

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6677)
Date	29 September 2005
Reference	Y3636
Subject	Hurricanes Katrina and Rita: further regulatory developments
Subject areas	Insurance from the US states affected by Hurricanes Katrina and Rita
Attachments	Memorandum dated September 21, 2005, on "Hurricane Katrina reporting requirements"
Action points	Please note, particularly requirement to provide Hurricane Katrina claims information at county/parish level
Deadlines	These requirements apply immediately

Purpose of bulletin

This bulletin is intended to update the Lloyd's market on US state regulatory developments arising from Hurricanes Katrina and Rita.

Reporting requirements – Alabama, Florida, Louisiana and Mississippi

Alabama, Florida, Louisiana and Mississippi are participating in a coordinated data gathering exercise in relation to Hurricane Katrina insurance claims. This is set out in the attached memorandum, addressed to "all property and casualty insurers writing business in any of the states of Alabama, Florida, Louisiana and Mississippi." This reporting requirement replaces the request for claims data made by the Louisiana Department of Insurance and commented on in Lloyd's market bulletins Y3627 and Y3629.

Lloyd's is providing the required information on an aggregate basis, on behalf of Lloyd's as a whole. Consequently there is no need for managing agents, or others on their behalf, to submit their own claims information.

Lloyd's reporting is based on data centrally available. This requires Xchanging Claims Services ("XCS") to record the requested information on the CLASS system. This, in turn,

means that brokers must provide the necessary information when presenting claims files to XCS. As phase I of the information collection requires data by county (or parish, in the case of Louisiana), it is necessary to provide a split between affected geographical territories by county or parish for all direct Hurricane Katrina advices.

XCS issued a bulletin on 23 September, 2005 to Lloyd's brokers and managing agents, asking for a split at county/parish level when claims files are presented to XCS. This applies to claims presented under binding authorities, under other facilities and on an open market basis. Lead underwriters of binding authorities will therefore need to ensure that coverholders or those reporting claims provide the county/parish location of Hurricane Katrina claims. External loss adjusters have also been asked to include county/parish details of all locations affected by Hurricane Katrina on their reports.

This does not apply to reinsurance claims and it is appreciated that it is not possible to provide the county of a claim's location in all cases (for example, for offshore claims). The reports submitted by Lloyd's to US state regulators can take this into account.

The quality of the data collected by XCS will depend on the quality of the information XCS receives from coverholders, via managing agents, and from Lloyd's brokers. If Lloyd's is unable to provide sufficient quality information at the level of detail requested by state insurance regulators, it is possible that regulators will instruct each Lloyd's managing agent to file separate claims returns in full compliance with these requirements.

Extension of State of Emergency in Louisiana

On August 26, 2005 a state of emergency was declared in Louisiana, due to Hurricane Katrina. This has been extended by Proclamation No. 54 KBB 2005 for an additional 30 days, from September 25, 2005 until October 25, 2005. The period of the state of emergency determines the period for which certain regulatory obligations are in effect, such as some of the provisions of Emergency Rule 15.

Texas: regulatory obligations put in place due to Hurricane Rita

To date, the Texas Department of Insurance has issued eleven Commissioner's bulletins relating to Hurricane Rita, containing guidance and instructions for insurers.

These bulletins are listed on Lloyd's webpage entitled [Hurricanes Katrina and Rita: regulatory developments](#). The bulletins themselves can be accessed through the [Texas Department of Insurance website](#). The subjects of these bulletins can be summarised as:

- B-0047-05 Relates to provision of health and medical benefits and concerns prescription medication coverages.
- B-0048-05 Relates to provision of health and medical benefits and concerns out-of-network services.
- B-0049-05 Relates to provision of life, health and medical benefits and concerns claim filing deadlines.
- B-0050-05 Encourages insurers to suspend premium payments to allow continuing insurance coverage.

- B-0051-05 Allows use of non-resident and emergency adjusters.
- B-0052-05 Urges insurers to be considerate when using credit scoring in rating.
- B-0053-05 States that it is inappropriate for insurers to take certain actions in relation to rates and coverage as a result of an individual being a victim of, or an evacuee from, Hurricane Rita.
- B-0054-05 Relates to provision of health and medical benefits and concerns medical necessity reviews, pre-authorisations and the like.
- B-0055-05 Relates to provision of health and medical benefits and concerns medical equipment and services.
- B-0056-05 Relates to Workers Compensation benefits.
- B-0059-05 Concerns claims settlement practices and makes it clear that adjusters should not require a policyholder to acknowledge the cause of loss when receiving benefits for additional living expenses.

Further information

If you have any queries about this market bulletin, please contact Lloyd's Worldwide Market Services:

Lloyd's Worldwide Market Services
Tel: 020 7327 6677
Email: market.services@lloyds.com
Box 190b, Gallery 1

This market bulletin has been sent to active underwriters and to the compliance officers of managing agents and Lloyd's brokers.

