on a grassroots survey done through the lens of community organizations.

Transparency Summary Fall 2021.docx

Draft: 11/17/21
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Property and Casualty Insurance (C) Committee, TBD

2022 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 and rehabilitation proceedings related to risk retention groups (RRGs). If warranted, make appropriate 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:
      1. Serve as a forum for discussing issues related to the interaction of federal crop insurance programs with state insurance regulation.
      2. Review law changes and court decisions and, if warranted, make appropriate changes to the *Federal Crop Insurance Program Handbook: A Guide for Insurance Regulators.*
      3. 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. Report on the cyber insurance market, including data reported within the Cybersecurity Insurance and Identity Theft Coverage Supplement.
   J. 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.
   K. Provide a forum for discussing issues related to parametric 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 that would protect financial institutions from liability associated with providing services to cannabis businesses operating legally under state law.
   B. Encourage admitted insurers to ensure coverage adequacy in states where cannabis, including hemp, is legal.
   C. Provide insurance resources to stakeholders and keep up with new products and innovative ideas that may shape insurance in this space.
   D. Develop an appendix to the *Understanding the Market for Cannabis Insurance* white paper, providing updated information on cannabis-related insurance issues for adoption by the 2022 Summer National Meeting.
   E. Collaborate with the Producer Licensing (D) Task Force to study whether cannabis-related convictions in states where cannabis is legalized for medical and/or recreational use are preventing individuals from being licensed as an agent or broker.

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.
C. Monitor and assess proposals that address disaster insurance issues at the federal and state levels. Assess concentration-of-risk issues and whether a regulatory solution is needed.
D. Provide a forum for discussing issues and recommending solutions related to insuring for catastrophe risk, including terrorism, war, and natural disasters.
E. Consider revisions to the *Catastrophe Computer Modeling Handbook*.
F. Investigate and recommend ways the NAIC can assist states in responding to disasters by continuing to build the NAIC's Catastrophe Resource Center for state insurance regulators to better prepare for disasters.
G. Continue to monitor the growth of the private flood insurance market and assess the actions taken by individual states to facilitate growth. Update the Considerations for Private Flood Insurance appendix to include new ways states are growing the private flood insurance market.
H. Study, in coordination with other NAIC task forces and working groups, earthquake matters of concern to state insurance regulators. Consider various innovative earthquake insurance coverage options aimed at improving take-up rates.

4. The **NAIC/Federal Emergency Management Agency (FEMA) (C) Working Group** will:
   A. Assist state insurance regulators in engaging and collaborating with FEMA on an ongoing basis by establishing a process for the oversight, prioritization, and reporting of disaster-related regional workshops and other exercises to improve disaster preparation and resilience.

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. Complete the drafting of regulatory best practices that serve to inform consumers of the reasons for significant premium increases related to P/C insurance products.
   D. Update and develop web page and mobile content for *A Shopping Tool for Homeowners Insurance* and *A Shopping Tool for Automobile Insurance*.
   E. Study and evaluate ways to engage department of insurance (DOI) communication to more diverse populations, such as rural communities.

NAIC Support Staff: Aaron Brandenburg/Jennifer Gardner

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Draft: 11/17/21
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Property and Casualty Insurance (C) Committee, TBD
Adopted by the Casualty Actuarial and Statistical (C) Task Force, Nov. 9, 2021

2022 Proposed Charges

CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE

The mission of the Casualty Actuarial and Statistical (C) Task Force is to identify, investigate, and develop solutions to actuarial problems and statistical issues in the property/casualty (P/C) insurance industry. The Task Force's goals are to assist state insurance regulators with maintaining the financial health of P/C insurers; ensure that P/C insurance rates are not excessive, inadequate, or unfairly discriminatory; and ensure that appropriate data regarding P/C insurance markets are available.

