


# NAIC COVID-19 Report for 2020

Year in Review





COVID-19 has dominated our headlines all year long. The virus has evolved from an isolated disease in China into a global pandemic. It dominated our agenda and was a key focus for insurance regulators in 2020.

Early in the year, we worked with our counterparts in Asia who were first on the front lines of this pandemic. By March, many states had implemented actions to protect consumers. The NAIC and our members had pivoted to a work from home platform and we closely monitored the financial market to ensure the insurance sector was able to pay claims.

We have summarized our efforts in two reports, [A Report of the NAIC on the state insurance regulatory response to COVID-19](#) and [A Report of the NAIC on the state insurance regulatory response to COVID-19, Update June 1-September 30, 2020](#). These reports demonstrated the NAIC's long tradition of delivering protection and stability in the toughest times.

This report outlines the extraordinary efforts of NAIC members and staff over the course of 2020. We adapted technology, deployed services, and engaged members and the public in new and innovative ways. While we were socially distanced, we were never disconnected.

In 2021, we'll celebrate our 150th anniversary. We're looking forward, incorporating what we've learned from the past year and including some of the innovations we've implemented to get us through COVID-19. As the pandemic continues to evolve, we remain resolute in our commitment to protecting consumers and maintaining strong insurance markets.

# Contents

<b>Introduction</b>	<b>4</b>
<hr/>	
<b>Timeline</b>	<b>5</b>
<hr/>	
<b>2020 Milestones</b>	<b>13</b>
<hr/>	
<b>Consumer Protection</b>	<b>15</b>
A forum for quick action	15
Consumer lifelines	15
New processes and technologies	17
Accessible education and resources	17
<hr/>	
<b>Maintain Sound Markets</b>	<b>20</b>
Active monitoring and stress testing	20
New guidance and reporting	21
Data collection and analysis	22
Looking ahead to 2021 rate filings	23
Reporting and producer licensing	24
<hr/>	
<b>Deliver Excellent Service</b>	<b>26</b>
NAIC operations	26
Virtual meetings and special sessions	26
Research on critical topics	28
<hr/>	
<b>A Look Ahead</b>	<b>29</b>
<hr/>	
<b>2020 State DOI Actions</b>	<b>32</b>
<hr/>	
<b>Key Actions by Committee</b>	<b>34</b>
<hr/>	

# Introduction

More than a year after COVID-19 was first diagnosed, we're seeing record numbers of deaths in the United States, rising positive case counts and economic instability. The pandemic challenged us throughout 2020 to pivot our priorities and rethink the way we work. COVID-19 presented significant obstacles requiring state insurance departments, in partnership with the NAIC, to act quickly, adapt operations, and demonstrate our agility and resilience.

This report highlights the extraordinary efforts the NAIC and its members took in 2020 to address the global pandemic and looks forward at the issues we know we will be addressing in 2021. When COVID-19 accelerated in our country in March, we remained true to our mission:

1. Protect insurance consumers.
2. Ensure the ongoing stability and operation of our nation's insurance sector.
3. Support members with exceptional service.

Post pandemic, what does the future hold? The light at the end of this dark tunnel includes vaccines, proposed legislation looking at how to assist businesses through a pandemic, and hopefully later this year a return to a semblance of normalcy. We're working to ensure vaccines are covered under health insurance as they are administered to create widespread immunity. We are also working with Congress to look at ways to address business interruption risks and researching the impact this virus has had on other insurance lines.

Our system has been tested—and continues to be tested—and it has been proven to be resilient. It's a testimony to the agility and focus of our state-based system that we can absorb change, shift priorities, and strengthen our support.

# Regulatory Response to COVID-19

## 2020 Milestones



**Jan 11**

China reports first "known" COVID death

**Jan 20**

First confirmed case in the U.S.

**Jan 23**

Wuhan closed off

**Feb 11**

WHO names new virus "COVID-19"

**Jan 1**

Begin year with focus on 2020 strategic and operational priorities

- State Ahead 1.0 Strategic Plan Implementation
- Culture and diversity
- Leadership development and succession planning
- SERFF assessment
- Member support and engagement

**Jan 9-11**

NAIC Committee Assignment Meeting in SC

- State Ahead 2.0 Strategic Planning
- Formation of Strategic Planning Steering Committee



STATE AHEAD

**Jan 29**

Meeting with IAIS and stakeholders in DC

- Continued push for recognition of U.S. aggregation method

**Feb 12-15**

NAIC Commissioners Conference in FL

- Agreement on strategic regulatory and operational priorities
- State Ahead 2.0 planning
- International policy discussion

**Feb 17-21**

NAIC revised Business Continuity Plan (BCP) to address pandemic developments



**Feb 23**

Italy sees surge in COVID cases

**Feb 24-29**

IAIS meetings in Basel, Switzerland

– Discussion of Asian response to COVID-19

**February 29**

U.S. reports first COVID death

**Mar 2**

NAIC Coronavirus Resource Center launched



**Mar 10-12**

“The Pivot Point”

NAIC decides to cancel in-person Spring National Meeting

**March 11**

WHO declares pandemic;  
U.S. blocks all travel from Europe;  
NBA suspends season

