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NAIC Summer 2023 National Meeting Update

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NAIC Summer 2023 National Meeting Update

The National Association of Insurance Commissioners (NAIC) recently held its Summer 2023 National Meeting (Summer Meeting). The following summarizes certain activities of the NAIC that took place during the Spring Meeting and on various WebEx Meetings leading up to the Summer Meeting.

Statutory Accounting Principles (E) Working Group

The following highlights items discussed as part of the Statutory Accounting Principles (E) Working Group's (SAPWG) Hearing and Maintenance agenda items.

Intercompany Pooling Arrangements - SAPWG re-exposed its intent to nullify Interpretation (INT) 03-02 "Modification to an Existing Intercompany Pooling Arrangement" (INT 03-02) as such guidance conflicts with SSAP No. 25 "Affiliates and Other Related Parties: (SSAP No. 25) regarding transfers of assets and liabilities for purposes of settling economic and non-economic transactions with related parties. INT 03-02 allows the use of statutory book value which is contradictory to SSAP No. 25's requirement to utilize fair value and results in unrecognized gains or losses when using bonds to make payments to affiliates for modifications to existing intercompany reinsurance pooling arrangements. Interested Parties disagreed with INT 3-02's nullification citing varying issues on the matter. NAIC staff continues to recommend nullifying INT 03-02. Discussions remain ongoing.

Proposed Bond Definition - SAPWG adopted the proposed principles-based bond definition (PBD) and related revisions to SSAP 26R "Bonds" (SSAP 26R), SSAP 43R "Loan Backed and Structured Securities" (SSAP 43R) and other various SSAPs impacted by this definition. In addition to securities identified as issuer credit obligations under the new PBD, certificates of deposit that have fixed payment schedules and maturity over a year from the date of acquisition, debt instruments in a certified capital company, bank loans that are obligations of operating entities issued directly by a reporting entity or acquired, exchange traded funds that qualify for bond treatment and mortgage loans identified as credit tenant loans are now scoped into SSAP 26R. Mortgage referenced securities and certificates fully guaranteed by Freddie Mac are now scoped into SSAP 43R along with other types of securities meeting the definition of an asset-backed security. Interested Parties supported these revisions. These revisions are effective for January 1, 2025.

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SAPWG exposed revisions to SSAP No. 21R “Other Admitted Assets” (SSAP No. 21R) to provide guidance for debt securities not meeting the PBD and residuals. Exposed revisions clarify that debt securities whose primary source of repayment is derived through rights to underlying collateral, qualify as admitted assets if the underlying collateral primarily qualify as admitted assets. Any residual tranches only qualify as admitted assets if debt securities from the same securitization qualify as admitted assets. Debt securities from a securitization are nonadmitted if residual interests or first loss positions held from the same securitization also do not qualify as admitted assets. These revisions predominantly incorporate Interested Parties previous comments. SAPWG and Interested Parties continue to deliberate other revisions to SSAP No. 21R.

SAPWG sponsored a Blanks (E) Working Group (Blanks) proposal to revise Schedule BA in accordance with the bond project for debt securities that do not qualify as bonds, with formal notice to the Valuation of Securities (E) Task Force and the Capital Adequacy (E) Task Force on the proposal to allow life reporting entities the ability to use existing Schedule BA reporting provisions for Securities Valuation Office (SVO)-assigned designations in determining RBC for debt securities that do not qualify as bonds. Discussions remain ongoing.

As a result of the new PBD, Blanks continues to discuss revisions with Interested Parties to the Annual Statement and related instructions including updates to the general instructions and new schedule D-1-1 and D-1-2. These new schedules capture information specific to issuer credit obligations and asset-backed securities with revised reporting lines and instructions for investment classification. Revisions to reporting instructions also continue to be discussed. These revisions have a current effective date of January 1, 2025. Discussions reman ongoing.

