

## CLIENT MEMORANDUM

# NAIC Report: 2016 Fall National Meeting

December 27, 2016

## AUTHORS

**Leah Campbell | Michael Groll | Donald Henderson, Jr. | Allison Tam**

---

The 2016 Fall National Meeting of the National Association of Insurance Commissioners was held in Miami, Florida at the Fontainebleau on December 10-13, 2016. Highlights included a continued focus at both the NAIC and the IAIS on group capital; developments at the NAIC, at the federal level and in New York on cybersecurity; and heightened concern about actions taken by several European countries to restrict market access to U.S. reinsurers.

Additionally, it was announced that the NAIC has selected former Pennsylvania Insurance Commissioner Michael Consedine to serve as its new Chief Executive Officer, effective in early 2017. The annual officer elections were also held, with the following officers being elected for calendar year 2017:

President: Commissioner Ted Nickel of Wisconsin

President-Elect: Commissioner Julie Mix McPeak of Tennessee

Vice President: Superintendent Eric Cioppa of Maine

Secretary/Treasurer: Commissioner David Mattax of Texas

---

## **NAIC Report: 2016 Fall National Meeting**

Continued

We note that a number of key regulators attended their final NAIC National Meeting in their current state roles, including Director Huff of Missouri, Deputy Commissioner Donovan of Indiana, and Commissioner Stewart of Delaware.

This report summarizes some of the key activities at the Fall National Meeting and, as indicated, NAIC interim meetings and conference calls leading up to the meeting, that may be of interest to our clients in the insurance industry.

---

## NAIC Report: 2016 Fall National Meeting

Continued

<b><u>TOPICS OF GENERAL INTEREST</u></b>	<b>5</b>
<u>Cybersecurity</u>	5
<u>Reinsurance</u>	6
<u>Group Capital and Group Supervision</u>	7
<u>Form F Guidance</u>	9
<u>Valuation of Securities Updates</u>	9
<u>Briefly Noted</u>	10
• <u>Big Data</u>	10
• <u>Factored Structured Settlements Not Covered by Guaranty Associations</u>	11
• <u>NARAB II Update</u>	11
• <u>Technology</u>	11
<b><u>TOPICS OF INTEREST TO THE LIFE INSURANCE INDUSTRY</u></b>	<b>12</b>
<u>PBR Update</u>	12
<u>Lost Policy Locator</u>	12
<u>Variable Annuities Captive Update</u>	13
<b><u>TOPICS OF INTEREST TO THE P/C INSURANCE INDUSTRY</u></b>	<b>13</b>
<u>Economy-Sharing</u>	13
<u>Catastrophe Issues</u>	14

---

## NAIC Report: 2016 Fall National Meeting

Continued

Definitions used in this Report include:

- “Accreditation Committee” means the NAIC’s Financial Regulation Standards and Accreditation (F) Committee.
- “AG 48” means *Actuarial Guideline XLVIII*.
- “ComFrame” means the Common Framework for the Supervision of Internationally Active Insurance Groups being developed by the IAIS.
- “Executive and Plenary” means the NAIC’s Executive Committee (EX) and Plenary.
- “G-SII” means Global Systemically Important Insurers, as designated by the Financial Stability Board.
- “IAIS” means the International Association of Insurance Supervisors.
- “ICS” means the Insurance Capital Standard being developed by the IAIS to apply to internationally active insurance groups including G-SIIs.
- “LATF” means the NAIC’s Life Actuarial (A) Task Force.
- “NYDFS” means the New York State Department of Financial Services.
- “P&P Manual” means the Purposes and Procedures Manual of the NAIC Investment Analysis Office.
- “PBR” means Principle-Based Reserving.
- “RBC” means risk-based capital.
- “SVO” means the NAIC’s Securities Valuation Office, now part of the NAIC Capital Markets and Investment Analysis Office.

