PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Draft Pending Adoption

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Property and Casualty Insurance (C) Committee
Tampa, Florida
December 15, 2022

The Property and Casualty Insurance (C) Committee met in Tampa, FL, Dec. 15, 2022. The following Committee members participated: Mike Chaney, Chair, represented by David Browning (MS); Alan McClain, Co-Vice Chair (AR); Anita G. Fox, Co-Vice Chair (MI); Mark Fowler (AL); Ricardo Lara represented by Ken Allen (CA); Andrew N. Mais and George Bradner (CT); Trinidad Navarro represented by Susan Jennette (DE); Colin M. Hayashida represented by Martha Im and Patrick P. Lo (HI); Vicki Schmidt and Julie Holmes (KS); James J. Donelon represented by Chuck Myers (LA); Chris Nicolopoulos represented by Christian Citarella and Emily Doherty (NH); Glen Mulready (OK); Larry D. Deiter (SD); Tregenza A. Roach represented by Cheryl Charleswell (VI); and Allan L. McVey (WV). Also participating were: Eric Dunning (NE); Martha Lees (NY); and Eric Slavich (WA).

1. Adopted its Summer National Meeting Minutes

Director Fox made a motion, seconded by Commissioner McVey, to adopt the Committee's Aug. 12 minutes (*see NAIC Proceedings – Summer 2022, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

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

Slavich said the Casualty Actuarial and Statistical (C) Task Force met Nov. 8 and took the following action: 1) heard that the Statistical Data (C) Working Group adopted accelerated timelines for the future *Auto Insurance Database Report* (Auto Report) and the *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report* (Homeowners Report); 2) adopted a new loss cost multiplier (LCM) form to replace multiple LCM forms and adopted an accompanying memorandum; and 3) exposed a proposal to eliminate the NAIC Expense Constant Supplement for a 45-day public comment period ending Dec. 22. He also reported that the Task Force continues to meet in regulator-to-regulator sessions to discuss rate filing issues, and it has held three book club calls since the Summer National Meeting to discuss various modeling trends.

Myers said the Surplus Lines (C) Task Force adopted revisions to the International Insurance Department (IID) Plan of Operation and has been working with a drafting group on revisions to the *Nonadmitted Insurance Model Act* (#870). The drafting group has exposed the model twice for public comment, and it is close to finalizing the model.

Director Dunning reported that the Title Insurance (C) Task Force met Dec. 14 to continue efforts to better understand how Attorney Opinion Letter (AOL) products interplay with state insurance regulations by hearing a presentation from real estate tech firm Voxtur Analytics Corp. Voxtur offers a new AOL product backed by a surplus lines liability insurance policy. State insurance regulators have begun seeing AOL products enter their markets since the Federal National Mortgage Association (FNMA) and the U.S. Department of Veterans Affairs (VA) announced this year that they would accept AOLs in lieu of a title insurance policy. The change in guidelines was to support the housing market by allowing lenders to offer alternatives to title insurance. The Task Force also heard a presentation on closing trends, including results from the American Land Title Association's (ALTA's) recent digital closing survey. About one-third of title transactions are done using remote online notarization (RON). While the number of companies using RON decreased in 2021, use is expected to grow, with 20% of companies indicating that they plan to begin offering RON within the next two years.

Commissioner McClain said the Workers' Compensation (C) Task Force met Nov. 15 to hear a presentation from the National Council on Compensation Insurance (NCCI) about federal issues and decreasing loss costs. The Fair Labor Standards Act (FLSA) issued a call for comments for a proposed rule regarding whether workers are employees or independent contractors. The proposed rule would limit the use of "independent contractor," and it states that if an employee is economically dependent, they are classified as an employee and are therefore entitled to workers' compensation.

Commissioner McClain said the recent workers' compensation environment has been favorable to decreasing loss costs. Since payroll is the exposure base for workers' compensation, as wages increase, premiums automatically increase. If the workers' compensation benefits paid out increase at the same pace that wages and premiums increase, the system would be in balance. The recent environment indicates that benefits paid out are not keeping pace with the increase in premium. Therefore, the NCCI has been decreasing loss costs by 6% each year. The Task Force will continue to monitor what is happening with workers' compensation premium. The Task Force adopted a new charge related to COVID-19 and teleworking. The Task Force will discuss the changing workforce in its next meeting, as well as how the changing demographics might affect workers' compensation.

Allen said the Cannabis Insurance (C) Working Group met Nov. 29 to: 1) hold a panel discussion on recent federal and state legislative issues. The discussion included the impact of the federal pardon on simple marijuana possession. It also highlighted the importance of federal legislation addressing a safe harbor for the insurance industry; and 2) hear a status report on the drafting of the *Understanding the Market for Cannabis Insurance: 2.0* white paper. The drafting group has continued to meet every few weeks, and the draft is nearly complete. It will continue to meet to update the draft paper for recent legislative activities. The goal is to expose the draft white paper before the 2023 Spring National Meeting and move for adoption during the 2023 Summer National Meeting.

Commissioner Mulready said the Catastrophe Insurance (C) Working Group and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group met in joint session Dec. 12. David Maurstad (FEMA) gave an update regarding the status of the National Flood Insurance Program (NFIP), as well as the FEMA support following Hurricane Ian, including $3.7 billion in FEMA assistance. FEMA staff members also reported on training opportunities, as well as resources available to state insurance regulators. FEMA and Florida reported on how they coordinated to respond to Hurricane Ian. The NAIC continues to collaborate with FEMA, resulting in many states building valuable relationships with their regional FEMA colleagues. The Advisory Group is planning on setting up another regional meeting with some of the states in the Northeast hopefully in April.

Mulready said the Working Group recently sent out a survey to the states regarding wind/hail deductibles and trends states are seeing. More and more states are using percentage deductibles for wind/hail, like other named storm deductibles, as well as flat storm deductibles. The Working Group will continue to collect information from the states and discuss this issue, as consumers do not always understand the way these deductibles work or how their policy has changed. The Working Group also formed a drafting group to draft a *Catastrophe Modeling Primer* (Primer), which will provide basic information regarding catastrophe models. The Primer will be a bridge to the training being developed by the Catastrophe Modeling Center of Excellence (COE). The COE is fully staffed and has been participating in calls, which has proved to be very helpful.

Lees said the Terrorism Insurance Implementation (C) Working Group met Nov. 20 in virtual session to hear an update on workers' compensation data related to terrorism risk. This market has remained relatively stable in terms of the percentage of premium allocated to terrorism risk, as well as average premiums.

Lees said the Working Group also heard an update on data received in the joint U.S. Department of the Trasury (Treasury Department)/state insurance regulator terrorism risk insurance data call. This data is received every May. The market appears relatively stable in terms of average premiums being up slightly and take-up rates

remaining somewhat flat. The slides are available on the Working Group's website, and state insurance regulators can request from NAIC staff access to a Tableau tool to analyze the data in a variety of means.

Lees said the Working Group also discussed the 2023 terrorism risk insurance data call. Workers' compensation data will be requested in the same manner and timing as in prior years. In early 2023, state insurance regulators will work with the Treasury Department to see if there will be any changes to the joint data call.

Bradner said the Transparency and Readability of Consumer Information (C) Working Group met Nov. 15 to: 1) adopt a consumer education document and a rate filing checklist; and 2) form a drafting group to draft a sample disclosure document regarding premium increases. The purpose of the premium disclosure is to help a consumer understand the reason or reasons their insurance premium has increased. The Washington State Office of the Insurance Commissioner is in the process of drafting a rule regarding premium disclosures. It received comments regarding the third iteration of its proposed rule in November. The drafting group plans to continue following Washington's process to aid in its discussions; however, this does not mean the Working Group's final document will be the document Washington chooses to use. The drafting group continues to work on this project and will keep having discussions about what this disclosure should include. Bradner also said the Working Group plans to revisit *A Consumer's Guide to Home Insurance*, *A Shopping Tool for Homeowners Insurance*, *A Consumer's Guide to Auto Insurance*, and the *NAIC Consumer Shopping Tool for Auto Insurance* in 2023. These documents were last updated in 2016 and need to be refreshed.

Director Fox made a motion, seconded by Commissioner Mais, 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); Terrorism Insurance Implementation (C) Working Group (Attachment Three); and Transparency and Readability of Consumer Information (C) Working Group (Attachment Four). The motion passed unanimously.

3. <u>Adopted the Revised IID Plan of Operation</u>

Myers said the IID is the unit of the NAIC that is responsible for maintaining the *Quarterly Listing of Alien Insurers*. Non-U.S. insurers and Lloyd's syndicates included on the *Quarterly Listing of Alien Insurers* are eligible to write surplus lines insurance throughout the U.S. The *Quarterly Listing of Alien Insurers* is also specifically mentioned in the federal Nonadmitted and Reinsurance Reform Act of 2010 (NRRA) that was part of the larger federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The IID operates pursuant to its Plan of Operation, which was recently revised and essentially is a set of guidelines for non-U.S. insurers and Lloyd's syndicates that write surplus lines business in the U.S. The Plan of Operation covers many areas, such as the application process and the core requirements and guidelines that must be met by the non-U.S. insurers and Lloyd's syndicates, such as the minimum required equity and the establishment of a U.S. trust fund. Once on the *Quarterly Listing of Alien Insurers*, the Plan of Operation outlines the guidance to maintain the continued listing.

Myers said over the course of the past several months, the draft IID Plan of Operation was exposed twice by the Surplus Lines (C) Working Group. Comment letters were received and addressed during open sessions of the Working Group. The Working Group adopted the revised Plan of Operation on Dec. 7, and the Surplus Lines (C) Task Force adopted it on Dec. 12. Amendments to the Plan of Operation will become effective Jan. 1, 2023.

Myers made a motion, seconded by Commissioner Mulready, to adopt the revisions to the IID Plan of Operation (Attachment Five). The motion passed unanimously.

4. Adopted the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting*

Bradner said the consumer education information document, *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting*, was adopted by the Transparency and Readability of Consumer Information (C) Working Group on Nov. 15. The document discusses rates, underwriting, and discounts for both homeowners and auto insurance. The purpose of the document is to provide departments of insurance (DOIs) with information they can use to educate consumers about homeowners and auto insurance premiums. The document is intended to be used to create consumer education bulletins, social media posts, and other documents to help consumers understand their home and auto insurance premiums. The document is not required to be used by a DOI.

Bradner made a motion, seconded by Director Fox, to adopt the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting* consumer education information document (Attachment Six). The motion passed unanimously.

5. Adopted the *Rate/Rule Filing Checklist*

Bradner said the Transparency and Readability of Consumer Information (C) Working Group adopted the *Rate/Rule Filing Checklist* on Nov. 15. The checklist is something a DOI can use with its rate/rule filings to help ensure that all necessary information is sent in with the filing. It was determined that many states do not have a rate checklist in place. Connecticut and Kansas both have checklists in place and have found them to be extremely helpful. The use of this checklist is not required, but it is available for DOIs that do not have something like this in place and find the checklist beneficial. The rate/rule filing checklist is based on the Kansas *Rate/Rule Filing Checklist*. It includes an additional question that is not on the Kansas checklist, which asks whether an insurer is using a rating model. There are times when insurers are using rate models and do not include the information in their rate filings; therefore, asking this question can be helpful because insurers sometimes do not think to mention it if not asked. Commissioner McVey said West Virginia uses a similar checklist, and he asked whether the checklist would be required of states. Bradner emphasized that the checklist is meant to be a resource for states.

Bradner made a motion, seconded by Director Fox, to adopt the *Rate/Rule Filing Checklist* (Attachment Seven). The motion passed unanimously.

6. Adopted its 2023 Proposed Charges

Commissioner McClain said the Committee's 2023 proposed charges were posted on Nov. 21. He said there are three substantive additions to the charges directing the Committee to:

- Study and report on the availability and affordability of liability and property coverages for nonprofit entities.
- Develop property market data intelligence so state insurance regulators can better asses their markets, including looking at coverage gaps and changes to deductibles and coverage types, all of which also assist state insurance regulators in addressing affordability and availability issues.
- Look more deeply into telematics issues.

Commissioner McClain also said the Pet Insurance (C) Working Group will not be reappointed, as it has met its charge of drafting a model law.

Commissioner McVey said West Virginia has a state program to ensure that nonprofits have access to property and liability coverage. He said he will share the information with other states, as it will help in the new charge asking the Committee to study the availability and affordability of insurance for nonprofits.

Commissioner Mulready made a motion, seconded by Commissioner McVey, to adopt the Committee's 2023 proposed charges (Attachment Eight). The motion passed unanimously.

7. Heard a Federal Update

Brooke Stringer (NAIC) said the U.S. House of Representatives (House) passed a stopgap spending bill to give the U.S. Congress (Congress) an extra week to finish a $1.7 trillion year-end omnibus spending package. The NFIP extension continues to be tied to the annual spending bill.

Stringer said there are renewed efforts in Congress to move the Nonprofit Property Protection Act as part of Congress's year-end spending bill. The NAIC has continually opposed this legislation that would expand the scope of the federal Liability Risk Retention Act (LRRA) to allow risk retention groups (RRGs) that write liability insurance for nonprofits to write commercial property insurance coverage. Unlike certain liability coverages in the 1980s, commercial property coverage is generally available, and the NAIC has expressed concerns that these nonprofit policyholders could be put at greater risk from a consumer protection standpoint if this legislation were enacted. She said it will be helpful if the Committee adopts a charge for 2023 to study the availability and affordability of liability and property coverage for nonprofit organizations.

Stringer said the Secure and Fair Enforcement (SAFE) Banking Act is still potentially in play for the omnibus, but hopes may be fading. The House has passed the SAFE Banking Act seven times. The NAIC supports the SAFE Banking Act, which would 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.

Stringer said the NAIC has been talking with U.S. Sen. John Hickenlooper's (D-CO) staff, who are drafting legislation to create a federal government Cyber Insurance Working Group at the U.S. Department of Commerce (DOC), and they reached out to the NAIC for input/feedback. She said the NAIC is working to try to get a state insurance regulator on the federal working group.

Stringer said yesterday was the deadline for responding to the Treasury Department's Request for Information (RFI) regarding, "Potential Federal Insurance Response to Catastrophic Cyber Incidents." The NAIC did not submit a letter, but it does not believe cyber meets the standards for a federal backstop. As the Treasury Department and the Cybersecurity and Infrastructure Security Agency (CISA) assess the cyber insurance market, state insurance regulators look forward to continuing to engage with the NAIC's federal partners, as well as Congress, which would ultimately have the responsibility to develop such a program if there is an appetite for it.

8. Heard Update on the Big Data and Artificial Intelligence (H) Working Group's AI/ML PPA Public Report

Commissioner Gaffney said the 2021 Private Passenger Auto (PPA) Artificial Intelligence (AI)/Machine Learning (ML) survey was conducted to accomplish three primary goals: 1) to gain a better understanding of the insurance industry's use and governance of big data and AI/ML; 2) to seek information that could aid in the development of guidance or a potential regulatory framework to support the insurance industry's use of big data and AI/ML; and 3) to inform state insurance regulators as to the current and planned business practices of companies. The PPA survey was conducted under the market conduct examination authority of nine states: Connecticut, Illinois, Iowa, Louisiana, Nevada, North Dakota, Pennsylvania, Rhode Island, and Wisconsin. The survey was sent to larger companies, defined as those PPA writers with more than $75 million in 2020 direct premium written. The survey call letter was distributed on Sept. 28, 2021, and survey responses were requested by Oct. 28, 2021. A total of 193 responses were received, and almost 90% of those indicated that they are doing something pertaining to AI/ML.

