

January 18, 2017

**To:** IDMA Members  
**From:** Aimee Siliato, Vice President of Marketing, IDMA  
**Subject:** *The Regulatory Review* eBulletin – 2017, Edition #1

## **Introduction**

*Welcome to the first 2017 edition of IDMA's Regulatory Review. IDMA wishes you a happy, healthy and successful new year.*

*Understanding the overall insurance industry environment is a critical component of successful data management. I hope the information presented here from the December NAIC National Meeting and subsequent follow-ups helps you achieve success in 2017. Insurance data management has never been more dynamic and necessary. Data management and analytics are increasingly intertwined. And as a highly regulated industry, regulators are always vigilant in overseeing the evolving marketplace. IDMA is your partner in navigating and understanding the complex landscape.*

## **Disclaimer**

*The content presented here is not intended to be all-inclusive so please visit [www.naic.org](http://www.naic.org) and click on Committees, on the NAIC's newly revamped website, for more information or consult your own company's regulatory/compliance staff. Any opinions or observations expressed here are strictly those of Ms. Siliato's and do not necessarily represent the opinions or observations of any company, member of IDMA or of IDMA leadership. The independent review of this material by you and/or your company should be considered in any use of this material.*

## **Ongoing Comments and Feedback**

*IDMA welcomes your feedback on this new communication. Please feel free to send comments to Farouk Yassine, IDMA Executive Director, at [fyassine@idma.org](mailto:fyassine@idma.org).*

## **THE REGULATORY REVIEW**

**2017 Edition, No.1**

### **Big Data**

A Big Data Task Force was formed to elevate the status of discussions versus the previous "working group" discussions. Focus will not only be on underwriting but also the use of big data in marketing, rating and claims. There are 3 main charges for 2017, which represent a formalization of the topics discussed thus far:

1. Reviewing current regulatory frameworks used to oversee insurers' use of consumer and non-insurance data and recommending changes as appropriate.
2. Proposing a mechanism to provide resources for states to conduct technical analysis of models.
3. Assessing data needs and tools for regulators to monitor the marketplace and evaluate practices.

Discussion at the National Meeting included points from previous meetings such as the need for consumers and regulators to better understand models and how they could impact a consumer., for example with a rating tier change. In addition, it was suggested that a more efficient path to take would be to focus on the outcomes of models, rather than how they are developed and work.

### **Casualty Actuarial and Statistical Task Force**

While the creation of the Big Data Task Force was intended to consolidate efforts at the NAIC on the issues related to big data and its uses, discussion at this Task Force continues, with a focus on the need for better understanding of predictive models and techniques. In an effort to address insufficient resources and funding at state insurance departments, holding a regulatory "boot camp" and seeking consulting actuaries and/or statisticians via RFP to teach was suggested.

The American Academy of Actuaries, the Canadian Institute of Actuaries, the Casualty Actuarial Society and the Society of Actuaries announced a new tool developed jointly by the groups, the Actuaries Climate Index. The groups stated that data used in the model is from "neutral, scientific sources and generates objective, evidence-based results". A second Index, the Actuaries Climate Risk Index, is in development to correlate the climate index data with economic losses, deaths and injuries.

### **Cybersecurity**

Work continues on development of the NAIC Insurance Data Security Model Law. There are six main issues to be resolved:

1. Addressing uniformity among states
2. Syncing the model with HIPAA and Gramm-Leach-Bliley
3. Prerequisites for breach notices
4. Definition of "personal information"
5. Scalability of security requirements for smaller licensees
6. Oversight of third-party vendors

There was subsequent discussion that the Model Law also includes a provision that sets minimum standards for information security programs.

### **National Flood Insurance Program (NFIP)**

The NAIC formalized its recommendations for NFIP reform in a white paper titled "Principles for National Flood Insurance Program (NFIP) Reauthorization". The House Financial Services Subcommittee on Housing and Insurance released its own document on reauthorization. The two documents are aligned in both urging reauthorization and growth of the private flood insurance market.

### **Terrorism**

The filing date for the first NAIC Terrorism Risk Insurance Data Call was November 1, 2016. All states and the District of Columbia are participating. Data is being collected to monitor affordability and availability of coverage for acts of terrorism and assessing insurers' financial exposure to terrorism risk. The New York State Department of Financial Services is the single point of collection for this data call. The call applies to commercial fire and allied lines, commercial multiple peril, ocean marine, inland marine, other liability, products liability and boiler and machinery. Workers' compensation data was collected under a separate call. The NAIC is assisting and participating in the aggregation and analysis of the data collected.

## NAIC Leadership

In 2017, the NAIC leadership positions will be held by the following regulators:

- **President:** Commissioner Ted Nickel (Wisconsin)
- **President-Elect:** Commissioner Julie Mix McPeak (Tennessee)
- **Vice President:** Superintendent Eric Cioppa (Maine)
- **Secretary-Treasurer:** Commissioner David Mattax (Texas)

*Editor's Note: Once again, IDMA welcomes your feedback on this communication. Please feel free to send comments to Farouk Yassine, IDMA Executive Director, at [fyassine@idma.org](mailto:fyassine@idma.org).*

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