RIMS *Virtual* ADVOCACY WEEK & LEGISLATIVE SUMMIT 2020

SEPTEMBER 14–17 ROUNDUP

The annual RIMS Legislative Summit offers U.S.-based RIMS members access to updates on the legislative and policy happenings in Washington, D.C. It also provides the unique opportunity to advocate for issues affecting risk professionals nationwide.

The year 2020 was certainly among the most memorable in the Society's history, as the summit and RIMS Advocacy Week was held virtually between September 14 and 17 due to health, safety and travel concerns caused by the COVID-19 pandemic. Despite missing the excitement of meeting in Washington, D.C. and visiting Capitol Hill in-person, much was still accomplished that furthered RIMS' legislative initiatives.

The event kicked off with a virtual networking and trivia night, which was enjoyed by all and consisted of two virtual broadcasts daily through the rest of the week.

The sessions offered insight from thought leaders who focused on the election as well as federal and state political issues concerning U.S. risk professionals.

As a result of the pandemic, related insurance became the top concern for participants in the summit this year. In fact, advocating for congressional leaders to advance the Pandemic Risk Insurance Act (H.R. 7011) was the key message during virtual congressional visits. Attendees also discussed cyber insurance concerns and the National Flood Insurance Program reauthorization.

RIMS members actualized this year's theme and "amplified their voice" by meeting virtually with their Members of Congress after the Summit. During these sessions they discussed RIMS agenda items, shared concerns and presented strategies for improvement.

RIMS Advocacy Week's Featured Sessions Explore the Pandemic, Natural Disasters and the 2020 Election

by Justin Smulison

Featuring a full slate of networking, a panel on pandemic insurance, updates on the 2020 U.S. elections, and hands-on advocacy with members of Congress, RIMS Virtual Advocacy Week continued the tradition in delivering pertinent information from thought leaders and field experts to members. And while the COVID-19 pandemic permeated every discussion, panelists were also able to weigh in on risks presented by mail-in balloting, natural disasters and cybersecurity developments. Below is a roundup of these sessions.

Pandemic Insurance 101: Will You Have Coverage?

In June 2020, RIMS announced its support for H.R. 7011 the Pandemic Risk Insurance Act of 2020 (PRIA). PRIA was introduced by Congresswoman Carolyn Maloney (D-NY), who represents the 12th Congressional District of New York.

The RIMS External Affairs Committee believes the proposed legislation, which is not retroactive, will create a Federal program that provides a transparent system of shared public and private compensation for business interruption losses resulting from a pandemic or outbreak of communicable disease. The inclusion of a Pandemic Risk Reinsurance Program (PRRP) within the Department of the Treasury will also help to create a realistic market for pandemic insurance.

These legislative developments were explored during the session, "Pandemic Insurance 101: Will You Have Coverage?" Moderated by Whitney Craig, RIMS director of government relations, the panel was comprised of Jake Friedman, legislative assistant to Congresswoman Maloney, Karen Valanzano, senior vice president of Federal Government Affairs at Chubb and L. Charles Landgraf, senior counsel at Arnold & Porter.

Friedman reiterated that the bill ensures the federal government would share in the risks assumed by policyholders. When a pandemic is declared, there is an aggregate deductible and an individual deductible for participating insureds. Once that deductible is hit, he said, the PRRP is triggered.

"The federal government will then pay 95% of the costs with insureds on the hook for the remaining five percent," Friedman said. "This continues until the $750 billion cap is reached, at which point the treasury secretary will determine the share losses moving forward."

Friedman added that some critics argued early on that pandemic risk was fundamentally uninsurable. "I think that there's a broad consensus forming now that it is insurable with an appropriate federal backstop," he said.

He spoke to individual policy holders, like Chubb, who have presented their own proposals, which Friedman said is welcomed in an effort to get bipartisan input. Those ideas are being reviewed by the Maloney's office.

Valanzano said that Chubb's proposal recognizes the differing needs of small and larger businesses amid a future pandemic. In the proposal, small businesses could receive a predetermined payment.

"We thought that was something that was really important for the small businesses," Valanzano said. "We eliminate some of the legal issues and associated with an uncertainty associated with the current structure we have now. So people know how much they're going to get, and what to expect."

Landgraf spoke to the importance of the Business Continuity Coalition, which was reminiscent of the collaborations he experienced in the aftermath of the terror attacks of Sept. 11, 2001, which eventually led to the formation of the Terrorism Risk and Insurance Act (TRIA).

