



Date: 8/1/22

*2022 Summer National Meeting
Portland, Oregon*

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Friday, August 12, 2022

2:15 – 3:30 p.m.

Oregon Convention Center—Oregon Ballroom 201–204—Level 2

ROLL CALL

Mike Chaney, Chair	Mississippi	Vicki Schmidt	Kansas
Alan McClain, Co-Vice Chair	Arkansas	James J. Donelon	Louisiana
Anita G. Fox, Co-Vice Chair	Michigan	Chris Nicolopoulos	New Hampshire
Mark Fowler	Alabama	Glen Mulready	Oklahoma
Ricardo Lara	California	Larry D. Deiter	South Dakota
Andrew N. Mais	Connecticut	Tregenza A. Roach	Virgin Islands
Trinidad Navarro	Delaware	Allan L. McVey	West Virginia
Colin M. Hayashida	Hawaii		

NAIC Support Staff: Aaron Brandenburg/Jennifer Gardner

AGENDA

1. Consider Adoption of its Aug. 1 and Spring National Meeting Minutes— Attachment One
Director Anita G. Fox (MI)

2. Consider Adoption of its Task Force and Working Group Reports Attachment Two
 - A. Casualty Actuarial and Statistical (C) Task Force
—Commissioner Mike Kreidler (WA)
 - B. Surplus Lines (C) Task Force—*Commissioner James J. Donelon (LA)*
 - C. Title Insurance (C) Task Force—*Director Eric Dunning (NE)*
 - D. Workers’ Compensation (C) Task Force
—Commissioner Alan McClain (AR)
 - E. Cannabis Insurance (C) Working Group
—Commissioner Ricardo Lara (CA)
 - F. Catastrophe Insurance (C) Working Group
—Commissioner David Altmaier (FL)
 - G. Pet Insurance (C) Working Group—*Don Beatty (VA)*
 - H. Terrorism Insurance Implementation (C) Working Group
—Martha Lees (NY)
 - I. Transparency and Readability of Consumer Information (C) Working Group—*Joy Hatchette (MD)*

3. Hear a Federal Update—*Brooke Stringer (NAIC)*
4. Hear a Presentation on Cyber Insurance Data
—*Aaron Brandenburg (NAIC)* Attachment Three
5. Receive an Update on the Collaboration Forum on Algorithmic Bias
—*Commissioner Kathleen A. Birrane (MD)*
6. Hear an Overview of a Member Visit to the Insurance Institute for
Business & Home Safety (IBHS)—*Commissioner Barbara D. Richardson
(NV)* Attachment Four
7. Discuss its Charge Related to Parametric Insurance Products
—*Aaron Brandenburg (NAIC)*
8. Discuss Any Other Matters Brought Before the Committee
—*Commissioner Alan McClain (AR)*
9. Adjournment

Draft: 8/3/22

Property and Casualty Insurance (C) Committee
Virtual Meeting
August 1, 2022

The Property and Casualty Insurance (C) Committee met Aug. 1, 2022. The following Committee members participated: Mike Chaney, Chair (MS); Alan McClain, Co-Vice Chair (AR); Anita G. Fox, Co-Vice Chair (MI); Mark Fowler represented by Brian Powell (AL); Ricardo Lara and Kendra Zoller (CA); Andrew N. Mais represented by George Bradner (CT); Colin M. Hayashida (HI); Vicki Schmidt (KS); James J. Donelon represented by Warren Byrd and Tom Travis (LA); Chris Nicolopoulos represented by Christian Citarella (NH); and Larry D. Deiter (SD). Also participating was: Don Beatty (VA).

1. Adopted the Pet Insurance Model Act

Mr. Beatty said in 2019, the Property and Casualty Insurance (C) Committee created the Pet Insurance (C) Working Group to discuss the potential development of a model law that would address regulatory concerns found within the pet insurance industry. He said the Working Group has held 26 open meetings with active participation from industry, consumer representatives, producers, and veterinarian groups.

Mr. Beatty said the proposed Pet Insurance Model Act covers required definitions and disclosures, as well as regulations for policy conditions, sales practices for wellness programs, and producer training. 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 said the 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.

Mr. Beatty noted the model was adopted by the Pet Insurance (C) Working Group and the Property and Casualty Insurance (C) Committee prior to the 2021 Fall National Meeting, but there were concerns about language in the producer training section that could cause unintended consequences to producer licensing and reciprocity. At the 2021 Fall National Meeting, the model was sent back to the Pet Insurance (C) Working Group for revision. Mr. Beatty said after discussions about the concerns raised related to the producer licensing language, the Working Group, on July 21, 2022, adopted the Pet Insurance Model Act with revisions to the Producer Training section, which now includes required training topics for pet insurance producers and language that allows for training requirements to be satisfied by substantially similar requirements in another state.

Director Fox made a motion, seconded by Commissioner Schmidt, to adopt the Pet Insurance Model Act. The motion passed unanimously.

Commissioner Chaney thanked Mr. Beatty and Ms. Zoller for their leadership on the Pet Insurance (C) Working Group. He noted that the Model Act would be considered by Plenary at the Summer National Meeting.

Cari Lee (North American Pet Health Insurance Association—NAPHIA) thanked state insurance regulators for their work in finalizing the Model Act.

2. Discussed Other Matters

Commissioner Chaney said the Committee would meet at the Summer National Meeting on Aug. 12 and that the agenda has been posted online.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2022_Summer/08-01_CCmte.docx

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Draft: 4/19/22

Property and Casualty Insurance (C) Committee
Kansas City, Missouri
April 7, 2022

The Property and Casualty Insurance (C) Committee met in Kansas City, MO, April 7, 2022. The following Committee members participated: Mike Chaney, Chair (MS); Alan McClain, Co-Vice Chair (AR); Anita G. Fox, Co-Vice Chair (MI); Jim L. Ridling (AL); Ricardo Lara (CA); Andrew N. Mais, George Bradner, and Wanchin Chou (CT); Trinidad Navarro (DE); Colin M. Hayashida represented by Martha Im and Kathleen Nakasone (HI); Vicki Schmidt (KS); James J. Donelon (LA); Chris Nicolopoulos (NH); Glen Mulready (OK); Larry D. Deiter (SD); Tregenza A. Roach (VI); Allan L. McVey (WV). Also participating were: David Altmaier (FL); Eric Dunning (NE); Martha Lees (NY); Mike McKenney (PA); and Eric Slavich (WA).

1. Adopted its 2021 Fall National Meeting Minutes

Commissioner McVey made a motion, seconded by Director Fox, to adopt the Committee's Dec. 15, 2021 minutes (see *NAIC Proceedings – Fall 2021, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

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

A. Casualty Actuarial and Statistical (C) Task Force

Mr. Slavich said the Casualty Actuarial and Statistical (C) Task Force March 8 in lieu of the Spring National Meeting. During that meeting, the Task Force adopted a document with guidance for the regulatory review of random forest rate models. This document is a follow-up to the Task Force's white paper titled *Regulatory Review of Predictive Models*, which was adopted last spring. In writing the initial white paper, the Task Force focused on just one predominate type of multivariate analysis: generalized linear models (GLMs). The new guidance deals with random forest models, and the Task Force intends to continue working to create guidance for other types of models.

Mr. Slavich said the Task Force has been discussing an issue raised by the American Academy of Actuaries (Academy) related to accounting practices for portfolio retroactive reinsurance. In May 2019, the Academy wrote to the Task Force and the Statutory Accounting Principles (E) Working Group about this issue, and the Working Group asked the Task Force for input. After investigating the issue and after a long period of discussion, the Task Force decided to proceed with writing some suggested revisions to the instructions for Schedule P and perhaps also for paragraph 36 and paragraph 37 in the *Statement of Statutory Accounting Principles (SSAP) No. 62R—Property and Casualty Reinsurance*. The Task Force will provide these suggestions to the Statutory Accounting Principles (E) Working Group for its consideration.

Mr. Slavich also said the Statistical Data (C) Working Group has been working with statistical agents to implement accelerated publishing of average premium data. The Working Group decided to include accelerated average premiums every year for the *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report). This will result in the production of two reports in 2022: 1) the normal report with 2020 data; and 2) an accelerated report with 2021 data. Only one report will be needed in subsequent years. Discussions about expedited reporting for the *Auto Insurance Database Report* (Auto Report) are ongoing.

