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Climate Change and Catastrophe Modeling

Over the last few years, the U.S. has experienced an increase in the quantity and size of extreme natural catastrophe events. Per NOAA reports, in 2016, the U.S. had 15 events with \$1 billion or more of damage. In 2017 there were 16, and in 2018 there were 14. The average for the prior 25 years was 6.6 events, and only 5 of the 25 years had 10 or more billion-dollar events. Even adjusting for inflation and changes in the amount of exposures at risk, these last few years have stood out from prior years.

To understand how climate change may be affecting insurance and catastrophe modeling, a good place to start is to identify what changes have already occurred. Distinguishing between climate change facts and myths is a key component of understanding the impact climate change has on natural catastrophe events.

Let's start with changes to global temperatures. Per the Intergovernmental Panel on Climate Change (IPCC) report dated September 2017, "The globally averaged combined land and ocean surface temperature data as calculated by a linear trend, show a warming of 0.85 [0.65 to 1.06] °C, over the period 1880–2012." Whether the warming has caused any changes to the frequency and severity of storms is unclear, but meteorology studies have shown that for every 1°F (0.55 °C) increase in temperatures, the atmosphere can hold 7% more moisture. While studies to date have not shown any direct correlation between climate change indicators and severe convective storm activity, some scientists expect to see correlation in the future and the potential for a corresponding increase in wind and hail losses.

Melting ice and rising sea levels are also effects related to global temperatures. Since the year 1900, it is estimated that the global sea level has risen by 13 to 20 centimeters (5-8 inches). Based on its projection of the continuing rise of global mean surface temperatures, the IPCC estimates that sea levels could rise an additional 0.52 to 0.98 meters (2 to 3 feet) by the year 2100. Additionally, the IPCC estimates that the total melting of the Greenland sheets could add an additional 7 meters of sea level rise, but this would take "over a millennium

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Santa Ana Pueblo, NM

MCM Course

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IRES CDS 2020

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Englewood, CO

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or more” to occur. Sea level rise and the impact to coastal properties is one of the largest concerns that property insurers are dealing with relative to climate change.

When it comes to hurricanes and tropical cyclones in relation to the seas and oceans, the science is a bit more uncertain, with offsetting factors that could occur relative to the formation of these events. A February 2018 publication by the IPCC contains a number of statements, including “Based on process understanding and agreement in the 21st century projections, it is likely that the global frequency of occurrence of tropical cyclones will either decrease or remain essentially unchanged, concurrent with a likely increase in both global mean tropical cyclone maximum wind speed and precipitation rates.” In other words, we should not expect an increase in the number of hurricanes, but the ones that do occur may have higher wind speeds and precipitation. According to NOAA, we have actually seen an increase in the number of days between major hurricane (Cat 3, 4, 5) landfalls in the U.S. (i.e. reduced frequency) from 1900 through 2016, and the events of 2017 and 2018 may not alter that trend.

The required NAIC Insurer Climate Risk Disclosure Survey provides insight into how insurance carriers are thinking about climate change, but are there things insurers can do to assess their current and future risks from climate change effects? Underwriting, pricing and risk management processes are affected by the potential impacts of continuing climate change. For example, what changes to underwriting guidelines can be made to account for sea level rise? A study by CoreLogic in 2013 showed that one foot of sea level rise would result in a 5-10% increase in the number and value of locations affected by coastal storm surge. In Miami alone, the number of single-family residences at risk would more than double. As a result, minimum elevation rules would need to be updated to account for the change in risk. If sea level rises, and/or if we see an increase in extreme precipitation events, the 100-year FEMA flood zones may no longer be accurate. Thus, flood insurers will need to use additional information like the CoreLogic Flood Risk Score to give them a better understanding of the risk at any location. Relative to pricing, insurers

will need to assess any changes in loss exposure relative to when their current rates were developed. For example, have any new conditions developed that have changed the type and condition of vegetation at a location and thus have changed the risk for wildfire losses? And once an insurer has built up a portfolio of insureds, the potential for changes in exposure to risk as a result of climate change will need to be continually



monitored. Risk management processes need to include consideration for potential climate change effects. Natural catastrophe models, like those available on RQE® and RiskMeter™, can certainly help insurers better understand these risks.

For insurers and other financial organizations to better understand their risk, catastrophe models and the use of their output will certainly have to continually adjust to any changes in underlying conditions for the specific hazards. Inputs to the models (i.e. variables that influence the underlying science of the hazard) are continually fine-tuned. When a model gets updated it will normally contain information that brings the model up to date (with historical and current observations combined). Natural catastrophe models estimate the risks for a specific event for the near future, representing the immediate risk that an insurer is taking for the next policy period. Even though the probabilistic models simulate multiple years of potential events, they represent estimates of what

could happen next year, not hundreds of years in the future. However, the stochastic event sets included in some models can be segregated to account for conditions that could mirror the future. For example, within the CoreLogic North Atlantic Hurricane Model, the user has the ability to segment out “warm water” scenarios and then analyze the difference from using all events.