Collateral for Loans - SAPWG re-exposed revisions to SSAP No. 21R to clarify that invested assets pledged as collateral for admitted collateral loans must qualify as admitted invested assets. Interested Parties expressed concerns when the collateral is an equity investment in a joint venture, partnership or limited liability company. Discussions included thoughts on the most relevant valuation information that would be required for this type of collateral which was debated between the use of audited financial statements in line with SSAP No. 48 “Joint Ventures, Partnerships and Limited Liability Companies” (SSAP No. 48) or a fair value assessment in compliance with SSAP No. 100R “Fair Value” (SSAP No. 100R). The possibility of an optional election between either an audited equity valuation or fair value approach was discussed. SAPWG stated that it is imperative to maintain the use of a proportionate audited equity valuation to evaluate the adequacy of pledged collateral and requiring any portion of the loan value in excess of the audited equity valuation to be non-admitted and was not in favor of optionality accounting. Discussion of this matter remains ongoing.

U.S. GAAP Accounting Standards Update - SAPWG adopted for rejection FASB ASU 2019-07 Codification Updates to SEC Sections, FASB ASU 2020-09 Debt (Topic 470) “Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762”, FASB ASU 2022-05 Financial Services - (Topic 944) “Transition for Sold Contracts” and FASB ASU 2021-10 Government Assistance (Topic 832) “Disclosures by Business Entities about Government Assistance” (FASB ASU 2021-10), as not being applicable to statutory accounting. Certain disclosures pertaining to FASB ASU 2021-10 were adopted with modification.

SAPWG adopted revisions to SSAP No. 95 “Nonmonetary Transactions” and SSAP No. 47 “Uninsured Plans” to align with changes made to FASB ASU 2019-08 Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606) “Codification Improvements - Share Based Consideration Payable to a Customer.” These revisions update statutory accounting guidance to include the concept of nonmonetary consideration and clarify that any nonmonetary consideration deemed to be payable by the reporting entity should be accrued at fair value. These revisions are effective immediately.

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Paid-In-Kind Interest (PIK) - SAPWG adopted revisions to SSAP No. 34 “Investment Income Due and Accrued” and the Annual Statement Instructions to incorporate a practical expedient to the PIK aggregate interest disclosure previously adopted for year-end 2023. SAPWG adopted these revisions in order to eliminate any inconsistencies in the reporting of the impact of paydowns and disposals on PIK interest included in the cumulative principal/par balance. These revisions require any paydowns, disposals or sales to first reduce PIK interest before any reduction to the principal balance can occur. Additionally, a practical expedient to calculate PIK interest is now allowable (i.e., original par/principal value to current par/principal value, not to go less than zero). Interested Parties supported these changes. Revisions are effective immediately.

Conceptual Framework - During 2021, the FASB issued two new chapters of its conceptual framework, FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting: Chapter 4, Elements of Financial Statements and Chapter 7, Presentation (Statement No.8). In 2022, SAPWG incorporated the updated definition of an asset in Statement No. 8 into SSAP No. 4 and Issue Paper No. 166 “Updates to the Definition of an Asset.” Further discussions have taken place since regarding the updated definition of a liability in Statement No. 8 and its incorporation into SSAP No. 5R “Liabilities, Contingencies and Impairment of Assets” (SSAP No. 5R). Interested Parties previously suggested language that would clarify that the updated definition is applicable unless another authoritative SSAP provides more topic specific contradictory guidance regarding liabilities. SAPWG adopted revisions to SSAP No. 5R to incorporate Interested Parties changes. These revisions are effective immediately.

New Market Tax Credits - SAPWG exposed revisions expanding SSAP No. 93 “Low Income Housing Tax Credit Property Investments” (SSAP No. 93) and SSAP No. 94R “Transferrable and Non-Transferrable State Tax Credits” (SSAP No. 94R). Proposed revisions expand SSAP No. 93 to include all qualifying tax equity investments regardless of structure. Proposed revisions expand SSAP No. 94R to include all state and federal tax credits which have been allocated to or purchased by the reporting entity. SSAP No. 94R eliminates the off-balance sheet asset requirement and instead requires tax credits to be recorded at face value; acquisitions at a premium require the loss to be immediately recognized whereas acquisitions at a discount require the gain be deferred as an “other liability” until the reporting entity has utilized tax credits in excess of the acquisition cost. Discussions remain ongoing.