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Mr. Slavich also reported the Task Force continues to meet regularly, including both a monthly Book Club meeting to educate on predictive modeling and a monthly regulator-to-regulator meeting to discuss rate filing issues. These discussions have proven to be a valuable resource for regulatory actuaries (and non-actuary regulators), and the Task Force intends to continue with these meetings.

B. Surplus Lines (C) Task Force

Commissioner Donelon said the Surplus Lines (C) Task Force has not met yet in 2022, but it plans to meet soon to hear from the drafting group looking at the *Nonadmitted Insurance Model Act* (#870). That drafting group is working to modernize this model to bring it in line with the federal Nonadmitted and Reinsurance Reform Act (NRRRA).

C. Title Insurance (C) Task Force

Director Dunning said the Title Insurance (C) Task Force met April 5 to hear states report on how they deal with wire fraud issues referred by title agents, as well as how states handle closing protection letters (CPLs). The Task Force also heard a presentation from industry on CPL policy language, including exclusions, and discussed its work plan for the year.

Director Dunning said the work plan includes meeting in regulator-to-regulator session in June with the Consumer Financial Protection Bureau (CFPB) to discuss recent changes, Real Estate Practices Act (RESPA) activities, and how states should collaborate with the CFPB. Additionally, the work plan calls for hearing from industry on what the post-pandemic future of the title insurance industry will look like, particularly in regard to virtual closings. It also calls on industry to share how complications arise from the required use of plans by some states that include rules or forms tailored to other lines of insurance. Director Dunning said the Task Force will review the Title Insurance Model Act to determine if there is a need to make a recommendation to remove the requirement for on-site review of underwriting and claims practices.

Director Fox asked if there was a date scheduled for the next Title Insurance (C) Task Force meeting, to which Director Dunning replied that it had not been set yet.

D. Workers' Compensation (C) Task Force

Commissioner McClain said the Workers' Compensation (C) Task Force met March 21 in lieu of the Spring National Meeting. The Task Force heard updates on federal legislation, including original language included in the Build Back Better Act that provided funding to the U.S. Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP) for "monitoring of state workers' compensation programs." That language was ultimately removed. The Task Force heard updates on cannabis, independent contractor, and single-payer health care, and state and federal legislation as related to workers' compensation.

E. Cannabis Insurance (C) Working Group

Commissioner Lara said the Cannabis Insurance (C) Working Group met March 24 in lieu of the Spring National Meeting. During its meeting, the Working Group heard from two presenters on the state of the cannabis insurance industry. It also heard an update on federal cannabis-related legislative activities and discussed its 2022 work plan. The work plan includes monitoring cannabis-related federal legislative activities. It also includes completing the updates to the *Understanding the Market for Cannabis Insurance* white paper through continued drafting sessions every few weeks. The goal is to expose the draft white paper during or shortly after the Summer National Meeting, review comments received before the Fall National Meeting, and consider adoption during the Fall National Meeting.

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Commissioner Lara said the work plan also calls for continued discussion with the Producer Licensing (D) Task Force on whether there is a need to collaborate to study social equity issues in states where cannabis is legalized for medical and/or recreational use.

Commissioner Lara said the work plan calls on the Working Group to explore emerging issues and market availability constraints through additional presentations. This includes exploring the risks of minor CBD-derived intoxicants and social consumption lounges and how a federal cannabis regulatory framework could help inform insurers' coverage offerings.

F. Catastrophe Insurance (C) Working Group

Commissioner Altmaier said the Catastrophe Insurance (C) Working Group met March 4 and in joint session with the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group April 4. The Working Group is currently working on updates to the *Catastrophe Modeling Handbook*. NAIC staff sent a survey to states regarding the Handbook in order to collect information from the states to help guide the update of the Handbook. A drafting group has met once to begin the process of updating the Handbook.

Commissioner Altmaier said the Working Group stays informed about catastrophic events in other states and shares lessons learned and processes other states use in the aftermath of a storm or other catastrophic event. On April 4, the Working Group heard an update from Iowa and Tennessee state insurance regulators regarding recent catastrophic weather events. Commissioner Altmaier reported that the NAIC has been partnering with FEMA on regional events to help state departments of insurance (DOIs) form better relationships with their FEMA partners. During the April 4 meeting, Commissioner Mulready provided the Working Group with an overview of past FEMA regional meetings, as well as the upcoming FEMA Region 6 meeting that will be held in Oklahoma City, OK, May 3–4. Commissioner Altmaier also said NAIC staff continue to add information to the Catastrophe Resource Center and are looking for state insurance regulator input.

Commissioner Chaney reported the Missouri Department of Commerce and Insurance will be cohosting the Central U.S. Quake Insurance Summit May 23–24 in St. Louis, MO.

G. Pet Insurance (C) Working Group

Commissioner Chaney provided an update on the status of the Pet Insurance Model Act. The model was previously adopted by the Property and Casualty Insurance (C) Committee but was pulled off the Plenary agenda at the 2021 Fall National Meeting because a couple states brought forth concerns about the producer training section of the model.

Commissioner Chaney said the model will be exposed with small revisions, and comments will be discussed during an upcoming meeting of the Pet Insurance (C) Working Group. Commissioner Chaney said the Pet Insurance (C) Working Group was not reappointed in 2022 because it was thought its work was complete.

Commissioner Schmidt made a motion, seconded by Director Deiter, the Committee adopted a charge for the Pet Insurance (C) Working Group to “complete the development of a model law to establish appropriate regulatory standards for the pet insurance industry.”

Director Fox made a motion, seconded by Commissioner McVey, to adopt an extension to the Summer National Meeting for revisions to the proposed Pet Insurance Model Act. The motion passed unanimously.

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H. Terrorism Insurance Implementation (C) Working Group

Ms. Lees said the Terrorism Insurance Implementation (C) Working Group has not met yet this year, but it does plan to meet in the near future to receive an analysis of the recently received workers' compensation data, as well as last year's data received in the non-workers compensation portion of the state insurance regulator data call. Ms. Lees said the Federal Insurance Office (FIO) and the NAIC formally notified insurers of this year's data call on April 1 by providing instructions to insurers for submitting the data to both locations. She said the due date will be May 16, and additional information can be found on the NAIC and the U.S. Department of the Treasury (Treasury Department) websites.

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

Mr. Bradner said the Transparency and Readability of Consumer Information (C) Working Group has been working on a project over the past year to draft regulatory best practices that serve to inform consumers of the reasons for significant premium increases related to property/casualty (P/C) insurance products. The Working Group formed drafting groups in three areas: 1) disclosure language; 2) rate filing checklist; and 3) consumer education. He said the disclosure language and the rate filing checklist drafting groups have completed their work, and the consumer education drafting group has sent its final document to Brenda J. Cude (University of Georgia) to be reviewed for readability. These documents will be combined into a single "best practices" document. Mr. Bradner said the Working Group will meet in April to review the document and expose it for comment. The Working Group anticipates this project to be complete sometime in May and sent to the Property and Casualty Insurance (C) Committee for consideration of adoption during the Summer National Meeting.

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

3. Heard a Presentation on PPA Insurance Results

Aaron Brandenburg (NAIC) said NAIC staff was asked by the Committee to analyze Annual Statement data to show trends in private passenger auto (PPA) premiums and losses through 2021 when possible. He noted most of the data comes from the Insurance Expense Exhibit in order to create combined ratios. This exhibit comes into the NAIC on April 1, so combined ratios for 2021 are not presented within the analysis.

For PPA liability, written premium fell in 2020 due to the COVID-19 pandemic. Premium rose every year over the past 10 years, typically in the 2%–7% range, except for in 2020, when it fell 2%. Premium rebounded in 2021 with about a 6% increase. Loss ratios for PPA liability typically ranged from 63%–71% over the last 10 years, with a 10-year average of 65.5%. The loss ratio for 2020 was 56%, and 2021 is at the 10-year average. The 10-year average for combined ratio is 103%, with 2020 as the only year below 100% at 94.8%. Mr. Brandenburg said it seems likely that 2021 will be close to average in the low 100 percentile.

Mr. Brandenburg said PPA physical damage premium rose every year over the past 10 years, but it fell in 2020. Physical damage usually rises between 2% and 9%, with 2020 the only decrease at about 1%. PPA physical damage premium rose 9% in 2021. The 10-year average loss ratio is 64.4%, with 2020 at 55% and 2021 at 71.5%. The combined ratio for PPA physical damage is 97.3%, with 2020 at 89.2%.

