

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Property and Casualty Insurance (C) Committee Aug. 16, 2021, Minutes

NAIC/FEMA (C) Advisory Group Aug. 3, 2021, Minutes (Attachment One)

Cannabis Insurance (C) Working Group July 27 and July 19, 2021, Minutes (Attachment Two)

Catastrophe Insurance (C) Working Group July 22, 2021, Minutes (Attachment Three)

Catastrophe Insurance (C) Working Group June 21, 2021, Minutes (Attachment Three-A)

Pet Insurance (C) Working Group, Aug. 13, E-Vote (Attachment Four)

Pet Insurance (C) Working Group Aug. 4, 2021, Minutes (Attachment Four-A)

Pet Insurance (C) Working Group July 29, 2021, Minutes (Attachment Four-A1)

Pet Insurance (C) Working Group July 22, 2021, Minutes (Attachment Four-A1a)

Pet Insurance (C) Working Group July 8, 2021, Minutes (Attachment Four-A1a1)

Pet Insurance (C) Working Group June 24, 2021, Minutes (Attachment Four-A1a1a)

Pet Insurance (C) Working Group June 10, 2021, Minutes (Attachment Four-A1a1a1)

Pet Insurance (C) Working Group May 19, 2021, Minutes (Attachment Four-A1a1a1a)

Pet Insurance (C) Working Group April 29, 2021, Minutes (Attachment Four-A1a1a1a1)

Transparency and Readability of Consumer Information (C) Working Group July 20, 2021, Minutes (Attachment Five)

Transparency and Readability of Consumer Information (C) Working Group May 13, 2021, Minutes (Attachment Five-A)

Disclosure Notice (Attachment Five-B)

Title Insurance Consumer Shopping Tool Revisions (Attachment Six)

W:\National Meetings\2021\Summer\Cmte\C\Contents.docx

Draft Pending Adoption

Draft: 8/25/21

Property and Casualty Insurance (C) Committee
Columbus, Ohio
August 16, 2021

The Property and Casualty Insurance (C) Committee met in Columbus, OH, Aug. 16, 2021. The following Committee members participated: Vicki Schmidt, Chair (KS); Mike Chaney, Vice Chair (MS); Jim L. Ridling (AL); Ricardo Lara represented by Ken Allen (CA); Andrew N. Mais (CT); Colin M. Hayashida represented by Martha Im (HI); Amy L. Beard (IN); James J. Donelon (LA); Kathleen A. Birrane (MD); Grace Arnold represented by Phil Vigliaturo (MN); Larry D. Deiter (SD); Tregenza A. Roach (VI); Michael S. Pieciak (VT); Mike Kreidler represented by Molly Nollette (WA); and James A. Dodrill (WV). Also participating were: Lori K. Wing-Heier (AK); Michelle Brugh Rafeld (OH); and Don Beatty (VA).

1. Adopted its Spring National Meeting Minutes

Director Deiter made a motion, seconded by Commissioner Chaney, to adopt the Committee's April 13 minutes (*see NAIC Proceedings – Spring 2021, Property and Casualty Insurance (C) Committee*). The motion passed unanimously.

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

a. Casualty Actuarial and Statistical (C) Task Force

Mr. Vigliaturo reported that the Casualty Actuarial and Statistical (C) Task Force has been assisting the Blanks (E) Working Group in evaluating two proposals for expansion of information to be included on the Property and Casualty Annual and Quarterly Statements: 1) proposal 2021-11BWG, which adds data reporting on policy writings for private passenger and homeowners insurance; and 2) proposal 2021-13BWG, which expands reporting for general liability insurance to include subline detail. The Task Force responded to the initial requests from the Working Group by offering future assistance on the first proposal and supporting the second proposal. After the Working Group met at the end of July, it sent the Task Force a modified personal lines proposal and asked for feedback while simultaneously asking financial groups whether the proposed data assists financial solvency regulation in line with the purpose of the annual statement. Mr. Vigliaturo said the Statistical Data (C) Working Group will be exploring the possibility of getting the data from statistical agents earlier each year.

Mr. Vigliaturo said the Task Force is also in the process of responding to a second exposure draft for U.S. qualification standards from the American Academy of Actuaries (Academy). He also reported that the predictive model training called the “Book Club” and the monthly regulator-only discussion about rate filing issues continue, and both offer valuable information for actuaries and non-actuaries. He said both are valuable projects for the NAIC when it comes to educating state insurance regulators on predictive models and sharing expertise on rate issues.

b. Surplus Lines (C) Task Force

Commissioner Donelon said the Surplus Lines (C) Task Force met Aug. 16 and adopted the 2022 proposed charges of the Task Force and the Surplus Lines (C) Working Group. He said the Surplus Lines (C) Working Group met in June in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to discuss two applications seeking admission to the July 1 *Quarterly Listing of Alien Insurers*. Commissioner Donelon also reported that the Task Force has formed a drafting group to amend the *Nonadmitted Insurance Model Act* (#870).

c. Title Insurance (C) Task Force

Ms. Rafeld said the Title Insurance (C) Task Force met May 11 and heard an update on revisions to the *Title Insurance Consumer Shopping Tool Template*. She said AM Best presented on current trends in the title insurance sector as detailed in its recent “Market Segment Outlook: U.S. Title Insurance.” In February, AM Best revised its U.S. title industry outlook from negative to stable due to exceptional performance in 2020. The title industry overall was the most profitable segment in the property/casualty (P/C) industry. The use of innovative technology and a surge in home refinances and purchases in the latter half of 2020 supported the industry. She also reported Birny Birnbaum (Center for Economic Justice—CEJ) presented on how state insurance regulators could use after-tax return on capital to determine what a reasonable profit is for a title insurer.

Ms. Rafeld said the Task Force also met July 13 and took the following action: 1) adopted revisions to the *Title Insurance Consumer Shopping Tool Template*; 2) heard a presentation from the Federal Bureau of Investigation (FBI) on business email

Draft Pending Adoption

compromise schemes and other cybercrimes; and 3) heard from state insurance regulators about title insurance fraud trends in their respective states. Trends included fraudulent settlement transactions, wire fraud complaints, cybercrime, and defalcations.

d. Workers' Compensation (C) Task Force

Director Wing-Heier said the Workers' Compensation (C) Task Force met July 21 and heard a presentation about the classification of telecommuters and the potential implications of an increase in telecommuting on workers' compensation. She said the National Council on Compensation Insurance (NCCI) reported that in May 2020, about 35% of the employed work force reported they had worked from home due to COVID-19. A McKinsey Global Institute study estimated that about 29% of the work done in the U.S. could be done remotely with no loss in productivity. The NCCI sees no indication that there will be any significantly large impacts to workers' compensation even if remote work does catch on as expected.

Director Wing-Heier noted the Task Force continues to monitor COVID-19 as claims information becomes available. To date, there has not been a significant impact on workers' compensation insurance. Workers' compensation rates continue to fall in 2021, and the market is still stable.

e. Cannabis Insurance (C) Working Group

Mr. Allen said the Cannabis Insurance (C) Working Group met April 27 and held a panel discussion on cannabis insurance-related legislation, including: 1) the Secure and Fair Enforcement (SAFE) Banking Act of 2021, which would create a safe harbor for banks providing services to cannabis-related businesses in legal states; and 2) the Clarifying Law Around Insurance of Marijuana (CLAIM) Act, which would create a safe harbor for insurers engaging in business with cannabis-related businesses.

Mr. Allen said the Working Group also met May 27 and discussed a draft memorandum to the Government Relations (EX) Leadership Council recommending that the Leadership Council consider supporting the SAFE Banking Act and CLAIM Act. These bills would help remove federal barriers for insurers to conduct business with any state legalized cannabis-related businesses, thereby helping to provide insurance coverage options for these commercial policyholders that will mitigate their business risks.

Mr. Allen said the Working Group held a two-day hearing on July 19 and July 27. The first day of the hearing provided a foundation of understanding and a look at insurance product availability in the cannabis-related insurance market. It included presentations on the impact of the geographical expansion of legalized cannabis states; the cannabis regulatory and licensing landscape; the unique insurance needs of the cannabis market; commercial cannabis product options; and admitted and nonadmitted coverage availability across the cannabis business sectors. The second day of the hearing focused on structural obstacles inhibiting insurers from offering coverage; insurance gaps and how insurance regulators can support growth of the admitted market, including presentations on balancing actual and perceived risks in the cannabis space; obstacles to insurers offering coverage in the cannabis-related business space; insurance coverage challenges for cannabis-related businesses; and emerging trends and how insurance regulators can support growth of the cannabis insurance market.

Mr. Allen said the Working Group plans to use the information gained over this two-day hearing to update its white paper, *Understanding the Market for Cannabis Insurance*, through the addition of an appendix. Drafting sessions on the white paper appendix will begin in August. The Working Group also plans to leverage the feedback gained from the hearing to discuss during its next meeting how state insurance regulators can better collaborate with each other and other regulatory agencies.

f. Catastrophe Insurance (C) Working Group

Commissioner Chaney said the Catastrophe Insurance (C) Working Group received a referral from the Climate and Resiliency (EX) Task Force asking it to update the *Catastrophe Computer Modeling Handbook* (Handbook) by: 1) determining how state insurance regulators are currently using the Handbook; 2) coordinating with the Catastrophe Risk (E) Subgroup to understand the materials it is developing regarding catastrophe models; 3) updating questions in Section VII of the Handbook to include wildfire; 4) considering the addition of questions specific to additional perils used in catastrophe models including flood; and 5) exploring which catastrophe modelers have begun including climate data in their models. He said the Working Group formed a drafting group to work on these referral items. Commissioner Chaney said the Working Group recently heard from Mississippi regarding the Mississippi Windstorm Underwriting Association (MWUA) FORTIFIED Roof upgrade program that was implemented in Mississippi and began discussions regarding the American Property Casualty Insurance Association's (APCIA's) Catastrophe Actions Toolkit.

Commissioner Chaney also noted that the newly formed NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group held its first meeting to discuss its charges related to prioritizing and recording interactions with the NAIC's

Draft Pending Adoption

FEMA colleagues (Attachment One). The group heard a summary of recent engagements with FEMA and will be putting materials on the NAIC's Catastrophe Resource Center.

g. Pet Insurance (C) Working Group

Mr. Beatty said the Pet Insurance (C) Working Group adopted the Pet Insurance Model Act during its Aug. 4 meeting, but subsequently state insurance regulators and NAIC legal staff found there were some unclear issues that remained in the model. Mr. Beatty said he believes a few of these are not substantive, but a couple should be discussed. He said he would recommend the Committee vote to keep the model open so that the Working Group could meet to receive input from all parties before adopting the model.

Director Deiter made a motion, seconded by Commissioner Birrane, to adopt an extension to the Fall National Meeting for revisions to the proposed Pet Insurance Model Act. The motion passed unanimously. Commissioner Schmidt said the Property and Casualty Insurance (C) Committee will likely meet in the near future so that it can consider the model and perhaps refer it to the full NAIC membership at the Fall National Meeting.

h. Terrorism Insurance Implementation (C) Working Group

Commissioner Schmidt said the Terrorism Insurance Implementation (C) Working Group has not met since the Spring National Meeting, but state insurance regulators decided to pause the State Supplement portion of the state regulator terrorism risk insurance data call for fall. The Working Group plans to meet soon to discuss workers' compensation and other data received in the data call earlier this year.

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

Ms. Hatchette said the Transparency and Readability of Consumer Information (C) Working Group has been working on several items for a best practices document on disclosures for premium increases. The Working Group formed three drafting groups to work on three different documents: 1) the Thresholds and Communications Standards Drafting Group; 2) the Rate Checklist Drafting Group; and 3) the Consumer Education Drafting Group.

Ms. Hatchette said the Thresholds and Communications Standards Drafting Group discussed and determined several requirements for disclosures to be sent to consumers regarding premium increases. At this time, this document will be a part of the best practices document and is not required, as states will have to make these requests of insurers if they want to use the disclosures. The Drafting Group determined the following items would be necessary for a disclosure: 1) a 10% threshold (any rate change $\geq 10\%$ on renewal) will trigger a notice; 2) the notice must be sent at least 30 days prior to renewal; 3) the notice must include the new premium vs. the old premium; 4) items affecting the premium increase should be listed by dollar amount; 5) the top reasons for premium increase should be listed; 6) these reasons should account for 80% of the premium increase; and 7) the top five reasons for the premium increase should be listed.

Ms. Hatchette said the Rate Checklist Drafting Group found that many states do not have a rate checklist in place. Kansas and Connecticut both have them in place and have found them to be extremely helpful. The use of a checklist is not required but will be included in the best practices document. This document is to be filled out by the insurer during the rate filing process. The Drafting Group is using the rate checklist developed by Kansas in addition to adding two questions about rate modeling, as there are times where insurers do not mention this, and asking the questions will bring awareness to the insurer.

Ms. Hatchette said the Consumer Education Drafting Group has formed three smaller drafting groups to draft specific topics, such as underwriting and rating, factors affecting premium increase, and discounts for auto insurance. The goals of the consumer education document are to: 1) provide consumers with a basic understanding of rate making so they can better understand a disclosure, especially if the consumer receives a premium increase; 2) inform consumers of things they can do to mitigate premium increases; 3) provide information that can be readily available in various forms for inquiries to departments of insurance (DOIs) from other entities such as legislators and media; and 4) reduce the number of consumer calls to the DOIs regarding understanding of why their rates increased. Once this work is complete and a document is in place, the NAIC Communications department has agreed to put together infographics, social media pieces, consumer alerts, etc. that will be available to the DOIs to use. The Working Group will also work with the NAIC Communications department to see what types of consumer testing would be available to determine the effectiveness of the disclosure document.

Commissioner Mais made a motion, seconded by Commissioner Donelon, 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 Two); Catastrophe Insurance (C) Working Group (Attachment Three); Pet Insurance (C) Working Group (Attachment Four); Terrorism Insurance

Draft Pending Adoption

Implementation (C) Working Group; and Transparency and Readability of Consumer Information (C) Working Group (Attachment Five). The motion passed unanimously.

3. Adopted Revisions to the *Title Insurance Consumer Shopping Tool Template*

Ms. Rafeld said the Title Insurance (C) Task Force formed a drafting group to include questions and answers about title insurance-related fraud topics within the *Title Insurance Consumer Shopping Tool Template*. The drafting group included information about wire fraud schemes and steps consumers can take to avoid fraud. The drafting group consulted with consumer groups to assist with the language. The drafting group also made changes to modernize the language. The Task Force adopted the revisions on July 13. Commissioner Dodrill pointed out the table of contents would need to be revised.

Commissioner Dodrill made a motion, seconded by Commissioner Chaney, to adopt the revisions to the *Title Insurance Consumer Shopping Tool Template* (Attachment Six). The motion passed unanimously.

4. Heard Presentations on How to Close the Insurance Protection Gap

John Huff (Association of Bermuda Insurers and Reinsurers—ABIR) said the Bermuda market responded in the 1990s to Florida hurricanes with a strong reinsurance market. The Bermuda market works to balance noncorrelated risks such as Kansas tornado risks with European flood risks. The Bermuda market provides more than 50% of the capacity for U.S. mortgage reinsurance, helping to facilitate home ownership for Americans. Bermuda reinsurers make up 36% of the global P/C reinsurance market. In the Texas 2021 winter storm, the Bermuda reinsurance market covered 20% of that loss, resulting in \$2.7 billion. Mr. Huff noted that capital capacity is what is needed to close the protection gap.

Mr. Huff said the Centre for Risk Studies at Cambridge Judge Business School recently released a report titled *Optimizing Disaster Recovery: The Role of Insurance Capital Improving Economic Resilience*. This report noted that the annual average loss from natural disasters worldwide jumped from \$27 billion in the 1970s to nearly \$200 billion in the 2010s. The report analyzed more than 100 natural catastrophe case studies from around the world and found that countries with higher insurance penetration were able to recover far more quickly than communities with lower insurance penetration. Mr. Huff noted that the report found for each percentage point increase in insurance penetration, a country's economic recovery time was reduced by almost 12 months.

Mr. Huff also said the recent California report *Protecting Communities, Preserving Nature and Building Resiliency: How First-of-its Kind Climate Insurance Will Help Combat the Costs of Wildfires, Extreme Heat, and Floods* provides guidance on how states can handle the protection gap.

Mr. Huff noted there are advantages of leveraging the international reinsurance capacity, including ensuring consumer coverage remains affordable and accessible, diversifying risk pools, exporting risks away from a jurisdiction, providing private market solutions, protecting communities and taxpayers, and helping to close the protection gap.

Mr. Huff said the ABIR is involved with the Insurance Development Forum (IDF), which is a public-private partnership with the World Bank and United Nations (UN). Ekhosuehi Iyahen (IDF) said the IDF's objective is to extend insurance and risk management capabilities to build resilience and protection for individuals and communities. She noted the IDF has five working groups focused on: 1) risk modeling; 2) improving the quality of risk information; 3) sovereign and humanitarian efforts; 4) inclusive insurance; and 5) investments. She said governments sit on the steering committee for the IDF.

Ms. Iyahen noted the size of the global insurance protection gaps is \$162 billion. The percentage of natural disaster losses in developing countries that were insured is around 1%. She said economic shocks are absorbed by individuals and governments, and funds are diverted away from health and education. Ms. Iyahen said developed countries also have a protection gap, and it is often those most in need of protection that are unprotected. She said communities often are not properly prepared for disasters. She noted that international organizations are taking this problem seriously in how to proactively address the protection gap. She said there is need for greater investment in risk awareness and understanding, risk reduction, and disaster response activities. She also noted there is a growing appreciation among international bodies of the role of finance and insurance.

Ms. Iyahen said innovative services and products to help governments understand natural hazard risks can be used to design systems to protect citizens and infrastructure. She noted there has been an increase in parametric products used by governments. She said regulators can support the broader conversation of how to build effective risk management and protection systems for the future by engaging with the insurance industry. She said regulators can help to drive the conversation by keeping pace of

Draft Pending Adoption

innovation and new products and fostering collaboration and coalitions with knowledge sharing. Ms. Iyahen also said the IDF has issued a number of reports that explore these critical issues.

Commissioner Schmidt asked about the open-source modeling workstream at the IDF. Ms. Iyahen said the modeling work is critical because it creates a foundation for the understanding of risk. She said there is a need for communities to have more information to support decision-making. She said the IDF works with governments and vulnerable communities in better understanding risk through modeling.

Commissioner Schmidt asked about the growing protection gap in the U.S. as it relates to flood and earthquake risks being optional endorsements to coverage. Mr. Huff said flood is the top peril in all states. He said there is a reputational risk for the insurance industry due to some risks being optional endorsements and consumers being uninsured due to a lack of education about those risks. He said regulators need to have honest dialogue with the insurance industry and perhaps consider an all-perils approach to insuring risk. Mr. Huff noted that earthquake is an issue throughout the U.S. as well and that the Missouri Department of Commerce and Insurance is planning an earthquake summit in St. Louis, MO, to be held in September. He said the industry must do better job of making sure these risks are covered. He stressed that protection gaps exist even in the U.S., which is the most developed insurance market in the world.

Lieutenant Governor Roach asked whether there has been conversation about the cost and availability of insurance products leading to the protection gap. Ms. Iyahen said for developing communities, only 1% to 3% of the population is insured. She said where insurance is not part of the conversation, the IDF is working with partnerships to discuss the cost coverage, new products like parametric products, and how risks can be measured. She said it is critical that jurisdictions share knowledge with each other.

5. Heard a Report on the Cybersecurity Insurance Market

Aaron Brandenburg (NAIC) provided an overview of the data received in the Cybersecurity and Identity Theft Insurance Coverage Supplement. He said the data does not include the alien surplus line data because that data comes into the NAIC's International Insurance Department in a separate filing. He noted that the alien surplus lines data would be included in a later report, likely to be released during a cyberinsurance session at the September Insurance Summit.

Mr. Brandenburg reported \$2.74 billion was reported in combined direct written premium in stand-alone and package policies for 2020, which is a 22% increase over 2019. This follows increases of 11% and 7% the two years before that. He also noted there were more than 4 million cyber policies in force in 2020, an increase of 21% over the prior year. About 35%–37% of claims have been closed with payment over the past three years.

Mr. Brandenburg reported the largest writers in 2020 were Chubb, AXA, and AIG. Loss ratios varied across companies. The top five insurers made up more than 50% of the market, and the top 20 insurers wrote 84% of total premium. He said 2020 saw particularly high losses compared to prior years, rising from 65% in aggregate from below 50% in prior years.

Mr. Brandenburg noted that there has been a great increase in ransomware attacks across the last year. He said insurers have taken action to address changes to the market, including in the most extreme cases some insurers pulling out of the cyber market. Insurers have responded to large ransomware events by adding coinsurance and sublimits on their cyber policies, especially for businesses that do not have the best cyber hygiene. Other insurers have refreshed policy language to address the scope of coverage, exclusions, and sub-limits, as well as to identify areas where there is greater exposure.

Mr. Brandenburg said an Aon report called on the NAIC to create separate statutory categories for cyberinsurance to better illustrate how the industry is handling cyber risk as both premiums and claims continue to grow. The report suggests adding a separate line of business including on Schedule P, splitting cyber liability third-party commercial, cyber damage for first-party commercial, and cyber for personal lines. He noted other reports such as: 1) the Verizon *Data Breach Investigations Report*, which provides information on data breaches and incident classification patterns by industry; 2) an AM Best report that provides an analysis of the data contained within the Annual Statement Supplement; 3) the *Betterley Report*, which includes insights from 20 insurers and covers exclusions found in policies and the increasing costs of cyberinsurance; 4) a Gallagher report that provides information about the hardening cyberinsurance market and market capacity; 5) a U.S. Government Accountability Office (GAO) report that summarizes take-up rates coverage limits; and 5) the *Coalition Cyber Insurance Claims Report*, which covers different types of incidents that make up cyberinsurance claims.

Draft Pending Adoption

Director Farmer asked if there is a risk to the cyberinsurance market, similar to what happened in the long-term care (LTC) market where insurers underpriced the risk. Mr. Brandenburg said NAIC financial staff have been working with regulators in looking at solvency issues.

6. Heard a Report on the Private Flood Insurance Market

Mr. Brandenburg said the Private Flood Insurance Supplement was new in 2021. Previously, through 2019, commercial and residential private flood data were combined on line 2.5 of the state page. State insurance regulators embarked on a data call in 2020 to collect 2018 and 2019 data and break commercial from residential. The data call also broke out stand-alone from endorsement and first dollar from excess. It included new data elements such as number of policies, claims opened, and claims closed. Mr. Brandenburg said the new Private Flood Insurance Supplement mirrors what was collected through the data call.

Mr. Brandenburg said there may be data errors within the Supplement as some states have identified insurers that should have but did not file the Supplement. He reported that the number of private commercial flood policies grew in 2020, but the number of residential policies fell. He said premiums rose greatly in commercial policies but fell slightly in residential. The total amount of direct written premium was \$700 million in 2020.

Mr. Brandenburg said the NAIC and state insurance regulators have been working closely with FEMA in recent years in building the flood insurance market—whether that is the National Flood Insurance Program (NFIP) or the private market—in order to make sure individuals are better protected from flood risks. He said the number of companies writing residential private flood insurance grew over the last few years, from 55 in 2018 to 58 in 2019 to 81 in 2020. Premium fell slightly in 2020; 82% of the premium was in stand-alone rather than endorsements. He noted that residential private flood losses rose from \$28 million in 2019 to \$50 million in 2020. The residential private flood average premium fell in stand-alone products but rose in endorsements. He noted that loss ratios were highest in Alabama, Massachusetts, Michigan, Tennessee, and Utah for residential private flood in 2020.

Mr. Brandenburg said 15 insurance groups wrote at least \$1 million in residential premium in 2020, with the top 15 insurers totaling \$160 million in premium, which was over 85% of the market. Stand-alone first dollar policies had the most premium, with stand-alone excess next. Mr. Brandenburg said the results would be put on the NAIC website once additional data is received from insurers.

Mr. Birnbaum asked whether lender-placed flood insurance had been analyzed by the NAIC yet, and Mr. Brandenburg responded that it had not.