Ongoing Support of NAIC Programs, Products or Services

1. The **Casualty Actuarial and Statistical (C) Task Force** will:
   A. Provide reserving, pricing, ratemaking, statistical, and other actuarial support to NAIC committees, task forces, and/or working groups. Propose changes to the appropriate work products (with the most common work products noted below) and present comments on proposals submitted by others relating to casualty actuarial and statistical matters. Monitor the activities, including the development of financial services regulations and statistical (including disaster) reporting, regarding casualty actuarial issues.
      1. Property and Casualty Insurance (C) Committee – ratemaking, reserving, or data issues.
      2. Blanks (E) Working Group – P/C annual financial statement, including Schedule P; P/C quarterly financial statement; P/C quarterly and annual financial statement instructions, including Statement of Actuarial Opinion (SAO) and Actuarial Opinion Summary Supplement.
      3. Capital Adequacy (E) Task Force – P/C risk-based capital (RBC) report.
      4. Group Solvency Issues (E) Working Group and Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup – ORSA.
      5. Statutory Accounting Principles (E) Working Group – *Accounting Practices and Procedures Manual* (AP&P Manual), and review and provide comments on statutory accounting issues being considered under *Statement of Statutory Accounting Principles (SSAP) No. 65—Property and Casualty Contracts*.
      6. Speed to Market (EX) Working Group – P/C actuarial sections of the *Product Filing Review Handbook*.
   B. Monitor national casualty actuarial developments and consider regulatory implications.
      1. Casualty Actuarial Society (CAS) – Statements of Principles and *Syllabus of Basic Education*.
      2. American Academy of Actuaries (Academy) – Standards of Practices, Council on Professionalism, and Casualty Practice Council.
      3. Society of Actuaries (SOA) – general insurance track's basic education.
      4. Federal legislation.
   C. Facilitate discussion among state insurance regulators regarding rate filing issues of common interest across the states through the scheduling of regulator-only conference calls.
   D. Conduct the following predictive analytics work:
      1. Facilitate training and the sharing of expertise through predictive analytics webinars (Book Club).
      2. Review the completed work on artificial intelligence (AI) from other committee groups. Coordinate with the Innovation, Cybersecurity, and Technology (H) Committee on the tracking of new uses of AI, auditing algorithms, product development, and other emerging regulatory issues in as far as these issues contain a Task Force component.
      3. With NAIC staff assistance, discuss guidance for the regulatory review of tree-based models and generalized additive models (GAM) used in rate filings.

2. The **Actuarial Opinion (C) Working Group** will:
   A. Propose revisions to the following, as needed, especially to improve actuarial opinions, actuarial opinion summaries, and actuarial reports, as well as the regulatory analysis of these actuarial documents and loss and premium reserves:
      1. *Financial Analysis Handbook.*
      2. *Financial Condition Examiners Handbook.*
      3. *Annual Statement Instructions—Property/Casualty*.
      4. Regulatory guidance to appointed actuaries and companies.
      5. Other financial blanks and instructions, as needed.

3. The **Statistical Data (C) Working Group** will:
   A. Consider updates and changes to the *Statistical Handbook of Data Available to Insurance Regulators*.
   B. Consider updates and developments, provide technical assistance, and oversee the production of the following reports and databases. Periodically evaluate the demand and utility versus the costs of production of each product.
      1. *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance.*
      2. *Auto Insurance Database.*
      3. *Competition Database Report.*
      4. *Report on Profitability by Line by State.*

NAIC Support Staff: Kris DeFrain/Jennifer Gardner/Libby Crews

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Draft: 11/17/21
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Property and Casualty Insurance (C) Committee, TBD
Adopted by the Surplus Lines (C) Task Force, Aug. 5, 2021

2022 Proposed Charges

SURPLUS LINES (C) TASK FORCE

The mission of the Surplus Lines (C) Task Force is to: 1) monitor the surplus lines market and regulation, including the activity and financial condition of U.S. and alien surplus lines insurers by providing a forum for discussion of issues; and 2) develop or amend relevant NAIC model laws, regulations, and/or guidelines.