Cash and Short-Term Investments - SAPWG exposed revisions to SSAP 2R “Cash, Cash Equivalents, Drafts and Short-Term Investments” (SSAP No. 2R). Revisions narrow the classification scope to include investments qualifying under SSAP No. 26R as issuer credit obligations within three months or a year of purchase to be treated as a cash equivalent or short-term investment, respectively. These revisions also further restrict the scope of SSAP 2R to exclude the reporting of collateral loans or other schedule BA items designed to meet the parameters of short-term reporting under SSAP No. 2R. Discussions remain ongoing.

Corporate Alternative Minimum Tax - SAPWG adopted INT 23-02 “Third Quarter 2023 - Corporate Alternative Minimum Tax” (INT 23-02). INT 23-02 addresses the corporate alternative minimum tax (CAMT) imposed by the Inflation Reduction Act and provides guidance to reporting entities when the CAMT cannot be estimated for quarterly reporting. INT 23-02 recommends that for the third quarter 2023, that reporting entities should disclose whatever information is available and their applicable reporting entity status. If the reporting entity is able to make a reasonable estimate regarding the CAMT 2023 liabilities, such an estimate should be disclosed for third quarter 2023. If a reasonable estimate is not possible because of pending material information, the fact that a reasonable estimate is not feasible should be disclosed. INT 23-02 will be nullified effective on November 16, 2023.

SAPWG adopted Interpretation INT 23-03 “Inflation Reduction Act -Corporate Alternative Minimum Tax” (INT 23-03) to provide guidance regarding the CAMT for periods on and after the year end 2023. Adoption took place via WebEx Meeting on September 21, 2023. INT 23-03. INT23-03 addresses reporting issues related to the CAMT including financial projections for companies outside the group or partnership, treatment of the infinite CAMT deferred tax asset, impact of tax sharing agreements for

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reporting the CAMT and statutory valuation of the deferred tax asset for payment.

Reference Rate Reform - SAPWG exposed updates to INT 20-01 “Reference Rate Reform” to revise the expiration date of this guidance to December 31, 2024.

Annual Statement Instructions - SAPWG approved a broad project to review the Annual and Quarterly Statement Instructions to ensure that all necessary and relevant guidance within these instructions is properly captured within the Statements of Statutory Accounting Principles. This project is the result of utilization of the Annual Statement instructions for the purposes of identifying accounting guidance in lieu of the Statement of Statutory Accounting Principles which represents the most authoritative accounting guidance to utilize in statutory accounting with the Annual Statement instructions representing a secondary source of accounting guidance. Discussions remain ongoing.

Collateralized Loan Obligations - SAPWG exposed revisions to SSAP No. 43R to include collateralized loan obligations in the Securities Valuation Office modeling process to be consistent with previous practices adopted into the Purposes and Procedures Manual of the NAIC Investment Analysis Office. Discussions remain ongoing.

Asset Valuation Reserve and Interest Maintenance Reserve - SAPWG adopted INT 23-01T “2023 Net Negative (Disallowed) Interest Maintenance Reserve” (INT 23-01T) which is a limited-time optional INT to allow admittance of net negative (disallowed) IMR. Adopted provisions of INT 23-01T include the following:

- Requirement to have RBC over 300% after removing any admitted goodwill, EDP equipment, operating system software, deferred tax assets and the potential admitted negative IMR asset.
- An allowance to admit an asset up to 10% of adjusted capital and surplus across both general and separate accounts.
- No exclusion for derivative losses as long as the company can demonstrate a practice of including IMR liabilities for gains.
- Effective date through December 31, 2025, with a note that it could be nullified earlier or extended by SAPWG.
- Requirement for reporting entities to disclose in its financial statements that investments generating IMR losses comply with the entity’s documented investment and liability management policies.

SAPWG sponsored a Blanks proposal to incorporate the disclosures and attestation requirements into the notes and general interrogatories of the Annual Statement for year-end 2024.

