

## **“The Regulators”: Season 6, Episode 3: Exploring the Property & Casualty Market Intelligence Data Call, with Alan McClain, Commissioner, Arkansas Insurance Department**

**NAIC Chief Government Affairs Officer Ethan Sonnichsen:** All right. You ready? You ready to do this?

**Arkansas Insurance Commissioner and Chair of the NAIC’s Property & Casualty Insurance (C) Committee Alan McClain:** Let’s roll it.

**Sonnichsen:** Let’s do it. Welcome to “The Regulators,” a podcast where we break down important insurance issues facing consumers, regulators, and the industry. I'm your host, at least for this episode, Ethan Sonnichsen, chief government affairs officer at the NAIC. And I'm pleased to be joined today by Arkansas Insurance Commissioner and chair of our Property and Casualty Insurance Committee, Alan McClain.

**McClain:** Thank you, Ethan. I'm happy to be here today.

**Sonnichsen:** Are you sure?

**McClain:** Yeah, I think so. I’m ready to roll!

**Sonnichsen:** Let's do this. Well, we're mixing things up a little bit for this episode. We're recording it here at the national meeting before a live audience of literally hundreds of insurance nerds roaming the hallways. And we're at our Spring National Meeting in Phoenix, Arizona. It's been a productive meeting so far. Wouldn't you agree?

**McClain:** Absolutely. It's been great so far.

**Sonnichsen:** Well, we're about to get started with Commissioner Roundtable later this morning, and I know one of the hot topics this week is our Property and Casualty Market Intelligence Data Call.

After months of discussions and a lot of hard work on a data template, the data call is now underway. Commissioner, can you share with our listeners why state insurance regulators are fielding this data call and what questions are you looking to answer?

**McClain:** Sure. This is a very important initiative we've had, not only with the C Committee, the Property and Casualty Committee, but throughout the NAIC over the last year or so, because throughout the country, our insurance consumers are—and we're all insurance consumers—are facing astronomical homeowners insurance rate increases, as well as just seeing their coverages be more limited and what they can expect out of insurance companies.

And, so, we thought it was very important to do this data call to really dig down into a very granular level about the behavior of our market so we can better assess the affordability and availability of insurance and the coverages that our consumers are seeing. Because we get questions. Our legislators get questions. It hits home for almost every regulator here. So, with this data call, we're going to cover 80% of the market, about 70 or more data points that we're going to collect from the insurers. And we think it's going to give us some really objective data with which we can better assess our markets.

**Sonnichsen:** Yeah. Not to mention 40,000 ZIP codes. Until we started doing this work, I didn't realize there were 40,000 ZIP codes in this country, It's quite a bit of data.

**McClain:** I would have lost on the trivia question on that one. For sure.

**Sonnichsen:** Well, you mentioned the questions that you get at the state level. I get those at the federal level all the time. You know, what's happening in the market around the country, and people really have a, you know, they want to know what's going on. So, I think it's great that the NAIC has undertaken this initiative.

**McClain:** Just last week, I had to spend time with our Insurance and Commerce Committee in Arkansas to talk about this exact subject, and they wanted to hear from the commissioner as to why the market in Arkansas was behaving that way. And I was able to explain to them that it's not just my state; it is throughout the country. And I was able to talk about the data call, and say, yeah, we are doing something, and I'm pleased to be a part of it.

**Sonnichsen:** Great. Well, one of the hallmarks of state insurance regulators' work generally through the NAIC is trying to find consensus. But an effort like this, of this magnitude, certainly impacts a lot of companies. It impacts all the regulators. So, you can have, you know, people with concerns, or there could be detractors or the usual pushback sometimes we might get on something of this magnitude from stakeholders.

Can you talk about how you and your fellow regulators were able to come to an agreement on issuing the data call and the really high degree of participation among the states? I mean, we have a huge portion of the market is going to be represented.

**McClain:** Yeah, well, as chair of the C Committee, and I believe most of my fellow regulators would agree, the important part about reaching a consensus is that we have to embrace and engage in constructive pushback. And this is a forum, at the NAIC, that we're able to do that. And, so, this makes the process take a little longer and perhaps a little more drawn out than we want it to be. But it does keep the process very transparent and allows for a lot of engagement and also listening to not only each other in the room but also the stakeholders in the industry.

