

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

Property and Casualty Insurance (C) Committee Aug. 12, 2022, Minutes

Property and Casualty Insurance (C) Committee Aug. 1, 2022, Minutes (Attachment One)

Cannabis Insurance (C) Working Group July 12, 2022, Minutes (Attachment Two)

Catastrophe Insurance (C) Working Group and NAIC/Federal Emergency Management Agency (FEMA) (C)
Advisory Group Aug. 9, 2022, Minutes (Attachment Three)

Pet Insurance (C) Working Group Aug. 4, 2022, E-Vote Minutes (Attachment Four)

Pet Insurance (C) Working Group July 21, 2022, Minutes (Attachment Four-A)

Pet Insurance (C) Working Group June 7, 2022, Minutes (Attachment Four-A1)

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/C%20CMTE/2022_Summer/Contents.docx

Draft Pending Adoption

Draft: 8/19/22

Property and Casualty Insurance (C) Committee
Portland, Oregon
August 12, 2022

The Property and Casualty Insurance (C) Committee met in Portland, OR, Aug. 12, 2022. The following Committee members participated: Mike Chaney, Chair (MS); Alan McClain, Co-Vice Chair (AR); Anita G. Fox, Co-Vice Chair (MI); Mark Fowler (AL); Ricardo Lara (CA); Andrew N. Mais and George Bradner (CT); Trinidad Navarro (DE); Colin M. Hayashida and Martha Im (HI); Vicki Schmidt (KS); James J. Donelon (LA); Chris Nicolopoulos represented by Emily Doherty (NH); Glen Mulready (OK); Larry D. Deiter (SD); and Allan L. McVey represented by Erin Hunter (WV). Also participating was: Kathleen A. Birrane (MD).

1. Adopted its Aug. 1 and Spring National Meeting Minutes

Director Fox said the Committee adopted the Pet Insurance Model Act on its Aug. 1 conference call.

Commissioner Schmidt made a motion, seconded by Commissioner Lara, to adopt the Committee's Aug. 1 and (Attachment One) and April 7 (*see NAIC Proceedings – Spring 2022, Property and Casualty Insurance (C) Committee*) minutes. The motion passed unanimously.

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

Commissioner Donelon said the Surplus Lines (C) Task Force has been receiving updates from a drafting group revising the *Nonadmitted Insurance Model Act* (#870). The drafting group met six times since its formation, and as a result of those meetings, it addressed 40 comments on the model language. During its May 23 meeting, the Task Force exposed Model #870 for a 60-day public comments period that ended July 21. Commissioner Donelon said the Task Force will be meeting soon to discuss comments.

Mr. Bradner said the Transparency and Readability of Consumer Information (C) Working Group exposed its draft of the *Best Practices for Insurance Rate Disclosures* document in June and received comments. He said the consumer education information section discusses rates, underwriting, and discounts. There were several comments received regarding readability. The drafting group met in July, and NAIC staff are working on making the changes to this piece of the document. Comments have been received on the rate filing checklist, which is based on the checklist that has been used in Kansas for several years. Mr. Bradner noted that Washington released a proposed rule for comments related to a rate filing checklist, which uses language like what is in the disclosure language in the NAIC draft. The disclosure drafting group will meet in August to discuss possible changes to the document based on comments. NAIC staff did a side-by-side comparison on the first draft of Washington's proposed rule, and NAIC staff are updating this comparison to include changes in the second draft. Mr. Bradner said the document could be adopted by the Working Group and forwarded to the Committee by the Fall National Meeting.

David F. Snyder (American Property Casualty Insurance Association—APCIA) asked if the Working Group is looking to adopt the Washington proposal as opposed to disclosure standards in other states. He said the APCIA has concerns about the Washington rate filing checklist, and he believes other state disclosures would be more workable. Mr. Bradner said the Working Group looked at different disclosures, but it is looking for additional information related to rates. Mr. Snyder said insurers have concerns with being able to comply because they are not able to allocate premium increases to individual rate factors.

Draft Pending Adoption

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

3. Heard a Federal Update

Brooke Stringer (NAIC) said the U.S. Congress (Congress) just passed the Inflation Reduction Act of 2022, which includes significant climate investment. She said the National Flood Insurance Program's (NFIP's) latest extension expires Sept. 30, and another short-term extension is expected. She said senators from Florida, Louisiana, and Mississippi have introduced legislation to reauthorize the NFIP for one year. She also noted that the Federal Emergency Management Agency (FEMA) sent congressional leaders a list of 17 legislative proposals for NFIP reauthorization. The proposals would require legislation in order to become law; they have received mixed reviews from Congress. FEMA is calling for a 10-year reauthorization and focusing on improving the NFIP's financial framework, risk analysis and communication, resilience, and technical/operational enhancements. FEMA included a proposal that the NAIC supports, which would ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without losing any subsidy they previously had with the NFIP.

Ms. Stringer said the U.S. Government Accountability Office (GAO) has reached out to the NAIC and is starting work on two separate studies. One is on pandemic business interruption, and the other is on private flood insurance.

Ms. Stringer noted that the U.S. House of Representatives (House) recently passed the Wildfire Response and Drought Resiliency Act (HR 5118), but the measure faces an uncertain future in the U.S. Senate (Senate). House Committee on Financial Services Chairwoman Maxine Waters' (D-CA) Wildfire Insurance Coverage Study Act of 2022 was included in the package that requires FEMA and the GAO to conduct studies assessing the danger wildfires pose to communities and how the market for homeowners insurance is responding to this growing threat. The GAO report would also assess the state insurance regulatory response to increased premium rates, cost-sharing, or both for coverage for damage from wildfires and exclusion of such coverage from homeowners policies.

Ms. Stringer also said the House recently passed the Secure and Fair Enforcement (SAFE) Banking Act for the seventh time, this time as an amendment to the annual National Defense Authorization Act (NDAA). The NAIC supports the SAFE Banking Act, which would provide a safe harbor from violations of federal law for those engaged in the business of insurance participating in cannabis industry activity that is permissible under state law. The amended NDAA with the SAFE Banking Act is now in the hands of the Senate, which has delayed its vote until September.