As mentioned earlier, a warming climate could have direct and intuitive impacts on tropical cyclones, such as the expected enhancement of hurricane intensity due to an increase in available potential energy in the oceans as the water temperature rises. However, the indirect impacts are much more difficult to predict. Some climate models suggest an increase in wind shear (the change of wind speed and direction with height) over the central tropical Atlantic, a change that would inhibit tropical cyclone formation and reduce overall hurricane frequency. Another example is the expected enhancement of the high-pressure systems that steer hurricanes towards or away from the U.S. mainland, which were responsible for the historic flooding caused by Hurricane Harvey and Hurricane Florence as they slowed to a stop due to abnormally strong high pressure. These indirect but significant impacts are much more difficult to predict and even more difficult to capture within a hurricane catastrophe model. However, the stochastic event set

(actual historical and simulated events) is refreshed with every update, particularly to include any actual events that have occurred since the prior update. For example, Hurricane Michael in 2018 was an event larger than many thought could occur in the Florida panhandle, and, when added to the historical event set, could have the potential for increasing expected future hurricane losses for that area of the U.S. Hurricane models are normally updated at least every two years to satisfy the certification needs set by the state of Florida.

The impacts of climate change on severe convective storms and subsequently how to model those impacts are even more indirect than those of hurricanes. The topography of the U.S., with the Rocky Mountains and high desert positioned to the northwest of the Gulf of Mexico, creates a frequent juxtaposition of warm moist air from the ocean flowing underneath formerly hot air from the high desert. If the surface is warmer, the air near the ground will be able to hold more moisture, resulting in more potential energy in the atmosphere and the potential for storms to become more intense. However, a warmer lower atmosphere also means that favorable conditions for severe thunderstorms are likely to be less frequent, with a reduction in the maximum available energy in the climate which could limit the potential energy available to create strong storms. As mentioned earlier, meteorologists have determined that over the last 30 years there has not been a robust signal in severe convective storms correlating to climate change, so severe convective storm models have seen very little, if any, modifications as a result of climate change.

A lot of attention has been given to changes in wildfire events relative to climate change. One of the biggest

potential effects from climate change relative to wildfires is moisture: either a drought or excessive rainfall. Seasonal impacts like precipitation are already considered in the models, and any change in the fuels (combustibility of the vegetation) is built into the model. Drought conditions have existed irrespective of climate change, but may be exacerbated by the effects of climate change. However, long term climate change could eventually cause the mix of vegetation species to change, impacting the resulting fuel at a location. When precipitation returns after a drought, it often results in a resurgence of vegetation growth, which in turn adds even more fuel to the already increased fuel load due to the drought. Excessive drought or excessive precipitation events are not the only impacts associated with changes to the climate. Factors related to air temperature and pressure that contribute to winds can also result in more extreme or more frequent fire events. If increases in temperatures are causing an increase in high wind events, that would certainly impact the severity of potential damage from wildfire events as higher winds speeds can result in more ember movement and larger embers being carried by the wind. Finally, one overlooked but yet directly related impact of climate change on wildfire risk is the impact of bark beetle infestations on western forests. Bark beetles have always been present in the conifer forests, but over the last several decades the populations of these beetles have devastated forests, killing trees and creating dry fuel which must then be removed. Severe winter temperatures are useful in restricting the population of beetles but, when temperatures are not low enough, the population expands even further. The CoreLogic U.S. Wildfire Model has incorporated some climate change scenarios in order to capture extremes in

weather conditions that could occur while remaining focused on the current risk.

Flooding is another hazard that has been associated with climate change risks. Flood frequencies are very sensitive to the variations in sea level. Based on a FEMA flood insurance study (FEMA, 2017), 0.7 ft. sea level rise around city of Norfolk, Virginia, is enough to push the still water elevation differentials from 100 yr. to 50 yr. levels at some points in the Chesapeake Bay and its tributaries. In other words, the frequency of floods at those points can be doubled with 0.7 ft. of sea level rise (from a 1% annual frequency to a 2% annual frequency). Flood cat models can be used to simulate flood losses based on such changes. For example, the resulting 50 yr. and 100 yr. PMLs can be calculated, and the differences can be used to quantify the impacts of climate changes. Changes in sea level will result in a change in the frequency of flood events which creates uncertainty in the projection of losses beyond the current, short term view. Significant change from current and historical patterns would alter the flood risk exposures across the country. This underscores the need for more granular elevation data.