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Mr. Brandenburg noted the PPA market of \$250 billion or \$260 billion is historically around 35% of the total P/C insurance industry. The total PPA market usually rises from 3% to 8% in premium, but premium fell nearly 2% in 2020, with a 7% increase in 2021. The 10-year average loss ratio for the PPA industry as a whole was 65%, with 2020 under 56%, and 2021 at 68%. The combined ratio was about 101%, with 2020 at a 92.5% combined ratio. Mr. Brandenburg said it is expected that 2021 will see a combined ratio above 100%.

Mr. Brandenburg said the NAIC's annual *Report on Profitability By Line By State* (Profitability Report) is produced later in the year, so 2021 results are not available. However, he said the average return on net worth (RNW) for the PPA line as a whole is 4.86%. He said the years 2018–2020 were above average, with 2020 coming in at 10.2% RNW. It is expected 2021 RNW decrease, and that number will be shared with the Committee when available.

Mr. Brandenburg asked if the Committee would like additional quarterly data. He said the Annual Statement has quarterly data showing national loss ratios for PPA. In addition, the NAIC and states receive Fast Track data from statistical agents. The Fast Track data represents not all but a significant portion of the PPA industry and is received on a quarterly basis. Mr. Brandenburg said NAIC staff have created charts showing quarterly trending with frequency and severity figures. He noted the data is a snapshot in time and only a subset of larger writers within the market. He also said the Statistical Data (C) Working Group is reviewing the *Statistical Handbook of Data Available to Insurance Regulators*, which describes statistical data submitted to states.

Director Fox said state insurance regulators would find value in reviewing quarterly data especially related to reduced driving and whether there has been an increase in automobile part costs.

Mr. Chou asked if NAIC staff would be working with the Statistical Data (C) Working Group to update average premium figures. Mr. Brandenburg said the NAIC publishes the Auto Report annually, which includes average auto premiums by state, and the Statistical Data (C) Working Group is considering changes that would move the publication of those figures up.

Birny Birnbaum (Center for Economic Justice—CEJ) said the CEJ and the Consumer Federation of America (CFA) reported at the Property and Casualty Insurance (C) Committee meeting in December 2021 that the auto insurance industry had received windfall profits. He said industry results can be deceptive because they combine mutual insurer results with publicly traded insurers. He said the industry focuses on increasing claim costs when convenient, but it does not talk about a decrease in claims such as in 2020. He also said the industry receives additional premium as vehicle values increase. He said the windfall profits of 2020 were not offset by 2021 and 2022. He noted that insurers asked for rate increases in 2021 and that insurers did not lose money in 2021 or 2022. Mr. Birnbaum said state insurance regulators need improved data and authorities to prevent future windfall profits.

Director Fox asked about profitability results and the relationship between premium and claims and distinguishing between what came from premium compared to investment income. Mr. Birnbaum said combined ratios have other expenses included but not profits from investment income. He said investment income has been relatively stable and does not change dramatically.

4. Heard a Presentation Related to the Effects of Inflation on Auto and Homeowners Lines

Susanna Gotsch (CCC Intelligent Solutions) said CCC Intelligent Solutions is a software as a service (Saas) provider that handles repair costs in auto physical damage claims. She said the COVID-19 pandemic saw a significant drop-off in driving, with a greater than 13% decline in miles driven in 2020. She said miles driven recovered throughout 2021 and exceeded pre-pandemic levels. She said CCC processed about 12 million claims in 2021, where a normal year pre-pandemic would see about 16 million claims. She said claims continue to increase.

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Ms. Gotsch said a claim often flags whether a vehicle is drivable or not because a non-drivable vehicle will typically see average repair costs of around \$6,000 compared to around \$3,000 for a drivable vehicle. During the pandemic, the industry started to see a steady uptick in the percent of claims that were non-drivable losses, with higher repair costs. She said vehicle repair costs climbed more than 9% in 2021. She noted a lot of these increases have to do with a changing vehicle fleet and the content of those vehicles with more expensive components within the vehicle. She said the average new vehicle contains more than 100 semiconductor chips. She noted that raw materials costs have been increasing, with average costs paid per auto part up more than 8%. She also explained that supply chain disruptions and the Russian invasion of Ukraine are adding significant cost pressures to the average replacement part.

Ms. Gotsch said the benefits of the advanced driver-assistance systems (ADAS) have become less beneficial because of congested roads and higher speeds. She said 96% of repair shops have a backlog for repairs. She said used vehicle values will remain elevated and that the cost of total loss claims showed a 25% increase in 2021. She noted that the auto insurance industry is seeing more distracted driving, higher speeds, and more severe injuries.

Robert Hartwig (University of South Carolina) said the year-over-year (YOY) inflation rate was 7.5% in January 2022, with February at 7.9%, the highest figure in 40 years. He said the personal auto claims severity is as high as it has been over the past several decades. He also noted people are driving more and involved in more accidents. He said police departments are showing an increase in excess speed and substance abuse.

Mr. Hartwig said PPA loss ratios have increased quickly throughout 2021 in each quarter. The physical damage loss ratio has increased quickly after falling in 2020. The homeowners loss ratio has increased by 15 points since 2019 and in 2021 was 12.8 points higher than the all-property and casualty lines average.

Mr. Hartwig said lumber and wood product prices have more than doubled from pre-COVID-19 and have come down about a third since then. He also explained investment yields in 2021 were depressed, down about 2.6% in the first three quarters of 2021, the lowest figures since 1960. Net investment income has dropped about 12% since 2018. He said P/C insurance profitability is significantly below that of the Fortune 500 companies. The ratio of premium to policyholder surplus is relatively stable over time. Inflation-adjusted insured catastrophe losses have increased over the past five years, which is driving up the cost of property insurance. The P/C insurance industry is experiencing a sharp increase in claim severities affecting property, liability, and auto coverages. Mr. Hartwig noted inflation, catastrophe losses, demand surge, and increased dangerous driving behaviors are all contributing to the increase in severities and loss ratios. Investment income has been falling in recent years. He said rate adequacy is a concern. He noted insurers use current trend data to develop rates prospectively, hence the pressure to adjust rates accordingly.

Commissioner Mulready asked what state insurance regulators could do help navigate these sharp increases in costs.

Mr. Hartwig said some of the things are beyond control, such as the decrease in seatbelt use and increase in excessive speeding. He said there is hope that new technologies will decrease accidents, but this also leads to more expensive repairs. Ms. Gotsch said though driver-assistance features improve safety, they also increase driver distraction generally.

Commissioner McVey said state insurance regulators can provide additional consumer education about how people can reduce their claims through human behavior. He asked whether there would be some stabilization in the inflation rate. Ms. Gotsch said the semiconductor shortage has caused a decline in new vehicle production, which has put more people into the used vehicle market and has driven up the cost of U.S. vehicle prices. Mr. Hartwig said eventually inflation will come down from current levels, but wages and prices will normalize at a new, higher level.

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Mr. Chou asked about bodily injury severity increasing by 14%, while physical damage increased 6.7%. Mr. Hartwig said bodily injury is most heavily influenced by medical costs. He said more impaired driving and distracted driving will result in more severe accidents.

Mr. McKenney said the data he has seen shows an increase in severity but declines in accident frequency. He said a decrease in severity does not usually offset the decline in frequency on the liability side. He said liability also has limits, which means severity has a limited impact. He said he believes insurers should not just increase rates on everyone, particularly those with lower limits who are not contributing to the increased severity. He noted that loss ratios are the most misunderstood statistic in actuarial science as they represent so many different things.

5. Discussed its Charge Related to Parametric Insurance Products

Commissioner Chaney said the Committee has a charge related to parametric insurance products that asks the Committee to provide a forum for discussing issues related to parametric insurance and to consider the development of a white paper or regulatory guidance. He said the Committee will hear from parametric insurance providers in the future. In addition, the Climate and Resiliency (EX) Task Force has a workstream looking at innovation that has heard from numerous parametric insurance providers related to climate risks. Commissioner Chaney said NAIC staff will look at those presentations and begin to create a document that would summarize the various products being introduced in the market along with some potential regulatory issues. He said the Committee will begin to work on a white paper related to parametric insurance with a goal of drafting a paper in 2022.

