

November 18, 2020

The Honorable William Lacy Clay
Chairman
Subcommittee on Housing,
Community Development, and Insurance
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Steve Stivers
Ranking Member
Subcommittee on Housing,
Community Development, and Insurance
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: November 19, 2020 hearing on “Insuring Against a Pandemic: Challenges and Solutions for Policyholders and Insurers”

Dear Chairman Clay and Ranking Member Stivers:

On behalf of the National Association of Insurance Commissioners (NAIC),¹ we appreciate the opportunity to submit this letter for the November 19, 2020 hearing on “Insuring Against a Pandemic: Challenges and Solutions for Policyholders and Insurers.” As the COVID-19 pandemic continues to take a devastating toll on our nation, state insurance regulators share your commitment to working to help mitigate its damaging impacts and prepare for the future. We continue to focus on protecting the health and safety of insurance consumers and ensuring the ongoing stability and operation of our nation’s insurance sector. We appreciate the subcommittee’s attention to exploring the issues around the impact of pandemic risk and the roles the federal government, insurers, and businesses can potentially play to help alleviate that risk.

The risk of a pandemic is difficult to insure and state insurance regulators have seen evidence that demonstrates the insurance industry is not able to take on a substantial portion of this risk on their own. State insurance regulators, through the NAIC, issued a data call to collect business interruption (BI) information from insurers to understand which insurers are writing applicable coverage, the size of the market, the extent of exclusions related to COVID-19, and claims and losses related to COVID-19. The information collected includes data from 230 insurance groups writing coverage for business interruption including the top 50 commercial carriers, who alone represent over 80% of the market. Results show that nearly 8 million commercial insurance policies include business interruption coverage. Of that amount, 90% were for small businesses, defined as having 100 or fewer employees; 8% for medium businesses, defined as having 101-500 employees, and 2% for large businesses, defined as having 501 or more employees. Significantly, 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. This is not surprising as insurance

¹ As part of our state-based system of insurance regulation in the United States, the NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

works well and remains affordable when a relatively small number of claims are spread across a broader group. It is therefore not typically well suited for a global pandemic where virtually every policyholder suffers significant losses at the same time for an extended period.

The data also indicates that approximately 200,000 claims have been submitted by policyholders seeking lost income benefits under business interruption coverage with less than 2% of claims having been closed with payment, and nearly 82% of claims having been closed without payment due to no coverage under the policy. We recognize that the pandemic has caused massive disruptions to businesses and it is the expectation of state insurance regulators that insurance companies honor their commitments by paying claims that are covered by insurance policies. However, as we indicated in our March statement to Congress,² the NAIC opposes proposals to apply BI coverage retroactively to uncovered claims based on COVID-19 and has serious concerns that requiring retroactive coverage would pose significant risks to the solvency of insurers and potentially systemic impacts to the sector and financial system as a whole.

The data clearly illustrates insurers are largely unwilling or unable to underwrite the risk of a pandemic, creating an enormous coverage gap for American businesses and subsequent liability for American taxpayers. Going forward, Congress should consider proposals that depending on structure could limit taxpayer exposure to the economic consequences of the next pandemic without jeopardizing the solvency of the insurance industry. Therefore, the NAIC supports establishing a federal mechanism to help ensure widespread availability of business interruption insurance for pandemic risks. We understand there are several proposals to establish such a program, including legislation by Congresswoman Maloney (H.R. 7011), and proposals from industry and policyholders. While the NAIC does not have a position on any of the specific proposals at this time, to the extent the insurance sector or insurance contracts are the vehicles used to address such risks, it is critical that any legislative solution be designed in a manner that does not undermine state insurance regulatory authorities to protect insurance consumers and ensure the solvency of the industry. It also must not jeopardize the financial condition of insurance companies or affect their ability to pay other types of claims. Finally, any solution should be affordable to policyholders to ensure adequate take up rates, but also reduce the overall taxpayer exposure to risks from a pandemic.

Separately, we wanted to bring to the subcommittee's attention two reports³ that the NAIC has issued detailing state insurance regulators' response to the pandemic (attached). As detailed in those reports, state insurance regulators have been engaged in heightened monitoring of the insurance industry since the onset of the crisis and have taken several actions to protect consumers and ensure that the insurance sector remains strong. The NAIC has also created a Coronavirus Resource Center to help consumers, the business community, and insurance professionals understand and manage the risks of the COVID-19 pandemic.⁴

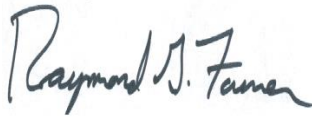
In conclusion, as state officials, we are perhaps closer to the consumers and businesses impacted by this pandemic than any other primary financial regulator. We are on the front lines assisting consumers with policy questions and talking to businesses about their concerns. We are committed to do all that we can to support our communities and remain committed to continuing to work with our federal, state, and local partners to help our country address the devastating health and economic impacts of COVID-19. Thank you for considering the state insurance regulatory perspective. We look forward to continued engagement with you as we work together to respond to the COVID-19 pandemic.

² https://content.naic.org/article/statement_naic_statement_congressional_action_relating_covid_19.htm

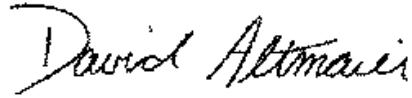
³ "A Report of the NAIC on the State Insurance Regulatory Response to COVID-19" (January 1, 2020 to May 31, 2020) https://content.naic.org/sites/default/files/inline-files/naic_covid_19_report_1%5B1%5D.pdf; A Report of the NAIC on the State Insurance Regulatory Response to COVID-19" (Update 2 / June 1—Sept. 30, 2020) https://content.naic.org/sites/default/files/naic_covid_19_report_update2.pdf

⁴ https://content.naic.org/naic_coronavirus_info.htm

Sincerely,



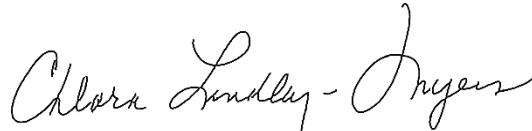
Raymond G. Farmer
NAIC President
Director
South Carolina Department of Insurance



David Altmaier
NAIC President-Elect
Commissioner
Florida Office of Insurance Regulation



Dean L. Cameron
NAIC Vice President
Director
Idaho Department of Insurance



Chlora Lindley-Myers
NAIC Secretary-Treasurer
Director
Missouri Department of Commerce and
Insurance



Michael F. Consedine
Chief Executive Officer
National Association of Insurance Commissioners



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

A REPORT OF THE NAIC ON THE STATE INSURANCE REGULATORY RESPONSE TO COVID-19

UPDATE 1 / JANUARY 1 — MAY 31, 2020

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COVID-19 has changed the way we live and work in ways we never would have imagined a few short months ago. As the scale and threat to the health and financial stability of our market has taken shape, at the NAIC, our mission and top priorities are very clear. Our primary focus is now on assisting insurance regulators in protecting the health and safety of U.S. consumers and ensuring the ongoing stability and operation of our nation's critical insurance sector in light of COVID-19. Since early March, this has been our focus as we have worked with our members to protect consumers, maintain sound insurance markets, and deliver NAIC operations and member services virtually.

We've summarized the efforts and early results on behalf of the NAIC and our members in this first in a series of reports on the regulatory insurance response to COVID-19. Working with our members, we have delivered on many critical decisions and programs, and other work is in process as the crisis and associated issues continue to evolve.

Just as our members and the industry have had to quickly shift priorities and adjust to changing work requirements, our approach has been both flexible and focused. And clearly the issues are continuing to evolve.

This report catalogues our efforts from January 1, 2020 – May 31, 2020. The NAIC will continue to work with commissioners and their staff to assess the issues related to ongoing solvency of major U.S. carriers, the need for further regulatory relief in 2020, continued policymaker interest in business interruption insurance, policy engagement on COVID-19 health coverage issues, and other issues.