To summarize, a thorough understanding of what has happened and what could happen, is essential to understanding how climate change can impact the insurance industry. Developing a plan to account for potential changes is a crucial step within any catastrophe risk management program. The use of climate data and catastrophe models is essential to provide the basis for developing those programs. ■

ABOUT THE AUTHOR:

Howard Kunst, Chief Actuary | Howard began his actuarial career at a Wisconsin based insurance company in 1984. After holding a full range of actuarial roles with increasing responsibilities across multiple companies, Howard joined CoreLogic as Chief Actuary in June 2012. As part of the Science and Analytics team, Howard works closely with the Insurance and Spatial division that provides data at a granular property level to their customers, primarily insurance companies and other financial institutions. At CoreLogic, Howard provides a variety of analytic services to customers, as well as providing thought leadership and Industry insight within CoreLogic's Product Development, Sales, Science and Analytic teams.

Howard is a Fellow of the Casualty Actuarial Society (FCAS), a member of the American Academy of Actuaries (MAAA), and a Certified Catastrophe Risk Management Professional (CCRMP). He is currently a member of the Casualty Actuarial Society's Ratemaking, Product and Modeling (RPM) Seminar Planning Committee, and is a member of the Academy's Natural Catastrophe Subcommittee and Flood Insurance Working Group.

President's Remarks



Randy A. Helder

The 2019 edition of the Career Development Seminar (CDS) in Spokane, Washington was met with universal praise. It was a little difficult to get to, and a bit more costly, but very much worth the cost of admission. Spokane proved to be a beautiful city in a beautiful state.

Even though Spokane is a little out of the way — and more than just a little more expensive to fly to — we had nearly 240 attendees! Each of the tracks was well-staffed with expert and knowledgeable speakers and we all went home wiser for the experience.

We should all thank the members of the CDS Committee who had the creativity to think outside the box and choose Spokane as the location for this year's IRES CDS and who worked tirelessly to make this year's CDS a success.

The number of attendees speaks not only to the perceived value of the training IRES brings to its members, but also the real value in bringing together state insurance regulators, companies and consumer representatives. There is a camaraderie that is not matched elsewhere than here and at the IRES Foundation School.

There are many reasons for this, but I want to focus on just one. The bonding and satisfaction that arises from shared service.

Service to consumers. Service to the insurance industry. And service to each other.

IRES has a mission statement. It's on our homepage and it reads:

The Insurance Regulatory Examiners Society (IRES) is an association of professional insurance regulators dedicated to consumer protection.

IRES helps to promote fair, cost-effective, and efficient insurance regulation by ensuring professionalism and integrity among the individuals who serve state and federal insurance regulatory bodies.

There are three key elements to our mission:

First, service to **customers** — IRES is dedicated to consumer protection.

Second, service to the **industry** — IRES works toward more efficiently and effectively regulating the insurance industry. This is good for companies and it is good for insurance departments.

And finally, service to **regulators** — IRES provides the forum, network and designations needed to ensure our members are professional and ethical.

IRES has been so successful in fulfilling its mission that when state insurance regulators developed the

Core Competencies for Departments of Insurance developed by state regulators and included in the NAIC's *Market Regulation Handbook*, they recommended insurance department staff pursue, obtain and maintain IRES designations — Accredited Insurance Examiner (AIE); Certified Insurance Examiner (CIE); Market Conduct Management (MCM); Advance Market Conduct Management (AMCM) and the Certified Insurance Consumer Service Representative (CICSR) designations. Maintaining an IRES designation demonstrates the level of skill and professionalism insurance department require of their market regulation staff.

The key to this success, as I said, is service. We do our best work when we know we will have a positive impact on others. When we put others first. When we know we are part of a team working toward the same goal. When we know what we do matters.

A quick story: One day a large field caught fire and threatened a number of homes. When the local fire department could not put it out, they called on the volunteer fire department.

Those volunteers drove their firetruck right up to and into the fire. The truck came to a stop in the middle of the flames.

The volunteers jumped out of their truck and quickly began spraying water in all directions. Very soon, fortunately, the middle of the fire was extinguished, and the perimeter of the fire was then easily put out.

The homeowner association was so grateful they gave the department a \$10,000 reward.

When asked what they would do with the \$10,000, the volunteer captain said, "Well, the first thing we're doing is getting the brakes fixed on our firetruck."

My challenge to all the members of IRES is to be like those volunteer firefighters who, in spite of limited resources, answered the call to serve others.

Visit the IRES webpage and find a Committee to serve on. Be sure you connect to other IRES members by clicking on "my account" and joining the conversation. Put your name on the ballot to be on the IRES Board of Directors.

If you are not member, now's the time to join. There is no greater job satisfaction than what you do as a volunteer to serve others. ■



Membership and Benefits Committee

Greetings IRES members!

The first thing people ask when I tell them about our organization is "How big is it?" I am happy to report that as of October 29, 2019, we have **752** members. That includes **640** general members who work for regulatory agents or regulatory contractors. **112** sustaining members include both individuals who work for insurers and firms and company memberships.