7. Discussed the Special (EX) Committee on Race and Insurance

Commissioner Schmidt said the Special (EX) Committee on Race and Insurance has adopted new charges and that the (P/C) issues will remain with Workstream Three of the Special Committee. She noted that the Special Committee met Aug. 15, where several interesting presentations will be leveraged by Workstream Three as it begins to create a work plan.

8. Discussed Future Conference Call

Commissioner Schmidt noted that Robert Hunter (Consumer Federation of America—CFA) reached out recently with a request to speak to the Committee about auto insurer premium refunds related to reduced driving throughout the COVID-19 pandemic. Due to the late nature of the request and the Committee having a full agenda, Commissioner Schmidt said the Committee may wish to take up the issues during a future meeting. She noted that regulatory actuaries have had many discussions regarding rate filings with COVID-19 adjustments. Mr. Birnbaum reiterated the desire to have a discussion about auto insurance refunds, and he also noted that he spoke before the NAIC/Consumer Liaison Committee on the impact the COVID-19 pandemic had on credit scores and before the Special (EX) Committee on Race and Insurance about how to test for bias in insurance models.

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

Draft: 8/12/21

NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Virtual Meeting
August 3, 2021

The NAIC/FEMA (C) Advisory Group of the Property and Casualty Insurance (C) Committee met Aug. 3, 2021. The following Working Group members participated: James A. Dodrill, Chair (WV); Glen Mulready, Vice Chair (OK); Katie Hegland (AK); Brian Powell (AL); Lucy Jabourian and Deborah Halberstadt (CA); George Bradner (CT); Virginia Christy (FL); Travis Grassel (IA); Patti Dorn (MD); Jo LeDuc (MO); David Dahl (OR); Beth Vollucci (RI); MaryAnn Carney (VA); and Matt Stoutenburg (WA).

1. Welcome Members

Commissioner Dodrill welcomed members and thanked Commissioner Mike Chaney (MS), the chair of the Advisory Group's parent group, the Catastrophe Insurance (C) Working Group. He announced that Commissioner Mulready would be serving as vice chair of the Advisory Group. He also noted that 18 states had signed up to be members. He noted that in future meetings, representatives of FEMA would be asked to speak to state insurance regulators about how to better engage with them.

2. Reviewed its Charge

Commissioner Dodrill said the Advisory Group's charge reads:

The NAIC/FEMA Advisory Group will assist state 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.

Commissioner Dodrill noted the charge indicates the Advisory Group will need to create a process for oversight and prioritization and a reporting mechanism. He said before deciding on how to oversee and create priorities, the Advisory Group probably needs to understand recent activities that state insurance regulators and FEMA have been engaged in. Commissioner Dodrill said this may lead state insurance regulators to want to participate in similar or new activities. He said the Advisory Group will need to receive feedback from members in order to help oversee and prioritize those projects.

Commissioner Dodrill said the reporting mechanism will be key in order to keep track of not just historical activities, but also upcoming ones. He said the Catastrophe Insurance (C) Working Group has created a Catastrophe Resource Center web page, where it has housed catastrophe resources like bulletins, NAIC disaster capabilities, and some workshops that have already been held with FEMA. He said the Advisory Group should build off that and use it to keep track of historical and future activities.

Ms. Jabourian asked if the Advisory Group would discuss what entails oversight of state insurance regulator activities. Commissioner Dodrill said the Advisory Group would have that discussion early in the process but would receive reports on activities first.

Ken Klein (California Western School of Law) asked if the Advisory Group might consider working with FEMA to see if statewide loss and exposure data could be obtained so that state insurance regulators could determine how much property is insured and what a total loss would look like in a geographic area. Commissioner Dodrill said state insurance regulators have shared data with FEMA in the past and will continue to examine future data capabilities.

3. Heard an Overview of Recent Activities between State Insurance Regulators and FEMA

Aaron Brandenburg (NAIC) said he would provide an overview of activities state insurance regulators have recently held with FEMA, but he said in the future, the Advisory Group might want to hear directly from FEMA staff. He said NAIC staff have begun to put many of these FEMA-related resources on the NAIC's Catastrophe Resource Center web page.

Mr. Brandenburg noted that state insurance regulators have held meetings dealing with flood and other disasters with FEMA Region IV and Region VII last year and a combined meeting with FEMA Region VIII, Region IX and Region X in 2021. Recordings and materials for these sessions are included in the Catastrophe Resource Center. He said for Region IV, an

agreement has been signed between the states and FEMA to form a working group so that the parties can continue to engage, typically on a monthly basis through conference calls. That working group has met several times already this year to share consumer resources and data, to talk about practical and logistical issues arising during disasters, and to hear about technologies that can assist them while in the midst of a disaster. He noted that other regions might wish to set up similar working groups and that the Advisory Group might be one way to manage and provide assistance to those groups. The NAIC is also looking at how to create a regulator-only portal within the Catastrophe Resource Center to house that information.

Mr. Brandenburg said the pre-mitigation workstream of the Climate and Resiliency (EX) Task Force held a mitigation workshop in March 2021. The Center for Insurance Policy and Research (CIPR) worked with the Federal Alliance for Safe Homes (FLASH) and FEMA in putting on this workshop, which focused on building codes, mitigation, and resiliency funding. FEMA provided an overview of its building codes strategy. States heard about FEMA's Hazard Mitigation Assistance (HMA) grant program and Building Resilient Infrastructure and Communities (BRIC) program. The NAIC recently hosted a workshop for states and a contractor on assisting states in applying for BRIC grants.

Mr. Brandenburg said several Insurance Summit sessions were held in June that built off the mitigation workshop. FEMA personnel made several presentations that are relevant to state insurance regulators, including a presentation about the National Flood Insurance Program's (NFIP's) Community Rating Service (CRS). CRS is a voluntary program for NFIP communities. It is a rating program where the CRS rating results in a direct insurance premium discount. Mr. Brandenburg noted that an addendum to the CRS Coordinator M was updated in 2021 and included a new credit given to communities if they hold a flood insurance meeting such as a town hall and provide brochures or other information. There is an additional credit for participation if the state insurer commissioner's office is involved as a rep to talk or be available to answer insurance questions. He noted that most departments of insurance (DOIs) already hold such consumer events, so it may be an easy way for communities to receive additional credits. Mr. Brandenburg said FEMA also spoke at the Insurance Summit about the importance of partnerships related to mitigation efforts. CRS is evolving and creating new information and priorities through 2025. FEMA is gathering data over the next year and is seeking feedback from state insurance regulators. A presentation was held during the Insurance Summit on building codes, including results from the FEMA study on building codes showing total losses avoided and the annual amount of money saved annually based on hazard-resistant building codes. There was an Insurance Summit session on earthquake mitigation that covered: state grants for mitigation and preparedness; the Wasatch Front Unreinforced Masonry Risk Reduction Strategy; and a program in Salt Lake City, UT, known as "Fix the Bricks" that seeks to repair the worst buildings. Finally, Mr. Brandenburg said FEMA covered its National Risk Index, which shows expected annual losses, social vulnerability, and community resilience to create a risk index that represents the potential for negative impacts resulting from natural hazards.

Mr. Brandenburg said the state of Washington is planning a Cascadia Rising 2022 exercise with FEMA partners and has been planning the event with neighboring states, the NAIC, and FEMA. FEMA also released a report in July 2021 titled *Building Private-Public Partnerships*, which helps public and private sector emergency managers collaborate to increase resilience.

Mr. Brandenburg said the NAIC will put as many of these documents and engagements as it can on the Catastrophe Resource Page and will work with the Advisory Group on how to organize the materials.

Jeff Czajkowski (CIPR) also noted that the NAIC has an agreement with FEMA used for Region IV that could be used for other states. He said state insurance regulators have participated in training provided by FEMA on the NFIP's Risk Rating 2.0. He also noted the Missouri Department of Commerce and Insurance will host an earthquake summit will be held in September in St. Louis, MO. Mr. Bradner asked if the FEMA sessions on Risk Rating 2.0 are available, and Mr. Czajkowski said he would check and have links sent to state insurance regulators.

4. Discussed its Next Meeting

Commissioner Dodrill said FEMA staff may be asked to speak to state insurance regulators during the next Advisory Group's next meeting. He said the Advisory Group would also look at recent updates to the Catastrophe Resource Center in order to help with the reporting mechanism for historical and future events.

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

Draft: 8/20/21

Cannabis Insurance (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)
July 27, 2021

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 27, 2021. The following Working Group members participated: Ricardo Lara, Chair, represented by Melerie Michael (CA); Michael Conway, Vice Chair, represented by Peg Brown (CO); Austin Childs (AK); Jimmy Harris (AR); Angela King (DC); Tanisha Merced (DE); C.J. Metcalf (IL); Marlene Caride represented by Randall Currier (NJ); Gennady Stolyarov and Mark Garratt (NV); Shelly Scott (OK); Raven Collins (OR); Christina Rouleau (VT); and Michael Walker and Ned Gaines (WA). Also participating was: George Bradner (CT); and Benjamin Yardley (ME).

1. Heard a Presentation on Balancing Actual and Perceived Risks

Ms. Brown stated that the second day of the Fact-Finding Hearing on Insurance for Cannabis-Related Businesses will focus on barriers to affordability and moving forward. As much has transpired in this industry over last decade, the Working Group intends to use the information gained from the two-day hearing to update its white paper, *Understanding the Market for Cannabis Insurance*, through the addition of an appendix. Drafting sessions on the white paper appendix will begin in August. Working Group members interested in participating in these drafting sessions were directed to notify NAIC staff by Aug. 10. The Working Group also plans to leverage the feedback gained from the hearing to discuss at its next meeting how state insurance regulators can better collaborate with each other and other regulatory agencies.

Brenda Wells (East Carolina University) stated that cannabis businesses pay several times what other industries pay for insurance. Directors and officers liability insurance costs well into the six-figure range for \$1 million in coverage. A small mercantile general liability policy might cost around \$1,000, but a cannabis policy without products liability is about \$10,000. Consumer concerns and misperceptions include a belief that coverage is not available or not worth the cost. Additionally, there is a fear that information provided to the insurer can be accessed by the federal government or others. Some also have concerns about deceptive trade practices, like being initially promised coverage but then being denied by the insurer based on the federal illegality of cannabis.

This occurred in the *Green Earth Wellness Center LLC v. Atain Specialty Insurance Company* lawsuit. Green Earth, a retail medical marijuana business in Colorado Springs, CO, attained commercial insurance for its business from Atain effective on June 29, 2012. Several days later, Green Earth contended that the smoke and ash from a nearby fire caused damage to its ventilation system, eventually damaging its plants. In November 2012, Green Earth made a claim under the insurance policy to Atain. Atain denied the claim on the grounds that the policy expressly excluded coverage for contraband, and it was void as against public policy. Atain moved for summary judgment. The court agreed with Atain that possession of marijuana for distribution is a federal crime. However, Atain solely pointed to the federal statute and did not assert whether Green Earth's operation violates Colorado law. Therefore, due to Atain's neglect to assert that Green Earth's operation was a violation of Colorado law, the court found that there is a genuine issue of material fact and denied Atain's motion for summary judgment.

Ms. Wells stated that a major issue is lack of data. While cannabis has been used for thousands of years, the legal industry in the U.S. is in its infancy. We know very little about the losses and expenses associated with this industry. Ms. Wells plans to conduct a cannabis industry Cost of Risk Survey soon. Underwriting for cannabis has been extrapolating data from other industries where similarities exist. For instance, underwriters can look at pharmacies when evaluating medical cannabis and liquor stores when evaluating vape shops. Underwriting factors include third-party inspection results, security systems wired to an outside monitoring station, an adequate electrical system with proper wattage and circuits, fire suppression systems, the type of safe used for storing cash/product, motion detectors in the room where finished product is stored, membership in state trade associations, education and training of owners/operators, and use of related regulations.

2. Heard a Panel Discussion on Uncovering Obstacles to Offering Coverage

Ms. Brown asked what additionally needs to happen at state and federal levels to make insurers comfortable entering the cannabis insurance industry. She also asked if this would likely be under this administration.

Ian Stewart (Wilson Elser) stated that the status quo is not sustainable. There must be some clarity of cannabis' legality at the federal level. There have been comments from democratic senators that they should not allow a vote on the Secure and Fair

Enforcement (SAFE) Banking Act without a broader social equity and social justice provisions. Arguably the most conservative U.S. Supreme Court justice, Clarence Thomas, criticized the federal ban on marijuana and the U.S. government's inconsistent enforcement in a statement a couple weeks ago, questioning whether the government has the authority to "intrude on" state-legal cannabis markets. This indicates that time is limited for the U.S. Congress (Congress) to act before the U.S. Supreme Court does so. For carriers, Schedule One of the Controlled Substances Act (CSA) is the largest hinderance because it prevents primary protection of its banking relationships. The directives in the proposed U.S. Senate (Senate) bill for the federal government to study cannabis are needed to increase the data available to insurers.

Ms. Brown asked what additional actuarial and experience data is needed to help insurers write cannabis-related business coverages.

Tim McCarthy (Insurance Services Office—ISO) stated that cannabis is an emerging type of risk, and more public data on it is needed to better analyze information on a state-by-state basis because operations differ so much by state. It may take several years before there are sufficient court cases for products liability. Long-term studies on the impacts of cannabis are also needed. The ISO has introduced 10 new classifications related to cannabis that will be implemented in 40 jurisdictions later this year. The ISO will begin to collect data next month related to this to more uniformly analyze and update its commercial general liability cost information.

Lois J. Massa (G.J. Sullivan Co. Reinsurance—GJS Re) stated that in lieu of lack of data, carriers are benchmarking to similar industries and/or evaluating and aggregating their own data.

Ms. Brown asked how reputational concerns factor into insurers and reinsurers' willingness to participate in the cannabis space.

Mr. Stewart stated that reputational concerns are still relevant, but much less of a concern than they were just a couple years ago. Marijuana has become socially accepted over the past year or two. Conservative states are now enacting adult-use cannabis laws very quickly. However, a positional schism is beginning to form in the cannabis community between the regulated marijuana market and the hemp-derivatives market. There is reputation risk in hemp derivatives because they are not laboratory tested and regulated the same way as regulated cannabis companies' products.

Ms. Massa agreed and said the greater acceptance of cannabis is due to the cannabis industry's educational efforts. However, the impact of future claims going to court will determine if this industry sees payouts that might affect reputational risk. This happened with the liquor industry a decade ago. The Juul vaping case is a good example of this.

Michael Hall (Golden Bear) stated that many of the countries that the global reinsurers are from still view cannabis as an illicit drug. As a result, the global reinsurers have great concern on reputational risks that may stem from bad press in their respective countries.

Ms. Brown stated that Lloyd's of London stopped insuring in the U.S. cannabis industry due to the continuing legal uncertainty. She asked what this had on the insurers ability to buy reinsurance.

Ms. Massa stated that Llyod's syndicates had been the lead cannabis writers in the U.S. in 2015 because they are regulated by one entity. They decided as a group collectively to withdraw from the U.S. market due to legal uncertainty at the federal and state levels and concerns about U.S. banking regulations. The impact in the U.S. was on primary coverage and reinsurance support, as Llyods provided both. It was temporarily difficult to get primary policies; then, companies such as Golden Bear and James River stepped in to fill the void. Most global reinsurers are not based in the U.S. and operating in the U.S. cannabis market due to the aforementioned concerns. However, there is some exposure to cannabis through reinsuring portfolios. In October 2018, Canada passed the federal Cannabis Act. The bill amended the criminal code to remove it from the CSA, established cannabis operations as legal in Canada (only the second country to do so), and put in place a series of regulations to manage it in a similar manner as liquor liability. As a result, Llyod's and global reinsurers have entered their market. Some U.S. companies have bought or established Canadian carriers to write cannabis.

Ms. Brown asked to what extent exclusions and reinsurance contracts are impeding carriers' abilities to offer coverage to cannabis-related businesses.

Ms. Massa stated that reinsurance is insurance that insurance companies buy. So, insurers can choose to hold the risk on their books, but it is not advisable. There have been 30–40 new fronting companies in the past two years. There is some global reinsurance support through large treaty arrangements that include other pieces of business. However, reinsurance is difficult to obtain for new carriers.

Mr. Hall stated that the Bermuda Monetary Authority (BMA) issued a statement to reinsurers in late-2019, encouraging them to enter the now legal cannabis market in Canada. This implied to reinsurers that they should not enter markets, like the U.S., where cannabis still remains federally illegal. The result was a freeze in reinsurance capacity in the U.S. for cannabis operators.

3. Heard a Panel Discussion on Insurance Challenges

Ms. Brown asked what factors drive the lack of capacity for organizational coverage.

Norman Ives (Amwins) stated that the cannabis industry has been experiencing the same trends as the general insurance industry, just to a greater extent. The insurance market has been hardening. Professional lines risks were significantly affected when the Cole Memorandum was rescinded in January 2018. The market almost shrank in half overnight and rates rose. Since this time, the market has hardened.

Mr. Stewart stated that cannabis is a hard market inside of a hard market, especially for coverages like directors and officers. Compliance is very difficult for many of these companies leading to an uptick in securities litigation, shareholder and derivative suits, investor disputes and allegations of mismanagement actions by regulators. These cases are expensive and caused by the chaos surrounding the disparate regulation and lack of traditional financing. This leaves companies seeking private investment where they need to disclose all risks in a memo to investors, which is extremely difficult to do and leads to predictions that do not come to fruition. The genesis of the current suits is the foreign exchanges and reverse takeovers occurring in a very fragmented environment. A study in late-2000 by Stanford Law School found that there were 2008 securities class action lawsuits filed against U.S. and Canadian cannabis businesses. However, the majority of the suits had been filed within the previous two years. The filings are for failing to disclose weak demand for products, misstating inventory, failing to report operational problems, making revised earning reports that cause a stock drop, and allegedly misleading investors about contamination issues. There is a magnifying glass over the cannabis industry, resulting in several lawsuits all at once. Federal legalization in the form of the SAFE Banking Act could have a very positive impact because companies would start to operate more similarly to other industries. However, broad federal legalization may result in a temporary period of increased chaos due to the introduction of interstate commerce.

Ms. Brown stated that there are definite parallels between how insurance is regulated by states and how cannabis state-based regulation is evolving. She asked if there are gaps in products liability insurance coverage for cannabis-related businesses.

Mr. Stewart stated that the science and products are being developed concurrently, making it difficult to know what is unreasonably dangerous. This makes it hard for juries who must make decisions in product liability suits. There is a developing standard of care around agreed standards but not enough case law. The cannabis industry could see large uninsured risks materialize as tort cases get filed in the coming years. Recent science findings on vascular conditions arising out of high tetrahydrocannabinol (THC) edible products. However, insurance companies usually do good at insulating themselves with certain types of exclusions.

Mr. Hall stated that the cannabis industry has uninsured risks related to long-tail liability. Some carriers are covering things like mental illness, knowingly or unknowingly, and others are excluding it. There is a gap in the perception of what is covered and what is actually covered once you read deep into the 100-page policy.

Ms. Brown asked about products liability coverage for cannabis businesses.

Beth Medvedev (James River) stated that cannabis is very similar to other products, and underwriters can leverage similarities. One issue James River has encountered is that the industry is so unique it must anticipate the coverages. For example, on-site consumption cafes are not quite the same as alcohol because there is not a test to determine how much a person is impaired by cannabis. It is difficult to determine the effect of someone eating an edible on site and then leaving 30 minutes later. In the absence of a full understanding of all the risks, insurers may be covering unanticipated risks. Carriers also differ in their interpretations of coverage, like health hazard forms. Another issue is cannabis insureds must be aware of how the language in standard policy forms needs to be modified to remove exclusions for federal legal issues, or they could potentially face a declination of a claim.

Ms. Brown asked if there are alternate arrangements being developed or already being used in the market.

Mr. Stewart stated that there has been an increased interest in fronting over the past year. The market has also seen single cell captives being domiciled in a few states and offshore and some cannabis-specific group captives.

Mr. Ives asked Mr. Stewart if its federal legalization was needed before more progress occurs with captive risk retention groups (RRGs).

Mr. Stewart said there has been a natural reluctance to move money offshore because it gives people the impression of money laundering. There needs to be a banking solution. State insurance departments would likely have a greater comfort level with regard to actively domiciling cannabis captives if there was more certainty at the federal level.

Ms. Brown asked what risks in the cannabis industry affects property coverage.

Summer J. Jenkins (National Cannabis Industry Association [NCIA] and Cannasure) stated that an underwriter would consider the known risks. This would include anything that would increase frequency or severity of the loss; i.e., construction, occupancy, protection, and class exposure. Factors that will increase the frequency and severity include wind, hail, crime zone, and types of controls in place. Many of these questions are answered by the law. Cannabis businesses must have safe volts and multiple secured access and entry points for areas where cash is stored. Unique to the cannabis industry is that businesses tend to be cash based. They also grow much more rapidly than other businesses, making business income an important factor. This could lead to their potential loss of revenue exceeding the amount of all other covered property from an insurance standpoint. Some carriers have a coinsurance penalty.

Mr. Hall stated that oftentimes, a fast-growing cannabis-related business will find it is maxed out on the capacity it has with its primary carrier. This is the main property exposure in the cannabis industry.

Mr. Stewart asked what can be done in cases where there is a disconnect between what was written and when the claim comes in the insured finds its underinsured.

Mr. Hall stated that some of the issue lies in educating brokers. However, the largest issue is businesses in this industry foregoing insurance because it is so expensive.

Ms. Jenkins stated that there are some coverage forms in the market for things like peak season limit endorsements, fluctuating valuation endorsements, and monthly reporting endorsements. The issue is carriers being able to navigate the administrative hurdles to implement them.

Peg Brown stated that if it were legal, there would likely be a lot of interest in interstate commerce for cannabis between California and Colorado.

Mr. Stewart stated that once interstate commerce is allowed, there is likely to be an increase in confusion due to the different state regulatory structures that require different things for their distributors. For example, in California, there are requirements that the vehicle must have a security cage or other type of protective equipment installed in the vehicle. There are restrictions that require drivers to be an employee of a certain age. Insurance provisions often go off what is required in the state. This can be an issue for cannabis businesses because they often only focus on complying with state regulations and do not read their policies. A problem will arise when the business operates in multiple states with just one system for its various distributors. The solution lies in achieving more consistency between state regulations.

4. Heard a Panel Discussion on What the Horizon Looks Like and How State Insurance Regulators Can Help

Ms. Michael asked how coverage will evolve from the surplus market to the admitted market in the coming years. She also asked if there was something that could be done to encourage this process.

Ms. Wells stated that it would take a long time for the admitted market to want to provide coverage to some of the exposures in the cannabis industry. It would need sufficient data in addition to a federal solution. Liquor liability coverage is still being provided for by the nonadmitted market.

Ms. Michael asked how cannabis businesses find insurers willing to provide coverage.

Mr. Ives stated that the internet is a good source to find information on insurers in the cannabis space. He also recommended that state insurance regulators provide a list of brokers similar to the one the California Department of Insurance (DOI) provides online.

Ms. Michael asked what supportive measures state insurance regulators can provide when reinsurance conditions and federal laws change.

Ms. Jenkins stated that state insurance regulators can help by making the filing rate approval process much easier, providing more clarifying documents, and implementing a more expedient process.

Ms. Medvedev stated support for promoting those regulations in the industry to attract more insurers and reinsurers into the market. The major hurdle is having more options of insurance coverage.

Ms. Michael asked how the NAIC can support availability and affordability of coverage.

Mr. Hall stated that lack of data currently has insurers making educated guesses. Providing more flexibility inside rate filings for rates to increase or decrease would allow more insurers to feel comfortable entering the market.

Ms. Jenkins stated that the availability of forms and rate justifications are big issues because of the nature of the industry. It would be greatly helpful if state insurance regulators established justification reasoning requirements more representative of the tenure of the industry. It would also be helpful if state insurance regulators accepted data from a similar industry in lieu of data that is directly applicable.

Ms. Medvedev stated that it is important that states remain welcoming to nonadmitted carriers, as they provide an important service to emerging industries by having more flexibility.

