

2010 PROPOSED CHARGES

Draft: 9/18/09

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

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

New Objectives and Goals (*representing new NAIC programs, services or initiatives*):

1. Appoint a Catastrophe Insurance Working Group to provide a forum for discussing various issues related to catastrophe modeling, make recommendations for the appropriate regulatory framework for catastrophe modelers and monitor issues that will result in changes to the *Catastrophe Computer Simulation Modeling Handbook—Essential*
2. Work collaboratively with the Market Regulation and Consumer Affairs (D) Committee to continue public discourse on credit-based insurance scores to *Essential*:
 - Define what constitutes a credit-based insurance score.
 - Evaluate how insurers use credit-based insurance scores.
 - Determine how current economic conditions have affected policyholder premiums related to credit-based insurance scores.
 - Provide a report documenting findings and including recommendations for regulatory or legislative action, if warranted. Complete the report by the 2010 Fall National Meeting.

Ongoing Support of NAIC Programs, Products or Services:

1. Discuss issues arising and make recommendations with respect to advisory organization and insurer filings for personal and commercial lines, as needed. Report yearly.—*Ongoing*
2. Appoint a Catastrophe Insurance Working Group to report progress on the following catastrophe insurance issues on a quarterly basis.—*Ongoing*
 - Monitor and recommend measures to improve the availability and affordability of insurance and reinsurance related to catastrophe perils for personal and commercial lines.
 - Evaluate potential state, regional and national programs to increase capacity for insurance and reinsurance related to catastrophe perils.
 - Monitor and assess proposals that address disaster insurance issues at the federal and state levels; assess concentration-of-risk issues and whether a regulatory solution is needed.
 - Provide a forum for discussing issues and recommending solutions related to insuring for catastrophic risk, including terrorism, war and natural disasters.
 - Update the *State Disaster Response Plan*, as needed, so that it provides a blueprint for action by the states to respond to catastrophic events.
 - Investigate the regulatory, financial and economic impacts of defects reported in Chinese drywall imported between 2004 and 2007. Examine property damage and bodily-injury claims.
3. Appoint a Risk Retention Working Group.—*Ongoing*
 - Review developments in case law and rehabilitation proceedings and the findings contained in the U.S. Government Accountability Office's report on risk-retention groups; if warranted, make appropriate changes to the *Risk Retention and Purchasing Group Handbook*.
 - Review the recommendation from the Risk Retention Group (E) Task Force related to corporate governance standards and advise whether to pursue a model law to implement the corporate governance standards. Report quarterly.
4. Appoint a Crop Insurance Working Group.—*Ongoing*
 - Monitor the activities of the Federal Crop Insurance Corporation (FCIC) that affect state insurance regulators;
 - Serve as a forum for discussing issues related to the interaction of federal crop insurance programs with state regulation;

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- Review law changes and court decisions and, if warranted, make appropriate changes to the *Crop Insurance Handbook: A Guide for Insurance Regulators*.
 - Monitor the regulatory information exchanges between the FCIC and state regulators, as well as the FCIC and the NAIC, and make recommendations for improvement or revisions, as needed. Report quarterly.
 - Facilitate regulators' concerns and assist the states, as necessary, in enacting regulatory changes to avoid the preemption given the inevitable preemption of crop insurance adjuster licensing by the U.S. Congress, through the federal Risk Management Agency (RMA), on a state-by-state basis, beginning as early as July 1, 2011.
5. Coordinate with the Federal Insurance Administrator on the regulation of flood insurance.—*Important*
- Continue developing a handbook or white paper to assist state insurance regulators in understanding the federal flood insurance program and how it interacts with state insurance regulation;
 - Complete work on a handbook or white paper by the 2010 Fall National Meeting. Report progress on the handbook or white paper, and any other activities, on a quarterly basis.
6. Monitor the activities of the Workers' Compensation Task Force.—*Essential*
7. Monitor the activities of the Casualty Actuarial and Statistical Task Force.—*Essential*
8. Monitor the activities of the Surplus Lines Task Force.—*Essential*
9. Appoint an Advisory Organizations Examination Oversight Working Group.—*Essential*
- Revise the protocols, as necessary, for the examination of national or multi-state rating organizations to be more comprehensive, efficient and possibly less frequent than the current system of single-state exams. Solicit input and collaboration from other interested and affected task forces and committees.
 - Monitor data reporting of rating and/or advisory organization data-collection processes to determine if rating and/or advisory organizations implement appropriate measures to ensure data quality. Report the results of this ongoing charge as needed.
 - Actively assist with and coordinate multi-state examinations of advisory organizations and statistical agents.
10. Appoint a Title Insurance Issues Working Group to study issues related to title insurers and title insurance producers, including the impact of current real estate settlement practices on policyholders, recognizing that typically, settlement providers, not policyholders, are the title entity's customers. The Working Group should:
- Complete a study on the ability to undertake a uniform data-collection system to capture title insurance premium and expense data that would allow for cross-jurisdiction premium comparisons. Report the results by the 2010 Spring National Meeting and make a recommendation to develop a nationwide title statistical plan.—*Essential*
 - Study ways to improve consumers' ability to comparison shop for title insurance. Report the results by the 2010 Summer National Meeting.—*Essential*
 - Consider issues raised by consumer representatives and the April 2007 GAO study.—*Essential*
 - Consider ways to improve the solvency regulation of title insurers. Coordinate with the Financial Condition (E) Committee to determine the attributes of recent title company financial failures and to identify property/casualty solvency requirements (e.g., risk-based capital) and early warning tools (e.g., IRIS ratios) not currently applied to title insurers and consider whether they should be introduced. Report the results by the 2010 Fall National Meeting.—*Essential*
 - Investigate ways to mitigate the impact of insolvencies on policyholders, including whether to revive work on the 1992 draft of the Title Insurance Guaranty Fund Model Act. Consider the merits of promoting the use of blanket lenders' policies and individual owners' policies to replace policies issued by now-insolvent insurers. Report the results by the 2010 Fall National Meeting.—*Essential*
 - Investigate ways to maintain and improve competitive title markets, including examining and evaluating the original purposes and current effectiveness of monoline title insurance laws. Report the results by the 2010 Fall National Meeting.—*Essential*
 - Determine an appropriate format for communicating the various findings of the Working Group, such as writing a white paper, crafting best practice guidelines, or revising the Title Insurers Model Act (#628) and Title Insurance Agent Model Act (#230), by the 2010 Fall National Meeting. Produce a draft document in the chosen format by the 2010 Fall National Meeting.—*Essential*

