Deloitte.

2024 insurance regulatory outlook

Center *for* Regulatory Strategy US

A message from the Deloitte Center for Regulatory Strategy

2024 arrives with solidifying attempts by insurance regulators to create robust frameworks during a time of a multidimensional structural change in the industry.

Insurance market regulators have committed themselves to bolster their vision of a secure, vibrant marketplace in an uncertain world. These structures are fashioned to help policyholders navigate the market, protect them in it, and address continuing or widening insurance coverage gaps. Some of these structures are expected to take shape in the coming year at the state and federal levels; however, some have advanced into law and rules, teed up for enforcement.[1]

Shifts in the insurance regulatory environment will likely continue unabated as technology advances against a backdrop marked by inflationary pressures, economic slowdowns, and geopolitical turmoil that threatens to fragment markets and alliances further.[2] The International Monetary Fund (IMF) declared that the global economy "is limping along, not sprinting," and that growth is marked by unevenness and growing global divergence.[3] JPMorgan Chase CEO Jamie Dimon declared in an October 2023 earnings report that "now may be the most dangerous time the world has seen in decades."[4] He was referencing the effect of geopolitical upheaval on international alliances and trade as well as on society's consumption markets.[5]

Yes, there is cause for concern amid a year of macroeconomic uncertainty and structural change.[6] Will geopolitical strife, the potential chaos of novel election-year issues, and lingering inflationary pressures distract or stir instability in some insurance markets? Will climate change and extreme weather events further augment vulnerabilities and increase solvency, economic, and humanitarian challenges? Will growing or new state or federal disclosure frameworks become onerous and costly for firms and pose challenges in their incorporation into governance, compliance programs, and operations? Will firms get the approvals and transition times they need to remain solvent while serving stressed markets?[7]

Fortunately, the insurance industry has become acclimatized to this proactive protective posture and should use its muscle memory to work vigorously to prepare throughout the organization.

In our regulatory outlook this year, we have identified four key stances firms should harden in 2024:

1. Deepen attention to detail in new consumer-centric rules including protective frameworks, as technology advances.
2. Fashion a multi-pronged, layered, and comprehensive response to a bevy of solvency and capital regulatory expectations.
3. Undertake systemic institution-wide planning for what's expected, but anticipate the unexpected.
4. Expand the ability to ask for assistance internally and externally in a world of increasing compliance complexity and structural change.

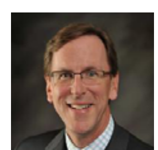
We will explore the following topics through this lens, however clouded it may be due to uncertainties before us. Vigilance amid these structural and geopolitical changes will remain key to insurers' compliance success.

We hope that you find our outlook to be a guiding document among the host of regulatory changes and challenges and surprises 2024 is expected to bring. As always, we are here to help you chart the course.

Sincerely,

David Sherwood
Managing Director
Deloitte & Touche LLP

Irena Gecas-McCarthy
Principal
Deloitte & Touche LLP



Jim Eckenrode
Managing Director
Deloitte Services LP

Contents

Risk, governance, and controls 1

- AI and external data use controls come into focus
- AI use growing, with regulators trying to keep pace
- Eyes on federal efforts to monitor and support AI use
- Cybersecurity remains a crucial focus
- What firms should be doing now: Risk, governance, and controls focus

Solvency hygiene and management 9

- Domestic capital oversight
- International capital oversight
- What firms should be doing now: A solvency focus

Consumer protection and supersizing customer care 14

- Consumer education and addressing the protection gap
- Consumer data privacy protection
- Structural change in the retirement investment arena
- A new DOL fiduciary rule emerges
- What firms should be doing now: A consumer focus

Climate change and risk preparedness 19

Demand for insurance data on climate grows—with growing regulatory consequences

Beyond the states, a call for more precise national and regional data

Loss mitigation and attempts to reduce consumers' premium rates

Heightened congressional inquiries

What firms should be doing now: A climate risk focus

Bringing focus to 2024 25

Endnotes 26

Contacts 34

Risk, governance, and controls

AI and external data use controls come into focus

Insurers are increasingly expanding their utilization of artificial intelligence (AI) throughout the insurance product life cycle. A National Association of Insurance Commissioners (NAIC) survey found that 70% of homeowners' insurance companies in states participating in the survey plan to use, explore using, or are already using AI/machine learning (ML) in their operations. The number was higher—reaching 88%—for private passenger insurers, according to an NAIC summary.[8]

AI use was highest in claims, including subrogation claims triage and evaluating images of loss, followed closely by underwriting and marketing, fraud detection, for rating, and lastly, for loss prevention.[9]

Of interest: Because of AI fraud detection techniques adopted by insurers, regulators could underscore their importance in solvency maintenance. As the NAIC noted in 2021, insurance fraud costs insurers and consumers billions of dollars each year. State departments of insurance have stressed that "it is imperative that insurers make detection, investigation, and reporting of suspected fraud a priority in their overall operations. Failure to dedicate resources to the fight against insurance fraud can affect an insurer's financial stability as well as the rates charged to consumers." While antifraud plans are not required in each state, insurers who use AI for fraud management also must maintain guardrails addressed by state AI guidelines that are sure to come.[10]

The NAIC has been working for more than a year on developing and finalizing a principles-based bulletin state regulators can use to set governance and conduct expectations for their licensees.[11]

AI use growing, with regulators trying to keep pace

It is unlikely that any of these activities will slow down in order for most regulators to prescribe rules. Thus, commissioners have turned to a principles-based approach.

The NAIC sharpens its focus on AI

The NAIC's *Model Bulletin: Use of Artificial Intelligence Systems by Insurers* (hereafter, "AI model bulletin") with its principles-based approach has been endorsed by the insurance industry, was adopted on December 4, 2023, despite some misgivings by consumer advocates.[12] Significantly, the AI model bulletin creates no new laws nor seeks to—at this time. It does encourage, but does not mandate, testing for unbiased outcomes. It is meant as guidance, not as a model law.[13]

The AI model bulletin was created to be issued by state insurance departments to instruct insurers that "decisions impacting consumers that are made or supported by advanced analytical and computational technologies, including AI systems, must comply with all applicable insurance laws and regulations. This includes those laws that govern unfair trade practices." The bulletin acknowledges that although AI can spur innovations and efficiencies that benefit consumers, it comes with unique risks. Its definitions were crafted during the drafting process to align with National Institute for Standards and Technology (NIST) standards.

According to the new AI model bulletin, the AI program that an insurer adopts and implements should consider:

- The nature of the decisions being made, informed, or supported using the AI system.
- The type and degree of potential harm to consumers resulting from the use of AI systems.
- The extent to which humans are involved in the final decision-making process.
- The transparency and explainability of outcomes to the impacted consumer.
- The extent and scope of the insurer's use or reliance on data, predictive models, and AI systems from third parties.