Ms. Michael asked what innovation can facilitate better availability of coverage.

Ms. Wells stated that it really all comes down to changes with federal regulation.

Ms. Michael asked how support for legalized cannabis will evolve in the future.

Ms. Wells stated that Pew Research's April poll showed over 90% of the U.S. population thinks cannabis should be legal in some form. However, there are well-funded campaigns pushing against its legalization.

Ms. Michael asked what private solutions exist for crop insurance.

Mr. Ives stated that the federal government allowed crop coverage to be available for hemp crops for the first time last year, but only if the insured had grown crops the previous year. The crop coverage that is available would not benefit businesses growing hemp or cannabidiol (CBD) products for human or animal consumption. Crop programs are based around a federal program and the commercial insurance policies available for crop are supplemental to coverage provided through the federal program. There will not be much movement on agricultural product coverage until there is a federal crop program that is really viable for hemp farmers. The only programs currently offered for crop coverage are parametric programs, which are very limited risk-specific programs.

Mr. Bradner asked if it would be likely that the tobacco and alcohol industry would enter the cannabis industry once the federal illegality is no longer an issue. He also asked if there is anything to learn from Canada's legalization of recreational cannabis.

Ms. Wells stated that the tobacco and alcohol industry are already diversifying into the space with things like infused alcohol drinks. They are also a force against the legalization of cannabis for competitive reasons.

Mr. Stewart stated that both industries are involved, and there will likely be a coalescent around a smaller number of brands in the future. The focus of the alcohol industry is to get control of those brands. Canada is regulated very differently than what federal regulation will end up looking like in the U.S.

Kristen Augustine (Colorado Marijuana Enforcement Division) asked if a business owner would be considered higher risk if he/she has a felony record for unlawful distribution.

Ms. Jenkins stated that from an underwriting standpoint, it is illegal to discriminate or give someone preference based on their application status. But underwriters can provide things like association membership or rating credits that apply directly to the decrease of exposure on the risk. In some instances, carriers will offer a 10% credit for social equity applicants that are also members of a trade association. Trade association members are required to go through more rigorous training. Underwriting is based a lot on the underwriter's personal perceptions.

Ms. Medvedev stated that it depends on the risk, the offense, and how much it affects what is being done. Offenses, such as embezzlement, would be looked at as a moral offense.

Mr. Yardley asked how valid experience data develops in the absence of a federal solution.

Ms. Medvedev stated that individual carriers will have their own data and experience. There is also a part of underwriting that looks at where lawsuits and claims are occurring.

Mr. Ives stated that it can be difficult to try to aggregate data, as claim data is still proprietary. Aggregating litigation data can be difficult because many state courts do not provide searchable databases. States need to provide good state-level data on cannabis regulatory schemes. Traceability systems and reporting capabilities within the states need to be upgraded to generate usable data, such as gross sales. The Washington State Liquor and Cannabis Board (WSLCB) makes this type of information available.

Mr. Bradner asked if the information is obtainable though a Freedom of Information Act (FOIA) request.

Mr. Stewart stated that to a certain extent, this information can be acquired through an FOIA request, but it would be time consuming and costly. The information would only be provided through redacted records, and there are some privacy concerns. California coordinated through its various agencies to amend regulations to make it easier to share data that insurers and banks need, such as the owners, financial interest holders, and background information. This has provided marked improvement in the turnaround time and amount of data that is provided to ancillary service providers. What is allowed to be disclosed and the system set-up varies by state.

Ms. Brown stated that state insurance regulators may need to take up coordinating with sister state agencies and the Cannabis Regulators Association (CANNRA) to help provide the needed data to the insurance industry.

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

W:\National Meetings\2021\Summer\ Cmte\C\CannabisWG\07-Day 2-CannabisWG.docx

Draft: 8/19/21

Cannabis Insurance (C) Working Group
Virtual Meeting (in lieu of meeting at the 2021 Summer National Meeting)
July 19, 2021

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 19, 2021. The following Working Group members participated: Ricardo Lara, Chair, represented by Melerie Michael (CA); Michael Conway, Vice Chair, represented by Peg Brown (CO); Jimmy Harris (AR); Angela King (DC); C.J. Metcalf (IL); Marlene Caride represented by Randall Currier (NJ); Gennady Stolyarov (NV); Andrew Schallhorn (OK); John Lacek (PA); Elizabeth Kelleher Dwyer (RI); Christina Rouleau (VT); and Michael Walker (WA).

1. Heard a Presentation on the Geographical Expansion of States Legalizing Cannabis and its Impact at the Federal Level

Ms. Michael stated that the first day of the Fact-Finding Hearing on Insurance for Cannabis-Related Businesses will focus on setting the cannabis stage and insurance product availability. In 2017, the California Department of Insurance (DOI) held the nation's first public hearing for cannabis insurance and approved the nation's first admitted carrier, Golden Bear, to write cannabis insurance products in California. Two years later, the Working Group adopted its white paper, *Understanding the Market for Cannabis Insurance*. As much has transpired in this industry over the last decade, the Working Group will use the information gained over its two-day hearing to update the white paper through the addition of an appendix. The Working Group also plans to leverage the feedback gained from the hearing to discuss how state insurance regulators can better collaborate with each other and other regulatory agencies.

Ian Stewart (Wilson Elser) stated that nearly all Americans now live in a state where some form of cannabis is legal. Additionally, over 90% of Americans believe cannabis should be legal either for adult or medical use. The geographic expansion of state cannabis markets now includes 18 states and Guam legalizing cannabis for adult use and 37 states; Washington, DC; Puerto Rico; Guam; and the U.S. Virgin Islands legalizing cannabis for medical use. Since last November, 10 states have passed new adult-use or medical cannabis laws, including Alabama, Arizona, Connecticut, New Jersey, New Mexico, New York, Mississippi, Montana, South Dakota, and Virginia. In 2021, six states have passed expansions to their medical cannabis regulations, including Georgia, Louisiana, Minnesota, Pennsylvania, Tennessee, and Texas. Adult-use legislation is currently being considered in Delaware, Florida, Hawaii, Iowa, Maryland, Minnesota, North Carolina, North Dakota, Pennsylvania, Rhode Island, and Wisconsin. Adult-use ballot initiatives in 2022 are expected in Arkansas, Florida, Missouri, Ohio, and Oklahoma.

The Cannabis Administration and Opportunity Act is a draft bill released by Sen. Chuck Schumer (D-NY), Sen. Cory Booker (D-NJ), and Sen. Ron Wyden (D-OR) on July 14 to remove marijuana from Schedule 1 of the Controlled Substances Act (CSA) and have it regulated similar to alcohol. This would allow states to determine their own cannabis laws and transfer federal agency jurisdiction from the Drug Enforcement Administration (DEA) to the U.S. Food and Drug Administration (FDA), the U.S. Department of Health and Human Services (HHS), Alcohol and Tobacco Tax and Trade Bureau (TTB), and Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). It would also lift restrictions on research and direct various federal agencies and departments to study and report on cannabis. It automatically expunges criminal convictions for non-violent marijuana offenses. Grant programs would be established for non-profits, small business loans, and state funding to assist individuals disproportionately affected by the war on drugs. It would levy federal excise tax on cannabis products and establish a federal track and trace regime. Interstate commerce would be restricted for cannabis products that fail to comply with mandated packaging and labeling requirements. A legal pathway would be created for Cannabidiol (CBD) in dietary supplements with a maximum recommended daily serving. It would also establish a process for delivery of inadvertent "hot hemp" to a licensed cannabis operator for processing.

2. Heard a Presentation on the Cannabis Business Regulatory and Licensing Landscape

Norman Birenbaum (Cannabis Regulators Association—CANNRA) stated that the CANNRA is a national organization of cannabis regulators that provides policy makers and regulatory agencies with the resources to make informed decisions when considering whether and how to legalize and regulate cannabis. Its members are the primary regulatory agencies and officials charged with the oversight of adult-use cannabis and/or medical cannabis in Arizona; California; Colorado; Connecticut; Delaware; Florida; Georgia; Hawaii; Illinois; Iowa; Louisiana; Maine; Maryland; Massachusetts; Michigan; Minnesota; Montana; Nevada; New Jersey; New York; North Dakota; Oregon; Rhode Island; South Dakota; Utah; Washington; and

Washington, DC. Each of the 36 states and four territories that have legalized some form of cannabis have their own unique regulatory framework. Licensed activities, tax mechanisms and rates, market structure, the role of local governments, marketing and advertising, approved qualifying medical conditions, and many more regulatory issues vary greatly between jurisdictions. As an association, CANNRA brings states together, even with varying regulatory frameworks, to discuss shared challenges and identify best practices in cannabis regulation.

The evolution in federal oversight and how standards are created has really affected the work of CANNRA. This included shifts from voter initiatives to legislative process and U.S. Department of Justice (DOJ) enforcement to U.S. Department of the Treasury (Treasury Department) compliance. There is a trend of states pushing back against federal initiatives, particularly around background checks and past criminal history, to embrace social and economic equity priorities around the cannabis industry and licensing. The U.S. is now entering into a stage of learning from other jurisdictions. CANNRA members often discuss how they are moving towards product standards, including everything from packaging to labeling. Testing and product safety regulations vary greatly between states in terms of what is being tested and how it is being tested. This includes how labs are credentialed and how different action levels and limits around mold microbials, pesticide residual solvents, and heavy metal toxicity are determined. Sampling processes and procedures also vary between jurisdictions. Additional issues include how to perform cross jurisdiction verification if there is change at the federal level to make sure there are consistency and good regulatory tools for product recalls and administrative action. The labs are the hardest in the cannabis space to regulate because of the nature of the testing and the competition amongst labs for market share. E-cigarette or vaping use-associated lung injury (EVALI) was identified in 2019 by the federal Centers for Disease Control and Prevention (CDC) as a dangerous lung disease linked to vaping. The plethora of young people becoming seriously ill after vaping prompted a wave of regulations that changed the landscape. States are also issuing policy statements or regulations prohibiting delta-8 tetrahydrocannabinol (THC) and other intoxicating synthetic isomers of CBD currently being marketed as legal because the 2018 Farm Bill legalized hemp extracts.

Tax structures is an area that has produced some of the greatest variations and new innovations over the last year. Initial tax structures were mostly based on ad valorem tax rates and the value at the point of sale. Over the past three years, this has transitioned to using potency or THC concentration to determine the tax rate. This has prompted conversations with stakeholders on whether the tax rate, given limited supply and unlimited distribution in the initial years when prices are the highest, affects the overall price for the consumer or just the margins of the licensees. There was a huge increase in medical and adult-use cannabis delivery services in the wake of the pandemic. There is an emerging trend of social consumption licenses. Policy considerations for this include federal indoor clean air protections, providing a location for consuming that does not conflict with federal restrictions like federal subsidized housing, and public health considerations. Market architecture and licensing is something states are taking a more aggressive stance on, particularly here in New York. In New York, if you are involved in the cultivation manufacturing or wholesale distribution, you cannot be involved in the retail distribution of the product, outside of a few exceptions. States struggle with public health and education programs because the revenue is typically based off sales, which take up to 18 months to realize. This makes it hard to establish baseline data and perform ongoing monitoring of use rates and outcomes. States struggle with issues of workplace impairment and driving under the influence. This is a shift away from per se limits because cannabis-related products affect everyone differently based on individual usage and metabolic rate. There is no breath analyzer equivalent for cannabis, and much research will be needed to develop one.

Social and economic equity is becoming the linchpin in passing legislation. How this is defined is of great deliberation. Jurisdictions have shared that providing someone with prioritization and licensing does not guarantee them access to that license, especially in jurisdictions where there are dual licensing structures. Additionally, access to a license does not equate to market share and capital access. Due to a lack of guidance from the federal government, states are working with institutions to help them satisfy their due diligence requirements under the inset guidance, particularly with banking and financial services. States are speaking more with state banks around what is needed for their disclosure licensing requirements to make them more comfortable providing services to the industry. For the first time, traditional capital is being made available to certain large cannabis licensees. States are also trying to lay the groundwork for interstate commerce; i.e., uniform standards, validation, intellectual property (IP), distribution.

3. Heard a Presentation on the Cannabis Insurance Market Segments and Insurance Needs from Seed to Sale for Vertically Integrated and Niche Players

Michael Hall (Golden Bear) stated that Lloyds stepped out of the cannabis insurance business when it got its federal charter five years ago. The nonadmitted market stepped up to fill the void. Admitted insurers are hesitant to enter the market due to a lack of reinsurance and clarity of legality at the federal level. State insurance regulators have little ability to influence reinsurance, as it mostly occurs at the international level. What they can work on is building strong systems of risk management and clarifying ancillary risks, such as dram shop statutes. From an insurance perspective many regulations, like track and trace

and strict licensing rules, provide a strong starting point for risk management.

Summer J. Jenkins (National Cannabis Industry Association [NCIA] and Cannasure) stated that cannabis businesses are just like any other business in that the biggest needs for most are the basic coverages. For cultivation, nationally recognized success of the agricultural industry affords a wealth of information. Challenges include technological advancement and speed of industry developments. Some technologies like artificial intelligence (AI), nanotechnology, and the use of synthetic DNA are not contemplated in law or insurance coverages. Insurance coverages and laws should also be cognizant of the frequently changing use in types of lighting and equipment. Additionally, there is a need to address commercial and residential exposures with a coverage form that allows the agricultural industry to recognize the residential and habitational exposure blends with commercial exposure. For instance, outdoor crop is only available from nonadmitted carriers in the form of parametric coverage. There is also a need for insurance for things like vehicles or mobile equipment that are licensed for road use and are also used in the outdoor cultivation. Additionally, most policies do not address conveniences like rail and air due to federal legality. There is not much availability for environmental incidents. There is a lack of coverage for testing done by distributors. The bailment bailee-bailor protection coverage is not adequately covered in cannabis law, which makes it difficult from an insurance standpoint. Hired and non-owned auto is also a challenge, with only excess liability coverage and limits over \$1 million limited or non-existent.

Mr. Hall stated that despite the wide range of retail set-ups, there has been a push recently on the nonadmitted side for coverage to transition from the wholesale brokerage market into the managing general agent (MGA) binding market. States should focus on how they can encourage admitted carriers to enter the retail space. Part of this should include clarifying shop statutes for onsite consumption lounges at retail dispensaries. Most shop laws address alcohol specifically, but not cannabis. On the manufacturing side, there is an issue with the lack of standardization and the coverage forms, particularly with valuation of product and how it is seen when multiple insurance companies are involved in handling a claim. Standardization of things, such as the current health hazard and cancer exclusions and their evaluation, will help provide clarity from an admitted perspective. A clearer more conservative approach to labeling requirements would also help attract more carrier participants.

Mr. Birenbaum said early approaches to packing and labeling included numerous different disclaimers, which made it hard for the consumer to recall any single warning because there were so many. Canadian federally funded research found that consumers wanted plain packaging and simple labeling that includes only two to three warnings. This approach is just starting to be adopted in the U.S. research from the University of Waterloo, which found that 40–50% of people who consider themselves regular cannabis users on at least a monthly basis could not identify what causes intoxication. This illustrates solutions that may seem good in a vacuum do not execute well because of the lack of education and awareness and the federal stance.

Mr. Stewart said he agrees and believes that as the science comes out, we will likely see a standard of care developing, possibly through civil tort. As with other consumer products, legal verdicts will likely influence voluntary standards over time. It could likely be a diversion between edible products and other forms of products. Things like product inserts may be on the horizon.

Mr. Birenbaum said the majority of consumers get their information from friends or budtenders. For this reason, states are starting to look at budtender certification and training programs. This would address current issues, such as budtenders recommending products to expecting and nursing women for related symptoms, because cannabis is not good for either the mom or the baby. For this reason, it is important to have robust education programs for consumers and trusted messengers, such as budtenders and medical providers. Continuing educational (CE) requirements are really important, as medical schools are just now starting to teach about the endocannabinoid system (ECS).

Kristen Augustine (Colorado Marijuana Enforcement Division) asked who is able to attend the CANNRA meetings. Mr. Birenbaum said CANNRA voting members are the primary state regulatory agencies and offices overseeing cannabis. Associate memberships are open to any statewide office that has anything to do with cannabis policy or regulation or intersects with it. CANNRA also has a statewide membership level that covers every statewide office within the state. Membership is not currently open to the industry or anyone who is on the commercial side of the cannabis sector.

4. Heard a Presentation on Expanding Commercial Product Options

Joe Lam (Insurance Services Office—ISO) stated that entities seeking cannabis coverage solutions span the entire production cycle, including cultivation, storage, manufacturing and processing, design, packaging, testing, distribution, selling, serving, dispensing, and disposal. There are three cannabis commercial general liability (CGL) options. The cannabis activity coverage aggregate limit endorsement modifies the CGL form, which includes a “cannabis activity” definition, and specifies that the

“cannabis activity” must be properly licensed and permitted by law. The cannabis exclusion with an exception for hemp subject to the hemp aggregate limit endorsement modifies the CGL coverage form and provides coverage for bodily injury, property damage, personal and advertising injury (P&AI) arising out of hemp products and select offenses. Cannabis exclusion with designated product or work exception subject to cannabis products/completed operations aggregate limit modifies the CGL coverage form and excludes property damage to cannabis and for bodily injury/property damage (BI/PD) included in “products-completed operations hazard” and arising out of cannabis, except for designated products or work related to cannabis (up to a limit). The cannabis coverage endorsement addresses property-related coverages for cannabis stock, business income, and extra expense, with additional provisions for deductible and valuation.

Joseph Jonas (American Association of Insurance Services—AAIS) stated that coverage exclusions related to cannabis include health hazard, contaminated or untraceable cannabis property, noncompliance with pertinent state and local regulations, onsite use or exposure, and professional/medical advice. Myths about the cannabis market include that the industry is unprofessional and inexperienced, there is no due diligence, insured compliance is impossible, no bank will work with the cannabis industry, the insurance industry is a target of federal enforcement, and carriers risk reputational damage. Cannabis insurance truths include that cannabis items and activities are insurable, coverage expectations are reasonable, and contracts are enforceable. However, unresolved legal issues and untested policy language remains an issue. There are unrealized liability trends and unanticipated exposures, with risks and exposures varying significantly among businesses and locations. Insurance solutions include increasing admitted carrier participation; standardizing programs; and working with state insurance regulators, trade organizations, and interested carriers. The AAIS business owner’s policy offers an existing program rate modification based on industry analogues (e.g., pharmaceutical, liquor, tobacco, etc.), informed by state laws, licenses, and regulatory structure. Judgmental rates will be adjusted as loss data becomes more prevalent.

5. Heard a Panel Discussion on Admitted and Nonadmitted Coverage Across the Cannabis Business Sectors

Ms. Brown asked if cannabis business insurance will evolve from the surplus to the admitted market.

Mr. Hall stated that there is no question that eventually coverage for cannabis-related businesses will move from the nonadmitted to the admitted market. There are several companies who provided reinsurance to cannabis-related insurers moving from not wanting anyone to know who they are to openly putting out their name on applications. The retail side of the business will likely be the first to move to the admitted market. Admitted coverage would also be a good fit for dispensary exposures that are serving only as a point of distribution for others’ goods. Products coverage are likely to follow a pick-and-choose type of evolution due to the lack of uniformity of risks across the industry.

Ms. Jenkins agreed that coverage of dispensaries or production-only agricultural that does not involve extraction are natural fits for the admitted market. However, complex extraction risks that involve working with different solvents would not be a good fit for the admitted market.

Ms. Brown asked what insurance product is most available to obtain in the surplus and admitted markets.

Mr. Hall stated that general liability coverage is easily available in the nonadmitted market. However, Golden Bear and two other smaller insurers are the only admitted carriers. Several of the ancillary lines, such as earthquake and storm are almost totally unavailable. Cannabis businesses are starting to look for these coverages as they get larger, but they are unable to find them.

Ms. Jenkins stated that premise operations is the most available coverage type, followed by workers’ compensation and products liability. Product liability coverage is more complex because all the coverage forms and risks being insured differ greatly by carrier. More flexibility and availability of property coverage is needed.

Ms. Brown asked what insurance product is the most difficult to obtain for cannabis industry clients.

Ms. Jenkins stated that some of the ancillary lines and management liability-type coverages are not available. Coverage forms that detail where the ownership is transferred via some type of mechanism is also not available. Warehouse and move-people liability coverage is only available from a few carriers. This leaves it up to each carrier to make their own determinations as to who the real ownership lies with when a claim occurs.

Norman Ives (Amwins) stated that consumption lounges and spaces are an area very underserved in the casualty space.

Coverage is only available to consumption spaces directly attached to a manufacturer making a product that is distributed onsite or a dispensary providing onsite consumption for standalone consumption spaces. Despite the expansion of delivery services, there is a lack of coverage for this exposure. Most casualty placements in the cannabis space are limited to designated premises. A delivery exposure where an employee is going offsite to deliver cannabis to a consumer is a largely uncovered exposure right now.

Ms. Brown asked what type of pricing issues are being found.

Beth Medvedev (James River) stated that when James River first came into the cannabis market, there was very little information to use for pricing. She leveraged research on the cannabis industry and her pharmaceuticals and clinical trials background to find similarities in her underwriting. Rates were high at first because of the numerous unknowns and need to satisfy their reinsurers' concerns. Marijuana is a very profitable business and a good book of business for James River, given it had few claims in its seven years of writing adult-use coverage. As a nonadmitted insurer, they can lower their rates without regulatory approval, and they have done so in states with stricter regulations.

Mr. Hall stated that Golden Bear is in the process of providing a refund to lower its rates. More flexibility in rate ranges would encourage more admitted carriers to enter the market.

Ms. Brown asked what changes in coverage availability and market participants have occurred over the last decade.

Ms. Jenkins stated that over the last three to five years, the cannabis industry has become recognized as a viable and thriving industry that can add value to our political and economic system. The coverage availability is evolving with this change in perception.

Mr. Ives stated that there has been a slow progression and evolution of the products that are available in the market. Carriers are starting to become more comfortable in this space, expanding their product offerings within their given segments. For example, cyber liability is now available in the market, albeit with small sub limits. It was not available at all three years ago. Significant and quick advances will occur in this market once there is clarity at the federal level.

Ms. Brown stated that vertically integrated companies must insure all aspects of the supply chain. She asked how these risks are approached differently than others that may only participate in one segment of the supply chain.

Ms. Medvedev stated that vertically integrated companies and companies operating in only one segment are not treated differently. Instead, the underwriter fully underwrites for each part of the company. If a company has cultivation, extraction, and a dispensary, the underwriter will have the information and understand the regulations for each of them. A lot of vertically integrated operations are also multi-state operations. Rates and endorsements would reflect the regulations in each state by aggregate location. The audit would be a little different in that intercompany revenues would not be counted. Companies that are vertically integrated may want to insure each piece separately. In this case, there would be a regular policy for each part of their operations.

Mr. Hall stated that Golden Bear focuses a lot on products liability exposure, especially the lack of multiple parties to share in products liability claims defense and eventually the obligation that is available. Golden Bear's current products liability claims have the entire chain—i.e., dispensary, manufacture, and distributor—sharing in the defense costs. Since Golden Bear will likely be taking on the defense costs, vertically integrated businesses demand a slightly higher rate.

Ms. Brown asked if insurance providers prefer companies that are not vertically integrated.

Mr. Hall stated that it depends on whether the vertically integrated company has strong controls in place, is well-financed, has state-of-the-art facilities, and manages its supply chain well.

Ms. Brown asked what the hardest part about dealing with cannabis businesses seeking insurance is.

Mr. Ives stated that the lack of standardization in vocabulary in the industry can make it more difficult to speak with an insurer or broker about complex risks. The terminology is not uniform between regions or areas. Also, some cannabis companies may lack business acumen and knowledge of insurance, while some investors may fully understand insurance but lack an understanding of the cannabis industry.

Ms. Jenkins stated that it can also be difficult to help a retail agent, broker, or direct consumer understand the difference between legislative requirements and best practices for protecting a business.

Ms. Brown asked if it is difficult to explain an insurer's data needs to a prospective insured.

