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NAIC Fall 2024 National Meeting Update

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The National Association of Insurance Commissioners (NAIC) recently held its Fall 2024 National Meeting (Fall Meeting). The following summarizes certain activities of the NAIC that took place during the Fall Meeting and on various WebEx Meetings leading up to the Fall Meeting.

Statutory Accounting Principles (E) Working Group

The following highlights items discussed as part of the Statutory Accounting Principles (E) Working Group's (SAPWG) Hearing and Maintenance agenda items. Highlights below included items discussed not only during the Fall Meeting but also during the SAPWG meeting WebEx meeting which took place on December 17, 2024.

Bond Project – SAPWG previously exposed, on August 14, 2024, a Question & Answer Implementation Guide (Q&A) that addresses questions from industry and details interpretations on how the principles-based bond project guidance should be applied. On October 4, 2024, SAPWG exposed through e-vote to include three additional topics to the Q&A which addresses how commercial mortgage-backed interest only strips, single asset single borrower commercial loan securitizations and hybrid securities should be assessed under the new bond definition. There are eleven questions in total that are included in the Q&A to assist reporting entities in adopting the new bond definition and related reporting requirements. SAPWG adopted the Q&A as an interpretation to SSAP No. 21 "Admitted Assets" and SSAP No. 26 "Bonds" including it as Level 2 authoritative guidance in the statutory accounting hierarchy.

SAPWG also discussed concerns from certain Interested Parties regarding section 10.4 of the Q&A which addresses capital notes treated as regulatory capital by the issuer's primary regulatory authority but not recognized under the new bond definition due to certain interest cancellation and accumulation provisions and are captured in the scope of SSAP No. 41 "Surplus Notes" (SSAP No. 41). Interested Parties raised concerns that reporting these types of highly rated investments on Schedule BA could have unintended economic consequences to property and casualty and health insurance reporting entities. Interested Parties requested that consideration be given for these securities to receive filing exempt status to maintain risk-based capital charges under Schedule D-1 reporting versus Schedule BA reporting in the Annual Statement. SAPWG did not recommend changes to section 10.4 as a reporting location should not be revised as the result of a risk-based capital charge and reporting locations should be determined based upon proper application of statutory accounting guidance. SAPWG did send a referral to both the Property & Casualty Risk Based Capital (E) Working Group and Health Risk Based Capital (E) Working Group to inquire whether these working groups should consider more granular risk-based capital reporting based upon designations assigned by the Securities Valuation Office (SVO) for debt securities not recognized under the new bond definition.

Additionally, SAPWG exposed clarifications to SSAP No. 41 to address the definition, admittance restrictions and NAIC designation guidance for capital notes. Modifications to the Annual Statement instructions are also being considered for purposes of clarifying what should be included in the capital notes reporting line in Schedule BA of the Annual Statement. Discussions remain ongoing.

Bond Project Audited Financial Statement Disclosures - SAPWG adopted revisions to No. 26R "Bonds" to report for each annual balance sheet presented the book/adjusted carrying values, fair values, excess of book/carrying value over fair value or fair value over book/adjusted carrying values for each pertinent bond or assets receiving bond treatment, by category and subcategory as reported in Annual Statement Schedule D – Part 1, Section 1 (Issuer Credit Obligations) and Section 2 (Asset-Backed Securities). Revisions are effective January 1, 2025.

Statutory Accounting Issue Papers - SAPWG discussed the status of statutory accounting Issue Papers within the statutory accounting hierarchy. Issue Papers are currently considered non-authoritative and not categorized within the statutory accounting hierarchy. SAPWG recommended a Level 5 classification within the statutory accounting hierarchy which would categorize Issue Papers in the same level as non-authoritative U.S. GAAP guidance and literature. SAPWG stated that Level 5 was the most appropriate classification as Issue Papers once issued are not updated for changes in statutory accounting guidance and would prevent any unintended conflicts with more authoritative statutory accounting guidance as changes or updates to that guidance is implemented over time. SAPWG directed NAIC staff to draft revisions to the statutory accounting hierarchy to include Issue Papers as Level 5.