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- Monitor the developments of the U.S. Department of Housing and Urban Development (HUD) proposed changes to its Real Estate Settlement Procedures Act (RESPA) and provide comments to HUD or to the U.S. Congress, if necessary. Respond to RESPA or HUD proposals by the due dates established by HUD. Monitor, facilitate and report on the HUD Collaborative Enforcement Group, which involves monthly conference calls between state insurance regulators and HUD on investigations.—*Important*
 - Consider whether or how to assist in combating mortgage fraud. Report the results by the 2010 Fall National Meeting.—*Important*
 - Study whether the title insurance industry is undertaking additional financial risks at the request of institutional lenders and owners.—*Deferrable*
 - Study the issuance of mortgage impairment products by non-title insurers to determine whether they should be classified as title insurance.—*Deferrable*
 - Study captive reinsurance arrangements that title insurers maintain and determine if they are legitimate reinsurance transactions or simply gimmicks to avoid the application of laws that would prohibit rebating and, if necessary, make recommendations for needed reform.—*Deferrable*
 - Study affiliated business arrangements (ownership arrangements between and among settlement providers and title entities) to determine which types of arrangements are legitimate and which types of arrangements are “shams”; i.e., those structured mainly to capture referral business and provide kickbacks to settlement providers, and that do not perform essential core title services.—*Deferrable*
 - Study the appropriateness of title insurance rates in light of the current competitive environment and, in particular, determine what constitutes appropriate justification for rates, determine the affect affiliated business arrangements should have on rates, and determine the feasibility of interactive rate comparisons among title entities to enhance competition.—*Deferrable*
11. Appoint a Terrorism Insurance Implementation Working Group to coordinate the NAIC efforts to address insurance coverage for acts of terrorism. Work with the U.S. Department of the Treasury’s Terrorism Risk Insurance Program Office on matters of mutual concern. Discuss long-term solutions to address the risk of loss from acts of terrorism.—*Essential*
12. Appoint a Consumer Guides Working Group to review and make modifications to the NAIC *Consumer’s Guide to Auto Insurance* and recommend revisions by the 2010 Summer National Meeting. Develop best practices for the design and implementation of consumer premium comparison guides for personal auto and homeowners insurance by the 2010 Fall National Meeting.—*Essential*
13. Appoint a Catastrophe Reserve Working Group to review the current NAIC catastrophe reserve proposal and make a recommendation whether to move the proposal forward, even if the IRS tax code is not amended to allow insurers to establish a tax-deferred catastrophe reserve. The Working Group will make a formal recommendation on whether to proceed with a catastrophe reserve requirement regardless of its tax-deferred status prior to the 2010 Spring National Meeting.—*Essential*
14. Appoint an Earthquake Study Group to study, in coordination with other NAIC working groups and task forces, on earthquake matters of concern to insurance regulators on a quarterly basis. Report on a tri-annual basis.
- Review and update *The Final Report of the Earthquake Study Group (February 2000)*, so that it provides a basis for understanding and outline for action to be taken by states to respond to earthquake events and risks.
 - Work with seismic and actuarial experts to develop recommendations for measures designed to mitigate losses caused by earthquakes.
 - Study earthquake modeling assumptions and meet with catastrophe modeling vendors to determine if models adequately handle regional differences in loss exposure.
 - Explore multi-state risk-sharing, mitigation and coordination strategies. This includes meeting, as needed, with officials from the Central United States Earthquake Consortium (CUSEC), Western States Seismic Policy Council (WSSPC) and the California Earthquake Authority (CEA).
 - Assist state insurance regulators in determining the availability and affordability of earthquake coverage in their states and assist in dealing with market dislocations and effects on rate level caused by exposure to the earthquake peril. This includes developing, distributing and evaluating a survey to all NAIC members designed to access availability and affordability.

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- Identify strategies to communicate earthquake risk awareness, preparation, loss mitigation and recovery measures to insurers, producers and consumers. This includes developing a consumer brochure to be finalized in December 2010 and exploring the feasibility of developing a consumer-awareness video.—*Essential*

Sponsors for 2010 Charges
(Except as noted, I support all charges)

Staff Support:

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