---

## NAIC Report: 2016 Fall National Meeting

Continued

### TOPICS OF GENERAL INTEREST

#### Cybersecurity

##### 1. Model Update

The Cybersecurity (EX) Task Force is drafting a new Insurance Data Security Model Law (the “Cyber Model Law”) that will combine and replace Model Law 670 (NAIC Insurance Information and Privacy Protection Model Act) and Model Law 672 (NAIC Privacy of Consumer Financial and Health Information). Although the NAIC originally sought to adopt the Cyber Model Law by the end of 2016, it appears the drafting process will extend well into next year. The Cyber Model Law drafting group reported that it will continue to meet on a biweekly basis and noted that the six most important issues being discussed in drafting the Cyber Model Law are: (i) how to address state uniformity and exclusivity of law, (ii) whether and how to include an exemption for licensees subject to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) or the Gramm–Leach–Bliley Act, (iii) whether to include a harm trigger in the definition of “data breach”, (iv) how to define personal information, (v) how to address the effect of the Cyber Model Law on smaller companies, and (vi) how to address licensee oversight of third-party service providers. We note that Interested Parties who spoke have a fundamental disagreement among themselves as to whether the Cyber Model Law should be a “floor” (a minimum requirement that states can choose to supersede with additional regulations) or a “ceiling” (which would provide a safe harbor for companies that are compliant with the Cyber Model Law). Resolution of this difference is key to drafting the Cyber Model Law.

##### 2. Federal Update

The Cybersecurity Task Force received a federal legislation update indicating that the Data Breach Insurance Act (HR 6032) that was introduced in September 2016 is expected to be reintroduced in January 2017. If passed, the Act would incentivize businesses to purchase cybersecurity insurance policies by providing a tax credit upon the purchase of such a policy. The tax credit would only be available to businesses if the purchased coverage complies with the National Institute of Standards and Technology (NIST) Cybersecurity Framework, the International Organization for Standardization standards, or any similar standard specified by Treasury in coordination with Homeland Security.

##### 3. New York Regulation Update

In response to the growing threat of cyber-attacks on the financial services industry, the NYDFS proposed a cybersecurity regulation in September 2016. The proposed regulation contemplates an aggressive compliance and reporting regime that would apply to “covered entities,” which includes a broad array of institutions (*i.e.*, all those that are required to operate under a license, registration, charter, certificate, or similar authorization under the banking law, insurance law, or financial services law of New York). As with many aspects of New York regulation, the proposed regulation would apply on an extraterritorial basis to all insurers licensed in New York.

---

## **NAIC Report: 2016 Fall National Meeting**

Continued

The proposed regulation would require a covered entity to designate a “qualified individual” to serve as Chief Information Security Officer, who would be responsible for overseeing and implementing such entity’s cybersecurity program and enforcing its cybersecurity policy. A cybersecurity program would be required to include annual penetration testing and quarterly vulnerability assessments regarding an institution’s information systems. There are also significant recordkeeping requirements, including the implementation of an audit trail sufficient to reconstruct all financial transactions and accounting necessary to respond to a cyber-event, all of which must be maintained for six years. With respect to the reporting requirement, a covered entity would be required to notify the NYDFS of any cyber-event (e.g., an event of which notice is provided to a government agency, or the tampering with an institution’s nonpublic information) that has a reasonable likelihood of materially affecting such entity’s normal operation or that affects nonpublic information. The NYDFS would have to be notified of a cyber-event no later than 72 hours after a covered entity becomes aware of such event.

The proposed regulation was scheduled to become effective on January 1, 2017. However, the NYDFS announced on December 22, 2016 that it is delaying the effective date to March 1, 2017 and will issue a revised proposal.

### **Reinsurance**

#### **1. XXX/AXXX Regulation and AG 48 Adopted by NAIC**

The Executive and Plenary adopted the Term and Universal Life Insurance Reserve Financing Model Regulation, commonly referred to as the “XXX/AXXX Regulation,” at the Fall National Meeting. The adoption was unanimous with the exception of Delaware’s rather pointed abstention, upon which no public comment was made at the meeting.

The Executive and Plenary also adopted amendments to AG 48 unanimously with the exception of Delaware’s abstention. The amendments are intended to align AG 48 with the Model Regulation.