Ongoing Support of NAIC Programs, Products or Services

1. The **Surplus Lines (C) Task Force** will:
   A. Provide a forum for discussion of current and emerging surplus lines-related issues and topics of public policy and determine appropriate regulatory response and action.
   B. Review and analyze quantitative and qualitative data on U.S. domestic and alien surplus lines industry results and trends.
   C. Monitor federal legislation related to the surplus lines market and ensure all interested parties remain apprised.
   D. Develop or amend relevant NAIC model laws, regulations, and/or guidelines.
   E. Oversee the activities of the Surplus Lines (C) Working Group.

2. The **Surplus Lines (C) Working Group** will:
   A. Operate in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings and operate in open session when discussing surplus lines topics and policy issues, such as amendments to the International Insurers Department (IID) Plan of Operation.
   B. Maintain and draft new guidance within the IID Plan of Operation regarding standards for admittance and continued inclusion on the NAIC *Quarterly Listing of Alien Insurers*.
   C. Review and consider appropriate decisions regarding applications for admittance to the NAIC *Quarterly Listing of Alien Insurers*.
   D. Analyze renewal applications of alien surplus lines insurers on the NAIC *Quarterly Listing of Alien Insurers* and ensure solvency and compliance per the IID Plan of Operation guidelines for continued listing.
   E. Provide a forum for surplus lines-related discussion among jurisdictions.

NAIC Support Staff: Andy Daleo

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Draft: 11/17/21
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Property and Casualty Insurance (C) Committee, TBD
Adopted by the Title Insurance (C) Task Force, Nov. 16, 2021

2022 Proposed Charges

TITLE INSURANCE (C) TASK FORCE

The mission of the Title Insurance (C) Task Force is to study issues related to title insurers and title insurance producers.

Ongoing Support of NAIC Programs, Products or Services

1. The **Title Insurance (C) Task Force** will:
   A. Discuss and/or monitor issues and developments affecting the title insurance industry, and provide support and expertise to other NAIC committees, task forces, and/or working groups, or outside entities, as appropriate.
   B. Review and assist various regulatory bodies in combating fraudulent and/or unfair real estate settlement activities. Such efforts could include working with the Antifraud (D) Task Force and other NAIC committees, task forces, and/or working groups to combat mortgage fraud and mitigating title agent defalcations through the promotion of closing protection letters (CPLs) and other remedies.
   C. Consult with the Consumer Financial Protection Bureau (CFPB) and other agencies responsible for information; education; and disclosure for mortgage lending, closing, and settlement services about the role of title insurance in the real estate transaction process.
   D. Evaluate CPLs to ensure compliance with state regulation and requirements, consumer protection offered and excluded, and potential alternatives for coverage.

NAIC Support Staff: Anne Obersteadt

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Draft: 11/17/21
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Property and Casualty Insurance (C) Committee, TBD
Adopted by the Workers' Compensation (C) Task Force, Nov. 11, 2021

2022 Proposed Charges

WORKERS' COMPENSATION (C) TASK FORCE

The mission of the Workers' Compensation (C) Task Force is to study the nature and effectiveness of state approaches to workers' compensation and related issues, including, but not limited to: 1) assigned risk plans; 2) safety in the workplace; 3) treatment of investment income in rating; 4) occupational disease; 5) cost containment; and 6) the relevance of adopted NAIC model laws, regulations, and/or guidelines pertaining to workers' compensation.