Collateral for Loans - SAPWG re-exposed revisions to Schedule BA of the Annual Statement for collateral loans and sponsored a Blanks (E) Working Group (Blanks) proposal to add an instructional change to the asset valuation reserve (AVR) instructions allowing collateral loans backed by mortgages to flow through the AVR as an "Other Invested Asset with Underlying Characteristics of Mortgage Loans." These instructional changes are an interim step until SAPWG further considers how collateral loans would flow through the AVR.

Additional discussions included whether current reporting lines can be utilized to report collateral loans backed by mortgage loans in AVR or if changes in reporting lines are needed.

Risk Transfer on Combination Reinsurance Contracts - SAPWG re-exposed revisions to SSAP No. 61R "Life, Deposit-Type and Accident and Health Reinsurance" (SSAP No. 61R) to incorporate existing risk transfer guidance that is in Exhibit A "Implementation Questions and Answers" of SSAP No. 62R "Property and Casualty Reinsurance". The proposed revisions would require risk transfer to be evaluated in aggregate for multiple reinsurance and other related contracts with interrelated contract features such as experience rating refunds and not evaluated on an individual reinsurance contract basis. The proposed revisions would also update the yearly renewable term guidance in SSAP No. 61R to reference the guidance in paragraph 6 of Appendix A-791 regarding the entire reinsurance contract and the effective date of the contract. Discussions remain ongoing.

U.S. GAAP Accounting Standards Update - SAPWG rejected the following:

1) FASB ASU 2023-09 Income Taxes (Topic 740) "Improvements to Income Tax Disclosures" to adopt disclosure of income before income tax expense disaggregated by domestic and foreign, income tax expense and paid by federal, state and foreign, income taxes paid to each individual jurisdiction in which income taxes paid is equal to or greater than 5% of total income taxes paid, qualitative disclosures on tax rate reconciling items and removal of disclosure of the cumulative amount of each type of temporary tax difference when a deferred tax liability is not recognized for undistributed foreign earnings.
2) FASB ASU 2024-02 Codification Improvements: "Amendments to Remove References to the Concept Statements" as this guidance is not applicable to existing statutory accounting references to FASB Concept statements in the Accounting Practices and Procedures Manual.

Additionally, SAPWG exposed for comment to adopt with modification FASB ASU 2024-01 Compensation - Stock Compensation (Topic 718) "Scope Application of Profits Interest and Similar Awards."

Restricted Asset Clarifications - SAPWG exposed an agenda item regarding revisions to SSAP No. 1 "Accounting Policies, Risks and Uncertainties and Other Disclosures" and in corresponding disclosures to Note 5L in the Annual Statement. to clearly identify and improve the reporting of MODCO or funds withheld assets held by a ceding entity. This agenda item also suggests revisions to the life risk-based capital instructions to clarify that if any MODCO or funds withheld assets are held as collateral for purposes unrelated to the reinsurance agreement then a reduction to the charge in the life risk-based capital formula for those assets is disallowed as the asset risk hasn't been transferred to the assuming entity.

Repacks and Derivative Wrapper Investments - SAPWG exposed revisions to SSAP No. 86 "Derivatives" (SSAP No. 86) on August 13, 2024 to address questions regarding the classification of repacks issued by special purpose vehicles under the new bond definition as these types of investments contain both debt security and derivative components with the linked debt security acting as the collateral obligation in the structure. NAIC staff raised questions regarding how the derivative component of a repack investment alters the cash flows of the original debt security and if a repacked investment would be considered substantially similar to the original debt security. Revisions propose bifurcation of the accounting and reporting of derivatives in repacks which is a change from existing guidance which precludes separation of embedded derivatives for accounting and reporting purposes. Interested Parties did not support bifurcation of derivatives in repacks noting several challenges including availability of information to apply hedge accounting requirements and complete Schedule DB. NAIC staff recommended that the proposal is modified to eliminate the exposed revisions to separate embedded derivatives and recommended sponsoring revisions to the Annual Statement to capture certain acquisition and disposal activity related to these investments. These sponsoring revisions are specifically focused on sales of a debt security to a special purpose vehicle which is then reacquired with derivative components. Discussions remain on going.

