NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

# Regulatory Response to COVID-19

**MIKE CONSEDINE**
CEO, NAIC

# 2020 Milestones

## HOW THE YEAR HAS UNFOLDED

## JAN 1

**BEGIN YEAR WITH FOCUS ON 2020 STRATEGIC AND OPERATIONAL PRIORITIES**

- STATE AHEAD 1.0 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 PLANNING
- LAUNCH FORMATION OF STEERING COMMITTEE

## JAN 11

**CHINA REPORTS FIRST "KNOWN" COVID-DEATH**

## JAN 20

**FIRST CONFIRMED CASE IN U.S.**

## JAN 23

**WUHAN CLOSED OFF**

## JAN 29

**MEETING WITH IAIS AND STAKEHOLDERS IN DC**

- CONTINUED SUCCESSFUL PUSH FOR RECOGNITION OF U.S. AM

## JAN 30

**WHO DECLARES GLOBAL HEALTH EMERGENCY**

## FEB 11

WHO NAMES NEW VIRUS "COVID-19"

## FEB 12-15

NAIC COMMISSIONER CONFERENCE IN FL

- STATE AHEAD 2.0 PLANNING
- INTERNATIONAL 101

## FEB 17-21

NAIC REVISED BUSINESS CONTINUITY PLAN TO ADDRESS PANDEMIC ISSUES

## FEB 23

ITALY SEES SURGE IN COVID CASES

## FEB 24-29

IAIS MEETING IN BASEL

## FEB 29

U.S. REPORTS FIRST COVID DEATH

## MAR 2

NAIC CORONAVIRUS RESOURCE CENTER LAUNCHED

## MAR 10-12

**"THE PIVOT POINT"**

NAIC INTERNAL MEETINGS AND ANNOUNCEMENT OF CANCELLATION OF IN-PERSON SPRING NAT'L MEETING

## MAR 11

WHO DECLARES PANDEMIC;
U.S. BLOCKS ALL TRAVEL FROM EUROPE;
NBA SUSPENDS SEASON

## MAR 12

OFFICER/COMMITTEE LEADERSHIP CALL

## MAR 13

POTUS DELARES NATIONAL EMERGENCY

## MAR 13

NAIC CONTINUITY OF OPS PLAN TRIGGERED;
DC/NY OFFICES BEGIN REMOTE OPERATIONS

## MAR 17-18

PILOT TEST FOR KC;
KC OFFICE BEGINS REMOTE OPERATIONS

## 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 20

NAIC HOLDS SPECIAL SESSION ON COVID-19 (OVER 2,700 ATTENDEES)

## MAR 24

WORK BEGINS ON "PRIORITY ONE" INITIATIVE WITH OFFICERS

## MAR 25

NAIC ISSUES STATEMENT ON RETROACTIVE BUSINESS INTERRUPTION

## MAR 27

NAIC ISSUES REAL ESTATE FORBEARANCE ACCOUNTING GUIDANCE

## 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

## APR 14

IMF WARNS HEADED TOWARDS WORST ECONOMIC DOWNTURN SINCE GREAT DEPRESSION

## APR 15

EUROPE BEGINS EASING SOME RESTRICTION IN ITALY

## APR 2

EXECUTIVE COMMITTEE CALL APPROVING PRIORITY ONE

## APR 9

MEMBER CALL APPROVING PRIORITY ONE INITIATIVE; STATE ACTION TRACKING SYSTEM ROLLED OUT TO MEMBERS

## APR 15

NAIC ADOPTS COVID-RELATED ACCOUNTING CHANGES/INTERPRETATIONS

## APR 6

NAIC ISSUES MODEL BULLETIN ON REGULATORY RELIEF

## APR 1

NAIC ISSUES COORDINATED DATA CALL ON COVID-19 IMPACT

**APR 26**

GLOBAL DEATH TOLL PASSES 200,000

**APR 30**

U.S. AIRLINES REQUIRE FACEMASKS

**MAY 7**

U.S. UNEMPLOYMENT CONTINUES TO INCREASE; 33 MILLION JOBLESS CLAIMS IN LAST 7 WEEKS

**APR 30**

NAIC MEMBER CALL FOCUSED ON BI AND HEALTH ISSUES

**MAY 4**

NAIC FORMS INTERNAL "RETURN TO OFFICE" TASK FORCE

**MAY 7**

IAIS ISSUES GUIDANCE ON BI/SOLVENCY CONCERNS

**MAY 11**

NAIC ISSUES COORDINATED BI DATA CALL

**MAY 12**

EX/EX1 MEETING

**MAY 14**

MEMBER CALL

# Business Interruption (BI) & International Activity

# BI: BACKGROUND

- PANDEMICS ARE DIFFICULT TO INSURE BECAUSE OF THEIR SCOPE AND THE INABILITY TO SPREAD RISK
- INDUSTRY CLAIMS THAT ONLY 30 – 40% OF SMALL BUSINESSES PURCHASE BUSINESS INTERRUPTION COVERAGE
- MANY POLICIES EXCLUDE VIRUSES AND REQUIRE DIRECT PROPERTY DAMAGE BEFORE TRIGGERING BUSINESS INTERRUPTION OR CIVIL AUTHORITY COVERAGE
  - INSURERS DENYING CLAIMS
  - SEVERAL LAWSUITS FILED AGAINST INSURERS
  - BUSINESSES SEEK RELIEF FROM STATE LEGISLATURES AND CONGRESS