COVID-19 AND THE INSURANCE SECTOR

The outbreak of COVID-19 in the U.S. and globally led to a “perfect storm” of significant considerations that required the immediate attention and engagement of state insurance regulators, including:

- > Potential health and mortality threats of a new virus on millions of Americans.
- > Access to testing, treatment, and education critical for consumers.
- > Lack of accurate and credible information on COVID-19 as it relates to insurance coverages.
- > Impact of COVID-19 on the deferment of health care treatments.
- > Significant impacts as insurance consumers face unemployment, business interruption, workers' compensation claims, and potential inability to pay for critical coverages.
- > Historic levels of economic disruption on a global scale. U.S. insurers—while generally well capitalized and reserved—are not immune from this disruption.
- > Insurers face increased investment losses and operational disruption.
- > Increased political and regulatory uncertainty. The U.S. Congress has provided two economic rescue packages and may consider more that may either relieve or potentially exacerbate financial pressure on the insurance sector.
- > State insurance departments are increasingly being pressured to deal with policy, data collection, and regulatory relief actions on a more uniform and consistent manner.

REGULATORY RESPONSE TO COVID-19

2020 MILESTONES

2020



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"

FEB 23
Italy Sees Surge in COVID Cases

FEB 29
U.S. Reports First COVID Death

MAR 11
WHO Declares Pandemic;
U.S. Blocks All Travel from Europe;
NBA Suspends Season

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 Assignments in SC

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



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 24-29

IAIS Meetings in Basel, Switzerland

- Discussion of Asian Response to COVID-19

MAR 2

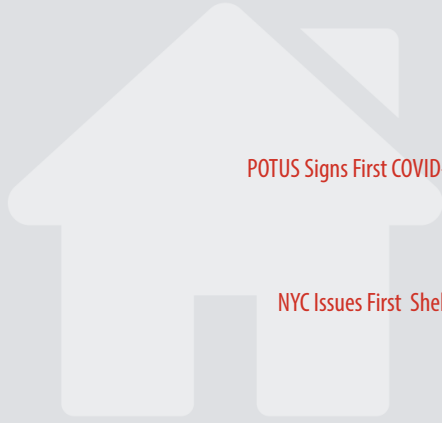
NAIC Coronavirus Resource Center Launched

MAR 10-12

"The Pivot Point"

NAIC Decides to Cancel In-person Spring National Meeting





MAR 13

POTUS Declares National Emergency

MAR 18

POTUS Signs First COVID-19 Relief Package

MAR 20

NYC Issues First Shelter-in-Place Order

MAR 24

Japan Cancels 2020 Summer Olympics

MAR 26

U.S. Becomes Nation Hardest Hit by COVID-19

MAR 27

POTUS Signs \$2 Trillion Stimulus Package

MAR 30

DC, MD and VA Issue Stay-at-Home Orders

APR 2

Worldwide COVID Cases Hit 1 Million, with 51,000 Confirmed Deaths

APR 10

Global COVID-19 Deaths Pass 10,000

MAR 12

Officer/Committee Leadership Call on Virtual National Meeting Alternatives

MAR 13

NAIC Continuity of Ops Plan Triggered; DC/NY Offices Begin Remote Operations

MAR 17-18

Remote Operations Pilot Test for KC Office; KC Office Begins Remote Operations

MAR 20

NAIC Holds Special Session on COVID-19 (Over 2,700 Attendees)

MAR 24

Work Begins with NAIC Officers on COVID-19 "Priority One" Initiative

MAR 25

NAIC Issues Statement on Retroactive Business Interruption

MAR 27

NAIC Issues Real Estate Forbearance Accounting Guidance

APR 1

NAIC Issues Coordinated Data Call on COVID-19 Impact

APR 2

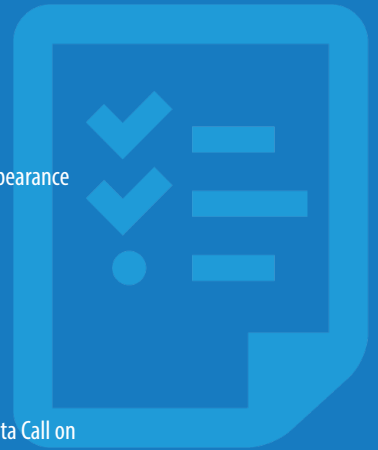
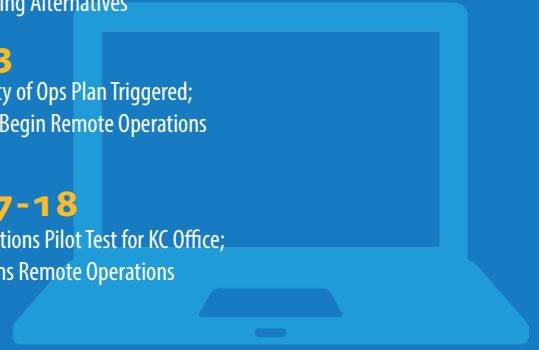
Executive (EX) Committee Call Approving "Priority One"

APR 6

NAIC Issues Model Bulletin on Regulatory Relief

APR 9

Member Call Approving "Priority One" Initiative; State Action Tracking System Rolled Out to Members



APR 14

IMF Warns of Worst Economic Downturn since Great Depression

APR 15

Europe Begins Easing Restrictions on Italy

APR 26

Global Death Toll Passes 200,000

APR 30

U.S. Airlines Require Face Masks

MAY 7

U.S. Unemployment Continues to Increase; 33 Million Jobless Claims in Past 7 Weeks

MAY 20

CDC Provides Guidance as States Begin to Open; Federal Reserve, FDIC and OCC Issue Principles for Offering Small Dollar Loans

MAY 21

U.S. House of Representatives' Small Business Committee Holds Virtual Hearing on Business Interruption Insurance

MAY 29

CDC Reports 1.7 Million Cases and 100,446 Deaths Related to COVID-19 in the U.S.

APR 15

NAIC Adopts Related Accounting Changes and Interpretations

APR 21

NAIC Capital Markets Bureau Issues Special Report: "Oil Futures Plunge Below Zero as Capital Markets Volatility Continues"

APR 30

NAIC Member Call Focused on Business Interruption and Health Issues

MAY 4

NAIC Forms Internal "Return to Office" Task Force

MAY 7

IAIS Issues Guidance on Business Interruption/Solvency Concerns

MAY 11

NAIC Issues Coordinated Data Call on Business Interruption

MAY 12

EX/EX1 Call Reviewing NAIC's Regulatory Response to COVID-19

MAY 14

Member Call Reviewing NAIC's Regulatory Response to COVID-19

MAY 20

NAIC Submits Comments to U.S. House of Representatives' Small Business Committee Virtual Hearing on Business Interruption Insurance

MAY 23

NAIC Capital Markets Bureau Issues Research: "U.S. Insurer CLO Exposure at Risk of Ratings Downgrade"



NAIC PRIORITY ONE

SUPPORTING OUR MEMBERS

NAIC PRIORITY ONE

The previously identified NAIC 2020 regulatory and operational priorities were founded on the assumption that we would be operating under normal market conditions. Clearly, this is no longer the case. As of March 2020, NAIC made supporting the efforts of U.S. insurance regulators in managing the impact of the COVID-19 pandemic its “**Priority One**”. Our efforts focus on the three critical areas of **(1)** protecting insurance consumers; **(2)** ensuring the ongoing stability and operation of our nation’s insurance sector; and **(3)** delivering exceptional member service.

