



The State of New Hampshire Insurance Department

21 South Fruit Street, Suite 14
Concord, NH 03301

David J. Bettencourt
Commissioner

Keith E. Nyhan
Deputy Commissioner

To: Federal Insurance Office

From: Commissioner David Bettencourt, New Hampshire Insurance Department

Re: Response to request for comment on Federal Insurance Office climate-related data call directly to insurers

November 28, 2023

Thank you for the opportunity to comment on FIO's pending initiative regarding a countrywide data call on writers of personal lines homeowners' coverage. My staff and I have reviewed the proposal and would like to voice some concerns about the plan.

We share FIO's desire to understand the complex and variable effects that the changing climate has on the needs of homeowners and the availability of market solutions through competition. Recent increases in frequency and severity of weather events necessitate action from regulatory authorities to understand the situation. We contend that state insurance departments, in coordination with the NAIC, are best equipped to collect policy data from carriers in the effort to understand availability and affordability of insurance at the zip code level. In fact, over the last six months, the NAIC has worked rapidly with state regulators to develop a targeted data call for this very purpose.

The proposed action of FIO would be duplicative of the efforts of the NAIC and state regulators and is directly in violation of FIO's Duty to Coordinate as set out in 31 U.S.C. §313 (e) (4). This statute specifically requires that FIO, prior to issuing a data call directly to insurers, coordinate in advance with the NAIC and state regulators to determine whether the information may be obtained in a timely manner through the NAIC and state regulators instead of going directly to the insurers. We request that, instead of issuing your own insurer data call, you work with the state regulators through the NAIC to ensure that you get the data you need through the data call that the NAIC will be issuing in the near future.

The New Hampshire Insurance Department is not likely to abandon its work through the NAIC to develop a targeted data on climate-related issues. The information we will get from insurers is far more useful than the information it appears FIO would be able to acquire. For example, assuming FIO goes ahead with its sampling approach and collects data from the 14 largest groups countrywide, we estimate that only 54% of the New Hampshire homeowners' market would be included. This is due to the large number of local and regional carriers we have in our state including Vermont Mutual (4.3% of 2022 homeowners' written premium),

Amica (3.7%) and Merrimack Mutual (3.6%). We would not be surprised if large areas of our state would end up with very limited results from the FIO approach. Additionally, this does not account for various types of homes. We have specific concerns that owners of mobile homes would be completely left out of the FIO analysis since these consumers are serviced by only a few carriers in New Hampshire and not among those who meet the FIO threshold for inclusion in the study.

Another concern we have is the collection of both premium and loss data in the FIO approach. Although it is most appropriate to collect loss data at the accident year level, best practices would be to align those data with earned premium for those same years. Calculating loss ratios with accident year losses and calendar year written premium, as FIO proposes, would inject errors from the outset. This is especially true if we suspect there are material changes in written premium over the period being reviewed. There is the potential for underestimating the accident year loss ratios in this analysis masking the real challenges to the insurance market. This problem was discussed thoroughly by regulators in preparation for the NAIC led data call. The consensus was to focus on premium and renewal trends considering the question at hand and forego loss data.

The longstanding tradition of effective state-based regulation has allowed each NAIC member jurisdiction to develop expertise in insurance market investigations. We are working cooperatively to create a more extensive and better suited data collection tool. It is unlikely we will end this effort if FIO goes forward with its plan. The dualling data calls would be a burden to the countrywide carriers. We ask that the FIO reconsider its actions and, instead, pursue an approach that is coordinated with the NAIC's data call as FIO is required to do under its enabling statute.

Sincerely,



DJ Bettencourt

Commissioner

New Hampshire Insurance Department