The Big Data and Artificial Intelligence (H) Working Group website includes a memo and accompanying NAIC staff report and analysis with interesting findings. He reported that the results show information about the use of AI/ML

in multiple insurer operations areas, such as claims, rating, and marketing. The data provides the level of decision making, such as whether the model's answer is used with or without human intervention, whether models were developed in-house by an insurer or developed by a third-party vendor, and lists of the third-party vendors.

The survey results also address: 1) the type of data elements used by insurers by operational area; 2) how consumers are notified of the use of data and their ability to request a correction to the data being used; 3) how governance is documented in the company's governance framework; and 4) some potential next steps, some of which are already in progress.

9. Heard a Presentation on Flood Insurance

Birny Birnbaum (Center for Economic Justice—CEJ) said the goals of a national strategy to address flood insurance should include educating consumers, businesses, and communities about the risk of flooding and mitigation decisions; promoting investment in resilience; moving towards universal coverage; and achieving fair pricing in flood insurance. He said FEMA and the NFIP work within the directives of Congress and do the best they can.

Birnbaum said flood is excluded from residential property insurance, and there are inequitable requirements of flood insurance. He said there is inefficient delivery of flood insurance, conflict-ridden claim settlements, inadequate purchase of flood insurance, and little use of the state-based regulatory system.

Birnbaum said federal maps, which take years to update, are failing to reflect the growing peril that Americans face. Maps determine who is currently required to purchase flood insurance. FEMA acknowledges that over 40% of NFIP claims made from 2017 to 2019 were for properties outside of official flood hazard zones. Despite decades of education, most consumers still do not know that flood is not covered under the homeowners policy, and when consumers are told they are outside of a special flood hazard area and are not required to buy flood insurance, they reasonably conclude that they do not need flood insurance. Withholding the true cost of protection and the cost of maintaining a property is not helpful and generates huge societal costs.

Birnbaum said NFIP premiums continue to provide subsidies to consumers who have the means to pay the risk-based price. According to FEMA, 49% of the NFIP premium goes to claims and claim settlement, and 30% goes to write-your-own (WYO) companies.

Birnbaum said a separate flood insurance policy requires the determination whether the damage is covered under the residential property insurance policy, the flood policy, or neither. In the case of the WYO carriers, this creates a conflict of interest in which they are asked to decide if the damage is covered under their policy or the NFIP policy. Tens of thousands of claims are filed and denied because consumers do not understand that flood damage is not covered by their residential property insurance policy.

Birnbaum said the NFIP and most private flood policies cap coverage at $250,000, which can be much lower than Coverage A on residential property insurance policies and effectively create massive flood insurance deductibles. He said claim settlement provisions for NFIP and surplus lines policies vary from the standard residential property insurance and limit state insurance regulator involvement. He noted that surplus lines private flood policies are not subject to rate or form supervision by state insurance regulators. He also said unlike other countries where private insurers provide flood insurance as part of risk-sharing partnerships with government and where private insurers are actively engaged in flood risk mitigation and resilience efforts, few insurers in the U.S. are so engaged.

Birnbaum said relatively few homeowners and businesses purchase flood insurance and consequently rely on disaster relief or savings to recover from flooding events. There are improper risk and price signals to individuals and businesses making investment decisions about property purchases. There are inadequate incentives for loss

mitigation due to subsidized rates. Subsidies exist for consumers who do not need financial assistance and have a lack of or inadequate government assistance for those who need financial assistance to purchase flood insurance or invest in flood mitigation. Other problems include the lack of standard insurance consumer protections found in the state regulation of residential and commercial property insurance and the lack of a residual market for flood insurance, leaving force-placed flood insurance as the de facto residual market.

Birnbaum said there are ways to move forward, including a federal requirement for flood insurance for all federally-involved mortgages; a state requirement for inclusion of flood coverage in residential property insurance policies; turning flood insurance back to the states as with other property insurance; transforming the NFIP from a direct provider of flood insurance to a federal Terrorism Risk Insurance Act (TRIA)-like reinsurer for mega-flooding events with state-specific attachment points; and focusing federal resources on mapping, mitigation, resilience, and means-tested assistance to consumer-facing affordability issues.

Birnbaum said these actions would improve individual and community resilience through near-universal flood insurance and reduce the cost of flood coverage for most consumers. He said converting the NFIP to a reinsurance program would facilitate the private insurer provision of flood insurance by capping the current unlimited experience, similar to the Terrorism Risk Insurance Program (TRIP). A public-private partnership (PPP) that meaningfully engages the insurance industry will incentivize insurers for greater engagement in flood mitigation and resilience. Birnbaum said this would lead to more transparent and accurate prices to consumers and businesses; a greater opportunity to utilize the expertise of private insurers, reinsurers, and catastrophe modelers on flood risk identification and mitigation; more efficient and lower-cost delivery of flood coverage through a separate NFIP or private flood policy; lower costs through a larger, more diversified risk pool; federal financial assistance targeted to those in need; and state-based consumer protections for sales and claims settlement by insurance departments that have the experience and regulatory infrastructure to protect consumers and address market failures.

Birnbaum suggested that the NAIC and state insurance regulators should take a leadership role to guide Congress. He said the NAIC should work with legislators to address the structural problems within the NAIC and work with the federal government as a partner. He said state insurance regulators are experts in insurance markets and consumer protection, so they should take the lead in examining this proposal.

Director Fox asked whether Birnbaum is suggesting a federal reinsurance pool. Birnbaum said it would be similar to other federal reinsurance programs, like TRIP. Director Fox said there is a disparity in risks among the states. She said flood has been a risk that the private market could not price adequately. Birnbaum said the NFIP has conflicting requirements, and Congress mandates actuarial pricing but also subsidizes the risk so it encourages development where it should not occur. Birnbaum said his proposal would end those subsidies because the attachment point is based on a percentage of the total flood risk exposure in that particular state, making each state pay its fair share of the federal reinsurance backstop. The federal government could then focus its efforts on providing assistance where it is needed, instead of through a subsidy to the price.

Director Fox asked if there would be a requirement for properties to purchase flood insurance. Birnbaum said there would be a requirement of flood insurance for federally involved mortgages. Director Fox asked if property insurers would be required to offer flood coverage. Birnbaum said states would ideally require that flood be offered as part of the property insurance policy. He said flood insurance could be provided for a much smaller amount as part of a property policy than it currently is under the NFIP.

Commissioner Mulready asked if the attachment point would be a percentage of the state's total risk. Birnbaum confirmed this and said state insurance regulators could collect the relevant data to assist the federal reinsurance program.

John Huff (Association of Bermuda Insurers and Reinsurers—ABIR) said he agrees with Birnbaum on most points that it is time for a national dialogue on the future of flood insurance. He said only about 4% of national households have flood insurance, and there are often claims disputes over wind versus rain when a loss occurs. He said the Bermuda market will pay about $13 billion in losses related to Hurricane Ian, which includes commercial flood losses. He said the industry can model for flood losses. He said Florida passed reforms that include a flood mandate for Floridians who purchase their property coverage through the residual market of Citizens.

Birnbaum said when the NFIP was created, an argument could be made that insurers could not model it, but that is not the case today. There are models and capital available, as well as PPPs throughout the world.

David F. Snyder (American Property Casualty Insurers Association—APCIA) said the APCIA would be available to work with state insurance regulators on flood insurance issues. He said he is concerned with the political polarization within the country seeping into insurance regulation. He urged moderation among state insurance regulators and a focus on the core issue of solvency. He expressed thanks for the work state insurance regulators are doing with mitigation and playing a critical role in reducing losses. He said controlling losses is fundamental to insurance, and it also provides benefits to the public at large.

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

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

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Cannabis Insurance (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2022 Fall National Meeting*)
November 29, 2022

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 29, 2022. The following Working Group members participated: Ricardo Lara, Chair, represented by Melerie Michael and Camilo Pizarro (CA); Michael Conway, Vice Chair, represented by Peg Brown (CO); Jimmy Harris (AR); Angela King (DC); Christina Miller (DE); C.J. Metcalf (IL); Marlene Caride represented by Randall Currier (NJ); Gennady Stolyarov (NV); Andrew R. Stolfi represented by Jan Vitus (OR); Sebastian Conforto (PA); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Karla Nuissl (VT); and Michael Walker (WA).

1. Adopted its Oct. 19 Minutes

Brown made a motion, seconded by Currier, to adopt the Working Group's Oct. 19 minutes (Attachment One-A). The motion passed unanimously.

2. Received an Update on Drafting the *Understanding the Market for Cannabis Insurance 2.0* White Paper

The drafting group continues to meet every two to three weeks, and the *Understanding the Market for Cannabis Insurance 2.0* white paper draft is nearly complete. The drafting group is now focused on leveraging information gained during the panel discussion to update the legislative pieces of the white paper for recent activities. Emerging issues, such as on-site consumption, will be explored in 2023 and added to the white paper through an appendix. This will allow the Working Group to publish the white paper without the paper becoming outdated. The drafting group anticipates bringing the completed draft before the Working Group by early next year with full adoption by the next Summer National Meeting.

3. Heard a Panel Discussion on Recent Federal and State Political Movements and How They May Affect the Industry

Michael asked what the outlook for legislative initiatives, such as the Secure and Fair Enforcement (SAFE) Banking Act, the Clarifying Law Around Insurance of Marijuana (CLAIM) Act, the Marijuana Opportunity Reinvestment and Expungement (MORE) Act, Cannabis Administration and Opportunity Act (CAOA), and the Medical Marijuana and Cannabidiol Research Expansion Act is in the lame-duck session and beyond.

Michael Correia (National Cannabis Industry Association–NCIA) stated the SAFE Banking Act, passed by the U.S. House of Representatives (House) in 2019, was the first time the U.S. Congress (Congress) passed a major cannabis reform. The House Democrats have since passed multiple versions of cannabis legalization bills. The SAFE Banking Act has been passed by the House on seven separate occasions, with strong bipartisan support, so it would likely have less trouble being passed by the U.S. Senate (Senate) than some of the other bills. The Medical Marijuana Research Act has been passed by both sides of Congress and is awaiting President Joe Biden's signature. Bills on the legalization of cannabis do not have strong bipartisan support in the Senate, which tends to move slower and be more conservative. The SAFE Banking Act is being discussed in Congress. Correia said he is optimistic that a version of it will be passed.

Brooke Stringer (NAIC) stated that in 2021, the NAIC voted to endorse the SAFE Banking Act and the CLAIM Act. The CLAIM Act is more focused on insurance. The NAIC represents 56 jurisdictions and takes no position on issues such as legalization, but instead defers to whatever has been decided by each state. It supports these bills as it

assists policy issues affecting those states that have chosen to legalize cannabis in some form. There is great bipartisan support for certain bills in the Senate; however, the rules in the Senate are such that one senator can put a hold on something, so Stringer is cautiously optimistic.

Nicole Austin (Reinsurance Association of America–RAA) stated that the RAA, the American Property Casualty Insurance Association (APCIA), the Council of Insurance Agents & Brokers (CIAB), the American Council of Life Insurers (ACLI), the Wholesale & Specialty Insurance Association (WSIA), the Independent Insurance Agents & Brokers of America (IIABA), Professional Insurance Agents (PIA), the American Land Title Association (ALTA), and the National Association of Mutual Insurance Companies (NAMIC) support the SAFE Banking Act and the CLAIM Act. The CLAIM Act provides a safe harbor for the entire industry from agent to reinsurer and all the activities that are involved. The RAA is excited that the NAIC endorsed these acts. The RAA does not take a position on the legalization of cannabis, but it supports the states' positions on it. It is important that the insurance industry can do business with cannabis-related businesses that are state legalized *and* the businesses that do business with them. A notable example was provided by a senator from Ohio about the bank account for an irrigation company being shut down when it sold one of its manufactured farm systems to a cannabis grower. The RAA believes there is a high probability that the SAFE Banking Act with the insurance safe harbor will pass if there is a large omnibus spending package, which Austin believes is likely, during the lame-duck session. Research, social equity, and other issues may be added to the SAFE Banking Act to gain more bipartisan support.

Morgan Fox (National Organization for the Reform of Marijuana Laws–NORML) stated that U.S. Sen. John Cornyn (R-TX) made a procedural protest that delayed the passage of the Medical Marijuana and Cannabidiol Research Expansion Act in September, despite his stated support for cannabis research. The protest was related to broader frustrations that the opposite chamber had not acted on his own unrelated proposals. This is an example of how a single senator can hold things up. The NORML is disappointed the passed bill did not include the House provisions that researchers would be able to access cannabis products that are available in regulated markets. However, it recognizes that it is the first standalone cannabis policy legislation that has ever passed through both chambers of Congress. There will be a lot of opportunities in the House Committee on Appropriations in the near future. Fox believes there will be a continuing resolution until the next session. The ultimate spending package will most likely include the SAFE Banking Act with some antidiscrimination measures and explicit protections for minority deposit institutions. There will likely also be funding for state-level expungement efforts, which is important since most related convictions are at the state level. Bipartisan support for conviction relief, especially with federal funding, is a very new occurrence that was not seen just three years ago.

Stringer stated that the midterm results in Georgia would give a good sense of the makeup of the Senate next year.

Austin stated that any package before the next Congress would likely have the SAFE Banking Act included. The good news is there is no language in the insurance space that is under threat in the SAFE Banking Act.

Fox stated that although the Medical Marijuana and Cannabidiol Research Expansion Act has been passed, it will be a long time before the research stemming from it will be available. However, there is enough research data now to justify making substantive federal changes in policy and law. Even incremental legislative changes propel the issue forward as it raises education and comfort among politicians.

Stringer stated that insurance has long tentacles and touches everything. There are a lot of opportunities for the insurance industry to encounter the potential for federal action if they serve the cannabis-related industry. Therefore, it is important to move forward on legislative pieces everyone can support, regardless of how comprehensive or incremental.

Austin said the insurance industry supports the passage of legislation providing a safe harbor. The insurance industry is poised to provide products and services to existing customers and ancillary businesses. There are no products and services being offered in the cannabis space, and a safe harbor is needed for this to happen.

Michael stated that on Oct. 7, Biden announced that he would issue pardons to everyone convicted of the federal crime of simple marijuana possession. He also called for governors to make similar moves for convictions under state laws. Michael asked about the implications of this announcement and an explanation of the difference between a pardon and an expungement.

Correia stated that the president's move was historic and symbolic, but he was surprised it was not done at the beginning of his term given how popular the pardon has been.

Fox stated that the pardon would only affect 6,500 people, as most of the simple cannabis possession charges occur at the state level. Twenty states have begun expungements, with two million expungements having already occurred. A pardon is just a note on your record indicating that a presidential pardon has taken place. This helps with civil penalties involved with having a conviction record, such as voting rights. An expungement removes the conviction from the record. However, background check companies may still include the charge. The president's announcement was met with overwhelming bipartisan support. Directing the U.S. Department of Health and Human Services (HHS) to review the marijuana placement on the schedule of controlled substances is symbolically big. However, in practice, there will not likely be much movement on this issue until Congress acts.