Asset Liability Management Derivatives - SAPWG exposed a concept agenda item to draft new guidance for interest rate hedging derivatives that do not qualify as accounting effective hedges under SSAP No. 86 but are used for asset liability management. Although these types of hedges do not qualify as effective under exiting accounting guidance, they are considered in industry economically effective with some reporting entities capitalizing losses on these non-effective hedges through the interest maintenance reserve. This exposure explores modifying guidance which would include effectiveness treatment, addressing the appropriateness of any gain or loss deferral with amortization into income over time, allowance of admitting or requiring non-admittance of any deferred losses under these types of hedges and related disclosure treatment. Discussions remain ongoing.

Transfer of Assets Between General and Separate Accounts - SAPWG discussed previously exposed revisions and exposed further revisions to SSAP No. 56 “Separate Accounts” to address the accounting and reporting of separate account assets that are reported at a value other than fair value such as book value and related transfers of assets between the general and separate accounts when book value is used. Revisions specify that asset sales between the general account and separate account shall occur at fair value with realized gains or losses allocated to the interest maintenance reserve as appropriate. Revisions specify accounting implications for when a sale occurs, and separate accounts assets are held at fair value or book value. Sales of assets for other than cash consideration are subject to regulatory approval with appropriate disclosure of the transaction in the financial statements. Discussions remain ongoing.

Medicare Part D Prescription Payment Plans - SAPWG exposed INT 24-02T “Medicare Part D Prescription Payment Plans” (INT 24-02T) which details statutory accounting and reporting guidance for the Medicare Prescription Payment Plan (MP3 Program effective January 1, 2025) included as part of the Inflation Reduction Act of 2022. INT 24-02T includes statutory accounting guidance for MP3 recoverables (i.e., recording, admittance, and impairment considerations), recording of out-of-pocket MP3 pharmacy payments and recording of administrative costs associated with the implementation of the MP3 program.

Other Matters - SAPWG discussed the following other matters during the Fall Meeting:

1) Discussed re-exposed revisions to Appendix A-791, Life and Health Reinsurance Agreements, to remove the first sentence in the Questions and Answers to paragraph 2c that discusses group term life insurance and clarify that this section within Appendix A-791 does not provide a safe harbor based on the Commissioner’s Standard Ordinary rates for yearly renewable term rates. Discussions remain ongoing.
2) Adopted revisions to SSAP No. 108 “Derivatives Hedging Variable Annuity Guarantees” to update the definition of a clearly defined hedging strategy to coincide with revised guidance in VM-01. Revisions are effective immediately.
3) Exposed revisions to SSAP No. 86 “Derivatives” to ensure that the terminology for derivative financing premiums is consistently applied in statutory accounting and to clarify that derivative premium financing costs should not be capitalized to the interest maintenance reserve but amortized over the life of the derivative contract with the associated amortization recorded as an adjustment to net investment income.
4) SAPWG exposed an agenda item regarding revisions to schedule D-6-1 of the Annual Statement and in the life risk-based capital formula to clearly identify and improve the reporting of investments in subsidiary, controlled and affiliated entities (SCAs). The exposed agenda item identified several issues with current reporting for these types of investments including misclassification of investments within the annual statement and misapplication with risk- based capital instructions and related calculations. Discussions remain ongoing,

Life Risk-Based Capital (E) Working Group

The Life Risk-Based Capital (E) Working Group (Life RBC) exposed revisions to the life risk-based capital instructions regarding investments in tax credit structures and impacts to the Life Risk Based Capital formula based upon recent accounting and reporting changes which eliminated the federal guaranty tax credit investment category and broadened the scope of other tax credit investment categories. Additionally, clarifying edits were exposed to the life risk-based capital instructions as a result of Annual Statement changes related to the bond project. Discussions remain ongoing.