CONSUMER PROTECTION

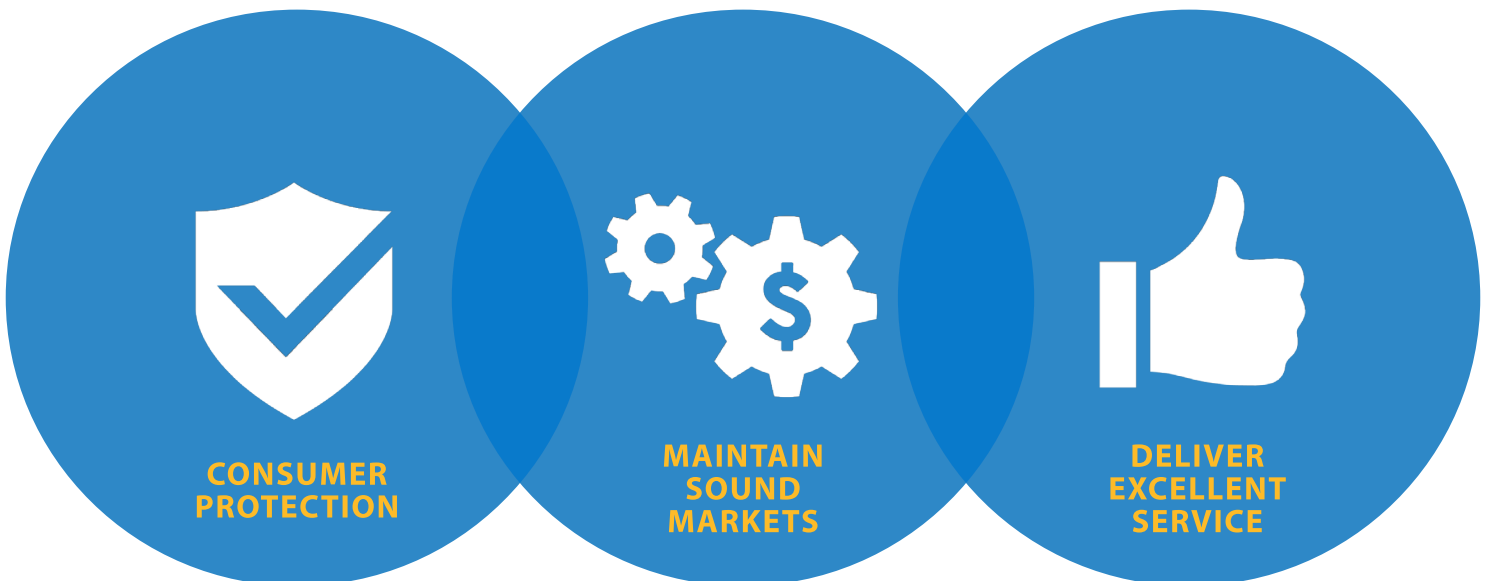
- > Coordinate state data collection efforts & promote consistency
- > Create a repository of state actions & best practices
- > Generate bulletins to educate consumers about the impact of the pandemic on insurance lines
- > Provide enhanced market analysis & surveillance on COVID-19 impact
- > Coordinate with global regulators
- > Collaborate with global regulators and advise policymakers

MAINTAIN SOUND MARKETS

- > Coordinate state data collection efforts & promote consistency
- > Create a repository of state actions & best practices
- > Provide enhanced market analysis & surveillance on COVID-19 impact
- > Coordinate with global regulators

DELIVER EXCELLENT SERVICE

- > Facilitate ongoing & frequent member communications using virtual platforms
- > Assess & meet evolving member needs
- > Provide targeted training & education
- > Ensure resiliency & ongoing operation of core NAIC services



CONSUMER PROTECTION

State insurance departments took quick actions in response to the crisis to protect vulnerable and anxious consumers whose lives were being touched by COVID-19 in very real ways. These steps included prohibiting carriers from terminating insurance contracts due to non-payment and waiving late fees. Some states also instructed carriers to adjust claims as expeditiously as possible and to use remote adjustment options whenever possible. An index of state regulatory actions is attached at the end of this report.

At the NAIC, we worked to provide opportunities for state insurance departments to share actions and best practices and provide information directly to consumers through online resources. An index of NAIC actions is attached at the end of this report.

HEALTH INSURANCE

With access and affordability of COVID-19 testing and treatment a critical issue, state insurance departments took swift action to allow health insurance consumers to access testing without cost-sharing and worked to extend access to coverage for consumers. Nearly all states acted initially to remove consumer cost-sharing for COVID-19 testing. Some have gone further to disallow cost-sharing for COVID-19 treatment or for an eventual vaccine. Most states acted to clarify that insurers must cover early prescription drug refills and took other steps to facilitate access to needed drugs during the outbreak.

State insurance departments have also worked to expand access to telehealth services, in some cases lifting restrictions on methods of communication and reducing cost-sharing. Many state regulators also requested or required insurers to offer enrollees extended premium due dates, suspend cancellations, and offer greater flexibility for small business coverage. Some regulators also called on insurers to verify the adequacy of their provider networks, modify utilization review, inform enrollees of benefits, or adjust provider credentialing.

The NAIC continues to engage on a daily basis 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 targeting health insurance. Similarly, the NAIC remains directly engaged with Congress to ensure federal efforts to stabilize or support health insurance markets are coordinated and effective.

LIFE INSURANCE

As with other lines of insurance, several states have required life insurers to defer premium payments and suspend cancellations and non-renewals. In some circumstances, consumers have up to a year to pay back any deferred payments. Life insurers have also been instructed to waive late fees and penalties, and allow payment plans for premiums payments to otherwise avoid a lapse in coverage in other states.

AUTO INSURANCE

Many states have mandated or encouraged auto insurance companies to institute paybacks to drivers, who have greatly reduced miles driven during the pandemic. The announced refunds, discounts, dividends and credits are estimated to total more than \$10 billion.

CONSUMER RESOURCES

To help consumers, legislators and business owners understand the impacts of COVID-19 on insurance, the NAIC created a Coronavirus Resource Center and outreach program. The website provides access to third-party information and resources, as well as information specifically created by the NAIC. NAIC resources include research, information on coverages and exclusions related to health, travel, life, business interruption, event cancellation, workers' compensation, general business liability, and directors and officers insurance, as well as annuities. It also includes a database of more than 1,000 state bulletins, actions, and alerts to help the public keep track of state insurance actions taken across the country to protect consumers and ensure market solvency.



1,000+
STATE BULLETINS,
ACTIONS, & ALERTS

State actions are characterized as orders when they require insurers to take an action. They are characterized as requests when they encourage insurers to take an action. Notices advise insurers, consumers, or others of relevant information.

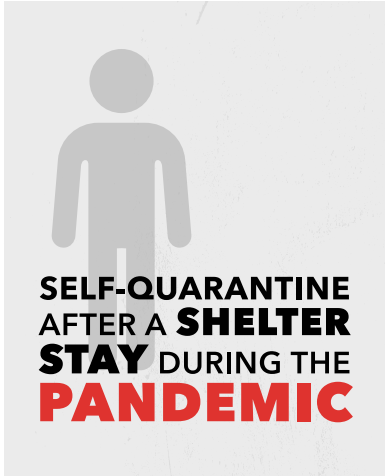
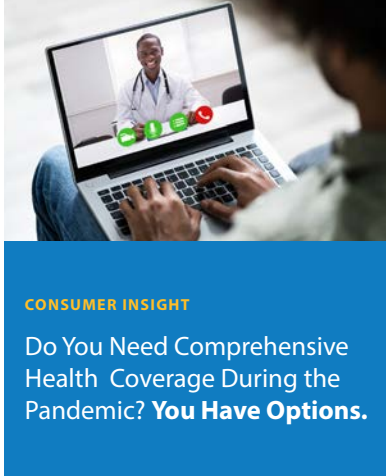
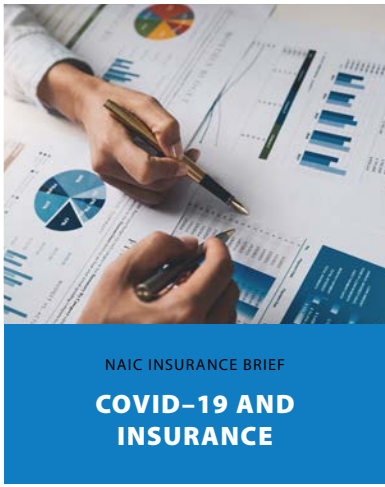
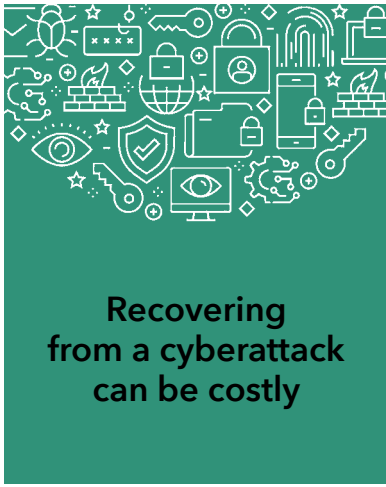
As with many crises, fraud is also a major concern. States insurance departments and the NAIC have issued warnings to consumers about potential COVID-19-related scams, such as robocalls and text messages advertising bogus miracle cures, free at-home test kits, home cleaning that scammers claim will reduce the risk of getting COVID-19, and assistance with obtaining federal government stimulus checks.