Ms. Medvedev stated that James River uses a specific application for cannabis businesses that asks for all the information it needs from the insured. It is important to be very specific. For instance, the application would ask not just about quality controls, but if certain things are tested. This allows the underwriter to have all the information needed up front so they can respond promptly with a decision. James River also makes a concerted effort to educate its agents and brokers, as many lack knowledge of the cannabis industry.

Mr. Ives stated that business operators are asked for such an enormous amount of information just to begin operating that they are accustomed to providing it when insurers request it. Additionally, underwriters have become flexible and willing to work from other carriers' applications.

Ms. Jenkins agreed that insureds are required to provide extensive information, regardless of the carrier. From a broker perspective, they make it clear to the client that the underwriter is likely to have additional questions, given the use of different vocabulary and descriptions used in the industry. Insureds understand that the few insurance carriers available are going to want to do their due diligence in this space.

Ms. Brown asked about the availability and demand for cyber-related coverage in the cannabis-related business space.

Mr. Ives stated that the average cannabis operator is not purchasing cyber coverage, despite having fairly significant cyber exposure. Some of this is due to a lack of education on the need for cyber coverage.

Ms. Brown asked about crop insurance availability, particularly in the private crop market. However, it is very limited in its defined coverages.

Mr. Hall stated that it is available on a parametric basis and through traditional federal crop insurance.

Ms. Augustine asked if having a business' employees trained on how to be compliant with state regulations would reduce their perceived risk exposure and rates.

Ms. Medvedev stated that anytime a company puts in place measures that help it comply with regulations or reduce risk, it makes a difference in underwriting.

Ms. Brown asked if there are areas where liquor liability and cannabis can be analogized.

Mr. Hall stated that it is helpful. Ms. Jenkins added that underwriters consider what other guidelines outside of the insurance policy contract are going to control the risk. There are different ramifications for dram shop liability as it relates to consumption law for cannabis business. They can currently be drawn into a claim, whereas liability for liquor is restricted to the provider of the beverage.

Ms. Brown asked how cannabis businesses find insurers willing to provide them coverage.

Ms. Jenkins stated that there are many methods for finding insurers. California provides a list of cannabis insurers on its website. Some licensing bodies and consultants have referral networks. Agents and brokers perform a lot of marketing and use social media and blogs.

Ms. Brown asked what the impact has been from the pandemic.

Mr. Hall stated that coverage for business interruption and directors and officers has diminished and is being written on a much more restricted basis. This is largely related to reinsurers reacting to dynamics outside the U.S.

Mr. Ives stated that from a sales perspective, most cannabis businesses thrived during the pandemic since they were deemed essential businesses.

Ms. Augustine asked about the access minorities and women have in the cannabis space.

Mr. Ives stated that he believes minorities and women are indirectly affected since they tend to have less access to resources, resulting in being pushed out to more rural areas that are at higher fire risk.

Ms. Jenkins stated that social equity is a strong focal point in this space. The procurement aspect has been significantly simplified for marginalized communities.

Mr. Hall stated that underwriters are not likely to know who is submitting the application, as they are usually filed under a limited liability company name.

Ms. Brown stated that the investigation of licensure and the risk from its ownership is robust in Colorado. Mr. Hall stated that licensing checks occur at the end of the underwriting process.

Mr. Ives stated that insurance carriers are not aware of an applicant's minority status so there is little opportunity for them to discriminate.

Ms. Medvedev stated that insurance is required to get licensed in many states, so underwriters are usually making quotes without a license and then checking later that it is in place.

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

W:\National Meetings\2021\Summer\ Cmte\C\CannabisWG\07-CannabisWG.docx

Draft: 7/28/21

Catastrophe Insurance (C) Working Group
Virtual Meeting (in lieu of meeting at the 2021 Summer National Meeting)
July 22, 2021

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 22, 2021. The following Working Group members participated: Mike Chaney, Chair, David Browning, and Andy Case (MS); James A. Dodrill, Vice Chair, and Robert Grishaber (WV); Katie Hegland (AK); Brian Powell (AL); Ken Allen, Giovanni Muzzarelli, and Lynne Wehmueler (CA); George Bradner and Wanchin Chou (CT); Virginia Christy (FL); Colin M. Hayashida, Grant Shintaku, and Roland Teruya (HI); Travis Grassel (IA); Judy Mottar (IL); Heather Droke (KS); Warren Byrd and Tom Travis (LA); Matthew Mancini (MA); Joy Hatchette (MD); Carrie Couch, Leann Cox, Jo LeDuc, and Jeana Thomas (MO); Kristin Barrow and Fred Fuller (NC); Carl Sornson (NJ); Tom Botsko and Maureen Motter (OH); Cuc Nguyen and Andrew Schallhorn (OK); David Dahl and Van Pounds (OR); David Buono (PA); Segun Daramola, Elizabeth Kelleher Dwyer, and Beth Vollucci (RI); Bill Huddleston (TN); Marianne Baker and Mark Worman (TX); and David Forte (WA). Also participating were: Vincent Gosz (AZ); Sandy Anderson and Steve Klebba (MN); Eric Dunning (NE); Bogdanka Kurahovic (NM); Gennady Stolyarov (NV); and Donna Stewart (WY).

1. Adopted its June 21 and Spring National Meeting Minutes

Mr. Botsko made a motion, seconded by Mr. Grassel, to adopt the Working Group's June 21 (Attachment Three-A) and March 10 (*see NAIC Proceedings – Spring 2021, Property and Casualty Insurance (C) Committee, Attachment Two*) minutes. The motion passed unanimously.

2. Heard an Update Regarding Federal Legislation

Brooke Stringer (NAIC) said there has not been much progress on passing a long-term National Flood Insurance Program (NFIP) reauthorization. The current extension expires Sept. 30, and there will likely be another extension put into place.

Ms. Stringer said the U.S. Senate (Senate) Committee on Banking, Housing, and Urban Affairs has held two NFIP reauthorization hearings. During last month's hearing, Sen. John Kennedy (R-LA) and Sen. Robert Menendez (D-NJ) criticized the Federal Emergency Management Agency's (FEMA's) new methodology, Risk Rating 2.0, which calculates the flood risk of individual properties rather than risk by zones. Sen. Kennedy has introduced the Flood Insurance Fairness Act (S. 1960), which would require Congressional approval before FEMA could make any changes to the NFIP, including the implementation of Risk Rating 2.0. The bill has no cosponsors to date. Ranking Member Sen. Pat Toomey (R-PA) said any plan to reauthorize the NFIP should not interrupt FEMA's implementation of Risk Rating 2.0.

Ms. Stringer said beginning Aug. 1, current NFIP policyholders can contact their insurer or agent to learn more about how Risk Rating 2.0 will affect them. The updated rates will take effect for new policies on Oct. 1 and for renewing policies on April 1, 2022. However, if a policyholder's rate will be decreasing, they will be allowed to renew on Oct. 1 to take advantage of the lower premiums.

Ms. Stringer said in April of this year, U.S. House of Representatives (House) Committee on Financial Services Chairwoman Maxine Waters (D-CA) released a draft of the National Flood Insurance Program Reauthorization Act of 2021. This Act would reauthorize the NFIP for five years, institute a cap on premium increases of 9% per year, forgive over \$20 billion in NFIP debt, and enact several other reforms. This Act also includes language to ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without penalty. Additionally, Rep. Nydia Velázquez (D-NY) released a draft of the NFIP Reform Act of 2021, which would modify the NFIP claims process for policyholders whose NFIP claims are denied, as well as enact other reforms.

Ms. Stringer said in May, Commissioner Andrew N. Mais (CT) testified on behalf of the NAIC at the House Committee on Financial Services' Housing, Community Development and Insurance Subcommittee hearing entitled, "Built to Last: Examining Housing Resilience in the Face of Climate Change." The testimony focused on the importance of mitigation to improve disaster resiliency and highlighted the work of the Climate and Resiliency (EX) Task Force. The testimony noted state insurance regulators' partnership with FEMA and expressed support for a long-term reauthorization of the NFIP.

Ms. Stringer said Sen. Dianne Feinstein (D-CA) and Rep. Mike Thompson (D-CA) are reintroducing the Disaster Mitigation and Tax Parity Act (S. 2432), which would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants. She said this is the first time the bill has been introduced in the Senate, and it is being introduced by Sen. Feinstein and Sen. Richard Burr (R-NC) as a bipartisan bill. She said this is a bill the NAIC endorsed during the last U.S. Congress (Congress), and the NAIC continues to support this bill.

Amy Bach (United Policyholders—UP) asked if the NAIC has weighed in on Risk Rating 2.0. Ms. Stringer said the NAIC continues to communicate with FEMA and receive briefings; however, the NAIC has not taken a specific position. She said this is the first time FEMA has made changes to the NFIP program since the 1970s.

3. Discussed the Status of the *Catastrophe Modeling Handbook* and Drafting Group Formation

Commissioner Chaney said the Working Group met last month to discuss updating the *Catastrophe Modeling Handbook* (Handbook). He said the referral items include: 1) understanding how state insurance regulators are currently using the Handbook and determine its practical use within the regulatory toolkit; 2) coordinating with the Catastrophe Risk (E) Subgroup to understand the materials it is developing or making available to state insurance regulators regarding catastrophe models; 3) updating questions in Section VII of the Handbook to include wildfire (resource: *Application of Wildfire Mitigation to Property Exposure*); 4) considering questions specific to additional perils for which catastrophe models in use today are including, such as flood; 5) denoting which questions should be directed to insurers and which questions should be directed to catastrophe modelers; 6) exploring which catastrophe modelers have begun including climate change data in their models; 7) considering alternative formats for the Handbook to be able to more easily keep it current; and 8) updating the necessary sections.

Commissioner Chaney said the drafting group will need to determine the order of completion of these items. He said perhaps the drafting group will want to start with a discussion of how state insurance regulators are currently using the Handbook. He said to date, California, Connecticut, Louisiana, and Mississippi have volunteered to be a part of the drafting group. He said there are also some interested parties that would like to help with the drafting; while they will not be official members of the drafting group, it is important for them to participate in the discussions and provide their input, as it is valuable in this endeavor.

4. Discussed Roofing Repair and the MWUA Roof Upgrade Program Implemented in Mississippi

Mr. Case said Hurricane Zeta hit the Mississippi Gulf Coast in November 2020. The hurricane was a significant event for the Mississippi Windstorm Underwriting Association (MWUA), as there were 25,000 residential property claims. Mr. Case said the best time to fortify a roof is when putting a new roof onto a structure.

Mr. Case said during the claims settlement process, the MWUA made \$2,500 available to policyholders for reimbursement to upgrade to a fortified roof. He said surprisingly, Mississippi had very few policyholders take advantage of this offer. He said the average claim submitted for a roof upgrade was below the \$2,500 limit; and on average, the cost of a roof upgrade was \$1,800. He said one of the reasons this may have happened was that it was at the height of the holiday shopping season, so availability of cash was an issue for most policyholders considering a 2–5% deductible they were already having to pay. Mr. Case said there was also the issue of the withholding of depreciation. He said these items likely contributed to the low take-up rate of the reimbursement offer.

Mr. Case said there were three hurricanes in Louisiana, one in Alabama, and one in Mississippi in 2020, and there are only a certain number of Insurance Institute Business & Home Safety (IBHS) certified roofers available on the Gulf Coast. He said Mississippi was in competition with two other states that had as much or more damage than Mississippi for these certified roofers, as well as other property claim experts. He said there was a waiting list to have a roof repaired as it was, and he believes there was some hesitancy for people to have to wait even longer for an IBHS certified roof.

Mr. Case said Mississippi applauds the efforts of the MWUA, as the idea was to mitigate homes for future events and help some policyholders back out into the admitted market.

5. Discussed Items to Help Insurers with Expedited Claims Processing

Lisa Brown (American Property Casualty Insurance Association—APCIA) said the APCIA Catastrophe Actions Toolkit is included as a part of the Working Groups materials. She said the APCIA has heard from its members regarding getting into a catastrophe area quickly to adjust and settle claims, which oftentimes results in some regulatory hurdles. She said these hurdles are outside the jurisdiction of the department of insurance (DOI), but it would like to help eliminate some of the barriers. She

said the toolkit includes a draft bulletin, and the APCIA is hoping to begin a dialog on how it can help state insurance regulators in the various states.

Ms. Brown said the APCIA has heard from its members that it has set up a mobile claims settlement location not knowing that specific permits were needed to do so. She said the APCIA has also had issues with companies needing to bring in a tanker truck with fuel to refuel claims adjuster's vehicles at a claims settlement location, and it found that another permit was needed to do this, as well as issues with towing and salvage. She said the APCIA would like to be able to get authority for the DOI to make administrative pronouncements that fall outside of its jurisdiction or figure out ways for the DOIs to better coordinate with other state and local agencies that need to be involved. She said the draft bulletin in the toolkit is intended to address both pre-disaster preparation and recovery measures. She said the bulletin also addresses the DOI getting the claims related data and information the APCIA will inevitably need from the insurers following a catastrophic event. She said the APCIA would welcome the opportunity to work on these issues with the state insurance regulators.

Ms. Bach asked if this initiative relates to the growing offers that some insurers are notifying their policyholders about regarding the relationships they have with private firefighting agencies or providing loss mitigation in advance of a wildfire. Karen Collins (APCIA) said this is not part of the initiative being discussed today. She said the initiative the APCIA is discussing today relates to the state insurance regulator's role in coordinating with state and local officials and what that process will look like in preparation, as well as the expedited claims processing.

Mr. Byrd asked regarding the obstacles that authorities put up for entries, how long these last. He said he assumes these are for downed power lines or items such as flooding that take longer to clear. Ms. Collins said the most recent feedback the APCIA has received is for the time immediately following a storm. She said the hurdles insurers are having are the types that are simple to overcome from a simple administrative perspective (e.g., a permit is needed that the insurer did not know about even though access to an area is ready and available). She said knowing about these items and solving them prior to a catastrophic event would help alleviate additional delays.

Ms. Hatchette said many catastrophic events are local, which causes another set of issues. She said she is happy to discuss the individual barriers that various localities might have in place. She said the DOI has a seat at the table with the emergency managers; it has been her experience that it is difficult dealing with localities, and she is not sure a bulletin will provide automatic access. Ms. Collins said the APCIA recognizes that at the local level, there is going to be a lot of variation, but the APCIA hopes to promote a standardized approach or a working model to the various emergency operations individuals and officials and educate them on where these benefits lie, might then allow the local level to overcome some of these barriers. Ms. Brown said the APCIA would like to know if there is any way that as an industry, it can help to make this process smoother for state insurance regulators and the insurance industry. She said part of the toolkit describes putting together a multi-agency response team, where state insurance regulators can talk to the transportation department, or whoever is overseeing the placement of a tanker truck and things like local event permits.

Mr. Bradner said he applauds this effort. He said he is Connecticut's long-term recovery co-chair for FEMA's Emergency Support Function (ESF) #14, and he encourages other states to get involved too. He said Connecticut developed a program working with its Department of Emergency Management and Homeland Security and its state and local police. He said they have a bulletin with a certification program where they can issue placards to companies and the companies can sign up well in advance of a disaster. He said they ask insurers to provide an updated list of all their emergency contacts on a yearly basis. He said the bulletin also tells insurers that if they need several placards assigned to them, they can ask for them and have them distributed now so they are ready in the event of a disaster. He said the local authorities are also familiar with the process. He said he is also the liaison for the DOI at the command center if there is an event; this allows him to quickly work with the authorities to get adjusters into the areas where they need to be.

Ms. Bach said a discussion regarding getting undisputed benefits into the hands of policyholders is related to the topic of expedited claims handling, and she would like for the Working Group to discuss this further. Commissioner Chaney said many states address the issues of pre-payment, partial payment, and additional living expenses in bulletins. He said the biggest hurdle is to be certain you have licensed adjusters and emergency orders in place to get people out into the field.

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

Draft: 6/24/21

Catastrophe Insurance (C) Working Group
Virtual Meeting
June 21, 2021

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met June 21, 2021. The following Working Group members participated: Mike Chaney, Chair, David Browning and Andy Case (MS); Katie Hegland (AK); Brian Powell (AL); Ken Allen, Giovanni Muzzarelli and Lynne Wehmueler (CA); George Bradner and Wanchin Chou (CT); Virginia Christy (FL); Colin M. Hayashida and Grant Shintaku (HI); Travis Grassel (IA); Reid McClintock, Judy Mottar and Julie Rachford (IL); Heather Droke (KS); Rich Piazza and Tom Travis (LA); Joy Hatchette (MD); Cynthia Amann, LeAnn Cox and Jo LeDuc (MO); Timothy Johnson (NC); Carl Sornson (NJ); Tom Botsko (OH); Andrew Schallhorn (OK); David Dahl, Ying Liu and Van Pounds (OR); David Buono (PA); Segun Daramola and Beth Vollucci (RI); Will Davis (SC); Eric Hintikka and Brian Ryder (TX); and David Forte (WA). Also participating were: Eric Dunning (NE); Maggie Dell (SD); Diane Dambach, Darcy Paskey and Mark Prodoehl (WI); and Donna Stewart (WY).

1. Discussed the *Catastrophe Modeling Handbook*

Commissioner Chaney said one of the Working Group's charges is to consider edits to the *Catastrophe Modeling Handbook* (Handbook). He said the Working Group had plans to update the Handbook this year; however, the Climate and Resiliency (EX) Task Force recently sent a referral asking the Working Group to review the Handbook. The referral suggests some specific considerations for edits.

Aaron Brandenburg (NAIC) provided background regarding the history of the Handbook. He said the Handbook was last updated in November 2010. The narrative portion of the Handbook contains nine short sections, totaling approximately 33 pages. However, there are 18 appendices of 400 plus pages.

Mr. Brandenburg said the purpose of the Handbook is to explore catastrophe models in some detail and discuss issues that have arisen or can be expected to arise from their use. Additionally, the guidance is advisory only and not intended to be all-inclusive. The Handbook suggests areas and concepts that should be explored to become well informed about catastrophe models.

Mr. Brandenburg said Section One of the Handbook provides the purpose and background of the Handbook, as well as a brief overview of the Handbook. This section of the Handbook describes perspectives from insurers, catastrophe modelers, consumers, and state insurance regulators. While this section is written at a high level, the language is dated.

Mr. Brandenburg said Section Two provides an overview of earthquake and hurricane risks. One of the items the Working Group may want to consider is expanding the Handbook to add additional perils, as catastrophe models currently include additional perils.

Mr. Brandenburg said Section Three provides a general overview of catastrophe models. The three modules include scientific, engineering and insurance, and they provide a high-level overview of each module. The Handbook is not intended to detail all aspects of a catastrophe model but provide high-level information as it pertains to state insurance regulators.

Mr. Brandenburg said Section Four describes the model input that is entered into the models by insurers; this data is separated into exposure data and insurance data.

Mr. Brandenburg said Section Five describes the model output. The descriptions regarding output are brief and include just a few sentences for each output. The outputs include average annual losses (AALs), loss costs, distribution of losses, exceeding probability distribution, individual event losses, and historical event losses.

Mr. Brandenburg said Section Six describes the model validation and update and describes concepts, such as accuracy, comparison to historical information, input data provided by insurers, model updates, probabilistic range, real-time predictions, sensitivity, and stability.

Mr. Brandenburg said Section Seven discusses evaluating models. This section is a critical section to the Handbook. It includes general questions, questions specific to earthquakes, and questions specific to hurricanes. This section was last updated by state insurance regulatory actuaries in 2010. Mr. Brandenburg said this section will likely need to be reviewed to determine if it is

necessary to revise the questions. He said the Working Group may also want to consider if questions should focus on modelers and insurers. Currently, the questions are directed to modelers. Mr. Brandenburg said the Working Group may also want to consider which perils need to be added to the Handbook.

Mr. Brandenburg said Section Eight speaks to regulatory review and acceptance. This section includes a brief narrative on scrutinizing the process and results. It also discusses what to do with a modeler's proprietary information and how state insurance regulators might obtain that information.

Mr. Brandenburg said Section Nine describes related activities and items to consider. This section includes actuarial standards for model use, pre-tax loss reserves for companies, and activities to consider, such as auditing company exposure data, types of education, and outreach that can be done.

Mr. Brandenburg said the appendices contain: 1) a definitions section that provides various terms related to catastrophe models; 2) model data sources and documentation published on the modelers; 3) types of output; 4) modelers' contact information; 5) department of insurance (DOI) catastrophe contacts; 6) enacted legislation; 7) information from the Florida Commission on Hurricane Loss Projection Methodology, the California Earthquake Authority (CEA), etc.; 8) published interrogatories; and 9) state circular letters. These items are out now out of date. The Working Group may want to consider making this a living document with linked data.

Mr. Brandenburg said the Climate Risk and Resiliency (EX) Task Force asked that the purpose of the Handbook be revisited to determine its practical use within the regulatory toolkit. The Task Force also asked the Working Group to coordinate with the Catastrophe Risk (E) Subgroup. Mr. Brandenburg said he believes these were items the Working Group was planning to do in terms of discovering why the Handbook is not more widely used and how it might have better utility for state insurance regulators. The Task Force also recommended that the Working Group review Section Seven of the Handbook and consider adding to the existing questions, as well as possibly revising the existing questions.

Mr. Brandenburg said Risk Management Solutions (RMS) and the Center for Insurance Policy and Research (CIPR) collaborated on the white paper, *Application of Wildfire Mitigation to Insured Property Exposure*. He said the Task Force suggested that the Working Group consider including the questions found in this white paper related to wildfire, and he also suggested that the Working Group consider questions specific to additional perils for which there are catastrophe models in use today, including but not limited to, flood. He said the Task Force suggested that the questions be denoted to clarify which questions should be directed to insurers versus catastrophe modelers. He said the Task Force also recommended exploring which catastrophe modelers have included climate data in their models.

Mr. Brandenburg suggested that state insurance regulators: 1) determine why state insurance regulators are not using the Handbook; 2) discuss what is missing from the Handbook; and 3) discuss what would improve the Handbook's usefulness.

Mr. Brandenburg said considerations for the Working Group would be to: 1) gather state insurance regulator interest on what is needed; 2) incorporate information from the *Application of Wildfire Mitigation to Insured Property Exposure* white paper, including what information should be obtained from the insurer and the catastrophe modeling vendor; 3) edit "Questions to Insurers/Modelers"; 4) review the American Academy of Actuaries (Academy) guidance and education on catastrophe models; 5) explore climate models; and 6) determine future updates and how to better educate state insurance regulators and ensure that they have the information needed.

Mr. Botko said he chairs the Property and Casualty Risk-Based Capital (E) Working Group and Mr. Chou chairs the Catastrophe Risk (E) Subgroup. He said they have been in discussion about adding perils to the risk-based capital (RBC) calculation. He said he believes the tasks of both groups run parallel to some extent, and he believes the groups should coordinate about some of the things the Catastrophe Risk (E) Subgroup is considering as they add perils to the RBC calculation and how they are going to consider the validity of these models, as the models for wildfire are relatively new. He said convective storms is another peril the Catastrophe Risk (E) Subgroup is considering adding to the calculations. He said discussion about the process of how the Subgroup is going to look at the models, and the things that are going to be considered is important. The discussion will not necessarily be about approving the models, but about the process of getting the models accepted for the new perils. Commissioner Chaney suggested that it would be helpful for a couple of members to serve on the group drafting the updates for the Handbook.

Commissioner Chaney said in review, the Working Group will need to: 1) explore the catastrophe models, the way they are being used, and items that may have already been an issue or can be expected to be an issue at some time in the future; 2) add

the wildfire peril, and possibly flood and convective storms, as the Handbook is limited to earthquake and hurricane; 3) review guidance developed by the Academy; 4) coordinate with the Catastrophe Risk (E) Subgroup; and 5) consider alternative formats for the Handbook to facilitate the ability to more easily and more frequently update the Handbook.

Commissioner Chaney said he believes forming a drafting group to update the Handbook is the best way to move forward with the updates. He said the first task of the drafting group would be to review the materials included in the handouts for today's call, which includes: 1) the *Application of Wildfire Mitigation to Insured Property Exposure* white paper; 2) Actuarial Standard of Practice (ASOP) 56; and 3) the Academy research. He said Working Group members may want to include in-house actuarial staff on this project to provide their expertise in this area.