Currier asked for clarification on whether the medical research bill has passed. Fox stated that it has not been signed by the president yet, but it is awaiting his signature. The White House has indicated that the president will sign it as soon as it is officially transmitted. It was sponsored in the Senate by U.S. Sen. Dianne Feinstein (D-CA) and U.S. Sen. Chuck Grassley (R-IA) and in the House by U.S. Rep. Earl Blumenauer (D-OR) and U.S. Rep. Barbara Lee (D-CA). The bill will create a facilitation mechanism for approving more research submissions and applications and more research production. Currently, there is only one legal federal producer and provider of research-grade cannabis, and it is too subpar for useful research. This legislation does not allow researchers to be able to access products from legal state markets. Universities would not want to risk losing federal funding by going outside of the federal guidelines. This bill expedites the application process and sets a more stringent timeline for the approval or denial of applications. In the past, these applications could flounder for years in bureaucracy.

Michael stated that the Farm Bill removed hemp from Schedule 1 of the Controlled Substances Act (CSA) and permitted states to create industrial hemp programs. However, the U.S. Food and Drug Administration (FDA) also stated that marketing cannabidiol (CBD) as foods or dietary supplements remains unlawful. This creates uncertainty and product liability coverage concerns in a market now saturated with hemp and CBD products. Michael asked if there have been legislative attempts to clarify the federal legality of CBD and/or the role of the FDA and what role the FDA should play. She also asked if there have been any federal or state legislative movements toward regulating or restricting synthetic cannabinoids derived from legal hemp.

Fox stated that the legality of CBD is established under the Farm Bill, but the FDA has been slow to regulate things like CBD and synthetic cannabinoids. Although there is significant debate, he does not believe synthetic cannabinoids are legal under the Farm Bill. There is one circuit court that has ruled that they are legal under the Farm Bill. Ultimately, it will be decided by the U.S. Supreme Court. The fact that CBD has not been regulated or cleared by the FDA has created a situation where large-scale retailers are unwilling to carry CBD products. It is also resulting in a lot of CBD products being mislabeled or lacking labels with professed amounts of CBD or disclosure that they might contain heavy metals. The only testing requirements are from existing state medical cannabis systems, which are now in the minority of CBD products that are available on the commercial market. This has resulted in untested and unregulated products with little scientific research on their clinical effectiveness

being sold in gas stations. This creates serious issues for insurers, consumers, businesses producing and selling, and state insurance regulators. The FDA needs to start regulating CBD as soon as possible. It is a good sign that the FDA recently hired a former New York state insurance regulator to start to weigh in on these issues. There is a role for the FDA in an eventual rescheduling and federal regulatory regime, but it should be limited. Most of the regulatory oversight for cannabis products should fall to another agency that is more suited for it.

Correia stated that the fact that the Farm Bill was passed four years ago and the federal government is still working on its related issues illustrates how slow bureaucracy is to catch up to a fast-moving industry. Hemp is a policy issue that needs to be addressed. The original intent was to separate intoxicating and non-intoxicating cannabis. Technology advancements have now made it possible to synthesize intoxicating cannabinoids out of a product originally assumed to hold no intoxicating potential. The NCIA published a paper in 2019 on its perspectives surrounding a federal regulation system on cannabis.

Michael stated that the federal-state law conflict is particularly evident in the financial services sector where cannabis businesses are limited to state charter banks and may incur higher banking fees. She asked if there have been legislative solutions proposed.

Stringer stated that the NAIC will continue to support the SAFE Banking Act and the CLAIM Act. Austin stated that insurers are poised to do business in the cannabis space, but the looming federal-state conflict threat needs to be solved. The SAFE Banking Act and the CLAIM Act are the perfect answer to solving this conflict between federal and state laws.

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

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Draft: 11/1/22

Cannabis Insurance (C) Working Group
Virtual Meeting
October 19, 2022

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Oct. 19, 2022. The following Working Group members participated: Ricardo Lara, Chair, represented by Melerie Michael (CA); Angela King (DC); Christina Miller (DE); C.J. Metcalf (IL); Marlene Caride represented by Randall Currier (NJ); Gennady Stolyarov (NV); Sebastian Conforto (PA); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Karla Nuissl (VT); and Michael Walker (WA).

1. Adopted its Summer National Meeting Minutes

Currier made a motion, seconded by Walker, to adopt the Working Group's July 12 minutes (*see NAIC Proceedings – Summer 2022, Property and Casualty Insurance (C) Committee, Attachment Two*). The motion passed unanimously.

2. Discussed its 2023 Proposed Charges

Michael stated the Working Group's 2023 proposed charges are: 1) 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; 2) encourage admitted insurers to ensure coverage adequacy in states where cannabis, including hemp, is legal; 3) provide insurance resources to stakeholders and keep up with new products and innovative ideas that may shape insurance in this space; 4) explore potential sources of constraint to coverage limits and availability of cannabis insurance products within the admitted and non-admitted market; 5) explore the effect of the use of cannabis on property/casualty (P/C) insurance lines of business; and 6) use information gained to develop an appendix to the *Understanding the Market for Cannabis Insurance 2.0* white paper.

The first proposed charge remains the same as the Working Group's current charge. Federal legislative activities remain an important component to the availability of insurance in the cannabis space. Under this charge, the Working Group should continue receiving reports on cannabis-related legislative activities, including the federal Secure and Fair Enforcement Act (SAFE) Banking Act and federal Clarifying Law Around Insurance of Marijuana (CLAIM) Act, from Government Relations (EX) Leadership Council staff and other relevant parties as needed.

The second proposed charge for 2023 is also a continuation from the Working Group's current charges. The cannabis space is evolving rapidly. As part of this charge, the Working Group could seek information on how a potential U.S. Food and Drug Administration (FDA) cannabis regulatory structure could help inform insurers' coverage offerings.

Likewise, the third proposed charge is also a continuation of the Working Group's existing charge. As part of this charge, the Working Group could hold an educational roundtable with states sharing how cannabis is regulated in their states and any related issues. It could also explore the impact of reinsurance. To provide state insurance regulators with information on who is writing cannabis in their state, the Working Group could contemplate surveying managing general agents (MGAs). It could also contemplate requesting the Surplus Lines Association survey its members for such information.

The fourth proposed charge is new for 2023. The white paper is anticipated to go before the full Working Group at its next meeting, with consideration of adoption during the 2023 Spring National Meeting. This new charge replaces the existing charge of updating the white paper. The intent behind the addition of a charge to add an appendix to the newly adopted white paper is to provide time for the Working Group to look into issues that are still emerging while getting out the rest of the information before it becomes stale. Emerging issues would include social consumptions lounges (Ian Stewart [Wilson Elser]), delivery and social equity (Cannabis Regulators Association—CANNRA), and cannabis-infused food and beverage products (FDA). The Working Group could also contemplate if it wants to extend its focus beyond commercial insurance and look into cannabis intoxication and the incidence of accidents (American Property Casualty Insurance Association—APCIA).

The 2023 proposed charges do not include the existing charge to "collaborate with the Producer Licensing (D) Task Force to study, in states where cannabis is legalized for medical and/or recreational use, whether cannabis-related convictions are preventing individuals from being licensed as an agent or broker." After discussing this with the Producer Licensing (D) Task Force, it does not seem like there is much room to pursue this. The Working Group could always reinstitute this charge should the circumstances change.

Walker asked if the second proposed charge would include things such as California's fair plans or safe harbor for certain cannabis insurance providers. He said he supports the idea of getting state insurance regulators together around a table to share experiences. Michael stated the work plan item contemplated for that charge was focused on informing the appendix to the white paper. However, the charge is broad, so the Working Group could contemplate looking into these as well.

Currier asked if the fourth charge should be broken into two charges. Michael stated the charge was one thought.

NAIC staff asked if the second proposed charge should be amended to reflect that the Working Group's role would be to support state insurance regulators rather than directly influence insurers.

Thomas Buchan (Park Strategies-D'Amato Law Group LLC) stated his organization submitted a comment letter (Attachment One-A1) recommending the second charge be expanded to include the following language: "encourage the development of admitted market insurers, as well as the expansion of existing admitted market insurers, and reinsurers supporting the market, to ensure coverage and rate stability in states where cannabis, including hemp, is legal." Park Strategies is currently consulting with a potential newly formed insurer that would like to enter the cannabis space. The requested expansion reflects that both existing and new insurers should be encouraged to enter the market.

Walker stated he agrees the second charge should be amended to say that states should "encourage admitted insurers to ensure coverage adequacy." He also agreed that the second charge should be expanded to include new insurers and reinsurers.

Nuissl stated the adoption of Buchan's proposed language "encourage the development of admitted market insurers" may be sufficient to address the comment on revising to state "encouraging regulators."

Currier stated he likes the suggestion to revise the second charge to focus on the state insurance regulators as it reflects that the Working Group's role is to support state insurance regulators in their efforts to grow coverage in this space, where it is legal.

Michael stated that the two revision suggestions could be merged together to say: "Support insurance regulators' efforts to encourage the development of admitted market insurers, as well as the expansion of existing admitted market insurers, and reinsurers supporting the market, to ensure coverage adequacy and rate stability in states where cannabis, including hemp, is legal." The remaining proposed charges would remain unchanged. The revised 2023 proposed charges are as follows:

1. 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.
2. Support insurance regulators' efforts to encourage the development of admitted market insurers, as well as the expansion of existing admitted market insurers, and reinsurers supporting the market, to ensure coverage adequacy and rate stability in states where cannabis, including hemp, is legal.
3. Provide insurance resources to stakeholders and keep up with new products and innovative ideas that may shape insurance in this space.
4. Explore potential sources of constraint to coverage limits and availability of cannabis insurance products within the admitted and non-admitted market. Explore the effect of the use of cannabis on property/ casualty (P/C) insurance lines of business. Use information gained to develop an appendix to the *Understanding the Market for Cannabis Insurance 2.0* white paper.

Nuissl stated she liked the merged language on the second proposed charge.

Currier made a motion, seconded by Nuissl, to make a vote of consensus on the Working Group's 2023 proposed charges, with the aforementioned revisions incorporated. The motion passed unanimously.

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

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October 17, 2022

Commissioner Ricardo Lara, Chair
NAIC Cannabis Insurance (C) Working Group
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

RE: 2023 Charges of the Cannabis Insurance (C) Working Group

Dear Commissioner Lara:

A crucial element to standing up and growing the recreational cannabis industry in the United States is the provision of critical business services, such as insurance. More specifically, providing these new and burgeoning businesses—many of them small businesses—with the same protections of the admitted insurance market as are already provided to so many other business enterprises should be considered a mission critical objective.

On behalf of McNeil & Co Inc., we write to thank you for recognizing this important fact, as reflected in the proposed 2023 charge for the working group, which reads. "**2. Encourage admitted insurers to ensure coverage adequacy in states where cannabis, including hemp, is legal**." McNeil, which recently sponsored the creation of a New York workers compensation safety group for recreational cannabis growers, producers, processors and retailers, and is currently working with the New York Department of Financial Services on the creation of an admitted market insurer serving the cannabis community, believes that the charge should not just encourage admitted writers to service this new industry but to also encourage the creation of new admitted insurers focusing on cannabis businesses to the market. Therefore, we respectfully request that the proposed charge be amended to read:

2. Encourage the development of admitted market insurers, as well as the expansion of existing admitted market insurers, and reinsurers supporting the market, to ensure coverage adequacy and rate stability in states where cannabis, including hemp, is legal.

As the landscape for a legal cannabis market expands throughout the states, including those with ballot initiatives due to be voted on within a few weeks, the demand for cannabis insurance is rapidly increasing. There remains, though, a "difficulty for businesses to receive inclusive,

affordable coverage,"[1] as you well know from the experiences in California as one of the pioneers in this area as well as through your work as chair of the working group. While the excess and surplus lines market has provided a first generation of coverage for cannabis entities, companies like McNeil & Co are working to create innovative admitted market-based products to offer an emerging market, to provide the coverages that these cannabis enterprises would enjoy but for the fact that they are operating in the cannabis space.

Therefore, we believe that it would be prudent to expand the charge encouraging new as well as existing admitted market carriers to ensure coverage adequacy in states with legal cannabis programs to also include reinsurers, and to also expand the charge to encourage insurers and supporting reinsurers to offer products with rate stability to better serve the market.

We appreciate the opportunity to submit this letter requesting an expansion of the Working Group's 2023 charges and would welcome the opportunity to speak with the committee further in the future.

Thank you for your consideration in this matter.

Sincerely,

Gregory V. Serio
Partner

Thomas Buchan,
Managing Director

CC: Hon. Mike Chaney, Chair, NAIC Property/Casualty (C) Committee
Members of the Cannabis Insurance (C) Working Group
Aaron Brandenburg, Statistical Information Manager, NAIC
Anne Obersteadt, Regulatory Research Specialist, NAIC

[1] https://content.naic.org/cipr-topics/cannabis-and-insurance

Draft: 12/21/22

Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Tampa, Florida
December 12, 2022

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Tampa, FL, Dec. 13, 2022, in joint session with the NAIC/FEMA (C) Advisory Group of the Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee. The following Working Group members participated: David Altmaier, Chair, represented by Virginia Christy, Christina Huff, Linda McWilliams, and Eliot Pardee (FL); Mike Causey, Vice Chair, represented by Timothy Johnson and Jackie Obusek (NC); Sarah Bailey (AK); Jennifer Brantley (AL); Ken Allen, Laura Clements, Abigail Meraz, and Lynne Wehmueller (CA); George Bradner (CT); Martha Im and Kathleen Nakasone (HI); Travis Grassel (IA); Susan Berry (IL); Chris Hollenbeck and Julie Holmes (KS); Chuck Myers (LA); Joy Hatchette (MD); Jo LeDuc (MO); Mike Chaney and Mark Haire (MS); Carl Sornson (NJ); Glen Mulready and Rick Wagnon (OK); David Dahl, Brian Fordham, Tricia Goldsmith, Ying Liu, and Cliff Nolen (OR); David Buono (PA); Riley O'Rourke (SC); Kira Burnet, Stephanie Cope, and Brendan McCartt (TN); J'ne Byckovski, Eric Hintikka, Jessica Judge, Andy Liao, Shawn Martin, and David Muckerheide (TX); and David Forte (WA). Also participating was: Julia Conrad (IN). The following Advisory Group members participated: Glen Mulready, Chair, and Rick Wagnon (OK); Carter Lawrence, Vice Chair, represented by Kira Burnet, Stephanie Cope, and Brendan McCartt (TN); Sarah Bailey (AK); Jennifer Brantley (AL); Ken Allen, Laura Clements, Abigail Meraz, and Lynne Wehmueller (CA); George Bradner (CT); Virginia Christy, Christina Huff, Linda McWilliams, and Eliot Pardee (FL); Travis Grassel (IA); Chris Hollenbeck and Julie Holmes (KS); Chuck Myers (LA); Joy Hatchette (MD); Jo LeDuc (MO); David Dahl, Brian Fordham, Tricia Goldsmith, Ying Liu, and Cliff Nolen (OR); Tony Dorschner and Sam Watkins (SD); and David Forte (WA). Also participating were: Ron Kreiter (KY); Karen Dennis, Paige Dickerson, and Sarah Wohlford (MI); Mike Andring (NC); Debra Alvarez, Margaret Pena, and Sandra Romero (NM); Jack Childress (NV); Larry Wertel (NY); Michael McKenney (PA); Nick Marineau (VT); Michael Erdman, Christina Keeley, and Darcy Paskey (WI); and Tracy McEwen and Amanda Tarr (WY).