And I think that's, being able to get all those perspectives, is what makes the process better and more credible. And I think we were able to not only, you know, get an effective product, but also this process that we use could take into account, you know, any and all concerns our membership had. So, we were able to do that. It was, again, a little bit longer than we would want, but I think we can say that we did it in a very transparent and thorough way.

**Sonnichsen:** Yeah. When we first started talking about this effort, you and I had full heads of dark, lush hair, and now look at us.

**McClain:** Look at us! Wow!

**Sonnichsen:** I mean, just, what a difference a couple of months makes.

**McClain:** Hair's so overrated.

**Sonnichsen:** It is. It is. I feel very aerodynamic this morning. Well, the data, as you mentioned, very granular, but that's important, because the risks across this country, you know, they can be very different from state to state. You know, you can have one part of a state that has a protection gap or a challenge and another part where maybe you're not seeing that. So, the granularity of the data about the health of the property insurance market is important. But, how do you see this data fitting in with other priorities of the NAIC, from our climate risk and resilience work generally to consumer education and outreach?

**McClain:** Well, I think this information will give us a lot of geographical insights for policymakers all across the country, not just insurance commissioners but legislators and other policymakers, to consider as we learn about how the insurance markets react to certain types of losses, be it wind, be it fire, flood, hail. You know, then we can, you know, at a minimal level, be able to explain the behavior of the market. What's going on in the market. Consumers then can have info to make personal decisions about coverage.

But, also, I hope the information helps us all learn more about how our structures, about how our systems, are working but also will give us information that we can use as we look at maybe some solutions, such as some sustainability efforts. There are a lot of states now looking at some sustainability programs. So, if we can use some of this objective data from the data call to kind of show where, you know, where the coverage gaps are and the types of events that are causing it, then I think that'll help the states have information as they look at resiliency programs that are being thought about in multiple states right now.

**Sonnichsen:** Right. Yeah. I know a lot of states are following the lead of a state like Alabama doing the Fortified Homes program. And this kind of data, understanding, you know, what the market conditions are at a ZIP code level, I think will better allow states to sort of target those resources, right? Because those resources are not unlimited, but being able to help with mitigation and resilience, you know, where it matters most and where it has the biggest impact, this data can help with that.

**McClain:** Exactly. That's what I'm thinking. I think the timing of getting this data is great, and I was explaining resiliency programs to our legislators last week, and they're very interested in it and interested in Alabama's efforts. And Kentucky's moving a bill through right now. Oklahoma's moving a bill through. And the NAIC is standing up resources to help states have that information available to them. So, I think that it all goes back to having the data that we talked about with this data call.

**Sonnichsen:** Well, we're sitting here in sunny Phoenix, Arizona, at yet another national meeting. But I live and work in Washington, DC, as you know, and as I said at the top, there's an interest in this issue, a lot of attention on this, on the health of the property insurance markets and what's going on, given the intersection between insurance and housing and banking and other parts of the real economy. So, it's a national story as well as a local story at this point. But why was it important for state insurance commissioners to take the lead and to go first to gather this data from our insurance sector?

**McClain:** Sure. Well, as our NAIC president, Andy Mais, has said several times and often reminds us, you know, we as state regulators understand our markets, and we're the experts in our states. And, so, we are on the front lines every day helping consumers navigate this interaction between insurance carriers. And, as, you know, and then we have the regulatory authority to make sure that insurers make good on their promises. So, I think it is rightly placed with the state regulators to be doing this effort.

**Sonnichsen:** That's right. Well, shifting gears a little bit, we've been asking our guests to tell our listeners about leaders who've inspired them. I know you're going to say me, but I think you should think a little bit more broadly than that.

**McClain:** Okay. Well, we'll have to rethink it now. Wow.

**Sonnichsen:** But before we wrap things up, I'd like to pose that question to you, Commissioner McClain. It could be someone in or out of public service, someone from your life, but are there any particular figures in your life, other than me, that you've looked up to throughout your career?