The NAIC has also fielded multiple requests for relief from 22 industry, consumer and health provider associations. Many of these have resulted in new draft bulletins and committee discussions.



BUSINESS INCOME LOSS COVERAGES

- BUSINESS INTERRUPTION INSURANCE
- EXTRA EXPENSE COVERAGE
- SERVICE INTERRUPTION CLAUSE
- CONTINGENT BUSINESS INTERRUPTION
- CIVIL AUTHORITY COVERAGE



MAINTAIN SOUND MARKETS

State insurance regulators and the NAIC have been closely monitoring the financial health of insurers to ensure their continued strength and resilience. This work will continue as the crisis evolves.

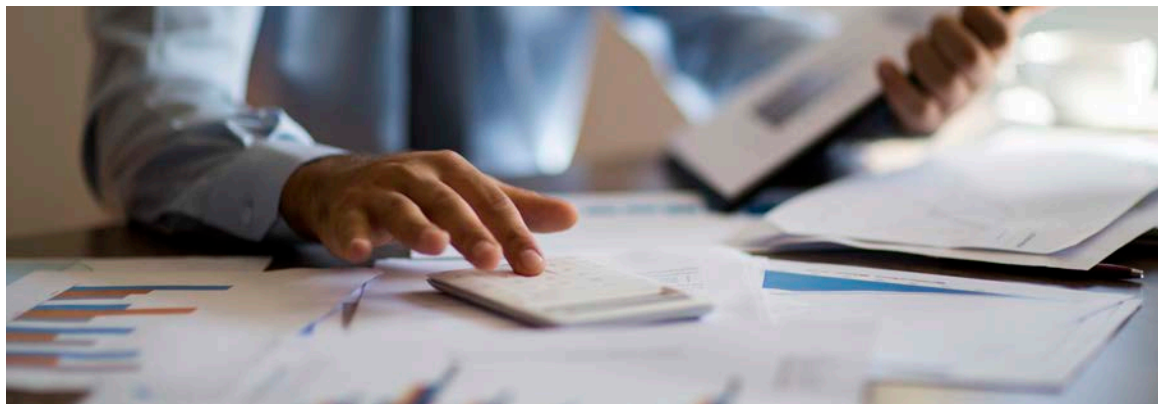
FINANCIAL SOLVENCY

The NAIC has also been working with state insurance departments to identify and evaluate company exposure to COVID-19, including monitoring the capital markets and providing reports to the states for their use in evaluating the potential impact of the economic downturn on insurance company assets. Evaluating company exposure has involved identifying those companies whose products put them at a greater risk of being impacted, as well as those companies facing an increased risk as a result of the interest rate cuts and market downturn.

State insurance departments have worked together—through the NAIC—to develop a national information request template that gathers initial data from insurers on their exposure to potential COVID-19 claims and the impact of the related economic downturn on their assets. More specific data requests from property/casualty insurers who write lines that could be impacted by COVID-19 — such as business interruption, workers’ compensation and travel insurance — have also been developed. State insurance regulators have also worked with life insurers to evaluate the impact of the economic stresses on their liquidity.

The NAIC also finalized a resource and guidance document of COVID-19 assumptions state regulators may use when reviewing health insurance carrier rate submissions for 2021.

In addition, the NAIC has provided input on the U.S. response to a survey by the International Association of Insurance Supervisors (IAIS). To date, they have nearly 60 responses from around the globe. The NAIC is contributing to a similar cross-sectoral survey being conducted by the international Financial Stability Board.



NEW ACCOUNTING AND REPORTING GUIDANCE

The NAIC worked with members to provide new accounting and reporting guidance for including the treatment of overdue mortgages and due dates of quarterly filings to provide some relief and guidance for insurers — and, by extension for business owners — by allowing more time for the insurers to collect premium receivables before reporting the receivables as nonadmitted in the statutory financial statements. The NAIC also plans to address rate and form review in light of premium discounts and rebates for non-use of personal vehicles during shelter-in-place orders.



BUSINESS INTERRUPTION INSURANCE

State insurance departments have issued guidance regarding coverage for coronavirus in a standard business interruption policy. The guidance has alerted business owners that many (83%) of policies have exclusions for virus, bacteria and pandemics and most (98%) requires a physical loss. It also encourages consumers to read their policy to determine if coverage exists.

The pandemic has caused massive disruptions to businesses. The American Property Casualty Insurance Association (APCIA) estimates that business revenue losses for small businesses (less than 100 employees) are between \$255 billion and \$431 billion a month, which dramatically exceeds the amount of premiums collected. The NAIC released a statement detailing concerns and opposition to any legislative proposals relating to retroactively altering the business interruption provision of policies to include new coverages that were not contemplated or funded and, in many cases, were specifically excluded by the policy.

State insurance regulators are committed to working at the state and federal level to help mitigate the devastating economic impacts of the coronavirus (COVID-19) pandemic. For example, states have already taken swift action to allow health insurance consumers to access COVID-19 testing without cost-sharing, and working to extend access to coverage for consumers where states are empowered to do so. Given the current condition of the financial markets, state regulators and the NAIC are also closely monitoring the financial health of insurers to ensure their continued strength and resilience.

We thank Congress and the Administration for acting quickly to give states greater flexibility to protect consumers and deal with ever-changing market dynamics, and we look forward to continuing that partnership as issues arise. However, as Congress considers further legislative proposals to address the devastating impacts of the COVID-19 pandemic, we would caution against and oppose proposals that would require insurers to retroactively pay unfunded COVID-19 business interruption claims that insurance policies do not currently cover.

Business interruption policies were generally not designed or priced to provide coverage against communicable diseases, such as COVID-19, and therefore include exclusions for that risk. Insurance works well and remains affordable when a relatively small number of claims are spread across a broader group, and therefore it is not typically well suited for a global pandemic where virtually every policyholder suffers significant losses at the same time for an extended period. While the U.S. insurance sector remains strong, if insurance companies are required to cover such claims, such an action would create substantial solvency risks for the sector, significantly undermine the ability of insurers to pay other types of claims, and potentially exacerbate the negative financial and economic impacts the country is currently experiencing.

Moving forward, if Congress believes the business interruption insurance sector can play a vital role in addressing the policy challenges of future pandemics, we stand ready to work with Congress on such solutions. However, swift action by Congress to directly address the needs of citizens and our economy is the most effective and expedient means to addressing the devastating impact of COVID-19.

PRODUCER LICENSING

The NAIC has worked with state insurance departments on a variety of issues designed to maintain the integrity of reporting and license requirements, while at the same time streamlining processes to work effectively with shelter-in-place orders.

Insurance producers are in direct contact every day with Americans, helping them make critical decisions on financial and personal welfare. Our obligation is to ensure those producers have the knowledge and personal integrity to fulfill those responsibilities.



The NAIC 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 distributed to the states. Together, we continue to do the technical work required for state insurance departments to extend renewal deadlines or offer temporary licenses electronically through NIPR.



OTHER WORK INCLUDED

- > Support for virtual inspections 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

Our agility was tested in March as we triggered the NAIC's Business Continuity Plan and moved our teams to remote operations. Additionally, in March we made the decision to cancel our in-person Spring National Meeting due to concerns about the health and safety of our members, employees and attendees. We reprioritized our efforts to allow our members and staff more time to focus on the health emergency. At the same time, we sought new and innovative ways to maintain stakeholder engagement and transparency of NAIC proceedings.

VIRTUAL SPECIAL SESSIONS


On March 20, we held a virtual special session on COVID-19. The public session was attended by 2,700 interested parties. Attendees heard presentations on virus pathology, pandemic modeling, financial impact, and policy coverage issues. The session also included panel discussions about the impact of COVID-19 on the health insurance market, insurer readiness, and various consumer issues.