139 individuals hold an AIE designation, **177** individuals hold a CIE designation, and **27** individuals hold a CICS R designation. In addition **596** IRES members hold an MCM designation with more MCM opportunities coming soon.

The Membership and Benefits Committee continues to work on streamlining membership to make the process easier for the volunteer board of directors to manage with the help of our Management Company VPG. Our proposal is working its way through the executive committee and Board of Directors. I hope to have the exciting details available for the next Regulator so stay tuned.

Remember General Membership Dues are due by December 31, 2019.

We look forward serving our members in 2020.

Martha Long,
Membership and Benefits Committee Chair



Martha Long



CDS Committee

The CDS Committee has been finalizing all work related to the 2019 Career Development Seminar (CDS) in Spokane, Washington and are busily going through survey results and comments. Overall the feedback from the Spokane CDS was positive and the overall event was a huge success.

The CDS Committee is also already underway with planning for the 2020 CDS on August 16-19, 2020 in Englewood, Colorado (mark your calendars). We are excited for the opportunity to visit Englewood (a suburb of Denver) for next year's event and "Helping you achieve 20/20 vision." The Committee is considering a few changes to the agenda for the 2020 CDS, so stay tuned for more information as our planning continues. One of the key proposed changes would be a track geared to offer topics of interest to individuals in consumer services, producer licensing, rates and forms and other important DOI functional areas. The intention is to offer topics of interest to those specialized areas, so start reaching out to your counterparts in those areas now. In addition, the event may run a bit longer on Tuesday to bring a new, wrap-up session format we think you will enjoy. We hope you will add the 2020 CDS to your calendar and will invite others to come as well. Onward to Englewood!

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CDS2020

CAREER DEVELOPMENT SEMINAR

AUGUST 16-19 / ENGLEWOOD, COLORADO



Shelly Schuman

What IRES is To Me

I joined IRES in 2005 when I became a Market Conduct Examiner at the Nebraska Department of Insurance. Truth be told, I had been in the insurance industry for several years prior to joining the Department, but knew little about insurance regulation, and even less about market conduct, so was looking for an opportunity to bolster my resources and knowledge.

I decided to join a committee to meet people so I became a member of the Membership and Benefits Committee. Little did I know that this would become the beginning of one of the biggest adventures for my career. In the Membership and Benefits Committee, I met leaders like Jo LeDuc and Leslie Krier, who both would become great mentors for me. I loved the organization, and the discussions, and because I am a firm believer that in order to make a difference you have to be willing to be involved, told them that I wanted to do what I could to help. Luckily, they humored me and empowered me to look for additional benefits for our members and to make suggestions for organizational improvements. Before long, due to my involvement, I made great professional connections with industry leaders from both the regulatory and industry side.

In 2006, I ran for the Board of Directors. Surprisingly (and fortuitously), I was elected. Being new to the Board of Directors world, I soon learned what it took to help drive the discussion on the future of an organization. I was way out of my league but was having a great time learning. I continued to forge professional relationships with the members of the Board, and IRES members. The relationships that came from my involvement in IRES were invaluable. As I learned more about being a Market Conduct Examiner, I now had a strong network to call on to ask questions and get additional guidance.

In 2007, I went to my first Career Development Seminar (CDS), which also was my first conference in my

professional career. I was enamored. The discussions were incredibly insightful and educational. I also realized I was lucky enough to be talking to the thought leaders in the insurance industry. I have been at every CDS since.

At the 2007 CDS I also met my future business partner, Pieter Williams. This chance meeting would interestingly create a friendship that would eventually lead me to where I am today.

Through the years, I've continued on the Board of Directors, served as President (2013) and have been involved in every IRES Committee and Subcommittee in one capacity or another. This led to my network growing exponentially. The professional relationships that were initially created evolved into strong friendships. I've watched IRES members do amazing things in the insurance industry. They guide discussions at the NAIC, they create model laws that enhance consumer protections and drive innovations to make the insurance industry evolve. They are subject matter experts and true leaders in their field. This is truly a group of impressive individuals.

Why does any of this matter? Because all of this is what IRES is to me. My IRES network, the respect that I have for my fellow IRES members, and the amazing friendships that have subsequently developed have made me a better regulator, and a better person.

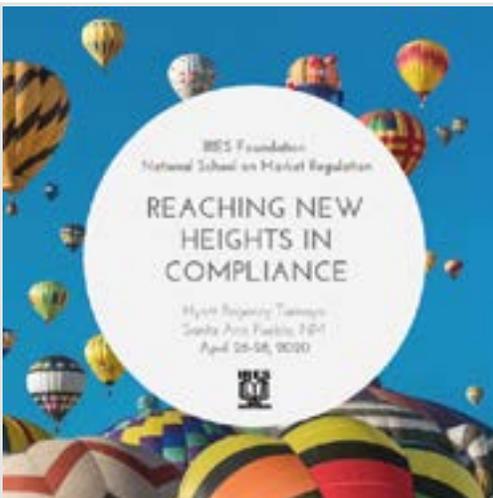
To me, IRES is opportunity. The opportunity to drive discussions. The opportunity to make changes, not just at an organizational level, but also at an industry level. The opportunity to truly make the world better by enhancing consumer protections. The opportunity to make a difference.