4. Heard a Presentation on Cyber Insurance Data

Aaron Brandenburg (NAIC) said the Committee has a charge to, "Report on the cyber insurance market including data reported within the Cybersecurity Insurance and Identity Theft Coverage Supplement." He said the data currently available does not include alien surplus lines data, but that data would be added later this year within a written report. The Supplement shows that direct written premium for the admitted cyber market is at \$4.8 billion in 2021, up 75% from 2020. The number of policies in force declined in 2021; however, most of the decrease was in package policies, which make up the bulk of policies. Stand-alone policies increased by 31% in 2021. He said claims reported grew by about 15% in 2021, and the loss ratio remained stable at around 65%.

Draft Pending Adoption

Mr. Brandenburg said the largest 15 insurers wrote nearly 75% of the market in 2021. He said industry reports show that 2021 saw underpricing in the cyber insurance market, along with an increase in frequency and severity of cyberattacks. He said much of the premium growth was due to actual pricing increases, rather than additional coverage. The market has recently seen stricter underwriting requirements; reduced limits; higher deductibles; more restrictive terms; and with the rise in ransomware, sublimits to policies.

Mr. Brandenburg also said identity theft insurance coverage within the Supplement does not provide valuable information since much of this coverage is provided within existing policies. He also said a definition for package policies could help insurers understand the data being sought. He said he would distribute a memorandum with recommended changes to the Supplement so Committee members could consider forwarding the recommendations to the Blanks (E) Working Group.

5. Received an Update on the Collaboration Forum on Algorithmic Bias

Commissioner Birrane said the Innovation, Cybersecurity, and Technology (H) committee has a goal of ensuring coordination and cooperation among various working groups working on topics relevant to the Committee. She said the Committee decided to establish a Collaboration Forum to identify the various working groups that touch on algorithmic bias. The Collaboration Forum is focused on communication among groups and education of the issue. The Collaboration Forum had a foundational educational session in Kansas City in July to discuss basic concepts and topics related to algorithmic bias and unfair bias. Commissioner Birrane said there were about 200 regulators that participated, including 37 commissioners. She said the working groups working on related issues will begin to step in to provide some additional regulatory-only foundational education.

Commissioner Birrane also said the Collaboration Forum is building out more public-facing education and information, such as what is being planned at the Insurance Summit, including a session related to marketing. She said the Forum will be working on the definition of key terms and will take public comment on these. She said the Forum will also work on a common framework for what is responsible artificial intelligence (AI) and what sort of tools regulators can rely on.

6. Heard an Overview of a Member Visit to the IBHS

Commissioner Richardson said the Climate and Resiliency (EX) Task Force's Pre-Mitigation Workstream co-hosted a trip with the Center for Insurance Policy and Research (CIPR) to Richburg, SC, in late July where state insurance regulators toured the Insurance Institute for Business and Home Safety (IBHS). She said state insurance regulators toured the lab and discussed how fraud and misconceptions about property insurance drive a lot of consumer complaints following catastrophic events. She said state insurance regulators discussed opportunities to work collaboratively with the IBHS to address consumer complaints through consumer outreach and education. State insurance regulators also discussed the changing market and whether insurers are moving towards different coverages and deductibles due to risks such as severe convective storms. Mitigation actions such as those offered through the IBHS FORTIFIED program, or their recently established Wildfire Prepared Home and Community Programs, can help reduce property damage risk and future potential losses for the industry.

Commissioner Richardson said the IBHS has published research showing the impact of mitigation, and it has released numerous communication pieces that commissioners could use with stakeholders to show how mitigation and fortifying property can lead to risk reduction. IBHS research and messaging is available for use by all state departments of insurance (DOIs). Commissioner Richardson encouraged commissioners to leverage the science and expertise of the IBHS as it considers ways to ensure consumers are protected from natural disaster risks.

Draft Pending Adoption

7. Discussed its Charge Related to Parametric Insurance

Mr. Brandenburg explained that the Committee has a charge to, “Provide a forum for discussing issues related to parametric insurance and consider the development of a white paper or regulatory guidance.” He said NAIC staff have been in contact with several insurers on making presentations in the future. He noted that there has been some work going on related to parametric insurance within the NAIC, including the CIPR having an A-Z topic page that includes academic literature and the Task Force having an innovation workstream, which has heard numerous presentations related to community-based, commercial and personal parametric products.

Mr. Brandenburg said the CIPR web page defines parametric as a contract that “... insures a policyholder against the occurrence of a specific event by paying a set amount based on the magnitude of the event, as opposed to the magnitude of the losses in a traditional indemnity policy.” He said a parametric trigger is met when an objective number is measured and verified. A common example is an earthquake that registers a certain magnitude threshold or when a wind speed reading is met. Mr. Brandenburg also noted that there are academic studies and reports concerning whether such products can improve the financial resilience of low-income households in the U.S. and globally, as well as the regulatory environment, including whether the products qualify as insurance or something like a swap.

Mr. Brandenburg said the Innovation Workstream of the Task Force has heard presentations related to community-based coverage, such as coverage for cities or coral reefs. The workstream has also heard about commercial and personal coverages, such as products that make payouts in low-income areas or to assist with high deductibles, such as in earthquake prone areas or hurricanes in Puerto Rico. Mr. Brandenburg also noted that the May 2022 Central U.S. Quake Summit included reinsurers and brokers speaking about parametric products.

Mr. Brandenburg said parametric insurance products may provide several benefits, such as faster claims approval, which leads to faster payouts and lower time and expense for the insurer. The trigger and payout can be customized, helping to get money quickly to policyholders when they may need to make up a percentage deductible to assist their more traditional indemnity product.

Mr. Brandenburg said there are regulatory concerns with parametric products, including the fact that the product typically pays a relatively small amount, which could lead to consumer confusion. He said one of the big questions is whether the products are insurance since they may not meet requirements, including insurable interest, and they may function more like a derivative or swap.

Birny Birnbaum (Center for Economic Justice—CEJ) said parametric products are not insurance, and they are more like the lottery with a possible quick payout based on whether the numbers come out right. He said an event could cause great damage but not hit the threshold and not lead to any benefits under the parametric policy, creating confusion among consumers. He said parametric products currently exist, such as travel delay benefits under travel insurance that are triggered by a threshold. He said the Committee should look at parametric applications that would be of benefit, such as community-based applications.

Director Fox asked NAIC staff to conduct additional research, including what states are thinking about the products. She said it makes sense to collect insurance definitions within the various states. She said NAIC staff may wish to schedule a presentation for the Committee that could lay the groundwork for the issue. This would then aid the Committee as it begins to look more deeply into the products.