Special Session on COVID-19

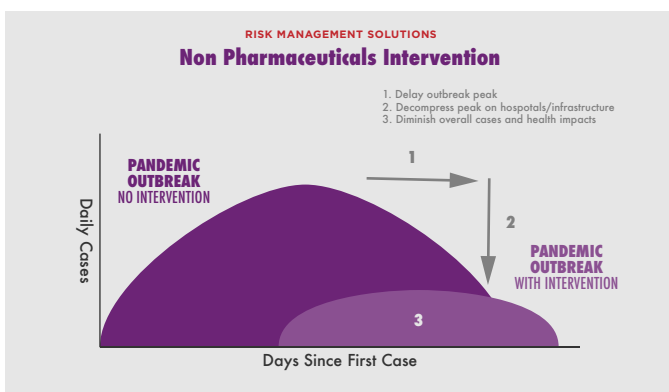
HOSTED BY NAIC PRESIDENT & SOUTH CAROLINA INSURANCE DIRECTOR RAY FARMER

MARCH 20, 2020 at 2:00 PM ET



THE ROAD AHEAD

- REQUEST VS. REQUIRE
- TESTING VS. TREATMENT
- PREMIUM GRACE PERIODS
- SURPRISE MEDICAL BILLS
- NON-ACA COMPLIANT PRODUCTS
- TESTING VS. TREATMENT
- ERISA PREEMPTION OF SELF-INSURED PLANS
- RATES, RISK ADJUSTMENTS, RESERVES




STATES' HEALTH INSURANCE MARKET RESPONSE

1:15 PM ET - 1:35 PM ET

Jessica K. Altman
PA INSURANCE COMMISSIONER

This first session was followed by a regulator-to-regulator session that enabled our members to have a robust discussion about the stability of the insurance sector, possible issues that may need attention in the near-term, and what is being done at the state level.

Since that time, we have hosted several other virtual conversations with our members to address best practices and address important issues. Additionally, various NAIC committees continue to meet in virtual public and regulator-to-regulator sessions. As we move forward, we anticipate that this practice will become more common.

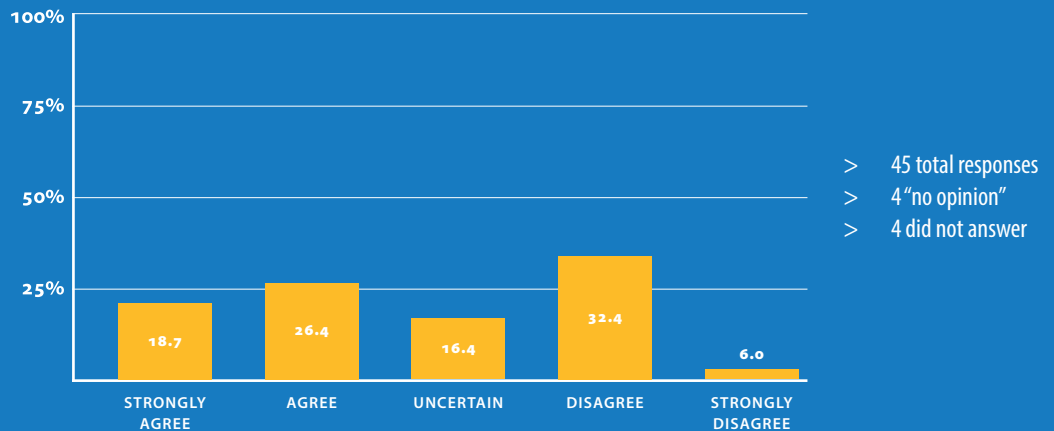
RESEARCH

The NAIC's independent research division, the Center for Insurance Policy and Research (CIPR), maintains a current list of research reports, articles, and other resources relating to pandemics, as well as compiled key historical learnings from NAIC Proceedings and a recent CIPR symposium on pandemics. Working in partnership with the academic community, the 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. 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.

PANDEMIC BUSINESS INTERRUPTION INSURANCE INSIGHTS FROM WSB SURVEY OF INSURANCE EXPERTS

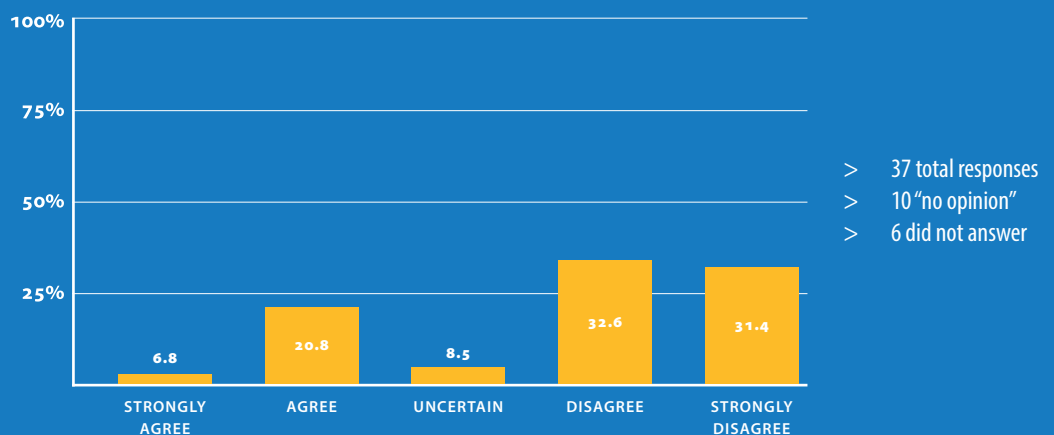
SURVEY QUESTION 3

Only the federal government can help provide business interruption insurance for pandemic risks.



SPECIAL ENROLLMENT PERIODS FOR HEALTH INSURANCE MARKETPLACES INSIGHTS FROM WSB SURVEY OF INSURANCE EXPERTS

Opening special enrollment periods for health insurance marketplaces during the COVID-19 pandemic is not a necessary policy because there are sufficient existing special enrollment rules and Medicaid access that provide health insurance access to those who need it.





EMERGING ISSUES

- > **OPERATIONAL TRANSITION ISSUES**

- > **ONGOING SOLVENCY MONITORING**

- > **TARGETING FRAUD AND CONSUMER ABUSE**

- > **FURTHER REGULATORY REQUESTS**

- > **CONTINUED PRESSURE ON BUSINESS INTERRUPTION INSURANCE**

- > **RELATIONSHIP BETWEEN BUSINESS INTERRUPTION CLAIMS CAUSED BY COVID-19 AND CLAIMS ARISING FROM RECENT RIOTING AND LOOTING**

- > **ENGAGEMENT ON HEALTH COVERAGE ISSUES RELATED TO COVID-19**

- > **INCREASED DATA CALLS**

- > **IMPACT ON INTERNATIONAL INITIATIVES**

INDEX OF ACTIONS BY COMMITTEE

ATTACHMENT A

ACTIONS BY COMMITTEE

HEALTH INSURANCE & MANAGED CARE (B) COMMITTEE

- > Serving 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
- > Held a conference call discussing some of these stakeholder requests
- > Anticipates developing and finalizing a resource and guidance document of COVID-19-related assumptions that state insurance regulators may use when reviewing carrier rate submissions for 2021
- > Tracking state actions related to COVID-19 and health insurance; in particular, 2021 rate filings

PROPERTY & CASUALTY INSURANCE (C) COMMITTEE

- > Received comments from industry and consumer groups regarding a coordinated state response to COVID-19 issues
- > Issues include ongoing business operations, such as claims handling, notification requirements, and use of virtual and technology-based means for inspections and adjusting
- > Concerns also include 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
 - **Part 1** includes information on business interruption, including written premium, number of policies, and percentage of policies with language specific to physical damage and exclusions for virus or pandemic
 - Preliminary findings show that nearly 8 million commercial insurance policies include business interruption coverage
 - Of that amount, 90% were for small businesses, as defined as having 100 or fewer employees; 8% for medium businesses, and 2% for large businesses
 - Significantly, 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
 - **Part 2** includes additional information on Business Interruption including claims and loss amounts
 - Additional data calls are still being contemplated by a regulator-to-regulator drafting group with input from industry
 - Future data calls could include additional lines of business such as travel insurance, event cancellation, general liability, directors and officers, workers' compensation, and medical professional liability