**Mar 13**

POTUS declares national emergency

**Mar 13**

NAIC Continuity of Ops Plan triggered;  
DC/NY offices begin remote operations

**Mar 18**

POTUS signs first COVID-19 relief package

**Mar 17-18**

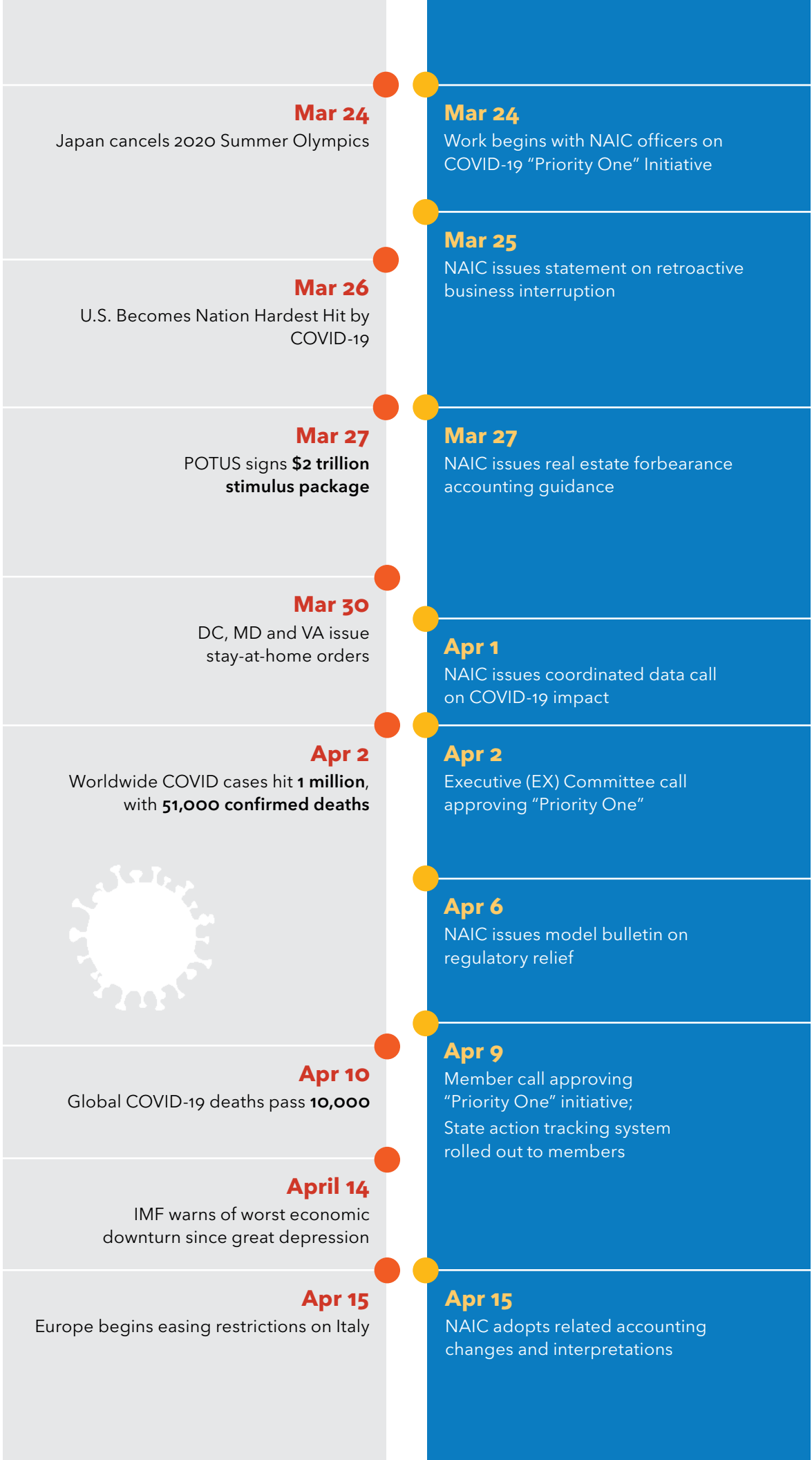
Remote operations pilot test for KC office;  
KC office begins remote operations