Third-party data use: Third-party data use **is a key component** of the NAIC AI model bulletin's regulatory guidance and expectations section. As in other areas where companies leverage external data sets to service insurance functions, the use of third-party vendors that furnish this data is a major element in emerging guidance from regulators.

Much of the tension between industry and regulators centers on state regulators' expectations for third-party models supplied to insurers. These third-party vendors are not licensed insurers, although they contract with them and consider their models proprietary.

If insurers cannot answer questions sought by their supervisors on data use, including model inputs and outputs, efforts could grow to require oversight—if not by the regulator, then by the licensee. This could put insurers in a tricky situation because "third-party vendors may be unwilling to provide proprietary information regarding their data or models directly to insurance companies," according to the Insured Retirement Institute.[14]

Language of the agreements and the permissions granted or not granted between parties will be potent areas of tension.

The AI model bulletin also recommends the use of contract language between insurers and third parties that would state that these outside data and model vendors maintain an AI system program that is up to the standards expected of the insurers by their state regulators.

Some state insurance regulators have told industry participants in open meetings that third parties will need to be involved especially if oversight grows to include testing methodologies for bias or unfair discrimination against protected classes. Further, they want insurers to be able to show that the models or data sets they use are not discriminating. They will also be asking how insurers can have power to negotiate such assurances with the vendors.[15]

Issues with insurer oversight of third-party data providers coupled with pressure from some states and from consumer advocates to get bias testing protocols in place could spark further discussion about the potential for licensing service providers. No such regulatory framework yet exists, but steps could be taken to create one if AI systems gain the primacy in such aspects of insurance as marketing, underwriting, claims, and fraud detection, affecting consumers and their coverage, protections—and their wallets—directly.[16] The NAIC will be working in a collaboration forum on what potential enforcement tools to use (and the development of such tools) for AI oversight in 2024. The NAIC's Innovation, Cybersecurity & Technology Committee will also be focusing on a potential new framework for the use of third-party models by insurers.[17]

Colorado sets highest bar for AI anti-bias rules

AI and predictive modeling systems will likely be tested, quite literally, this year by one state insurance department that has leapt into the forefront of efforts to prevent and correct unfair discrimination that new internal systems must now be primed to detect.[18] Colorado's new oversight regime will create enormous responsibilities for insurers doing business in the state.

A bias testing framework for insurers using external data is gearing up to become effective for the first time in 2024 as the Colorado regulations under development to monitor and test for AI are implemented. These watershed regulations from one state will affect a large segment of the industry, as many large national and foreign insurers are licensed in the Centennial State.[19]

The advent of the new Colorado Division of Insurance regulation regime holds insurers accountable for testing their AI/data systems using external data, whether they collect it themselves or it is modeled by a third party.[20]

Make no mistake: It is one of the most significant laws in terms of impact to insurers, and work should be underway now to incorporate it into governance and operational systems. First, life insurers doing business in Colorado are now subject to new governance and risk management framework requirements for the unbiased use of external consumer data and information sources (ECDIS), algorithms, and predictive models that went into effect in November 2023.[21]

- By June 1, 2024, life insurers must submit a narrative report summarizing their progress to comply with a documented risk management framework, any challenges and issues encountered, and the expected completion date for meeting the requirements. Annually, beginning December 1, 2024, the Division mandates a new narrative report summarizing the company's compliance with the components of this framework, including a corrective plan.[22]
- A quantitative testing regulation is currently proposed **to take hold in 2024**. Compliance could be required **as soon as April 1, 2024**, and annually thereafter.[23] Colorado regulators have made clear Colorado wants a well-working testing framework and practice in place as expeditiously as possible.[24] The life insurance policies covered by the proposed testing regime are permanent and term life.
- **The new life insurance testing regime would require annual testing** for unfair discrimination by race or ethnicity using linear regression to model outcomes for premium rates charged in policies extended to Hispanic, Black, Asian/Pacific Islander, and White insureds. Insurers would use the Bayesian Improved First Name Surname Geocoding (BIFSG), a statistical methodology for imputing race and ethnicity.[25]
- **If unfair discrimination is detected by the calculations**, life insurers would then test their data sets or the third-party data sets to identify the specific variable or variables contributing to the observed differences. If any of the identified variables exhibit a statistically determined difference, that variable—as well as the algorithm or predictive model involved—will be deemed unfairly discriminatory. Insurers whose models trigger this finding of unfair discrimination must then conduct additional testing to demonstrate the remediation's effectiveness.[26]

A property and casualty (P&C) governance risk framework as well as a P&C testing framework along the same lines, roughly, will both be developed in the coming months by Colorado regulators.

The process might encourage other states to act; some are already monitoring or studying outcomes for bias as well, while other states are expected to publish their own AI guidance.[27] New York's forthcoming AI guidance is an example.[28]

Colorado testing guidelines could prompt more complex questions

The testing guidelines could likely raise additional questions and concerns among actuaries and their communities around negative outcome measurements, definitions, and relationships to risk. This process is potentially open to adjustments as real-world applications meet new assessment and measurement protocols.[29]

While other jurisdictions have not replicated the Colorado approach, at least one jurisdiction, the District of Columbia (DC), could forge ahead with its own bias screening. The DC Department of Insurance, Securities and Banking (DISB) has conducted a study to analyze whether data used by auto insurers in both the application and underwriting process "may cause harm to Black, indigenous, people of color, and other protected classes of Washington, DC consumers".[30] Other states are expected to issue AI guidance as well, so insurers should remain vigilant to expectations from key states and coordinate their AI governance oversight measures to follow existing unfair discrimination laws as well as comport with new state statutes.

The report's findings could spur local legislation to address bias or unfair discrimination.[31] Such legislation would come into play if the DISB finds marked differences in underwriting decisions or pricing between or among applicants of different races or ethnicities, as inferred using existing methodologies.[32]

Eyes on federal efforts to monitor and support AI use

Federal administrative and legislative efforts over the past few years have tried to cover many AI policy issues to protect consumers, US national security, and market participants. Some are nascent and others aspirational. All parties, however, have shown a willingness and commitment to craft solutions to encourage innovation but to be nimble enough to prevent or mitigate harm before it can replicate into a system where control has been forfeited. Demand for control, accountability, and sharing of model outputs with government officials is growing, and stances on AI use are hardening.