Mr. Chou said a high-level overview of the catastrophe model can be educational and useful for state insurance regulators. He said the Catastrophe Risk (E) Subgroup and the Catastrophe Insurance (C) Working Group likely need to discuss the purpose of the Handbook and discuss how it can be used more effectively. He said reviewing the model itself is a complicated process. He said discussion should encompass the educational and credential parts. He said when reviewing a model, the right questions should be asked.

Commissioner Chaney said there are things happening with the climate that do not fit historic patterns, such as tropical depressions intensifying over land. He said it is going to be important to look at catastrophe models and see what needs changing.

Dennis Burke (Reinsurance Association of America—RAA) asked if the purpose of the Handbook to focus on the role of the catastrophe model helping to identify catastrophic loss is to figure out the impact on the prospect of policy and rates that will be charged, or is the catastrophe model also opening into the climate model 20, 30, 40 or 50-year analysis. He asked if it is still focused on loss costs prospective policies. He mentioned not just loss costs, but also things like preference of the warm sea surface temperature model, as several states would not allow the use of warm sea surface temperature. He said state insurance regulators need to be looking at risk and deciding what to do about the risk that is five, 10, 20 or 30 years down the road; therefore, it is important to have the Catastrophe Risk (E) Subgroup involved, because this will affect the surplus. Commissioner Chaney said the Handbook is meant to be a live tool that state insurance regulators can use consistently.

NAIC staff will follow-up with Working Group members to find drafting group volunteers.

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

Draft: 8/13/21

Pet Insurance (C) Working Group
E-Vote
August 13, 2021

The Pet Insurance (C) Working Group conducted an e-vote that concluded August 13, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair (CA); Jimmy Harris (AR); Kris Fabian (CT); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); LeeAnn Cox (MO); Michael McKenney (PA); Kathy Stajduhar (UT); and David Forte (WA).

1. Adopted its Aug. 4, 2021 Meeting Minutes

The Working Group considered adoption of its Aug. 4, 2021 meeting minutes. During its Aug. 4, 2021, meeting, the Working Group took the following action: 1) adopted a definition of wellness program to include in Section 3 of the draft model; and 2) adopted the entire Pet Insurance Model Act as drafted.

A majority of the Task Force members voted in favor of adopting the Task Force's Aug. 4, 2021 (Attachment Four-A) The motion passed.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsminE-vote.docx

Draft: 8/10/21

Pet Insurance (C) Working Group
Virtual Meeting
Aug. 4, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 29, 2021. The following Working Group members participated: Don Beatty, Chair, Jessica Baggarley, and Phyllis Oates (VA); Kendra Zoller, Vice Chair, and Risa Salat-Kolm (CA); Katie Hegland (AK); Jimmy Harris (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd and Tom Travis (LA); Sheri Cullen (MA); Shirley Corbin and Rasheda Chairs (MD); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Mary Block and Anna Van Fleet (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Marcia Kramer (KS); Brock Bubar (ME); Joseph Sullivan (MI); Chris Aufenthie (ND); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its July 29 Minutes

The Working Group met July 29 to discuss language related to wellness plans in the draft Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Ms. Corbin, to adopt the Working Group's July 29 minutes (Attachment Four-A1). The motion passed unanimously.

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

Mr. Beatty said on its last call the Working Group adopted a new section addressing wellness programs. He said there was discussion about adding a definition of wellness programs to Section 3 – Definitions. He said Rhode Island has since submitted a revised definition. Mr. Gendron said the definition is meant to address two issues, the first being language clarifying that states have different definitions for transacting insurance. He offered language that would allow for three ways states define insurance, related to indemnification, determinable contingencies, and fortuitous events. He said states should be able to insert their own definition for insurance within this section. The second edit dealt with two-party contracts. Mr. Gendron said the new language clarifies that the definition is not meant to classify a contract between a service provider and a pet owner that only involves the two parties as insurance. Mr. Forte said the language would help clarify that the business of insurance is separate from wellness programs but if wellness vendors venture into insurance, then they fall under insurance law.

Birny Birnbaum (Center for Economic Justice—CEJ) said the model should define pet insurance as not including service providers only including two parties. He said services should not be listed in the model because there are pet insurers that provide those services. He said the model should define what pet insurance does not include. The key is whether a product or service triggers the definition of insurance within a state. He also noted that “service provider” should read “non-insurer service provider.”

Isham Jones (American Veterinary Medical Association—AVMA) said the list of services should be noted by saying “including, but not limited to.” Cari Lee (North American Pet Health Insurance Association—NAPHIA) agreed with this suggestion. Mr. Byrd said it is redundant to say “not limited to.” Mr. Beatty agreed with not including the additional language.

Mr. McKenney said the Working Group is treating wellness like service contracts. Mr. Birnbaum said there is a parallel with auto service contracts and travel insurance, and that is why pet insurance should be defined instead of wellness programs. Mr. Byrd said the list includes things done normally that are not fortuitous. Mr. Birnbaum said some are services, but some are preventative and are meant to avoid losses. For instance, a blood test might be part of a service with a condition and would not be non-insurance.

Mr. Gendron said if the language related to wellness services referred to a person, he believes it would all be insurance, and he would support Mr. Birnbaum’s definition. Lisa Brown (American Property Casualty Insurance Association—APCIA) said if the pet were human, these items would be covered under a health policy, but the policy is not health insurance. She also noted auto insurers do not pay for maintenance, but a consumer can purchase a maintenance contract. She said a wellness program for pet insurance is like a service contract.

Mr. Gendron noted that language previously adopted created the linkage between insurance and a wellness program by listing requirements for a wellness program to be marketed and sold alongside a pet insurance policy by a licensed insurance entity.

Mr. Gendron made a motion, seconded by Mr. McKenney, to adopt the following language to be added to the Definitions section of the model:

“Wellness program” means a subscription or reimbursement-based program that is separate from an insurance policy, that provides goods and services to promote the general health, safety, or wellbeing of the pet. These goods and services include wellness exams, fecal tests, blood tests, vaccinations/titers, preventive medications for fleas, ticks, and heartworm, dental cleaning, spay and neuter procedures, nail trimming, grooming, and licensing tags. If any wellness program [insert state trigger for insurance contracts, which might include [undertakes to indemnify another], or [pay a specified amount upon determinable contingencies] or [provides coverage for a fortuitous event]], it is transacting in the business of insurance and is subject to the insurance code. This definition is not intended to classify a contract directly between a service provider and a pet owner that only involves the two parties as being “the business of insurance,” unless other indications of insurance also exist.

The motion passed unanimously.

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

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_0804min.docx

Draft: 7/30/21

Pet Insurance (C) Working Group
Virtual Meeting
July 29, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 29, 2021. The following Working Group members participated: Don Beatty, Chair, Jessica Baggaley, and Phyllis Oates (VA); Andrew Gulcher (CA); Katie Hegland (AK); Jimmy Harris (AR); Kristin Fabian (CT); Warren Byrd (LA); Sheri Cullen (MA); Rasheda Chairs and Linas Glemza (MD); Jo LeDuc and Patrick Lennon (MO); Michael McKenney (PA); Matt Gendron (RI); Jamie Gile, Mary Block, and Anna Van Fleet (VT); and David Forte and Eric Slavich (WA). Also participating were: Linda Grant (IN); Heather Droke, Tate Flott, and Shannon Lloyd (KS); Brock Bubar and Sandra Darby (ME); Christine Peters (MN); Chris Aufenthie, Chrystal Bartuska, and Ross Hartley (ND); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its July 22 Minutes

The Working Group met July 22 to discuss language on waiting periods, free look periods, and wellness plans in the draft Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Mr. Forte, to adopt the Working Group's July 22 minutes (Attachment Four-A1a). The motion passed unanimously.

2. Discussed Adding Wellness Plans Language to the Draft Pet Insurance Model Act

Mr. Beatty said Washington submitted comments to add language to Section 7 regarding wellness programs. Mr. Forte said the name of the section should be changed to Policy Conditions in order to address policy issues beyond pre-existing conditions and waiting periods. He said there are five issues that he would like to see addressed in this section. He said those issues are: 1) the overlap between insurance policies and certain wellness programs, 2) prescriptive and wellness elements that are included within an insurance policy, 3) insurance companies marketing supplemental wellness programs that are not part of the insurance policy, 4) non-insurance entities providing wellness programs, and 5) insurance policy eligibility for consumers being contingent on participation in a partnering wellness program. Mr. Forte said Washington is proposing a definition in Section 3 of "wellness program" in an attempt to separate insurance from non-insurance wellness products. He said Washington is proposing three new subsections in Section 7 that would read: (C) A pet insurer must not require a veterinary examination of the covered pet for the insured to have their policy renewed; (D) If a pet insurer includes any prescriptive, wellness, or non-insurance benefits in the policy form, then it is made part of the policy contract and must follow all applicable laws and regulations in the insurance code; and (E) An insured's eligibility to purchase a pet insurance policy must not be based on participation, or lack of participation, in a separate wellness program.

Birny Birnbaum (Center for Economic Justice – CEJ) said regulators should focus on what is and is not insurance and this issue could be solved by a clearer definition of pet insurance. He said the comments submitted by CEJ and Center for Insurance Research (CIR) give a new proposed definition of pet insurance. Mr. Forte said the concern with this definition is that it expands the definition of insurance to include things that Washington would not view as insurance such as maintenance and preventative care. Mr. Birnbaum said the definition should be broad to provide uniformity across the states and to give consumers what they would expect from an insurance policy.

Isham Jones (American Veterinary Medical Association – AVMA) asked if the list of services in Washington's proposed definition of wellness program is meant to be a finite list. Mr. Forte said the list was not meant to be finite.

Mr. McKenney said there are currently many wellness programs that are not written by an insurance company that should not now be classified as insurance. He said he does support the language proposed by Washington with the exception of the last sentence in the definition of wellness program. Mr. Forte said the intent of that sentence is important to determine if a product aligns with a state's insurance code, but that the sentence could be re-worded. Mr. McKenney asked for clarification on the term "determinable contingency." Mr. Gendron said at least 15 states use this term as a statutory trigger for insurance. He said it would make sense to have that term in the definition, but also add in a term to refer to the two-party contracts between a veterinarian and consumer that are not considered insurance. Mr. Forte said if the term adds confusion for certain states then the term can be removed from the definition. Mr. Birnbaum said the type of two-party contracts being discussed is referred to

as a fee waiver. He said language addressing this exists in Model #632-1 Travel Insurance Model Act, and this working group should not try to re-invent the wheel but instead look to Model #632-1 for this language.

Mr. McKenney made a motion, seconded by Mr. Forte, to rename Section 7 to “Policy Conditions” and adopt subsections 7C, 7D, and 7E as proposed by Washington. The motion passed unanimously.

Mr. Beatty said in June, the North American Pet Health Insurance Association (NAPHIA) had submitted comments to add a new section to the model to address the sales practices of wellness programs. He said Mr. Forte had submitted a modified version of those comments for consideration to the working group. Mr. Forte said Washington removed sections of the language that directed what wellness programs could do, and focused on what insurance entities can do with insurance policies. He said this language will help a consumer understand what is part of the insurance policy when a policy and wellness program are marketed together. Cari Lee (NAPHIA) said this language is supported by NAPHIA. Mr. Birnbaum said he would not support this language.

Mr. Gendron said he does not agree with the proposed language. He said in part A, the structure and design of many wellness programs sold along side insurance policies is that of an insurance product because it indemnifies costs that are incurred at 3rd party vendors. He said in part B, he does not have regulatory authority to take action against companies selling a non-insurance wellness product. He said he does not support language that would add anything to existing rules of the Unfair Trade Practices Act. Mr. McKenney said in Pennsylvania’s Unfair Insurance Practices Act there is reference to anything of value in an insurance policy, so there is an overlap with non-insurance benefits.

Mr. Forte made a motion, seconded by Mr. Byrd, to include the proposed language as a new section in the model. The motion passed, with Rhode Island opposing.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_729min.docx

Draft: 7/27/21

Pet Insurance (C) Working Group
Virtual Meeting
July 22, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 22, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair, Andrew Gulcher, and Risa Salat-Kolm (CA); Katie Hegland (AK); Crystal Phelps (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); LeAnn Cox and Jeana Thomas (MO); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Jamie Gile and Mary Block (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Jimmy Gunn (AL); Linda Grant (IN); Vicki Schmidt (KS); Heather Droke, Tate Flott, and Brenda Johnson (KS); Daniel Lawson (ME); Sandy Anderson (MN); Chris Aufenthie, Chrystal Bartuska, and Janelle Middlestead (ND); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its July 8 Minutes

The Working Group met July 8 to discuss language on waiting periods and free look periods in the draft Pet Insurance Model Act.

Mr. Forte made a motion, seconded by Mr. Gendron, to adopt the Working Group's July 8 minutes (Attachment Four-A1a1). The motion passed unanimously.

2. Discussed the Issue of Waiting Periods in the Draft Pet Insurance Model Act

Mr. Beatty said the North American Pet Health Insurance Association (NAPHIA) submitted new proposed language that would: 1) change the language in Section 7B; 2) add three additional disclosures in Section 4; and 3) add a new definition for "orthopedic" in Section 3. Cari Lee (NAPHIA) said the submitted language was revised after discussion with the American Veterinary Medical Association (AVMA) and the revised language addressed concerns with the definition of "orthopedic" and concerns that waiting period requirements are clearly and prominently disclosed to consumers. Isham Jones (AVMA) said while there is still concern about the 120-day waiting period for orthopedic conditions, overall, the AVMA would be supportive of the proposed language.

Birny Birnbaum (Center for Economic Justice—CEJ) said he opposes any waiting period. He said the proposal of using three different waiting periods in one policy would be confusing to consumers. He said the waiting periods do not serve as a tool for adverse selection. He said the industry claims that waiting periods lead to reduced claims and lower premiums for all consumers but that the reduced claims are due to reduced coverage. He also said the use of different waiting period and preexisting condition options is too complex and that disclosures would not help alleviate confusion for consumers. Brendan Bridgeland (Center for Insurance Research—CIR) agreed with Mr. Birnbaum and said the language around waiting periods for accidents and specific conditions like "orthopedic" is too complex for the average consumer.

Mr. McKenney asked NAPHIA to explain the need for a 14-day waiting period for accidents. Ms. Lee said one reason for a specific waiting period for accidents is that some consumers will buy pet insurance after their pet has been in an accident and try to get coverage for the treatment needed due to that accident.

Mr. Forte asked what conditions insurers are seeing claims for that would necessitate a 120-day waiting period. Ms. Lee said hip dysplasia and other orthopedic conditions take time to manifest and diagnose, and she said these conditions are some of the costliest claims they cover. Dr. Jules Benson (NAPHIA) said the waiting period helps protect the insurers from conscious or unconscious adverse selection, but the insurers do see the need to cover these conditions when they develop in later policy years. Mr. Byrd asked why the policies are not priced based on the loss cost of these conditions. Ms. Lee said the waiting period is a tool to keep the price down for all consumers. She said underwriting this risk is costly and takes enough time that it would likely put off the customer from purchasing the product at all. Dr. Benson said the underwriting would still need to rely on the provided medical records.

Mr. Gendron said the waiting period is similar to a personal property floater that requires an appraisal, inspection, receipt, or some other method of verifying the items value before it is insured. He said the waiting period and veterinary exam are ways of getting the policies out to consumers without adding an additional cumbersome step.

Mr. Gendron made a motion, seconded by Mr. Byrd, to: 1) change the name of Section 7 – Pre-existing Conditions to Section 7 – Pre-Existing Conditions and Waiting Periods; 2) delete the current language in Section 7B and replace it with the proposed new language from NAPHIA’s submitted comments; 3) insert in Section 4 the three additional disclosures from NAPHIA’s submitted comments; and 4) insert in Section 3 the definition of “orthopedic” from NAPHIA’s submitted comments. Mr. Forte made a substitute motion, seconded by Mr. McKenney, to adopt the previous motion with the following change to the proposed language in 7B: remove the 14-day waiting period for accidents and have only a 30-day waiting period for illnesses and orthopedic conditions. The motion passed, with Rhode Island opposing.

Mr. Gendron said with the new adoptions to Section 7 on waiting periods, the definition of “waiting period” in Section 3 should be changed. He said the definition should make it clear that the waiting period does not apply to policy renewals. He suggested removing the last sentence of the definition and replacing it with: “Waiting periods may not be applied to renewals of a policy.” Ms. Lee asked how this language would apply if a consumer increased his or her coverage in subsequent policy years. Mr. McKenney agreed that a consumer could buy an accident-only policy and then at renewal add illness, which would change the coverage of the policy. Ms. Fabian asked how it would be treated if another pet was added to the policy at renewal. Lisa Brown (American Property Casualty Insurance Association—APCIA) suggested using the term “coverage” instead of “policy” in the proposed language.

Mr. Gendron made a motion, seconded by Mr. Forte, to change the definition of “waiting period” in Section 3 to read “means the period of time specified in a pet insurance policy that is required to transpire before some or all of the coverage in the policy can begin. Waiting periods may not be applied to renewals of existing coverage.” The motion passed unanimously.

Ms. Lee said NAPHIA cannot support the model with the current language for waiting periods. Mr. McKenney asked if NAPHIA disagreed with the waiting period length for orthopedic conditions, accidents, or both. Ms. Lee said both waiting periods are important to the way NAPHIA companies are writing their policies. She said if the Working Group could offer more flexibility on the waiting periods, NAPHIA would be more likely to support the model. Mr. Forte said without data to support the need for longer waiting periods, it is difficult to see why those specific long waiting periods are needed.

Mr. Gendron asked, in NAPHIA’s proposed language, what is being covered if there is a 14-day waiting period for accidents and a longer waiting period for illnesses and orthopedic conditions. Ms. Lee said the premium reflects the waiting periods, so the consumer is not paying for coverage he or she is not receiving. Mr. McKenney asked if the renewal policies are more expensive because they do not have the waiting period. He also asked if a consumer initiates a veterinary exam to waive the waiting period, would the premium increase since there is no waiting period and there would be more days of coverage. Ms. Lee said she would have to get back to the Working Group on those questions.

Mr. Gendron said if the Working Group is going to revisit the waiting period issue, he would like to include a look-back period, of no more than 72 hours, for a veterinary examination that waives the waiting period.

3. Discussed the Issue of Free-Look Periods in Section 4 of the Draft Pet Insurance Model Act

Mr. Gendron said during the Working Group’s July 8 meeting, there was discussion on whether the free-look period should be included in the model and concern about the length of time of the free-look period. He said to address concern about the length of time of the free-look period, the language should be changed from “not less than 30 days” to “15 days.” He said there should also be language stating that the policy can be returned during the free-look period “unless the insured has submitted a claim to the insurer that has been paid.”

Mr. Gendron made a motion, seconded by Mr. McKenney, to change the language in 4G(2)(a) and 4G(2)(c) to reflect a 15-day free-look period. Mr. Byrd said actuaries in Louisiana have expressed that any length of free-look period is not actuarially sound. The motion passed, with Louisiana opposing.

4. Discussed the Issue of Wellness Plans in Pet Insurance

Mr. Beatty said the Working Group should recommend to the Property and Casualty Insurance (C) Committee that the Working Group should draft a white paper on the use of wellness plans in pet insurance, including how wellness plans are marketed and what defines the difference between wellness plans and insurance.

Ms. Zoller said she had submitted language for additional disclosures on the marketing of wellness plans and the exclusion of wellness care within the pet insurance policy.

Mr. Forte said pet insurance needs to be well defined. He said wellness plans that are a subscription service between a veterinarian and consumer and do not include insurable items would not be regulated by state insurance departments. He said an insurance policy should not be affected by a wellness plan and that the wellness plan should be a stand-alone product.

Mr. Byrd said the greater the linkage between the wellness plan and how it is marketed, sold, and billed by an insurance company, the more it crosses over into a product that would be regulated by state insurance regulators. He said wellness plans sold and billed by veterinarians are fine, but when the wellness plan is billed on the same invoice as an insurance policy, that would create linkage. Mark Cushing (Mars Veterinary Health—MVH) agreed that veterinarian-based wellness plans are not a regulated insurance activity.

Mr. Bridgeland said it is important to define pet insurance within the model to make a clear line between insurance and wellness plans. He said the language in the model would be more effective than a white paper. Mr. Beatty said a white paper may lead to an amendment of the model, but it would bring jurisdictions together to analyze an issue and make suggestions on how to deal with the issue.

Ms. Lee said NAPHIA previously submitted comments on wellness plans that address, among other things, the marketing concerns that some Working Group members have expressed.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_722min.docx

Draft: 7/15/21

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

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 8, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair (CA); Katie Hegland (AK); Crystal Phelps (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd and Tom Travis (LA); Sheri Cullen (MA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox, Jo LeDuc, and Jeana Thomas (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Jamie Gile and Mary Block (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Vincent Gosz (AZ); Katie Deaver (ID); Linda Grant (IN); Tate Flott (KS); Brock Bubar (ME); Sandy Anderson and Christine Peters (MN); Chris Aufenthie (ND); Tracy Burns (NE); and Maggie Dell (SD).

1. Adopted its June 24 Minutes

The Working Group met June 24 to discuss comments received on Section 7 of the draft Pet Insurance Model Act. The Working Group also discussed the use of wellness products in pet insurance.

Mr. Byrd made a motion, seconded by Mr. Forte, to adopt the Working Group's June 24 minutes (Attachment Four-A1a1a). The motion passed unanimously.

2. Discussed the Issue of Waiting Periods in the Draft Pet Insurance Model Act

Mr. Beatty said the North American Pet Health Insurance Association (NAPHIA) submitted proposed language that would add: 1) a new section to the draft model (Section 8); 2) an additional disclosure in Section 4; and 3) a new definition for "musculoskeletal" in Section 3.

Mr. Gendron said Rhode Island had reviewed the proposed language and did not fully agree with all aspects of the language, but he said some aspects of the language did make sense to address in the model. He said it did make sense that certain conditions would require different lengths of waiting periods. He also said it made sense to add the definition of "musculoskeletal." Cari Lee (NAPHIA) said all NAPHIA member companies are currently offering some type of waiting period for the following reasons: 1) to eliminate adverse selection; 2) to reduce the cost of the policy; and 3) to give consumers different options in the market. Ms. Lee said the NAPHIA proposal would have limits of 14-day waiting periods for accidents, 30-day waiting periods for illnesses, and 120-day waiting periods for musculoskeletal conditions. She said ideally, they would like to see 180-day waiting periods for musculoskeletal conditions. Dr. Jules Benson (Nationwide Insurance) said these musculoskeletal conditions can be costly, require chronic treatment and develop over a long period of time. He said with the timing of the presentation of musculoskeletal conditions, a 180-day waiting period would help control cost for everyone. He said a 180-day waiting period would allow more insurers to be involved in pet insurance and offer more choice for consumers looking for different pricing on policies. Ms. Lee clarified that the proposed language does include the ability for consumers to waive waiting periods, which is a practice in the industry currently. Mr. Gendron asked if industry has data on how often musculoskeletal conditions develop in dogs. Dr. Benson said the data may be skewed due to adverse selection, but pet owners tend to seek treatment for these conditions more often than other conditions. He said the waiting period is a protection against unreasonable loss for the insurer.

Mr. Gendron said as a state insurance regulator, the 180-day waiting period is concerning for a one-year policy and the fact that consumers may not fully understand the disclosures they are presented with. Dr. Benson said if the waiting period is too restrictive, some insurers may opt to not offer coverage at all for certain conditions that would be too costly. Ms. Lee said the ability to have different length waiting periods provides variation in the market and drives competition and choice for consumers. Mr. Byrd agreed that 180 days would be excessive for a waiting period from a consumer standpoint. He asked why a veterinary examination is not mandated by companies prior to the insurance being effective. Ms. Lee said some companies do require an exam, but many do not in order to keep costs down for consumers and to avoid administrative costs for the pet insurer. She said that after a waiting period has been met in the initial policy year, there is no waiting period requirement in subsequent renewals. Mr. Byrd asked if a shorter waiting period was more likely to result in a required veterinary examination before the policy was issued. Ms. Lee said a shorter waiting period was more likely to result in an insurer excluding coverage for the condition.