6. Heard a Presentation on Gun Owners Liability

Peter Kochenburger (University of Connecticut School of Law) said San Jose, California, recently passed an ordinance requiring residents who possess guns to have liability insurance to cover accidental gun deaths. He said the number of firearm deaths and injuries have increased in the past few years. He noted the idea of the ordinance is that by requiring gun owners to have insurance, this will lead to insurers to study the risk and ask the questions necessary to evaluate whether a gun owner is storing and using the gun in the safest manner possible.

Mr. Kochenburger said the ordinance includes a \$25 fee and requires the gun owner to maintain a liability policy that specifically covers losses resulting from the accidental use of the firearm. Mr. Kochenburger said the provision has been challenged in court. He noted that virtually all homeowners and renters policies currently cover the accidental usage of firearms. In 2020, 95% of gun deaths were suicides and homicides and accidental discharges account for only 1.2% of all deaths. He said using the traditional functions of insurance to address a social problem has been done before, but this particular ordinance is not likely to be very effective. He also noted that it injects insurers into a contentious public policy debate.

7. Heard a Federal Update

Brooke Stringer (NAIC) said the NAIC attended a virtual roundtable with Republican committee members, insurers, and policyholders to discuss pandemic risk insurance. The NAIC submitted a statement for the record supporting the development of a federal business interruption mechanism provided it does not undermine regulatory authorities, jeopardize insurer financial condition, and is otherwise affordable to policyholders. The NAIC has not taken a position on any specific proposal at this time. No Republicans support Rep. Carolyn B. Maloney's (D-NY) Pandemic Risk Insurance Act (PRIA) (H.R. 5823), which would establish a federal Pandemic Risk Reinsurance Program to provide a system of shared public and private compensation for business interruption (BI) losses resulting from a pandemic, subject to certain conditions, deductibles, and caps. The NAIC will continue to monitor proposals, but given the insurance trades' opposition to PRIA, Republican opposition to the bill, and significant

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funding with the pandemic and infrastructure bills, there may not be much of an appetite for developing such a new federal program at this time.

Ms. Stringer said NAIC staff have met with the staff of Rep. Maxine Waters (D-CA), chair of the U.S. House Committee on Financial Services, to discuss the House Subcommittee on Diversity and Inclusion's plans to study the insurance industry. They have previously produced reports on banks/investment firms. She noted that the insurance industry has begun to receive letters, and the Subcommittee hopes to have a report finalized before the elections.

Ms. Stringer reported that the FIO is preparing an auto insurance availability and affordability report for Congress focusing on underserved communities and the impact of non-driving factors. The FIO issued a request for information in 2021 soliciting input as follow up to its 2017 report.

Ms. Stringer said the staff of Sen. Sherrod Brown (D-OH), chair of the U.S. Senate Committee on Banking, Housing, and Urban Affairs, are drafting a bill to expand the federal Liability Risk Retention Act (LRRRA) to allow risk retention groups (RRGs) to sell property insurance provided they serve nonprofits and meet certain other requirements. The NAIC continues to raise concerns and provided information on the regulatory authorities (particularly non-domiciliary state authorities) that would be preempted by such an expansion.

Ms. Stringer said that in February, the House passed the SAFE Banking Act as part of the America COMPETES Act to provide a safe harbor from violations of federal law for those engaged in the business of insurance participating in cannabis industry activity that is permissible under state law.

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

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2022 Summer National Meeting
Portland, Oregon

CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE

Wednesday, August 10, 2022

10:00 – 11:30 a.m.

Meeting Summary Report

The Casualty Actuarial and Statistical (C) Task Force met Aug. 10, 2022. During this meeting, the Task Force:

1. Adopted its July 12, June 14, and Spring National Meeting Minutes, which included the following actions:
 - A. Exposed a draft NAIC loss loss multiplier (LCM) form for a 40-day public comment period ending June 7.
 - B. Exposed draft guidance on the regulatory review of tree-based models for a 25-day public comment period ending Aug. 5.
2. Adopted the report of the Actuarial Opinion (C) Working Group, which met Aug. 2 and took the following action:
 - A. Discussed a Financial Analysis (E) Working Group referral on predictive analytics in a reserve setting.
 - B. Discussed potential changes to the qualification documentation requirements and disclosures.
 - C. Discussed potential changes to Regulatory Guidance and Annual Statement Instructions.
3. Adopted the report of the Statistical Data (C) Working Group, which met July 20, June 15, May 18, and April 14 and took the following action:
 - A. Adopted an accelerated timeline for auto premium and exposure data collection.
 - B. Discussed proposed changes to NAIC statistical reports.
 - C. Adopted a timeline for the *Auto Insurance Database Report* (Auto Report).
4. Exposed a draft NAIC LCM form and associated memorandum for a 45-day public comment period ending Sept. 23.
5. Adopted guidance on the regulatory review of all tree-based models to replace previous guidance applicable to only random forest models.
6. Heard a presentation on the openIDL initiative.
7. Heard presentations from professional actuarial associations.



Date: 8/11/22

2022 Summer National Meeting
Portland, Oregon

TITLE INSURANCE (C) TASK FORCE

Thursday, August 11, 2022

3:00 – 4:00 p.m.

Meeting Summary Report

The Title Insurance (C) Task Force met Aug. 11, 2022. During this meeting, the Task Force:

1. Held an educational roundtable discussion on the various approaches states use to regulate rates. Ohio and Louisiana require prior approval of title insurers' rates and forms and use statistical agents. The Ohio Title Insurance Rating Bureau is the statistical agent for Ohio. The Louisiana Title Statistical Services Organization is the statistical agent for Louisiana. Texas employs an extensive body of rules, forms, and a promulgated rate that is set at a hearing approximately every five years. Title insurance rates in Texas include costs associated with the title search and transaction, but not the escrow fees. Kansas uses a file and approve system. While the Kansas Department of Insurance (DOI) reviews filings for compliance, it does not regulate title insurance rates.
2. Heard a presentation on new title insurance-like alternatives that use attorney opinion letters backed by an errors and omissions policy through the surplus lines market. These products protect the lender, but there are limited closing protections for the consumer.



Virtual Meeting

(in lieu of meeting at the 2022 Summer National Meeting)

WORKERS' COMPENSATION (C) TASK FORCE

Tuesday, August 2, 2022

12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11 a.m. MT / 9:00 – 10:00 a.m. PT

Meeting Summary Report

The Workers' Compensation (C) Task Force met Aug. 2, 2022. During this meeting, the Task Force:

1. Discussed presumptions and whether they are creating inequity in the workers' compensation system. Most states have let their COVID-19 presumptions expire. There are, however, a handful of states that have extended the presumptions. There has been activity for presumptions regarding post-traumatic stress disorder, as well as in the areas of hazardous waste exposure.
2. Discussed the future of work and how the hybrid work force is affecting claims frequency. Items affecting the future workforce include remote work arrangements, job shifting, gig work, and automation. Twenty-five percent of the workforce works remotely on a full- or part-time basis. Thirty-one percent of gig workers hold gig work as their main job.
3. Discussed how states are recruiting and training with the departments of insurance (DOIs). Several DOIs allow remote work, which has helped them to hire and retain employees. DOIs are also having good results with recruiting new employees from local colleges and universities.



Date: 7/20/22

Virtual Meeting

(in lieu of meeting at the 2022 Summer National Meeting)

CANNABIS INSURANCE (C) WORKING GROUP

Tuesday, July 12, 2022

1:00 – 2:00 p.m. ET / 12:00 – 1:00 p.m. CT / 11:00 a.m. – 12:00 p.m. MT / 10:00 – 11:00 a.m. PT

Meeting Summary Report

The Cannabis Insurance (C) Working Group met July 12, 2022. During this meeting, the Working Group:

1. Adopted its Spring National Meeting minutes, which included the following action:
 - A. Adopted its 2021 Fall National Meeting minutes.
 - B. Heard a presentation on the state of the union in the cannabis insurance industry.
 - C. Received a report on federal cannabis-related legislative activities from NAIC staff.
 - D. Discussed its 2022 work plan.
2. Received a status report on the drafting of the *Understanding the Market for Cannabis Insurance: 2.0* white paper. The drafting is in its final stages with only a few additional emerging issues left to be added, including on-site consumption lounges. The goal is to expose the draft white paper before the 2023 Summer National Meeting and move for adoption during the 2023 Fall National Meeting.
3. Heard a presentation on how insurers are dealing with the state legalization of minor cannabinoids. Hemp-derived minor cannabinoids that have intoxicating effects are being sold outside of the regulated cannabis market because of a loophole in the Farm Bill. Risks for the insurance industry from these products include: 1) residual chemicals from the synthetic conversion process in finished products; 2) lack of product testing; and 3) lack of age verification at point of sale.