The Biden administration continues to act following the release of its 2022 *Blueprint for an AI Bill of Rights*, a voluntary framework, and the NIST voluntary guidance.[33]

The stronger and more urgent Executive Order (EO) issued in late October 2023, for safe, secure, and trustworthy AI requires developers "of the most powerful AI systems" to share their safety test results and other critical AI information with the US government.[34] It also mandates that companies who are developing any AI model that has potential national security, economic security, or public health and safety risks notify the federal government when training the model as well as share the results of their adversary simulation tests. Its eight guiding principles put stakeholders on notice that AI development must be safe, secure, and consistent with the administration's position to promote equity and protect civil rights.[35]

The administration tasked the NIST with setting rigorous standards for extensive testing before public release of certain AI models and seeks to establish a new AI Safety and Security Board. NIST has also sought to address the "harmful impacts stemming from AI" that are "able to ripple into the broader society through exploring remedies to mitigate bias."[36]

Meanwhile, the Consumer Financial Protection Bureau (CFPB), Department of Justice (DOJ), Equal Employment Opportunity Commission (EEOC), and Federal Trade Commission (FTC) issued a joint statement in April 2023 asserting that existing legal authorities also apply to AI use after expressing concern that AI use has the potential to perpetuate unlawful bias, automate unlawful discrimination, and produce other harmful outcomes.[37]

The administration termed the new multi-agency AI oversight system "the most significant actions ever taken by any government to advance the field of AI safety."[38]

In the legislative arena, a proposed National AI Commission Act (HR 4223) would establish an independent commission to be called the National AI Commission.[39] The Senate recently unveiled a regulatory framework called the SAFE Innovation Framework for AI that welcomes growth but wants safeguards that work well to prevent stifling innovation.

Momentum for a legislatively created AI framework is growing to create bipartisan legislation in Washington, despite the tensions that accompany a presidential election year. Lawmakers have been working to legislate a solution.

"Make no mistake, there will be regulation. **The only question is how soon and what?**," stated US Sen. Richard Blumenthal, chair of the Senate Judiciary Subcommittee on Privacy, Technology, and the Law, at a September 2023 hearing on AI oversight.[40] Blumenthal, along with Committee Ranking Member Josh Hawley, R-Mo., announced a blueprint for a bipartisan legislative framework.[41]

This framework would create guardrails for the use of AI—an independent oversight body and licensing regime. Civil rights, consumer privacy, and national security would also be addressed by lawmakers under this blueprint.[42]

Cybersecurity remains a crucial focus

As AI becomes more sophisticated, cybercrimes by criminal state actors could increase in election meddling and elsewhere, and the advent of AI deepfakes could make systems even more vulnerable.[43] Its use could increase fraud throughout the marketplace, including in insurance applications, and be harder to detect.[44] Treasury has warned that it is a matter of when, not if, the nation experiences a catastrophic cyber event.[45]

Expect scrutiny from states and federal agencies on cybersecurity rule implementation while consideration of a proposed federal backstop gathers momentum.

New York cyber rules in place, ready for enforcement

In New York, the expanded cybersecurity rule will now require financial services firms, including insurers, to maintain an implemented written policy to be reviewed annually by a governance committee. While initial updates to reporting requirements for the revised cyber rules have already gone into effect as of December 1, the policy changes are due to be in place by firms in April, with rolling requirements thereafter.[46] The updates to the rule include enhanced governance and more precise executive-level management and board responsibilities, the requirement to report any cyber ransom payments, and enhanced safeguards for sensitive data.

New York's Department of Financial Services (DFS) wants to see tailored cybersecurity policies and procedures in place as part of a rigorous program based on a covered company's risk assessment.[47] Core features must include, for example, the ability to identify and assess internal and external cybersecurity risks to nonpublic information stored on the covered entity's information systems and apply "defensive infrastructure" to protect the covered entity's information systems and nonpublic information.[48]

Moreover, New York's large or Class A companies must conduct an independent audit of their cybersecurity functions and program at least annually, according to the proposed regulation.[49] These companies are defined by threshold size: they have at least $20 million in gross annual revenue in each of the past two fiscal years from business operations and average more than 2,000 employees over the past two fiscal years, or they have more than $1 billion in gross annual revenue in each of the past two fiscal years.[50]

A federal cyber backstop in the works?

At the federal level, the Federal Insurance Office (FIO) continues to discuss collaborative work related to a request for information on a catastrophic cyber backstop, along the lines of the Terrorism Risk Insurance Program (TRIP).[51] Active discussions follow a recommendation from the Government Accountability Office (GAO) that FIO and the Cybersecurity and Infrastructure Security Agency (CISA) at the Department of Homeland Security (DHS) work together.[52] The federal agencies seek to determine if the risks to US critical infrastructure from cyberattacks warrant a federal insurance program to support the existing insurance cyber market.[53]

FIO and CISA have been evaluating a potential program and have collected feedback on a potential insurance program, in the form of a federal insurance backstop, to help absorb some of the cost of insuring a catastrophic cyber incident. The agencies are advocating for further exploration of a potential proper federal insurance response to catastrophic cyber risk to see if it is warranted and should be undertaken. This posture forecasts more discussion of such a federal backstop in 2024.[54]

A potential federal structure that might be explored would be the creation of a new catastrophic cyber risk structure.[55] This might be loosely modeled on the Terrorism Risk Insurance Act (TRIA) and TRIP if it comes to pass, according to discussion material.[56]

What firms should be doing now: Risk, governance, and controls focus

- Overall, meeting state regulators' third-party vendor expectations will be challenging for some insurers, even as they put programs in place for as scrupulous a governance system as they can. Insurers would remain responsible for outcomes resulting from third-party data or models.[57] In short, the insurer should be able to assure its regulator that the third-party AI systems they rely upon to make or support decisions that impact consumers are designed to meet the state laws as they apply to insurers. Working with state regulators will be crucial to give them assurances that firms are paying close attention to what they receive from their vendors and how they use it.
- State insurance commissioners will want insurers to know the answers and not point to third-party models they can neither access nor adequately explain.[58]
- Firms should now be building governance structures that incorporate policy, standards, defined roles for personnel, monitoring, and testing. They should be conducting impact/risk assessments, inventory models, and tools to measure outcomes; integrating third-party privacy programs; integrating and updating complaint handling; and overseeing training and company-wide awareness programs.
- Federal agencies have also voiced their commitment to monitor automated systems and "vigorously" deploy their authorities to protect individuals' civil rights, regardless of legal violations wherever they might occur. This demonstrates a willingness to investigate and enforce what they can, despite acknowledging discomfort with "black boxes" and their "lack of transparency," a stance of which insurers should be mindful as they strengthen their internal frameworks.[59]

- For all data use, insurers need to strive for explainability of their models so they can make clear to consumers and to regulators how their models, including third party, work and how they are performing on a daily and other periodic basis.
- In addition, insurers should have nimble yet thorough systems now in place to notify regulators promptly of cyberattacks and ransom payments, as New York requires. An alert about an urgent threat sent by the DFS in fall 2023 advised all regulated entities "to assess promptly the risk to their organization, customers, consumers, and third-party service providers based upon the evolving information and to take action to mitigate risk," for example. It reminded regulated entities that "as of December 1, 2023, regulated entities who decide to make cyber extortion payments must report such payments to DFS within 24 hours and within 30 days provide a description of the rationale for, and diligence undertaken in connection with, making such payment."[60]
- Now that DFS's regulations are in place, stronger enforcement will likely follow if companies' systems do not address the requirements of the regulation not only at the governance level but throughout the organization.
- At the federal level, while the discussions are in the active analysis phase, momentum for a potential federal cyber backstop could gather in 2024, depending on the bandwidth of federal policymakers and any large-scale incidents of cybercrimes. Insurers should make sure they are part of the conversation, especially if hacks compromise policyholders' data.