Election Forecasting with FiveThirtyEight.com

Less than two months ahead of the general election, the summit's timing was especially relevant. To discuss risks and potential outcomes of the upcoming presidential and congressional elections, RIMS was joined by Geoffrey Skelley, an elections analyst at FiveThirtyEight.com, a website that focuses on opinion poll analysis, politics, economics, and sports blogging.

Skelley spoke with former RIMS President Robert Cartwright, Jr., and said surveys and polling indicate that the coronavirus has been the top priority of voters' for months, followed by other drivers like the economy, health care and race relations.

He added that while FiveThirtyEight's simulations and polling show President Donald J. Trump with a 1-in-4 chance of reelection, compared to former Vice President Joe Biden's 3-in-4 chance, that number would not be disregarded by risk professionals.

The general view of the Senate race is that it was still too close to predict at the time, as it is comprised of 53 Republicans and 47 Democrats (which includes independents who caucus with them, like Sen. Bernie Sanders). The House of Representatives is largely controlled by Democrats, which had a 30-plus seat advantage, and Skelley felt there was less chance of the House flipping.

The surge of mail-in and early voting was also discussed, and Skelley referred to it as a reason why vote-counts and results may not be verified during Election Day – or even immediately afterward.

"It's very likely that the election result will be much slower in coming in this year than maybe in the past," he said. "There was some recent polling that showed roughly one-third of the country still expects to know the outcome on election night. My goal as a journalist is to hopefully dampen that number down even further because I think people need to just be ready … for the uncertainty. And to know that that doesn't mean that anything is necessarily gone wrong. It just means that so many states have had to adjust, [because they] have had very little history of mail validating or absentee balloting. It's going to slow the count and there's no there's no easy way around that, logistically."

Fireside Chat with Florida Insurance Commissioner David Altmaier

During a September 16th fireside chat with RIMS members, Florida Insurance Commissioner David Altmaier discussed how the record-setting seasons for wildfires on the west coast and hurricanes on the east coast made for one of the most volatile years on record with regard to weather disasters.

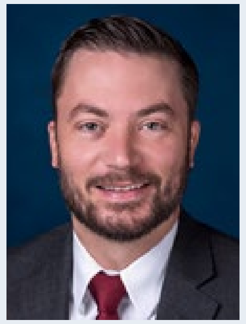
Altmaier is also the President-Elect of the National Association for Insurance Commissioners (NAIC) and spoke with Greenberg Traurig Shareholder Fred Karlinsky on the day that Hurricane Sally made landfall in Alabama. The 18th named storm of the year, Sally caused approximately $5 billion in damages and at least eight fatalities before dissipating two days later.

"I think regulators across the country began to realize that natural catastrophes come in all shapes and sizes and they can impact every corner of our country and as regulators, we need to be mindful of that. And we need to make sure that we're enacting appropriate regulatory policies," Altmaier said. "We need to be encouraging our carriers to recognize that as they put together their risk profiles and determine how best to mitigate themselves against the risk of natural catastrophes. That's something that we're used to doing in Florida, given our background with hurricanes and we're looking forward to opportunities to share what we've learned over the years with regulators around the country and the globe."

With regard to cybersecurity insurance policies, there was a nod to the NAIC's Data Security Model Law, which establishes data security standards for regulators and insurers in order to limit and prevent the potential damage of a data breach. The law applies to insurers, insurance agents and other entities licensed by the state department of insurance.

Altmaier said the Model Law was inspired in part by the implementation of the General Data Protection Regulation (GDPR) in Europe as a means to streamline cyber insurance and protection while also encouraging greater state involvement with respect to cyber insurance.

"We would prefer not to have 50 states and D.C. — and five territories — with a completely different standard for how that is regulated. So that gave rise to the Model Law," he said. "It'll be a constant attack for several years, and something of a 'whack-a-mole' that we'll have to deal with."



An Interview with Florida Insurance Commissioner David Altmaier *by Justin Smulison*

Florida Insurance Commissioner David Altmaier leads the Office of Insurance Regulation (OIR) and has oversight of one of the largest insurance markets in the world. He is also the President-Elect of the National Association of Insurance Commissioners (NAIC), and will assume that post in 2021.

Prior to his Fireside Chat during RIMS Advocacy Week, Commissioner Altmaier appeared on RIMScast to discuss the impact COVID-19 had on the landscape of business interruption coverage. Some highlights from the Sept. 1, 2020 interview are below.