CASUALTY ACTUARIAL & 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

- > To discuss use of telemedicine and other regulatory issues arising from COVID-19

MARKET REGULATION & CONSUMER AFFAIRS (D) COMMITTEE

- > Fraud issues arising from the crisis
- > Temporary licensing for producers; onboarding new producers
- > Use of technology for claims settlement
- > Regulatory relief for companies in claims settlement
- > Tracking and coding of complaints and regulatory actions
- > Adjuster licensing

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

- > Provided three accounting interpretations related to COVID-19
- > Statutory accounting exceptions allow insurance reporting entities to respond to policyholder needs for premium payment delays, and address mortgage loan modification or forbearance requests, while mitigating insurance reporting entity concerns on the impact to statutory financial statements

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
- > Responding to COVID-19 has been the focus of the International Association of Insurance Supervisors (IAIS)
 - Held regular calls to share experiences in dealing with the current situation and conducted a survey to collect information on jurisdiction responses
 - Work on comparability between the insurance capital standard and aggregation method has continued; however, the consultation on principles for assessment criteria will be delayed from July to later in 2020
 - Other IAIS papers scheduled for public consultation have been deferred by at least six months
 - IAIS and other international organizations' in-person meetings have been canceled for much of the rest of the year. This includes the IAIS committee meetings and global seminar the NAIC was planning to host in June, as well as the November committee meetings

INDEX OF ACTIONS BY STATES

ATTACHMENT **B**

LIFE & HEALTH

	CUSTOMER COST-SHARING	TELEHEALTH	PREMIUMS/CANCELLATIONS	PRESCRIPTION DRUGS	SPECIAL ENROLLMENT PERIODS	RATES AND FORMS 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	●	●						
TOTAL JURISDICTIONS WITH ACTION	51	45	36	34	12	26	22	41

PROPERTY & CASUALTY

	AUTO INSURANCE	BUSINESS CONTINUITY	BUSINESS INTERRUPTION	CLAIMS HANDLING	GENERAL INFORMATION	LICENSING
ALABAMA	●			●	●	●
ALASKA						
ARIZONA					●	●
ARKANSAS	●		●	●	●	●
CALIFORNIA	●		●		●	●
COLORADO	●		●	●	●	●
CONNECTICUT	●		●		●	●
DELAWARE	●				●	
DISTRICT OF COLUMBIA			●		●	
FLORIDA	●	●		●	●	●
GEORGIA	●		●		●	●
GUAM						
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						●
TOTAL JURISDICTIONS WITH ACTION	26	6	24	16	42	45

PROPERTY & CASUALTY

	MARKET CONDUCT	NOTARY	RATES AND FORMS	REQUESTS FOR INFO	STATUTORY FILINGS	TRAVEL INSURANCE	WORKERS' COMPENSATION
ALABAMA	●	●					
ALASKA	●		●		●	●	●
ARIZONA	●	●			●	●	
ARKANSAS	●	●	●		●		
CALIFORNIA	●	●	●	●	●		●
COLORADO	●		●				●
CONNECTICUT	●				●	●	●
DELAWARE	●	●					●
DISTRICT OF COLUMBIA	●		●		●	●	●
FLORIDA	●				●		●
GEORGIA	●		●				●
GUAM							
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							
TOTAL JURISDICTIONS WITH ACTION	44	14	27	6	23	22	37

A Report of the NAIC on the State of Insurance Regulatory Response to COVID-19

Update 2 / June 1 – Sept. 30, 2020



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Introduction

COVID-19 has presented the world with the crisis of a lifetime in terms of its impact on people's lives, finances, and futures. While we have begun reopening, it's clear that we'll be facing challenges for a long time. New hotspots are emerging regularly. There is significant unemployment, the potential permanent closure of many businesses, and a still unfolding economic impact that will likely be in the trillions of dollars in the U.S. alone.

This report is the second in the series of reports on regulatory response summarizing the efforts and results on behalf of the NAIC and our members, and the nation's chief insurance regulators. Working with our members, we continue to take critical steps to protect insurance consumers and ensure stabilized insurance markets.

Our efforts, both recent and historic, have resulted in an insurance sector that continues to show strength and resiliency in this time of crisis. Even in the midst of a global pandemic, consumers continue to receive the benefits of their policies, which is particularly important given the natural catastrophes that have occurred at a historic pace across the country. We have also worked to advance the priorities set out in early March to work with our members to protect consumers, maintain sound insurance markets, and deliver NAIC operations and member services virtually.

We are not through this pandemic yet nor through the longer-term economic instability that it will likely leave in its wake. The issues continue to evolve, and we remain steadfast in our commitment to address them with flexibility and focus.

This report catalogues our efforts from June 1, 2020–Sept. 30, 2020. The NAIC will continue to work with commissioners and their staff on issues related to extending regulatory relief and reporting procedures to account for adjustments, health care policy for consumers, and the impact on business interruption insurance.



COVID-19 & the Insurance Sector

In the spring of 2020, the insurance sector enacted a series of programs to respond to the initial events brought on by COVID-19. As we moved into the summer months and positive cases initially declined, several other considerations required attention from state insurance regulators including:

- > Emergence of new hotspots affecting the health and mortality of residents.
- > Continued business operation impacts, as local governments rolled back re-openings.
- > Resolving reporting questions arising from swiftly adapting programs to help alleviate consumer burdens from COVID-19.
- > Combatting the insurance impact of the pandemic while managing a historically active hurricane and wildfire season.
- > Responding to the social justice movement that gained national attention.
- > Alerting consumers to fraud schemes that often emerge during chaotic times.
- > Frequent engagement with Congress and federal agencies on the impact of COVID-19 on insurance policy holders and markets.

Regulatory Response to COVID-19

June 1, 2020 – Sept. 30, 2020 Milestones

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)

June 2

NAIC issues report on **U.S. Insurer Exposure to Bank Loans**

June 18

NAIC issues report on **Collateralized Loan Obligations**

June 25

NAIC lowers Life Insurance Cash Value Forfeiture Rates to Below **1%**

June 30

NAIC issues report on **U.S. Insurers' Exposure to Mortgage Loans**



July 1

NAIC issues report on **U.S. Insurers' Cash and Invested Assets Reach at Year-End 2019**

July 17

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



July 22

NAIC issues report on **U.S. Insurer Industry Outsourcing to Unaffiliated Investment Managers**

July 22

NAIC Adopts INT for COVID-19 Related Refunds

July 28

NAIC's Virtual Summer National Meeting Begins (3 week program)



August 10

NAIC holds Special Session on COVID-19 Lessons Learned (**2,737 attended**)

August 11

NAIC provides Rules for Auto Insurers to Follow When Reporting Policy Refunds

August 14

NAIC issues a report on **Private Equity (PE) Owned U.S. Insurers**

August 24

First case of reinfection was reported in Hong Kong

August 31

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



September 22

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

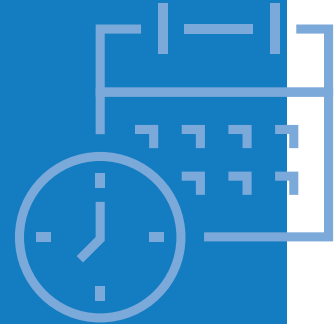
September 29

Global death toll hits over **1 million**

August 17

NAIC Extends INT Several Reporting Rules through Third Quarter:

- > 90-day rule
- > Mortgage Loan Impairment Assessment
- > Investment Income Due and Accrue



August 28

NAIC issues a Report on **U.S. Insurance Industry's High-Yield Bond Exposure**

August 31

SBS Submits License Expiration Date Extensions

September 2

NAIC issues a Report on **U.S. Insurer Total Exposure to Schedule 8A**

September 8

NAIC's Virtual Insurance Summit begins (2 week program)

September 22-24

Virtual Meeting of the IAIS Executive Committee



Key Actions



When COVID-19 took hold of the country the NAIC jumped into action revising our regulatory priorities for the year to help curtail the impact of the pandemic on the insurance industry. Specific details about our actions can be found in our first [Report of the NAIC on the State of Insurance Regulatory Response to COVID-19](#). Then, like now we remain focused on three critical areas:

- > Protecting insurance consumers
- > Ensuring stability in the insurance market
- > Delivering exceptional service

Summary of key actions from June 1, 2020 – Sept. 30, 2020:

CONSUMER PROTECTION

- > Continued to update the [NAIC Coronavirus Resource Center](#) with information from state regulators, the NAIC, and reputable third parties.
- > Continued to distribute educational resources about the impact of the pandemic on insurance lines.
- > Continued to warn about potential fraud risks.
- > Worked with regulators and consumers to mitigate the impact of COVID-19 as states dealt with a myriad of natural catastrophes.