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

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

Draft: 8/3/22

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

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

1. Adopted the Pet Insurance Model Act

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

Mr. Beatty said the proposed Pet Insurance Model Act covers required definitions and disclosures, as well as regulations for policy conditions, sales practices for wellness programs, and producer training. The Working Group had extensive discussions on the following major issues: preexisting conditions, waiting periods, free-look periods, policy renewals, wellness programs, and licensing. While the Working Group did decide that this model was not the appropriate place to decide the type of license required to sell pet insurance, state insurance regulators wanted to make sure producers are trained on the specific features of pet insurance products before selling those products. Mr. Beatty said the industry does have issues with the waiting periods and wellness programs language in the adopted version, but state insurance regulators thought this language was necessary to include in this model.

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

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

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

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

2. Discussed Other Matters

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

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

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

Draft: 7/21/22

Cannabis Insurance (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2022 Summer National Meeting*)
July 12, 2022

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 12, 2022. The following Working Group members participated: Ricardo Lara, Chair, represented by Melerie Michael and Camilo Pizarro (CA); Michael Conway, Vice Chair, represented by Peg Brown (CO); Lori K. Wing-Heier represented by Austin Childs (AK); Jimmy Harris (AR); Angela King (DC); Christina Miller (DE); Marlene Caride represented by Randall Currier (NJ); Barbara D. Richardson and Gennady Stolyarov (NV); Glen Mulready represented by Andrew Schallhorn (OK); Carlos Valles (PR); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Karla Nussl and Marcia Violette (VT); and Michael Walker (WA).

1. Adopted its Spring National Meeting Minutes

Ms. Brown made a motion, seconded by Mr. Walker, to adopt the Working Group's March 24 minutes (*see NAIC Proceedings – Spring 2022, Property and Casualty Insurance (C) Committee, Attachment One*). The motion passed unanimously.

2. Received a Status Report on the Drafting of the *Understanding the Market for Cannabis Insurance 2.0* White Paper

Ms. Michael stated the drafting group continues to meet every few weeks and has made considerable progress. The draft *Understanding the Market for Cannabis Insurance 2.0* white paper covers the expansion of states legalizing cannabis and recent federal legislative activities. It also provides information on the current cannabis business regulatory, licensing, and educational landscape. The evolution of operating and organizational structures for cannabis businesses is discussed. An understanding of cannabis insurance needs, coverage currently available, and market considerations is also included. The white paper concludes with discussion on the next steps for moving forward. The drafting is in its final stages with only a few additional emerging issues left to be added. This includes minor cannabinoids, which is being discussed today, and on-site consumption lounges. The drafting group anticipates bringing the completed draft before the Working Group by early 2023, with full adoption by the 2023 Summer National Meeting.

3. Heard a Presentation on How Insurers are Dealing with State Legalization of Minor Cannabinoids

Matthew Johnson (QuadScore) stated that QuadScore is a custom cannabis insurance company serving licensed marijuana operations. It was created to help fill the insurance needs of the largest companies in the U.S. Although only a small portion of QuadScore's losses is from product liability, that amount is expected to grow significantly—driven in large part by novel cannabinoids. Losses could come from claims against advertising practices, lack of proper testing or manufacturing protocol, or as a result of frustration from licensed marijuana operators over the entrance of unlicensed businesses operating in a gray market.

Jodi Green (Miller Nash) stated product liability is an area of future concern because the partially regulated, complex nature of this industry lacks a gold standard for labeling, testing, and protocols. Minor cannabinoids that have intoxicating effects are of particular concern for insurers. The federal 2018 Farm Bill de-scheduled hemp, which is defined as a cannabis plant containing no more than 0.3% delta-9 tetrahydrocannabinol (THC)—levels considered too low to be psychoactive. Cannabis plants exceeding the 0.3% THC level constitute marijuana and remain a Schedule 1 controlled substance under the federal Controlled Substances Act (CSA). The U.S. Drug

Enforcement Administration (DEA) responded to the de-scheduling by publishing its interim final rule (IFR) on implementation of the Farm Bill. The IFR stated naturally occurring THC in hemp is not a controlled substance if it has no more than 0.3% delta-9 THC. However, it also stated the DEA would view synthetically derived THC as a Schedule 1 controlled substance regardless of whether it was derived from hemp and its delta-9 THC concentration.

Mr. Johnson stated that the cannabis plant contains more than 500 chemical compounds, including more than 140 cannabinoids, like cannabidiol (CBD) and various forms of THC. Scientists have identified that more than a dozen of these cannabinoids are intoxicating. However, there are only eight or nine major cannabinoids that naturally occur within the cannabis plant with quantities high enough for direct extraction. Since delta-8 and delta-10 only occur naturally in the cannabis plant in very small amounts, they must be derived from the conversion of CBD using chemical agents in a laboratory setting. Ms. Green stated that while delta-8 and delta-10 THC are not explicitly banned or prohibited from production, sale, or ownership under the Farm Bill, the IFR's reference to synthetically derived THC being viewed as a controlled substance creates a gray area of legality. At the heart of the debate is whether the process used to convert hemp-derived CBD should be considered as synthetically derived.

Mr. Johnson stated products with delta-8 and delta-10 THC have become popular because they have a psychoactive effect. In Atlanta, GA, where he lives, medical cannabis laws have been slow to roll out. However, sales of products containing novel cannabinoids like delta-8 have taken off without a strong understanding of the intoxicating chemicals, how they are produced, and the science around its health consequences. Many cannabinoids share similar atomic structures and can be synthesized via chemical processes such as isomerization or acetylation. This synthetization can leave residual chemicals in finished products. There is also a lack of product testing and lack of age verification at the point of sale. Oversight, regulation, and good manufacturing practices are needed in this space to protect consumers. Ms. Green stated the most significant liability concerns involve the potentially harmful solvents used in the chemical conversion process. The health risks increase even more when taken in combination with risk from cartridges.

Mr. Johnson stated delta-8 and delta-10 THC are delta-9 THC's isomers. Isomers are molecules comprised of the same number and types of atoms but with differing arrangements. Isomers are similar in structure and diverge only in one or two bonds. Delta-8 THC and delta-10 THC are distinct from delta-9 THC only in the location of the double bond in the cyclohexene moiety. Because of the difference in the location of one of the double bonds, delta-8 has less potency than delta-9 THC. Delta-10 THC tends to also have milder effects. Manufacturers dilute the delta-9 that still exists after processing to be compliant with the Farm Bill. However, there are some products on the market that contain both delta-8 and delta-9 THC, as well as other fillers or chemicals. Consumers may be unknowingly purchasing higher intoxication inducing products.