Julian James
Director,
Worldwide Markets

Insurance Disaster REPORTING SYSTEM



MEMORANDUM

Date: September 21, 2005

To: TO ALL PROPERTY AND CASUALTY INSURERS WRITING BUSINESS IN ANY OF THE STATES OF ALABAMA, FLORIDA, LOUISIANA AND MISSISSIPPI

From: Walter A. Bell, Commissioner, Alabama Department of Insurance
Kevin M. McCarty, Commissioner, Florida Office of Insurance Regulation
J. Robert Wooley, Commissioner, Louisiana Department of Insurance
George Dale, Commissioner, Mississippi Insurance Department

SUBJECT: HURRICANE KATRINA REPORTING REQUIREMENTS

NOTE: This informational Memorandum supercedes the Hurricane Katrina data call issued by the Alabama and Louisiana Departments of Insurance.

Due to the recent catastrophic impact of Hurricane Katrina on the Gulf Coast, Alabama, Florida, Louisiana and Mississippi (the Collective States), are participating in a coordinated data gathering effort with a common Disaster Reporting System. This effort is necessary to provide much needed information to state insurance regulators, as well as information for local, state, and federal officials responsible for making policy decisions for the relief and rebuilding effort over the next several months and years.

All property and casualty insurers transacting direct business in the Collective States, including surplus lines carriers, are required to submit to the Disaster Reporting System, certain information for claims resulting from Hurricane Katrina and the financial impact of Hurricane Katrina on a state-by-state basis for each of the Collective States. The information will be collected in three phases:

- ❑ **PHASE I: Claims, Financial Projections and General Information** (Biweekly basis)
- ❑ **PHASE II: Line-of-Business Reporting** (Monthly basis)
- ❑ **PHASE III: General Claims Adjudication Data** (Monthly basis)

Information regarding Hurricane Katrina should be submitted to the secured Disaster Reporting System at the following website: <https://www.insurance-disaster-reporting.org>. Additionally, the Collective States' Departments of Insurance have outlined below the initial Reporting Guidelines and Reporting Criteria for each phase.

REPORTING GUIDELINES:

PHASE I – Claims, Financial Projections and General Information

Each insurer shall provide the required information beginning at **8:00 AM CT on Monday, September 26, 2005** for the most recent information available. Each insurer's initial

submission shall be completed not later than 5:00 PM CT on Wednesday, September 28, 2005. The required information under PHASE 1 shall continue to be provided on a biweekly basis not later than 5:00 PM CT each Wednesday, until the insurer receives notice from the Collective States regarding changes to the Reporting Guidelines. The information for Hurricane Katrina can be submitted on a company or group basis, however, the basis must be consistently applied throughout future reporting periods. Please have the *NAIC company code/group-code* available for the company/group, as well as the *NAIC Internet Filing ID* when accessing the system.

If a company has no exposure in each of the Collective States, under the PHASE I report type, select: *"The Company has no exposure in [State]."* Continue through the end of the Reporting Guidelines process. Once this task has been performed, the company will not need to report again for Hurricane Katrina for any phase, unless the company gains direct exposure in one of the Collective States.

If the company has exposure in each of the Collective States, but has not yet received claims as a result of Hurricane Katrina, under the PHASE I report type, select: *"The Company has exposure in [State], but has not yet received any claims as a result of Hurricane Katrina."* Continue through the end of the Reporting Guidelines process. Once this task has been performed, the company will not need to report again for Hurricane Katrina, until the company receives one (1) or more claims during the required reporting timeframe in one of the Collective States.

PHASE II – Line-of-Business Reporting

The required information shall be submitted on a monthly basis, not later than 5:00 PM CT on the fifth (5th) business day of the each month, for the immediately preceding month. Each insurer shall provide the required information beginning at **8:00 AM CT on Tuesday, November 1, 2005**. The first report shall be for the **month of October** and shall be submitted not later than 5:00 PM CT on Monday, November 7, 2005. Each submission shall contain the cumulative results experienced by the insurer from Hurricane Katrina. If a company has no exposure in one of the Collective States, the company will not need to report for this phase, unless the company gains direct exposure in one of the Collective States.

PHASE III – General Claims Adjudication Data

The required information shall be submitted on a monthly basis, not later than 5:00 PM CT on the fifth (5th) business day of the each month, for the immediately preceding month. Each insurer shall provide the required information beginning at **8:00 AM CT on Thursday, December 1, 2005**. The first report shall be for the **month of November** and shall be submitted not later than 5:00 PM CT on Wednesday, December 7, 2005. If a company has no exposure in one of the Collective States, the company will not need to report for this phase, unless the company gains direct exposure in one of the Collective States.