#### **2. Covered Agreement**

Commissioner Lindeen of Montana reported at the International Insurance Regulations (G) Committee meeting that the NAIC is following, to the extent possible, the progress of the proposal for a Covered Agreement between the United States and the EU regarding reinsurance. She stated that there is a lack of transparency in the negotiations but that the NAIC is prepared to fill any regulatory gaps that result from the adoption of the Covered Agreement.

#### **3. Solvency II Related Actions by EU Countries**

Much of the meeting of the Reinsurance (E) Task Force was devoted to a report submitted to the Task Force by the Qualified Jurisdiction (E) Working Group. The Working Group report addressed action taken by several EU countries to restrict market access to U.S. reinsurers as a result of their interpretation of Solvency II. The Working Group report states that the Working Group has received reports from industry concerning Germany, France, Ireland, and the United

---

## **NAIC Report: 2016 Fall National Meeting**

Continued

Kingdom, each of which has been recognized by the NAIC as a “qualified jurisdiction” for the purpose of making insurers domiciled in those countries eligible to apply for certified reinsurer status in the U.S.

Industry reports are that Germany and Ireland have implemented a requirement for U.S. reinsurers to establish a branch location, France has implemented a policy of denying credit for reinsurance purchased from U.S. reinsurers, and that the UK has implemented a temporary waiver process, which can be revoked at any time.

The Working Group report points out that one of the factors to be considered in granting qualified jurisdiction status is the extent to which the foreign country affords reciprocal recognition to U.S. reinsurers. The report does not, however, reach any conclusions since the Working Group had not been charged with determining whether it is necessary to re-evaluate the status of any qualified jurisdictions.

Interested Parties have confirmed the findings of the report and stated that additional jurisdictions were either considering or moving to implement similar restrictions.

In response, John Finston of California, chair of the Task Force, directed that the Working Group report be exposed for a 30-day comment period and that it be shared with the relevant four EU countries for comment. He also directed the Working Group to prepare a report recommending what action, if any, should be taken as regards the qualified jurisdiction status of the four countries. He further directed that the additional report evaluate the economic impact on cedents and reinsurers of any revocation of such status.

### **Group Capital and Group Supervision**

#### **1. International Developments**

The International Insurance Relations (G) Committee heard reports on several matters of general interest.

##### **a. Global Systemically Important Insurers**

The Financial Stability Board has continued the G-SII designation of the same nine insurers as in previous years, including three U.S. insurers.

##### **b. IAIS Insurance Capital Standard (ICS)**

The IAIS has worked for some time on developing an ICS as part of ComFrame, including field testing with a group of volunteer insurers. The current target date for the release of the initial version (ICS Version 1.0) is June 30, 2017. IAIS representatives at the (G) Committee meeting stated that there is still much work to be done between now and then, which is to be accomplished in stages. They also stated that ICS Version 1.0 would be “rough,” but would be improved over time with the target date for ICS Version 2.0 being December 31, 2019. Stakeholders will have the opportunity to

---

## NAIC Report: 2016 Fall National Meeting

Continued

comment at a meeting to be held on January 17, 2017 in La Jolla, California. In addition, the NAIC will continue to submit comments to the IAIS.

In response to questions at the Committee meeting and at a follow-up question and answer session, the IAIS representatives stated that:

- The IAIS does not intend to delay the June 30, 2017 target date for ICS Version 1.0.
- Consideration is being given to the proper treatment of surplus notes as capital for mutual insurance companies for ICS purposes.
- It is not expected that senior notes will be treated as Tier I capital for ICS purposes.
- No consideration is being given to reopening IAIS meetings to stakeholders. An IAIS representative stated that the IAIS had tried the more open participation plan supported by U.S. state regulators for more than ten years, but that the more restricted approach they have now adopted is working better for them.

It should be kept in mind that the ICS will not apply to U.S. insurers for U.S. regulatory purposes. Nevertheless, it is of interest as a possible indicator of things to come to the U.S. regulatory scheme.