Ms. Green stated delta-8 and other minor cannabinoids are being sold outside of the regulated cannabis market because of the loophole in the Farm Bill. In states where it is legal, delta-8 products are being sold in grocery stores and gas stations as hemp or CBD products. This is confusing for consumers, who may not understand they are purchasing an intoxicating product. This includes children who are drawn to the wide variety of colorful gummies in various flavors. In May 2021, the U.S. Food and Drug Administration (FDA) issued five warning letters to companies for selling products containing CBD in ways that violate the Federal Food, Drug, and Cosmetic (FD&C) Act. Specifically, it took issue with its potential safety and efficacy concerns as unapproved CBD products. FDA warning letters are typically followed by litigation, although none has occurred yet. In September 2021, the FDA issued and updated a consumer advisory on delta-8 safety concerns, including the potentially harmful chemicals used in its synthetic production. In September 2021, the DEA clarified in a non-binding response letter to the Alabama Board of Pharmacy that synthetically produced THCs are illegal and not exempt under the Farm Bill. It remains unclear if the conversion process used to produce delta-8 would be considered synthetically produced.

Adding to the confusion, in May 2021, the Ninth Circuit Court of Appeals held in *AK Futures LLC v. Boyd St. Distro* that delta-8 THC is legal for purposes of trademark protection. It further stated that it would be the responsibility of the U.S. Congress to fix any inadvertent loophole. The quandary is that different circuit courts of appeals may reach different decisions or different decisions in a different context.

Ms. Green stated about 18 states have banned or restricted delta-8 THC products. Some states have placed any minor cannabinoids that are considered intoxicating into the regulated cannabis market. Like cannabis, intoxicating cannabinoids are then subject to testing, labeling, and sale requirements. This eliminates the consumer confusion that may occur when being purchased from a whole foods store. Other states, such as Oregon, recently banned all artificially derived (i.e., substances created by changing the molecular structure) cannabinoids from any part of the cannabis plant. California has a complicated system of two regulated markets. The first is for hemp and food products, which diverges from federal law. The second is for cannabis containing more than 0.3% delta-9. This means that delta-8 and delta-10 fall under the hemp and food products regulations. The California legislature has reserved the right to prohibit or add to the list of prohibited items any other intoxicating cannabinoids that are developed after for the research. Ms. Green said that states across the country are grappling with these issues and trying to understand the science just like we are.

Mr. Johnson stated there are three chief concerns: 1) residual chemicals in finished products; 2) lack of product testing; and 3) lack of age verification at point of sale. A dispensary will check consumers' identification when they enter the door and when they make a purchase. There is no control when products are being sold through a gas station or whole food store. This is particularly troublesome in the context of copycat products. These products are similarly packaged to a standard food item but infused with intoxicating cannabinoids. Intoxicating Stony Patch Kids look appealing to young and impressionable children who enjoy nonintoxicating Sour Patch Kids candy. Adults too have been confused and accidentally ingested chocolate they did not realize was intoxicating. This should be caveated with the knowledge that the human endocannabinoid system can automatically shut off people's receptors if they have ridiculously high doses of cannabinoids in their systems. This effectively safeguards the type of overdose one might have in a parallel industry, like alcohol. While these products do illicit intoxicating effects, there have not been any death claims tied to them. The concerns are around how the products are made, labeled, tested, and overseen. Ms. Green stated that outside of a few states, there is not a gold standard on product testing that identifies the amount of each type of cannabinoid and any byproducts in the product. The market for intoxicating minor cannabinoids is attractive as it bypasses the high barriers to entry (licensing costs, testing, compliance, etc.) of the regulated cannabis market.

Ms. Green stated the typical policy form for insurance coverage for cannabis products that is developed for non-cannabis industries is problematic for cannabis operators. They have cannabis exclusions that prohibit coverage for products, bodily injury, or property damage arising from cannabis operations. These cannabis exclusions will read broadly enough to encompass delta-8 THC products. If a negative event occurs related to the product, more exclusions are likely to follow. Exclusions could include language that excludes hemp-derived intoxicating cannabinoids or use the Farm Bill definition by exempting products with less than 0.3% delta-9 THC. Coverage could also be denied on the basis the policy did not specifically specify the cannabinoids are covered. Health hazard exclusions are likely to be more prominent with delta-8 THC as it is synthetically derived and has the potential for harmful byproducts.

Mr. Walker asked if Congress would be likely to take legislative action in this area in the near term.

Ms. Green stated it is plausible federal legislation could be passed in the next five years. Many states have passed medical and/or recreation legislation over the last five years. This, coupled with growing medical research and favorable court and public opinions, increases the likelihood some sort of federal legalization will occur in the next

five years. Federal regulation would help eliminate loopholes like the one being used to produce and sell delta-8 THC and create consistent testing and label protocols. Mr. Johnson stated federal regulation would help address disparity issues such as arrest rates for Black cannabis users being four times higher than those for white users.

Mr. Currier asked what the reinsurance market is like for minor cannabinoids. Mr. Johnson stated that the reinsurers he works with do not understand the cannabis industry. Reinsurers are wary of the product liability exposure created by an unregulated market. His company determined the exclusionary language included in its reinsurance policies did not provide appropriate mitigation against potential claims. For this reason, his company has determined to insure only licensed marijuana businesses.

Ms. Michael asked if risks are minimized or eliminated in states that regulate this space and if there are any take-aways state insurance regulators should prioritize from the presentation. Mr. Johnson stated that it helps, but risks can never be truly eliminated. Appropriate regulation and oversight that includes mandatory product testing for new products is needed. Consumers should not consume anything that has not been tested for their own safety. Producers of minor cannabinoids should be held at the same standards as the pharmaceutical industry. Ms. Green stated there has been little research on short-term and long-term effects for some of the minor cannabinoids that are found in small quantities in the cannabis plant. Policy exclusions create the potential for coverage gaps and uninsured risks. These may be particularly troublesome for delta-8 products, where these exclusions may be ambiguous with unknown interpretation.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2022_Summer/Cannabis/In leu of Summer NM/7-CannabisWG.docx

Draft: 8/16/22

Catastrophe Insurance (C) Working Group
and the NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group
Portland, Oregon
August 9, 2022

The Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in Portland, OR, Aug. 9, 2022, in joint session with the NAIC/FEMA (C) Advisory Group of the Catastrophe Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee. The following Working Group members participated: David Altmaier, Chair, and Christina Huff (FL); Mike Causey, Vice Chair, represented by Tracy Biehn (NC); Lori K. Wing-Heier and Sian Ng-Ashcraft (AK); Brian Powell (AL); Alan McClain (AR); Ricardo Lara, Lucy Jabourian, and Lynne Wehmuller (CA); George Bradner and Amy Waldhauer (CT); Martha Im and Kathleen Nakasone (HI); Travis Grassel (IA); Judy Mottar (IL); Julie Holmes (KS); James J. Donelon and Tom Travis (LA); Joy Hatchette (MD); Jo LeDuc and Lori Cray (MO); Andy Case (MS); Tom Botsko (OH); Glen Mulready (OK); Tricia Goldsmith (OR); David Buono, Michael McKenney, and Shannen Logue (PA); Alexander S. Adams Vega (PR); Beth Vollucci (RI); Stephanie Cope (TN); Mark Worman (TX); David Forte and Matt Stoutenburg (WA); and Greg Elam (WV). The following Advisory Group members participated: Glen Mulready, Chair (OK); Carter Lawrence, Vice Chair, represented by Stephanie Cope (TN); Lori K. Wing-Heier and Sian Ng-Ashcraft (AK); Brian Powell (AL); Lucy Jabourian (CA); George Bradner (CT); David Altmaier and Christina Huff (FL); Travis Grassel (IA); Julie Holmes (KS); Tom Travis (LA); Joy Hatchette (MD); Lori Cray and Jo LeDuc (MO); Tricia Goldsmith (OR); Beth Vollucci (RI); David Forte and Matt Stoutenburg (WA); and Greg Elam (WV). Also participating was: Jennifer Catechis (NM).

1. Adopted the Working Group's and Advisory Group's Spring National Meeting Minutes

Mr. Botsko made a motion, seconded by Mr. Bradner, to adopt the Working Group's and Advisory Group's April 4 minutes (see *NAIC Proceedings – Spring 2022, Property and Casualty Insurance (C) Committee, Attachment Two*). The motion passed unanimously.

2. Heard an Update on Federal Legislation

Brooke Stringer (NAIC) said the U.S. Senate (Senate) passed the Inflation Reduction Act of 2022, which is significant to climate. It is expected to head to the U.S. House of Representatives (House) Aug. 12 and pass. Ms. Stringer said the Act includes funding for climate and clean energy programs and funding for resilience block grants, which include forest restoration and resilience project and coastal community resilience building, among other grants.

Ms. Stringer said the National Flood Insurance Program's (NFIP's) extension expires Sept. 30, and a short-term extension is expected. She said U.S. Sen. Bill Cassidy (R-LA), U.S. Sen. John Kennedy (R-LA), U.S. Sen. Marco Rubio (R-FL), and U.S. Sen. Cindy Hyde-Smith (R-MS) have introduced legislation to reauthorize the NFIP until Sept. 30, 2023. Additionally, Sen. Cassidy has called for Risk Rating 2.0 to be rolled back.

Ms. Stringer said this spring, FEMA sent Congressional leaders a list of 17 legislative proposals for NFIP reauthorization. These proposals would require legislation to become law and have mixed reviews from the U.S. Congress (Congress). Ms. Stringer said FEMA is asking for a 10-year reauthorization, and its proposals focus on improving the NFIP's sound financial framework, risk analysis and communication, resilience, and technical/operational enhancements.

Ms. Stringer said one proposal that has garnered significant attention would prohibit NFIP coverage for new construction in the highest-risk areas and for commercial properties. FEMA says this will help to promote the

growth of the private flood insurance market by creating an inventory of new properties for which private insurers could compete. Ms. Stringer said some members of Congress are strongly opposed to this provision.

Ms. Stringer said FEMA included a proposal the NAIC supports, which would ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without losing any subsidy they previously had with the NFIP.

Ms. Stringer said the House passed the Wildfire Response and Drought Resiliency Act (H.R. 5118) on July 29. This bill includes 40 bills aimed at addressing the escalating wildfire and drought in the West. She said this measure faces uncertainty in the Senate. She said this House wildfire package would require FEMA to collaborate with the National Academies of Sciences, Engineering, and Medicine to study wildfire insurance and potential solutions to address affordability and availability, including considering a national “all hazard” insurance program. She said this wildfire package would require FEMA and the National Academies of Sciences, Engineering, and Medicine to consult with state insurance regulators, the insurance industry, and consumers.

Ms. Stringer said the House Committee on Financial Services Chairwoman Maxine Waters’ (D-CA) Wildfire Insurance Coverage Study Act of 2022 was included. This Act requires FEMA and the U.S. Government Accountability Office (GAO) to conduct studies assessing the danger wildfires pose to communities and how the market for homeowners insurance is responding to this growing threat. Ms. Stringer said the report required by FEMA is focused on wildfire assessment, and the report required by the U.S. GAO focuses on assessing the state insurance regulatory response to increased premium rates, cost-sharing, or both for the insurance coverage provided or excluded in a homeowners policy for damage from wildfires. She said even if the bill does not pass, Chairwoman Waters can ask the U.S. GAO to study these items.

3. Discussed *Catastrophe Computer Modeling Handbook* Updates

Aaron Brandenburg (NAIC) said the drafting group formed to consider revisions to the *Catastrophe Computer Modeling Handbook* has held several conference calls. He said Nicole Crockett (FL) has agreed to lead the drafting group.

The drafting group decided to make the *Catastrophe Computer Modeling Handbook* into a primer, which will focus on providing departments of insurance (DOIs) with the information needed to address the basics of catastrophe modeling and serve as a resource available to inform new and non-expert staff about the basics of catastrophe modeling. The Center for Insurance Policy and Research’s (CIPR’s) Catastrophe Modeling Center of Excellence (COE) has been approved, and the primer will serve as a transition to the COE, which will provide more technical training beyond the scope of this primer.

The drafting group has met on several occasions and plans to meet once or twice a month to work on the primer. The next meeting of the drafting group will be held on Aug. 16. Additionally, drafting group members will have access to a SharePoint site, which will allow for improved collaboration.