RIMScast: What playbook did you use to tackle the risks posed by COVID-19?

David Altmaier: Our response initially looked a lot like what we would do for an inbound hurricane: We assembled what we call our "incident management team," and started to look at the types of needs of consumers from an insurance standpoint. We put into place mechanisms that we thought would be helpful as the pandemic began to take hold in Florida and around the United States. And we saw insurance commissioners around the country doing the same thing, obviously, as the pandemic unfolded and we started to see other risks and concerns emerge.

COVID-19 has been at the forefront of all of our regulatory discussions going back to March of this year. and that will continue to be at the forefront of our discussions even after the pandemic has concluded.

Business interruption insurance is closely tied to it and has emerged as one of the more pressing insurance issues as a result of the pandemic. We have seen issues like telemedicine and catastrophe response in a virtual setting, for example, also come up as a result. [That has] impacted how we go to work every day and how we interact with our stakeholders, and I think those will be some worthy discussion topics as well.

How can the risk management community drive meaningful change in regulations, policies and legislation?

DA: As discussions take place about an event that we haven't seen in a really long time, like a pandemic, there will be a lot of ideas that come up in terms of how to react to the current pandemic, as well as how to prepare for future pandemics. And I think that, as we have those conversations, there's going to be a multitude of stakeholders whose viewpoints are important.

Risk managers are certainly going to be at the top of that list because they are going to understand the risks that the insurance industry faces. We see ideas of what level of responsibility the insurance industry [should have] in terms of covering things like business interruption insurance. Their expertise will be invaluable as we begin to work with state and federal leaders in crafting policies that can assist with the current pandemic, as well as future pandemics.

Own Risk and Solvency Assessment, or ORSA, is a framework heralded by the NAIC. Why should risk and insurance professionals look to ORSA reports for guidance?

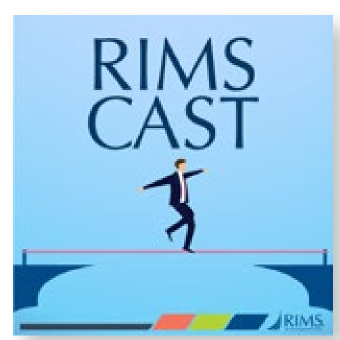
DA: ORSA reflects how our insurance market, along with other majors of our economy, evolves over time and responds to new and emerging risks. It's a constantly changing environment that regulators are trying to evolve along with, and our teams here in the insurance departments are trying to make sure that we stay ahead of the curve in terms of identifying those emerging risks.

The ORSA report is a glimpse into the thought process for our larger companies and groups into the boardroom and into the C-suites. [It features] theories on their own risk and how their unique position in the marketplace might expose them […] and require them to take steps to mitigate those risks. It's a really critical piece of information for regulators to have as we build our own supervisory plans, going forward. Obviously, the pandemic that has occurred—like with any catastrophe—potentially highlights things that may have previously not been considered.

Let's talk about *force majeure*. The pandemic has inspired new legislation to be drafted that affects the language of insurance policies in an effort to cover interruption. Where does the NAIC stand on that?

DA: NAIC sent feedback to Congress early on, in early to mid-March, with our thoughts that requiring carriers to cover losses that weren't previously contemplated under the policy forms could do a lot more long-term harm than short-term good.

We have seen some state houses file state legislation that would be similar, in that it would require carriers to cover business interruption losses even if the policy forms didn't contemplate that. We've sort of left it to individual insurance commissioners in those states to work with their legislatures on what's best for their market. ■