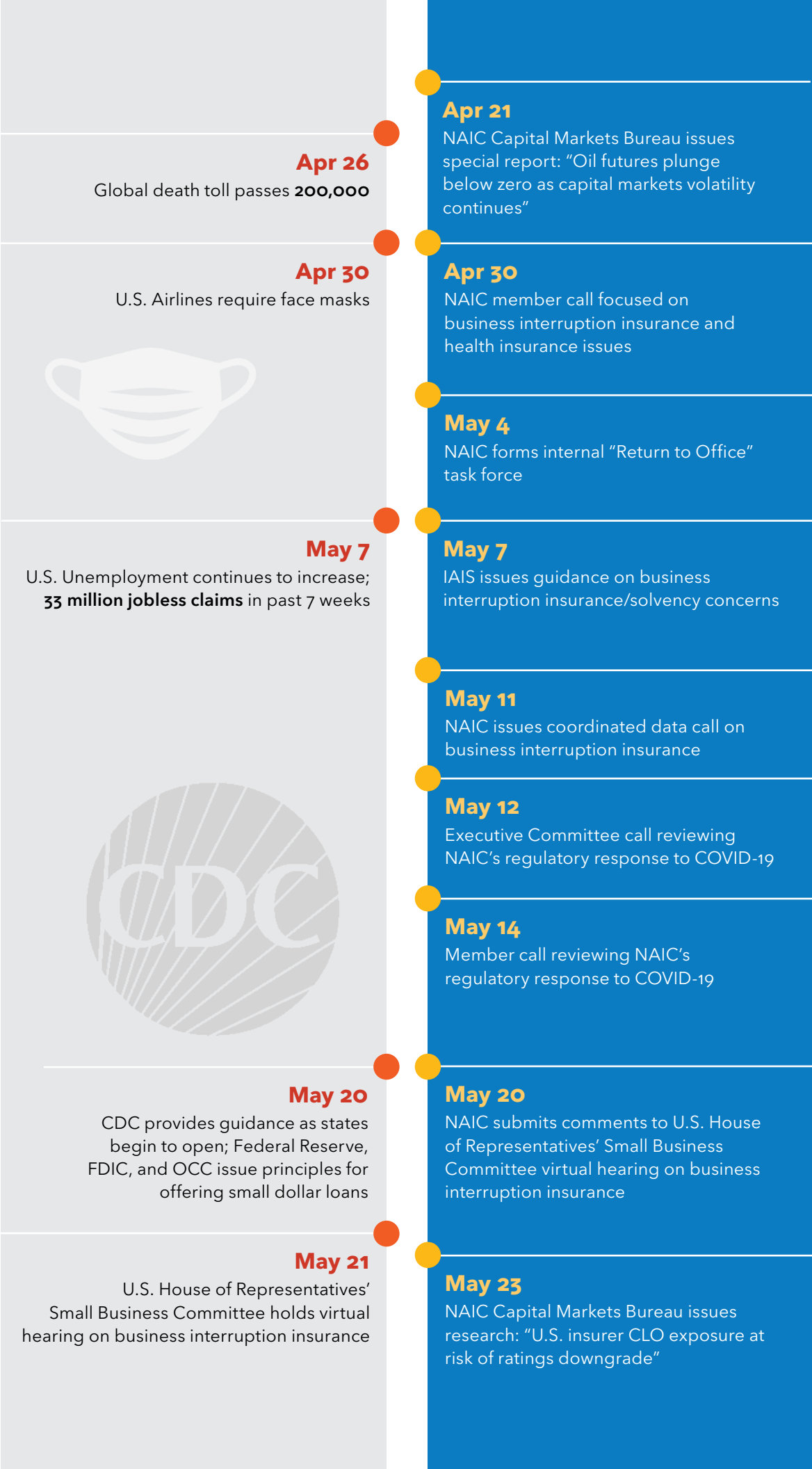
**Mar 20**

NYC issues first shelter-in-place order

**Mar 20**

NAIC holds special session on COVID-19  
(over 2,700 attendees)





**Apr 26**  
Global death toll passes **200,000**

**Apr 21**  
NAIC Capital Markets Bureau issues special report: "Oil futures plunge below zero as capital markets volatility continues"

**Apr 30**  
U.S. Airlines require face masks



**Apr 30**  
NAIC member call focused on business interruption insurance and health insurance issues

**May 4**  
NAIC forms internal "Return to Office" task force

**May 7**  
U.S. Unemployment continues to increase; **33 million jobless claims** in past 7 weeks

**May 7**  
IAIS issues guidance on business interruption insurance/solvency concerns



**May 11**  
NAIC issues coordinated data call on business interruption insurance

**May 12**  
Executive Committee call reviewing NAIC's regulatory response to COVID-19

**May 14**  
Member call reviewing NAIC's regulatory response to COVID-19

**May 20**  
CDC provides guidance as states begin to open; Federal Reserve, FDIC, and OCC issue principles for offering small dollar loans

**May 20**  
NAIC submits comments to U.S. House of Representatives' Small Business Committee virtual hearing on business interruption insurance

**May 21**  
U.S. House of Representatives' Small Business Committee holds virtual hearing on business interruption insurance

**May 23**  
NAIC Capital Markets Bureau issues research: "U.S. insurer CLO exposure at risk of ratings downgrade"





### May 29

CDC reports **1.7 million cases** and **100,446 deaths** related to COVID-19 in the U.S.

### June 10

U.S. COVID-19 cases hit **2 million**

### June 20

National Institutes of Health halted trial of hydroxychloroquine



### July 7

U.S. officially notified the UN of its withdrawal from the World Health Organization (withdrawal is expected to take effect July 6, 2021)

### July 17

U.S. sets world record highest single-day rise in cases with **77,638**



### June 23-24

Virtual meeting of the IAIS Executive Committee

### June 25

NAIC lowers life insurance cash value forfeiture rates to **below 1%**



### July 22

NAIC adopts accounting interpretations for COVID-19 related refunds

### July 28

NAIC's virtual Summer National Meeting begins

### August 11

NAIC provides rules for auto insurers to follow when reporting policy refunds



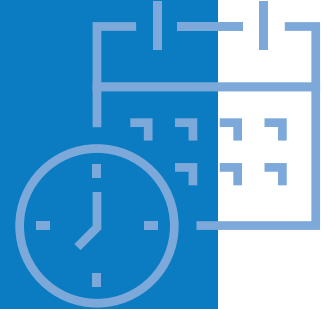
### August 24

First case of reinfection was reported in Hong Kong

### August 17

NAIC extends accounting interpretations for several reporting rules through third quarter:

- 90-day rule
- Mortgage loan impairment assessment
- Investment income due and accrue



### August 31

U.S. surpasses **6 million** COVID-19 cases

### August 31

SBS submits license expiration date extensions

### September 8

NAIC's virtual Insurance Summit begins

### September 22

U.S. death toll hits **200,000**

### September 22-24

Virtual meeting of the IAIS Executive Committee

### September 29

Global death toll hits over **1 million**



### October 8

White House COVID-19 outbreak grows to 34



**October 19**

Global cases top **40 million**

**October 28**

CMS provides new rules for insurance coverage, increasing what Medicare pays hospitals

**November 17**

Dr. Anthony Fauci highlights need for long-term follow-up for COVID-19 effects

**December 10**

FDA advisory panel recommends Pfizer, BioNTech COVID-19 Vaccine

**December 14**

First vaccine administered in US  
<https://www.bbc.com/news/world-us-canada-55305720>

**December 18**

Moderna vaccine for COVID-19 approved  
<https://www.cnbc.com/2020/12/18/moderna-covid-vaccine-approved-fda-for-emergency-use.html>

**December 29**

First US case of new COVID-19 variant found in Colorado



**November 19**

NAIC letter to Dept of Labor urging appeal of Data Marketing Partnership v. DOL decision [https://www.naic.org/documents/government\\_relations\\_201119.pdf](https://www.naic.org/documents/government_relations_201119.pdf)

**December 14**

NAIC letter to Senate and House leaders in support of Surprise Bill Compromise [https://www.naic.org/documents/government\\_relations\\_letter\\_house\\_senate\\_surprise\\_compromise\\_201214.pdf](https://www.naic.org/documents/government_relations_letter_house_senate_surprise_compromise_201214.pdf)





## 2020 Milestones and Priorities



The insurance industry has a key role to play in supporting customers and societies through the ongoing crisis and the recovery. The NAIC was there to make sure insurance regulators had the data, training, and tools required to ensure consumer protection kept pace. Below is a summary of key actions the NAIC and its members took this year to address the pandemic.

### Consumer Protection

- Coordinated state data collection efforts and promote consistency.
- Created opportunities for states to share actions and best practices.
- Developed and regularly updated online Coronavirus Resource Center to share information with consumers.
- Facilitated no-cost access to COVID testing and treatment .
- Expanded access to telehealth services.
- Deferred premium payments and suspended cancellations of insurance contracts.
- Generated bulletins to educate consumers about the impact of the pandemic on insurance lines.
- Developed and distributed consumer educational resources about the impact of the pandemic on insurance lines.
- Created programs and materials to warn consumers about potential fraud risks.