Momentum for a legislatively created AI framework is growing to create bipartisan legislation in Washington, despite the tensions that accompany a presidential election year.

Solvency hygiene and management

This coming year could also usher in the beginning of a refashioned capital and solvency framework apparatus at the national level, while an international capital regime waits in the wings to become a new standard by year end.

Domestic capital oversight

In a world where investment strategies by insurers are becoming more complicated, the NAIC has sought to scrutinize not only the investments themselves but also their impact on insurers' financial solvency. This year, the NAIC will be reformulating the Securities Valuation Office (SVO), perhaps top to bottom, in an effort to modernize its role and capabilities in line with what it states is "more complex and asset-intensive insurer business strategies."[61] Specifically, the NAIC wants the SVO to take a more holistic view of the capital needs of insurers' investments through a modernization system, which may be developed with external support.

Discrete interest areas involving private equity insurers and their investments have been farmed out to various working groups with proposals to give the SVO more authority over designations of filing exempt securities.[62] It is important not to lose sight of the federal regulators' interest in private equity as a potential financial stability concern, as well.

Spotlight on the SVO

State insurance regulators decided that the SVO needs more tools to provide due diligence and assessment over the use and effectiveness of credit rating providers (CRPs) for filing-exempt securities, so that it is not "blindly reliant" on these CRPs.[63]

This issue has garnered a great deal of public attention over the past couple of years, as the NAIC in its framework noted by stating that "recent initiatives to address gaps in the regulatory framework for insurer investments have received much attention by a variety of stakeholders."[64]

The NAIC committee says the new SVO would keep using CRPs but eliminate or reduce its reliance on outside credit rating agency ratings. A reimagined SVO would have new risk analysis capabilities "to better support the risk-focused approach to supervision, at both a micro- and macro-prudential level," the draft states.[65]

"It is both inefficient and impractical for the SVO to effectively replicate the capabilities of CRPs on a large scale ... Rather, the SVO should focus primarily on holistic due diligence around CRP usage," the draft framework states. Going forward, the SVO's ability to challenge credit ratings for filing-exempt securities will be established through a recommended process that the NAIC's Valuation of Securities (VOS) Task Force is expected to establish.[66]

The NAIC's Financial Condition Committee is expected to provide a new, stronger governance structure for the SVO to help address the CRP evaluations. Insurers should expect the NAIC to develop sharper tools in the years to come to make sure the organization maintains a clear view into insurers' financial health and capital adequacy.

The solvency toolbox remains open for RBC calculations

The modification of the risk-based capital (RBC) of structured securities by the NAIC's RBC Investment Risk & Evaluation Working Group (the "Working Group") will come into play in 2024 as the NAIC seeks to protect consumers through safeguarding the solvency of life insurers.

The full NAIC adopted a change to the Life RBC formula in its plenary session August 16, 2023, after candid, open stakeholder debate over the prior months on the ideal size of RBC factors for residual tranche investments, which have a different risk profile than traditional equity investments.[67] The interim change will require residual tranches of structured securities to receive a 30% RBC factor for year-end 2023 RBC filings and a 45% factor for year-end 2024 RBC filings. The change will apply to any firm with such investments. The NAIC also noted that the Working Group could potentially adjust the factor based on additional supporting information. NAIC members' priority is to protect policyholders by boosting oversight of "the increasingly opaque investment structures favored by some insurers," and regulate for insurance solvency and marketplace stability, it said.[68]

Under the NAIC plan, modeling collateralized loan obligations (CLOs) will commence in December 2024 in the financial modeling process.[69] The VOS Task Force can then initiate and approve the assignment of NAIC designation categories to CLOs modeled to eliminate what they see as RBC arbitrage.[70] The NAIC and the SVO have presented a CLO modeling scenario approach that would conditionally match the underlying distribution of loans via RBC.[71]

While there are multiple NAIC structural efforts underway to evaluate and address perceived risk from private equity (PE) owned insurers and other alternative investment players, the state regulators' goal is to have a consistent framework across asset classes with rating agencies, with clearly defined roles on how capital amounts are determined and set in the insurance industry.[72] This foundational PE-related guidance provides tools to address solvency concerns in future acquisitions of a US legal entity insurer, as well as for use in ongoing solvency monitoring, and will likely remain an active document for use by state regulators.

At the same time, the FIO is also carefully monitoring developments in the transformation of the life insurance sector, including the "growing interconnectivity" between US and Bermuda life insurance markets, and is "closely following the work of the NAIC and the Bermuda Monetary Authority (BMA)."[73] Regarding life insurance and retirement products, the FIO continues to monitor developments, such as the increased use of offshore affiliated and nonaffiliated insurance by US companies and their potential effects on the life insurance and retirement sectors.

The FIO is seeking to underscore a role in making sure that insurers can live up to the promises they are making to consumers who are relying on these retirement products. A presentation at an advisory meeting at the Treasury in September suggested that US life insurers are moving to capital-light businesses domestically. The expressed concern about lack of transparency when offshore investments make it hard for the rating agency to see the capitalization backing the investments.[74]

Life insurers should monitor FIO and NAIC continued interest in their capital arrangements as they move or grow offshore. The growing scrutiny could yield recommendations from the FIO and a call for more capital by the states if they grow uneasy with the market dynamics.

Return of systemically important financial institutions (SIFIs)?

One sizable and growing uncertainty centers on whether insurers will once again be identified as systemically risky by the Financial Stability Oversight Council (FSOC) under the Dodd-Frank Wall Street Reform and Consumer Protection Act.[75]

The FSOC in 2024 will likely be exploring nonbank designations with its newly reformulated tools, as it mobilizes its new analytic framework for financial stability risk identification, assessment, and response. Clarity as to whether the FSOC is indeed eyeing insurers specifically for potential designation as systemically risky due to their interconnectedness with financial markets could emerge this year. The FSOC's finalized risk framework, first proposed in April 2023, as well as its interpretive guidance regarding nonbank determinations on systemic risk could potentially be pointed toward insurance companies or activities.