I'm so grateful for what IRES is to me. I challenge you all to find out what a difference your involvement in IRES can make, and what IRES is to you. ■



Holly Blanchard

The relationships that came from my involvement in IRES were invaluable. ... I now had a strong network to call on to ask questions and get additional guidance.



ATTENTION ALL COMPLIANCE AND MARKET CONDUCT INDUSTRY AND REGULATORY PROFESSIONALS!!

REGISTER TODAY for the 2020 IRES Foundation National School on Market Regulation at www.ires-foundation.org/events.

Our 2020 School will feature a Commissioner's Forum, and our trademark one-on-one opportunities with faculty market conduct regulators from many states and the National Association of Insurance Commissioners.

Attendees will have opportunities to choose from a wide variety of sessions providing insight into emerging regulatory topics impacting property & casualty, life, health and annuities.

The IRES MCM® Course will follow the IRES Foundation National School on Market Regulation at the same venue.



Kathy Donovan

Zoning In

NORTHEAST ZONE

Maryland

Bulletin 19-14, dated Aug. 29, 2019, provides information on the new security system breach notification reporting requirements. Effective Oct. 1, 2019, companies are required to report security breaches to the Compliance & Enforcement Unit at the Maryland Insurance Administration (MIA.) The reporting threshold criteria applicable to this MIA reporting is as

follows: (1) a carrier conducts an investigation which is required under § 14-3504(b) or (c) of the Commercial Law Article; and (2) determines that the breach of the security of the system creates a likelihood that personal information has been or will be misused. Timing of the reporting to the MIA would be at the same time notice is provided to the Office of the Attorney General under § 14-3504(h) of the Commercial Law Article. Bulletin 19-14 also describes various elements required under these notice requirements.

Massachusetts

Bulletin 2019-06, dated Aug. 29, 2019, establishes guidelines applicable to defined "carriers" that address the coverage availability of alternatives to opiate pain products for treating the pain of covered persons. The Massachusetts Division of Insurance "expects carriers to take all appropriate steps to ensure that insured health benefit plans make coverage for methods other than opiate treatment available to covered persons to manage pain, such that there must be at least two alternative medication treatment options and at least three alternative non-medication treatment modalities. Such alternatives may include other types of prescriptions, supplies, services, or treatments that the carrier may determine are appropriate for the persons covered in its insured health benefit plan." Additional areas addressed in this Bulletin include (1) Prescription Drug Formularies and Provider Networks; (2) Medical Necessity Reviews; and (3) Materials to Explain Alternatives to Opiate Products to Manage Pain. The Division further indicates its expectation that carriers would send a plan no later than Oct. 31, 2019 to address the issues and guidelines presented in this Bulletin.

Pennsylvania

Effective Aug. 10, 2019, the Pennsylvania Insurance Department updated the requirements for the treatment of nonpublic financial information in accordance with the changes made to NAIC Model Regulation No. 672, entitled "Privacy of Consumer Financial and Health Information Regulation." Included in these newly adopted requirements are exceptions to the privacy notice requirement and a provision that if a licensee uses a sample privacy form as set forth in 16 CFR Part 313 (relating to privacy of consumer financial information), the licensee would be deemed compliant with the state's model regulation.

SOUTHEAST ZONE

Alabama

Effective Jan. 1, 2020, Rule 482-1-125-.07(4) is revised to provide that: "No insurer shall knowingly cease or prolong negotiations for settlement of a claim with the intention of allowing the statute of limitations to expire. On an unresolved claim affected by a statute of limitations, the insurer must give a claimant not represented by counsel written notice of the expiration date of the statute of limitations and that a claim to compensation based on the occurrence may be time-barred or offer of settlement, if not accepted, may be withdrawn after expiration of the statute of limitations. Said notice must be sent to any first-party or third-party claimant not less than forty-five (45) calendar days before the date on which said limitations period may expire."

North Carolina

Bulletin 19-B-04, dated Oct. 22, 2019, references an order dated Oct. 17, 2019 from Insurance Commissioner Causey that activated the state of disaster automatic stay of proof of loss requirements, premium and debt deferrals for residents of Beaufort, Brunswick, Carteret, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pender, Tyrell, and Washington counties in North Carolina under NCGS 58-2-46. This statute provides the specifics pertaining to extensions, deferrals, and other extra requirements applicable to the entities as referenced therein. Regulated entities are required to provide their customers who were adversely affected in the disaster area with specific relief of the insureds' payment, submission of claims, and other responsibilities. Additionally, all entities that are subject to North Carolina's External Review Law shall allow consumers, whose requests may have been impacted by the disaster, additional time for their requests to be received and reviewed. Additionally, for cases that have been accepted and for which additional information is being submitted, the timeframes for receiving such information will also be extended.