- Worked with regulators and consumers to mitigate the impact of COVID-19 as states dealt with storms and other catastrophes through the summer and fall.

### **Maintain Sound Markets**

- Provided members with enhanced market analysis and surveillance on COVID-19 impact on the insurance sector.
- Coordinated with global regulators on solvency and consumer responses to COVID-19 as well as sharing operational best practices.
- Collaborated with global regulators and advised policymakers on insurance sector response to COVID-19.
- Coordinated data collection on business interruption insurance.
- Adjusted regulations to reflect challenges caused by COVID-19.
- Coordinated with federal counterparts and other regulators across the world on the global response to pandemic impacts on multinational insurance groups.

### **Deliver Excellent Service**

- Facilitated ongoing and frequent member communications using virtual platforms.
- Met evolving member needs.
- Provided targeted training and education.
- Ensured ongoing operation of core NAIC services.
- Continued to adjust NAIC software capabilities to streamline the process and enable remote business operations.
- Shifted communications to virtual platforms and maintained regular outreach to members and the stakeholder community.
- Targeted training and education to regulators.
- Provided assistance to states grappling with their response to natural catastrophes.



## Consumer Protection



### **Creating a Forum for State Regulators to Act Quickly**

When the coronavirus pandemic started, we had to adapt quickly. The NAIC, in partnership with state regulators, had to make decisions and implement changes in record time. To achieve this, we created opportunities for state insurance departments to share actions and best practices. The NAIC engaged with federal agencies, including the U.S. Department of Health and Human Services (HHS) and Centers for Medicare and Medicaid Services (CMS), regularly to coordinate between state and federal efforts targeting health insurance, in particular. Similarly, we engaged with Congress to ensure federal efforts to stabilize or support health insurance markets are coordinated and effective.

### **Delivering Important Lifelines for Consumers**

Consumers continue to struggle with economic uncertainty, as well as the health concerns related to coronavirus. Nearly every state has taken action to provide relief to policyholders suffering hardship due to the COVID-19 pandemic, including orders and bulletins for insurers to extend grace periods and stop cancellations, non-renewals and terminations of insurance policies due to non-payment of premiums. The scope and specific requirements of these orders and bulletins vary across states, with some states requesting insurers provide policyholder relief and others mandating it. A complete listing by state is available in the appendix of this document.

To alleviate some of the pressure, some of the actions from state regulators included:

- Prohibiting carriers from terminating insurance contracts due to non-payment and waiving late fees on payments.
- Requiring insurers to provide refunds or reduce premiums on certain policies (in some states).
- Instructing carriers to adjust claims as expeditiously as possible.
- Ensuring access and affordability of COVID-19 testing and treatment, including removing cost-sharing for testing and treatments (many states)
- Removing cost-sharing for COVID-19 vaccines.
- Insurance coverage of early prescription drug refills.
- Verifying the adequacy of their healthcare provider networks, modification of utilization reviews, informing enrollees of benefits.
- Opening access to state-based health insurance marketplaces for newly unemployed (some states).
- Expanded access and coverage for telehealth services, including lifting restrictions on communication and reducing cost-sharing.
- Extended premium due dates, suspending cancellations and greater flexibility for small business coverage.
- Reducing auto insurance premiums to reflect reduced driving.

Insurance premium relief measures generally shaved 15–25% off customers' premium payments for one or more months during the spring and returned billions to policyholders. States mandated or encouraged auto insurance companies to institute paybacks to drivers with refunds, discounts, dividends and credits the Insurance Information Institute estimated to total \$10.5 billion.





Creating awareness and educating consumers about these changes was very important. State insurance departments continued their efforts to ensure access and affordability for COVID-19 testing and treatment. At the NAIC, we have provided a variety of resources and materials designed to help consumers understand their rights and benefits, and to raise awareness and understanding of emerging scams.

## **New Processes and Technologies for a Virtual World**

When the pandemic hit, everyone was thrust into virtual operations almost overnight. That was also the case for many insurance regulatory processes—from reviews of claims handling to licensing. We worked with state insurance departments to develop and review a variety of processes using technology and eliminating face-to-face requirements. These include:

- Virtual examinations.
- Telemedicine for workers' compensation claims.
- Online testing and temporary licensing for producers.
- Delays and suspensions of on-site audits.
- Suspension and relief from notary and first-class mail requirements.
- Expanded use of electronic signatures.
- Expedited review of life insurance products.
- Use of remote claim adjustment options, including drones and virtual inspections of property.



## **Accessible Consumer Education and Resources**

Access to accurate, real-time information is a critical component to successfully navigating this ongoing crisis. One of the first things the NAIC did was to create a Coronavirus Resource Center and outreach program. This included a variety of online resources to give critical information directly to consumers, including creating a database of state bulletins and alerts. We updated the database on a rolling basis as state regulators declared new actions. While valuable to consumers, the database has also been used by legislators

and business professionals in understanding the actions taken across the country. Additionally, we continued to proactively distribute information to consumers through social media, press releases, and in partnership with state departments of insurance.

COVID-19 also added a new dimension to disaster preparation in 2020. Working with guidance from FEMA and the CDC, the NAIC provided consumers with tips and advice to help consumers protect themselves, safely prepare, evacuate, and shelter in the event of a natural disaster, while protecting themselves and others from COVID-19.

Fraud is a major concern during every crisis—and the COVID-19 pandemic is not any different. State insurance departments and the NAIC issued warnings about potential scams, such as robocalls and text messages advertising bogus miracle cures, free at-home test kits, home cleaning that scammers claim will reduce the risk of getting COVID-19, and assistance with obtaining federal government stimulus checks. The NAIC has also fielded multiple requests for relief from industry, consumer and health provider associations.



**CONSUMER INSIGHT**

**Taking a Trip? Information About Travel Insurance You Should Know Before You Hit the Road**



While at a shelter for a disaster evacuation, **wear a mask/cloth face covering** as much as you can.