2022 Summer National Meeting
Portland, Oregon

**JOINT MEETING OF THE CATASTROPHE INSURANCE (C) WORKING GROUP
AND THE NAIC/FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) (C) ADVISORY GROUP**

Tuesday, August 9, 2022
3:30 – 5:00 p.m.

Meeting Summary Report

The Catastrophe Insurance (C) Working Group met in joint session with the NAIC/FEMA (C) Advisory Group Aug. 9, 2022. During this meeting, the Working Group and Advisory Group:

1. Adopted their Spring National Meeting minutes.
2. Heard an update on federal legislation. The U.S. Senate (Senate) passed the Inflation Reduction Act of 2022, which is significant to climate. It is expected to head to the U.S. House of Representatives (House) Aug. 12, and it is expected to pass. The National Flood Insurance Program's (NFIP's) extension expires Sept. 30, and a short-term extension is expected. Additionally, the Wildfire Response and Drought Resiliency Act passed in the House. This bill addresses the escalating wildfire and drought in the West; however, it is uncertain what will happen in the Senate.
3. Discussed the *Catastrophe Modeling Primer* updates. The drafting group working on this project will focus on providing a primer that addresses the basics of catastrophe modeling. The purpose of this document is to provide a resource for departments of insurance (DOIs) to use to inform new employees about the basics of catastrophe modeling.
4. Heard an update from the Alabama DOI regarding its private flood insurance initiatives. The Alabama DOI surveyed the private market regarding regulatory concerns for the development of a private market. These concerns included developing a long-term plan for rate and form filings, a development plan for consumer awareness of flood risk, and collaboration with stakeholders, as well as promoting mitigation and responsible building.
5. Heard an update from the NAIC on private flood insurance data. Private flood insurance data for the 2018 and 2019 data years were collected via a data call. Beginning in 2021, the data for the 2020 data years going forward is collected on the Private Flood Insurance Supplement found in the Property/Casualty (P/C) Annual Statement blank. The blank includes information for both residential and commercial private flood insurance. The blank further breaks the data down in the categories of standalone insurance or an endorsement.
6. Heard an update from the New Mexico Office of Superintendent of Insurance (OSI) on recent wildfires. The update encompassed information regarding the uniqueness of the wildfires in New Mexico, staffing limitations, information regarding the uninsured and underinsured, actions taken by the OSI,

collaboration with FEMA, NAIC insurance data, the NAIC and OSI partnership, and lessons learned and best practices.

7. Heard an update from the Northeast Zone on its catastrophe team. The Northeast Zone originally set up a catastrophe team in 2012 to discuss how issues are handled in its zone. A catastrophe reporting mechanism tool was developed to gather information from the companies in the zone. The catastrophe team disbanded approximately five years ago and recently decided to reconvene.
8. Heard an update from the Washington State Office of the Insurance Commissioner (OIC) on its Cascadia Rising exercises. The update included information regarding the earthquake sources in Washington. The update additionally included information regarding the NAIC disaster assistance, the OIC's emergency action plan, the OIC's continuity of operations plan, disaster response plan considerations, disaster recovery centers for federally declared disasters, multi-agency resource centers, disaster response plans, opportunities, and next steps.
9. Heard an update on the NAIC/FEMA Region 6 event. The five states from FEMA Region 6 met in May in Oklahoma City, OK, with FEMA and NAIC staff. The event addressed how states are organized and plan for disasters; NAIC capabilities to assist the states; FEMA Headquarters operations, including the flood response playbook; claims information; communication and messaging; and how states interact with FEMA at disaster recovery centers.

Draft: 8/4/22

Pet Insurance (C) Working Group
E-Vote
August 4, 2022

The Pet Insurance (C) Working Group conducted an e-vote that concluded August 4, 2022. The following Working Group members participated: Don Beatty, Chair, (VA); Kendra Zoller, Vice Chair, (CA); Alex Reno (AK); George Bradner (CT); Warren Byrd (LA); Shirley Corbin (MD); Jo LeDuc (MO); Michael McKenney (PA); and Molly Nollette (WA).

1. Adopted its July 21 Meeting Minutes

The Working Group met on July 21 to discuss proposed changes and to adopt the Pet Insurance Model Act

A majority of the Working Group members voted in favor of adopting the July 21 meeting minutes. The motion passed.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2022_Summer/Pet /PetInsWG_0804evote

Draft: 8/1/22

Pet Insurance (C) Working Group
Virtual Meeting
July 21, 2022

The Pet Insurance (C) Working Group met July 21, 2022. The following Working Group members participated: Don Beatty, Chair, Jessica Baggaley, Rebecca Nichols, Phyllis Oates, and Richard Tozer (VA); Kendra Zoller, Vice Chair, Risa Salat-Kolm, and Tyler McKinney (CA); Alex Reno (AK); Jimmy Harris (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); Jo LeDuc, Jeana Thomas, and Marjorie Thompson (MO); Erin Summers (NV); Michael McKenney and Dennis Sloand (PA); Patrick Smock (RI); Kathy Stajduhar (UT); Jamie Gile, Mary Block, Nick Marineau, and Anna Van Fleet (VT); and Molly Nollette and Eric Slavich (WA). Also participating were: Ken Williamson and Jimmy Gunn (AL); Lucretia Prince (DE); Brenda Johnson and Craig VanAalst (KS); Brock Bubar (ME); Chad Arnold and Michele Riddering (MI); Sandra Anderson and Christine Peters (MN); Eric Dunning (NE); Chris Aufenthie (ND); Larry D. Deiter (SD); Jody Ullman (WI); and Danie Capps (WY).

1. Adopted its June 7 Meeting Minutes

The Working Group met on June 7 to discuss proposed changes to Section 7 of the Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Ms. Nollette, to adopt the Working Group's June 7 meeting minutes. The motion passed unanimously.

2. Adopted the Revised Pet Insurance Model Act

Mr. Beatty said the Working Group has two versions of the model to consider for adoption, one submitted by Ms. Zoller and the other from Birny Birnbaum (Center for Economic Justice—CEJ).

Ms. Zoller said her proposal, which eliminates the proposed drafting note in Section 3 that clarifies the description of pet insurance as property, is only for the purpose of financial reporting of data. She said this drafting note would not provide uniformity of pet insurance data reporting.

Ms. Zoller said her proposal eliminates the proposed drafting notes in Section 7 because they do not offer uniformity or reciprocity. She said her proposal retains baseline training requirements in the model. She said for the sake of reciprocity, there is language that streamlines the licensing process in different states if the training is substantially similar.

Mr. McKenney said the language "but is not limited to" should be struck from Subsection 7B as it does not make sense to list the required training in the model if it does not include all training. Ms. Summers suggested "shall include at a minimum" to replace the current language. Mr. Byrd said the phrase "is not limited to" is redundant, and he agrees it should be removed. Ms. Zoller agreed with removing "but is not limited to."

Director Dunning said he does not understand the purpose of Subsection 7D because state legislatures are always empowered to make laws and do not need the permission of the insurance commissioner. He said there is regulatory authority already outlined in the model. Ms. Zoller said the language was included to allow states the ability to further clarify, interpret, or implement the model, if necessary. Director Dunning said this language is more appropriate as a drafting note. Mr. Smock said the language in Subsection 7D would apply only to producer training and allows the individual states to include their producer training requirements. Director Dunning said

the regulatory authority provided in Section 8 applies to the whole model and that there does not need to be separate language for this section of the model. Brendan Bridgeland (Center for Insurance Research—CIR) said the language in Subsection 7D should either be included or not but should not be made into a drafting note. He said a drafting note has the potential to limit regulatory authority. Mr. Byrd said the language in Section 8 gives regulatory authority and, therefore, the language in Subsection 7D should be removed. Ms. Zoller agreed this subsection could be removed. Director Dunning said the language in Section 8 should be reworded to say, “The Commissioner may promulgate rules and regulations to administer this part.”