FSOC member and Federal Deposit Insurance Corporation (FDIC) Chairman Gruenberg stated in a speech in September 2023 that the "revised guidance (finalized November 3) would remove several constraints to FSOC designation, while retaining a multistage, deliberative process with opportunities for firm engagement."[76] Gruenberg spoke about several categories of nonbank financial institutions that can present significant risks to the financial system, including insurance.[77]

The **FSOC made clear in its analytical framework** that it has a broad statutory mandate and can monitor an expansive range of activities and asset classes as well as institutions—in fact, the FSOC specifically mentioned climate-related financial risks and cybersecurity risks.[78]

Beyond nonbank stability concerns, FSOC chair and Treasury Secretary Janet Yellen and other key Treasury officials have repeatedly discussed the interplay in the markets of insurance, real estate, and mortgage banking in the face of climate change and its manifest risks as a financial stability issue.[79] Indeed, the FSOC stated in its final guidance "that potential risks related to climate change may be assessed under the vulnerabilities, sample metrics, and transmission channels" under its analytic framework.[80]

Last summer, Yellen also said of the $165 billion in total economic losses from climate-related disasters in 2022, only 60% were covered by insurance.[81] This continued deep concern over insurance coverage gaps indicates potential action, perhaps through the FSOC, to address the potential of increased financial instability that might be caused by the ravages of climate change in the nexus of home mortgages, insurance, and bank lending. According to one news report, about one in four American homes, representing 39 million properties, are almost or fully uninsurable due to underwriting risk.[82]

For example, in a late-September 2023 report on the impact of climate change on American household finances, the Treasury Department zeroed in on how insurers "are increasingly facing greater uncertainty surrounding climate hazards and growing numbers of claims, making it more difficult for insurers to predict losses, set premiums, and underwrite policies."[83] The report expressed concern over homeowners' abilities to pay for increased premiums and get enough coverage to cover future losses. Yellen is seeking more information and data through the group's Climate-related Financial Risk Committee (CFRC). CFRC is developing a framework to identify and assess climate-related financial risk and develop a preliminary set of risk indicators for banking, insurance, and financial markets to assess and address the financial stability implications of climate issues.[84]

The interconnectedness of insurance, real estate, and banking is top of mind for the FIO through its own work. The FIO has pointed to the rapidly increasing homeowners' insurance premiums and the challenges of acquiring coverage that might discourage buyers, which would then have the cascading effect of potentially affecting and increasing the default risk for mortgage lenders.[85]

Congress is taking notice, too, with the NAIC responding to a September 2023 hearing titled "Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers" with a description of its actions, including updating the NAIC's RBC formula to include specific charges for hurricane, earthquake, and, most recently, wildfire risks.[86]

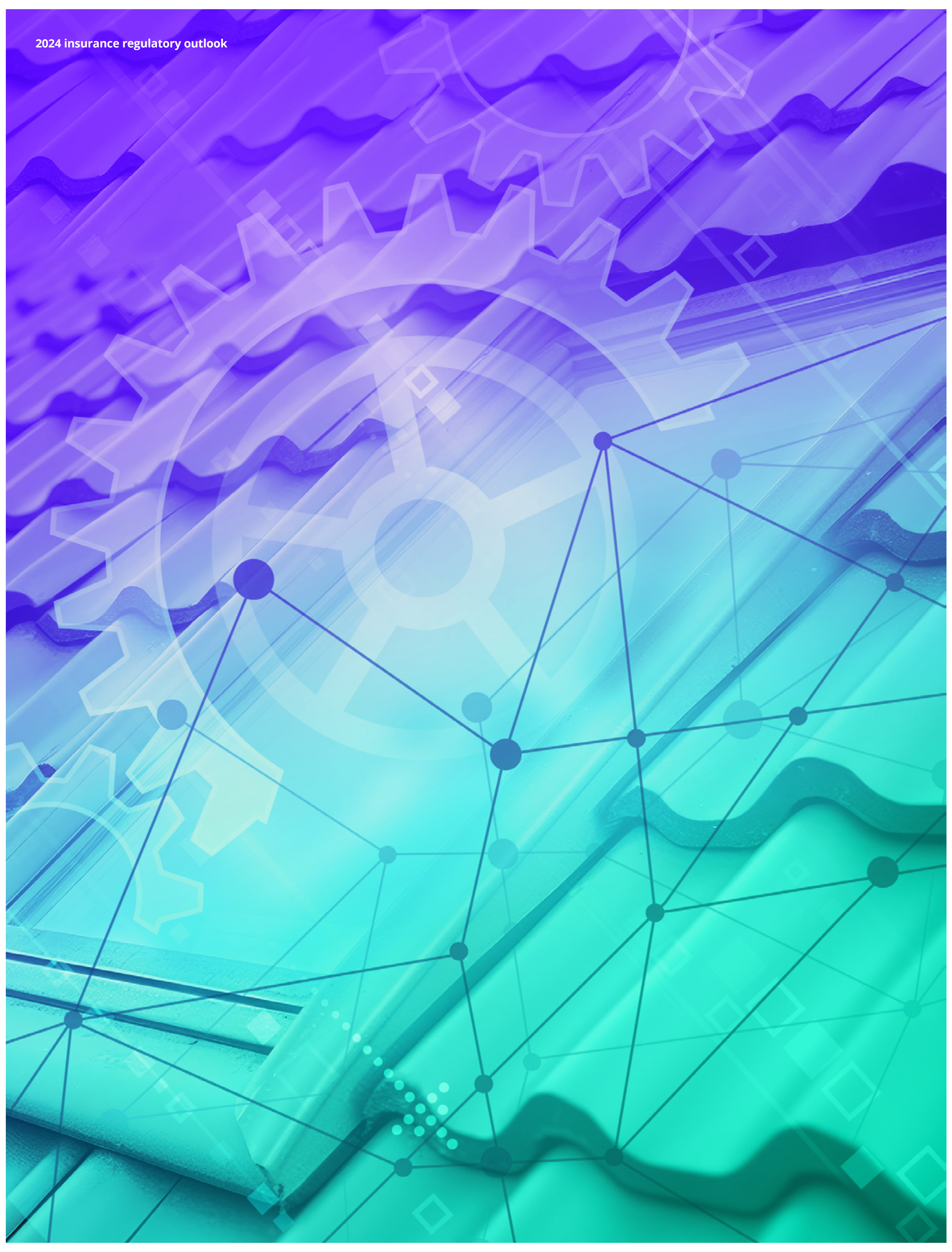
International capital oversight

Globally, the long-crafted Insurance Capital Standard (ICS) developed by the International Association of Insurance Supervisors (IAIS) is expected to be adopted along with a group prescribed capital requirement (PCR) for Internationally Active Insurance Groups (IAIGs) at year-end 2024, with the US homegrown methodology of the aggregation method (AM) in place, if agreed to by US regulators.[87]