The drafting group has created an outline that will be used to discuss the items that are determined necessary to include in the primer. A copy of this outline is included in the materials and includes topics such as: 1) what a catastrophe model is and what it is designed to answer; 2) how catastrophe models are used and why they are important and useful; 3) advantages of catastrophe models; 4) the type and complexity of catastrophe models and their components; 5) the types of losses modeled; 6) key metrics; and 7) model usage and regulatory interaction.

Anyone that has not joined the drafting group but has contributions on the outline should reach out Sara Robben (NAIC).

4. Heard an Update from the Alabama DOI Regarding its Private Flood Insurance Initiatives

Mr. Powell provided an update from the Alabama DOI regarding its private flood insurance initiatives. Alabama experiences both coastal and inland flooding, less than 2% of the single-family residences have flood insurance through the NFIP, and consumers have limited choices for flood insurance through private insurers, particularly in the admitted market.

Mr. Powell said the private flood insurance market is relatively underdeveloped and does not bridge much of the flood protection gap. The direct written premium written in the private flood insurance market in Alabama was just over \$6 million, representing less than one-fifth of the NFIP premiums written.

Mr. Powell said the private flood insurance market has grown significantly in recent years across the country. He said this has likely been spurred by the advancement of flood risk modeling and increases in reinsurance capacity. However, the private flood insurance market is not as competitive as other property lines of business, making it difficult for consumers to obtain flood insurance outside of the NFIP.

Mr. Powell said the DOI surveyed the private insurance market to determine some of the regulatory concerns with developing a private flood insurance market so it could prioritize some actions of the DOI to help close the flood protection gap. The Alabama DOI engaged the services of an outside consulting firm to survey insurers, reinsurers, and managing general agents (MGAs) to help the DOI determine the concerns and perspectives regarding writing private flood insurance in the state.

Mr. Powell said there were four recommendations the DOI received from the survey to help increase the writing of private flood insurance in Alabama. The first recommendation was to develop and communicate a long-term strategy for flexible rate and form filing requirements that would reflect the unique nature of flood perils and the underserved flood insurance market. Respondents consistently asked for flexibility in rates, forms, and exposure management. Other concerns expressed were to treat rate and rules pages as confidential in the filings, as well as the ability to cancel, non-renew, or surcharge prior loss properties.

Mr. Powell said the second recommendation was to develop a plan to increase consumer awareness regarding flood risks. Those responding to the survey suggested that the DOI consider creating a risk disclosure that is provided to policyholders when purchasing or renewing property insurance. It was also suggested that it would be effective to highlight that there are differences in coverage depending on the policy and whether a property is inside or outside of a Special Flood Hazard Area (SFHA).

Mr. Powell said the third recommendation was for the DOI to collaborate with insurance agents, insurance industry groups, real estate professionals, flood plain managers, and other government agencies to increase consumer flood risk and flood insurance awareness. The survey results emphasized that real estate professionals and insurance agents play a crucial role in a consumer's decision regarding the purchase of flood insurance. It was suggested that real estate agents receive training and continuing education (CE) regarding flood risk. The insurance industry believes real estate agents dissuade home buyers from purchasing a flood insurance policy if the home is not in an SFHA.

Mr. Powell said the fourth and final recommendation was to promote mitigation and responsible building and raise the profile of the state's effort to close the flood protection gap and reduce flood risk. Respondents specifically asked for the DOI to be more engaged.

Mr. Powell said the DOI has issued a bulletin intended to spur the growth of the private flood insurance market. This bulletin essentially removed the barriers to entry and exit for insurers willing to write private flood insurance policies. The bulletin stated that insurers are not required to file rates for flood insurance on property other than vehicles. This exemption includes standalone flood insurance policies and endorsements for other property insurance policies. Mr. Powell said the DOI requires an insurer writing a private flood insurance policy to firmly state that the policy will meet or exceed the coverage provided in a standard NFIP flood insurance policy.

Mr. Powell said the DOI works closely with the Alabama Center for Insurance Information and Research (ACIIR), which is associated with the University of Alabama. The DOI is in ongoing conversations with the ACIIR to explore prior research data around private flood to develop a strategy to expand the private flood insurance market.

Mr. Powell said the DOI is working with nonprofit organizations to secure additional funding and assistance to deliver programs that would help to support the private flood insurance market. He said the DOI also created a mitigation resource division that deals not only with mitigation but also with resilience issues. He said the mitigation resource division takes on many tasks, including helping to develop the private flood insurance market. Mr. Powell said the DOI also has a successful wind mitigation program that helps to strengthen homes in the mitigation resource division.

Mr. Powell said the DOI is playing a major role in the creation of a resilience council, which provides a forum for coordinating activities of state government and proactively reimagining the state's approach to harmful societal impacts before they occur. This organization will create a coordinated effort to address issues such as expanding the private flood insurance market and bring multiple resources and experts to assist. The council will also help to address other perils.

Mr. Travis asked if the Alabama DOI has considered enacting any legislation. Mr. Powell said he believes this will happen as the private flood insurance market matures and the DOI has additional conversations with the ACIIR. He said the DOI will likely look at some legislation that will give the DOI a little more authority to help stimulate the private flood insurance market. Mr. Travis said Florida, Louisiana, South Carolina, and possibly Iowa have implemented some private flood insurance legislation. He said the Louisiana DOI would like to see the results of the survey.

Commissioner Mulready asked if the training for real estate agents is being done by the DOI or if they are going through a third party. Mr. Powell said it has not started this program yet; however, the DOI did do some training with real estate agents regarding wind mitigation. He said regarding the wind mitigation training, the DOI developed the criteria for the course and hired a third party to deliver the materials.

Commissioner Altmaier said this is an area of interest for many state insurance regulators, and the Working Group is a good forum to collaborate as Alabama continues its work.

5. Heard an Update from the NAIC on Private Flood Insurance Data

Mr. Brandenburg provided an update regarding the data reported on the Property/Casualty (P/C) Annual Statement blank. Prior to the 2020 data year, the private flood insurance line of the annual statement did not separate the commercial line of business and the residential line of business. The NAIC conducted a data call to obtain 2018 and 2019 data. The data is additionally categorized by standalone, first dollar, excess, and endorsement. The NAIC also collected several new data elements; i.e., number of policies, number of claims opened, and number of claims closed with payment. As of the 2020 data year, the annual statement Private Flood Insurance Supplement collects this information. The supplement is due by April 1.

Mr. Brandenburg said there are some caveats. He said last year, there were some insurers that did not file correctly; therefore, there were some errors and missing data within the dataset. He said this data is now available for 2018 through 2021 on the NAIC website.