West Virginia

The West Virginia Office of the Insurance Commissioner (WVOIC) issued Informational Letter 205, dated Sept. 18, 2019 which provides guidance on rebating and value-added products and services and/or programs to policyholders to identify, prevent or mitigate risk. WVOIC indicates that value-added products and services or programs may be offered to policyholders so long as these:

- Are clearly identified and included in the policy;
- Are directly related to, or in alignment with, the type of insurance policy offered; and
- Mitigate loss, provide loss control, assess and identify risk, or develop strategies for eliminating or reducing those risks.

Additionally, the WVOIC provides examples of unrelated benefits or merchandise and reminds insurers and producers that compliance is still mandated for two existing requirements under West Virginia law "when giving or gifting benefits, products or services that do not add value to a policy, are not included in a policy, do not align with or relate to the type of insurance offered, and do not mitigate, control or assess risk. The maximum value of item gifted or given away that is not a value-added product or service is \$25.

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Zoning In *(continued)*

MIDWEST ZONE

Michigan

Order No. 19-048-M, dated Sept. 20, 2019, sets forth certain requirements under PA 21 (2019) and PA 22 (2019) including adherence to revised forms and rates filing requirements and a prohibition on relying on “conformity to law clauses” or other similar provisions in policy forms as a method of incorporating the new statutory amendments that affect the scope of coverage under the impacted insurance policies. Additionally, any automobile insurer that has processed claims in accordance with the newly enacted statutory amendments that affect the scope of coverage required to be provided under an insurance policy without first submitting revised forms and rates for review and approval are required to immediately re-process those claims in accordance with the terms and conditions of the existing policy form. Specific reference is also made to the Assigned Claims Plan and regulatory consequences for failure to comply with the form and rate filing and approval requirements of the Code and/or failing to comply with this Order.

Wisconsin

The Office of the Commissioner of Insurance (OCI) issued a Bulletin dated Oct. 16, 2019 providing information concerning the recently enacted “Step Therapy Law” for prescription drug coverage. The 2019 Wisconsin Act 12 applies to all insurers doing business in Wisconsin that utilize a step therapy protocol or contract with pharmacy benefit managers (PBMs) or utilization review organizations (UROs) that use step therapy protocols. While there will be additional guidance forthcoming through the administrative rule-making process, the OCI reminds insurers that this Act is effective on Nov. 1, 2019 and any plan not already in compliance will have to comply by Jan. 1, 2020. Act 12 does not require insurers, PBMs, or UROs to implement a step therapy protocol, but does require insurers, PBMs, and UROs that choose to implement a step therapy protocol to comply certain requirements as outlined in this new law.

WESTERN ZONE

Alaska

Bulletin WC 19-04, dated Oct. 16, 2019, provides guidance for settlement agreements and attorney fees, with the specific focus on clarifying “that attorney fees and litigation costs must each be reported separately from other benefit categories such as indemnity benefits. Including the attorney fees in with indemnity benefits on a settlement agreement, will result in a higher Second Injury Fund contribution cost to the employer.” Additional explanatory information includes filing and reporting requirements for settlements.

California

AB 1816 (2019) amends nonrenewal notice requirements under Ins. § 678 for personal lines policies that expire on or after July 1, 2020. Insurers will be required to deliver or mail the notice of nonrenewal to the named insured on or before 75 days prior to the policy expiration. If the insurer fails to do so, the insurer must continue the existing policy, with no change in its terms and conditions, for 75 days from the date that the notice of nonrenewal is delivered or mailed. A notice to this effect shall be provided by the insurer to the named insured with the notice of nonrenewal. Additionally, on or after July 1, 2020, an offer of renewal or notice of nonrenewal, must include a statement with specific information that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the DOI.

Texas

Bulletin B-0011-19, dated Oct. 9, 2019, addresses disclosure forms for short-term limited-duration insurance policies. The Texas Department of Insurance (TDI) indicates that while it is writing rules and creating the consumer disclosure form required by SB 1852 (2019), “TDI strongly encourages carriers to include similar disclosure information as soon as possible—particularly for policies being marketed and sold to consumers who may be looking for alternative coverage during the HealthCare.gov open enrollment.” This Bulletin also lists specific information required in such disclosures, as well as the requirement that the disclosure information be in a font that is easy to read and at least 14-point in size. Additionally, the Bulletin indicates that the consumer applying for the policy signs a form acknowledging receipt of this information if the policy will begin on or after Jan. 1, 2020. ■

ABOUT THE AUTHOR:

Kathy Donovan is Senior Compliance Counsel, Insurance with Wolters Kluwer Financial Services. Kathy has more than two decades of experience in insurance compliance. Her expert commentary on legal and regulatory issues affecting the insurance industry is widely published and she is a regular presenter at various industry events.