1. Adopted its Fall National Meeting Minutes

Cope made a motion, seconded by Grassel, to adopt the Working Group's Aug. 9 minutes (*see NAIC Proceedings – Summer 2022, Property and Casualty Insurance (C) Committee*) minutes. The motion passed unanimously.

2. Heard an Update from FEMA on the NFIP

David Maurstad (FEMA) said FEMA believes that insurance and mitigation are the best defenses against flooding. FEMA is currently working on internal resiliency efforts, as well as reorganizing its office of resilience. These efforts are being called the "Road to Resilience," and it is developing new and more effective ways for FEMA to operate. Maurstad said FEMA is working on aligning and streamlining its programs using a customer-centric and equity-based approach. FEMA examined how it currently engages with the public and is determining where it needs to make changes. FEMA's organizational structure will enable resilience to: 1) comprehensively assess and address risk; 2) help communities understand and act on future risk; 3) transfer financial risk through insurance to recover quickly; 4) reduce risk through investments in mitigation; 5) address preparedness and systemic solutions; and 6) build the capability and capacity to strengthen disaster resilience at all levels across all communities.

Maurstad said the scale and frequency of natural disasters are increasing, and the impacts are getting worse. Hurricane Ian made landfall as a destructive Category 4 storm and was the deadliest to strike Florida since the Great Labor Day Hurricane of 1935.

To date, FEMA has exceeded $3.69 billion in the form of federal grants, disaster loans, and flood insurance payments for Hurricane Ian. Additionally, FEMA has paid $1.25 billion to policyholders for almost 26,000 closed claims; 46,000 total claims were received. The average claim payment has been a little over $72,000.

Maurstad said studies indicate disasters hit marginalized communities the hardest. These communities are often located in hazard-prone areas, and the homes in these areas are typically built to lower standards. These communities take the longest to recover, and some never recover.

Maurstad said FEMA is prioritizing equity in the delivery of all its programs, beginning with instilling equity in disaster mitigation planning at the local level; Risk Rating 2.0 will help instill equity. The NFIP is not only fixing the long-standing inequities in the pricing system, but also it is better equipped for more frequent flooding events. Unlike past rating methodologies, NFIP policyholders pay a premium based on their own unique flood risk; this was not done in the past.

Maurstad said the NFIP is redesigning its policy forms so they will be more like a standard homeowners policy. Historically, the NFIP policy was one-size-fits-all, where the only choices for a policyholder were the amount of their deductible, limit of coverage, and whether they wanted to cover their personal property with a separate policy. The policy redesign will make it easier for a policyholder to understand their coverage choices and to customize the policy.

Maurstad said the NFIP is exploring direct-to-customer innovations that would offer convenient ways for consumers to purchase flood insurance online or through a mobile application. Additionally, the NFIP is researching how it can provide installment plans, as it would address the issue of affordability and accessibility of its product.

Maurstad said FEMA expects the current Congress to vote to extend the NFIP prior to its expiration on Dec. 16, making this the NFIP's 23rd short-term reauthorization. In the new year, FEMA plans to re-engage with Congress regarding the proposed reforms that FEMA transmitted to Capitol Hill last June. These reforms would address: 1) the areas of affordability; 2) debt cancellation; 3) annual equalization; 4) appropriation; 5) flood risk disclosure; and 6) dealing with excessive loss properties. FEMA is advocating for a 10-year reauthorization.

Bradner asked what the FEMA team is doing to address climate risk overall, as well as elaborating further on the displacement FEMA is seeing on NFIP flood insurance policies. Maurstad said that while FEMA recognizes that flood insurance covers a one-year period, it believes climate change is having an influence on future risks. He said the NFIP's new rating methodology relies on catastrophe models using data from the National Oceanic and Atmospheric Administration (NOAA) and the U.S. Geological Survey (USGS) that is updated on a recurring basis. This data is used to rate the risk, and the data will reflect the changing climate as events occur. This will help FEMA adapt to the increased frequency and severity of storms.

Maurstad said the NFIP is seeing new policies being written. He said he believes the number of new policies written is somewhere around 325,000. However, the NFIP has seen a reduction in the number of properties covered over the last 12 years, and there has been a steady decline in the number of properties insured by the NFIP. The number of properties insured by the NFIP has declined by approximately the same percentage year-over-year. Therefore, FEMA cannot attribute the policy decline specifically to Risk Rating 2.0. Maurstad said approximately 20% of the NFIP's flood insurance policies being renewed are seeing premium decreases. He said 60%–65% of the flood insurance policies written under the Risk Rating 2.0 program are seeing increases of $0–$10 per month, which is in line with what policyholders were seeing under the old program.

Bradner asked if FEMA is tracking those areas that are not in low-risk flood zones, such as the 1% chance of potential flooding. Maurstad said FEMA regularly reviews potential risks outside of the areas that are deemed a 1% chance flood zone.

Birny Birnbaum (Center for Economic Justice—CEJ) asked if FEMA has tracked the growth of the private flood insurance market. Maurstad said FEMA has worked closely with the NAIC to review the growth of the private flood insurance market. He said the growth of the private flood insurance market indicates that some flood insurance policies are moving from the NFIP to the private flood insurance market.

Birnbaum asked if the risk for the policies remaining in the NFIP has increased. Maurstad said FEMA has not noted an increase in risk for the remaining NFIP policies.

Birnbaum asked if FEMA had been tracking affordability issues. Maurstad said FEMA and the NFIP are aware of affordability issues and do not want consumers to be priced out of flood insurance. Birnbaum asked how much of the premium goes to claims, sales costs, reinsurance, and repaying the Treasury. Maurstad said he would have to follow up with specific amounts.

3. Heard an Update from Florida on Hurricanes Ian and Nicole

Christy said the Florida Office of Insurance Regulation (FLOIR) was quick to respond and that Commissioner Altmaier visited the disaster areas the day after Hurricane Ian passed. The FLOIR set up disaster response centers, which included FEMA, so affected consumers had a one-stop shop. Consumers could visit with FEMA if they required individual assistance or NFIP policies, as well as visit with the private flood insurers if they carried private flood insurance.

Christy said that while Hurricane Ian was forecasted as a big major storm, there was less damage than expected. The FLOIR has seen just under 650,000 insurance claims as of Nov. 30, with an estimated $10.1 billion in insured losses, not including NFIP claims. 450,000 of these claims were residential insurance claims. She said the FLOIR saw approximately 3,200 claims from the private flood insurance market.

Christy said some of the newer homes, built to the Florida building code, were able to withstand much of the wind, which alleviated some of the damage.

Christy said the FLOIR continues issuing data calls and is going to require ongoing reporting from insurers. The FLOIR also released an order requiring a stay in the cancellation and non-renewal of policies to give consumers some time to get back on their feet. While this order has expired, Florida provides some consumer protection. If there is a property that was damaged by Hurricane Ian, the insurer cannot non-renew or cancel a policy for a period of 90 days after the property is repaired. Christy said the response to Hurricane Ian is ongoing and that the FLOIR is also responding to Hurricane Nicole. She said data is publicly available on the FLOIR website.

Bradner asked how much of a loss is uninsured or not covered and asked if the FLOIR is able to split out what percentage of the losses are from flood loss and the percentage of those that did not have coverage. Christy said she did not have specific data on hand, but this data would come from the NFIP.

Birnbaum said one-third of the claims were closed without payment and asked if this is a normal percentage following a disaster. He asked if the claims were closed without payment because they were deemed to be flood events and not covered under a normal homeowners policy. Christy said they would have to assess the data, as some claims may also be closed because it was a flood claim or because it did not meet deductibles.

John Huff (Association of Bermuda Insurers and Reinsurers—ABIR) said Bermuda reinsurers will provide approximately 25% of the reinsurance for the catastrophe losses due to Hurricane Ian. He said about $13 billion has been paid to date by reinsurers.

4. Heard an Update from FEMA on Interaction with the FLOIR in the Recovery of Hurricanes Ian and Nicole

Dewana Davis (FEMA) said there are more than 22,000 NFIP communities nationwide. Communities that are part of the Community Rating System (CRS) work above the NFIP's national standards to make the community safer and to provide more affordable rates for consumers.

Region 4 has more than $1.9 million NFIP policies, and more than 50% of these policies are held in Florida. There is a CRS savings of slightly more than $235 million due to the large number of communities participating in the CRS. Davis said prior to Risk Rating 2.0, the NFIP only offered CRS savings to those living in the special flood hazard areas (SFHAs), which are the higher-risk areas. Under Risk Rating 2.0, CRS discounts are offered to anyone who lives in a community that participates in a CRS community.

Hurricane Ian had a devastating impact in the Southeast. Several states other than Florida were affected by the hurricane, namely Georgia, North Carolina, South Carolina, and Virginia. To date, the NFIP has paid out more than $1 billion in claims. Davis said following Hurricane Ian, the NFIP sent out a bulletin to the Write Your Own (WYO) companies extending its policy renewal grace period. Following Hurricane Ian, the grace period was extended to 90 days. The NFIP also extended its proof of loss deadline from 60 days to 365 days to accommodate those unable to return to their homes or businesses immediately following the storm. Amy Bach (United Policyholders—UP) asked if the proof of loss was extended for Hurricane Nicole. Davis said it had not been extended as of the current date.

Davis said FEMA worked with the FLOIR to provide support for the insurance villages located in Fort Myers and Port Charlotte. She said the NFIP has participated in an extensive number of town hall engagements to answer claims questions for those having questions about the claims process and to explain and promote the NFIP program.

Davis said FEMA Region 4 and the NAIC formed a Working Group that meets every other month. FEMA shares best practices with the states residing in FEMA Region 4. As an example, Davis shared that the Working Group discussed derelict vessels, which is a concern for FEMA. She said FEMA wants to work with the departments of insurance (DOIs) to provide strong messaging to clear areas of derelict vessels and speed up the recovery process.

Bradner said following most disasters, public assistance (PA) is declared relatively quickly, but individual assistance (IA) has a much higher bar to be reached before it is offered. He asked how quickly IA was provided in Florida following Hurricane Ian. Davis said she believes the IA was declared prior to landfall simply because the extent of the devastation was known prior to Hurricane Ian making landfall.

5. Heard an Update from FEMA on Training Opportunities and Resources

Liana Kang (FEMA) said currently FEMA offers two webinars through FEMA that anyone can attend to learn about the NFIP: 1) "Key Fundamentals of Flood Insurance"; and 2) "Risk Rating 2.0 – Equity in Action."

"Key Fundamentals of Flood Insurance" is a free course that is offered in two parts and offers continuing education (CE) credits for insurance professionals. This course has been updated to reflect the new rating methodology and

presents the new rating variables, as well as the NFIP information that has not changed. Course registration can be accessed through the floodsmart.gov website and clicking on the "Training" menu item.

The "Risk Rating 2.0 – Equity in Action" webinar is currently offered once a month and is led by FEMA's regional flood insurance liaisons. FEMA adapts the content of this course as needed for the audience attending. Kang said, for example, this fall the presenters focused on policy rules and transition rules. She said this webinar lasts two hours and is free. While CEs are not offered, this webinar offers a great opportunity for questions and answers in real-time chat with the moderators. Presenters will additionally follow-up offline if needed.

Kang said a training announcement has been distributed monthly and to the Catastrophe Insurance (C) Working Group and interested state insurance regulators, as well as the NAIC/FEMA (C) Advisory Group members and interested state insurance regulators.

Kang said FEMA offers many online resources for independent review. The two best resources include floodsmart.gov and FEMA.gov. Floodsmart.gov is FEMA's one-stop shop tailored to agents for all aspects of what to do before, during, and after a flood event. FEMA.gov provides information beyond the basics, such as individual assistance, flood maps, and "Risk Rating 2.0 – Equity in Action." Kang said FEMA has recently developed a YouTube series and an NFIP 101 course. These videos can be used and forwarded by anyone. There are currently three videos, and two more are in the process of being developed.

Kang said another FEMA partner that provides educational opportunities is the Association of State Floodplain Managers (ASFPM) in conjunction with FEMA's Floodplain Management Division. These courses provide an online introduction to floodplain management and are geared towards the floodplain management community. However, its unit on flood insurance is a great up-to-date, self-paced training that can also be viewed for free on the ASFPM website.

Kang provided the Working Group with a map of the FEMA Regional flood insurance liaisons, which also list contact information for each region. The flood insurance liaisons can assist states with more technical assistance regarding NFIP claims, underwriting and coverage, pre- and post-disaster support, public awareness, events, and activities.

6. Heard an Update on Federal Legislation

Brooke Stringer (NAIC) said the NFIP expires Dec. 16, but it is expected to be extended in the next spending bill. Both the U.S. House of Representatives and the U.S. Senate are in session, and they will likely complete a stop-gap in the short-term and then later will pass a year-long spending bill.

Stringer said the Federal Housing Administration (FHA) has finalized its private flood rule. This is important because it would allow consumers to choose whether they want to purchase an NFIP policy or a private flood insurance policy.

Stringer said the NAIC continues to support Sen. Dianne Feinstein (D-CA) and Rep. Mike Thompson's (D-CA) Disaster Mitigation and Tax Parity Act (S. 2432/H.R. 4675). This Act would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants. This was in the Reconciliation bill that failed to move forward.

The Senate passed the Community Disaster Resilience Zones Act (S. 3875) on Sept. 28. This bill will amend the Stafford Act to make permanent the National Risk Index, or a similar tool, and use its data to identify and designate community disaster resilience zone communities that are the most at risk for natural hazards. This would allow FEMA to identify which communities are in most need of assistance for mitigation projects.

Stringer said the Senate also passed the FEMA Improvement, Reform, and Efficiency (FIRE) Act (S. 3092) on Sept. 28. This Act would help ensure that FEMA's disaster preparedness and response efforts fully address the unique nature of wildfires. In July, the House passed the Wildfire Insurance Coverage Study Act (H.R. 8483). This Act would require FEMA and the General Accountability Office (GAO) to conduct studies assessing the danger that wildfires increasingly pose to communities and how the market for homeowners' insurance is responding to this growing threat. This was passed by the House, but not taken up by the Senate.

7. Discussed the Survey Sent to States on Wind/Hail Deductibles

Aaron Brandenburg (NAIC) presented information the Working Group gathered from several DOIs regarding deductibles and storm deductibles. The Catastrophe Insurance (C) Working Group has had prior discussions about homeowner policy coverage changes. Similar discussions took place during the Insurance Institute for Business & Home Safety (IBHS) state insurance regulator trips earlier this year. Working Group leadership asked the Working Group to reach out to the states as a follow-up to these discussions.

Brandenburg said the Working Group sent a survey to the DOIs in early November. The purpose of the survey was to get a better understanding of what states were seeing regarding deductibles in homeowner policies, such as actual cash value (ACV) versus replacement cost value (RCV) and trends in the use of storm deductibles. Twenty-two states participated in the survey to date. Approximately 62% of the states surveyed saw separate roof deductibles. Many of the respondents said they are seeing flat and percentage deductibles, with percentage deductibles ranging from 0.5% to 10% and flat deductibles ranging from $500 to $10,000.