Mr. Byrd said in Subsection 7E, the word “to” should be inserted before “satisfy.” There was no objection to this correction.

Isham Jones (American Veterinary Medical Association—AVMA) and Gail Golab (AVMA) said they support the language in Section 7. Dr. Golab said because this is a unique insurance coverage, it is important that those providing the coverage have a thorough understanding of the product.

Mr. Beatty asked Mr. Bridgeland to discuss the concerns listed in Mr. Birnbaum’s comments and address how his proposal would compare to the California proposal. Mr. Bridgeland said beyond the concerns with Subsection 7D, which have already been discussed, the California proposal does not address the concerns that originally held up the model at the 2021 Fall National Meeting. Ms. Zoller said the California proposal addresses the producer licensing concerns that were brought up at that time.

Mr. Bridgeland said that in Subsection 7E, there needs to be clarification about which subsection is being addressed. Ms. Zoller said the language in Subsection 7E is referring to the list of required training topics in Subsection 7C, and it would be up to individual states to determine if another state’s requirements are substantially similar. Ms. Riddering said this language was included to help address the issue of training required for limited lines licensees. Mr. Bridgeland asked if Subsection 7E could be reworded to clarify that it is referring to the training requirements listed in Subsection 7C. Ms. Riddering suggested changing the language to: “The satisfaction of the training requirements of another state that are substantially similar to the provisions of Subsection C shall be deemed to satisfy the training requirements in this state.” There was no objection to this language.

Ms. Zoller made a motion, seconded by Mr. Byrd to adopt the Pet Insurance Model Act as proposed by California with the following changes: 1) striking the “but is not limited to” language in Subsection 7C; 2) removing Subsection 7D; 3) changing the language in Subsection 7E to reflect that it is referring to the training requirements listed in Subsection 7C; and 4) changing Section 8 to: “The commissioner may promulgate rules and regulations to administer this part.” The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/2022 Spring National Meeting/Committee Meetings/PROPERTY and CASUALTY INS (C) COMMITTEE/Pet Insurance (C) WG/PetInsWG_0721min

Draft: 6/7/22

Pet Insurance (C) Working Group
Virtual Meeting
June 7, 2022

The Pet Insurance (C) Working Group met June 7, 2022. The following Working Group members participated: Don Beatty, Chair, Jessica Baggarley, and Phyllis Oates (VA); Kendra Zoller, Vice Chair, and Charlene Ferguson (CA); Alex Reno (AK); Jimmy Harris (AR); George Bradner and Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin and Linas Glemza (MD); Carrie Couch, Jo LeDuc and Jeana Thomas (MO); Michael McKenney (PA); Matt Gendron, Rachel Chester, and Beth Vollucci (RI); Kathy Stajduhar (UT); Jamie Gile, Mary Block, and Anna Van Fleet (VT); and David Forte, Ned Gaines, John Haworth, Molly Nollette, and Eric Slavich (WA). Also participating were: Linda Grant (IN); Tate Flott, Brenda Johnson, and Shannon Lloyd (KS); Sharon P. Clark (KY); Brock Bubar, Sandra Darby, and Leah Piatt (ME); Joseph Sullivan (MI); Sandy Anderson (MN); Eric Dunning (NE); Melissa Robertson (NM); Lee Anne Washburn and Tynesia Dorsey (OH); Jody Ullman and Mark Prodoehl (WI); and Danie Capps (WY).

1. Discussed Proposed Changes to the Pet Insurance Model Act

Mr. Beatty said the Pet Insurance Model Act was adopted by this Working Group and the Property and Casualty Insurance (C) Committee (C Committee) prior to the 2021 NAIC Fall National Meeting. He said at that meeting, there were concerns about Section 7 and the draft model was pulled from the Executive/Plenary meeting agenda. He said this Working Group was reappointed at the 2022 NAIC Spring National Meeting to re-evaluate the Pet Insurance Model Act.

Mr. Beatty said there are two minor edits, and two larger proposed changes to the model at this time.

Mr. Beatty said the first minor edit is changing a reference in Section 5 to Section 6B. He said this reference should be to 5B but was not changed when the model sections were reordered. Mr. Byrd made a motion, seconded by Mr. Gendron, to correct the references in Section 5.

Mr. Beatty said the second minor edit was proposed by Missouri and involves adding the word “the” to the beginning of Section 7B. Ms. LeDuc said adding the word “the” would allow for a more correct reading of the statement. Ms. LeDuc made a motion, seconded by Mr. Forte, to add the word “the” to the beginning of 7B.

Mr. Gendron said Rhode Island submitted a proposal that addressed the concerns around the training requirements outlined in Section 7 of the draft model. He said those specific requirements were removed and replaced with language stating that insurance companies need to make sure producers are trained on the features of their products.

Mr. Bradner suggested having two options in the model for Section 7 where Option 1 would be the original adopted language and Option 2 would be the proposed language from Rhode Island. Mr. Gendron agreed this could be a reasonable approach. Mr. Byrd said the shorter, less specific version of the language would likely be better received by the C Committee.

Ms. Zoller said California would not support the new proposed language as it does not promote uniformity which is the goal of the model.

Birny Birnbaum (Center for Economic Justice —CEJ) said he opposes the removal of the producer training section and its replacement with a drafting note. He said that pet insurance specific producer training is necessary, particularly if it is sold by a property and casualty licensed producer. He said the drafting note says that states may wish to include producer training requirements for pet insurance but with the proposed deletion, there is no guidance for what those training requirements should be. He agreed that removing the specific training requirements would lead to a lack of uniformity.

Mr. Birnbaum proposed that the model should retain Section 7 as it was previously adopted and insert a drafting note that “States may determine that existing training requirements suffice for the sale of pet insurance depending upon the type of producer license and line of insurance used for the sale of pet insurance in the state. If a state determines that existing training requirements for producers are sufficient, the requirements in this section serve as a guide for recommended training for produces engaged in the sale of pet insurance.”

Brendan Bridgeland (Center for Insurance Research—CIR) agreed with Mr. Birnbaum’s proposal. He said he would merge the existing drafting note in Section 7 into the language in 7B.

Wes Bissett (Independent Insurance Agents & Brokers of America—IIABA) said IIABA supported the original adopted language in Section 7. He said the model should be specific about the training requirements for someone holding a major lines license versus someone who has a limited lines license.

Cari Lee (North American Pet Health Insurance Association—NAPHIA) said NAPHIA supports a robust training for all agents selling pet insurance. She said NAPHIA supports uniformity. She said NAPHIA will support states that choose to require producer training and would support the original adopted language in Section 7. Lisa Brown (American Property Casualty Insurance Association—APCIA) and Cate Paolino (National Association of Mutual Insurance Companies—NAMIC) agreed with Ms. Lee.

Mr. Forte said guidance on licensing, continuing education, and pre-licensing education and training should be left to the Producer Licensing Task Force. He said Washington would vote to adopt the language in Section 7 proposed Rhode Island. Commissioner Clark agree that uniformity on this issue should go through the Producer Licensing Task Force.

Mr. Gendron suggested adding language in Section 7 that says states can promulgate a regulation defining other training requirements. Mr. Beatty said it is important to work towards uniformity for states in this model.

Commissioner Clark asked if specific training requirements exists in any other model. Mr. Gendron said the original language was modeled after the producer training sections of the Long-Term Care Insurance Model Act and the Suitability in Annuity Transactions Model Regulation.

Mr. Beatty said there was suggestion to replace the proposed drafting note in Section 3 that deals with the characterization of pet insurance as property insurance for the purposes of financial reporting. Mr. Byrd said the drafting note should be removed from the model.

Mr. Beatty said the Working Group will schedule a meeting in the near future to wrap up discussions on the current proposals for Section 7.