**McClain:** Okay. I'm going to have to think a little harder now.

**Sonnichsen:** I put you on your toes there.

**McClain:** Yeah. Yeah. I got to change my comments. But, coming from Arkansas, we're the home state for Walmart stores, and Sam Walton built Walmart from the ground up from one small store.

**Sonnichsen:** Walmart. I've heard of that. Is that a local chain?

**McClain:** It's a local five-and-dime store, because that's how it started. And, from that, he built this huge worldwide company. But he had ten principles. I'm not going to read them all, but they're all basic business principles that he asked all his associates to adhere to, and it involved, you know, topics like motivation and communication and listening to others and to exceed expectations. Some very good things that you see incorporated in business now. And those were the keys to his success. Overarching all that was still the Golden Rule. So, I mean, just, you know, "treat others the way you want to be treated." And, so, I kind of always thought that that was a good North Star to pay attention to. And Sam communicated that to his employees, and I thought that was good.

And, then, you know, my dad was also a retailer. He had one store, and I grew up around a retail store. And as I was thinking through Mr. Sam's points there that I mentioned, I said, well, "Dad did that, too." And I kind of grew up around watching him, you know, with those same attributes as he treated customers who would come in the store. And it was a clothing store, and whether they were affluent or just somebody who needed a little help getting a new suit of clothes to go to, you know, a wedding or a funeral, he was always quick to help them. And that would always inspire me. So, from Sam Walton to my father.

**Sonnichsen:** That's pretty good. I know Arkansas law requires you statutorily to say "Walmart," but bringing your father in, I think that's a pretty nice....

**McClain:** Okay. Well, good.

**Sonnichsen:** ... that's a pretty nice gesture.

**McClain:** That was an easy one.

**Sonnichsen:** Well, you're doing great, Commissioner. It's almost like you've done this before. We're almost out of time today. It wasn't too painful so far, was it?

**McClain:** No. Not too bad.

**Sonnichsen:** Not too bad. But before we let you go, please join me for a round of “Regulator Risk Roulette.” It’s a podcast tradition that we have here that offers our listeners a chance to get to know a different side of our guests. There are six categories: Risky Business, Keep It Professional, Childish Things, Very Interesting, Getting Personal, and That’s Entertainment. We’ll spin the wheel once and let you know your category and question. Are you ready to play?

**McClain:** I’m ready.

(Wheel spins.)

**Sonnichsen:** All right. Well, we landed on Getting Personal. And the question for you is, “What is the one thing that most people who work with you don’t know about you?”

**McClain:** Let’s see. Most people would not know that I have...

**Sonnichsen:** And this is a family podcast, so, please, please keep it clean.

**McClain:** You keep changing the parameters for me, so I have to think a little harder. No, but most people don’t realize that I’ve played the guitar most of my life. Don’t ask me to play at your, you know, event, a reception, or even at your, you know, campfire sing-along. I just enjoy getting my guitar out—well, one of my guitars—and strumming tunes. I’ll learn some new things, and honestly, it’s an audience of one, and most people are happy about that. But, for most of my life, I’ve played an acoustic guitar.

I did have a little time of playing bass and electric guitar in high school. And had a couple of guys, who, we formed a little band, and we played a couple of talent shows and won the Arkansas State Fair talent show one year. Had a trophy and all that. So, I think we may have been the only ones in our category, but we still won. And I shouldn’t have to publicly say that we were the only ones in the category, but, anyway....

**Sonnichsen:** Could say it was stiff competition.

**McClain:** Yeah. But that was fun. The other two guys have gone on to play professionally.

**Sonnichsen:** And look how you turned out.

**McClain:** Yeah, and I’m the insurance commissioner. So, I’m sorry that it didn’t work out so well for them.

**Sonnichsen:** Well, that’s it. I would not have guessed that, so, thank you for sharing that with us.

**McClain:** Sure.

**Sonnichsen:** And with that, I think we need to head over to Commissioners’ Roundtable. Thank you again for joining me on “The Regulators,” Commissioner McClain. It’s been a real pleasure. And thank you all for listening to “The Regulators.” Make sure to subscribe to “The Regulators” wherever you get your podcasts and so don’t miss an episode. Until then, see you next time.

**McClain:** Thank you, Ethan.

**Sonnichsen:** Thank you.