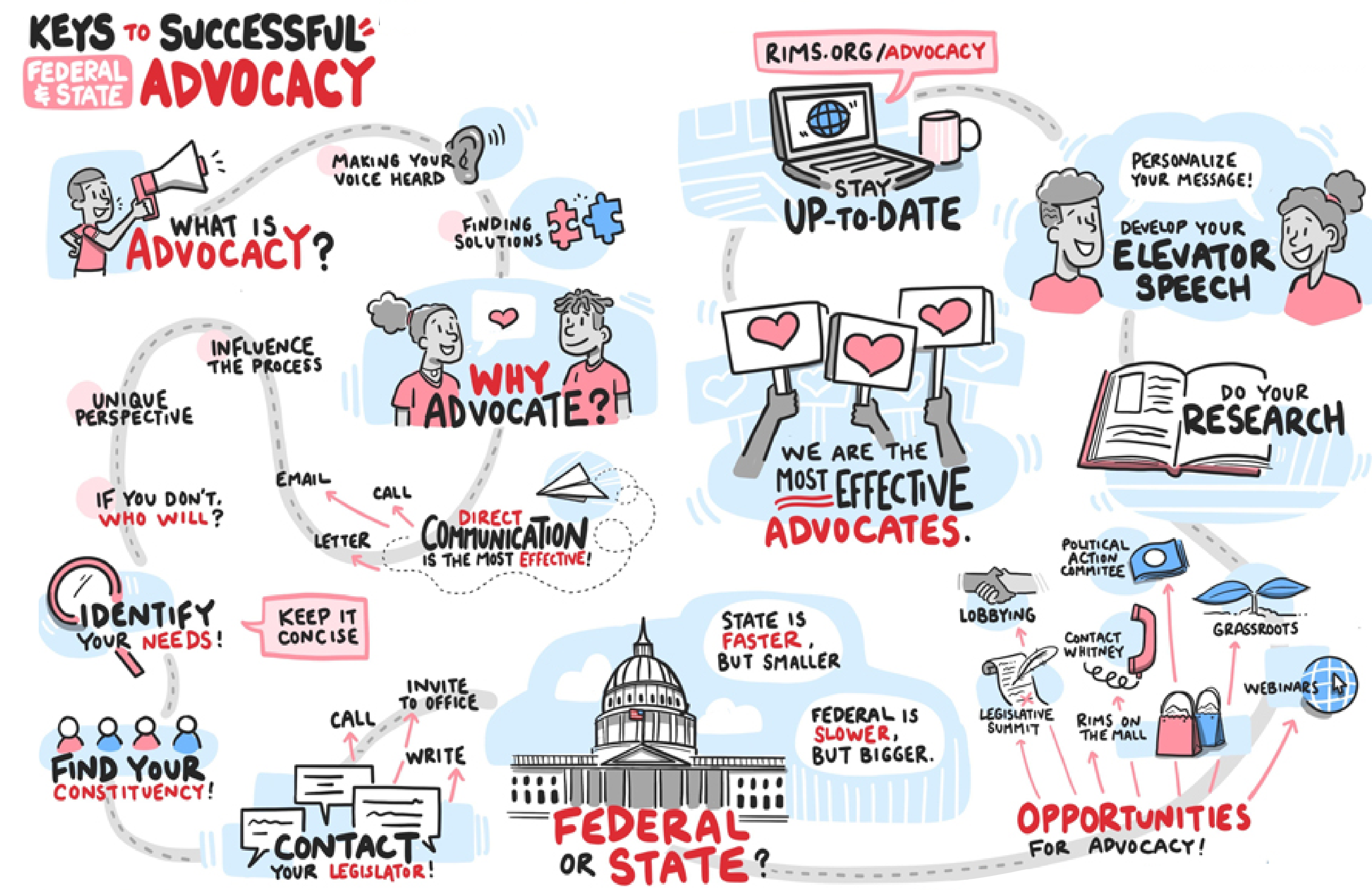


www.RIMS.org/RIMScast

For the full RIMScast interview, which features a deeper dive into other topics such as ORSA reports, the Terrorism Risk Insurance Act (TRIA) and the National Flood Insurance Program (NFIP), visit: https://rimscast.libsyn.com/advocacy-talk-with-florida-insurance-commissioner-david-altmaier

About RIMS Advocacy

RIMS Advocacy is guided by the RIMS mission to advocate for the global risk management community. RIMS advocates on behalf of risk professionals worldwide to Members of Congress, federal agencies, state legislative and regulatory bodies, and international regulatory authorities.



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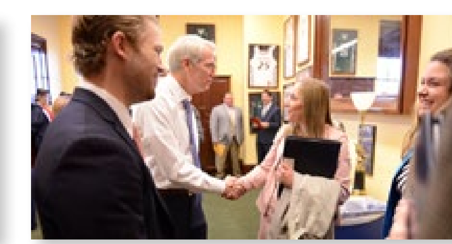
- Participate in local and national RIMS Advocacy events
- Find your representative
- Join the RISK PAC and advocate for increased support
- View the RIMS Advocacy COVID-19 Webinar Series (2020)



Visit RIMS Advocacy to view information about our annual legislative events, RIMS' positions on federal, state, and international issues, our legislative action center and the RIMS External Affairs Committee.

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