Education Corner

Is Your Contact Information Up to Date?

Don't risk missing information about your designation, NICE program deadline reminders and other important information about IRES and the NICE program. Make sure the email address and other contact information on file with IRES is correct. It only takes a minute and can be done online at your convenience. Simply [log into your IRES account](#) and check to make sure that the most current contact information is on file. If it isn't, you can update it as needed online in your member profile.

Did You Miss the NICE Compliance Reporting Deadline?

If you hold an AIE®, CIE®, or CICSR® designation and you missed the October 1st reporting deadline of continuing education (CE) credits for the 2018-2019 compliance period, the registration of your designation has been made inactive. Without an active registration of your designation, IRES will not recognize your professional designation nor endorse it to others including but not limited to your employer, the NAIC, organizations, associations or other individuals. Notification of designation suspension will be sent to the email address on file with IRES.

Complete NICE program details and reporting deadlines are contained in the [NICE Program Manual](#). If you have questions, please contact the IRES office. ■



Jo LeDuc



UPCOMING WEBINARS

December 9, 2019 | 1:00 pm CST

Pharmacy Benefit Managers (PBM) Economics

Please join us for a Webinar that offers an overview of the role of PBMs in the pharmaceutical supply chain, how well the PBM market is functioning, and potential policy solutions.

PRESENTER: Neeraj Sood, Professor & Vice Dean for Research, USC – Price School of Public Policy

REGISTRATION CLOSING: December 8, 2019

Keep an eye out for updates with details in your email and on IRES website.

Highlights from CDS Spokane

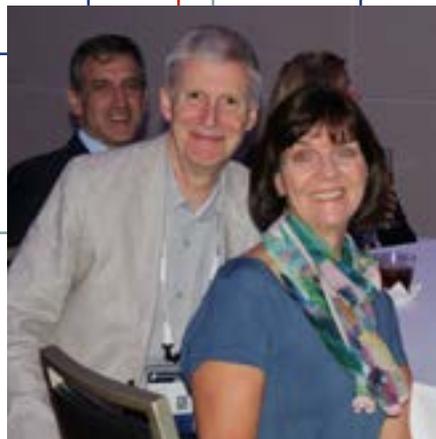
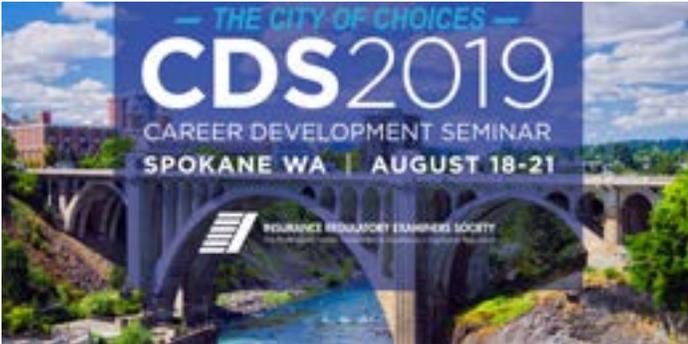
Thank you to everyone who joined IRES at the Career Development Seminar in Spokane Washington.

CONGRATULATIONS AGAIN TO THIS YEAR'S AWARD WINNERS:

- **CHARTRAND COMMUNICATIONS AWARD:**
Fred E. Karlinsky
- **AL GREER ACHIEVEMENT AWARD:**
John B. Haworth, CIE, MCM, FLMI, CPCU
- **PRESIDENT'S AWARD:**
Shelly Schuman, CICS, AIE, AMCM, ACS, FLMI, HIA
- **SCHRADER-NELSON PUBLICATIONS AWARD:**
C. J. Rathbun, CCEP, FLMI, HIA, AIRC

Please enjoy these pictures from Spokane!

View more pictures from the 2019 CDS at <https://www.flickr.com/photos/135010173@N02/albums/72157711755683092>



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HELPING YOU ACHIEVE 20/20 VISION

CDS 2020

CAREER DEVELOPMENT SEMINAR
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Get to Know Your State Chair

This Issue: Ben Darnell, Louisiana

Behind the scenes of IRES, your state chairs are hard at work creating new opportunities and options for our members. To introduce you to these unsung heroes, we will feature a state chair in each addition of the Regulator. This month, our featured state chair is Ben Darnell, Senior Market Conduct Examiner with Examination Resources from Louisiana.



Ben Darnell

Tell us about yourself.

I am a Senior Market Conduct Examiner with Examination Resources. I live in Prairieville, Louisiana (right outside of Baton Rouge) with my wife Tara, 4-year-old son, Will, and 2 spoiled dachshunds, Stretch and Lincoln.