SAPWG has developed a broad concept agenda item to address the asset valuation reserve (AVR) and IMR bring these concepts into SSAP No. 7 “Asset Valuation Reserve and Interest Maintenance Reserve” (SSAP No.7). Historically, this statement has included a brief overview of the AVR and IMR with the calculation and reporting guidance determined as directed by individual SSAPs or in accordance with the Annual Statement Instructions. SAPWG desires to bring all concepts on AVR and IMR into SSAP No. 7 and eliminate any guidance disconnects with the Annual Statement Instructions. Additionally, SAPWG has developed an agenda item to update guidance for IMR and AVR in the Annual Statement Instructions that currently establish specific allocation guidance. The principal concept of the IMR and AVR is that interest related losses go to IMR, and non-interest-related losses go to AVR. SAPWG stated that the current Annual Statement Instructions appear to direct an entity to allocate non-interest-related losses to IMR rather than correctly to the AVR. Discussions remain ongoing.

Residuals - SAPWG adopted revisions to SSAP No. 43R and SSAP No. 48 and the Annual Statement Instructions. Revisions were formally adopted via WebEx Meeting on September 21, 2023. Revisions clarify what constitutes a residual interest or security tranche (i.e., residuals) in an effort to ensure the

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consistent reporting of all residual interests regardless of investment structure which in substance can take the form of various investment vehicles such as limited partnerships, joint ventures or other equity fund investments. Residuals are recognized as having some of the following characteristics:

- Often do not have contractual principal or interest.
- May have stated principal or interest, but with terms that result in receiving residual cash flows of underlying collateral. Terms can allow for significant variation in cash flows without triggering default.
- Do not have credit ratings or NAIC designations. Rather, they provide subordination to support the credit quality of the rated tranches.
- May provide payment throughout duration, but payments reflect residual amount permitted after other tranches receive contractually due amounts.
- Frequently there are provisions that divert cash from residual tranches to other tranches if the structure becomes stressed.

Revisions are effective immediately.

Additionally, SAPWG exposed an agenda item to incorporate more detailed definitions for the Annual Statement reporting categories of SSAP No. 48 and residual interests on Schedule BA. Discussions remain ongoing.

Actuarial Guideline 51 and Appendix A-010 Interaction - SAPWG exposed revisions to SSAP No. 54R “Individual and Group Accident and Health Contracts” along with an illustration clarifying requirements for gross premium valuation and cash flow testing.

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Life Risk-Based Capital (E) Working Group

The Life Risk-Based Capital (E) Working Group (Life RBC) discussed the instruction supplement for applying the C-2 Mortality Factors in the risk-based capital (RBC) calculation and any related revisions to the instruction supplement. Updates for 2023 were discussed which include the potential to develop a new financial statement footnote that would include information that would make it easier to complete the C-2 schedule in RBC and the potential to assign different factors for group permanent life. Interested Parties commented that aligning the data to a footnote would create additional work that would be subject to audit. Interested Parties are in the process of proposing a more efficient process of how to leverage the data in the Annual Statement in order to achieve this objective more efficiently. Discussions remain ongoing.

Life RBC exposed a proposal given by the American Council of Life Insurers (ACLI) regarding the charge for repurchase agreements. The ACLI's proposal is consistent with other initiatives to update charges in the RBC formula in an effort to modernize the framework. The proposal included a recommendation to lower the C-0 charge to 0.2% on conforming repurchase agreements consistent with the current charge on conforming securities lending programs with additional General Interrogatory enhancements and disclosures. ACLI stated that alignment of capital charges between conforming repurchase agreement programs and conforming securities lending programs would incentivize insurers to diversify their sources of short-term funding, reduce exposure to idiosyncratic risk associated with bank balance sheet management, encourage stable funding from alternate sources and improve a reporting entities risk to sustain funding through stressed market environments. Discussions remain ongoing.