### 2. NAIC Group Capital Calculation Tool

Since February 2016, the Group Capital Calculation (E) Working Group has been constructing a group capital calculation tool using an RBC aggregation approach. The Working Group envisions the tool as presenting an “inventory” of all the entities in a group and thus providing a simple method for regulators to aggregate capital in a way that applies to all types of entities regardless of structure. One conceptual issue with the group capital calculation is its intended use, which regulators have still not articulated, other than characterizing it as “another regulatory tool.”

At the Fall National Meeting, the Working Group heard presentations from NAIC staff on proposed approaches to certain aspects of the NAIC’s group capital calculation analysis tool upon which consensus had not been reached at the Summer National Meeting.

The majority of the meeting was spent on two alternative proposed approaches for calculating a “scalar” for the purposes of analyzing the capital of non-U.S. entities in a group, namely (a) a relative ratio approach and (b) a distance to intervention approach. The staff memorandum presented to the Working Group states that a scalar is considered necessary by the Working Group at least in part to “remove the differences that exist between countries because of the different level of conservatism built into the accounting and capital requirements.” The relative ratio approach was described as aligning with industry feedback from Interested Parties (presumably to the extent there was any such consensus, as not all Interested Parties agree a scalar is necessary at all), but would require detailed annual calculations for each foreign jurisdiction. The distance to intervention approach, on the other hand, assesses the “raw strength of the



---

## **NAIC Report: 2016 Fall National Meeting**

Continued

capital ratio as a buffer to avoid intervention” and was described as simpler to use and more rooted in current RBC treatment for alien insurers. The Working Group voted to expose the memorandum describing these approaches for comment through January 24, 2017.

The Working Group also heard a brief presentation by NAIC staff on a proposed baseline exercise for calculating group capital. The Working Group was careful to state that this was not intended to be an initial draft of the group calculation approach.

The Working Group also shared a loose timeline for development of the group capital calculation, which includes field testing beginning in the summer of 2017 and continuing into 2018.

### **Form F Guidance**

The Group Solvency Issues (E) Working Group continued discussion of a draft Form F Guidance Manual, which had been exposed for comment through December 5, 2016. The Working Group discussed comments received from insurance regulators in California and New York, as well as from Interested Parties. Both the majority of the Working Group and the Interested Parties emphasized the importance of limiting the scope of the Form F to its intended purpose and the language of the underlying Model Law and Model Regulation. Accordingly, two of New York’s comments were rejected as going beyond the purpose of the NAIC’s initiative in developing the Form F, as well as the authority of the Model Law and Model Regulation requirements; namely a proposal to include a discussion of the group’s enterprise risk management (ERM) framework and a proposal to incorporate into the form of attestation a requirement that the Enterprise Risk Report be signed by the chief risk officer and presented to the ultimate controlling person’s governing board. Interested Parties also commented that naming the document a “Guidance Manual” is not appropriate, as it would not be referenced by or adopted explicitly in the governing Model Law. Interested Parties also raised concerns about the protection of confidential information in Forms F.

NAIC staff are working to revise the draft for a new exposure to reflect the accepted comments as well as to select a new name for the document.

### **Valuation of Securities Updates**

The Valuation of Securities (E) Task Force considered three matters, among others, that are of general interest.

#### **1. Life RBC Categories For Bonds**

The Task Force discussed a referral from the Investment Risk-Based Capital (E) Working Group. The Working Group has proposed that the RBC categories for bonds in the life formula be expanded from the current six NAIC designation categories to 20 categories (plus the exempt category). This would be accomplished by including a new electronic-only

---

## **NAIC Report: 2016 Fall National Meeting**

Continued

column in Schedule D of the Annual Statement Blank. The current six categories would continue to be used for accounting and reporting purposes, as well as for state investment law purposes.

The Task Force directed the Investment Analysis Office to study the proposal and to produce a report.