Brandenburg said some states are seeing ACV being used for roof replacement, and several states are seeing more percentage deductibles. He said most states are not actively tracking this information, so it is difficult to tell how prevalent these movements are within the homeowners' policies. California provided some numbers, and they indicated they have more extended replacement cost policies than other types of policies. Maryland does not track this information, but anecdotally, they are seeing a high percentage of policies with RCV for dwelling claims. Brandenburg said the Working Group wants to know whether ACV is becoming more prevalent on roof replacements. The main takeaway is that although states have a feel for the new trends, they are not actively tracking these trends.

Brandenburg said the Working Group will potentially have a panel discussion composed of state insurance regulators, insurers, and consumer groups. Consumer groups have been actively working with policyholders to help them better understand what types of policies are available in the current market. Brandenburg said the NAIC would provide an update during the next Working Group meeting.

8. Heard an Update on the *Catastrophe Modeling Primer*

Brandenburg said the purpose of the *Catastrophe Modeling Primer* is to provide new state insurance regulators with basic information regarding catastrophe models. The Primer will be a bridge to the training being developed by the Catastrophe Modeling Center of Excellence (COE). This drafting group is being led by Nicole Crockett (FL). The COE is currently fully staffed, and its staff have been participating in drafting group calls.

The drafting group last met on Dec. 1 and will continue to meet regularly. To date, the drafting group has developed an outline providing topics to be included in the primer and has drafted and reviewed several sections, including the purpose, background, the state insurance regulator's perspective regarding catastrophe models, how catastrophe models work, and catastrophe model components. The drafting group plans to meet again in January.

9. Discussed Other Matters

Brandenburg said during the Summer National Meeting, he reported on the private flood insurance data the NAIC collects annually. The data showed the residential private flood insurance premiums increased by 60% in 2021. The number of policies has increased by approximately 30% year over year. There were 400,000 residential private flood insurance policies in 2020 and 562,000 residential private flood insurance policies in 2021.

The NAIC has since received the number of NFIP policies in force, which indicates the NFIP lost approximately 400,000 policies in the last two years and 200,000 in the last year. While there is an increase in residential private flood insurance, the increase is not keeping pace with the decrease in NFIP policies. These numbers indicate there are less flood insurance policyholders.

Brandenburg said regulators from the Northeast Zone have had initial conversations with FEMA colleagues about holding an in-person workshop in April 2023. Planning will begin in early 2023.

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

SharePoint/NAIC Support Staff Hub/Committees/C Committee/2022 Fall/Catastrophe/NAIC-FEMA/Minutes-CatFEMA FNM.docx

Draft: 12/7/22

Terrorism Insurance Implementation (C) Working Group Virtual Meeting
(*in lieu of meeting at the 2022 Fall National Meeting*)
November 30, 2022

The Terrorism Insurance Implementation (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 30, 2022. The following Working Group members participated: Martha Lees, Chair (NY); Chad Bennett (AK); Monica Macaluso (CA); Rolf Kaumann (CO); Patrick Drake (CT); Ainsley Hurley (FL); Caleb Huntington (MA); Tim Johnson (NC); Carl Sornson (NJ); Cuc Nguyen (OK); Jan Vitus (OR); Beth Vollucci (RI); J'ne Byckovski and Mark Worman (TX); and Dan Petterson (VT).

1. Received an Overview of Data Related to Workers' Compensation Terrorism Risk

Aaron Brandenburg (NAIC) reported on terrorism risk insurance data concerning workers' compensation. He said data for the workers' compensation portion of the state regulator terrorism risk insurance data call was received from the National Council on Compensation Insurance (NCCI) and independent bureaus for the 47 non-monopolistic states. Data for 2019 was due to state insurance regulators by March 1, 2022.

The percentage of workers' compensation policies that have an explicit terrorism charge has fallen slightly, from a little more than 84% in 2011 to about 82.5% in 2019. This means about 17% to 18% of policies cover workers' compensation terrorism coverage for no charge. The Northeast Zone had the highest percentage of workers' compensation policies with an explicit charge for terrorism risk.

The analysis next looked at the percentage of the terrorism premium as compared to the total earned premium for policies indicating an explicit terrorism charge. This has remained steady at around 1.4%. The District of Columbia had the highest percentage, with more than 13% of the premium being a terrorism charge in 2019. The Northeast Zone had the highest percentage of terrorism premium compared to the total earned premium for policies indicating an explicit terrorism charge.

The average terrorism premium per policy has fallen slightly, from $177 in 2011 to $174 in 2019. The average terrorism premium when there is an explicit charge has stayed steady at around $211 in 2019, though this is a decrease from the past few years. The Northeast Zone had the highest average terrorism premium in the period 2011 to 2019.

When looking at payroll categories, only the lowest payroll category had fewer than 89% of policies with an explicit terrorism charge. The terrorism premium moved up substantially as the payroll category grew higher. Terrorism premium for insureds with a payroll category greater than $5 million experienced a drop in average premium of over 15% from 2011 to 2019.

2. Received an Update on the Joint Terrorism Risk Insurance Data Call

Brandenburg provided an overview of the data received in the joint U.S. Department of the Treasury (Treasury Department)/state insurance regulator terrorism risk insurance data call. This data is received in mid-May every year. He said there are some caveats within the data in terms of companies not filing or filing incorrect data. He said the NAIC has put the data into a Tableau tool for state insurance regulators so they can access and analyze the data.
Brandenburg said in terms of nationwide premium eligible for the Terrorism Risk Insurance Program (TRIP), $107.4 billion premium was reported in 2021 compared to $102.2 billion in 2020, $100.7 billion in 2019, and $111.2 billion

in 2018. The largest lines of business with TRIP-eligible premium were other liability and commercial multi-peril – non-liability. He said $67 billion, or 62%, of the $107.4 billion in total premium eligible nationwide for federal Terrorism Risk Insurance Act (TRIA) coverage had terrorism coverage in 2021. This is similar to prior years, with 59% and 62% of total eligible premium with terrorism coverage in 2020 and 2019, respectively.

The analysis found the lines of business with the largest percentage of total premium with terrorism coverage countrywide were boiler and machinery at 85% and commercial multi-peril (liability and non-liability) at 79%. Products liability and aircraft had the lowest percentage of total premium with terrorism coverage at 46% and 51%, respectively.

A take-up rate was calculated by policy, which can only be done for non-small insurers' premiums. The analysis found 71% of policies nationwide had terrorism coverage in 2021 compared to 82% and 83% in 2020 and 2019, respectively. Brandenburg noted that when looking at only filers that reported in all years, the percentage of policies with terrorism coverage actually rose to 73% in 2021 from 66% and 70% in 2020 and 2019, respectively. Commercial multi-peril – liability had the highest percentage of policies with terrorism coverage nationwide in 2021 at 82%.

All but two states had take-up rates of at least 60% in 2021. Four states had take-up rates of at least 80%. Eight states had at least 55% of their policies with an implicit charge for terrorism coverage. Five jurisdictions had over 70% of their policies with an explicit charge for terrorism coverage.

About 2% of the total premium for terrorism coverage was allocated to terrorism risk in 2021. Premium explicitly allocated to terrorism risk nationwide was $1.3 billion in 2021, representing 1.9% of total premium for terrorism coverage. For non-small insurers, commercial multi-peril had 3.4% of its premium allocated to terrorism risk. For small insurers, 1.1% of premium was allocated to terrorism risk in 2021. The average total premium for policies where terrorism coverage exists was $3,011 nationally in 2021, compared to $2,847 in 2020. The average premium for terrorism coverage was $115 nationally in 2021, compared to $109 in 2020.

Brandenburg said the data could be made available to state insurance regulators in a Tableau tool upon request.

3. Discussed the 2023 Terrorism Risk Insurance Data Call

Lees said the request for workers' compensation data will be submitted to the NCCI and independent bureaus in early 2023. For the remaining data, states will work with Treasury Department to determine if any changes will be made to the data requested to be submitted in mid-May. Lees reminded the Working Group that the State Supplement that had asked for ZIP code-level data in prior years was paused in 2022.

Having no further business, the Working Group adjourned.

SharePoint/NAIC Support Staff Hub/MemberMeetings/C CMTE/2022_Fall/Terrorism/ TerrorismWG_20221130

Draft: 11/28/22

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2022 Summer National Meeting*)
November 15, 2022

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 15, 2022. The following Working Group members participated: Joy Hatchette, Chair (MD); Yada Horace (AL); Bobbie Baca (CO); George Bradner (CT); Angela King (DC); Julie Rachford and Robert Rapp (IL); Sara Hurtado and Brenda Johnson (KS); Ron Henderson (LA); Carrie Couch and Jeana Thomas (MO); Kathy Shortt (NC); Chris Aufenthie (ND); Kara Bates (OR); Cuc Nguyen (OK); David Buono (PA); Beth Vollucci (RI); Marianne Baker and J'ne Byckovski (TX); and Samantha Chase (WV). Also participating were: Christina Miller and Jeffry Schott (DE); Jane Nelson (FL); Kate Kixmiller and Stephanie Tompkins (IN); Renee Campbell (MI); Tynesia Dorsey (OH) Tony Dorschner and Gretchen Brodkorb (SD); Manabu Mizushima and Andrew Davis (WA); Darcy Paskey (WI); and Bill Cole and Tana Howard (WY).

1. Adopted its Aug. 2 Minutes

Bradner made a motion, seconded by Allen, to adopt the Working Group's Aug. 9 meeting minutes (*see NAIC Proceedings – Summer 2022, Property and Casualty Insurance (C) Committee, Attachment Five*). The motion passed.

2. Adopted the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting* Document

Hatchette said the drafting group for the consumer education document on pricing and underwriting of personal lines products had completed its work. The purpose of the document is to provide state insurance regulators with information they can use in social media, bulletins, and any other means of consumer education for which a department of insurance (DOI) might have the need. This document is not meant to be a standalone document that is handed out as a printed version. However, the document or portions of the document could be used for printed information.

The document has been exposed and reviewed several times for consumer readability. Comments from state insurance regulators and interested parties have been incorporated into the final document.

Baker said she had a few editorial changes she suggested be made. Hatchette asked Baker to send the changes to NAIC staff.

Hatchette said the document needed a formal name, as it has been referred to as the consumer education premium document. The Working Group agreed on *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting.*

Birny Birnbaum (Center for Economic Justice—CEJ) asked if the Working Group was planning on conducting consumer testing for this document. Hatchette said she could only speak for Maryland. She said the DOI uses several types of social media to communicate messages to consumers, such as Facebook, Twitter, LinkedIn, and Next Door. Hatchette said the DOI monitors comments, and if a comment indicates a consumer does not understand the message, the DOI reaches out to the consumer to determine what is not understood and addresses the issue. She said she would then inform the Working Group regarding what occurred for further discussion.

Birnbaum said he has concerns that the document will be distributed, and then the Working Group will not discuss it in the future. He said it would be helpful if there was some type of plan to monitor the document's use and effectiveness. Hatchette said this is something the Working Group could consider doing in 2023 and 2024. She said the Working Group could work on developing a way to monitor the documents that are created and put some steps in place to monitor this document, as well as others.

Bradner made a motion, seconded by Shortt, to adopt the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting* document with the suggested editorial changes. The motion passed.

3. Adopted its *NAIC Rate Rule Filing Checklist*

Hatchette said the purpose of this document is to provide a checklist for DOIs wanting to provide insurers as part of the filing process to ensure the necessary information is provided with the filing. This checklist alleviates the need for a DOI to have to ask the insurer for missing information by providing a checklist with a list of the necessary information to be filed.

Hatchette said the checklist is based on a checklist the Kansas DOI has been using.

Baca made a motion, seconded by Hurtado, to adopt the *NAIC Rate Rule Filing Checklist*. The motion passed.

4. Discussed the Plan for the Disclosure Document

Hatchette said the Working Group is still in the process of drafting a document that provides disclosure guidance for premium increases. Currently, the Washington DOI is working on a rule in its state regarding a disclosure for premium increases. It is on the third iteration of its rule. Comments were due last week. Hatchette said the Working Group would continue to monitor Washington's process before finalizing any type of guidance. Bradner said while the Working Group is not looking to do exactly what Washington does, following the process will help the Working Group determine the direction of its disclosure document.

Having no further business, the Working Group adjourned.

NAIC Support Staff Hub/Member Meetings/C CMTE/2022_Fall/Transparency/FNM 2022/Minutes Transparency_1115.docx

2022

NAIC International Insurers Department Plan of Operation

Approved by NAIC Executive Plenary on xx/xx/20

NAIC Contact
Andy Daleo
Senior Manager – P/C Domestic and International Analysis
Financial Regulatory Services

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Background

The NAIC has a long history of supporting state insurance departments' regulatory efforts regarding insurers domiciled outside of the United States (alien) participating in the U.S. nonadmitted market. Initially acting only as a repository for alien insurer financial records, the NAIC has transitioned over the years to its present role as the recognized authority for alien insurers (hereafter, Insurer(s) refers to alien domiciled companies and Lloyd's syndicates) seeking approval to write direct surplus lines business in all U.S. states and territories. The NAIC International Insurers Department (IID) Plan of Operation (Plan) provides details on the standards and processes that Insurers must meet to gain and maintain inclusion on the *Quarterly Listing of Alien Insurers* (Quarterly Listing). The Plan provides a description of the roles NAIC staff and selected state regulators perform in the oversight of alien Insurers writing surplus lines business in the U.S.

Introduction

The Plan describes how the IID operates and how Insurers obtain inclusion on the Quarterly Listing. The IID is composed of experienced financial analysts that review applications and renewal filing documents, prepare written analyses, and provide support to NAIC surplus lines committees and working groups. The IID also includes an Internal Review Committee (Internal Committee) that consists of NAIC directors, managers, attorneys, and analysts. The Internal Committee reviews IID analyses and provides a report of recommendation to the Surplus Lines (C) Working Group (Working Group). The Property and Casualty Insurance (C) Committee is designated the "Appeal Committee" for decisions made by the Working Group, and has no direct involvement in making or approving recommendations regarding alien surplus lines insurers.

The IID functions on behalf of state departments of insurance by maintaining qualifying standards for Insurers domiciled outside of the U.S. seeking eligibility to write direct U.S. surplus lines. Section 524(2)[1] of the 2010 Dodd-Frank Wall Street and Consumer Protection Act recognizes the Quarterly Listing as identifying Insurers for which states may not prohibit brokers from placing or procuring nonadmitted insurance in the U.S. The Quarterly Listing is a public document that is posted on the Publications page of the NAIC website. This list represents Insurers that qualify for listing as outlined in *Section II – Core Requirements and Guidelines for Inclusion on the Quarterly Listing*. Modifications to listed companies are summarized within each Quarterly Listing. The Working Group will make the final determination of all Insurer eligibility.

The Working Group provides oversight to the IID and reports to the Surplus Lines (C) Task Force (Task Force), which functions under the NAIC Property and Casualty Insurance (C) Committee. The Working Group is composed of state regulators with experience in financial analysis and surplus lines regulation. The Working Group provides the IID with guidance and expertise relative to applications and renewals as well as regulatory policy and practices with respect to Insurers listed on or seeking inclusion on the Quarterly Listing.

[1] 15 U.S.C. § 8204(2).