## Does Coronavirus Have You Worried About Your Pet?



### CONSUMER INSIGHT

Do You Need Comprehensive Health Coverage During the Pandemic? **You Have Options.**



NAIC INSURANCE BRIEF

## COVID-19 AND INSURANCE



### Stop. Call. Confirm.

If you are unsure about an insurance company or agent, call your state insurance department.



## Maintain Sound Markets

COVID-19 tested the U.S. insurance sector in many ways. It remained strong due in large part to the many processes we established following the economic crisis of 2008, the focus of state insurance regulators and the NAIC in closely monitoring the capital strength, risk management and asset allocations of insurers. In fact, a [global report by Standard & Poor's](#) analyzed how the insurance industry has dealt with COVID-19 and its impact.

### Active Monitoring and Stress Testing

Regulators engaged in heightened monitoring of the insurance industry to assess the solvency impact of COVID-19 on various types of insurance, individual companies, and the sector as a whole. State regulators and the NAIC closely monitored the financial health of insurers to ensure their continued strength and resilience. We also acted quickly to give states greater flexibility to protect consumers and address rapidly shifting market dynamics. And as the crisis evolved, we continued to analyze the market impact, extending guidance and enacting new procedures to respond to emerging issues.

Our efforts included:

- Monitoring equity markets and the impact on insurer portfolios.
- Running additional scenarios on financial market stress tests.

- Preparing reports for the states to use in evaluating impact of economic downturn on company assets.
- Identifying companies at greater risk of impact.

State insurance departments also worked together—through the NAIC—to develop a national information request template which gathered data from insurers on their exposure to potential COVID-19 claims and the impact of the related economic downturn on their assets. State insurance regulators have also worked with life insurers to evaluate the impact of the economic stresses on their liquidity.

More specific data requests from property/casualty insurers writing lines which could be impacted by COVID-19—such as business interruption, workers’ compensation and travel insurance—were also developed.

### **New Guidance on Reporting**

At the start of the pandemic, the NAIC worked with members to recognize insurers’ balance sheets exposure to the regulatory responses to COVID-19 and provided guidance offering temporary relief from certain accounting requirements which otherwise require insurers to write down assets, non-admit assets or impose other adverse balance sheet consequences as a result of key actions such as refunds, rate reductions, delayed bill payment and more. It also extended the due dates of quarterly filings to provide relief and guidance for insurer by allowing more time for the insurers to collect premiums before reporting the payments as late in the statutory financial statements.

The NAIC also addressed the accounting issues related to auto insurers’ refunds, rate reductions and policy dividends to consumers based on less driving due to shutdowns. It was decided the default methodology would be to record it as a reduction in premium, but the guidance also offers flexibility for insurers preferring to report through expenses one-time as a limited exception.

An NAIC committee worked on the Standard Nonforfeiture Law for Individual Deferred Annuities to drop the standard minimum nonforfeiture interest rate for individual deferred annuities from 1% to 0, due to the effects of COVID-19 on an already low interest rate environment. This enabled insurers to better weather the low interest rate environment.

In addition to providing relief for the treatment of overdue mortgages and the collection of premiums, other accounting guidance was developed to address specific issues arising related to certain invested assets for insurers. This includes guidance related to the Term Asset-Backed Securities Loan Facility (TALF) and the assessment of other than temporary impairments.



Looking forward to 2021, the NAIC also finalized a resource and guidance document of COVID-19 assumptions for state regulators to use in reviewing new health insurance carrier rate submissions.

### **Data Collection and Analysis**

Early on, we knew data collection and analysis, across all members and states, would provide key information for better decision making and actions. We collected data to understand the true impact the pandemic was having on carriers and implemented guidance to help reduce the burden on insurers and consumers.

Business interruption insurance was clearly going to be a critical area and we led an effort with state regulators to understand which insurers were writing the coverage, the size of the market, the extent of exclusions related to pandemics, and claims and losses related to COVID-19.

Our analysis of business interruption insurance nationwide showed 83% of policies have exclusions for virus, bacteria and pandemics and 98% require a physical loss for a claim. State insurance departments issued guidance which encouraged business owners to carefully read their policies to determine whether or not coverage exists. The NAIC also released a statement detailing opposition to legislative proposals relating to retroactively altering the business interruption provision of policies to include new coverages which were not contemplated or funded and, in many cases, were specifically excluded by the policies.

Several lawsuits were filed against insurers by the business community. To date, these lawsuits have largely focused on whether the virus causes direct property damage to an insured's place of business such that business interruption or civil authority coverage is triggered. At the federal level, there are a number of legislative proposals to address business interruption coverage gaps, so the NAIC adopted a policy position in October supporting a federal mechanism for pandemic Business Interruption insurance coverage to guide our efforts in engaging with Congress as this issue moves forward.

On a global level, the NAIC provided updates to the International Association of Insurance Supervisors (IAIS) survey on the supervisory response to COVID-19, which contains information from almost 70 jurisdictions around the world. The IAIS established a COVID-19 supervisory response information-sharing hub for members and focused on: (1) strengthening the operational resilience of insurers and monitoring business continuity plans, (2) providing operational relief to enable insurers to focus on assisting and managing exposures to the pandemic and ensuring uninterrupted services to their customers; (3) monitoring capital and solvency as well as adjustments to insurers' risk management; and (4) market conduct. We also worked with The International Monetary Fund (IMF) which finalized the 2020 U.S. Financial Sector Assessment Program (FSAP) by publishing a number of reports with its findings and opinions on the U.S. financial regulatory system.

### **Looking Ahead to 2021 Rate Filings**

Regulatory rate filing reviewers and actuaries evaluated rate filings with close attention to major changes in data experience, while advising companies to respond to changes in data, but not to overreact when the scope and duration of current impacts are not yet fully known. As more data became available, regulators worked to ensure insurers utilize data to better assess risk to more accurately price auto insurance policies. Insurance regulators continue to evaluate data to determine if long-term adjustments are needed to rating models.



## **Reporting and Producer Licensing in a New Environment**

We worked with state insurance departments on a variety of issues designed to maintain the integrity of reporting and license requirements for insurance producers, while at the same time streamlining processes to work effectively with stay-at-home orders. We worked with the National Insurance Producer Registry (NIPR) on recommended best practices and a bulletin template for guidance on the implementation of a temporary license for insurance producers which was distributed to the state DOIs.