### **2. Reporting Exceptions**

The Reporting Exceptions Analysis (E) Working Group has been working since the Spring National Meeting on developing a process to reconcile differences in ratings utilized by insurers for reporting filing-exempt securities with ratings reported to the SVO through the ratings reporting services to which the NAIC subscribes (referred to as “data feeds”). Reporting services providing the data feeds update rating changes with varying frequencies. The differences lead to discrepancies in NAIC designations. In order to implement the recommendations of the Working Group, the SVO had, at the direction of the Working Group, prepared a presentation to the Task Force proposing amendments to the P&P Manual. At the meeting and by written submissions, Interested Parties objected to the approach of these proposed amendments.

Interested Parties argued that the Working Group had agreed that insurers should be able to use ratings from whatever data feeds they determine are most accurate. If those ratings differ from ratings reported to the SVO from data feeds utilized by the SVO, the differences would need to be reconciled. The proposed amendments take a different approach, namely that the SVO would be the only source of ratings designations and would be the final arbiter of such designations.

Kevin Fry of Illinois, who chaired the meeting, rejected the SVO’s approach. He stated that the SVO would not be the sole rating source and that there would be an appeals process. He directed the SVO to revise the proposed P&P Manual amendments and recirculate them to the Task Force. In addition, he accepted on behalf of the Task Force an offer by Bloomberg to provide the NAIC with access to the Bloomberg product that contains the applicable ratings agency data provided by Bloomberg free of charge for 12 months.

### **3. Private Rating Letters**

The Task Force determined that, effective July 1, 2017, insurers would be required to file with the SVO copies of private rating letters until such time as the SVO enters into agreements with ratings providers to provide data to the SVO in an electronic data feed.

## **Briefly Noted**

### **1. Big Data**

The newly-assembled Big Data (D) Task Force’s mission is “to gather information to assist state insurance regulators in obtaining a clear understanding of what data is collected, how it is collected and how it is used by insurers and third parties in the context of marketing, rating, underwriting and claims. This includes an evaluation of both the potential

---

## NAIC Report: 2016 Fall National Meeting

Continued

concerns and benefits for consumers and the ability to ensure data is being used in a manner compliant with state insurance statutes and regulations. The Task Force will also explore opportunities for regulatory use of data to improve the efficiency and effectiveness of state-based insurance regulation.”

The Task Force discussed the development of a draft work plan to address this mission and the Task Force’s charges. Interested Parties discussed the importance of transparency regarding insurer’s use of big data in claims, particularly since consumers may not know when they have been harmed. There was also discussion regarding the risk of excessive disclosure and the balancing of consumer protection and over-regulation. Regulators discussed sharing information and resources, including a suggestion that regulators jointly hire one actuarial firm to assist all 50 states.

### **2. Factored Structured Settlements Not Covered by Guaranty Associations**

The Executive and Plenary adopted amendments to the Life and Health Insurance Guaranty Association Model Act to clarify that guaranty association coverage is not intended to extend to factored structured settlements (*i.e.*, structured settlements that have been sold by the original beneficiary to a third party). Superintendent Cioppa of Maine explained that the basis for this interpretation is that the buyers are sophisticated buyers. He also stated that he understands that the buyers generally agree with this interpretation.

### **3. NARAB II Update**

In early 2015, the National Association of Registered Agents and Brokers Reform Act of 2015 (“NARAB II”) was enacted and signed into law. The federal act is intended to aid the implementation of streamlined producer licensing requirements on a nationwide basis. NARAB II requires the President to nominate, and the U.S. Senate to confirm, 13 individuals who will serve as the board of directors of the National Association of Registered Agents and Brokers (“NARAB”). Although President Obama nominated ten individuals to serve on the board, the U.S. Senate did not confirm any of the nominated individuals. As a new presidential administration will take office in January 2017, the nomination process will restart. Until such time as all 13 members of the NARAB board have been nominated and confirmed, progress in establishment of NARAB and implementation of true insurance producer reciprocity will remain on hold.