As of mid-October 2023, the IAIS is assessing whether the AM provides comparable outcomes to the ICS as a PCR. The US insurance industry should have clarity into the result by the third quarter of 2024.[88]

What firms should be doing now: A solvency focus

- Any new stability framework requires data, which the Treasury is seeking from the insurance industry. Thus, some insurers or their activities might potentially find themselves or their activities designated as SIFIs under a fresh analytical framework for financial stability risk identification by the FSOC. They should remain vigilant as the FSOC seeks more information for analysis of potential risk through transmission channels such as climate risk.
- At the state level, the proposed SVO integrated or comprehensive approach, if adopted, would help address this expansive field of inquiry, and it appears to be welcomed by the industry even as the industry will hope to help shape it.[89] This is a rich opportunity for insurers and state regulators to collaborate.
- Insurers should also be aware that the NAIC is considering updates to its financial examination materials and guidance manuals to reflect climate-related risk and plan to delve into how insurers use their own scenario analysis to assess climate-related risk, as mentioned in the letter to leaders on the Senate Committee on Banking, Housing, and Urban Affairs.[90]



Consumer protection and supersizing customer care

Both consumer protection and consumer access to life and property insurance protection will be paramount issues for insurance regulators in 2024.[91] NAIC leadership along with some federal and state efforts will be seeking to close the protection gap, estimated globally at $1.8 trillion and growing back in 2022, for those without adequate or affordable coverage for their homes, lives, or health, or for those who might lose or be denied protection by unscrupulous humans or untended machines.[92]

Consumer education and addressing the protection gap

Consumer financial education moving to the forefront, as jurisdictions across the United States will continue to publicize events and outreach efforts that include education on preparing for storms and dealing with their aftermath though virtual disaster centers, driving safety, and financial literacy through workshops and instructional information.

Financial literacy in life and annuity products to help families and individuals grow and maintain wealth and prepare for retirement is expected to continue, with more efforts under priorities of NAIC leadership. States' financial literacy portals and homepages, alongside industry efforts, are already underscoring the importance of financial literacy and the heavy monetary consequences of not understanding how to take advantage of money-building skills.[93]

At the national level, the NAIC has been working through its own Center for Insurance Policy and Research (CIPR) to see how insurance companies can invest successfully for social impact in low- to moderate-income communities, including in their infrastructure as well as for their bottom lines. In fall 2023, the CIPR issued a request for information on social impact investing for a research project. Results could help motivate insurers to increase such investment strategies if they can manage it in their portfolios, under the watchful eyes of financial solvency regulators.

Consumer data privacy protection

Consumer data privacy protection will continue to be a focus in 2024 as the state regulatory system struggles to shape its landmark Consumer Privacy Protections Model Law #674.[94] The model is still in draft form and is expected to be so through 2024 unless it morphs into a revision of a legacy NAIC privacy model law. The new model was meant to replace NAIC models, such as Model #670 and Model #672.[95]

The Privacy Protections Working Group will be developing a draft version 2.0, which will be considered by regulators only. Regulators will then chart a course on the direction of a consumer privacy model law—whether a new model is warranted or whether revising an existing legacy model privacy law is a pathway.[96] No matter the direction the NAIC takes, how insurers deal with third parties will continue to be under scrutiny by insurance supervisors, with some insurers looking toward a future where third parties could be licensed as data vendors. The extent to which insurers must oversee them and be able to share information with state regulators during market conduct exams or in other oversight events or dialogue will continue to be crafted and fine-tuned in 2024.

The NAIC's draft of its aspirational privacy model law will remain in the spotlight especially in an age of cyber hacks and digital personally identifiable information theft.[97] Legacy versions created in 2023 might still cause consternation among industry stakeholders concerned about overreach into third-party auditing and marketing efforts as well as record retention parameters.[98]

Industry leaders should pay close attention to any security concerns related to the following areas:

- Consumer-available lists of all third-party service providers with which the insurer shares personal information, with broad and perhaps prescriptive oversight provisions of third-party service provider provisions

- Consumer information-sharing limitations that are confined to permissible insurance transactions when what that encompasses might be fluid over time
- The consequences of joint marketing language
- Administrative obligations involving legacy systems and migration of data requirements

Regulators, in their continued crafting of the model consumer privacy draft, may strive to prevent insurers from allowing third-party service providers to collect, process, retain, or share any consumer's personal information in any manner contrary to the model and the licensee's own privacy protection practices. They will likely also require an agreement to be in place for a licensee to engage a third-party service provider to collect, process, retain, or share any consumer's personal information with a third-party service provider for any purpose.

However, as the chair of the Privacy Protections Working Group (PPWG) crafting the model noted, the project is "too important a project to rush."[99] These sentiments are shared by the industry. "These issues are complex and we must recognize the necessary interplay with existing state and federal legal obligations as well as cross-sectional alignment within the model itself. As such, it is critical that the remainder of this process not be rushed. Rushing could result in unintended consequences and a Model that cannot be adopted uniformly, if at all," Shelby Schoensee, director of Cyber & Counsel for American Property and Casualty Insurance Association (APCIA), remarked.[100]

Once a draft has been adopted by the PPWG, it will go before the parent committee, which might not happen until the end of 2024—if the process stays on course. The NAIC could adopt the model law draft, but only if there is a consensus borne of stakeholder input as the organization would not want a model that would be rejected by state legislatures.

Insurers will have to wrestle with the privacy requirements of different state jurisdictions once any NAIC-drafted insurance model is adopted in whole, part, or amended by state legislatures as well as overarching privacy frameworks already in place.

The 2020 California consumer privacy laws, as amended, will also continue to hold sway in the coming year, and although there are overlaps among different state, federal, and international regimes, compliance with one does not mean compliance fulfilled for all. The California Consumer Privacy Act (CCPA) gives consumers the right to delete personal information and the right to opt out of the sale of their personal information along with amendments that add new contract rules for the treatment of sensitive information.[101]

Structural change in the retirement investment arena

Financial advisers selling insurance investment products such as variable annuities will be expected to demonstrate the basis for recommendations related to these and other more complex products that entail significant investment decisions such as recommendations related to rollovers, retirement planning, or funding and income generation. The Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) will continue to emphasize the importance of avoiding a limited product menu or process to determine the scope of reasonably available alternatives considered.[102]

The SEC has set forth expectations for Regulation Best Interest (Reg BI) compliance; after several years with the rule in place, regulators appear more willing to scrutinize firms' programs and broker-dealers' activities and records.[103] The SEC laid out its 2024 exam priorities in the fall and Reg BI was among them. It stated that its examinations will focus on products recommended by broker-dealers and advisers that are complex, illiquid, and high cost, specifically naming variable annuities.