Health Risk-Based Capital (E) Working Group

The Health Risk-Based Capital (E) Working Group (Health RBC) heard a presentation from the American Academy of Actuaries (the Academy) which provided an update on an analysis that it is performing on Health Care Receivables as part of claims incurred and most specifically Other Health Care Receivables. The presentation communicated that some companies may be incorrectly reporting Other Health Care Receivables. The Academy also reported on work being done regarding the underwriting risk factors and the managed care credit in the health risk-based capital formula. There was also a focus on the potential need to take a closer look at fee-for-service business versus non-fee-for-service business. Discussions remain ongoing.

Health RBC approved revisions to the Health Test Language and General Interrogatories to clarify that the associated premium and reserve ratios should be calculated on a net basis. This proposal was sent to Blanks for consideration.

Property and Casualty Risk-Based Capital (E) Working Group

The Property and Casualty Risk-Based Capital (E) Working Group discussed the effectiveness of the current property and casualty risk-based capital (RBC) formula and if updates needed to be made to eliminate inconsistencies in the formula, evaluate if risks should be added and correct ways where the formula may not be working as intended or need to be modified. Discussion included a primary focus on the desire to review all property and casualty risk-based capital charges that have not been reviewed since originally developed. Subgroups are being organized for the asset concentration and geographic concentration, with the third group reviewing the purpose of the RBC and setting of guidelines for items to be considered for the RBC formulas. The Academy provided an update and presentation on the investment income adjustments made to the property and casualty risk-based capital underwriting factors. The investment component of these factors has not been reviewed since 2010. Discussions remain ongoing.

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Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group

The Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group (Investment RBC) heard a proposal from the Academy regarding the C-1 factor asset modeling for structured securities. The Academy proposed a flowchart to determine whether an asset class needs to be modeled and whether securities within an asset class needs to be modeled individually to determine new C-1 factors. The proposal emphasized that if an existing factor can be used then it should be used with modeling for new C-1 determination being a last resort. The proposal also supported a principles-based approach to the derivation of C-1 factors. The Academy stated that a principles-based approach to RBC for structured securities will allow regulators flexibility in adapting to new structures as they emerge in the marketplace. Discussions remain ongoing.

Reinsurance (E) Task Force

The Reinsurance (E) Task Force continued its discussion of the Uniform Checklist for Reciprocal Jurisdiction Reinsurers, completed its reviews of certified reinsurers and reciprocal jurisdiction reinsurers and received an update on the states' implementation of the 2019 revisions to the Credit for Reinsurance Model Law (#785), the Credit for Reinsurance Model Regulation (#786), and the implementation of the Term and Universal Life Insurance Reserve Financing Model Regulation (#787).

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Valuation of Securities (E) Task Force

The Valuation of Securities (E) Task Force (VOS) discussed a proposal to the P&P Manual to update the definition of an NAIC Designation. The revisions include clarifying the meaning of NAIC designations, including their use, their purpose, and the risks that they address. The proposal consolidates the instructions defining an NAIC designation to create a single, uniform definition that includes updates addressing questions raised about the purpose of NAIC designations versus credit rating provider ratings. Interested parties agreed that the meaning of the NAIC designations should be clarified but expressed concern that the proposed language does not reflect that there are other risks of nonpayment. Interested Parties also stated that if tail risk is included in the definition that it be treated consistently among all asset classes. Discussions remain ongoing.

VOS also discussed a proposal to amend the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual). This proposal gives discretion to the SVO to challenge an NAIC Designation submitted by a credit ratings provider through the filing exemption process which the SVO believes is not a reasonable assessment of risk for regulatory purposes. This amendment includes:

- A means to identify to insurers a filing exemption calculated NAIC Designation of concern.
- Sufficient notice to allow an insurer to provide additional information before any action is taken by the SVO.
- A formal review process by the SVO.
- Establishment of a materiality threshold to remove a credit rating provider rating or security from filing exemption eligibility.
- A means to revoke filing exemption eligibility and provide notice that a full filing is required with a means to reinstate the filing exemption eligibility should conditions change.

Interested Parties stated that this proposal presents several challenges which includes uncertainty and market disruption, the potential for the SVO to be working with incomplete information regarding individual securities and that the process could allow the same security held across multiple insurers in different states of domicile to be handled differently. Discussions regarding this matter remain ongoing.