Mr. Brandenburg said the number of commercial and residential policies combined rose from 431,323 to 561,871, which was approximately a 30% increase. Direct written premiums were just over \$1 billion, which is over two times higher than the direct written premiums reported in 2018.

Mr. Brandenburg said direct written premium for residential private flood insurance policies rose substantially in 2021, as the direct written premium increased by 61%. Standalone policies showed a larger increase—60%—than policies with endorsements. However, policies with endorsements increased by 20%. First dollar policies also increased substantially; however, there was a decline in excess policy direct written premium.

Mr. Brandenburg said the total number of residential private flood insurance policies increased by 30% in 2021, with the largest increases being in standalone policies. The number of policies with endorsements decreased.

Mr. Brandenburg said private flood insurance residential losses increased substantially. Losses in 2020 were approximately \$52 million, while they totaled almost \$175 million in 2021. The number of claims also increased significantly in 2021. There were 380 claims in 2020 and 1,900 claims in 2021.

Mr. Brandenburg said average standalone residential private flood insurance premiums rose in 2021; however, there was a decrease in the two years prior. He said the average premiums for policy endorsements is increasing as well.

Mr. Brandenburg has the highest premiums for residential private flood insurance occurred in California, Florida, New Jersey, New York, and Texas. The highest loss ratios in 2021 occurred in Alabama, Kentucky, New Jersey, Pennsylvania, and Washington. The states with the most residential private flood insurance premiums included California, Florida, New Jersey, New York, and Texas.

Mr. Brandenburg said in 2021, there were 24 insurers writing over \$1 million in residential private flood insurance. The largest insurers wrote \$273 million in direct written premium, which was over 81% of the total residential private flood insurance market. The NFIP wrote 4.9 million flood insurance policies in 2021, which was down from 4.9 million flood insurance policies in the previous year.

Mr. Grassel said during the National Flood Conference in June, it was mentioned that it is a re-education of the agency force and letting agents know that private flood insurance is now something available in the marketplace.

Mr. Travis said Louisiana has done CE for real estate agents.

Director Wing-Heier said flood has been front and center in the past few months in several states. She asked if anything is being done regarding the recommendation of a combined earthquake/flood insurance policy from private insurers where residential private flood insurance is concerned. She said a lot of states that have flood exposure also sit on a fault line. Commissioner Altmaier asked Working Group members to take this back to their zones and let the Working Group know if there is any feedback on this matter.

6. Heard an Update from the New Mexico DOI on Recent Wildfires

Ms. Catechis said on April 6, the Hermits Peak Fire was started by the U.S. Forest Service (USFS), followed by the Calf Canyon Fire on April 19, which was also started by the USFS. These two fires combined on April 22 to create

the largest wildfire in the history of New Mexico. On April 12, the McBride Fire, which was caused by utilities, started in the southeastern portion of the state. This fire has been contained but not before taking two lives on April 22.

Ms. Catechis said on April 22, the Cerro Pelado Fire east of Los Alamos County started from an unknown cause. On May 13, the Black Fire, which was human caused, started in the southwestern portion of the state and was the second largest wildfire in the history of the state; however, there were no structures lost in this fire. These five fires accounted for nearly 800,000 acres burned across the state of New Mexico. Ms. Catechis said there are several fires that have occurred since these fires and continue to occur.

Ms. Catechis said it took months for these fires to be contained, as containment occurred in mid-July. She said hundreds of homes and families continue to be at risk due to flash flooding, which has been exacerbated by the burn scars. To date, four people have died due to flash flooding.

Ms. Catechis said these fires were unique, as they burned for quite some time, and both the state and FEMA declared these fires a national disaster before they were contained. FEMA was on the ground to assist communities before they could even get in to assess damages.

Ms. Catechis said the New Mexico Office of Superintendent of Insurance (OSI) has a small staff. She said there are six staff members between the Consumer Assistance Bureau and the Property and Casualty Bureau. She said four of these staff members were directly affected by these fires and were evacuated themselves. It took at least four hours for a staff member to drive to the evacuation centers due to the size of the state, which made outreach difficult.

Ms. Catechis said New Mexico has a challenge with uninsured homes. Many of the people living in the state have lived in the same home for eight generations, and until recently, they have been spared from wildfire and have not felt the need to purchase insurance.

Ms. Catechis said the counties that were the most affected by wildfires include San Miguel, Mora, and Lincoln. San Miguel County is the largest, most populated county, with a population of 28,000. There were 2,300 homeowners policies in place. Mora County, having a population of 4,500, had 270 homeowners policies in place. Lincoln County, which is more affluent with many vacation homes and a population of 19,000, had 4,300 homeowners policies in place. To date, Lincoln County has had 86 claims totaling \$20 million.

Ms. Catechis said New Mexico has a FAIR Plan that covers vandalism and fire losses only. She said the FAIR Plan insures homes for up to \$250,000 or commercial properties for up to \$500,000. She said the lowest premium in place for a FAIR Plan policy is \$75 per year. She said there were fewer than 12 of these policies in place in northern New Mexico at the time of the wildfires. She said many residents were not aware that the FAIR Plan exists, and insurance agents were not trying to sell policies under the FAIR Plan.

Ms. Catechis said following the wildfires, the DOI was able to take advantage of some of the new emergency powers the New Mexico Superintendent of Insurance received in their 2021 legislative session. This allowed the OSI to help consumers obtain prescriptions, etc.

Ms. Catechis said the OSI created its own emergency staff team, a hotline, and a dedicated web page, and it is still staffing the emergency center in Las Vegas.

Ms. Catechis said the OSI had some good contacts following the FEMA Region 6 event that was held in May. She said the OSI was able to talk with FEMA coordinators daily.

Ms. Catechis said the OSI also had contacts with the American Property Casualty Insurance Association (APCIA) and the Rocky Mountain Insurance Association. These two groups helped the OSI reach out to insurers and provide necessary contact information to the insurers in the state, as well as help with press releases, as the OSI does not have a communications director or press person.

Ms. Catechis said the OSI received assistance from the NAIC and other states regarding best practices and how to use the data obtained through an NAIC data call. She said staff from other states volunteered and were on site to help with the recovery process.

Ms. Catechis suggested making connections with FEMA prior to a catastrophic event occurring, as it is helpful to know who to contact and develop relationships early. She said the OSI created emergency consumer “to go” boxes with materials needed to take to an emergency center site.