The NAIC and NIPR worked with state insurance departments on a variety of issues designed to maintain the integrity of reporting of reporting and license requirements, while at the same time streamlining processes to work effectively with shelter-in-place orders. NIPR also held weekly industry update calls and created a COVID-19 resource center to provide an updated, central source of information about state bulletins, examination center information and a state's DOI updates.

## **Other Work Included**

- Support for virtual examinations and the use of new technologies.
- The use of telemedicine for workers' compensation claims.
- Delays and suspensions of in-person audits.
- Suspension and relief from notary and first-class mail requirements, while allowing the use of electronic signatures.
- Expedited review of life insurance products.







## Deliver Excellent Service



### NAIC Operations

At the start of the pandemic, we triggered our Business Continuity Plan and moved our teams to remote operations which continues to this day. We reprioritized our efforts to allow our members and staff more time to focus on the health emergency. At the same time, we sought to leverage technology, new methods of communication and other opportunities to maintain stakeholder engagement and transparency of NAIC proceedings.

### Developed New Regulator-Only Platforms

We developed a regulator-only collaboration website for sharing COVID-19 related information and created a new SharePoint document portal as an iPad alternative for NAIC members and senior insurance department staff to access meeting-related documents.

We transitioned to virtual formats for our meetings and added a variety of sessions and communications dedicated to the pandemic. Our sessions were well-attended and our members were engaged in a variety of pressing topics such as:

#### SPECIAL SESSION ON COVID-19

On March 20, 2020, we held our first public session about the pandemic. It was attended by 2,700 interested parties and included presentations on virus

pathology, pandemic modeling, financial impact, and policy coverage issues as well as panel discussions about the impact of COVID-19 on the health insurance market, insurer readiness, and consumer issues.

#### **SPECIAL SESSIONS ON COVID-19, REGULATOR-TO-REGULATOR**

We also held special COVID-19 regulator-to-regulator sessions, enabling our members to discuss the stability of the insurance sector, near-term emerging issues, and state level actions. Panels addressed the impact of the COVID-19 pandemic on insurance from the perspective of policyholders, industry, and regulators, including the impact of working from home, relief initiatives, potential of rate increases, inclusion of COVID-19 questions on policy applications and future of exams.

#### **VIRTUAL SUMMER NATIONAL MEETING**

We broke attendance records with more than 2,900 people attending NAIC's Summer National Meeting. The impact of COVID-19 and what happens next were the main focus as we examined lessons learned and the outlook.



#### **INSURANCE SUMMIT**

The annual Insurance Summit also went virtual and featured several guest speakers who shared their insights around how COVID-19 was affecting our way of life and highlighted trends. Innovation and Technology State Contacts from across the U.S. met virtually to discuss recent developments in Insure Tech. Special emphasis was placed on technology implemented and expedited as a result of COVID-19.



#### **CONVERSATIONS WITH STATE REGULATORS**

We connected state regulators with industry and consumers through several virtual meetings to get first-hand accounts of how state regulators have been handling the COVID-19 pandemic.

#### **PROGRAM ON BUSINESS INTERRUPTION**

In December, CIPR hosted a program providing an overview of the impact businesses of all sizes are enduring as a result of the Coronavirus. NAIC representatives and subject matter experts within and outside of the industry



discussed how best to address pandemic BI coverage and whether or not a federal insurance mechanism could address this issue as it has in the past regarding coverage for terrorism, flood and crops.

#### **THE REGULATORS PODCAST**

Throughout the year, we produced special episodes of The Regulators podcast featuring candid conversations about the COVID-19 response with state insurance regulators including workplace transition and protecting consumers virtually.

#### **Research on Critical Topics**

The Center for Insurance Policy and Research (CIPR), the NAIC's independent research division, maintained a current list of research reports, articles, and other resources relating to pandemics. CIPR also compiled key historical learnings from NAIC Proceedings and held a symposium on pandemics.

CIPR partnered with the Wisconsin School of Business (WSB) Insurance Experts Panel to weigh in on business interruption insurance and special enrollment periods, publishing the survey results to help advance discussion around these key public policy issues.

CIPR also conducted a survey to investigate consumer understanding of health insurance coverage related to coronavirus testing and treatment. The study exposed knowledge gaps around deductibles and co-pays, especially among younger consumers. The NAIC's Journal of Insurance Regulation issued a special call for research articles related to COVID-19 and how it will continue to impact the insurance industry and its regulation from an operational, business, and investment perspective.



## A Look Ahead

While initial reporting shows various COVID-19 vaccines to be effective in reducing Coronavirus transmission and severity, challenges distributing the vaccine and the development of new strains indicate this pandemic is far from over.

The NAIC and its members are committed to continuing to work closely with the new Administration, Congress and other government officials to ensure a coordinated recovery from this historic challenge. Here are a few of the issues we will be reviewing in 2021 and beyond:

### Coverage Gaps

The NAIC will continue to engage with federal agencies, like The U.S. Department of Health and Human Services (HHS) and Centers for Medicare and Medicaid Services (CMS), to provide a forum for coordination between state and federal efforts around health insurance. State insurance departments will continue to make sure policyholders have access to affordable testing and treatment, particularly as we see increasing evidence of possible long-term health impacts to certain COVID-19 patients.

As court challenges continue over business interruption insurance payouts, the NAIC remains steadfast in its commitment to working with Congress to find solutions establishing a federal mechanism to help ensure the widespread availability of business interruption insurance for pandemic risks.

NAIC members will further examine how life insurers incorporate COVID-19 exposure into their underwriting and rating practices. While there is an actuarial basis to collecting health information on life insurance applicants, NAIC members will work to ensure any such data is actuarially significant and is not used in an unfair or inconsistent manner for different products.

## **Big Data**

State regulators encourage innovation but continue to evaluate the benefits of new technology against the appropriate application of this information and privacy. COVID-19 has accelerated the use of virtual tools giving insurers greater access to clients' personal information. State regulators continue to scrutinize the underwriting, pricing and claims algorithms and risk models associated with smart tools to ensure policyholders are being treated fairly and information is sufficiently protected.