Ongoing Support of NAIC Programs, Products or Services

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

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

NAIC Support Staff: Sara Robben/Aaron Brandenburg

https://naiconline.sharepoint.com/:w:/r/sites/NAICSupportStaffHub/Member%20Meetings/Fall%202021/TF/WorkersComp/2022%20WCTF%20Charges.docx?d=wba7b249371b74ad6b12bb0818cea3483&csf=1&web=1&e=pNsF5x

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Recommended Revisions to Charges Adopted by the Title Insurance (C) Task Force with the Suggested Addition Stemming from the Center for Economic Justice's (CEJ) Proposed Additions

The **Title Insurance (C) Task Force** will:

1. Discuss and/or monitor issues and developments impacting the title insurance industry, and provide support and expertise to other NAIC committees, task forces and/or working groups, or outside entities, as appropriate.
2. Review and assist various regulatory bodies in combating fraudulent and/or unfair real estate settlement activities. Such efforts could include working with the Antifraud (D) Task Force and other NAIC committees, task forces and/or working groups to combat mortgage fraud and mitigating title agent defalcations through the promotion of closing protection letters (CPLs) and other remedies.
3. Consult with the Consumer Financial Protection Bureau (CFPB) and other agencies responsible for information; education; and disclosure for mortgage lending, closing and settlement services about the role of title insurance in the real estate transaction process.
4. Evaluate CPLs to ensure compliance with state regulation and requirements, consumer protections offered and excluded, and potential alternatives for coverage.
5. Review current rate regulation practices.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Recommended Revision to Charges Adopted by the Casualty Actuarial and Statistical (C) Task Force Stemming from the Center for Economic Justice's (CEJ) Proposed Addition

3. The **Statistical Data (C) Working Group** will:
   A. Consider updates and changes to the *Statistical Handbook of Data Available to Insurance Regulators*.
   B. Consider updates and developments, provide technical assistance, and oversee the production of the following reports and databases. Periodically evaluate the demand and utility versus the costs of production of each product.
      1. *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance.*
      2. *Auto Insurance Database.*
      3. *Competition Database Report.*
      4. *Report on Profitability by Line by State.*
   C. Implement the expedited reporting and publication of average auto and average homeowners premium portions of the annual *Auto Insurance Database* and *Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance.*

Comments of the Center or Economic Justice

To the NAIC Property Casualty (C) Committee

December 9, 2021

2022 Charges

CEJ writes to recommend additional and revised charges for the C Committee in 2022.

Title Insurance

We suggest two charges related to title insurance. While the first would be assigned to the Title Insurance Task Force, the second may be better located at the Committee level.

- Review the effectiveness of current rate regulation practices to protect title insurance consumers from excessive rates and charges and, if needed, recommend needed changes in regulatory practices to protect consumers from excessive title insurance rates and charges. Report by the 2022 Summer National Meeting.

- Develop a model bulletin prohibiting the inclusion of pre-dispute mandatory arbitration provisions in title insurance policies. Report by the 2022 Spring National Meeting

Regarding the first charge, title insurers have realized massive profits for several years -- profits indicating significantly excessive rates. The excessive profits became even more excessive as the pandemic unfolded. Unlike other lines of insurance where insurers provided some premium relief, title insurers failed to lower rates and collected windfall profits – demonstrating that competition in title insurance markets does not force prices down or protect consumers from excessive rates. We suggest there is a need to examine why competition and current oversight of title insurance rates has failed to protect consumers.

On the second charge, the NAIC recently adopted a model bulletin regarding "Arbitration Clauses and Choice of Law/Venue Previsions in Personal Lines Insurance" at https://content.naic.org/sites/default/files/inline-files/legal_bulletin_arb_clauses_choice_of_law_provisions_personal_lines_ins_bulletin.pdf.

The bulletin states:

> Purpose of this Bulletin
> The purpose of this bulletin is to provide guidance to insurers with regard to provisions within personal lines policies that limit or impose unreasonable preconditions on consumers' ability to adjudicate their disputes in court. Pre-dispute mandatory arbitration clauses, choice of law provisions, and choice of venue provisions unfairly limit or impose unreasonable preconditions on individual consumers' ability to adjudicate their disputes in [state] courts under the protection of [state] law. These provisions are prohibited in personal lines policies.