MAINTAIN SOUND MARKETS

- > 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 multi-national insurance groups.
- > Continued to adjust NAIC software capabilities to streamline the process and enable remote business operations.

DELIVER EXCELLENT SERVICE

- > 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.
- > Ensured resiliency and ongoing operation of core NAIC services.

Consumer Protection



State regulators continued the programs they enacted at the start of the pandemic to help protect consumers whose health and livelihoods have been affected. These initiatives include prohibiting carriers from terminating insurance contracts due to non-payment; waiving late fees; and in some states, requiring insurers to provide refunds or reduce premiums on certain policies.

At the NAIC, we continued to provide resources to consumers to educate them on COVID-19 changes to insurance and raise awareness and understanding of emerging scams. A complete list of actions can be found at the end of this report.

Health Insurance

State insurance departments continued their efforts to ensure access and affordability for COVID-19 testing and treatment. When the pandemic began, nearly all states acted initially to remove consumer cost-sharing for COVID-19 testing.

As federal cost-sharing requirements emerged, states worked to communicate and implement the federal standards and offer feedback on their effectiveness. Some states have gone further, disallowing cost-sharing for COVID-19 treatments, including costs of a vaccine in the future.

Most states also acted to clarify that insurers must cover early prescription drug refills and they took other steps to facilitate access to medications during the outbreak. Almost all state-based marketplaces opened for new enrollment by individuals in need of coverage.



State insurance departments have also continued to work to expand access to telehealth services, in many cases lifting restrictions on methods of communication and reducing cost-sharing. Many state regulators also requested or required insurers to offer enrollees extended premium due dates, suspend cancellations, and offer greater flexibility for small business coverage. Some regulators also worked with insurers to provide premium holidays for certain types of coverage. Others called on insurers to verify the adequacy of their provider networks, modify utilization reviews, inform enrollees of benefits, and adjust provider credentialing.

The NAIC continues to engage with federal agencies, including 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 targeting health insurance. Similarly, the NAIC remains directly engaged with the U.S. Congress to ensure that federal efforts to stabilize or support health insurance markets are coordinated and effective.



Auto Insurance

Early in the COVID-19 pandemic, insurance regulators understood that the pandemic was having a significant impact on consumer behavior, including the fact that many drivers were driving fewer miles. In April, 26 state departments of insurance issued bulletins urging insurers to issue immediate reductions in auto insurance premiums to reflect reduced driving. Some states granted consumer relief and mandated premium grace periods. Nearly all states urged consumers to contact their agent or carrier about possible premium reductions.

Insurance premium relief measures generally shaved 15–25% off customers' premium payments for one or more months during the spring and returned a reported \$14 billion to policyholders. State insurance property and casualty regulatory actuaries have been actively reviewing filings, working with insurers, and sharing information within the regulatory community about how to handle refund and rate change filings.

Auto insurers have been finding significant decreases in the frequency of accidents, but also an increase in the severity. Insurance companies have reported significant increases in speeding activity, which could be one of the reasons for the increasing cost of accidents. Currently, regulatory rate filing reviewers and actuaries are evaluating rate filings with close attention to major changes in data experience.

NAIC members expect 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 policies are written for a future period, typically six months or one year, insurers need to evaluate the losses and reassess risk following that policy term rather than trying to price in “real time” within the policy period. As data has become more readily available over time and technology continues to advance, regulators have worked to ensure that insurers utilize data to better assess risk to more accurately price auto insurance policies. We anticipate that as usage-based pricing becomes more prevalent, the industry and regulatory community will have more data to evaluate the need for pricing modifications.

Insurance regulators continue to evaluate data to determine if long-term adjustments are needed to rating models and encourage consumers to shop for a better rate as auto insurance markets are typically very competitive with numerous carriers competing for consumers’ business.



Protecting Against Fraud and Improper Marketing

As with many crises, fraud is a major concern. State insurance departments and the NAIC have issued warnings to consumers about potential COVID-19-related 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 and state regulators continue to alert consumers and warn

against improper marketing of health insurance. These tactics often involve robocalls using the consumer’s local area code offering health insurance plans from major insurers. Scammers will often direct the consumer to an out-of-state call center, offer coverage that is not with a major provider and sell policies with a more limited scope than presented.

Natural Disasters

COVID-19 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.

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



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Consumer Resources

The NAIC continued to add new information to its Coronavirus Resource Center and outreach program helping consumers, legislators and business owners understand the impacts of COVID-19 on insurance and providing a one-stop-shop for reliable and up-to-date information. Additionally, we continued to proactively distribute information to consumers through social media, press releases, and in partnership with state departments of insurance.



Home | Map | Committees | Members | Products | Education | Consumer | Industry

NAIC Coronavirus Resource Center

STATE BULLETINS & ALERTS | NAIC RESOURCES | OTHER RESOURCES | INSURANCE POLICY COVERAGE | CONSUMERS



Maintain Sound Markets

State insurance regulators and the NAIC monitored the financial health of insurers to ensure their continued strength and resilience. 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. We continued to analyze the market impact as the crisis evolved extending guidance and enacting new procedures to respond to emerging issues. Thus far the U.S. market and the state-based insurance system behind it have proven their resiliency.



Data collected from regulators across the globe demonstrates that the COVID-19 global pandemic has had a major impact affecting all sectors of the economy, including insurance. In times of stress such as these, the regulatory systems in place to ensure insurers' solvency and policyholder protection are put to the test. A recent [global report by Standard & Poor's](#), a rating agency that provides ratings to the global markets, analyzed how the insurance industry has dealt with COVID-19 and its impact on the industry's capital buffers. The report notes the overall resiliency of such buffers, and stress testing conducted found North American insurers to be the most resilient region globally. Such testing considers the overall capital strength, risk management and asset allocations of the insurers.

U.S. state insurance regulators attribute the resiliency of the region in part to improvements and advancements made to the regulatory system over the last decade, including those related to solvency, corporate governance and group supervision.

Extension of Accounting and Reporting Guidance

At the start of the pandemic, the NAIC worked with members to provide new accounting and reporting guidance for the treatment of overdue mortgages. It also extended the due dates of quarterly filings to provide some relief and guidance for insurers—and, by extension business owners—by allowing more time for the insurers to collect premiums before reporting the payments as late in the statutory financial statements. Originally these guidelines were only allowed for first and second quarter reporting, but this guidance was extended to Sept. 30, 2020 to be applicable for third quarter financial statements as well.

New Accounting Rules for Auto Insurers

The NAIC 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 that the default methodology would be to record it as a reduction in premium, but the guidance also offers flexibility for insurers that prefer to report through expenses in a one-time as a limited exception.

Business Interruption

To date, nearly 200,000 claims have been reported by policyholders seeking reimbursement for lost income under business interruption coverage. Less than 1% of claims reported have been closed with payment and 74% of claims reported have been closed without payment.

This analysis is based on our work with state regulators to understand which insurers are writing business interruption coverage, the size of the market, the extent of exclusions related to COVID-19, and claims and losses related to COVID-19.