"Examinations may also focus on recommendations to certain types of investors, such as older investors and those saving for retirement or college," the SEC noted.[104]

The SEC's enforcement division continues to analyze whether broker-dealers have comprehensive and well-targeted policies and procedures that will maximize compliance with the areas with Reg BI.[105] The costs, risks, and rewards of variable annuity sales and investment strategies are under scrutiny, with more enforcement expected, as we have seen toward the end of 2023.

An SEC staff bulletin, which focused primarily on the "care obligation" portion of Reg BI, suggests that the industry may yet have more work to do.[106] The SEC will continue to make clear through enforcement or otherwise that the care obligation cannot be satisfied through disclosure alone. Advisers must show a reasonable understanding of the individual retail investor's investment profile and have a reasonable basis to conclude that the recommendation or advice provided is in the retail investor's best interest, as well as consider reasonable alternatives.

A new DOL fiduciary rule emerges

In addition to scrutiny of complex product and variable annuity focus from the federal agencies, fixed indexed annuities are now a big focus in terms of the commission or fee structures attached to their sales.

A new retirement security rule proposal from the Department of Labor (DOL) applying fiduciary status to financial services providers under the federal workplace benefit plans law, the Employee Retirement Income Security Act (ERISA), will bring stringent advisory conduct rules to the fee-based sales practices in workplace retirement accounts.[107] This rule, if it is adopted, will put enormous pressure on the fee model for the sale of insurance products in workplace retirement plans. The DOL made clear it has its eyes on the sale of fixed indexed annuities.[108] Indeed, "analysis of just one investment product—fixed index annuities—suggests that conflicted advice could cost savers up to $5 billion per year for this product alone," the DOL stated in a press release.[109]

The Biden administration has put its weight behind the proposal. "My administration is going to continue to crack down on junk fees," Biden said in a White House briefing, in part referring to excessive fees on annuity sales.[110]

The fiduciary definition would also apply to such one-time advice recommendations as to any assets rolled over from a workplace retirement plan to an individual retirement account (IRA) if the financial services provider is recommending investment products for a fee.[111]

Fiduciary status would be conferred as well to a financial adviser making a recommendation to a retirement investor to liquidate an ERISA-covered plan and purchase an annuity. It would also apply to an adviser recommending a switch from a defined benefit pension plan to a group annuity contract to cover all the benefits due to the plan's participants.[112]

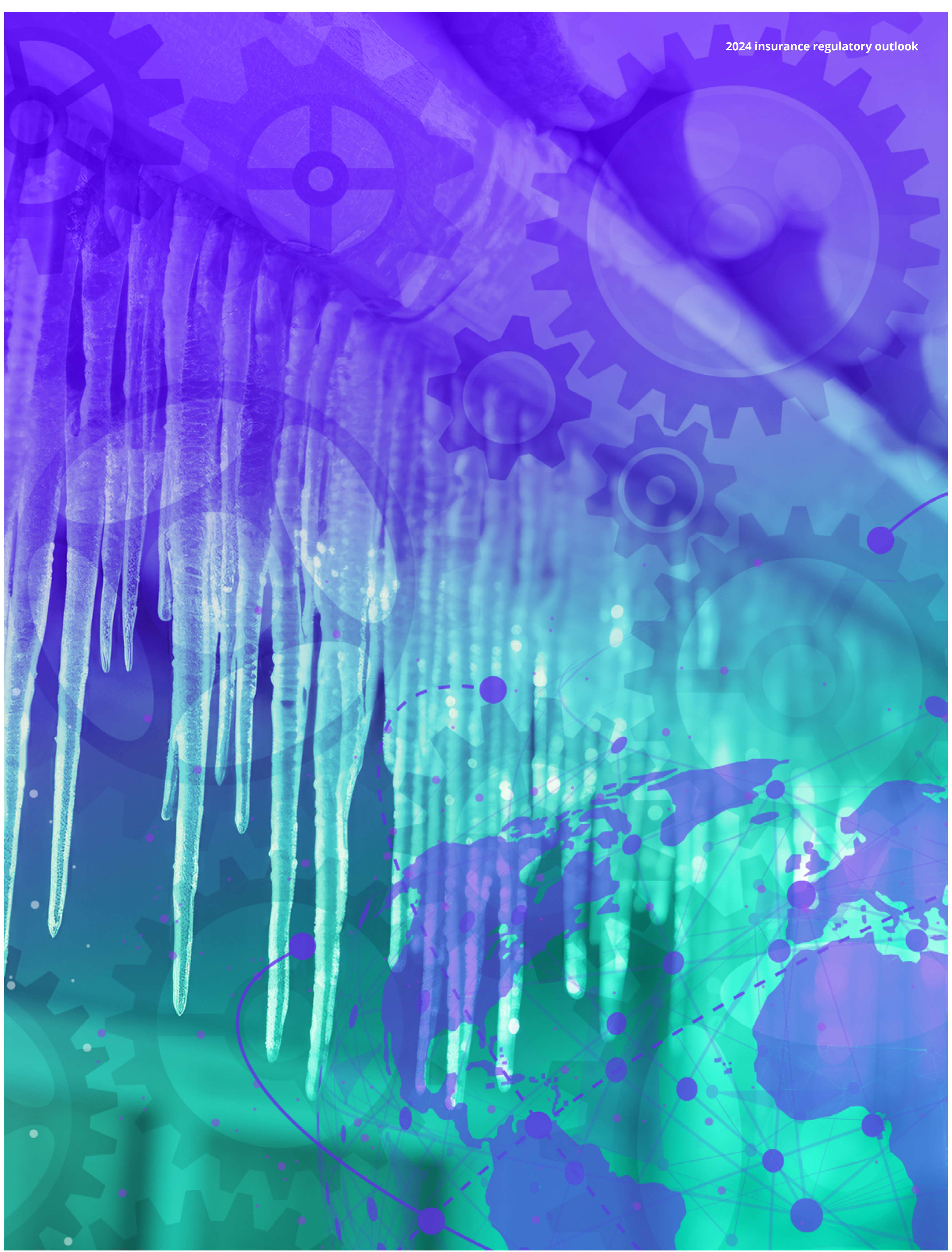
The DOL rules will face heavy industry and state-based regulatory system pushback from the retirement industry as it has taken the position that existing state and federal frameworks are sufficient in their protections for consumers, with some citing the 2020 NAIC revised model law on suitability in insurance transactions.[113] The NAIC will continue to be urged to speak out against the proposal, as it was at the NAIC Fall meeting in December.[114] The legality of the DOL foray into fiduciary status applied to the sale of fixed indexed annuities in workplace plans, a product not regulated by the SEC but by state insurance departments, will be challenged by industry as the year continues.[115]

"The White House press statement that oversight of these products 'varies state by state' and provides 'inadequate protections and misaligned incentives' suggests either ignorance of, or willful disregard for, the hard work of the 40 states and counting that have worked diligently to enhance protections for consumers by adopting the NAIC's Suitability in Annuity Transactions Model Regulation," the NAIC stated, reacting to the DOL initiative.[116]

Also on the annuity front, the SEC will likely be implementing a proposed rule for registered index-linked annuities (RILAs) under legislation that directed the SEC to devise a new form for annuity issuers to use when filing these products.[117] The form is intended to highlight key features that should be disclosed so that investors may determine if they are an appropriate investment.