Despite this clear policy prohibiting such provisions in personal lines policy, title insurers, through their advisory organization ALTA, include pre-dispute mandatory arbitration provisions title insurance policy forms sold to and paid for by consumers in direct conflict of the NAIC policy set out in the bulletin. In fact, recent changes in ALTA policy forms make the previous offending provisions even worse for consumers. The second charge is intended to address this unfair practice.

Casualty Actuarial and Statistical Task Force

In 2021, the CASTF had several discussions about a proposal to Blanks that would have expedited the availability of average premium data for personal auto and residential property insurance from the current 24 months after the end of the experience year to the five months. The Blanks Working Group rejected the proposal. However, as part of the CASTF discussions of the proposal, CASTF tasked the Statistical Working Group with exploring options for speeding up delivery of statistical data to produce average premium for personal auto and residential property on a timelier basis. The Statistical WG surveyed statistical agents and other reporting entities and concluded that average premium could be produced 12 months earlier by requesting and collecting portions of statistical reports sooner than currently provided. Based on this work, we recommend the following charge:

- Implement the results of the Statistical Working Group's review of speedier reporting and publication of average personal auto and average residential property premium portions of the annual *Auto Insurance Database* and *Dwelling Fire, Homeowners Report*.

Casualty Actuarial and Statistical Task Force -- Race and Insurance

We proposed a charge for CASTF to engage on race and insurance. Attached is our letter to the Committee on Race urging their endorsement of charges related to race and insurance to subject matter committees, task forces and working groups.

Despite powerful statements[1] made in connection with the establishment of the Committee on Race regarding the importance and urgency of addressing issues of race in insurance in July 2020, the Committee has progressed very slowly with little progress or concrete actions. One notable exception is the work of the health work stream's efforts to develop principles for data collection to facilitate analysis of racially-biased outcomes in health insurance.

While we endorse the role of the Committee on Race as a coordinating body for the NAIC's efforts to address systemic racism in insurance, placing all work on race and insurance has been limited to the activities of the Committee. This has proven to be an unproductive approach for at least two reasons.

First, the work streams – particularly life and p/c – have moved very slowly and have had a difficult time developing a strategy for moving forward. The p/c stream has only recently – last week! – started on the important step of reviewing critical concepts in unfair discrimination. But the scale of the issue of race and insurance is far too great for all the work to be done in one location, as evidenced by the lack of progress by the Committee.

Two, whenever CEJ has raised the issue of racial bias in subject matter committees, task forces and working groups, the response has always been that the issues are being addressed at the Committee on Race and the subject matter group declines to even examine issues of race and insurance in their subject matter areas. ***By excluding the subject matter groups from examining issues of race and insurance in their areas of expertise, the Committee on Race loses the opportunity for better understanding of racial impacts in particular phases of the insurance life cycle and the members of the subject matter groups lose the opportunity to engage more fully and better understand issues of race and insurance.***

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[1] "It is the duty of the insurance sector to address racial inequality while promoting diversity in the insurance sector. We welcome the public commitments of industry leaders to address these issues and I am excited by the strong and personal commitment of my fellow commissioners to take action on these important subjects. If not us, who? If not now, when?" NAIC President Ray Farmer
"Our regulatory system and insurance in general is a reflection of the society it aims to protect, and while state insurance regulators have worked to eliminate overt discrimination and racism, we all have been increasingly aware that unconscious bias can be just as damaging to society," said NAIC CEO, Mike Consedine.
At https://content.naic.org/article/news_release_naic_announces_special_committee_race_and_insurance.htm

Consequently, we have urged the Committee on Race to distribute important and necessary work to the relevant subject matter committees, task forces and working groups, while continuing both the coordination of work on race and insurance and addressing the high-level issues that cross lines of insurance and phases of the insurance life cycle. We urge to C Committee to seek and accept a relevant charge related to exploring issues of race and insurance for market regulation:

- Casualty Actuarial and Statistical Task Force: Develop procedures and guidance for regulators to test for racial bias in pricing for personal auto and residential property insurance. Report findings to the Committee on Race by the 2022 Sumer National Meeting.

Thank you for your consideration.