Mr. McKenney said there is nothing keeping a company from writing a policy of less than one year, and it is concerning for a company to have the ability to implement a waiting period that could be almost as long as the policy period. He said it is also concerning since the industry wants the ability to write policies that do not renew, and the replacement policy would make the condition that first required a waiting period a preexisting condition. He said it would be confusing to consumers to have a policy with several different waiting periods that has coverage kick in at different times after policy inception.

Dr. Gail Golab (American Veterinary Medical Association—AVMA) said the term “musculoskeletal” should not be used in its current definition. She said the use of this term could cause issues of interpretation of the language. She said it would be best to get a different descriptor to address the issue these type of conditions. She said the AVMA and NAPHIA are working towards language that is agreeable.

Birny Birnbaum (Center for Economic Justice—CEJ) said he is opposed to any waiting period. He said in other lines of insurance, the waiting period is there to ensure that a condition continues for a minimum length of time, and it is not meant to replicate a preexisting condition exclusion. He said there should not be a waiting period for accidents. He said there is no evidence that waiting periods empower consumer choice and that waiting periods are not a tool for adverse selection like preexisting condition exclusions.

3. Discussed the Issue of Free-Look Periods in Section 4 of the Draft Pet Insurance Model Act

Mr. Byrd and Mr. Forte said they would oppose a free look period. Mr. Birnbaum said: 1) free look periods are a common feature in other lines of insurance; 2) free look periods cannot be invoked if a claim has been made; 3) no evidence has been offered that a free look period has large administrative costs; and 4) industry would not be willing to offer the free look period if there was a significant cost. Brendan Bridgeland (Center for Insurance Research—CIR) said the free look period is not free insurance for consumers. He said after talking with representatives from NAPHIA, he understands that there is not a hidden or significant cost for free look periods. Mr. Forte said there is an administrative cost to write a policy and in property/casualty (P/C) insurance, there is already a mechanism to return a policy and get back unearned premium. Mr. McKenney agreed that P/C products have a mechanism for pro-rata premium returns. He said insurers charge a cancellation fee for consumer-driven cancellations, and if industry is saying there is no cost to writing and cancelling policies with the free look period, then no line of insurance should have cancellation fees.

Mr. Forte made a motion, seconded by Mr. Byrd, to remove any allowance of a free look period in the model. The motion did not pass, with Arkansas, Louisiana, Pennsylvania, Utah, and Washington voting in favor, and Alaska, California, Connecticut, District of Columbia, Missouri, Nevada, Rhode Island, and Vermont voting against.

Mr. McKenney said the language in the current draft of the model says free look periods must be no less than 30 days, which could allow for up to a 364-day free look period. He suggested that the language should reflect a maximum of 30 days for a free look period. Mr. Gendron agreed with changing the language to make the free look period a maximum of 30 days. Ms. Summers said there should be a minimum length of the free look period as well. Mr. Byrd said if the free look period is not required by the language in the model, then a minimum length requirement would not be necessary. Mr. Beatty said the discussion of whether the current language mandates a free look period and any changes to the language would be continued during the Working Group’s next meeting.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_708min.docx

Draft: 7/7/21

Pet Insurance (C) Working Group
Virtual Meeting
June 24, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met June 24, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair, Andrew Gulcher and Risa Salat-Kolm (CA); Jimmy Harris (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Rasheeda Chairs (MD); Carrie Couch, LeAnn Cox and Jo LeDuc (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Rosemary Raszka (VT); and David Forte, John Haworth and Eric Slavich (WA). Also participating were: Ken Williamson (AL); Heather Droke (KS); Brock Bubar (ME); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its June 10 Minutes

The Working Group met June 10 to discuss comments received on Section 3 and Section 4 of the draft Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Mr. Forte, to adopt the Working Group's June 10 minutes (Attachment Four-A1a1a1). The motion passed unanimously.

2. Discussed Section 7 of the Draft Pet Insurance Model Act

Mr. Beatty said the Working Group would continue to discuss comments received on open issues in the draft model.

Justin Liby (Companion Protect) said with respect to Section 7B, Companion Protect would support the industry being allowed to use both preexisting condition exclusions and waiting periods in tandem. He said both features address the issue of adverse selection; they work in different ways. He said the waiting period prevents a claim from being covered under the insuring agreement portion of an insurance policy and is designed to identify those conditions that are likely to become a preexisting condition. He said a preexisting condition exclusion only applies after a claim is determined to be covered under the insuring agreement and may not be limited to a specific time period. He said Companion Protect would be opposed to a cap on the duration of a waiting period. He said that if there is appropriate disclosure of the duration of the waiting period and what it applies to, then consumers can choose the best product for themselves at the right price. Mr. Byrd asked for an explanation on why a company would oppose a cap on the length of the waiting period. Mr. Liby said Companion Protect would like the ability to be more creative and deliver a product to the marketplace that a consumer might want.

Jack Chaskey (Companion Protect) said the products would be filed for approval with state insurance regulators, and the related pricing would be commensurate with the relative waiting period. Mr. McKenney said many states do not have prior approval authority. Ms. Cox asked if any states had specific statutes or regulation that speak directly to the time frames for waiting periods. Mr. Byrd said the National Flood Insurance Program (NFIP) has a mandatory 30-day waiting period for flood insurance. Mr. Gendron said he would have a problem with a waiting period longer than 30 days. He said it would make more sense for the company to exclude the condition entirely rather than have a long waiting period. He said he is in favor of allowing both preexisting condition exclusions and waiting periods in a policy with reasonable restrictions. Mr. Byrd said a 30-day waiting period would be reasonable for both the insurer and the insured. Dr. Gail Golab (American Veterinary Medical Association—AVMA) said it is a complex issue because of the many different animals that could be covered under a policy, and certain conditions would manifest at different times for those different animals. She said a 30-day waiting period would be reasonable.

Mr. Gendron asked if there would be any concern with including a provision that with an inspection from a veterinarian, a waiting period could be waived. Dr. Golab said she would like to see specific language on that provision but agrees with the concept. Brendan Bridgeland (Center for Insurance Research—CIR) said he would not be in favor of the proposal to have no cap on waiting period durations. Birny Birnbaum (Center for Economic Justice—CEJ) said it is unclear why a waiting period is needed at all if there are preexisting condition exclusions in the policy. He said a waiting period would be problematic for consumers who would have an expectation when they purchased a policy that anything that is not a preexisting condition would be covered. Mr. Birnbaum said it is unrealistic to expect consumers to understand all the features and limitations of a product as complex as pet insurance. Cari Lee (North American Pet Health Insurance Association—NAPHIA) said the Working Group

will be presented with language that would be a middle ground in the discussion on waiting periods. She said waiting periods assist with the issue of adverse selection and allow all policyholders to be held to the same standards. Mr. Forte said he agrees with Mr. Gendron that waiting periods and pre-existing condition exclusions can be applied together with certain parameters. He said is comfortable with a 30-day waiting and that he would not be comfortable with the unlimited time frame.

Mr. Beatty said in Section 3G, there was a suggestion to change “treatment provided by a veterinarian” to “treatment provided, prescribed or suggested by a veterinarian.” There was no motion to adopt this change.

Mr. Beatty said in Section 4G (2), there was a suggestion to change “owner” to “insured.” Mr. Gendron asked if this change would bring a need to address insurable interest. Dr. Golab said it is not uncommon in the dog performance world to have a single animal with multiple owners, so there may be some advantage to referring to the insured instead of the owner. Mr. Byrd made a motion, seconded by Mr. Forte to adopt this change. The motion passed unanimously.

Mr. Beatty said the Working Group had previously discussed free look periods and that discussion is still an open topic. Mr. Birnbaum said there should be a provision that specifies that if a consumer is looking to return a policy, the insurer needs to provide clear instructions and the process should not be difficult for the consumer. Mr. Byrd said actuaries in Louisiana still take issue with providing insurance without a premium payment. Mr. Forte said actuaries in Washington also have an issue with this since there is a cost associated with administering the policy, and when consumers return the policy during the free look period, that cost is passed on to other consumers. Mr. McKenney said that since enough states take issue with the free look period, it should not be required, and it should be left to a state-by-state basis. He said the language says “not less than 30 days,” so technically the law is saying companies implement a 364-day free look. Mr. Birnbaum said the *Travel Insurance Model Act* (#632) incorporates a free look provision that should provide guidance for this model. He said the free look provision does not provide free coverage since the policy can only be returned if a claim has not been made. Mr. McKenney asked if the travel insurance free look period expires before the coverage takes effect. Caren Alvarado (Crum & Forster) said Model #632 states that if there is a free look period and if there is going to be a refund had there not been a claim paid, then the entire cost of the travel protection plan would be refunded.

3. Discussed Pet Wellness Products

Ms. Lee said NAPHIA submitted language for the Working Group’s consideration based on some of the concerns expressed over the last few meetings regarding wellness. She said NAPHIA members are licensed insurance entities, and none of the members sell stand-alone wellness products. She said currently, NAPHIA members are selling wellness products as endorsements to insurance policies, or they are sold alongside a policy as a separate product. Ms. Lee said NAPHIA’s proposed language clarifies that: 1) the purchase of wellness products is not a requirement to purchase pet insurance; 2) the cost of the wellness product should be separate and identifiable; 3) the terms and conditions should be separate from the policy and be available to the consumer prior to enrollment; 4) the wellness product should not duplicate the pet insurance policy benefits; and 5) the advertisement of wellness products should not be misleading. She said NAPHIA included language that specifies that advertisements should delineate between a wellness product and a pet insurance product, and that the wellness product should not use language that would apply to an insurance policy such as “premium” and “policy.” She said NAPHIA included language on disclosing the costs for the wellness product and which of the costs are for the pet insurance product.

Mr. Forte said after reviewing the language, he believes it aligns with the view that wellness products should be distinct and different from insurance. He said if it is part of the policy, it would be considered insurance, and if it is separate from the policy, then it should have no influence on eligibility of the policy. He said the Working Group has heard reports that if a consumer does not pay a non-insurance company’s wellness plan, their insurance policy that is in partnership with the wellness company would then also be cancelled. He said there should not be a requirement to buy both the wellness product and insurance policy. Mr. McKenney said wellness products often include insurance benefits such as a death or burial benefit, or chiropractor benefits. He said the language about wellness products in the model should be carefully crafted so that companies are not issuing wellness products that do have insurance benefits but are not considered insurance products and, therefore, not regulated and not collecting premium tax.

Mr. Beatty suggested that the Working Group should draft language that states, “The wellness product can be a wellness product, but it cannot include anything that meets the definition of insurance under the specific state insurance code.” Mr. Birnbaum said the proposed language seems to be defining an insurance benefit as insurance if it is included in the policy and not an insurance benefit if it is a stand-alone product. He said this is confusing to consumers and an arbitrary distinction that promotes a lack of consistent regulation for consumer protection. Mr. Birnbaum suggested that wellness products should be defined as any product, service, or benefit related to promoting and maintaining the health and wellness of the pet. He said

these services—including wellness exams; blood tests; vaccinations; preventive medications for fleas, ticks, and heartworm; dental cleanings; spaying and neutering; and nail clippings—should all be a part of the insurance package. Mr. Bridgeland agreed with Mr. Birnbaum's view of the wellness product offerings. He said he does not like the use of the word “complementary” in the NAPHIA language because it is too close to the word “complimentary” and could be confusing to consumers that might expect something that is being provided for free. Mr. Gendron said one issue with the language is that it seems to be attempting to give state insurance regulators authority over non-insurance products and may preempt the authority of state attorneys general with regard to unfair trade practices. Allison Osterberg (Banfield Pet Hospital—Banfield) said Banfield does sell wellness plans that are not insurance. She said it is a bundle of set services offered by their veterinarians, and the product does not need a triggering event to be used. She said it is common in the veterinary industry to sell prepackaged services for specific clinics or pet hospitals. The Working Group agreed to continue discussion of wellness products in their next meeting.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_624min.docx

Draft: 6/17/21

Pet Insurance (C) Working Group
Virtual Meeting
June 10, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met June 10, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair, Andrew Gulcher and Risa Salat-Kolm (CA); Katie Hegland (AK); Jimmy Harris (AR); Kristin Fabian and George Bradner (CT); Angela King (DC); Tom Travis and Warren Byrd (LA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox, Jeana Thomas and Jo LeDuc (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Anna Van Fleet (VT); and David Forte and Eric Slavich (WA). Also participating were: Brenda Johnson and Sharil Sivertson (KS); Brock Bubar (ME); Chris Aufenthie (ND); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its May 19 Minutes

The Working Group met May 19 and took the following action: 1) discussed Section 3, Section 4 and Section 7 of the draft Pet Insurance Model Act; and 2) discussed issues with standalone and endorsement wellness products.

Mr. Forte made a motion, seconded by Mr. Bradner, to adopt the Working Group's May 19 minutes (Attachment Four-A1a1a1a). The motion passed unanimously.

2. Discussed Section 3, Section 4 and Section 7 of the Draft Pet Insurance Model Act

Mr. Beatty said the Working Group would discuss comments received on the remaining open issues in the draft model. Ms. Zoller said California submitted a new proposed definition for "pet insurance" because the Working Group had not come to an agreement on the language about veterinary expenses within the definition. She said the definition reflects how pet insurers are currently defining the product and what the product is currently offering. The language reads, "'Pet Insurance' means an individual or group property insurance policy that provides coverage for accidents and illnesses of pets." Ms. Van Fleet said Vermont approves of the proposed definition. Mr. Forte said the Working Group had previously discussed removing the reference to group policies, as the industry had reported that the policies are not true group policies. He said group policies are not offered on property/casualty (P/C) insurance products. He recommended that the definition not refer to individual or group policies. Ms. Zoller agreed to this change in the proposed definition. Birny Birnbaum (Center for Economic Justice—CEJ) said preventative care should be part of the definition. Brendan Bridgeland (Center for Insurance Research—CIR) said including the word "property" in the definition would be a complication if pet insurance is in the future designated as a different type of insurance. Ms. Zoller said the addition of "property" would help consumers understand what type of insurance they are buying. Cari Lee (North American Pet Health Insurance Association—NAPHIA) said the term "veterinary expenses" is still misleading to consumers. Mr. Forte said the use of the term "eligible expenses" would be confusing, as that term is used in health insurance, but property insurance would use the term "covered expenses."

Mr. Forte made a motion, seconded by Ms. Van Fleet, to adopt a definition that states, "'Pet Insurance' means a property insurance policy that provides coverage for accidents and illnesses of pets." The motion passed unanimously.

Justin Liby (Companion Protect) said the use of the term "coverage is afforded" is concerning because if a claim is paid but the condition should have been excluded, the current language would require the insurer to continue covering that condition, and they would not be able to apply a preexisting condition clause to that condition. He said the language should be replaced with "a claim was properly paid" in the definitions for "preexisting condition" and "waiting period." Mr. Birnbaum and Mr. Bridgeland opposed this change. Mr. McKenney said it should not be based on whether a claim was paid because a company can open an investigation into the claim during the policy period and pay it after the policy period ends. He said it should be based on whether coverage applies to the condition. No motion was made to adopt this change.

Mr. Liby said Section 3I—Renewals should be removed from the draft model because the existing insurance codes and regulations already define what a renewal is, and the draft model definition could conflict with those existing definitions. Mr. McKenney said the purpose of this definition is to not allow a company to call a policy a renewal if it is going to exclude coverages that were included in the initial policy period. He said if the industry is going to exclude conditions in subsequent policy years, then it would have to issue a non-renewal and offer the customer a new policy with altered terms. Mr. Gendron

said the conflicts of law doctrine would apply, as this definition would be more specific and more recent than the existing definitions. Mr. Bridgeland agreed that Section 3I should remain in the draft model. No motion was made to adopt this change.

Mr. Liby said in Section 4, the information in Subsection B is dealt with in Subsection C and Subsection D; therefore, Subsection B should be deleted. He said in Subsection D, the term “usual and customary” should be replaced with “prevailing veterinary service provider charges” because it captures the intent of the overall disclosure. Mr. Birnbaum opposed removing “usually and customary” because the proposed alternative inserts the words “veterinary service,” which could be a contradiction to the issues with the term “veterinary expenses” in Section 3—Definitions. Mr. Bridgeland opposed the removal of Subsection B because consumers should know how the insurers determine that payments are going to be made. No motion was made to adopt these changes.

Ms. Zoller said in several areas of Section 3 and Section 4, she suggested that requirements in the draft model to link to definitions and disclosures should also be required to be prominently displayed and in at least 12-point font size. Mr. Beatty said it makes sense for the information to be prominently displayed, but it is not clear what font size would be appropriate for a website. Mr. Birnbaum said the font size would vary depending on the tool being used to view the website. Mr. Gendron said the Federal Trade Commission (FTC) uses the term “clear and conspicuous.” Mr. Bridgeland suggested requiring that the links cannot be in a smaller font size than the rest of the website. Ms. Lee said NAPHIA agrees to the “clear and conspicuous” language. Mr. Gendron made a motion, seconded by Mr. McKenney, to use the term “clear and conspicuous link” in Section 3 and Section 4 of the draft model when talking about required links on insurers’ and insurers’ program administrators’ web pages. The motion passed unanimously.

Ms. Zoller proposed a change to Section 4(A)2 that requires a disclosure if the policy excludes certain preventative care and wellness services. Mr. Beatty suggested revisiting this suggestion after the Working Group has concluded its discussion on wellness products.

Ms. Zoller said there had been previous discussion on the marketing of pet insurance products, and she proposed a new disclosure stating, “[a]n insurer shall not market or advertise pet insurance as health insurance for pets.” Mr. Forte said he understands the purpose of the proposal because many of the claims in Washington stem from confusion on the type of insurance the consumer is purchasing. He said if a new disclosure is adopted, he would like it to include clarifying language that pet insurance is property insurance. Mr. McKenney suggested that this language should be placed elsewhere in the law and should not be a required disclosure. Mr. Bridgeland agreed that the language should be a part of the law, but it does not need to be a separate disclosure. Ms. Lee said NAPHIA would support keeping the health language, as that is the way consumers tend to view pet insurance. Ms. Dell said using the health language could cause problems on the regulation side for enforcement of misrepresentation. Lisa Brown (America Property Casualty Insurance Association—APCIA) suggested that a potential disclosure should state that while the product covers some health concerns, it is a property insurance policy. Mr. Birnbaum said the purpose of the draft model is to get clear definitions and ensure that consumers know what they are purchasing, and it should not be used to memorialize what insurers are currently doing in the marketplace. He said he would support including the language proposed by California. Mr. McKenney asked if the states are getting complaints about the way the products are advertised. Ms. Zoller said the California complaints are not coded with that level of detail, but the complaints usually center around consumers not knowing exactly what they are purchasing.

Mr. Liby said Companion Protect would oppose the free look period that is mandated in Section 4 because the free look period tends to drive bad customer behavior. He said the free look period encourages consumers to buy a pet insurance product that they would not normally buy because they consider it a no regret decision, and they can cancel in 30 days if they do not have a claim. He said requiring a free look period leads to higher acquisition costs that insurers will never recover, and it leads to a higher volume of early terminations. He said Companion Protect proposes a required pro-rated premium refund if the policy is cancelled in the first 30 days. Mr. Gendron said free look periods are used in other lines with complex products, such as life insurance, annuities and travel insurance. He said he would like Companion Protect to submit data that supports its position. Mr. McKenney agreed with Companion Protect’s position that the free look period is not actuarially sound and passes on costs to all customers. Ms. Lee said NAPHIA would disagree with Companion Protect on this issue because the free look period is consumer friendly and allows the consumer to look at their policy in more detail and cancel that policy if it is not what the consumer thought it was. She said NAPHIA has not found that the free look period increases the cost of pet insurance in a significant way. Mr. Bridgeland said if the industry can include waiting periods in the policy, then the consumer should be allowed to have a free look period. Mr. Forte asked if NAPHIA could share its data on the minimal cost of free look periods. Ms. Lee said NAPHIA would share that data with the Working Group.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_610min.docx

Draft: 6/2/21

Pet Insurance (C) Working Group
Virtual Meeting
May 19, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met May 19, 2021. The following Working Group members participated: Don Beatty, Chair, Jessica Baggarley and Phyllis Oates (VA); Kendra Zoller, Vice Chair, and Andrew Gulcher (CA); Katie Hegland (AK); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Jamie Gile (VT); and John Haworth and Eric Slavich (WA). Also participating were: Linda Grant (IN); Brenda Johnson and Sharil Sivertson (KS); Sandra Darby, Brock Bubar and Frank Niles (ME); Chris Aufenthie (ND); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its April 29 Minutes

The Working Group met April 29 and took the following action: 1) discussed Section 3, Section 4 and Section 7 of the draft Pet Insurance Model Act; and 2) discussed issues with classifying pet insurance as a property/casualty (P/C) product.

Mr. Gendron made a motion, seconded by Mr. McKenney, to adopt the Working Group's April 29 minutes (Attachment Four-A1a1a1a1). The motion passed unanimously.

2. Discussed Section 3, Section 4 and Section 7 of the Draft Pet Insurance Model Act

Mr. Beatty said the Working Group received comments from Companion Protect (Companion) regarding Section 3, Section 4 and Section 7 of the draft Pet Insurance Model Act. Justin Liby (Companion) said Companion would like to see some flexibility in terms of whether definitions in the draft model will be prescriptive required terms. He said Companion would like state insurance regulators to be able to approve the use of similar definitions. Birny Birnbaum (Center for Economic Justice—CEJ) said this approach would not provide the consistency sought in the draft model and would allow for different definitions in each state. He said for consumer protection purposes, he would like to see important terms defined in the draft model. Brendan Bridgeland (Center for Insurance Research—CIR) said it is important to have a common baseline to avoid consumer confusion. Mr. McKenney said this proposed language would allow for non-uniformity, both across different states and within the state, because different language could be approved for individual insurers within the state. The Working Group did not vote to adopt this change.

Mr. Liby said Companion does not want to have to link to the definitions and disclosures on the main page of the insurance company website, as required in Section 3 of the draft model. He said there may not even be a reference to pet insurance on the main page of the website, and there are several pet insurance programs that have program administrators who maintain the website and market the products. He said Companion's suggestion is to require the location of the link to the definitions to be within the marketing information for the applicable policy. He said many pet insurers offer more than one type of policy, and there may be some differences with respect to the required disclosures for those policies. Additionally, he said some program administrators may administer multiple policies for a single insurer, or they may work with multiple insurers. Mr. McKenney asked how this language would be applied to printed marketing materials, such as pamphlets in pet stores and veterinary offices. Mr. Liby said the intention of the language is limited to internet website presence. Mr. McKenney said the language as submitted is not clear in its reference to marketing material. Mr. Gendron said the current language does not require the links on the insurer's main page if a program administrator's web page is used. He said the purpose of the language is to make the information easily available to consumers. Ms. Zoller said Companion currently has a link for California customers on their main web page. Mr. Liby said if Companion were to market a product for a different company, it would not want to place the link on the main web page. Ms. Zoller said the link is already buried on the web page, and the draft model should require the link to be more prominent. Mr. Byrd agreed that the link should be prominent on the main web page. Mr. Bridgeland said he would not be in favor of the proposed change. He said some companies currently have the information available on their web page, but there is no link, and the information can only be accessed through a Google search. Lisa Brown (American Property Casualty Insurance Association—APCIA) said even if program administrators handle programs for multiple companies, they should still be able to link to definitions on the main page of their website. The Working Group did not vote to adopt the change.