The analysis also showed that 83% of policies have exclusions for virus, bacteria and pandemics and nearly all (98%) require a physical loss for a claim. This is not surprising as insurance works well and remains affordable when a relatively small number of claims are spread across a broader group. It is therefore not typically well suited for a global pandemic where virtually every policyholder suffers significant losses at the same time for an extended period.



Several lawsuits were filed against insurers by the business community. To date, these lawsuits have 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 to guide our efforts in engaging with Congress as this issue moves forward.

We will continue to collect data on business interruption claims each month through November 2020.

Life Insurance Interest Rates

An NAIC committee began working on the Standard Nonforfeiture Law for Individual Deferred Annuities (#805) to drop the standard minimum nonforfeiture interest rate for individual deferred annuities from 1% to 0, due to the effects on interest rates because of COVID-19. This is expected to enable insurers to better weather the low interest rate environment.

Producer Licensing

The NAIC has worked with state insurance departments on a variety of issues designed to maintain the integrity of reporting and license requirements, while at the same time streamlining processes to work effectively with shelter-in-place orders.



The NAIC and the National Insurance Producer Registry (NIPR) provided the technical and communications support

to 49 states to implement over 140 orders and bulletins related to producer licensing. Thirty-three states issued bulletins related to license renewals and 30 states issued bulletins related to temporary licensing, which provided licensees more time to complete state mandated pre-licensing or continuing education requirements. The NAIC's State Based Systems (SBS) continued to support its states throughout their response to COVID-19, by extending the expiration dates of more than 105,000 licensees in 11 states.

Insurance producers are in direct contact every day with Americans, helping them make critical decisions on financial and personal welfare. This need has been heightened during this time of economic uncertainty. Our obligation is to ensure that insurance companies can meet consumer demands for insurance products with producers who have the knowledge and personal integrity to fulfill those responsibilities.



The NAIC worked with NIPR on recommended best practices for the implementation of a temporary license for insurance producers, which was distributed to the states. NIPR held weekly industry update calls and created a COVID-19 resource center, found at *nipr.com*, to provide an updated, central source of information about state bulletins, examination center information and a state's DOI updates. Together, we continue to do the technical work required for state departments of insurance to extend renewal deadlines or offer temporary licenses electronically through NIPR. Recognizing the need for a long-term solution to provide safe and secure access to producer examinations for new applicants while maintaining the security and integrity of examinations, state insurance regulators have

turned their focus toward implementing remote, proctored examinations. NAIC worked with state regulators to increase the number of states offering remote proctored exams from one in March 2020 to 21 as of Sept. 30, 2020, with additional states exploring the possibility of remote exams in the fourth quarter.

Financial Solvency

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.



International Coordination

Over the past months, coordination and communication with international counterparts has continued with bilateral dialogues with other jurisdictions and discussion on a variety of issues and sharing of experiences at the International Association of Insurance Supervisors (IAIS). The NAIC has provided updates to the IAIS survey on the supervisory response to COVID-19, which contains information from almost 70 jurisdictions around the globe.

In August, the International Monetary Fund (IMF) 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. There is an appendix addressing the impact of COVID-19 in both the IMF's Stress Testing Technical Note and the Financial System Stability Assessment; however, the FSAP was largely completed prior to the start of the pandemic.



Deliver Excellent Service

As we quickly revamped our priorities to respond to the emerging issues stemming from COVID-19, like everyone, the NAIC moved all staff to remote work and priorities shifted. Our move to work from home was largely uneventful. But as the initial chaos of the pandemic subsided, we were able to resume some of our regular programs—in altered formats—while still providing up-to-date information on the pandemic’s impact on insurance.

Additionally, the NAIC demonstrated the ability to organizationally “flex” and take on emerging issues where NAIC member engagement was critical. The two biggest examples centered around racial equality/social justice and climate risk/resiliency. In both cases, NAIC members determined that our involvement in these issues was critical from both a market and consumer protection perspective. Over the course of just a few months, NAIC members approved two executive level task forces associated with these initiatives along with corresponding workstreams and deliverables. The pandemic is certainly a historic challenge for our financial services sector but global regulators must still remain vigilant and engaged on other critical issues that emerge during this time.



Summer National Meeting

We broke attendance records with more than 2,900 people attending NAIC’s Virtual Summer National Meeting. The impact of COVID-19 and what happens next was a main discussion topic

as we examined lessons learned and the outlook for the road ahead. But it also enabled us to address some of the larger industry issues stemming out of the social justice movement happening this summer. We held a special session on race and insurance examining the role of the NAIC and state insurance regulators in addressing racially discriminatory practices in insurance.



Insurance Summit

The 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 suggested that we keep an eye on trends. Below are session topics related to COVID-19.

Remote Online Proctoring

With COVID-19 and stay-at-home orders, states needed to quickly adapt their approach to proctored examinations. This session focused on the current state of testing centers and state implementation of remote, proctored exams. Panelists included Elizabeth Kelleher Dwyer (Superintendent, Rhode Island Division of Insurance) and Larry D. Deiter (Director, South Dakota Division of Insurance).

National Fraud Trends

This session explored the new trends in insurance fraud, which included effects from the COVID-19 pandemic. It looked at these trends on both a national and global level with leaders from the Texas Department of Insurance, the NICB, the Coalition Against Insurance Fraud and BAE Systems.

Financial Analysis Update

Led by Andy Daleo and Jane Koenigsman of the NAIC, this was a discussion of recent and ongoing enhancements to analysis handbook guidance, analysis tools and related sound practices. While providing updates on industry trends through the second quarter of 2020, it also included key considerations from the latest edition of the risk alert, including COVID-19 risks and procedures.

How COVID-19 is Changing Society—America Adapts!

In a scenario-based approach, Grant McCracken- PhD walked participants through an examination of the cycles of decline and the decentralization of cities in general, then the changes this could provoke in society. He then dove into possible future scenarios to help inform planning and communication in 2020 and beyond.

Innovation and Technology State Contacts Roundtable

Innovation and Technology State Contacts from across the U.S. discussed recent developments in InsurTech. Special emphasis was placed on technology implemented or expedited as a result of COVID-19.

Developed New Regulator-Only Platforms

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.



Conversations with State Regulators

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

Appendix I:
Actions by Committee

Actions 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 & MANAGED CARE (B) COMMITTEE

- > Serving 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.
- > Held conference calls and national meeting sessions discussing some of these stakeholder requests.
- > Facilitated the development of a resource and guidance document of COVID-19-related assumptions that state insurance regulators may use when reviewing carrier rate submissions for 2021.
- > Tracking state actions related to COVID-19 and health insurance; in particular, this includes 2021 rate filings.

PROPERTY & CASUALTY INSURANCE (C) COMMITTEE

- > Assisted state insurance departments in issuing a COVID-19 Data Call on business interruption and exploring data calls for additional lines of business affected by COVID-19.
- > Collecting monthly data on business interruption claims through November 2020.
- > 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. The NAIC is evaluating the collection of workers' compensation claims data related to COVID-19 as it becomes available.

MARKET REGULATION & CONSUMER AFFAIRS (D) COMMITTEE

- > Fraud issues arising from the crisis .
- > Temporary licensing for producers; onboarding new producers; remote, proctored examinations.
- > Use of technology for claims settlement.
- > Regulatory relief for companies in claims settlement.

- > Regulator relief for companies filing Market Conduct Annual Statement data.
- > Enhancing coding to track complaints and regulatory actions arising from “pandemics” and claims for “business interruption” coverage.

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

- > Extended guidance for three accounting interpretations related to COVID-19 through third quarter reporting.
- > 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 that the high standards in state regulation continue to be met.
- > Provided guidance to state insurance departments in meeting accreditation standards that are affected by COVID-19, such as filing deadlines and examination deadlines.

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

- > Facilitated the International Association of Insurance Supervisors (IAIS) collection of COVID-19 related data for quarter 1 and quarter 2.
- > 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 that 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.

Appendix II:

Actions by State

Life & Health

	CUSTOMER COST-SHARING	TELEHEALTH	PREMIUM/CANCELATION	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	•	•						
TOTAL	51	45	36	34	12	26	22	41

Property & 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						●							
TOTAL	27	6	26	17	46	47	44	15	29	7	25	22	39