### **4. Technology**

The NAIC Center for Insurance Policy and Research (CIPR) made a presentation titled “Regulation 2.0: Meeting the Challenges of Innovation.” The session was widely attended. The majority of the session consisted of a panel discussion chaired by NAIC President Huff on how to address innovation in the insurance sector. The discussion covered predicting the disruptive forces and patterns of disruption that the panelists expect to see in the insurance sector going forward, how regulators can interact with innovators and support innovation safely, whether “sandboxing” can work in the United States, and how to ensure that data privacy and protection of consumers will be maintained in new innovative insurance models.

---

## NAIC Report: 2016 Fall National Meeting

Continued

### TOPICS OF INTEREST TO THE LIFE INSURANCE INDUSTRY

#### PBR Update

##### 1. Pilot Program/Training

The Principle-Based Reserving Implementation (EX) Task Force noted that PBR will be going live on January 1, 2017. Based upon the results of a survey, it is expected that approximately 20 insurers will adopt PBR in 2017, with others adopting it during a three-year phase-in period. The Task Force received an update regarding the 2016 PBR Company Pilot Project (a formal report will be received by the end of January). The 11 insurers participating in the pilot all attended the American Academy of Actuaries PBR Boot Camp and therefore submitted reports in a consistent format. It was noted that consistency made it easier to examine the reports and members of the Task Force stated that it may be useful to provide a reporting template to insurers.

The Task Force also discussed a modification to the VM-20 companywide exemption to allow an exemption for insurers with less than \$50 million of ordinary premium regardless of the insurer's risk-based capital (RBC) ratio.

##### 2. Accreditation Standards

The NAIC has also been working towards making significant elements of PBR a "Part A" accreditation standard. Currently, the only components of the Standard Valuation Law that are included as significant elements under the "Part A" accreditation standards are Section 3 (Actuarial Opinion of Reserves) and Section 4 (Computation of Minimum Standard). At the Fall National Meeting, the Accreditation Committee received, and exposed for comment until February 8, 2017, a proposal developed by LATF pertaining to the proposed significant elements relating to PBR for accreditation. LATF's proposal would revise the sections of the Standard Valuation Law constituting "Part A" accreditation standards to include a number of specific sub-provisions of the amended Standard Valuation Law. LATF proposes that the revised accreditation standard would be expected to become effective as of January 1, 2020—*i.e.*, after the end of the three-year phase-in period for PBR that is stipulated in the Valuation Manual.

#### Lost Policy Locator

The Life Insurance and Annuities (A) Committee heard a report on the implementation of a new NAIC resource: the Life Insurance Policy Locator service. The Locator is a search service that allows consumers to request a nationwide search for life or annuity policies belonging to their deceased. The soft rollout for the Locator occurred on November 3, 2016, followed by a formal launch on November 18, 2016, and over 3,000 requests had already been received by December 8, 2016.

---

## **NAIC Report: 2016 Fall National Meeting**

Continued

### **Variable Annuity Captives Update**

In 2015, the NAIC formed the Variable Annuities Issues (E) Working Group with a charge to study and provide a recommendation for addressing variable annuity captives. This initiative stems at least in part from the identification of variable annuity captive transactions as an area of particular concern potentially warranting regulatory attention in the 2014 FSOC Annual Report. Last year, the Working Group drafted a preliminary framework proposing revisions to Actuarial Guideline 43 and the C3 Phase II component of the life RBC formula, as well as recommending that revisions to statutory accounting rules be considered with respect to hedge accounting treatment for designated derivative instruments hedging interest rate risk in variable annuities portfolios.

In order to assess the efficacy of the Working Group's proposal, the Working Group engaged an outside consultant to conduct a quantitative impact study ("QIS") with selected variable annuities writers. The outside consultant finished the QIS in July of this year, and reported its initial findings to the Working Group in late August. While the outside consultant's proposal recommends that a second phase of the QIS be conducted in order to perform testing to inform the proper setting and fine-tuning of certain parameters of its proposal, it is sufficiently clear at this point that the outside consultant's work will eventually result in the Working Group considering revisions to the capital and reserving standards for variable annuities set forth in Actuarial Guideline 43 and C3 Phase II.