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



2022 NAIC Cybersecurity Supplement Highlights (2021 data year)

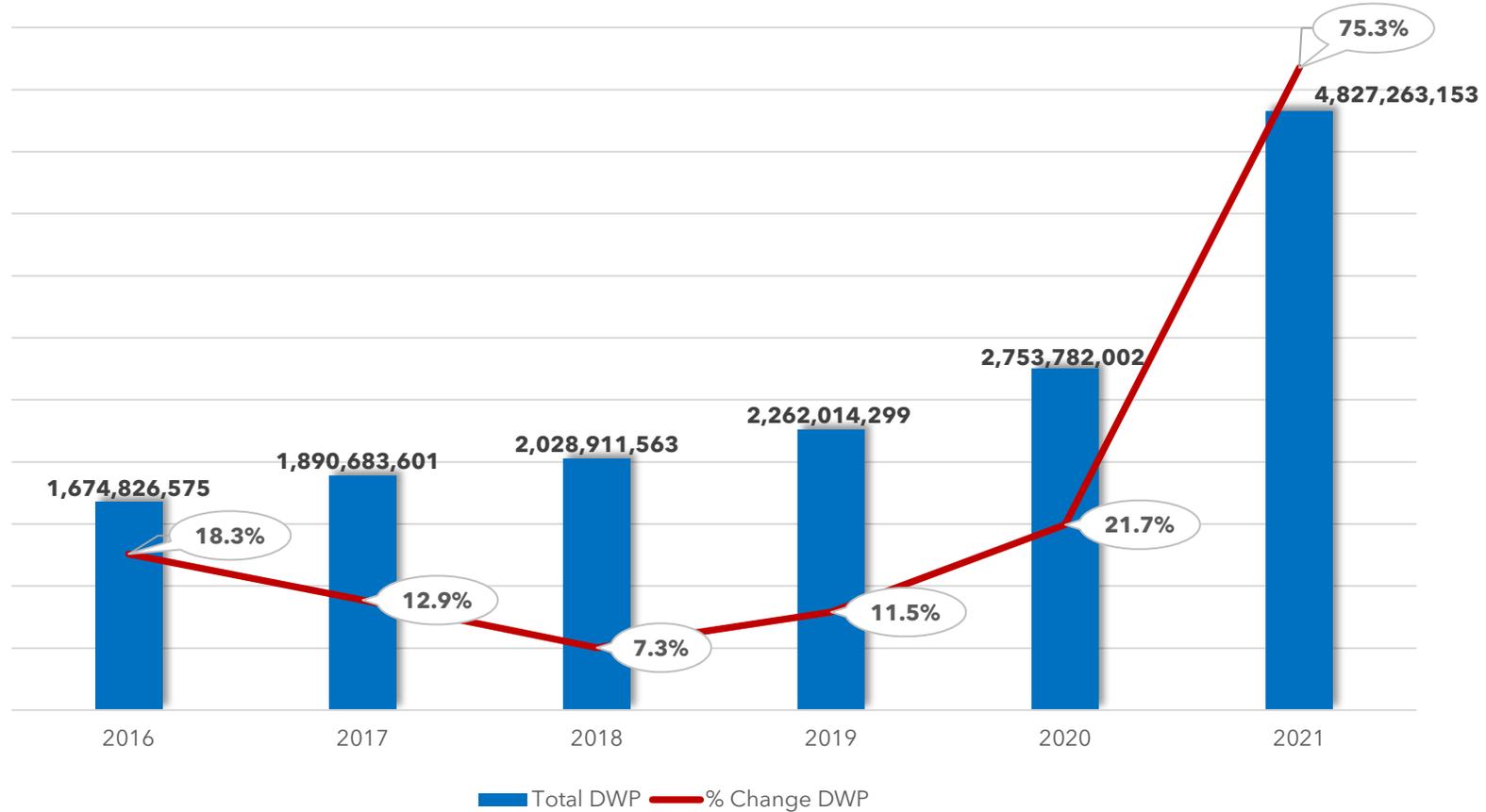
Aaron Brandenburg, Assistant Director
Property and Casualty Regulatory Services, NAIC

August 12, 2022

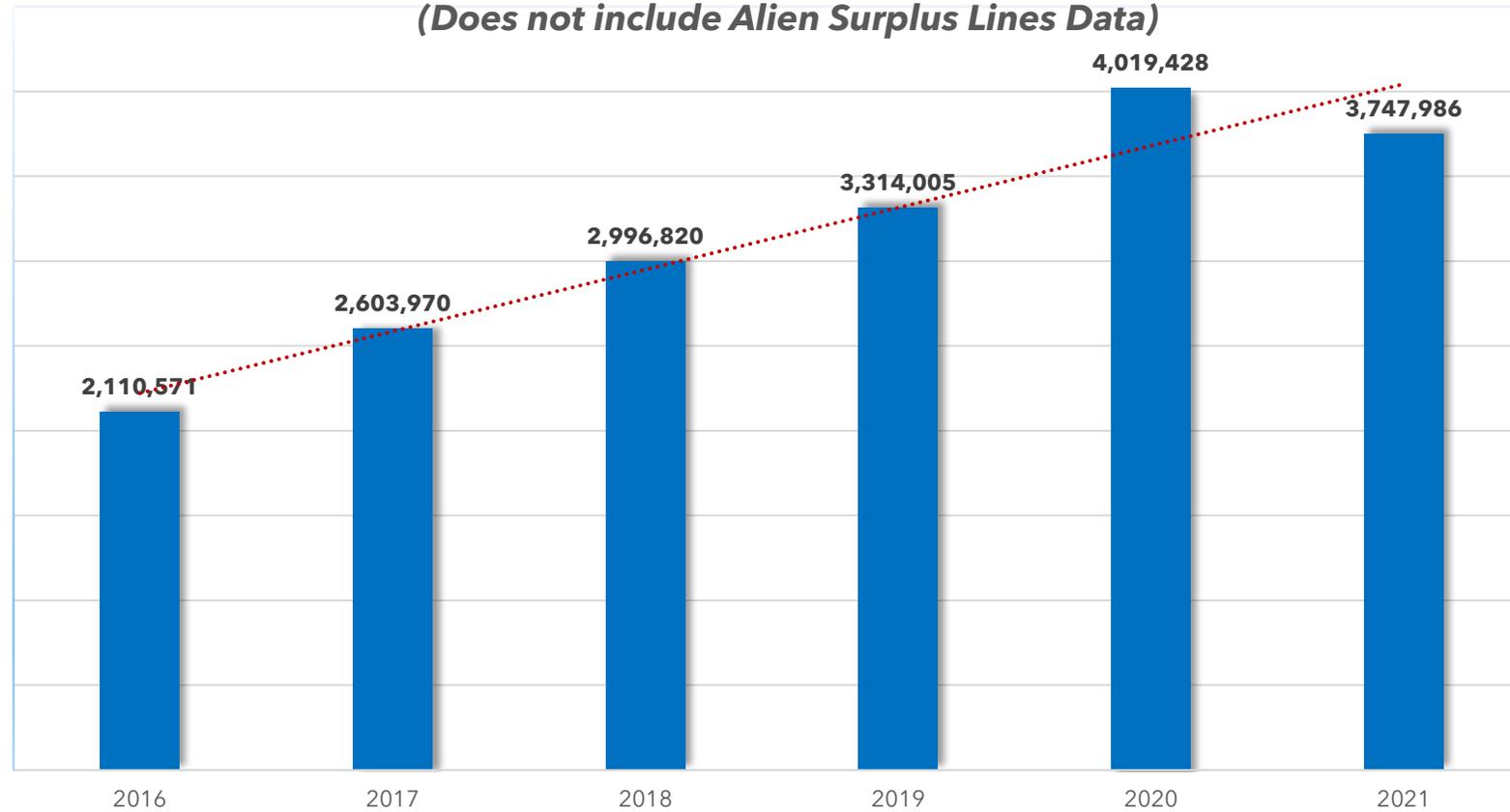
Cybersecurity and Identity Theft Supplement

- Data Presented today is from the Cybersecurity Supplement. It does not include Alien Surplus Lines data
- Alien Surplus Lines data is collected through the International Insurance Department
- Alien Surplus Lines data will be added in the coming months and released in a report