The following table provides a summary of the key NAIC IID workflow:

IID	• Analyzes and monitors Quarterly Listing insurer financial filings; • Maintains Quarterly Listing, IIDfile System, and resources available to the insurers; and • Recommends revisions and enhancements to the *Nonadmitted Insurance Model Act* (#870), IID Plan of Operation, and other surplus lines documentation.
IID Internal Committee	• Consists of NAIC directors, senior managers, attorneys, and analysts; • Reviews application and renewal analyses and provides recommendations to the Surplus Lines (C) Working Group; and • Reviews recommended changes to IID documentation, such as the Plan of Operation.
Surplus Lines (C) Working Group	• Consists of experienced surplus lines regulators; • Maintains and drafts new guidance within the IID Plan of Operation; • Reviews and considers appropriate decisions regarding applications for admittance to the Quarterly Listing; and • Provides a forum for surplus lines-related discussion. Determines final eligibility of insurers on the Quarterly Listing.
Surplus Lines (C) Task Force	• Provides oversight for the work produced within the Surplus Lines (C) Working Group; • Provides a forum for discussion of current and emerging surplus lines-related issues and topics of public policy and determines appropriate regulatory response and action; • Reviews and analyzes quantitative and qualitative data on U.S. domestic and alien surplus lines industry results and trends; • Monitors federal legislation related to the surplus lines market and ensures all interested parties remain apprised; and • Develops or amends relevant NAIC model laws, regulations and/or guidelines.
Property and Casualty Insurance (C) Committee	• Monitors the activities of the Surplus Lines (C) Task Force. Handles any appeals regarding decisions made within the Surplus Lines (C) Working Group

I. Application Process

An Insurer planning to write U.S. surplus lines via admittance to the Quarterly Listing will first register with OPTins. OPTins is an electronic filing and payment system utilized for filing alien surplus lines applications. Through OPTins, the applicant will remit all required filings along with a non-refundable electronic payment in the amount indicated in the Application Filing Memo & Instructions. The application fee covers the cost of processing and evaluating the Insurer's application. The Insurer will find a comprehensive list of required filings within the Application Filing Memo & Instructions document. This document as well as other resources can also be found within the "Documents" tab on the Surplus Lines (C) Working Group webpage.

The Quarterly Listing is published on January 1, April 1, July 1, and October 1. A complete application must be submitted no fewer than 90 days in advance of the publication date in which the Insurer applies to be listed. If the application is submitted fewer than 90 days prior to the intended publication date, it will not be considered until the following quarterly publication release.

The IID will review and evaluate the information submitted by the Insurer seeking admittance to the Quarterly Listing. The IID will evaluate whether the Insurer meets the standards set forth in *Section II - Core Requirements and Guidelines for Inclusion on the Quarterly Listing.* The IID may contact the Insurer for additional information or to seek clarification of any concerns during its review of the application. If all questions and/or concerns (e.g., receipt of required documents and IID requested explanations and supporting documentation) are not resolved within six-months of the application submission date, the application may be rejected and a letter informing the Insurer of the decision will be issued. Refer to *Section III - Process for Reconsideration of an Application Rejection*. Following completion of the review, the IID will meet with the Internal Committee to discuss the evaluation and determine a recommendation. The Internal Committee will present its recommendation to the Working Group for consideration. Following determination by the Working Group, a letter detailing approval or denial will be sent to the Insurer by the IID.

If the Insurer is approved, an approval letter will be sent a minimum of ten calendar days in advance of the listing date and the Insurer will be included in the next Quarterly Listing. The Insurer must establish the required trust fund (See Section II.B, U.S. Trust Fund) prior to being admitted to the Quarterly Listing. Further, the IID must receive the trust balance report detailing the trust fund holdings.

II. Core Requirements and Guidelines for Inclusion on the Quarterly Listing

A. Shareholders' Equity Funds *(See Lloyd's Notation below)*

A minimum shareholders' equity amount of $50.0 million must be maintained on a continuous basis. Shareholders' equity will be evaluated to determine if it is adequate given the Insurer's risk profile. The following key factors may be considered by the IID:

- Operating history and trends;
- Quality and diversification of assets;
- Mix of business and geographic diversification;
- Gross insurance leverage;
- Reinsurance program and quality of reinsurers;
- Gross reserve leverage;
- Cash flow and liquidity;
- Access to capital;
- Dividend and/or upstream funding history; and
- Other factors deemed relevant to the review.

If there is a determination that shareholders' equity is inadequate based on the analysis of the Insurer's

risk profile, an equity requirement above the minimum amount of $50 million may be required. Or, the Insurer may be subject to additional ongoing reporting (e.g., monthly and/or quarterly reporting).

Lloyd's Notation
In lieu of individual shareholders' equity, Lloyd's syndicates are required to report a U.S. trust fund of not less than $100 million available for the benefit of all Lloyd's U.S. surplus lines policyholders. In addition, a review of the Funds at Lloyd's (member assets) is considered.

B. U.S. Trust Fund

The purpose for establishing a trust fund is to provide additional assurance that U.S. policyholders are protected. The trust fund must consist of cash, securities, or an acceptable evergreen letter of credit, or combination at an appropriate level, deposited with a trustee for the benefit of U.S. policyholders. Regarding the composition of the trust fund, credit will be allowed only for (i) securities readily marketable on a regulated U.S. securities exchange, (ii) securities assigned a rating designation on the NAIC Securities Valuation Office List of Investment Securities as defined in the Purposes and Procedures Manual of the NAIC Investment Analysis Office, or (iii) investments of substantially the same character and quality as those which are eligible investments for the capital and statutory reserves of admitted insurers to write like kinds of insurance in the state where the Trust is principally administered.. An acceptable letter of credit is defined as unconditional, irrevocable, evergreen, and issued by a qualified U.S. financial institution.

In establishing its trust fund, the Insurer must maintain such fund at, and enter into an agreement with, a qualified U.S. financial institution. The agreement must contain provisions consistent with the IID model document, Trust Agreement for Alien Excess or Surplus Lines Insurers. For purposes of complying with the trust fund requirement as well as the Lloyd's U.S Situs Excess or Surplus Lines Trust Deed, a qualified U.S. financial institution:

- Is organized or (in the case of a U.S. branch office of a foreign banking organization) licensed under the laws of the U.S. or any state thereof;
- A national bank, state bank, or trust company which is adequately capitalized and qualified to accept securities as determined by the standards adopted by the U.S. banking regulators and regulated by state banking laws or a member of the Federal Reserve system; and
- Has been granted authority to operate with trust powers, if such qualified U.S. financial institution is to act as the fiduciary of the trust fund.

Determining the Trust Fund Level

The trust fund minimum amount will be based on the U.S. gross surplus lines liabilities (i.e., gross reserve for unpaid losses for case and IBNR + gross reserve for unpaid loss adjustment expenses) excluding liabilities arising from aviation, ocean marine, and transportation insurance (NAIC *Nonadmitted Insurance Model Act* (#870), Section 3 – Definitions, Wet Marine and Transportation Insurance, provides an illustrative example), and direct procurement. The calculation of the required trust fund minimum balance is as follows:

- 30% of U.S. gross liabilities up to $200 million, plus
- 25% of U.S. gross liabilities greater than $200 million and up to $500 million, plus
- 20% of U.S. gross liabilities greater than $500 million and up to $1 billion, plus
- 15% of U.S. gross liabilities in excess of $1 billion

In no event will the required trust fund minimum amount, despite the calculation above, be less than $6.5 million or in excess of $250 million.

The trust fund minimum will be verified annually through the review of the U.S. gross liabilities reported within the loss reserve certification no later than June 30 of each year. The opining actuary must be a member of a recognized professional actuarial body. Additionally, per the Trust Agreement for Alien Excess or Surplus Lines Insurers, Section 2.13b, the trustee is required to provide a trust balance report no later than 30 days post quarter end, to the IID. The trust balance report should include sufficient details on the assets held in trust and meet the required minimum balance. Based on the review of the trust balance report, any shortage in the balance must be remedied within 15 days of notification to the Insurer.

In the case of Lloyd's syndicates, for the total of all years of account, the trust fund minimum amount for each syndicate will be based on the syndicate's gross U.S. surplus lines liabilities using the Trust Fund Calculation above.

In extenuating situations (e.g., potential legal action on exposures not yet included within gross loss reserves) there may be a need to require a trust fund balance that is greater than the normal trust fund calculation based on the Insurer's risk profile. The IID will consider the following factors in determining an appropriate trust fund level:

- The types and amount of premiums that the Insurer writes or proposes to write in the U.S.;
- The type and valuation of the assets that compose the trust fund may be adjusted for any questionable balances; and
- The terms and conditions as outlined within the trust agreement.

Process for Reconsideration of a Trust Fund Level

In the event of a determination that a trust fund balance greater than the calculated minimum level is appropriate, a written request for reconsideration may be submitted if the Insurer objects to the determination. To request reconsideration, the following criteria must be met:

- The request must be received by the IID within 30 days of the date on the trust fund adjustment letter;
- The request must be in letter format and signed by an officer of the Insurer; and
- The request must include a comprehensive rationale for disagreement with regard to the determined trust fund level.

The IID will evaluate the appeal with consideration given to the information provided within the request letter and the information will be presented to the Working Group to determine a recommendation. The Working Group's recommendation will then be presented at a regulator-only Appeal Committee meeting for consideration. A representative of the Working Group and the Insurer will be allowed to participate. Following review and a determination by the Appeal Committee, the IID will send a letter to the Insurer detailing approval or denial of the request.

C. Ethics and Integrity

Insurer management will have a proven and demonstrable track record of relevant experience, competence, and integrity. Biographical affidavits will be considered as one source for assessing the presence of these attributes. Following the original required biographical affidavit submission, new or materially modified affidavits (e.g., changes in the suitability of an officer) should be uploaded to OPTins within 30 days of any known amendments, or where applicable within 30 days of approval of any new key director or officer by the Insurer's domestic regulator.

D. U.S. Branch

An Insurer formed with an existing U.S. branch is prohibited from applying for inclusion on the Quarterly

Listing and Insurers currently included on the Quarterly Listing will be de-listed if a U.S. branch office is established.

E. Lloyd's Incidental Syndicates

A Lloyd's incidental syndicate is formed as a portion of the host syndicate. The incidental syndicate is subject to the same capital setting and business plan as the host syndicate. Lloyd's incidental syndicates are permitted to apply for inclusion on the Quarterly Listing under the condition that they establish a separate Lloyd's U.S. Situs Excess or Surplus Lines Trust Deed and commit to annual reporting under its incidental syndicate number.

F. Insurers or Lloyd's Sovereign Government Syndicate Ownership

An insurer or Lloyd's syndicate (member or managing agent) that is partially or wholly owned (directly or indirectly) or controlled (financially or otherwise) by a sovereign government that applies for inclusion on the Quarterly Listing, must sign and attest to various conditions as outlined within a set of required supplemental filings. The sovereign ownership may not encompass a U.S. sanctioned country per the U.S. Department of Treasury's Office of Foreign Assets Control.

III. Process for Reconsideration of an Application Rejection

In the event of an application rejection, a written request for reconsideration may be submitted if the Insurer wishes to contest the determination. To request reconsideration, all the following criteria must be met:

- The request must be received by the IID within 30 days of the date on the rejection letter;
- The request must be in letter format and signed by an officer of the Insurer; and
- Each of the rejection letter issues must be addressed with detailed explanations and supporting documentation.

The IID will re-evaluate the application with consideration given to the information provided by the Insurer and all information will be presented to the Working Group to determine a recommendation. The Working Group's recommendation will be presented at a regulator-only Appeal Committee meeting for consideration. A representative of the Working Group and the applicant will be allowed to participate. Following review and a determination by the Appeal Committee, the IID will send a letter detailing approval or denial of the request.

If an Insurer does not submit a reconsideration letter within 30 days of the date on the rejection letter, any request for reconsideration is considered waived and the Insurer will be required to submit a new application along with the application fee and all required supporting documentation.

IV. Ongoing Quarterly Listing Eligibility

Insurers included on the Quarterly Listing are subject to ongoing review, which includes annual and interim compliance and qualitative and quantitative analysis.

A. Core Areas of Insurer Compliance

Annual Renewal Filing
All insurers/syndicates listed within the Quarterly Listing on June 30 of the renewal year are required to remit an annual fee and file an annual renewal package and must upload all required renewal filing documents to OPTins by June 30. A comprehensive list of required filings can be found within the Renewal Filing Memo. Filings submitted subsequent to June 30 will be subject to late fees as defined within the Renewal Filing Memo . If an Insurer fails to submit its annual renewal filing by July 31, it may be subject

to de-listing.

Notification of Change in Control and Re-Application
Control is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person. In the event of a change of control and/or merger, the Insurer must provide notice 30 days prior to the effective date of the transaction. The Insurer must reapply within 45 days following the effective date of the change of control and/or merger of the Insurer to maintain its listing. Failure to provide timely notice and/or re-application may result in de-listing.

Notification of Decline in Equity *(Does not apply to Lloyd's Syndicates)*
If the Quarterly Listed Insurer's equity has declined or is expected to decline by 10% or more compared to the most recent year-end or dropped below the minimum standard described in *Section II.A - Shareholders' Equity Funds*, it must notify the IID immediately with a detailed explanation of the decline and a plan describing the resolution. Failure to provide timely notification may result in delisting as described in *Section V – De-Listing*. If an Insurer is unable to increase equity to the required minimum level within 15 business days of notification, it may be subject to de-listing.

Trust Fund Monitoring
The Quarterly Listed Insurer is required to monitor the trust fund balance and any impact of market fluctuations on the balance to ensure that it meets the minimum balance required. The IID performs a quarterly review of the market value of each Insurer's U.S. trust fund based on the filing of the trust fund balance report from the trustee to ensure that it continues to meet the required minimum balance.

B. IID Annual and Ongoing Analysis of Quarterly Listed Insurers

The IID analyzes annual renewal and interim Insurer documentation and may request additional information as a result of that analysis. If an Insurer fails to file all additional requested information within the specified timeframe, it may be subject to de-listing. Upon completion of the overall analysis process, the Insurer will be referred to the Working Group for renewal or de-listing. Following review and a determination by the Working Group, a letter will be sent to the Insurer.

C. Examination of Insurer

The IID may recommend that an Insurer submit to a special examination of its affairs to verify continuing compliance. If the Working Group approves the recommendation, the Insurer will be required to submit to a special examination and pay all expenses or it will be de-listed.

V. De-listing

When the IID determines an Insurer is not in compliance with the Plan and/or the trust fund requirements or poses solvency concerns, the IID may present an analysis of the Insurer to the Internal Committee to determine a recommendation for consideration by the Working Group. Upon determination of non-compliance and/or solvency concerns by the Working Group, the Insurer will be de-listed and notified via letter.

VI. Process for Reconsideration of De-listing

In the event of de-listing, a written request for reconsideration may be submitted if the Insurer elects to challenge the determination. To request reconsideration, all the following criteria must be met:

- The request must be received by the IID within 30 days of the date on the de-listing letter;
- The request must be in letter format and signed by an officer of the Insurer; and
- Each of the de-listing letter issues must be addressed with detailed explanations and supporting

documentation.

The IID will review the letter response and will present its evaluation to the Working Group for its recommendation. The Working Group's recommendation will be presented at a regulator-only Appeal Committee meeting for consideration. A representative of the Working Group and the de-listed Insurer will be allowed to present. Following review and a determination by the Appeal Committee, the IID will send a letter detailing approval or denial of the request.