Mr. Liby said Companion would support the new definition of "pet insurance," as proposed by the North American Pet Health Insurance Association (NAPHIA) and the American Veterinary Medical Association (AVMA). That language reads, "Pet

Insurance' means an individual or group insurance policy that provides coverage for expenses specified in the policy." Ms. Zoller said the current definition that refers to veterinary expenses is not limiting the services that are covered. Kate Jensen (NAPHIA) said the proposed definition makes it clear that the definition of "pet insurance" is what is laid out in the specific policy that is purchased. She said this will encourage the consumer to understand what they have purchased and what is covered in the policy. Isham Jones (AVMA) said it is important that the consumer knows when going into a veterinary clinic what will and will not be covered under their pet insurance policy. Ms. Oates suggested the use of the term "eligible veterinary expenses." Mr. McKenney said it would make sense to use "eligible veterinary expenses" and keep the definition of veterinary expenses. Ms. Brown said the APCIA would support the proposed definition of "pet insurance" from NAPHIA and the AVMA. She said if the Working Group adopts the use of eligible veterinary expenses, then there should be an added clause of "as specified in the policy." Ms. Jensen said by limiting the definition to veterinary expenses, no matter how it is defined, companies would be limited in what they could offer consumers in terms of coverage in the future. She said NAPHIA would like to see flexibility with this definition. Mr. Birnbaum said the proposed definition from NAPHIA and the AVMA does not make it clear that it is for pet insurance. Ms. Jensen said the definition is broad because there is no standard policy in pet insurance, and industry does not want the definition to be limiting. She said the definition could be reworked to include the word "pet." Ms. Brown said there are companies that are currently offering coverage for services outside of veterinary offices, and companies should be able to continue to write those policies or policies for other products that consumers may request in the future. Mr. Gendron said there may be an unintended consequence of trying to define what "pet insurance" is if the intent is to exclude wellness coverage offered by veterinarians as insurance. He said the discussion on wellness products would help inform the discussion on the definition of "pet insurance."

3. Discussed Issues Related to Pet Wellness Products

Ms. Zoller said the Working Group should consider addressing, within the draft model, the wellness plans that most pet insurers are now selling alongside their insurance policies. Mr. Gulcher said California has seen several add-on products to traditional insurance, such as wellness products and health savings accounts (HSAs), that have been confusing to consumers. Ms. Zoller said with some of these products, the consumers pay money and then lose that money if they do not use the benefits. Mr. Gulcher said there are regulatory questions of how the money is being handled by the insurance companies and the verbiage used to describe wellness products and HSAs. Mr. Beatty asked if these products met the definition of "pet insurance" in California. Mr. Gulcher said several companies had products that were sent to the legal department for further review. Mr. Gendron asked if there have been any direct misrepresentations in the wellness offerings and whether there were any overlapping coverages with the insurance products they were sold alongside. Mr. Gulcher said there were instances of overlapping coverage for services like office visits in both the wellness coverage and insurance policy. He said there were not misrepresentations, but there are aspects that could be confusing to consumers. Mr. McKenney said some wellness plans cover funerals after a pet's death, which he would consider an insurance benefit. He said when wellness products are added on as endorsements, a non-payment for the wellness product could result in the cancellation of the whole insurance policy. Mr. Byrd asked if the wellness plans can be purchased without buying an insurance policy. Mr. Gulcher said the products that have been reviewed in California all require an insurance policy to be purchased to be able to buy the wellness plan. Alison Osterberg (Banfield Pet Hospital) said it is common for veterinarians to sell wellness subscription packages for things like vaccines that are not tied to an insurance policy. Ms. Jensen said it is important to industry to define what is and is not insurance and to ensure that only licensed insurance professionals are selling pet insurance products.

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

W:\National Meetings\2021\Summer\Cmte\C\PetInsWG\PetInsWG_519min.docx

Draft: 5/12/21

Pet Insurance (C) Working Group
Virtual Meeting
April 29, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met April 29, 2021. The following Working Group members participated: Don Beatty, Chair, (VA); Kendra Zoller, Vice Chair, and Risa Salat-Kolm (CA); Katie Hegland (AK); Kristin Fabian and George Bradner (CT); Angela King (DC); Warren Byrd (LA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox and Kendra Hetland (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Jamie Gile and Anna Van Fleet (VT); and David Forte, John Haworth and Eric Slavich (WA). Also participating were: Ken Williamson (AL); Brenda Johnson (KS); Sandra Darby, Lindsay Laxon and Frank Niles (ME); Chris Aufenthie (ND); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Discussed Section 3, Section 4 and Section 7 of the Draft Pet Insurance Model Act

Mr. Beatty said after the Working Group's previous meeting on March 26, the North American Pet Health Insurance Association (NAPHIA) submitted comments that addressed language regarding renewals that had been adopted by the Working Group. Kate Jensen (NAPHIA) said NAPHIA members are concerned that the adopted language would limit the ability of consumers to choose a term-limited accident and illness policy for their pet. She said NAPHIA is concerned it will limit innovation and options for consumers to have products at a lower price point. She said NAPHIA prefers robust disclosures to consumers about policy renewals and how the policy works. Mr. McKenney said the language adopted into the model says if a succeeded policy excludes conditions that were covered in the previous policy, then it cannot be called a renewal. He said the NAPHIA letter indicated that there have not been complaints about limited term policies not covering preexisting conditions in subsequent policies, but the industry has stated those policies are not yet available in the U.S.; therefore, there would be no complaint data. Mr. Byrd asked Ms. Jensen if the price point of the products that the industry offers will be determined by the experience of claims on these products. Ms. Jensen said there is a large gap in the price points of a policy that offers a lot of coverage and an accident-only policy. She said the industry does not want to lose the opportunity to innovate products that would be middle ground in terms of coverage and premium price.

Mr. Forte said he is concerned that a disclosure would not be sufficient to inform a consumer that conditions covered in the current policy period are likely to not be covered on the next policy with limited term policies. Mr. Bradner said the companies would have to issue non-renewals to the consumer and re-issue a policy with different terms and conditions. Mr. Forte said the consumer should know before purchasing a limited term policy that any subsequent policies will have different terms and conditions. Ms. Jensen said that any disclosure for this type of product would state very clearly that the policy is only for a limited term and that subsequent policies will have new preexisting condition clauses and new waiting periods.

Brendan Bridgeland (Center for Insurance Research—CIR) said offering waiting periods for one-year limited-term policies could lead to confusion for consumers and companies. He said the Working Group should consider using a term other than "preexisting condition" to avoid confusion for consumers that would be familiar with the concept in human health insurance. The language in Section 3—Definitions related to renewals remained unchanged.

Mr. Beatty said Mr. Bridgeland had submitted a drafting note related to Section 3E—Preexisting Condition. Mr. Bridgeland said the drafting note is to be used to provide guidance on what a verifiable source is. He said the drafting note would make clear that verifiable sources include business records from veterinarians, shelters, police and animal control, prior insurance claims, and any other written or electronic records. He said social media posts, especially those that include undated images, do not necessarily indicate verifiable sources but could be used by companies investigating potential fraud. Ms. Jensen said NAPHIA does not believe a drafting note is necessary since the term "verifiable sources" means able to be checked for accuracy. She said if the Working Group feels a drafting note is necessary, the proposed language from NAPHIA clarifies that an insurer's record would be a verifiable source.

Mr. Beatty said NAPHIA submitted additional comments on Section 7B and time limits on waiting periods. Ms. Jensen said NAPHIA strongly opposes any time limit on waiting periods and any language that would preclude the use of waiting periods and preexisting condition clauses together. She said they oppose anything that would require companies to parse out premium for each waiting period. Ms. Jensen said NAPHIA included language that adds more detail to the waiting period disclosure. Mr. Byrd asked what time frame NAPHIA would suggest for the length of a waiting period. Ms. Jensen said the length of

waiting period varies by policy and carrier, and it also affects the premium price point. She said waiting periods are typically structured for different conditions based on how long those conditions would take to develop. She said NAPHIA does not have consumer complaint records relating to waiting periods because there is robust disclosure of these waiting periods to the consumers.

Mr. McKenney said the Working Group should look at reworking the language in Section 7B that states no premium will be charged during the waiting period. He said that at least some premium should be charged if only certain conditions are excluded during the waiting period.

Mr. Beatty said the Working Group had previously discussed removing “individual or group” from Section 3D—Pet Insurance. He asked if any Working Group member is opposed to this removal. No Working Group member was opposed.

Mr. Beatty said the Working Group had previously discussed changing Section 3G—Veterinary Expenses to Eligible Expenses. Mr. Gendron said he understands the idea behind changing the term to “eligible expenses,” but he said he is concerned about the unintended consequences of broadening the definition. Mr. Byrd suggested that the language could be changed to indicate that veterinary expenses means eligible expenses. Ms. Jensen said most consumers do think of pet insurance as covering anything that happens at the veterinarian, but that is not always the case.

Mr. Forte said Washington has requested adding a disclosure that premium may increase due to the age of the pet and where the consumer resides. He said those premium increases are the biggest complaint they get in Washington. He said he is hopeful an additional disclosure would clear up confusion for the consumers. Mr. Byrd agreed that this is an important issue. Mr. McKenney said he has seen very large rate increases from products where the premium does not increase as the pet ages. He said the insurers had failed to account for the increased risk as the pet ages and, therefore, had to drastically increase premium rates. Gavin Friedman (Trupanion) said consumers should know factors that may cause their premium to increase, as well as factors that will cause their premium to increase. Mr. Bradner said he is not concerned about this issue because policies such as homeowners insurance increase in premium price as the home ages. Mr. Forte said the complaint is due to the amount of increase in premium. Mr. Beatty said if there is no opposition, the additional disclosure will be left in the draft model.

Mr. Beatty said the Working Group had previously voted to remove the Licensing section of the draft model and replace it with a drafting note. Mr. Gendron said the Producer Licensing Uniformity (D) Working Group is currently looking at how to handle producer licensing of pet insurance. He said once that Working Group makes a decision on how the licensing is handled, a drafting note in this model would no longer make sense. Mr. Beatty agreed and said the drafting note would be removed from the model.

2. Discussed Issues Related to Pet Insurance as a P/C Product

Mr. Gendron said the Rhode Island Department of Business Regulation – Insurance Division has been looking into whether it makes sense to report pet insurance as an inland marine line of business. He said pet insurance does not look like other risks reported in the inland marine line or in property/casualty (P/C) insurance. He said pet insurance evolved from horse insurance, and while it makes sense to classify horses as property when they have a monetary value, it does not necessarily make sense for a household pet. He said the terms used in pet insurance are similar to human health insurance, it is marketed like health insurance, and actuarially it operates like health insurance. Mr. Beatty said reclassifying pet insurance as health insurance would be difficult in the real world due to prior approval rates and other issues affecting both the insurance industry and state legislators. Mr. Byrd said he understands Mr. Gendron’s position, but he believes health insurance is for humans and pet insurance should continue to be classified as a P/C line of business. Ms. Zoller said another option is to have insurers stop marketing pet insurance as health insurance. Mr. Williamson agreed with Mr. Gendron and said he does not understand writing a health coverage on a property risk. Mr. McKenney said he agrees with both points, but it may be too late to try to reclassify pet insurance since there are adjudications dealing with pet insurance in the P/C market. He said if pet insurance is reclassified as health insurance, the industry would have to support that change.

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

Draft: 8/5/21

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)
July 20, 2021

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met July 20, 2021. The following Working Group members participated: Joy Hatchette, Chair (MD); Jimmy Gunn and Stephanie Tompkins (AL); Bobbie Baca (CO); George Bradner and Connor Huydic (CT); Julie Rachford (IL); Heather Droke (KS); Ron Henderson (LA); Jeana Thomas (MO); Kathy Shortt (NC); Chris Aufenthie and Janelle Middlestead (ND); Cuc Nguyen (OK); Jennifer Ramcharan (TN); and Marianne Baker and Laura Machado (TX). Also participating were: Michele McKenzie (ID); Linda Grant (IN); Karen Dennis (MI); Trisha Goldsmith (OR); Candy Holbrook (SD); Vicki Ayers (VA); Manabu Mizushima (WA); and Donna Stewart (WY).

1. Adopted its May 13 and Spring National Meeting minutes

The Working Group met May 13 and March 15. During its May 13 meeting, the Working Group took the following action: 1) heard reports from the three drafting groups formed to draft the various sections of a consumer disclosure regarding significant premium increases on property/casualty (P/C) insurance products; and 2) heard a presentation about VisibleThread's language analysis platform.

Ms. Shortt made a motion, seconded by Ms. Droke, to adopt the Working Group's May 13 (Attachment Five-A) and March 15 minutes (*see NAIC Proceedings – Spring 2021, Property and Casualty Insurance (C) Committee, Attachment Four*). The motion passed.

2. Received an Update from the Thresholds and Communications Standards Drafting Group

Mr. Bradner said the Thresholds and Communications Standards Drafting Group determined the following items regarding requirements for disclosures for premium increases: 1) a 10% threshold (any rate change greater than or equal to 10% on renewal) will trigger a notice; 2) the notice must be sent at least 30 days prior to the renewal; 3) the notice must include the new premium versus the old premium; 4) items affecting the premium increase should be listed by dollar amount; 5) the top reasons should be listed and should account for 80% of the premium increase, and the top five reasons for the premium increase should be listed; and 6) if an insurer already has an acceptable notification process in place and the state is in agreement with the process, the insurer could be allowed to continue the process in place; otherwise, these will be the minimum requirements.

Charles Angell (AL—Retired) said in the disclosure notice (Attachment Four-B), the second and third paragraphs apply only to policies that were capped. If an insured's premium was not capped, these paragraphs would be deleted and replaced by a single sentence stating the renewal premium. He said the reasons for the premium increase would be listed in descending order with the largest impact being shown first and then at least 80% of the premium increase; this is for the uncapped premium.

Various suggestions were made regarding the last sentence, and the Working Group agreed upon: "Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions."

Birny Birnbaum (Center for Economic Justice—CEJ) suggested that there should be a mechanism in place to test the disclosure to see if it is effective for consumers. Ms. Hatchette said she does not know if the NAIC had a mechanism in place to do consumer testing. She said NAIC staff will follow up to see if there are any mechanisms in place to test this disclosure with consumers. Mr. Birnbaum suggested giving reasons that insureds might offer for premium increases, or at least provide some examples. Mr. Bradner said the Drafting Group would discuss this possibility.

Mr. Angell said a disclosure notice must include specific reasons for the premium increase, which will vary from insurer to insurer. He said he is not sure the NAIC would be able to do consumer testing. He asked if anyone had other ideas on how to do the testing. Mr. Bradner said that maybe the insurers could do a sampling of letters that would send and then these letters could be used to do surveys with the individuals that received the letters on their renewals.

Angela Nelson (Automobile Club of Missouri) said when consumer testing was done on the health side, a consumer information subgroup tested the summaries of benefits and coverage forms, which does have a lot of information and variability by plan. She said when thinking about the different cost sharing, there were enough common elements to where they could go forward with some clarifications that the Consumer Information (B) Subgroup filled in for the consumer to test.

Ms. Hatchette suggested that perhaps Lisa Brown (American Property Casualty Insurance Association—APCIA) would be able to get the NAIC some samples of reasons for premium increases so the NAIC would be able to simulate what a notice might look like to do some consumer testing. Ms. Brown said until these disclosures are required, it might be difficult to get responses from the insurers. Mr. Bradner agreed that this is only something that could work once a state tells an insurer this is wanted.

3. Received an Update from the Rate Checklist Drafting Group

Ms. Droke said many states do not currently have a rate checklist in place. She said Kansas and Connecticut both have rate checklists in place, and both states find them to be extremely helpful. Ms. Droke said the Rate Checklist Drafting Group believes that although this checklist should not be required, it should be included in the best practices document, as states that do not have something like this in place may find the checklist to be beneficial.

Ms. Droke said Kansas has been using its checklist for about nine years and has found it to be efficient, as the checklist has increased its productivity by reducing the number objections they send out to the insurers. She said the checklist includes items that Kansas thought were most important. Ms. Droke said the checklist has reduced the amount of correspondence going back and forth between insurers and the Kansas state insurance regulators.

Ms. Droke said the Drafting Group made the decision to recommend using the Kansas rate/rule filing checklist. She said the Drafting Group did decide to add a question about whether an insurer is using a rating model. Ms. Droke said the Drafting Group believes that there are times insurers are using rate models and do not include this fact in their rate filings. She said the Drafting Group thinks the additional questions regarding rate models will provide a little more feedback to the state.

Ms. Droke said the document will be distributed to the Working Group members and interested parties following this meeting.

4. Received an Update from the Consumer Education Drafting Group

Ms. Shortt said the Consumer Education Drafting Group began with a master document from which it could pull various pieces of consumer education pieces. She said the Drafting Group has broken into three smaller drafting groups to draft the topics of underwriting and rating, and factors affecting premium increases and discounts.

Ms. Shortt said the Drafting Group is currently working on automobile insurance and will work on consumer education regarding homeowners insurance once the automobile insurance piece is completed. She said each of these drafting groups has been meeting consistently and will continue meeting on a monthly basis until the work is completed.

Ms. Shortt said the Underwriting and Rating Drafting Group has completed its work, and it will be sent to Brenda J. Cude (University of Georgia) for a readability review. Ms. Shortt said once all of the work is completed and documents are in place for auto and homeowners insurance, the NAIC Communications department has agreed to put together some infographics, social media pieces, and consumer alerts to be used by the departments of insurance (DOIs).

5. Heard a Presentation Showing an Example of Before and After the Use of the VisibleThread Product

Sara Robben (NAIC) showed the Working Group an example of the product output from the VisibleThread product. The product produces a report in both Microsoft Excel and Microsoft Word that shows the number of long sentences that were used, the readability and grade level score for each sentence, and the number of passive voice sentences that are in the document. The product also provides suggestions of how to fix sentences to make them more readable.

Ms. Robben asked Working Group members to let her know if they would like contact from VisibleThread regarding the use of this product. Ms. Baker talked with VisibleThread, and she said the product seemed to be interesting. She said the VisibleThread contact indicated that they were interested in working with insurance companies, which was interesting to her. Ms. Baker said they asked her about policy forms, and she directed them to the System for Electronic Rate and Form Filing (SERFF) to look at various policy forms. She said she believes working with insurance companies on policy forms would have a huge impact.

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

Draft: 6/8/21

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
May 13, 2021

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met May 13, 2021. The following Working Group members participated: Joy Hatchette, Chair (MD); Ken Allen (CA); Bobbie Baca (CO); George Bradner (CT); Brenda Johnson (KS); Ron Henderson (LA); Jeana Thomas (MO); Chris Aufenthie (ND); David Combs (TN); and Marianne Baker (TX). Also participating were: Renee Campbell (MI); Jana Jarrett (OH); and Bill Cole, Kristi Alma Jose and Donna Stewart (WY).

1. Heard a Presentation from VisibleThread

John Noland (VisibleThread) said insurers are endeavoring to use the plain language guidelines put into place by the various states. Insurers do not necessarily use the same vocabulary as their audience, as it is difficult for the human brain to forget what has already been learned regarding vocabulary. Mr. Noland said independently objective scoring of written content can be useful and instructive. He said this concept has been around for many years, and most people are familiar with Flesch-Kincaid readability scores and grade levels, which are available in Microsoft Word. However, multiple people throughout organizations do not consistently use these tools, as they are not easy for everyone to use.

Mr. Noland said VisibleThread makes it easy for people to see that there is a problem with content. He offered state insurance regulators the ability to use VisibleThread's product to test a particular insurer's content to learn more about the product. He said most communications distributed by insurers are not readable to the consumer. VisibleThread allows the content to be reviewed, audited and written in an understandable way.

Mr. Noland said an insurer's legal and contracts office have to be shown some objective data that demonstrates that a policy is not readable. He said when a subject matter expert (SME) is shown that there is a challenge for the reader and an area needs attention, they are positive and supportive of change. He said it is important for the consumer to understand what they are reading.

Mr. Noland said VisibleThread allows documents, web pages and text to be analyzed. He said plain language supports compliance. Sentences should be kept relatively short, having no more than 20 words per sentence. Mr. Noland said it is important to write as simply as you can and keep to the grade level the state requires, which is either grade level five, six or seven. He said it is also important to not use passive voice or reduce it to below 5%.

Mr. Noland said the VisibleThread product provides a score card. A document can be emailed and run through the program, and the guidelines can be sent back to the party sending the document. The product needs can be configured based upon audience type. Mr. Noland said VisibleThread would provide state insurance regulators with a link to where they can email documents to receive a score card.

Mr. Noland said VisibleThread can use the style guide of a particular company or the <https://www.plainlanguage.gov/> guidelines. The product has watch words, which are words that should be used in documents. VisibleThread provides guidance on best practices; these best practices will differ for organizations and states.

Rowland Bradley (VisibleThread) said each state has its own readability guidelines. Important paragraphs within an insurance policy do not meet readability guidelines. Ms. Hatchette said state insurance regulators constantly struggle with trying to ensure that complicated insurance terms are written in a manner that the average consumer can understand. Mr. Noland said the use of the VisibleThread program makes it easy to write things in plain language, and it is free for the state insurance regulators to try. VisibleThread allows the writer to use the system to more quickly edit and change documents. Mr. Noland said this product works for Spanish as well as English.

Mr. Noland said there are five basic steps to a better customer experience and a return on investment. The steps include: 1) identifying a champion; 2) creating a baseline with a content audit; 3) making the style guide and terminology list accessible; 4) supporting writers to score content for quality; and 5) measuring and improving. Mr. Noland invited state insurance regulators to reach out to VisibleThread if they want to subjectively look at things a department of insurance (DOI) is writing. Peter Kochenburger (University of Connecticut School of Law) asked if there was any research as to whether a person would be more likely to understand their policy if it is written at a lower grade level. Mr. Noland said it is difficult to track whether

someone understands what they read because there are many factors in play, such as how stressed a person is when reading the policy. He said VisibleThread has been able to see successes with some insurers where they have done some great design work to either simplify the policy visually or break down some of the insurance jargon into subsets in the structure of the documents. Mr. Noland said the Center for Plain Language has some good examples. He said the complexity of the writing also comes into play in letters a consumer receives from the insurer or in the frequently asked questions (FAQ) insurers provide on the internet. Mr. Bradley said people simply scan documents rather than read documents in today's world, so a simpler design can help too.

2. Heard an Update from the Thresholds and Communications Standards Drafting Group

Mr. Bradner said the Thresholds and Communications Drafting Group has spent a couple of meetings discussing when a notice of premium increase should be sent to a policyholder. He said the drafting group is focusing on personal lines of business. Mr. Bradner said a 10% or greater change in premium upon renewal would trigger a notice being sent to the policyholder. He said the renewal should be sent at least 30 days prior to the renewal date, and the notice must include the new premium amount versus the old premium amount. He said the notice should list the items that affected the premium increase, and a dollar amount should be listed for each one of the items identified, so a policyholder can see the actual dollar impact that occurred for each item. He said the drafting group decided that 80% of the rate increase should be shown, and the top five reason most affecting the premium should be listed. He said if an insurer already has an acceptable notification process and the state agrees with the process, the state could allow the insurer to continue whatever process they had in place. He said if an insurer had no process in place, the items just discussed would be the minimum requirements a state DOI would expect. He said the next item the drafting group will discuss is rate capping.

Mr. Bradner said this will only apply to increases due to items such as an insurer changing a tiering band, or a youthful driver being added, accidents, etc.

3. Heard an Update from the Rate Checklist Drafting Group

Sara Robben (NAIC) said Kansas sends out a rate checklist to insurers that collects information from an insurer. Part of what is asked for on the rate checklist are items that will help the DOI explain rate changes to a consumer if the consumer happens to call the DOI. The form used by the Kansas DOI asks the insurer to provide talking points to explain the rate increase. Kansas also asks for histograms. Kansas rejects a filing if the insurer does not return the checklist with the filing.

Ms. Robben said Connecticut also has a couple of checklists the Rate Checklist Drafting Group is looking at. Mr. Bradner said Connecticut sends a detailed actuarial checklist to insurers. The questions on the checklist reflect the answers to questions the actuary wants to see when they are reviewing a filing. Mr. Bradner said the checklist was published in December 2020, and it is required on all personal lines filings. He said the checklist is used occasionally on commercial lines filings if there is a sizeable rate increase.

Mr. Bradner said the other checklists Connecticut uses are product oriented and more geared toward some of Connecticut's statutes and regulations for a line of business that the examiner will be looking for.