REPORTING CRITERIA:

If a company has exposure in each of the Collective States and has received claims as a result of Hurricane Katrina, the following information must be submitted on a state-by-state basis for each of the Collective States:

PHASE I- Claim, Financial Projections and General Information

Claims Information for Areas in Which Claims Have Occurred

1. Number of Claims Reported to Date, by County;
2. Number of Claims Determined to be a Total Loss, by County (Total loss is defined as a claim that requires settlement of the maximum amount of insurance on the covered property.);
3. Total Claim Payments to Date, by County (Claim payments include additional living expenses (ALE), business interruption (BI), structure coverage, and contents coverage.);

Financial Projections

4. Best Estimate of Expected Gross Loss resulting from the hurricane;
5. Projected Net Retention resulting from the hurricane (net of all reinsurance, include any state Hurricane Catastrophe Fund coverage);

General Information

6. Location, contact information and hours of operation for any mobile response units that are currently assisting with the hurricane; and
7. Contact information for the individual submitting the information.

PHASE II- Line-of-Business Reporting

The following information should be provided for these specific lines of business:

- | | |
|--|---|
| <input type="checkbox"/> Fire and Allied Lines, | <input type="checkbox"/> Private Passenger Auto |
| <input type="checkbox"/> Farmowners, | (PPA) Physical Damage, |
| <input type="checkbox"/> Homeowners, | <input type="checkbox"/> Ocean Marine, |
| <input type="checkbox"/> Mobile Homeowners, | <input type="checkbox"/> Flood insurance, and |
| <input type="checkbox"/> Commercial Multi-Peril, | <input type="checkbox"/> Other Lines. |
| <input type="checkbox"/> Commercial Auto Physical
Damage, | |

1. Total number of claims reported to date.
2. Total number of claims determined to be a total loss (Total loss is defined as a claim that requires settlement of the maximum amount of insurance on the covered property.).
3. Total dollar (\$) amount paid to policyholders, excluding contents and structure coverage, but including Additional Living Expenses (ALE) paid, business interruption paid, and casualty exposure paid.
4. Total dollar (\$) amount of contents coverage paid.
5. Total dollar (\$) amount of structure coverage paid.
6. Total dollar (\$) amount of claim payments made to date. This column should equal the total of Items 3, 4, and 5 above.

The specified lines of business are consistent with those defined by the *National Association of Insurance Commissioners (NAIC) Property/Casualty Annual Statement Instructions* and detailed in the statutory financial statements of the company.

PHASE III- General Claims Adjudication Data

For the purposes of this report:

- "Adjusted" is defined as a claim that has been evaluated and for which a settlement offer has been made to the claimant.
- A "closed claim" is defined as a claim that has been settled, the claimant has received payment, and no additional payments for this claim are expected to be incurred by the insurer.
- Aging should begin with the date the claim was reported.
- For Items 7 through 13, include only claims that are still open or have been reopened, not those claims which have been closed.
- If a claim has been closed and then reopened, do not report them in both categories; report it as an open claim only.

1. Total number of claims reported to date;
2. Total number of claims where the company has made contact with the policyholder;
3. Total number of adjusted claims (includes claims that have been adjusted as a result of desk reviews or on-site examinations);
4. Average number of days to adjust the claims reported in Item 3 above;
5. Number of closed claims where no additional payments to the policyholder are anticipated;
6. The average number of days to close the claims reported in Item 5 above;
7. Number of claims open for less than thirty (30) days;
8. Number of claims open for thirty (30) days or more than thirty (30) days and less than sixty (60) days;
9. Number of claims open for more than thirty (30) days and less than sixty (60) days, where only additional living expense (ALE) payments have been made to policyholders;
10. Number of claims open for more than sixty (60) days and less than ninety (90) days;
11. Number of claims open for more than sixty (60) days and less than ninety (90) days, where only additional living expense (ALE) payments have been made to policy holders;
12. Number of claims open for more than ninety (90) days; and
13. Number of claims open for more than ninety (90) days, where only additional living expense (ALE) payments have been made to policyholders.

The Collective States' Departments of Insurance will issue further instructions regarding this method of disaster reporting when necessary. If an insurer has any questions regarding submitting information on the Disaster Reporting System, the *NAIC Internet Filing ID* for a company or group, and/or general questions regarding the Reporting Guidelines or Reporting Criteria, please contact the **NAIC Help Desk at 816-783-8727 or e-mail at help@naic.org**.

However, if an insurer has concerns with their ability to produce any of the Reporting Criteria, please contact each state in which losses have been incurred at the following:

Alabama: Alabama Department of Insurance at (334) 269-3550 or e-mail at Insdept@insurance.alabama.gov

Florida: Market Research Program – Data Collection Unit at (850) 413-3147 or e-mail at DisasterReporting@fldfs.com

Louisiana: Actuarial Division at 225-342-4689 or e-mail at disasterreporting@ladi.com

Mississippi: Examination Division at (601) 359-3569 or e-mail at finanexam@mid.state.ms.us