The Working Group is currently fine-tuning a proposal to be presented to Executive and Plenary for the outside consultant to engage in a second quantitative impact study ("QIS 2") during 2017 to test the recommendations previously proposed by the outside consultant. If approval to conduct QIS 2 is obtained, it is currently expected that the Working Group will develop a proposal for addressing its charges following the completion of QIS 2 and the report by the outside consultant to the Working Group on the results thereof.

## **TOPICS OF INTEREST TO THE P/C INSURANCE INDUSTRY**

### **Economy-Sharing**

The Property and Casualty Insurance (C) Committee, and the Executive and Plenary adopted a White Paper on home-sharing issues (e.g., Airbnb and similar business models), which "outlines insurance considerations regarding home-sharing rentals." The White Paper, titled "Insurance Implications of Home-Sharing: Regulator Insights and Consumer Awareness," addresses the potential exposures that short-term rentals and the home-sharing economy pose to hosts, guests, landlords, and homeowners. Given the fact that traditional insurance coverage plans like homeowners policies and renter's policies often exclude liabilities that arise from home-sharing arrangements, the White Paper highlights the need for participants on all sides of the home-sharing economy to consider insurance options that fully cover home-sharing liabilities, such as endorsements to standard dwelling policies. Commissioner Jones of California, Chair of the Working Group, emphasized while presenting the White Paper that the White Paper does not itself recommend any

---

## NAIC Report: 2016 Fall National Meeting

Continued

particular policy actions that need to be taken, but rather is a resource that provides an overview of the issues regulators might want to consider in regulating these issues.

The White Paper has been posted on the NAIC website.

### Catastrophe Issues

The Property and Casualty Insurance (C) Committee showed significant interest in flooding issues at the Fall National Meeting. The Committee invited speakers to address the subjects of (a) private coverage of flood insurance in the surplus lines market and (b) urban flooding issues. A presentation by Lloyd's America on private coverage in particular garnered a number of interested questions by Committee members and consumer representatives.

Additionally, the Catastrophe Insurance (C) Working Group meeting heard a presentation from the Zurich Global Flood Alliance titled "Community Resilience: South Carolina Post-Event Review Capability Report." The presentation discussed the importance of flood resilience, community alliance, community preparedness, planning ahead with comprehensive recovery plans, and consumer awareness to flood risk. Recommendations included: (i) using federal disaster recovery funds to buy land in high-risk areas to be converted into open space, (ii) building back more resilient structures, (iii) addressing misconceptions regarding the frequency and severity of flood events, and (iv) reviewing insurance penetration and accessibility.

The National Flood Act and National Flood Insurance Program are scheduled to expire in September 2017. As the program is \$24 billion in debt, a bipartisan consensus seems to be emerging in Congress to alleviate the tax-payer burden by moving the risk of flood events to the private market and away from the federal government.

---

If you have any questions regarding this memorandum, please contact Leah Campbell (212-728-8217; [lcampbell@willkie.com](mailto:lcampbell@willkie.com)), Michael Groll (212-728-8616; [mgroll@willkie.com](mailto:mgroll@willkie.com)), Donald Henderson, Jr. (212-728-8262; [dhenderson@willkie.com](mailto:dhenderson@willkie.com)), Allison Tam (212-728-8282; [atam@willkie.com](mailto:atam@willkie.com)) or the Willkie attorney with whom you regularly work.

Willkie Farr & Gallagher LLP is an international law firm with offices in New York, Washington, Houston, Paris, London, Frankfurt, Brussels, Milan and Rome. The firm is headquartered at 787 Seventh Avenue, New York, NY 10019-6099. Our telephone number is (212) 728-8000 and our fax number is (212) 728-8111. Our website is located at [www.willkie.com](http://www.willkie.com).

December 27, 2016

Copyright © 2016 Willkie Farr & Gallagher LLP.

This memorandum is provided by Willkie Farr & Gallagher LLP and its affiliates for educational and informational purposes only and is not intended and should not be construed as legal advice. This memorandum may be considered advertising under applicable state laws.

**WILLKIE FARR & GALLAGHER**LLP