## **Development in Virtual Workforce and Services Trends**

The current pandemic increased already existing trends related to flexible and remote work arrangements, purely virtual business platforms, and "touchless" services, among others. NAIC member adapted to these developments and in many cases allowed for "regulatory relief" or "regulatory accommodations". We must now evaluate whether these requests should be continued or made permanent, and if so, what changes must be made to our current laws and regulations. Specific areas regulators will be reviewing include: electronic commerce, regulatory capabilities, claims facilitation, and practices specific to surplus lines.

Additionally, as NAIC members also consider more virtual or remote systems and workforces, the NAIC will need to adapt its own operational strategic plan to take into consideration these trends.

## **Trends in Telemedicine**

Many states removed barriers around telemedicine, increasing the usage and popularity of telehealth. Insurance companies are beginning to see how this platform can do more than provide social distancing. Preliminary reports have shown telehealth services help reduce preventable emergency room visits and enhance doctors' ability to monitor chronic illnesses. State regulators are interested in taking a closer look at this trend and the implications this product is having on health and the claims experience.

## **Risk Modeling**

While the industry has used modeling to assist in managing its risks for years, this past year has seen insurers utilize modeling and scenario projections to a greater extent, including within the Own Risk and Solvency Assessment

(ORSA) Summary Report. Before the pandemic, many life insurers had included mortality and morbidity stress scenarios in their ORSAs with capital set aside for both to fit a pandemic of the magnitude of the 1918 Spanish Flu. During the past year, some insurers have improved their pandemic scenarios in the ORSA Summary Report and their capital modeling to correlate market and economic stresses more directly with the mortality and morbidity impacts of the pandemic previously projected. The NAIC expects this practice will become more common.

As the pandemic continues to evolve, the NAIC strengthens its commitment to its mission of protecting consumers and maintaining strong insurance markets. Our collective efforts have resulted in an insurance market with a 150-year track record of strength and resiliency.



# Actions taken by State Insurance Departments

## Life and Health

	CUSTOMER COST-SHARING	TELEHEALTH	PREMIUM/CANCELLATION	PRESCRIPTION DRUGS	SEPs	RATE & FORM REVIEW	STATUTORY FILINGS	OTHER
ALABAMA	●	●	●	●				●
ALASKA	●	●	●	●		●	●	●
ARIZONA	●	●	●				●	●
ARKANSAS	●	●	●	●			●	●
CALIFORNIA	●	●	●		●		●	●
COLORADO	●	●	●	●	●	●		●
CONNECTICUT	●	●	●	●	●	●	●	●
DELAWARE	●	●	●	●				●
DISTRICT OF COLUMBIA	●	●	●	●	●	●	●	●
FLORIDA	●	●	●	●			●	
GEORGIA	●		●			●		●
HAWAII						●		
IDAHO	●	●	●	●			●	●
ILLINOIS	●	●	●	●		●		●
INDIANA	●	●						
IOWA	●	●	●					
KANSAS	●					●		
KENTUCKY	●	●		●		●	●	●
LOUISIANA	●	●	●	●				●
MAINE	●	●	●	●		●	●	●
MARYLAND	●		●	●	●	●	●	●
MASSACHUSETTS	●	●	●		●			●
MICHIGAN	●	●	●	●		●	●	
MINNESOTA	●	●		●	●	●	●	●
MISSISSIPPI	●	●	●			●	●	
MISSOURI	●	●	●	●		●		●
MONTANA	●							
NEBRASKA	●	●				●	●	●
NEVADA	●	●		●	●			●
NEW HAMPSHIRE	●	●	●	●		●		●
NEW JERSEY	●	●	●					●
NEW MEXICO	●	●	●	●				●
NEW YORK	●	●	●	●	●			●
NORTH CAROLINA	●	●				●		●
NORTH DAKOTA	●	●				●		●
OHIO	●	●	●	●		●	●	●
OKLAHOMA	●	●	●	●			●	●
OREGON	●	●	●			●		
PENNSYLVANIA	●	●	●	●		●		●
RHODE ISLAND	●	●		●	●			●
SOUTH CAROLINA	●	●	●	●			●	●
SOUTH DAKOTA	●	●	●	●				●
TENNESSEE	●	●		●		●	●	●
TEXAS	●	●	●	●			●	●
UTAH	●	●		●			●	●
VERMONT	●	●		●	●	●		●
VIRGIN ISLANDS	●						●	
VIRGINIA	●					●	●	●
WASHINGTON	●	●	●	●	●			●
WEST VIRGINIA	●	●	●	●				●
WISCONSIN	●	●	●	●		●		●
WYOMING	●	●						
<b>TOTAL</b>	<b>51</b>	<b>45</b>	<b>36</b>	<b>34</b>	<b>12</b>	<b>26</b>	<b>23</b>	<b>41</b>