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

The Property and Casualty Risk-Based Capital (E) Working Group (P&C RBC) discussed the following related to the property and casualty risk-based capital formula:

1) Adopted updates to catastrophic event list and also adopted severe convective storm list as one of the catastrophe perils for informational purposes only in the Rcat component.

2) Continued discussions regarding consideration of addition of wildfire peril to the risk-based capital formula upon review of wildfire peril impact analysis. P&C RBC invited modelers to conduct an in-depth analysis of wildfire perils and share model results with states that have signed non-disclosure agreements. Discussions remain ongoing.

3) Continued discussion regarding the need to add flood peril to the RCAT component for information purposes. P&C RBC received a presentation from a panel of experts concerning the current state of the flood insurance market in the United States. Discussions remain ongoing.

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

The Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group (Investment RBC) continued to review updates to a proposal from the Academy regarding the C-1 factor asset modeling for structured securities. The proposal includes a flowchart to determine whether an asset class needs to be modeled and whether securities within an asset class need to be modeled individually to determine new C-1 factors. The proposal emphasizes that if an existing factor can be used then it should be used with modeling for new C-1 determination being a last resort. The proposal also supported a principles-based approach to deriving C-1 factors. A principles-based approach to RBC for structured securities will allow regulators flexibility in adapting to new structures as they emerge in the marketplace. The Academy reviewed six candidate principles with Investment RBC regarding this approach as follows:

1) The purpose of RBC is to help regulators identify potentially weak capitalized insurers, therefore changes that have a small impact on RBC ratios may not justify a change to the RBC formula.
2) Emerging risks require regulatory scrutiny.
3) C-1 requirements reflect the impact of risk on statutory surplus. Changes in accounting treatment will affect RBC.
4) C-1 requirements on a given tranche align with that tranche's risk.
5) C1 requirements on asset-backed securities should treat the collateral as a dynamic pool of assets.
6) C1 requirements for asset-backed securities should be calibrated to different risk measures where appropriate.

Discussions are ongoing.

Valuation of Securities (E) Task Force

The Valuation of Securities (E) Task Force (VOS) adopted the following proposals to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual):

1) Adoption to the P&P Manual requiring an annual review of Regulatory Transactions (i.e. a security or other instrument in a transaction submitted by a reporting entity for regulatory approval for which no current NAIC designation or filing exemption eligibility guidance exists) by the Securities Valuation Office (SVO) or Structured Securities Group (SSG) and notification when there is a material change.

2) Adoption to update the list of NAIC Credit Rating Providers and clarification that the NAIC only uses credit ratings from those classes of credit rating for which the NAIC Credit Rating Provider is registered with the SEC as a nationally recognized statistical ratings organization (NRSRO).

3) Adoption to update the removal of the concept “Other Non-Payment Risk” and the corresponding SVO administrative symbol “Subscript S,” and the replacement of the term “credit risk” with the newly defined term “investment risk.”

Big Data and Artificial Intelligence (H) Working Group

Status of AI/ML Surveys
The group provided an updated on the AI/ML Surveys.

The Health Insurance AI/ML Survey call letter was sent on October 31st with the survey launching on November 11th. The due date of the survey is January 22nd. A written report of the findings from the survey is set to be published on March 24th. In addition to the use of AI in the environment, this survey asked questions relative to data usage, arrangements with third parties and coordination of AI governance concurrent with existing health provider governance standards.