VOS adopted an amendment to the P&P manual to include collateralized loan obligations as a financially modeled security. This adoption is effective January 1, 2024.

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Big Data and Artificial Intelligence (H) Working Group

Home Artificial Intelligence (AI)/Machine Learning (ML) Survey
An update was provided relating to the Home Artificial Intelligence (AI)/Machine Learning (ML) Survey that was conducted. The objective of the survey was to gain a better understanding of the use of AI and ML and the governance around the tools and data for homeowners insurance line of business. The information gathered may inform the development of guidance or potential regulatory framework to support the industry in use of AI and ML. Survey was conducted in 10 states with carriers of $50 million in national home insurance premium for 2020. Total of 194 companies were surveyed. As summary of the results share of the survey is as follows:

- 70% of companies currently use, plan to use or plan to explore using AI/ML
- A breakdown of the areas in which companies that are currently using AI/ML is:
  - 54% claims
  - 47% Underwriting and Marketing
  - 42% fraud detection
  - 35% Rating
  - 14% loss prevention

The results of the survey can be found on the NAIC website.

Life Insurance Artificial Intelligence (AI)/Machine Learning (ML) Survey
An update was provided relating to the status of the Life Insurance Artificial Intelligence (AI)/Machine Learning (ML) Survey. Similar to the PPA and the Home surveys, the objective of the survey is to gain a better understanding of the use of AI and ML and the governance around the tools and data for homeowners insurance line of business. The information gathered may inform the development of guidance or potential regulatory framework to support the industry in use of AI and ML. The survey will focus on the following operational areas, pricing and underwriting, marketing, and loss prevention. Survey will be conducted in 14 states with carriers of $250 million of premium on all individual insurance policies for 2021, a term writer that issued on more than 10,000 lives or specifically selected Insurtech companies. A formal call letter will go out to 192 companies. This survey will be starting soon, but currently in the infancy phase.

Health Survey
This will be conducted after the life survey is completed.

Presentation on Generative AI

The committee heard a presentation provided by Deloitte on Generative AI. The presentation provided an overview of the different types of Generative AI and how they can used. It also went through the benefits and the risk related to Generative AI for consideration of the committee.

Health and Innovations (B) Working Group

The Working Group had several presenters that presented on prior authorization and gold card programs, multistate prescription drug purchasing and health equity and diversity in clinical trials.

Representatives from Texas, West Virginia and AHIP all presented on the newly adopted “gold carding” law adopted in respecting states. The idea of the new law is to provide prior authorization approval to physicians that will provide an exemption for certain services from prior authorization requirements. This was adopted to increase timeliness of service to patient care. Both Texas and West Virginia are newly adopting this law and is still determining the benefits of the law to providers, insureds and consumers.

Next was a presentation on ArrayRx, a state-backed pharmacy benefit solution. Currently, there are three states in the consortium, Oregon, Washington, Nevada and Connecticut is scheduled to join. The vison of ArrayRx is “to be the most trusted pharmacy solutions provider in the industry.” They have over a decade of sustained growth and have served over 650,000 people.

Lastly, a representative from PhRMA presented on the current clinical trial that they are conducting as it relates to health disparities. The presentation supported that there has been progress in health disparities but there is a lot more progress to be made to provide health equities to all.

Anti-Fraud Technology (D) Working Group

The Improper Marketing of Health Insurance Group provided an update. The Working Group met in July to discuss the newly revised draft amendments to the Unfair Trade Practices Act (#880), with a new draft then distributed for comment. The Working Group met during the summer meeting to discuss the comment and finalize the draft amendments for adoption.

The Task Force provided an update on the Online Fraud Reporting System (OFRS) redesign. The redesign is completed, and the implementation process will include collaboration with the National Insurance Crime Bureau (NICB) and the National Care Anti-Fraud Association (NHCAA), and state vendors. The Working Group will continue to meet to determine necessary enhancements to OFRS to includes fields provided by NICB data.