Ms. Catechis advised using the media most used in one’s state when messaging with consumers. She said in northern New Mexico, radio is the best form of communication. The OSI also created business cards that simply had the 800 assistance number on the card.

7. Heard an Update from the Northeast Zone on its Catastrophe Team

Mr. Bradner said the Northeast Zone Catastrophe team began meeting again. This team was originally formed in 2012. The purpose of the team was to discuss what each state was seeing in their jurisdiction. This included legislation, what each state was seeing in the insurance industry, and things like hurricane and wind/hail deductibles.

Mr. Bradner said the Northeast Zone states believed it would be beneficial to reach out to each other to discover what each of the states were doing to prepare for a catastrophic event and see if assistance was needed.

Mr. Bradner said prior to Superstorm Sandy, the Northeast Zone Catastrophe team had begun to work on a reporting mechanism tool to provide consistency regarding information for insurers to report damage estimates to the DOIs in the zone. Ultimately, the Working Group created a form to be used on a national level.

Mr. Bradner said the team quit meeting on a regular basis approximately five years ago, and during the Northeast Zone retreat last year, it was suggested that the team reconvene. He said the team had its first meeting in June and coordinated with the NAIC. He said because of this meeting, catastrophe contacts in each of the Northeast Zone states have been updated and are posted on the Working Group’s web page. He said the team also discussed NAIC educational services and support provided by the NAIC in the event of a catastrophic event.

Mr. Bradner said in 2012, the team created a spreadsheet that listed information regarding deductibles in their states. This information included if insurers had caps on hurricane deductibles, the duration of the hurricane deductible, the kind of mitigation that might have been put in place, and whether an insurer could non-renew business in specific locations. Mr. Bradner said this collaboration clarified what was being done at a state level.

Mr. Bradner said the team discussed holding a meeting with the FEMA regions in the Northeast Zone states. There are three different FEMA regions in the Northeast Zone that could hold a collaborative meeting.

Mr. Bradner said the team also discussed how states can work with their sister agencies and construction services. Many states are responsible for construction building codes, and a collaborative effort would prove to be helpful. Mr. Bradner said as of 2018, a code revision was passed in Connecticut, requiring anyone putting a new roof on their home to have to tape the entire roof. To get this code revision passed, it was necessary to determine who

oversaw the building codes and bring those in charge and the Insurance Institute for Business & Home Safety (IBHS) into the meetings to explain how roof taping would help mitigate losses.

Mr. Bradner said the team plans to meet on a quarterly basis.

8. Heard an Update from the Washington DOI on Cascadia Rising

Mr. Stoutenburg said every two years, the U.S. Department of Homeland Security (DHS) conducts national exercises around the country based on regional level catastrophes. This year, an exercise was conducted based on the Cascadia subduction zone, which is approximately 70 miles off the coast of Washington. This subduction zone has the potential to produce a 9.0 magnitude earthquake, as well as a tsunami. An event of this proportion would affect all the Northwest metropolitan areas, including portions of California, Portland, Seattle, Vancouver, and British Columbia, as well as coastal regions.

Mr. Stoutenburg said Washington participated in the exercise for three reasons: 1) to exercise its continuity plan; 2) to determine ways to help consumers following an event; and 3) to learn how the Washington State Office of the Insurance Commissioner (OIC) could implement the NAIC disaster response plan and assistance programs.

Mr. Stoutenburg said the NAIC has been working with the OIC regarding its disaster assistance program and has tested transferring the consumer call center 800 number to the NAIC call center. The NAIC also participated in the exercise by providing information regarding the NAIC disaster assistance program and disaster response plan.

Mr. Stoutenburg said the OIC is resilient, as it has an emergency action plan, which covers its agency on a 24/7 basis. He said the OIC also has a Continuity of Operations Plan (COOP) that provides a plan for the OIC to continue providing services following a disaster. The OIC requires a COOP, as well as practicing the COOP.

Mr. Stoutenburg said FEMA organizes Disaster Recovery Centers (DRCs) for federally declared disasters. DRCs can be open for 30 days or longer. The DRCs include federal and non-federal agencies and volunteer organizations with disaster recovery resources.

Mr. Stoutenburg said when FEMA does not declare individual assistance for a disaster, the states will reach out and provide local assistance. This is another area OIC staff could be participating in.

Mr. Stoutenburg said the OIC had a conversation with the emergency management division in Washington, as it is the liaison between the OIC and FEMA.

Mr. Stoutenburg said the OIC's next steps are to prepare to have a presence at DRCs to enhance preparedness and partner with the emergency management division.

9. Heard an Update on the NAIC/FEMA Region 6 Event

Commissioner Mulready said the five states from FEMA Region 6 met with FEMA Headquarters and FEMA Region 6 colleagues in a hybrid event hosted by the Oklahoma DOI. In addition to hearing an overview of recent catastrophic events in the region, the following items were discussed: 1) information regarding FEMA Region 6 stakeholder roundtables; 2) how states are organized and plan for disaster; 3) NAIC capabilities to assist states; 4) FEMA Headquarter operations, including the flood response playbook; 5) claims information; 6) communication and messaging; and 7) how states interact with FEMA at DRCs.

Commissioner Mulready said the group also visited the severe convective storm facility in Norman, OK, and it heard from Harold Brooks (National Oceanic and Atmospheric Administration—NOAA), a leading expert at the NOAA regarding warning systems and communications at the weather center.

Commissioner Mulready said the states in FEMA Region 6 build relationships with their FEMA colleagues at this event. He believes communication with FEMA is improved through this event and will continue to grow in the future.

Commission Mulready suggested that states that would like to hold one of these workshops reach out to the NAIC.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2022_Summer/Catastrophe/NAIC-FEMA/08 CatFEMA Minutes.docx

Draft: 8/4/22

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

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

1. Adopted its July 21 Meeting Minutes

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

A majority of the Working Group members voted in favor of adopting the July 21 meeting minutes (Attachment Four-A). The motion passed.

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

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

Draft: 8/1/22

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

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

1. Adopted its June 7 Meeting Minutes

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

Mr. Byrd made a motion, seconded by Ms. Nollette, to adopt the Working Group's June 7 meeting minutes (Attachment Four-A1). The motion passed unanimously.

2. Adopted the Revised Pet Insurance Model Act

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

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

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

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

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

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

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

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

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

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

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

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

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

Draft: 6/7/22

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

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

1. Discussed Proposed Changes to the Pet Insurance Model Act

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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