The working group provided an update on the work it is doing with a subset of insurers that were using AI as confirmed in the private passenger auto survey in 2021. The follow up survey included questions on changes in environment, the use of the AI Bulletin, the governance around AI, if they are performing any testing and use of third-party data. The next step is for interested regulators to meet with insurers individually in Q1 2025 to discuss the responses. The goal of this is to identify opportunities for improvement to regulatory effectiveness as it relates to AI.

Update on the AI Model Bulletin
As of the date of the meeting, 21 states have adopted the model bulletin, in addition to the four additional states that had previously adopted something. Additional tools including reference grid and guide to implementation are also being generated.

Link to State Map: https://content.naic.org/sites/default/files/cmte-h-big-data-artificial-intelligence-wg-ai-model-bulletin.pdf

Presentation on Use of AI in Underwriting and Claim Management
Zhiyu (Frank) Quan, PhD from University of Illinois provided a presentation of the use of AI in Underwriting and claims management to the Working Group, providing thoughts on use cases, benefits, and areas for consideration for risk. The use of AI in underwriting can be utilized to ask the consumer fewer questions and result in a faster turnaround time. The AI tool and collect the data and analyze to make an underwriting decision, but this creates risk related to algorithmic bias and transparency issues. Currently, specifically in health insurance claims, claims go through an automated claims adjudication, the presentation expanded this into other lines of business for insurers.

The AI can analyze the documentation, images, and past claims history and either accept or reject claims, which would result in an expedited processing of the claims. The risk is AI models are relying on large amounts of data to make decisions. Utilizing AI for claims handling can be helpful, but there has to be a balance between automation and human oversight to avoid inaccuracy in the model and fairness and supporting the claims. Overall, the presentation was providing areas of consideration for use of AI in underwriting and claims but placed caution on the oversight and monitoring of the risk when using the tools.

2025 Proposed Charges

The working group discussed the 2025 proposed charges. The working group will continue to research the use of AI within insurance. Monitor state, federal, and internal activities as it relates to governmental oversight and regulation on the use of AI. Facilitate discussions related to AI systems evaluations for regulators, which could result in identifying existing and new tools for regulators and coordinating the development of review and enforcement tools, resources, guidelines, and training related to AI systems for regulators across the NAIC.

Climate and Resiliency (EX) Task Force

Update from National Climate Resilience Strategy for Insurance

The Task Force received an update on deliverables from the *National Climate Resilience Strategy for Insurance* (Climate Resilience Strategy) report, including an update on the development of the Natural Catastrophe Risk Dashboard. The Natural Catastrophe Risk Dashboard, developed by a group of state insurance regulators, is undergoing a comprehensive review process. The NAIC staff has presented nearly 40 risk indicators, detailing their significance and historical trends. The drafting group is set to reassess each indicator to ensure their relevance in the dashboard, which is designed for regulator use with plans for a public summary.

Commissioner Rude highlighted the progress in state-level resilience programs, noting that over 10 states have grant or incentive programs for resilient buildings. These initiatives underscore a national strategy to enhance community resilience and insurability through innovative risk mitigation and building standards.

Presentation on Wildfire Effects

The Task Force received a presentation Amy Bach from United Policyholders (UP). The overall tone from the presentation was that insurance carriers play a crucial role in supporting communities affected by wildfires. Key challenges include underinsurance, evacuation costs, and rebuilding complexities. Short-term needs focus on temporary housing and cash advances, while long-term issues involve underinsurance and building code enforcement. Efforts to improve support include providing ALE advances, coordinated debris removal, and regulator intervention against scams. Legislative changes in states like Colorado and Oregon aim to increase additional livings expenses (ALE) coverage and improve transparency in non-renewals. Collaboration with state departments and FEMA is essential for effective recovery and resilience building. Insurance carriers are encouraged to engage in proactive measures, support legislative updates, and enhance interagency cooperation to better serve communities in wildfire-prone areas.