If an Insurer does not submit a reconsideration letter within 30 days of the date on the de-listing letter, any request for reconsideration is considered waived and the Insurer will be required to submit a new application along with the application fee and all required supporting documentation.

VII. Communication

All communication and information, including financial statements, audit reports, trust fund documents, and other supporting documentation must be submitted in English and uploaded to OPTins.

VIII. Voluntary Termination from the Quarterly Listing

An Insurer that wishes to voluntarily terminate from the Quarterly Listing may do so by sending a letter to the IID that requests termination along with the effective date of the termination. Following termination from the Quarterly Listing, the Insurer must continue to comply with the requirements outlined within the Trust Agreement for Alien Excess or Surplus Lines Insurers.

IX. Confidentiality

The IID will treat as confidential any non-public information submitted by an Insurer and for which confidential treatment is clearly requested. The IID is not aware of any state or federal statutes that provide additional protection for information submitted to it. By submitting information to the IID, the Insurer acknowledges that the IID will share such information with state insurance department regulators as well as NAIC staff who participate in the review of applications and renewals. Additionally, in the event the IID or NAIC is served with a subpoena, motion, order, or other legal process requiring the production of such information or testimony related thereto, the NAIC will make best efforts to inform the Insurer of such third-party request in order to afford the Insurer an opportunity to take whatever action it deems appropriate to protect the confidentiality of its information. The Insurer acknowledges the NAIC may comply with the request and any order compelling compliance with such request.

X. Amendment to the Plan

The Working Group will consider proposals submitted to the IID for modifications to the Plan. All proposals will be considered during open conference calls or meetings of the Working Group throughout the year. A proposal must be complete and concise and include relevant supporting documentation. Proposals exposed and adopted by the Working Group would become effective following adoption by the Surplus Lines (C) Task Force and Casualty Insurance (C) Committee.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

REGULATORY RESOURCES FOR CONSUMERS ON PERSONAL LINES PRICING AND UNDERWRITING

AUTO SECTION

How Do Insurers Determine Your Auto Insurance Premium?

The way auto insurers determine how much you pay for insurance is constantly changing. The process starts with the information you provided on the application. The two parts of the process are *underwriting* and *rating*.

How Do Insurers Underwrite?

The first part of the process is underwriting. Insurance companies underwrite to:

- know the risk of insuring an applicant.
- group the applicant with others who have similar risks.
- decide if they will insure the applicant.

To underwrite an auto insurance policy, insurance companies want information about certain factors that might affect how likely you are to have a loss that insurance covers. Some of these factors are beyond your control, such as age and gender. You have control over other factors an insurance company considers, including where your car is, how you use it, the make and model of your car, and your credit-based insurance score.

An underwriter uses information from your application as well as from other sources.

Insurance companies depend on the information in your policy application. The questions you're asked when you apply for insurance help the company know how likely you are to have a loss that insurance covers.

Insurance companies also get information from other sources. For example, some auto insurers get information about your credit history from credit bureaus. They also get information about your driving record from third parties, such as the Division of Motor Vehicles, and your history of filing auto insurance claims from insurance claims databases.

How Do Insurers Rate Risk?

After underwriting, the next step is to rate your risk. The company sets a rate for each group of applicants who are similar risks.

A rating factor is a specific characteristic of a potential policyholder that an insurer uses to price auto insurance premiums. All else being equal, the less risky your rating factors are, the less you'll pay for insurance.

For more information about the rating factors many companies use, see *Factors Used to Rate Auto Insurance.*

How Do Insurers Determine Auto Insurance Premiums?

Insurance companies use information about you, your vehicle, and your insurance coverage to decide whether to insure you and how much you'll pay for auto insurance. They'll get this information from you or from organizations. All this information is used to rate you as an insurance risk and affects how much you'll pay for insurance.

Some factors relate to the driver(s) and some to the type of vehicle you want to insure. Others are based on the amount and types of coverage you buy. There are discounts that could reduce the premium.

Insurance companies use various methods to rate your risk. Different insurance companies often charge you different amounts for the same or similar coverage.

Also, some states limit the factors an insurance company can use. States also have different requirements about how much insurance you buy, which affects your cost.

General Information

Age, years of driving experience, gender, and marital status are factors insurance companies may use to determine how much you'll pay. The insurance company gets information about your driving record and accident history from a third party (such as the Division of Motor Vehicles). In some states, insurance companies can't consider certain factors, such as your gender or age.

If other drivers live with you, your insurance company will also look at their information to decide how much you'll pay.

How You Use the Vehicle

Your insurance premium may vary based on whether you use your vehicle only for pleasure or drive it back and forth to work. Driving for pleasure means that you drive only occasionally. If you drive only for pleasure, you might pay less.

Most personal auto insurance policies won't pay for accidents if you use your car for business activities your policy doesn't cover, such as transporting people or delivering goods.

Gender and Age

Some research shows that males have more accidents than females and younger drivers have more accidents than older and more experienced drivers. That's why young men are often charged more for insurance than young women. Inexperienced drivers may pay more regardless of age. Some states don't let insurance companies use gender as a factor when they rate insurance.

Insurance companies look at accident statistics for all age groups. What you pay for insurance may change as you get older.

Some states require insurance companies to give a discount to any primary driver who is older than 55 if they complete an approved accident prevention or defensive driving course the Division of Motor Vehicles approves.

Location

It's important to tell your insurance company where you keep (or "garage") your vehicle. You may pay more or less based on where you live or keep your car. The insurance company may look at the weather and number of accidents and thefts in the area you live in.

Other Risk Factors

Some insurance companies consider your job and education to decide how much to charge you. That's why an insurance company may ask what you do for a living and how much school you've completed.

In some states, married drivers might pay less for auto insurance. And homeowners might pay less than renters.

Coverage History

When you apply for insurance, you may be asked about your previous insurance coverage. Most insurance companies charge you more if you've gone without insurance before.

You might need to give the name of your previous insurance companies and the dates you were insured. Insurance companies want to know if a company ever cancelled your insurance policy because you didn't pay. Your new insurance company also may ask about your traffic violations and claims history.

Some states limit insurance companies' use of prior insurance coverage as a factor when rating a policy.

Driving Habits and History

Insurance companies look at your driving record and habits and those of anyone else on your policy or living with you. Your new insurance company might ask if you've had traffic tickets or been in an accident. Typically, your driving record for the past three to five years impacts what you pay. Drivers with a bad driving record have a greater chance of being in an accident and might pay more for their insurance.

Drive safely**.** Nothing affects your auto insurance premium more than how you drive. Insurance companies consider drivers who have caused car accidents to be a higher risk and might charge them more for insurance.

Although the company will get your driving record from a third party when you apply for a policy, it's important to be honest and truthful when you give the insurer information. Being honest will mean it's more likely that your quote will match what you'll actually pay for your insurance.

If your driving record has improved over the last few years, shop around to see if you can pay less with another insurance company.

Vehicle Owners and Operators in Your Household

Some states may let you exclude a driver from your insurance policy. Others will not. An excluded driver is one that you ask your insurance company not to cover, usually because having them on your policy will increase what you'll pay. Talk with your agent or insurance company to find out if this is an option for you. Be aware that you have no insurance coverage for damage caused by an excluded driver driving your vehicle.

Telematics

Telematics is in-car tracking technology that insurance companies use to monitor your car and your driving behaviors. Many insurance companies use telematics to learn how fast you drive, your braking behaviors, and the distance you drive. Telematics can work through a mobile app or a Bluetooth device that communicates with your car. The insurance company may use your driving behaviors and habits to determine how much to charge you. Telematics can also work directly with your car to record how it performs and how it's maintained.

Usage-Based Premiums

Some insurance companies may use information about how you drive or how much you drive to decide how much you'll pay. Pay As You Drive and Pay-per-Mile policies are two examples of using telematics to determine premium.

Pay As You Drive. Pay As You Drive uses information from telematics about your driving habits to determine what you'll pay. Telematics can track braking and speeding, how often you drive, the time of day or night you drive, where you drive, and whether you use a cell phone while driving. You may be able to log on to the insurance company's website to see how your driving habits affect how much you pay.

Pay-per-Mile. Insurance companies base what you pay for insurance on an estimate of how much you drive. Some insurance companies charge a base rate and then add a "per-mile" fee to determine your premium. Insurance companies use a device installed in your car to track the number of miles you drive. If you work from home, use mass transit, or don't drive often this type of policy could save you money. Some companies let you have this type of policy without a tracking device but require you to send a photo of your odometer reading each month.

Credit-Based Insurance Score

Insurance companies may use information about your credit history when they rate your policy. They use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurance companies combine credit information with traditional insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even ban the use of credit-based insurance scoring. Each insurance company uses its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries

may mean a lower credit-based insurance score. You can find information about how to get your credit report at https://www.usa.gov/credit-reports.

It's important to talk to your agent or insurance company if you've had extraordinary life circumstances, such as divorce, death of a family member, job loss, military deployment, or serious illness, that might affect your credit.

If you have a "freeze" on your credit to help prevent identity theft, an insurance company won't be able to see your credit report and you may pay more for your insurance. You can temporarily "unfreeze" your credit when you apply for insurance.

Vehicle Specific Factors

The type of vehicle you drive affects the cost of your auto insurance. You'll pay more for cars that cost more to repair or replace or that are often stolen. For example, you'll pay more to insure higher-value cars and newer cars. Some examples are large SUVs or trucks, high-performance sports cars, and vehicles with special features such as all-wheel drive transmissions and hybrid engines.

Auto Insurance Discounts

You may pay less for car insurance if you qualify for a discount. To make sure you get the discounts you qualify for, be sure to ask your agent what discounts the insurance company offers and how much you could save. When you compare the cost of insurance between different companies, compare the total cost after any discounts.

Here are some important things to consider:

- Discounts vary depending on the insurance company and the state where you live;
- Ask about discounts at every policy renewal; and
- If you get quotes from different insurance companies, be sure to ask each about discounts.

General Discounts

Most insurance companies offer various types of discounts. Insurance companies might offer discounts if you use automated payments, pay your annual premium in one payment, or sign up for electronic billing.

Ask your agent or insurance company about discounts you can get.

Continuous Coverage

Insurers may offer discounts if you keep a car continually insured and haven't had a gap in coverage.

Group Memberships

Some insurance companies may offer a discount if you're a member of an organization, such as an alumni or professional association, a union, or other organization.

Loyalty

Some insurance companies may offer discounts for:

- Renewing your policy for a certain number of years;
- Children who use the same company their parents use even after they move out.

Multiple Vehicles

Most insurance companies offer a discount if you insure more than one car with them.

Multiple Policies

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This often is called bundling or home/auto packages.

Driver-Specific Discounts

Insurance companies may look at information about each driver on the policy when they choose which discounts to give you.

Claim Free

If you haven't filed any claims, insurance companies may offer a discount.

Defensive Driver/Driver's Education

Many insurance companies offer discounts if you've completed a defensive driving or driver's education course. Discounts for driver education courses are targeted primarily at younger and older drivers.

Good Student

Some insurance companies offer discounts to students who get good grades.

Mileage

Driving fewer miles reduces the chance you'll be in an accident. Many insurance companies know this and offer discounts if you don't drive much. Some companies offer discounts to drivers who use carpools.

Military

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). This discount isn't available in all states. Ask your insurance company if this discount is available to you.

They might also have a discount if you keep your car on base while you're deployed.

Non-smoker/Non-drinker

Because smoking and drinking can increase the chances that you'll be in an accident, some insurance companies offer non-smoker and non-drinker discounts.

Seat Belt Use

Using your seat belt may get you a discount.

Vehicle Discounts

Safety Devices.

Auto safety devices can reduce how much you'll pay because they help prevent accidents, vehicle damage, and injuries. This equipment includes:

- Adaptive Cruise Control
- Adaptive Headlights
- Air Bags
- Anti-Lock Brakes
- Automatic Braking
- Automatic Seat Belts
- Blind Spot Warning
- Daytime Running Lights
- Electronic Stability Control
- Forward Collision Warning
- Lane Departure Warning
- Passive Restraint

Anti-Theft Discount

You'll also pay less if you have certain devices that reduce theft or vandalism. Some examples include:

- Active Disabling Device
- Audible Alarm
- Vehicle Recovery
- Vehicle Identification Number Etching

There are a lot of things to consider if you're trying to lower your auto insurance premiums. You'll find some great questions to ask your agent in A Shopping Tool for Auto Insurance.

HOMEOWNERS SECTION

How Do Insurers Determine Your Homeowners Insurance Premium?

Insurance companies use information about you, your home, and your insurance coverage to decide whether to insure your home and how much you'll pay for homeowners insurance. They'll get this information from you and from organizations. All this information is linked to "factors" that affect how much you'll pay for insurance, or how the insurance company "rates" your insurance risk. Many of these factors are described below. Different insurance companies determine their risk of insuring you in different ways and charge different amounts for the same or similar coverage.

There may be discounts that reduce your premium.

Factors Relating to You

Claims History and Loss History Reports

If you've filed homeowners insurance claims, or if a previous homeowner has filed claims for your home, you may pay more for insurance. Your history of filing claims will affect how much you pay for homeowners insurance, even if claim payments were low. Insurance companies use third-party data, including the Comprehensive Loss and Underwriting Exchange (CLUE) database to see, the number and types of claims you've filed in the last five to seven years. Different insurance companies treat claims information differently, so it's always a good idea to shop around.

Credit-Based Insurance Score

Insurance companies may use information about your credit history when they rate your policy. They use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurance companies combine credit information with traditional insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even ban the use of credit-based insurance scoring. Each insurance company uses its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries may mean a lower credit-based insurance score. You can find information about how to get your credit report at https://www.usa.gov/credit-reports.

It's important to talk to your agent or insurance company if you've had extraordinary life circumstances, such as divorce, death of a family member, job loss, military deployment, or serious illness, that might affect your credit.

If you have a “freeze” on your credit to help prevent identity theft, an insurance company won't be able to see your credit report and you may pay more for your insurance. You can temporarily “unfreeze” your credit when you apply for insurance.

Pets

Some insurance companies consider some pets or breeds of pets aggressive. An aggressive pet increases the risk you may be legally responsible if someone makes a claim against you for a pet-related injury. Some insurance companies have their own list of pet breeds they won’t cover, or that could increase your premium. Check with your agent or company if you own a pet.

Smoking

Smoking increases the risk of a fire in your home. Insurance companies usually charge more if someone in your home smokes.

Factors Relating to Your Policy

Coverage History

Insurance companies look at your insurance history to see if you’ve had continuous coverage on your home. If you canceled a policy before you bought a new one (called a lapse) you may pay a higher premium on a new policy. You also could have had a lapse in coverage if:

- you didn’t pay your bill on or before the due date or within the grace period; or
- you let your current policy end before you bought a new policy.

If you don’t pay your bill on time, your insurance company could:

- cancel your policy and not cover a loss to your home; or
- refuse to continue your policy, which may leave you without homeowners insurance.

If you let your insurance coverage lapse and you have a mortgage, your lender may buy a policy and charge you for it. Your premium for a lender-placed policy will probably be higher and might not provide as much coverage for you.

The Homeowners Insurance Coverage You Choose

Your insurance agent or company will help you decide what types and amounts of coverage you need. Your policy will specify the coverage for your home and personal belongings. It also may include *liability* coverage, which can pay if someone gets hurt on your property.

Your agent might suggest that you buy enough coverage to rebuild your house and replace your personal belongings. That’s called replacement cost coverage. Another type of coverage is based on actual cash value.

