

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE
2009 Charges
Amended March 2009

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 is also to monitor and respond to problems associated with financial reporting matters for property and 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.

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 quarterly—*Ongoing*
2. Appoint a Catastrophe Insurance Working Group to report progress on the following catastrophe insurance issues on a quarterly basis—*Ongoing*:
 - a. Monitor and recommend measures to improve the availability and cost of insurance and reinsurance related to catastrophe perils for personal and commercial lines;
 - b. Evaluate potential state, regional and national programs to increase capacity for insurance and reinsurance related to catastrophe perils;
 - c. Monitor and assess proposals that address disaster insurance issues, both at the federal and state levels; assess concentration of risk issues and whether a regulatory solution is needed;
 - d. Provide a forum for discussing issues and recommending solutions related to insuring for catastrophic risk, including terrorism, war, and natural disasters;
 - e. Update the State Disaster Response Plan Manual, as needed, so that it provides a blueprint for action by states to respond to catastrophic events; and
 - f. Finish work on the NAIC Natural Catastrophe Risk Plan by the 2009 Summer National Meeting.
3. Appoint a Risk Retention Working Group to review developments in case law and rehabilitation proceedings and the findings contained in the 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—*Ongoing*
4. Appoint a Crop Insurance Working Group to monitor the activities of the Federal Crop Insurance Corporation that affect state insurance regulators. Serve as a forum for discussing issues related to the interaction of federal crop insurance programs with state regulation. 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 and the FCIC and the NAIC and make recommendations for improvement or revisions as needed. Report quarterly—*Ongoing*
5. Coordinate with the Federal Insurance Administrator on the regulation of flood insurance. 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 the handbook or white paper by the 2009 Winter National Meeting. Report progress on the handbook or white paper, and other activities, on a quarterly basis. *Important*
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 and ask that it to:
 - a. Develop protocol for examination of national or multi-state rating organizations to be more comprehensive, efficient, and possibly less frequent than the current patchwork of single state exams. Solicit input and

collaboration from other interested and affected task forces and committees. Among important issues to resolve are:

- Initiation of exam and participation by one or more interested states;
 - Collaboration of participating states on the scope of exam;
 - Maintaining confidentiality of exam information by states and contractors, if any;
 - Access to data from, or relating to, non-participating states;
 - Process for curtailing use of data for which access is denied or not readily available;
 - Sharing sensitive state-specific information with non-participating states; and
 - Allocation of examination costs.
- b. Monitor data reporting of rating or advisory organization data collection processes to determine if rating or advisory organizations implement appropriate measures to assure data quality. Report the results of this ongoing charge as needed.
- c. Actively assist with and coordinate multi-state examinations of advisory organizations and statistical agents. —
Essential

10. Review model laws adopted from 1989 to 1996 that have not been revised since that time period—*Important*

11. 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:

- a. 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. The data would include commissions and fees. Report the results by the Spring National Meeting; —*Essential*
- b. Study ways to improve consumers' ability to comparison shop for title insurance. Report the results by the Summer National Meeting; —*Essential*
- c. 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. The Working Group will respond to HUD proposals to RESPA by the due dates established by HUD. Also, needs to monitor and facilitate, as necessary, and report on HUD's State Collaborative Enforcement which involves states and HUD having monthly conference calls on investigations; -
Important
- d. Begin the review of the Title Insurers Model Act, which was last adopted in 1995 and has not been revised since that time and the Title Insurance Agent Model Act, which was last amended and adopted in 2003. Consider issues raised by the GAO Study concluded in April 2007 and issues submitted by consumer representatives during the review, including: whether monoline laws and regulations needlessly diminish competition; whether greater price competition among title insurers can be encouraged; whether prices should be reduced for refinances; whether fee padding and charging consumers fees for third party services that the title insurers are actually getting free or at a much lower cost is detrimental to consumers; and whether the new trend of realtors including provisions in their contracts to sell requiring the buyer to utilize a particular title entity is appropriate. Report the results by recommending the most appropriate manner in which the Model Acts should be revised (best practices, revised model act, white paper, or guideline) by the Winter National Meeting. —*Essential*

As time permits: -*Deferrable*

- a. Study whether the title insurance industry is undertaking additional financial risks at the request of institutional lenders and owners;
- b. Study the issuance of mortgage impairment products by non-title insurers to determine whether they should be classified as title insurance;
- c. 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;
- d. Study affiliated business arrangements (ownership arrangements between and among settlement providers and title entities) to determine what types of arrangements are legitimate and what 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;
 - 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.

12. 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 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*
13. Appoint a Consumer Guides Working Group to review and make modifications to the NAIC Consumer Guide to Auto Insurance and the Consumer Guide to Home Insurance including the development of new supplemental tri-fold type brochures for these lines of business. Make recommendations for changes by the Summer National Meeting. Develop best practices for the design and implementation of consumer premium comparison guides for personal auto and homeowners insurance by the Winter National Meeting—*Essential*
14. 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 2009 Spring National Meeting—*Essential*
15. Appoint an Earthquake Study Group to study and report, in coordination with other NAIC Working Groups and Task Forces, on Earthquake matters of concern to insurance regulators on a quarterly basis.
 - a. Review and update *The Final Report of the Earthquake Study Group (Feb. 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;
 - b. Work with seismic and actuarial experts to develop recommendations for measures designed to mitigate losses caused by earthquakes;
 - c. Study earthquake modeling assumptions and meet with catastrophe modeling vendors to determine if models adequately handle regional differences in loss exposure;
 - d. Assist states in determining the availability and affordability of earthquake coverage in their states and assist in dealing with market dislocations and affects on rate level caused by exposure to the earthquake peril; and
 - e. Identify strategies to communicate earthquake risk awareness, preparation, loss mitigation and recovery measures to insurers, producers and consumers—*Essential*

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

1. The Catastrophe Insurance Working Group will 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. The Catastrophe Insurance Working Group will work with the NAIC staff and consultants to evaluate the possibility of developing a public computer catastrophe simulation model and make recommendations to the NAIC membership regarding the development of the public model in accordance with the information approved in the Business and Fiscal Impact Statement for the Project—*Essential'*
3. Work collaboratively with the Market Regulation and Consumer Affairs (D) Committee to conduct a public hearing to:
 - Define what constitutes a credit-based insurance score;
 - Evaluate how insurers use credit-based insurance scores; and
 - 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 2009 Fall National Meeting.

Sponsors for 2009 Charges
(*Except as noted, I support all charges*)

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