# BI: NAIC RESPONSE

- STATEMENT TO CONGRESS OPPOSING FEDERAL LEGISLATIVE PROPOSALS TO RETROACTIVELY APPLY SUCH COVERAGE BECAUSE OF SOLVENCY RISKS TO SECTOR
  - ACCORDING TO INDUSTRY ESTIMATES, THE EXPOSURE RANGES FROM $255B-$431B A MONTH, WHICH WOULD EASILY DEPLETE THE INDUSTRY’S CASH, CAPITAL, AND SURPLUS AND UNDERMINE THEIR ABILITY TO PAY CLAIMS FOR PERILS THAT ARE COVERED
  - NAIC ONLY RAISED CONCERNS WITH RESPECT TO RETROACTIVE COVERAGE OF CLAIMS AND ENCOURAGED POLICYHOLDERS TO REVIEW THEIR INDIVIDUAL POLICIES CAREFULLY TO DETERMINE COVERAGE
- REGULATORS THROUGH NAIC ISSUED DATA CALL TO COLLECT BUSINESS INTERRUPTION INFORMATION FROM INSURERS
  - WILL ASSIST STATE INSURANCE REGULATORS AND OTHERS IN UNDERSTANDING WHICH INSURERS ARE WRITING COVERAGE, SIZE OF THE MARKET, THE EXTENT OF EXCLUSIONS RELATED TO COVID-19, AND CLAIMS AND LOSSES RELATED

# BI: FEDERAL AND STATE ACTIVITY

- **APRIL 10:** THE PRESIDENT INDICATED INSURERS SHOULD COVER BI CLAIMS RELATING TO THE PANDEMIC THAT WERE NOT CLEARLY EXCLUDED
- SEVERAL INFLUENTIAL MEMBERS OF CONGRESS RAISED CONCERNS WITH THE RETROACTIVE APPLICATION OF BUSINESS INTERRUPTION COVERAGE
- TWO BILLS IN CONGRESS and in 8 State legislatures and DC HAVE BEEN INTRODUCED THAT COULD BE RETROACTIVE IN NATURE
  - PROPOSALS MAY FACE LEGAL OBSTACLES AND, TO DATE, NONE HAVE ADVANCED
- ANOTHER federal BILL BEING DISCUSSED WOULD PROVIDE FOR A FEDERAL GOV'T/PRIVATE SECTOR PARTNERSHIP IN MAKING COVERAGE AVAILABLE FOR FUTURE PANDEMICS

# BI: INTERNATIONAL ACTIVITY

- BUSINESS INTERRUPTION HAS BECOME AN ISSUE NOT ONLY IN THE U.S. BUT IN OTHER JURISDICTIONS AROUND THE GLOBE
- THE INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS) HAS BEEN FACILITATING THE SHARING OF INFORMATION & DISCUSSION AMONG ITS BROAD MEMBERSHIP ON ISSUES ARISING FROM AND SUPERVISORY RESPONSES TO THE IMPACT OF COVID-19
  - SURVEY RESPONSES HIGHLIGHT BI AS AN ISSUE A NUMBER OF JURISDICTIONS AROUND THE GLOBE ARE HAVING TO ADDRESS
  - **MAY 7 PRESS RELEASE:** IAIS CAUTIONED “AGAINST INITIATIVES SEEKING TO REQUIRE INSURERS TO RETROACTIVELY COVER COVID-19 RELATED LOSSES, SUCH AS BUSINESS INTERRUPTION, THAT ARE SPECIFICALLY EXCLUDED IN EXISTING INSURANCE CONTRACTS” AND NOTED POTENTIAL REPERCUSSIONS TO POLICYHOLDER PROTECTION AND FINANCIAL STABILITY

# BI: INTERNATIONAL ACTIVITY CONT'D

- THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) RELEASED IN APRIL AN INITIAL ASSESSMENT OF INSURANCE COVERAGE AND GAPS FOR TACKLING COVID-19 IMPACTS, WHICH INCLUDES CONSIDERATIONS ON BI

- THIS WILL CONTINUE TO BE AN ITEM OF DISCUSSION AT THE GLOBAL LEVEL AS SUPERVISORS AND INTERNATIONAL ORGANIZATIONS CONTINUE TO CONSIDER THE ISSUE AND SEEK POSSIBLE FUTURE SOLUTIONS

# A Look Ahead

## EMERGING ISSUES

# A Look Ahead: EMERGING ISSUES

- OPERATIONAL TRANSITION ISSUES FOR MEMBERS AND NAIC
- ONGOING SOLVENCY MONITORING OF U.S. DOMESTICS
- FURTHER REGULATORY REFIEF IN Q3/Q4
- CONTINUED PRESSURE ON BI
- ENGAGEMENT ON HEALTH COVERAGE ISSUES RELATED TO COVID-19
- IMPACT ON STATE AHEAD 2.0/NAIC STRATEGIC INITIATIVES
- IMPACT/NECESSITY FOR EXISTING INTERNATIONAL INITIATIVES AND INCREASED COVID-19 DATA CALLS
- LONG-TERM IMPACT ON NAIC OPERATIONS AND REVENUE

“As NAIC members, **we took care of our people.** We treated others as we wanted to be treated… We became **better regulators** and **better people** for having gone through such an event.”

**DIRECTOR RAY FARMER**
SOUTH CAROLINA/NAIC PRESIDENT 2020

# Questions