There was a presentation from the Coalition Against Insurance Fraud (CAIF) on a research study that was done on who commits fraud, or who doesn’t think insurance fraud is fraud and the reason. The overall messaging from the presentation is that the younger generation has a less conservative view on insurance fraud. As the country ages and this generation grows, there is a higher possibility of an increase in insurance fraud, and how to make changes to prevent this from occurring.

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Climate and Resiliency (EX) Task Force

The Task Force heard several presentations on global warming and impacts to catastrophic perils, inclusive insurance and review on climate risk disclosures and presentation on atmospheric river storms and the impact to western states.

The Task Force heard from Arizona State University Global Futures Laboratory on Global Temperatures

The presentation noted the increased risk in atmospheric rivers in the western states and the increase in storms and related catastrophic losses.

The Task Force received a presentation from Ceres on Inclusive Insurance for Climate-Rated Disasters and the results from the NAIC Climate Disclosures

Ceres first provided a brief on the report that was published on January 24, 2023, on Inclusive Insurance for Climate-Related Disasters (*link to report provided below). The brief of the reporting provided the following considerations:

Disaster insurance is imperative for recovery. There are too many people that are uninsured or are unable to afford coverage for disasters. There are new innovative tools that if utilized can improve inclusivity in disaster insurance. The presentation provided for recommendations to be considered to improve the current state.

Ceres then presented results in a summarized format of the NAIC climate-risk disclosures. There were 450 companies that were included within the summary of the presentation for review. This was described as a good response rate and efforts from the NAIC are valued as a result of the disclosures that were provided from the industry. Many of the companies were aligned with reporting based on TCFD disclosures. There was also a dive into what the companies are investing, with a focus on the break down by type of insurer and investment in fossil fuel related assets. The range of percentage of investments in fossil fuel related assets to total assets under managements for the top 16 P&C companies was 9.69% to 3.03%. The range of percentage of investments in fossil fuel related assets to total assets under managements for the top 16 Life companies was 23.03% to 2.60%.[1]

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[1] https://www.ceres.org/resources/reports/inclusive-insurance-roadmap
https://www.ceres.org/resources/reports/climate-risk-management-us-insurance-sector
https://www.sustainability.com/thinking/analysis-of-the-insurance-sectors-investors-in-fossil-fuel-related-assets/

Special (EX) Committee on Race and Insurance

The Task Force received an update from property and casualty, Life and Health Workstreams.

The Task Force received a presentation from America's Health Insurance Plans (AHIP) on health equity

The new Chief Health Equity Officer, Dr LaShawn McIver introduced herself to the task force and presented her initiatives in her new role at AHIP. She has a passion and focus to drive strategies to improve health equity for underrepresented and medically underserved communities.

Privacy Protections (H) Working Group

The Working Group discussed the exposed version 1.2 of the new Model #674 on July 11 which was based on changes that were discussed at an interim meeting, with a public comment period ending July 28. The drafting group continued its meetings with industry trade companies privately to discuss current consumer data practices through several meeting dates. Due to the volume of comments and specific requests for one-on-one discussions, the Working Group has determined there is more time needed to engage the public and continue to draft Model #674. There was an opportunity to discuss the three specific areas in the current draft of Model #674, including, Marketing, Consumer Notices, and Opt-Out / Opt-In. Several interested parties provided concerns to the Working Group related to these areas. An extension to the Model #674 was approved.

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Property and Casualty Insurance (C) Committee

An update was provided from all Task Force, with adoptions of reports.

The Committee adopted the Understanding the Market for Cannabis Insurance: 2023 Update white paper, which is an update to a 2019 white paper concerning regulatory issues related to insuring cannabis.

The Committee received presentations on the following topics:

- Problems and potential solutions around underinsured homeowners.
- The use of Telematics and the increased need in Consumer Protection

The Committee deliberated on matters concerning insurance for public schools, addressing concerns such as escalating rates and substantial losses. Further examination and discussion of this issue are slated for an upcoming meeting.

Finally, the Committee disclosed that a group of state regulators is actively engaged in formulating a data call aimed at gathering property insurance information. This initiative is in response to the Committee's directive to gain a deeper understanding of property insurance markets and address the existing insurance protection gap.

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