Tell us about your involvement with IRES.

I have been involved with IRES for about 10 years now. I started out by getting involved with my local IRES chapter as a State Chair during my tenure with the Louisiana Department of Insurance. I then decided I wanted to be more involved in national IRES and ran for a position on the Board of Directors. Since becoming a member of the Board in or around 2012, I have been Vice Chair of the Meetings and Elections Committee and also Vice Chair of the Publications Committee.

Tell us why you find involvement with IRES to be valuable.

I find involvement with IRES valuable in many ways. IRES offers many learning opportunities within various fields of study. Insurance regulation encompasses a wide area of knowledge and I'll be the first to admit, I don't know everything; far from it actually. Therefore, the ability to increase knowledge in so many different areas is certainly very important and IRES is a great way to help with that.

I also find the ability to network through IRES to be extremely valuable. Whether through committee work, CDS, or other opportunities afforded by membership in IRES, I have met and spoken with many wonderful people over the years.

Do you have any wise words/ tips for new IRES members or those that are new to insurance regulation?

Learn everything you can. Insurance regulation may not be the flashiest career but it serves an important purpose. When I started out in insurance regulation I was in my mid-20s, fresh out of graduate school, and had no idea what I wanted to be when I grew up. However, I made it a personal goal to learn as much as I could no matter what I was doing. Knowledge really is power.

As for new IRES members, my best advice is to just get involved. Be active in your local state chapter. If you don't have a local state chapter, start one. Sit on one or more of the IRES committees and learn about all of the different functions which make up IRES as a whole. There is a lot of value to be found just by getting involved.

When you are not working, what are your passions/hobbies?

I really enjoy cooking (and eating). I'm big on using my smoker to cook just about anything (except gumbo and jambalaya...there's a process for that). I enjoy spending time outside on the patio where I usually watch sports (Geaux LSU Tigers!) and where I pretend to be some sort of cigar aficionado and craft beer snob. Also, my son recently finished his second "season" of organized baseball so I find myself in the yard with a glove and a ball more often than not.

What do you see as your biggest accomplishment?

Personal or professional. My biggest accomplishment, by far, is becoming a dad and having a mini-me to impart all of my wisdom onto; whether he wants to hear it or not. ■

LOUISIANA

CONGRATULATIONS TO OUR NEW MEMBERS

General Members

- Rasheda Chairs, Maryland
- Stewart Freilich, Missouri
- Shasta N. Hoffhein, Wisconsin
- Jammie Jaffurs, Oklahoma
- Mary K. Lucas, South Carolina
- Jeni L. Meldrum, Missouri
- Palmer Nelson, Alabama
- Eva Priebe, Nebraska
- Karina Ruthenberg, Pennsylvania
- Shelly D. Scott, Oklahoma
- Tasha Sizemore, Oregon
- Molly White, Missouri

Individual Sustaining Members

- Jeanne Curry, *Argo Group US, Inc.*
- David Danner, *State Auto Insurance*
- Elizabeth A. Kilinski, *Sentry Insurance*
- Cristina Larive, *Assurant*
- Jennifer T. Lesieur, *Talcott Resolution Life Insurance Company*
- Colette Paparesta, *Assurant*
- Marcel Velasco, *Rillea Pax*

Firm Sustaining Members

- Chesapeake Employers Insurance Company
- Global Atlantic Financial Group
- ICW Insurance Group

CONGRATULATIONS TO THE NEWEST IRES DESIGNEES

Stephan Donk	AIE
John Drake	AIE
Jammie Jaffurs	AIE
Jammie Jaffurs	CICSR
Anna S. Null	CIE
Troy Smith	CIE
Brian Werbeloff	AIE

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Ben Darnell, MCM

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FALL 2019

Editor's Corner



Stephanie Duchene

Fall brings with it changing leaves, cooler temperatures and a new issue of The Regulator! In this issue of The Regulator we have an in-depth look by Howard Kunst into how climate change is impacting the insurance industry and how the use of climate data and catastrophe models can help the industry develop a risk management program. We also hear from long time IRES member and former President Holly Blanchard on what IRES means to her. Kathy Donovan keeps us Zoned in on changing laws and regulations. We get to know IRES member Ben Darnell from Examination Resources. Finally, Committee Chairpersons Martha Long (Membership and Benefits) and Shelly Schuman (CDS) keep us informed on what's happening at the committee level at IRES.

Thank you to everyone that attended the 2019 Career Development Seminar (CDS) on August 18-21 in Spokane Washington and congratulations again to this year's award winners! Please save the date for the IRES Foundation National School on Market Regulation on April 26-28, 2019 in Santa Ana Pueblo, New Mexico.

Please let me know if you have any feedback on this issue, or ideas for upcoming issues. It's your organization: make sure your voice is heard — right here in The Regulator!