Federal Update
Alexander Swindle (NAIC) provided a federal update. The insurance industry faces increasing challenges from climate risks, financial constraints, and disaster response needs. In 2024, the U.S. experienced 20 weather-related disasters with losses over $1 billion, primarily from severe storms. FEMA has allocated nearly $2 billion through programs like HMGP and BRIC for rebuilding and climate resilience, but recent hurricanes have strained its budget, highlighting the need for additional congressional funding.
Flood risk model gaps were exposed by recent hurricanes, prompting calls for improved data and risk assessments. Sen. Bill Cassidy is advocating for NFIP reforms due to premium spikes from FEMA's Risk Rating 2.0. Discussions with the Treasury Department emphasized the importance of pre-disaster mitigation and consumer protection, as many U.S. counties face increasing climate threats.
Moody's Capitol Hill panel addressed insurance affordability amid climate risks, with discussions on NFIP debt forgiveness and litigation impacts. Several bills focusing on mitigation and resilience funding are expected to be reintroduced.

Looking ahead, the second Trump Administration and a new Republican majority in Congress may shift policy, particularly in resilience matters, with a lighter regulatory approach anticipated.

The NAIC has launched a Climate Scenario Resource Center to assist with new climate scenario disclosure requirements for year-end 2024 P/C RBC filings, due March 1, 2025. Resources and guidance have been shared with key industry associations and regulators to ensure compliance.

Climate Risk and Resiliency Resource Center link: https://content.naic.org/climate-resiliency-resource.htm

Third-Party Data and Models (H) Task Force

Presentation on Current State Solutions to Regulatory Issues with Third Parties

The Task Force heard from various states on what they are currently doing to manage the third-party risk with insurers.

The Connecticut Insurance Department (CID) requires insurers to submit separate filings for sophisticated models and uses consultant actuaries to review these models. The CID is also building a predictive modeling database to streamline reviews.

The Texas Department of Insurance (TDI) mandates that insurers remain accountable for third-party data accuracy, with new filing requirements effective January 2024. Insurers must detail third-party data usage in rate-making and underwriting.

Maine's Bureau of Insurance allows third-party filings for thorough reviews, while Pennsylvania is pre-vetting regulations on unknown risk classifications, addressing concerns about third-party data accuracy and potential socio-economic biases.

The New York State Department of Financial Services issued guidance on AI and external data use, emphasizing fairness, governance, and transparency. Insurers must ensure third-party data does not lead to discrimination and maintain responsibility for AI systems.

These updates highlight the growing regulatory focus on data accuracy, third-party accountability, and the ethical use of AI in insurance processes.

Presentation from NAMIC

Lindsey Klarkowski from NAMIC expressed appreciation for the Task Force's efforts on regulating third-party data and model vendors. NAMIC suggests revisiting the scope and definition of these vendors, proposing categorization by model type as a first step. This approach aims to clarify regulatory concerns and improve industry feedback.

Key recommendations include:
1. Assessing whether all third-party vendors need licensing, which could burden regulatory staff.
2. Reviewing existing NAIC guidelines, such as those for third-party administrators and advisory organizations.
3. Ensuring consistency across various working groups focused on underwriting, pharmaceutical management, and privacy protections.

Commissioner Yaworsky emphasized that the focus is on third-party involvement in rating, claims, and settlements, not backend operations. Understanding AI systems and their regulation is crucial for consumer protection.

NAMIC highlighted that advisory organizations might not address all concerns and urged the Task Force to identify specific organizations of interest. The Catastrophe Insurance Working Group's CAT Modeling Primer was noted as a potential resource for defining third-party roles.

Next Steps

Commissioner Conway announced that a survey will be distributed to Task Force members to collect insights on issues related to existing third-party models. The proposed approach involves two steps: first, identifying the most concerning risks across various markets and states; second, formulating a comprehensive plan to establish a regulatory framework for third-party models, potentially leveraging insurers or existing tools.