Some of the states on the drafting group do not have rate checklists they use in their state, so if any of the states on this call have a rate checklist, the Working Group requests that a copy be sent to Heather Droege (KS). The drafting group is at a point to start writing up a checklist to be used in a best practices document.

4. Heard an Update from the Consumer Education Drafting Group

Ms. Robben said Kathy Shortt (NC) is the chair of the Consumer Education Drafting Group. She said Ms. Shortt initially created an outline of some of the various topics for the drafting group to consider for a consumer education document. She said the topics included everything from Ratemaking 101 to information about auto, homeowners and general terminology. The drafting group also discussed the types of information to include, and the drafting group discussed the various formats in which the information could be distributed. Ms. Robben said much of the information the drafting group wants to include in a consumer education document can be found in various other publications. NAIC staff has begun gathering information from various states, as well as from various insurers. The documentation collected includes information on how to deal with items such as credit, credit information, insurance scores, etc., as well as changes a consumer can make to mitigate insurance costs. Ms. Robben asked for Working Group members to send information they might have available to the drafting group.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.
W:\National Meetings\2021\Summer\Cmte\C\TransparencyWG\0513 Transparency Minutes.docx

FINAL VERSION of DISCLOSURE NOTICE

Instructions to Insurers:

- Each insured receiving at least a 10% premium increase at renewal must receive a Disclosure Notice.
- This notice must be sent to the insured **at least 30 days** prior to the renewal date. It may be included with the renewal notice or may be sent in a separate mailing, or by email if the insured has elected to receive email notifications.
- The Disclosure Notice must include a listing of the rating factors/characteristics, and the dollar impact of each rating factor/characteristic on the premium increase, such that at least 80% of the uncapped premium increase is explained.
 - The rating factors should be listed in descending order of dollar impact.
 - Note that a “change in underwriting tier” is not acceptable as a rating factor to be listed. All rating factors/characteristics listed must be such that the insured can understand its content and determine if they have the ability to mitigate the increase caused by that rating factor. If multiple rating characteristics define the underwriting tier, then the premium increase caused by each of those rating characteristics must be considered separately.
- If an insurer already has a notification process acceptable to the State’s regulator, the insurer could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. Insurers are permitted to provide additional information if so desired.

DISCLOSURE NOTICE

Your current premium is \$1,175.

According to our current rating plan filed with your state, your renewal premium would be increased to \$2,121. However, your renewal premium has been limited to \$1,257 rather than charging the entire premium increase at this time. We are phasing in the remaining premium increases for your policy over the next X policy renewals.

Your future renewal premiums may also be increased or decreased by coverage changes you choose to make, by changes in your personal risk characteristics that occur during this time frame, and by future rate change filings made by our company with your state.

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

Reasons for your premium increase and the dollar impact

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

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

How to Buy Title Insurance in [Insert State]

This guide:

- Covers the basics of title insurance.
- Explains the need for title insurance.
- Offers tips to shop for title insurance and closing services.
- Gives you questions you should ask before you buy title insurance.

[Name]
[Superintendent of Insurance]

[DOI Logo]

[DOI Website Address]

Drafting Note: This template has been developed for state departments of insurance who are interested in providing a consumer education publication regarding title insurance. The template was developed as a comprehensive guide that can be edited/personalized to meet the individual needs of a state.

Table of Contents

Introduction	Page 3
Buying or Refinancing a Property	Page 3
What is Title Insurance, and What Does it Cover?	Page 4
Two Types of Title Insurance—Owner's and Lender's Policies	Page 4
What Doesn't Title Insurance Cover?	Page 4
Who Sells Title Insurance?	Page 5
The Right to Choose Your Own Title Agent/Company	Page 5
Who Pays for Title Insurance?	Page 5
What Does Title Insurance Cost?	Page 6
Ask if You're Eligible for Discounts	Page 6
The Difference Between Title and Homeowners Insurance	Page 6
Questions to Ask Before You Buy Title Insurance	Page 6
The Real Estate Closing	Page 7
Closing Agents	Page 8
Questions to Ask When You Choose a Closing Agent	Page 8
Closing Protection	Page 8
Shop Around for Title Insurance and Closing Services	Page 8
Cost Comparison Chart	Page 9
Final Tips to Remember	Page 10
How to File a Title Insurance Claim	Page 10
The [INSERT DOI NAME] is Here to Help	Page 10
Other Resources Available	Page 11

Disclaimer:

The information included in this publication is meant to serve as a guide and is not a substitute for legal or professional advice. Please contact a professional if you have any questions.

Introduction

A real estate transaction may be one of the largest investments you'll ever make. Because the decisions you make when you buy or refinance a home can have effects for years to come, it's important to take time to learn about the process so you can make good decisions.

You may want to hire a licensed professional to help you with the many steps to buy or refinance a home or piece of property. Before you agree to do business with anyone, however, be sure the individual is qualified and licensed.

Buying or Refinancing a Home or Property

So you're ready to buy or refinance a home or piece of property. Now what?

If you've found the perfect home or property and the seller has accepted your offer, the next steps will most likely be:

- You'll get a loan from a mortgage lender.
- A professional will inspect and appraise the home or property.
- You'll choose an individual or business, known as a closing agent, to organize and finalize your real estate transaction.
- You'll choose a "closing date" to sign paperwork and take ownership of your new home.
- You'll buy homeowners insurance through a licensed property and casualty insurance agent.
- You'll decide if you need flood and/or earthquake insurance, which you can buy through a licensed property and casualty agent.
- You'll decide if you'll need title insurance, which you can buy through a licensed title agent or company.
- A professional may "survey" the property. A survey is a professional drawing of the property's boundaries. It also shows where a home is located on the property.
- You may be able to buy a home warranty that covers the mechanical breakdown of individual parts of a home, such as the electrical and plumbing systems. A warranty doesn't cover the home's structure, may or may not cover appliances, ends at a specific point in time (for example, one year) and has exclusions and limitations that you should review. Home warranties might not be regulated as insurance in your state.
- A final walk through of the home you're buying will be scheduled.
- You'll sign legal paperwork to finalize your new loan.

If you're refinancing your home or property:

- You'll get a new loan from a mortgage lender.
- A professional may inspect and appraise your home or property.
- You'll give the lender information about your homeowners, flood and/or earthquake insurance coverage.
- You'll decide if you need title insurance, which you can buy from a licensed title agent or company.
- A closing date will be selected.
- You'll sign legal paperwork to finalize your new loan.

When you buy or refinance a home or piece of property, you'll need to decide whether to buy title insurance.

What is title insurance? Why do you need it? This guide will answer those questions and more.

What is Title Insurance, and What Does it Cover?

A *title* documents your legal ownership or interest in property.

Title insurance is an insurance policy that covers *past* title problems that come up *after* you buy or refinance a property.

Lost, forged or incorrectly filed deeds, property access issues and liens on a property are just a few of the title problems that could come up after you buy or refinance a home or piece of land.

For example, if you received a letter telling you there's an unpaid mortgage on the property you just bought, you could submit a claim to your title insurance company. The title insurance company would pay the legal costs to settle the dispute and/or to resolve the problem.

Without title insurance, you might have to pay all of the legal costs to settle the dispute. And if you lose the dispute, you could lose money, the equity you have in your home, and possibly ownership.

Two Types of Title Insurance—Owner's and Lender's Policies

There are two types of title insurance policies:

- An Owner's Policy
- A Lender's Policy

An *owner's policy* protects you for the full price you paid for the home plus legal costs if a past title or ownership issue comes up after you buy your home. An owner's policy is issued for the amount you paid to buy your home, and the policy will cover you as long as you own an interest in the property. You are not required to purchase an owner's policy, but if you choose not to, you may lose the money you've paid for your home.

If a basic owner's policy doesn't cover a specific title issue, often you can add coverage, known as a *policy endorsement*. For example, if you're buying a new home and the owner's policy doesn't cover claims (often known as a mechanic's lien) filed by a contractor (often known as a mechanic's lien), you can add a policy endorsement to ensure you are covered. Some endorsements are free while others can be added for an additional fee.

Commented [MBR1]: Incorporated change suggested by Joe Petrelli of Demotech for readability.

An *enhanced owner's policy*, which has a higher level of coverage than a standard owner's policy, also may be available in your area. Enhanced owner's policies cost about 20% more than a standard owner's policy, but they cover extra risks. An enhanced owner's policy also may continue to provide coverage after a property has been transferred.

If you borrow money to buy your home or property, your lender is likely to require you to buy a *lender's policy*. A lender's policy only protects the *lender* if a title or ownership problem comes up after the property is purchased. A lender's policy is issued for the amount of the mortgage, and the coverage goes down as you pay down your loan. Unlike an owner's policy, the lender's policy ends when you pay off your mortgage. You may be expected to pay the premium for a lender's policy.

Because a lender's policy only protects the lender from title problems, you'll also need an owner's policy if you want to protect yourself.

What Doesn't Title Insurance Cover?

Title insurance policies *do not* cover ownership issues that come about *after* you've bought a home.

For example, if your neighbor builds a fence on your property after you've bought your home, your title insurance policy will not cover the costs to settle the dispute.

Also, most title insurance policies don't cover issues such as easements, boundary line disputes, zoning violations and air or mineral rights.

Your title insurance policy may spell out other issues that won't be covered. And if there's a title issue specific to the home you're buying or refinancing, your title policy may not cover it. Ask for a list of what will and will not be covered, and be sure to read your policy.

Who Sells Title Insurance?

Only licensed title insurance companies, agencies and agents can sell title insurance in [INSERT STATE].
Drafting Note: If a state permits other individuals and entities to sell title insurance, this sentence should be amended to include those parties.

You can buy title insurance directly from a title insurance company or a title agent who sells title insurance for a company.

The Right to Choose Your Own Title Agent/Company

You have the right to shop for and choose your provider of title insurance and settlement services

A good time to shop for title insurance is when you choose a real estate agent, and a lender has prequalified you for a loan. You'll have an idea of the price you can pay for a home/property and a title insurance agent or company can use that information to estimate your title insurance costs.

There are several ways you can find a title insurance agent or company:

- You can ask the sellers who they used when they bought the home.
- You can check the [INSERT NAME OF DOI] website, [INSERT WEB ADDRESS]. |
- You can check online for title insurance agents, agencies and companies in your area.
- You can ask for recommendations from your real estate agent, attorney, mortgage lender, financial institution or builder.

Commented [MBR2]: Deleted reference to phone books based upon 3-23-21 WG discussion on phone books being outdated.

If your real estate agent, attorney, builder or lender offers to arrange title insurance for you, or suggests you use a specific title agent or company, ask if they have a business arrangement with the title company or agent they're recommending and if they'll make money from the referral. Federal law requires real estate professionals, title agents and lenders to tell you about any business arrangements they may have.

Also, beware of statements such as:

- "Everyone charges the same price."
- "We'll give you a discount on something else if you use our title agent."
- "If you choose another title agent, your purchase may be delayed."

These types of statements may be used to convince you to give up your right to choose a title agent or company, and you may pay more for title insurance than if you had shopped around.

Who Pays for Title Insurance?

If you're buying a home, who pays for title insurance depends in part on local custom. It may be something, however, that you can negotiate with the seller of the property. When buying a home, be sure to ask your real estate agent what the custom is in your area and if you'll likely be the one to pay for title insurance.

If you're refinancing your home, it'll be your responsibility to buy and pay for the title insurance policy.

A title insurance policy is paid for with a one-time premium payment.

What Does Title Insurance Cost?

The cost of title insurance is usually tied to the value of the home.

If you're buying an owner's policy, the price of your policy will depend on the home's selling price.

The price of title insurance also can include more than just insurance. One cost included in the price is a *title search*. When a title search is conducted, a title agent or company reviews local records, such as deeds, mortgages, wills, divorce decrees, court judgments and tax records looking for any title issues with the property. In [INSERT STATE NAME], a title search must be done before a company can issue a title insurance policy.

If you're buying a lender's policy, the price of title insurance will depend on your loan amount.

Ask if You're Eligible for Discounts

When you buy title insurance, ask if you're eligible for any discounts.

If there was a previous title policy on the home (because the home changed owners or you're refinancing), you may get a discount known as a "reissue rate."

If you decide to buy both an owner's and lender's policy, you may get a discount if you buy both policies together.

The Difference Between Title and Homeowners Insurance

Title insurance is different from homeowners insurance.

- Title insurance protects you against past title problems. Homeowners insurance protects you against future issues that cause damage to your home or personal property. Homeowners insurance also limits your personal legal responsibility (or liability) if someone is injured while they're on your property.
- Licensed title agents and companies sell title insurance. Insurance agents licensed to sell property, and casualty insurance sell homeowners insurance.
- You pay the premium for title insurance with a one-time payment, when you buy or refinance a home. A homeowners insurance policy is paid for on an ongoing basis and is up for renewal each year.
- Homeowners insurance does not protect your ownership in the property and does not replace the need for title insurance.

Questions to Ask Before You Buy Title Insurance

When you shop for title insurance, be sure to ask the title agent or company the following questions:

- How long have you been licensed to sell title insurance in [INSERT STATE]?
- What title insurance company do you sell policies for?
- Are title insurance premiums regulated in [INSERT STATE]?
- Are any discounts available?
- Are you related or affiliated in any way with my real estate agent, mortgage lender, builder, or attorney?
- Will anyone be paid a referral fee or commission or be compensated if I buy title insurance from you or a company you represent?
- In addition to title insurance premiums, what other fees and charges will I pay?
- What policy endorsements are available?
- Do you charge a cancellation fee if I don't buy title insurance from you after you do a title search?

DRAFT: 3-23-215-25-21

- Will I need to pay for a survey before you can sell me title insurance?

The Real Estate Closing

The last step to buying or refinancing a home / property is known as the *closing*.

Shortly after the seller accepts your offer to buy their home or the lender approves your refinancing, a closing date will be set.

A closing can be done in person, electronically or by mail. As part of the closing, you'll be asked to sign the legal paperwork required to finalize the real estate transaction. On the day of the closing, you (as well as the seller) will be expected to pay any money owed.

If an in person closing is scheduled, expect the closing to last an hour or two. In addition to you, the seller, real estate agent(s), attorney, title agent and lender may attend the closing.

Make sure you understand what you're being asked to sign.

During the closing, you'll be signing documents that are legal binding contracts. Take time to understand what they mean. If you don't understand something, ask someone to explain it to you, or ask for time to contact a trusted friend, family member, attorney or advisor for help.

One document you'll be asked to review and sign is the *closing disclosure*. The closing disclosure shows all of the money to be paid to complete the transaction. Some of the costs listed on the closing disclosure will include:

- Outstanding mortgages to be paid.
- Money to be exchanged between the buyer and seller.
- The amount of the new loan(s).
- Loan origination charges.
- Property appraisal fees.
- Credit report fees.
- Real estate agent fees.
- Tax preparation fees.
- ~~Property taxes owed.~~
- Escrow funds.
- Title insurance premiums.
- Courier fees.
- Settlement or closing fees.
- Closing protection fees.
- Document or recording fees.

Commented [MBR3]: Joe Petrelli of Demotech recommended this be updated to reflect Real Estate Taxes owed. In discussing as a working group, group determined addition of the word property would be helpful.

Federal law gives you the right to see the closing disclosure at least three business days before closing. It's highly recommended that you ask for a copy of the closing disclosure ahead of time so you have a chance to review it and ask questions.

If everything isn't in order by your scheduled closing date, your closing date may be moved to another date.

After the closing, you'll be given copies of all the documents you signed.

Closing Agents

Closing agents handle real estate closings and coordinate all of the steps required to make the real estate transaction official. They're responsible for getting mortgage and loan pay-off amounts from the seller's lender(s) and the amount of property taxes owed. They also give instructions to the buyer and seller, hold money until the home's title is transferred, prepare documents for the buyer and seller to sign, pay out money owed and file documents with the county recorder, who updates records to show a property has changed owners.

Some title agents do more than just sell title insurance. They also conduct real estate closings by serving as a closing agent. Their responsibilities as a closing agent are separate from what they do as a title agent.

Other professionals, such as attorneys, also can be closing agents.

**Just as you have the right to choose a title agent or company,
you also have the right to choose your closing agent.**

Questions to Ask When You Choose a Closing Agent

When you choose a closing agent, be sure to ask the following questions:

- Can you give me a list of all the fees and charges I would pay if you were my closing agent?
- What fees and charges are negotiable?
- Are your closing staff licensed title insurance agents?
- How and when do you conduct closings?
- Who will handle my closing?
- When will you give me a copy of the settlement statement? ¹
- Do you have references or testimonials available?
- Do you offer closing protection coverage?
- How much does closing protection cost?

Closing Protection Letters

Title insurance doesn't protect the lender or buyer against mistakes made during the closing, or if money is stolen or paid to the wrong parties. For an added fee, title insurance agents and companies that conduct real estate closings offer closing protection letters. If you buy a closing protection letter, the title insurance company will reimburse you for any money you lose from negligence, fraud, theft of funds or errors the closing agent made. Without this, you'd have to sue the agent to get back any money lost.

If you buy closing protection coverage, be sure to ask for a copy of the closing protection letter for your records.

Drafting Note: States who do not require closing protection should delete this section.

Shop Around for Title Insurance and Closing Services

As rates and fees for title insurance and closing services may vary, you should shop for title insurance and closing services. Use the chart that follows to learn how much you'll be charged for certain rates, fees and services.

Cost Comparison Chart

	Company Name	Company Name	Company Name
Title Insurance			
Premium Price (Lender's Title Policy)	\$ _____	\$ _____	\$ _____
Premium Price (Owner's Title Policy)	\$ _____	\$ _____	\$ _____
Endorsement Price	\$ _____	\$ _____	\$ _____
Title Search Fee	\$ _____	\$ _____	\$ _____
Closing Protection Letter	\$ _____	\$ _____	\$ _____
Deed Preparation Fee	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Total:	\$ _____	\$ _____	\$ _____
Closing Costs			
Government Recording Charge	\$ _____	\$ _____	\$ _____
Tax & Other Certifications	\$ _____	\$ _____	\$ _____
Overnight Mail	\$ _____	\$ _____	\$ _____
Wire Fee	\$ _____	\$ _____	\$ _____
Transfer Tax	\$ _____	\$ _____	\$ _____
Notary Fee	\$ _____	\$ _____	\$ _____
Settlement Fee	\$ _____	\$ _____	\$ _____
Document Preparation Fee	\$ _____	\$ _____	\$ _____
Email/Electronic Doc Fee	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Total:	\$ _____	\$ _____	\$ _____

Beware Of Real Estate Wire Fraud Schemes

Money often needs to change hands quickly in a real estate transaction. One way to move money quickly is to have a financial institution wire it. Your real estate broker or agent, the title and closing agent, or an attorney will give you the details you need for a wire transfer.

Criminals can hack into professionals' email systems to send emails that look as though they are coming from someone you're working with. The emails can have fake instructions about wiring money for your upcoming closing. If you follow these instructions, your money will go to the scammer's bank account. If that happens, you could lose your money.

To avoid being a victim of real estate wire fraud, you should:

- Call or personally meet with the professionals who will conduct the closing to learn how the closing will take place and how funds will be transferred.
- Get the names, telephone numbers, and mailing and email addresses for all of the professionals who will be involved with your closing.
- Be suspicious of all telephone or email messages about a change in the closing process. If you get such a message, call the professional you're working with. Use the contact information they gave you, not the contact information in the message.
- Carefully examine all email addresses and telephone numbers associated with a message about your closing to verify the message really came from an individual you've been dealing with.
- Never respond to a message or click on a link if you're asked to verify or provide bank account information.

Personally speak to the closing agent immediately before and after wiring any money to ensure the funds were received.

What To Do If You Believe You're The Victim of a Real Estate Wire Fraud Scheme

Report suspected wire fraud immediately!

If you suspect you're the victim of real estate wire fraud, it's important to immediately report your suspicions and take the following steps to increase the chances of recovering your money:

- 1) Contact your bank or wire transfer company to report your suspicions and ask for a wire recall.
- 2) Ask your bank to notify the financial institution that received your funds.
- 3) Call your local Federal Bureau of Investigation (FBI) office and report the crime.
- 4) File a report with the FBI's Internet Crime Complaint Center by visiting www.ic3.gov

Drafting note: States who have Fraud units who investigate real estate wire fraud may wish to add a Step 5. Consumers should contact the Department of Insurance.

Final Tips to Remember

- Deal only with licensed professionals who're in good standing in [INSERT STATE].
- As soon as you make an offer on a house or choose a lender to refinance with, start shopping for title insurance.
- Decide up front who'll pay for the title insurance policies.

- Whoever buys the title insurance policy has the right to choose the title agent or title company.
- A professional who recommends a title insurance company or agent to you may receive a commission or referral fee.
- Ask the seller which title insurance company they used.
- Ask friends or family who recently bought a home if they would recommend their title agent/company.
- If you buy an owner's policy, be sure the coverage is equal to the price you paid for your home.
- Comparison shop, and get at least three quotes before you buy title insurance and closing services.
- Ask about available discounts.
- Ask title and closing agents for an itemized list of their fees and charges.
- Ask for a copy of the title commitment at least three weeks before your closing date.
- Know exactly what your title insurance policy will cover.
- If your title agent also will be the closing agent, ask if closing protection coverage is available.
- Ask the closing agent for a settlement statement at least one business day before your scheduled closing.
- **Be suspicious of all communications relaying there's been a change to the closing process.**
- Knowledge is power, so don't be afraid to ask questions!
- Read and understand all documents before signing them.
- Request copies of all documents.
- Keep a copy of your title insurance policy for as long as you own your property.
- **Immediately report suspected real estate wire fraud.**

How to File a Title Insurance Claim

If an issue arises about your home's title, contact your title insurance company as soon as possible. If you don't know the name of your title insurance company, check the paperwork you signed when you bought or refinanced your home. You also can contact your title agent or closing agent for help.

The [INSERT DOI NAME] is Here to Help

For more information about buying insurance, please visit [INSERT DOI WEBSITE ADDRESS], or call [INSERT TELEPHONE NUMBER].

As a consumer protection agency, the [INSERT DOI NAME] also can help if you believe an insurance agent or company has misled you or acted improperly.

To file a complaint, please visit our website at [INSERT WEB ADDRESS], or send a written complaint and any supporting documents to:

[DOI Logo]

[DOI Address]
[City, State Zip Code]

[DOI Telephone Numbers]

[DOI Website]

[DOI Facebook / Twitter Contact Information]

Other Resources Available

| DRAFT: 3-23-215-25-21

11

To verify the license status of the professionals who will be helping you with your real estate transaction, please contact:

Real Estate Agent	[STATE AGENCY NAME] [STATE AGENCY ADDRESS] [CITY, STATE & ZIP CODE] [AGENCY WEBSITE] [AGENCY TELEPHONE NUMBER]
Bank/Mortgage Lender	[STATE AGENCY NAME] [STATE AGENCY ADDRESS] [CITY, STATE & ZIP CODE] [AGENCY WEBSITE] [AGENCY TELEPHONE NUMBER]
Real Estate Appraiser	[STATE AGENCY NAME] [STATE AGENCY ADDRESS] [CITY, STATE & ZIP CODE] [AGENCY WEBSITE] [AGENCY TELEPHONE NUMBER]
Insurance Agent / Insurance Company and Title Agent Title Insurance Company	[STATE AGENCY NAME] [STATE AGENCY ADDRESS] [CITY, STATE & ZIP CODE] [AGENCY WEBSITE] [AGENCY TELEPHONE NUMBER]
Attorney	[STATE AGENCY NAME] [STATE AGENCY ADDRESS] [CITY, STATE & ZIP CODE] [AGENCY WEBSITE] [AGENCY TELEPHONE NUMBER]

To find other useful information regarding the home buying process, please contact:

U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410
202-708-1112
www.hud.gov

Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244
855-411-2372
855-237-2392 (Fax)
<http://www.consumerfinance.gov>

National Flood Insurance Program
500 C Street SW
Washington, DC 20472
800-621-FEMA
www.FloodSmart.gov

[OTHER SOURCE NAME & INFO]

DRAFT: 3-23-215-25-21

12