# Actions taken by State Insurance Departments

## Property and Casualty

	AUTO INSURANCE	BUSINESS CONTINUITY	BUSINESS INTERRUPTION	CLAIMS HANDLING	GENERAL INFORMATION	LICENSING	MARKET CONDUCT	NOTARY	RATE AND FORM	INFORMATION REQUESTS	STATUTORY FILINGS	TRAVEL INSURANCE	WORKERS' COMPENSATION
ALABAMA	●			●	●	●	●	●					
ALASKA			●			●	●		●		●	●	●
ARIZONA					●	●	●	●			●	●	●
ARKANSAS	●		●	●	●	●	●	●	●		●		
CALIFORNIA	●		●		●	●	●	●	●	●	●		●
COLORADO	●		●	●	●	●	●		●				●
CONNECTICUT	●		●		●	●	●				●	●	●
DELAWARE	●				●	●	●	●					●
DISTRICT OF COLUMBIA			●		●		●		●		●	●	●
FLORIDA	●	●		●	●	●	●				●		●
GEORGIA	●		●		●	●	●		●				●
HAWAII	●				●	●	●		●				●
IDAHO	●		●	●	●	●	●				●		●
ILLINOIS	●		●		●	●	●		●			●	●
INDIANA			●		●	●	●						●
IOWA					●	●						●	●
KANSAS			●		●	●	●		●			●	
KENTUCKY	●			●	●	●	●	●	●		●		●
LOUISIANA	●		●		●	●	●	●				●	●
MAINE		●		●	●	●	●				●	●	●
MARYLAND	●		●	●	●	●	●	●	●		●	●	●
MASSACHUSETTS	●		●		●	●	●	●	●		●		●
MICHIGAN	●			●	●	●	●		●		●	●	
MINNESOTA			●		●	●	●	●	●	●	●	●	●
MISSISSIPPI			●		●	●	●	●			●	●	●
MISSOURI			●		●	●	●		●				
MONTANA				●	●		●		●				●
NEBRASKA					●	●	●	●	●		●	●	
NEVADA	●			●	●	●		●	●			●	●
NEW HAMPSHIRE	●		●		●	●		●	●		●	●	
NEW JERSEY	●				●	●	●			●			●
NEW MEXICO	●			●			●		●				●
NEW YORK		●			●	●	●			●		●	●
NORTH CAROLINA	●		●		●	●	●		●				●
NORTH DAKOTA			●		●	●	●					●	●
OHIO	●				●	●			●		●	●	●
OKLAHOMA		●	●		●	●	●				●		●
OREGON	●			●	●		●		●				●
PENNSYLVANIA						●	●		●				●
RHODE ISLAND				●		●							
SOUTH CAROLINA			●		●	●				●	●		●
SOUTH DAKOTA						●							●
TENNESSEE					●		●		●		●		
TEXAS	●		●	●	●	●	●	●	●		●	●	●
UTAH	●			●	●	●	●	●			●		●
VERMONT	●		●		●	●	●		●				●
VIRGIN ISLANDS		●			●	●	●			●	●		
VIRGINIA	●		●	●	●	●	●		●		●		
WASHINGTON	●		●	●	●	●	●			●		●	●
WEST VIRGINIA		●		●	●	●	●		●		●	●	
WISCONSIN			●		●	●	●		●				●
WYOMING						●							
<b>TOTAL</b>	<b>28</b>	<b>6</b>	<b>27</b>	<b>19</b>	<b>46</b>	<b>47</b>	<b>44</b>	<b>16</b>	<b>30</b>	<b>7</b>	<b>26</b>	<b>22</b>	<b>39</b>

# Index of Key Actions Related to COVID-19 by Committee

## LIFE ACTUARIAL (A) TASK FORCE

- Removed 4% floor from Life Standard Nonforfeiture Rate.
- Proposed a change to Model #805 to allow an interest rate floor between .50% and 0%.

## HEALTH INSURANCE AND MANAGED CARE (B) COMMITTEE

- Served as a public forum for stakeholders to submit requests for regulatory flexibility for state insurance regulators' consideration related to specific areas due to COVID-19, such as prior authorization, claims filing, form filing, and telehealth requirements.
- Developed a resource and guidance document of COVID-19-related assumptions which state insurance regulators may use when reviewing carrier rate submissions for 2021.
- Tracked state actions related to COVID-19 and health insurance.

## PROPERTY AND CASUALTY (C) COMMITTEE

- Received comments from industry and consumer groups regarding a coordinated state response to COVID-19 issues.
- Addressed issues such as ongoing business operations, such as claims handling, notification requirements, and use of virtual and technology-based for inspectors and adjustors.
- Issues addressed included regulatory oversight considerations, such as premium discounts or rebates, rate and form approval, and exceptions to credit-based insurance scores.
- Assisted State Insurance Departments in issuing a COVID-19 Data Call on business interruption. Of nearly 8 million commercial insurance policies include business interruption coverage and 83% of all policies included an exclusion for viral contamination, virus, disease, or pandemic and 98% of all policies had a requirement for physical loss.
- Collected monthly data on business interruption claims.
- Collaborated among states on how to handle current and future auto insurance premium refunds and rate reductions.
- Discussed assisting state insurance departments in collecting workers' compensation exposure data related to COVID-19.

## CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE

- Discuss session rate and form review in light of premium discounts and rebates for non-use of personal vehicles during shelter-in-place orders.

#### **WORKERS' COMPENSATION (C) TASK FORCE**

- Discussed use of telemedicine and other regulatory issues arising from COVID-19.

#### **MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE**

- Addressed fraud issues arising from the crisis.
- Worked on processes for temporary licensing for producers and onboarding new producers.
- Considered use of technology for claims settlement.
- Discussed regulatory relief for companies in claims settlement.
- Tracked and coded complaints and regulatory actions.
- Worked on processes for adjuster licensing.
- Considered regulatory relief for companies filing Market Conduct Annual Statement data.

#### **STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP**

- Provided three accounting interpretations related to COVID-19.
- Considered statutory accounting exceptions to allow insurance reporting entities to respond to policyholder needs for premium payment delays, and address mortgage loan modification and forbearance requests, while mitigating insurance reporting entity concerns on the impact to statutory financial statements.
- Provided guidance for auto insurers who participated in premium refunds, rate reductions and policy dividends as a result of COVID-19.

#### **FINANCIAL REGULATIONS STANDARDS AND ACCREDITATION (F) COMMITTEE**

- Shifted accreditation reviews to a virtual review model to ensure the high standards in state regulation continue to be met.
- Provided guidance to state insurance departments in meeting accreditation standards affected by COVID-19, such as filing deadlines and examination deadlines.

#### **INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE**

- Worked on a number of activities at the international level and COVID-19 has had an impact on planned international workstreams and events.
- Facilitated the International Association of Insurance Supervisors (IAIS) collection of COVID-19 related data.
- Provided input to the IAIS survey on COVID-19 related policy and supervisory measures.
- Contributed to the Organisation for Economic Cooperation and Development (OECD) workstream on the role of public-private partnerships to address the insurability of perils which are or are increasingly becoming uninsurable such as pandemic/epidemics, but also perils such as floods, wildfires, and cyclones whose severity and frequency are being affected by a changing climate.
- Conducted several virtual supervisory cooperation calls with regulators from Asia, the Caribbean, Europe, and Latin America.