Property and Casualty Insurance (C) Committee

The committee adopted the following task force and working group reports: Casualty Actuarial and Statistical (C) Task Force; Surplus Lines (C) Task Force; Title Insurance (C) Task Force; Workers' Compensation (C) Task Force; Cannabis Insurance (C) Working Group; Catastrophe Insurance (C) Working Group; and Transparency and Readability of Consumer Information (C) Working Group.

Adopted the *Premium Increase Transparency Guidance*

Commissioner McClain highlighted that the Premium Increase Transparency Guidance is a voluntary document, allowing states to adopt or modify it as they see fit. The Transparency and Readability of Consumer Information Working Group adopted this guidance to help states implement a disclosure process for insurers to explain significant premium increases for personal auto, homeowners, and dwelling policies.

The guidance, introduced by retired actuary Charles Angell, aims to help policyholders understand the key risk variables driving premium increases, enabling them to improve their risk profile or correct any data inaccuracies. After two years of drafting and revisions, the guidance was finalized.
The guidance employs a two-phase approach. In Phase 1, insurers notify policyholders of their right to request an explanation for rate increases. Phase 2, which is optional for states, applies to policies with annual increases of $100 or more. It requires insurers to send disclosure notices for renewal increases of 10% or more, or upon request, at least 30 days before renewal. Notices must include primary factors for the increase, with a suggested template provided.

Dave Snyder from APCIA appreciated the voluntary nature of the guidance, while Tony Cotto from NAMIC expressed concerns about Phase 2, citing increased compliance costs and potential exposure of trade secrets. Despite these concerns, the motion passed, with Indiana abstaining.

Final Version of the Disclosure Notice: https://content.naic.org/sites/default/files/inline-files/%21%21FINAL%20VERSION%20OF%20DISCLOSURE%20NOTICE%20COMBINED_redlined%20changes.pdf

Presentation on the Intersection of Advanced Vehicle Technology and Auto Claim Adjudication

John Petitt and Mike Nelson from QuantivRisk highlighted the potential of Vehicle Performance Data (VPD) to transform the auto insurance claims process. VPD, which includes data from Event Data Recorders (EDRs), telematics, and real-time vehicle data, can enhance transparency, accuracy, and fairness in claims adjudication. Unlike traditional methods relying on driver accounts, VPD offers precise data analysis, potentially addressing auto insurance affordability issues.

Currently, VPD is transmitted to the Original Equipment Manufacturer (OEM) cloud and is largely inaccessible to insurers. QuantivRisk advocates for a neutral platform to manage VPD, allowing insurers, consumers, OEMs, and regulators to access and utilize the data effectively. This could improve claim settlement accuracy, reduce costs, and enhance consumer experiences.

QuantivRisk reports a 40% reduction in claim cycle times and better fraud detection when using VPD. However, challenges remain in educating claims adjusters and updating the current adjudication model. Nelson urged state insurance regulators to familiarize themselves with VPD and consider revising outdated legislation to accommodate this evolving technology.

Presentation on Using Fire Science and Data to Deliver Home Resilience

Jeff Klein from the American Bankers Association praised FortressFire's science-based approach to managing wildfire risk, which could enhance property insurance affordability and availability. Duane Gibson of FortressFire explained that their model uses fire physics to predict and mitigate wildfire spread to homes and neighborhoods, potentially preventing homes from burning and benefiting insurers.

John Wall highlighted that 45 million homes in the western U.S. are exposed to wildfire risk, leading to expensive and insufficient insurance coverage. FortressFire's model evaluates five ignition vectors to provide a wildfire vulnerability score, using factors like weather, topography, and parcel characteristics. This helps property owners understand and mitigate their home's ignition risks by adjusting vegetation, vents, or materials.

FortressFire offers an aerial risk report and onsite inspections to refine assessments and customize mitigation strategies. Their annual subscription plan includes alerts, service visits, inspections, property preparation, and fire-retardant staging, aiming to reduce a home's ignition risk to near-zero.

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