- *Actual cash value* coverage pays the fair market value of property at the time of the loss. This value usually is the cost to repair or replace the property, less *depreciation*. (Depreciation is a deduction for the age of the property and wear and tear.) Actual cash value coverage pays you for your loss, but often doesn’t pay enough to fully replace or repair the damage to your property.

Some policies provide only actual cash value coverage for roofs over a certain age or that are in poor condition. Be sure to find out what your policy covers.

- *Replacement cost* coverage pays the cost to repair or replace your damaged or destroyed property *without* a deduction for depreciation. Most policies cover your house for replacement cost. If you don't have replacement cost coverage, your insurance company might only pay actual cash value. The cost of building supplies might be higher now than when you bought your policy. Review your policy with your agent at renewal to be sure you have the best coverage you can afford.

Replacement cost and *market value* aren't the same. The market value of a home includes the price of your land and depends on the real estate market. For more information about these and other coverages, see the NAIC's Homeowners Shopping Tool.

The Deductible You Choose

A deductible is the money you pay out of pocket on a claim before the policy pays. The deductible applies to coverage for your home and personal property. You pay a deductible for each claim. Higher deductibles mean lower policy premiums. The premium for a policy with a $1,000 deductible will be lower than the premium for the same policy with a $500 deductible. In some areas, there are also catastrophe deductibles, which are either a dollar amount or a percentage of the value of the property.

A higher deductible can be a good way to save money on your premium. But be sure you can afford the deductible if you have a loss.

The Risks Your Policy Covers

Peril is an insurance term for a specific risk or reason for a loss. An all-perils policy insures your property against all perils, except those the policy names as not covered. Flood and earthquake are often not covered.

A *named perils* policy covers your home and personal property only against a specific list of reasons for a loss. Your policy will list the types of losses that it covers. Common examples of covered losses include fire, theft, and vandalism. Named perils policies cover less than all perils policies and are less expensive.

Talk with your insurance company's representative or agent if you want coverage for floods or earthquakes. A homeowners policy doesn't cover either, so you'll need to buy extra coverage.

Coverage You Add

To cover the full value of your possessions, you may need to add coverage to your homeowners policy. These additions may be called endorsements or riders and will increase your premium.

You may want to add coverage for:

- Antiques
- Computer Equipment
- Fine Art
- Firearms
- Jewelry

Your Home's characteristics

Your Home's Age and Condition

If you have an older home, your policy might be more expensive. Older homes might have outdated electrical and plumbing systems which might increase the risk of a loss. Older "historic" homes may require building materials that are hard to find. If you have an older home, you may need a special policy and probably will pay a higher premium.

Improvements to your home, such as replacing your roof; upgrading electrical, heating, or plumbing; or installing a security system, may lower your premium. You should tell your insurance agent or company about any upgrades you make to your home.

The Size of Your Home

The size of your home affects what you pay for insurance. Larger homes normally cost more to insure because they cost more to rebuild or repair. Your agent or company might ask about your basement and what percent is finished.

Your Home's Construction and Exterior Features

The material your home is made of affects how your home holds up against a natural disaster and perils like wind and fire. Homes made with concrete or solid brick exteriors are less likely to catch fire and are more stable during a storm.

Your home's roof is its main protection against hail, wind, fire, and other perils. The age, condition, material, and shape of your roof are all factors that determine your premium. Homes with newer roofs made of materials that are stable and fire-resistant usually cost less to insure.

Installing fire-resistant siding made of metal, fiber-cement shingles and clapboards, or masonry can help you pay less for your homeowners insurance, especially in fire-prone areas.

Custom Features of the Home

If you have a wood-burning or pellet stove, you may pay more for insurance. If a licensed contractor installed your stove and it meets code requirements, your premium may be lower.

If your home is made from custom, designer, or luxury grade materials, such as high-end marble, luxury grade cabinets, and expensive lighting, or requires professional craftmanship to rebuild, you may pay more for your insurance.

Where You Live

Your home's location affects what you pay for homeowners insurance. If your area gets a lot of hurricanes, tornadoes, or wildfires, your insurance will cost more.

Insurance companies consider how far you live from a fire station when they calculate your premium. Living in a city or suburban area, by a body of water, or in an area with a lot of crime will increase your premium.

Attractive Nuisances (For Example, A Swimming Pool) on Your Property

An *attractive nuisance* is a dangerous condition that may attract children to a homeowner's property. Examples are swimming pools, trampolines, and playground equipment. If you have an attractive nuisance you might want to increase your homeowners policy's liability insurance. You may be liable if someone is hurt using an attractive nuisance on your property (even if they don't have your permission and aren't using the item safely).

Your insurance company may require you to install an enclosure or fence around an attractive nuisance. Your policy might not cover items like diving boards or slides. Having an attractive nuisance on your property likely will increase your premium.

Homeowners Insurance Discounts

Most insurance companies offer various types of discounts. You will pay less for homeowners insurance if you qualify for a discount. Ask your agent or the insurance company what discounts the company offers and how much you could save. When you compare the costs of different insurance policies, compare the total cost after discounts.

Here are some important things to know:

- Discounts vary depending on the insurance company and the state where you live. Some insurance companies may not offer discounts.
- Ask about discounts every year when you renew your policy.
- If you get quotes from different insurance companies, be sure to ask each about discounts you might qualify for.

General Discounts

Most insurance companies offer various types of discounts. The discounts may be tied to how you pay for your policy, your personal characteristics, and/or your home.

Advance Purchase

You might get an Advance Purchase Discount if you buy a policy before the renewal date. Insurance companies might give discounts if you give them seven to 10 days' notice before you switch to their company.

Purchasing and Payment

Some insurance companies offer discounts if you pay for the full year of insurance in one payment, sign up for electronic billing, or are a new customer.

Multiple Policies

Insurance companies might offer a discount if you have your auto and homeowners policies with the same insurance company. This is known as bundling.

Discounts Specific to You and Your Policy

Discounts vary by insurance company. Some are not available in all states.

Claim Free

Insurance companies might offer a discount if you haven't filed any claims or haven't filed a claim for a certain number of years. Ask your insurance company if they offer this discount.

Prior Insurance

The prior insurance discount is for new policyholders. It's based on the number of years in a row that you had a policy with your previous insurance company.

Being Married or Widowed

Your insurance company may offer a discount if you're married or widowed. Ask your agent or insurance company about this discount.

Retirement Discount

Some insurance companies offer a discount to retired people. They tend to spend more time at home and will know about fires, water leaks, or burglaries at their homes.

Non-smoker Discount

Smoking at home may increase your fire risk, so some insurance companies offer a non-smoker discount.

Group Memberships

Military

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). Ask your agent or insurance company if they offer this discount.

Associations

Some insurance companies offer a discount if you're a member of an organization, such as an alumni or professional association or a union.

Occupation

Some insurance companies offer a discount to people with certain jobs, such as first responders, teachers, and nurses.

Loyalty (5-10 years or more)

Some insurance companies offer discounts if you:

- Renew your policy for a certain number of years
- No longer live with your parents, but buy a policy from the same insurance company

Replacement Cost

If you insure your home for 100% of the cost to replace it, you might be eligible for a discount.

Discounts Relating to Your Home

Age of Home

If your home is less than 10 years old, insurance companies may offer you a discount.

Construction Type

If your home is built from brick, stucco, metal, or concrete, you might be eligible for a discount.

New or Renovated Home Discount

If you bought a new or renovated home with upgraded electrical or plumbing, you may be eligible for a discount.

Roof Age Discount

Some insurance companies give a discount based on the age of your roof. If your home has a newer roof, or an impact-resistant roof, you might get a discount.

Accredited Builder Discount

If your home's builder is on the insurance company's "accredited builder" list, you might be eligible for a discount. This discount will probably only last for five years after your home is built.

Homeowners Association (HOA)

Some insurance companies offer a discount if you live in a neighborhood with an HOA.

Living in a Gated Community

Living in a gated community (with or without security patrols) offers an extra level of security and might make you eligible for a discount.

Fire and Safety Protection

Your insurance company may offer a discount if your home has qualifying fire or theft protection. Some of these include:

- Smoke Detectors
- Sprinkler System
- Fire Alarm
- Security Alarm
- Backup Generator
- Smart Technology to Alert You to Fires, Water Leaks, or Burglaries
- Deadbolt Locks

Water Leak Detection

You might get a discount if you have a water leak detector or prevention system. Discounts depend on how advanced the detection system is, so ask your agent or insurance company.

Mitigation Discounts

If you live in an area that has severe weather, your insurance company might give you a discount if you have storm shutters, reinforced doors, shatterproof glass, or other protections.

If you live in an area that is at risk for wildfires, you may get a discount if you take steps to mitigate damage. This includes using concrete or other fire-resistant materials for your home's structure and creating an area around your home that reduces fire risks.

Completed	N/A	EXAMPLE RATE/RULE FILING CHECKLIST	
☐	☐	1.	Please complete all check boxes on this form or your filing may be returned "Rejected," and a resubmission may be necessary.
☐	☐	2.	All rate information must be completed on the rate/rule tab without capping.
☐	☐	3.	All proposed rate/rule manual pages must be submitted under the rate/rule schedule tab for approval.
☐	☐	4.	Complete rate/rule manual with all proposed changes must be submitted under supporting documents tab as this will be marked informational only. A complete manual should consist of all corresponding rules for your optional forms, all rules corresponding to your rating factors, all rating factors, territory definitions and factors, and all proposed changes to rules and rates.
☐	☐	5.	Provide a histogram on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	6.	Provide the characteristics of the insured(s) receiving the maximum rate increase. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	7.	Provide the average dollar change, the maximum dollar change, and minimum dollar change on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	8.	Please provide our department with a talking points sheet that will assist our consumer assistance division should we receive consumer complaints regarding the rate increase. This submission should provide detailed information that we can share with policyholders that will explain what it is causing this rate increase.
☐	☐	9.	Please provide us with the breakdown of the permissible loss ratio by coverage including: a. Taxes, licenses, and fees b. Total production expense c. Underwriting profit d. Any other fees that comprise the permissible loss ratio e. Permissible loss ratio
☐	☐	10.	Provide all support and justification exhibits for rate change including how you derived your overall indication, all support for proposed factor changes, etc.
☐	☐	11.	This checklist item is only required for Personal Auto rate filings: Provide the percentage breakdown of the rate impact. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	12.	Rates developed using generalized linear modeling or other predictive modeling techniques must include a detailed narrative of the modeling process. This should include a description of the modeling data, variable selection process, data dictionary, model testing & validation, and any judgements made throughout the process.
☐	☐	13.	If a GLM (Generalized Linear Model) is currently in use, the company must include the SERFF tracking number of the original GLM filing.

Draft: 11/21/22
Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022
Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022

2023 Proposed Charges

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

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

Ongoing Support of NAIC Programs, Products or Services

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

performing in their states, and identify potential new coverage gaps, including changes in deductibles and coverage types, and affordability and availability issues.

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

2. The **Cannabis Insurance (C) Working Group** will:
   A. Assess and periodically report on the status of federal legislation 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. Explore potential sources of constraint to coverage limits and availability of cannabis insurance products within the admitted and non-admitted market. Explore the use of cannabis on P/C insurance lines of business. Use information gained to develop an appendix to the *Understanding the Market for Cannabis Insurance 2.0* white paper.

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

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. Discuss disclosures for premium increases related to P/C insurance products. .
   D. Update and develop web page and mobile content for *A Shopping Tool for Homeowners Insurance* and *A Shopping Tool for Automobile Insurance*.
   E. Study and evaluate ways to engage department of insurance (DOI) communication with more diverse populations, such as rural communities.

NAIC Support Staff: Aaron Brandenburg

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Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022
Adopted by the Casualty Actuarial and Statistical (C) Task Force, Oct. 18, 2022

2023 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: 1) maintaining the financial health of P/C insurers; 2) ensuring that P/C insurance rates are not excessive, inadequate, or unfairly discriminatory; and 3) ensuring 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 regarding casualty actuarial issues, including the development of financial services regulations and statistical reporting, including disaster.
      i. Property and Casualty Insurance (C) Committee – Ratemaking, reserving, or data issues.
      ii. Blanks (E) Working Group – P/C annual financial statement, including Schedule P; P/C quarterly financial statement; P/C quarterly and annual financial statement instructions, including the Statement of Actuarial Opinion (SAO) and Actuarial Opinion Summary Supplement.
      iii. Capital Adequacy (E) Task Force – P/C risk-based capital (RBC) report.
      iv. Group Solvency Issues (E) Working Group and Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup – ORSA.
      v. 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*.
      vi. Speed to Market (D) Working Group – P/C actuarial sections of the *Product Filing Review Handbook*.
   B. Monitor national casualty actuarial developments and consider regulatory implications.
      i. Casualty Actuarial Society (CAS) – Statements of Principles and *Syllabus of Basic Education*.
      ii. American Academy of Actuaries (Academy) – Standards of Practices, Council on Professionalism, and Casualty Practice Council.
      iii. Society of Actuaries (SOA) – General insurance track's basic education.
      iv. 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:
      i. Facilitate training and the sharing of expertise through predictive analytics webinars (Book Club).
      ii. 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.

iii. With the NAIC Rate Model Team's assistance, discuss guidance for the regulatory review of models 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:
      i. *Financial Analysis Handbook.*
      ii. *Financial Condition Examiners Handbook.*
      iii. *Annual Statement Instructions—Property/Casualty*.
      iv. Regulatory guidance to appointed actuaries and companies.
      v. 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.
      i. *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/ Cooperative Unit Owner's Insurance* (Homeowners Report).
      ii. *Auto Insurance Database Report* (Auto Report).
      iii. *Competition Database Report* (Competition Report).
      iv. *Report on Profitability by Line by State* (Profitability Report).
   C. Enhance the expedited reporting and publication of average auto and average homeowners premium portions of the annual Auto Report and Homeowners Report.

NAIC Support Staff: Kris DeFrain/Libby Crews

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Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022
Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022
Adopted by the Surplus Lines (C) Task Force, Oct. 17, 2022

2023 Proposed Charges

SURPLUS LINES (C) TASK FORCE

The mission of the Surplus Lines (C) Task Force is to monitor the surplus lines market and regulation, including the activity and financial condition of U.S. and alien surplus lines insurers by providing a forum for discussion of issues and to 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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Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022
Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022
Adopted by the Title Insurance (C) Task Force, Oct. 24, 2022

2023 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 services, and settlement services about the role of title insurance in the real estate transaction process.
   D. Update the 2019 *Survey of State Insurance Laws Regarding Title Data and Title Matters*.
   E. Review Section 15C of the *Title Insurers Model Act* (#628) to determine if a request should be made to remove the requirement for on-site review of underwriting and claims practices.
   F. Obtain information on consumer complaints submitted to states regarding title insurance to determine if updates are needed to insurance regulatory best practices or standards.

NAIC Support Staff: Anne Obersteadt/Aaron Brandenburg

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Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022
Adopted by the Workers' Compensation (C) Task Force, Oct. 7, 2022

2023 Proposed Charges

WORKERS' COMPENSATION (C) TASK FORCE

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

Ongoing Support of NAIC Programs, Products or Services

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

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

NAIC Support Staff: Sara Robben/Aaron Brandenburg

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/C%20CMTE/2022_Fall/2023%20C%20CmteDraftChargesv1.docx