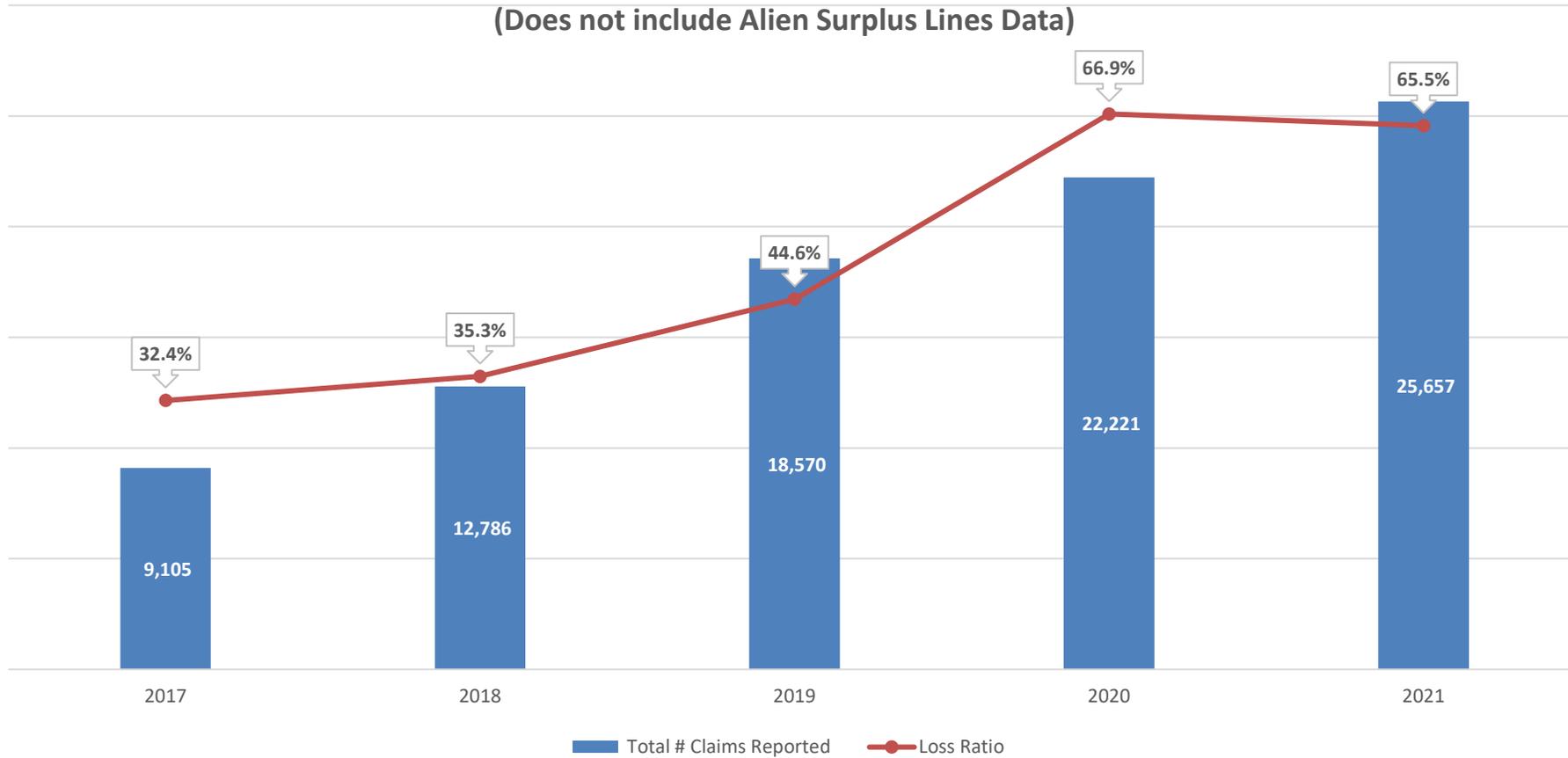
Direct Written Premium and Percent Change by Year (Does not include Alien Surplus Lines Data)



Total Policies in Force (Does not include Alien Surplus Lines Data)



Number of Claims Reported 2017 through 2021 Data Years
and Loss Ratio (Including DCC)
(Does not include Alien Surplus Lines Data)



Top 20 U.S. Groups writing standalone and package cyber insurance combined

2021 Rank	2020 Rank	Group Code	Group Name	Direct Written Premium	Loss Ratio	Market Share	Cumulative Market Share
1	1	626	CHUBB LTD GRP	473,073,308	76.9%	11.8%	11.8%
2	8	158	FAIRFAX FINANCIAL	436,447,801	51.9%	7.7%	19.5%
3	2	968	AXA INS GRP	421,013,729	86.5%	9.8%	29.3%
4	11	3098	TOKIO MARINE HOLDINGS INC GRP	249,785,218	43.8%	4.6%	33.9%
5	3	12	AMERICAN INTRNL GRP	240,613,748	130.6%	6.3%	40.2%
6	4	3548	ST PAUL TRAVELERS GRP	232,276,831	72.7%	6.1%	46.3%
7	5	4942	BEAZLEY GRP	200,877,555	38.7%	5.3%	51.5%
8	7	218	CNA INS GRP	181,382,785	87.5%	3.9%	55.4%
9	34	1279	ARCH INS GRP	171,944,995	9.2%	2.1%	57.5%
10	6	3416	AXA CAPITAL GRP	159,059,212	105.2%	2.3%	59.8%
11	13	212	ZURICH INS GRP	151,865,004	76.9%	2.9%	62.7%
12	14	111	LIBERTY MUT GRP	138,216,723	95.2%	2.8%	65.5%
13	12	3219	SOMPO GRP	133,519,577	54.3%	2.7%	68.2%
14	10	23	BCS INS GRP	132,043,119	80.1%	3.2%	71.4%
15	9	91	HARTFORD FIRE & CAS GRP	123,163,166	16.3%	2.9%	74.3%
16	36	361	MUNICH RE GRP	119,989,106	69.0%	1.8%	76.1%
17	25	181	SWISS RE GRP	103,827,837	32.7%	1.8%	77.9%
18	20	501	ALLEGHANY GRP	88,554,222	20.5%	1.3%	79.2%
19	16	98	WR BERKLEY CORP	81,249,260	36.9%	1.8%	81.0%
20	15	31	BERKSHIRE HATHAWAY	71,365,401	-63.4%	1.4%	82.4%

Insights from the Council of Insurance Agents and Brokers (CIAB) 2021 Q4 Report

Premium Increase 34.3% in Fourth Quarter of 2021

- Historical underpricing
- Increase in the frequency and severity of cyberattacks

Underwriting

- Decrease in underwriting capacity
- Stricter underwriting requirements

Insurer Trends

- Reduced cyber limits
- Higher deductibles
- More restrictive terms
- Sublimits for ransomware

Questions?

NAIC
NATIONAL
MEETING
SUMMER 2022
PORTLAND

Parametric Insurance

Aaron Brandenburg, NAIC

August 12, 2022

Property and Casualty Insurance (C) Committee Charge

Provide a forum for discussing issues related to parametric insurance and consider the development of a white paper or regulatory guidance.

Prior NAIC Activity

- CIPR
 - Summary of Issue
 - Academic Literature
 - <https://content.naic.org/cipr-topics/parametric-disaster-insurance>
- Climate and Resiliency (EX) Task Force – Innovation Workstream
 - Community based, commercial and personal products
 - <https://content.naic.org/climate-resiliency-resource.htm>

CIPR Insurance Topic Definition

The term parametric insurance describes a type of insurance contract that insures a policyholder against the occurrence of a specific event by paying a set amount based on the magnitude of the event, as opposed to the magnitude of the losses in a traditional indemnity policy.

Academic Literature

- Can Parametric Microinsurance Improve the Financial Resilience of Low-Income Households in the United States? – *Economics of Disasters and Climate Change*
- Parametric Insurance for Disasters – *Wharton Risk Management and Decision Processes Center*
- The Regulatory Environment for Parametric Insurance - *Jason Schupp*
- Application of Parametric Insurance in Principle-Compliant and Innovative Ways - *Risk Management and Insurance Review*
- Rethinking the Limits of Parametric Insurance - *Insurance Journal*

Presentations before Innovation Workstream

- Community Based Coverage
 - Guy Carpenter
 - Bermuda Monetary Authority
 - Nephila Capital
 - RenRe
 - Global Parametrics

Presentations before Innovation Workstream

- Commercial Coverage
 - Zurich
 - Demex
- Personal Coverage
 - First Company of Hawaii
 - Sola Insurance
 - Professional Solutions Insurance Company
 - Raincoat

Future Presentations beyond Climate Risks

Guy Carpenter

Marsh

SwissRe

Surplus Lines Writers

Benefits

- Faster Claims Approval
- Faster Payouts
- Less Overhead Expense for Insurer
- Flexible Trigger and Payout

Regulatory Concerns

- Smaller Payouts
- Consumer Confusion
- Regulation – Is it Insurance?

Next Steps?