What firms should be doing now: A consumer focus

- Insurers should continue to collaborate on the NAIC's consumer privacy protections model draft throughout the year. The draft still has a lengthy time for development before it is adopted by the NAIC and then by state legislatures.[118] Insurers should also consider developing an action plan through the review of proposed regulations, assessing their existing data governance processes, and identifying potential enhancements.[119] Regulators will be vigilant with third-party oversight by their licensees—insurers—so firms should strive to be ever-more vigilant as well in 2024.[120]
- Creating internal governance oversight and testing systems will be critical and requires extensive planning with a whole-organization approach that can integrate overlapping federal and state structures. Firms should establish clear frameworks and guidelines for recommending, or providing advice about, a complex product and provide a scrupulous methodology for the fees advisers charge. Regulators are not only trying to prevent harm to consumers, but they also want evidence that insurers are being vigilant in preventing these outcomes.



Climate change and risk preparedness

Natural catastrophes driven by extreme environmental conditions have been a feature of news headlines throughout the past year, and 2024 will likely be no different.[121] Extreme heat, drought, and resulting wildfires have been especially noteworthy, as they have occurred in places like Hawaii and eastern Canada that are not accustomed to intensely destructive fires.[122] The tragic Maui, Hawaii, fire was the fifth-deadliest wildfire ever recorded in the United States.[123]

According to a fall report from the National Oceanic and Atmospheric Association (NOAA), the 24 climate/weather events that caused damages in excess of $1 billion through the beginning of October 2023 resulted in the deaths of 373 people and had significant economic effects on the areas impacted.[124]

Such large-scale, more frequent, and sometimes unprecedented events are creating a sharp increase in losses for property insurers. In the first six months of 2023, the combined ratio of the P&C industry stood at 100.2, and losses were only $2 billion away from matching the entire year of 2022.[125] As of November 8, 2023, there have been 25 disasters with damages exceeding $1 billion, breaking the 2020 record.[126] August broke records as the Earth's hottest August recorded, after a record-breaking June and July as well.[127]

The SEC's long-awaited final rule on emissions disclosures, a sweeping new California law, and the NAIC's Task Force on Climate-related Financial Disclosures (TCFD) aligned framework, which covers about 80% of the US insurance market, provide not only formidable goals but formidable compliance journeys for most US insurers in the coming years.[128]

Although the SEC rule, if and when it does become final, might require less stringency by public firms on Scope 3 greenhouse gas (GHG) emissions than the proposed rule, firms have not turned away from basic or even more involved climate risk disclosures in the months awaiting the final rule.[129]

A July 2023 report on climate risk management in the US insurance sector, which featured an analysis of climate risk disclosures, revealed that about 78% of disclosure reports disclosed information related to six or more of the TCFD-recommended disclosures.[130] However, only 13% had disclosed information on all 11 TCFD-recommended disclosures, according to the report.

Demand for insurance data on climate grows—with growing regulatory consequences

Major changes continue in the regulatory space, with evolution still moving toward required climate and general sustainability disclosures.[131] In November, the IAIS published a call to action among global insurance supervisors for the purpose of narrowing protection gaps created by the acceleration of natural catastrophe incidents.[132] The organization will be following up on the five major areas where supervisors can play an active role. These include:

- Assessing insurance protection gaps.
- Improving consumer financial literacy and risk awareness.
- Incentivizing risk prevention and reduction of insured losses.
- Creating an enabling regulatory and supervisory environment to support availability of insurance.
- Understanding coverage and advising government and industry, including on the design and implementation of public–private partnerships.

California took one of the biggest steps of the year by enacting a sweeping company reporting-and-disclosure regime. Signed into law on October 7, 2023, the California Climate Corporate Data Accountability Act (CCDAA) mandates disclosure requirements for GHG emissions from large companies doing business in the state.[133] With this law, California became the first jurisdiction in the United States for these emissions. Notably for insurance companies, this will require disclosure of financed emissions not only through investments, but through insurance activities.[134]

Specifically, the CCDAA requires the annual disclosure of Scope 1 and 2 emissions by 2026 and Scope 3 emissions by 2027.[135] It applies to all companies, both public and private, with global annual revenue greater than $1 billion. Insurers will have to obtain limited assurance over Scope 1 and 2 emissions disclosures starting with the 2026 disclosure and advancing to reasonable assurance by 2030. A companion California law, the enacted SB-261, requires biennial disclosure by companies with global annual revenue greater than $500 million of their climate-related financial risk and the measures they have taken to reduce and adapt to climate-related financial risk beginning in 2026—a law aligning California with the internationally recognized TCFD benchmark.[136]

Beyond the states, a call for more precise national and regional data

The NAIC is forging ahead on a plan to develop a data call to better understand localized protection gaps in property insurance markets as challenges spread for US consumers in more regions across the country.[137] The NAIC announced its data call in mid-August 2023, citing the increasing frequency and severity of weather events, rising insurance costs, and inflationary pressures. These conditions affect the availability and affordability of insurance, creating localized protection gaps, according to the NAIC.[138]

The goal will be to develop a long-term, robust data collection strategy to help its members, the state insurance regulators, respond more readily to questions pertaining to their property markets, indicating this will be an ongoing exercise and not a one-time call. While the standard-setting organization for state insurance regulators did not offer specifics in its announcement to help its members better assess their markets and identify coverage gaps, it did say it intends to develop a data template. It also noted that at least 30 states had already begun preliminary work to identify areas where regulators might need more granular data related to availability and affordability, as they might not have it currently.

However, the NAIC acknowledged that this exercise is pointed at gathering more specific and granular data to study property coverage issues and challenges of availability and affordability in localized geographic areas. As of November 2023, the NAIC's data template and related criteria were not yet finalized, but the state-based standard setter is expected to ask homeowner insurers "representing a significant market share" to submit ZIP code–level data on premiums, policies, claims, losses, limits, deductibles, nonrenewals, and coverage types.[139]

The NAIC and FIO seek data through separate efforts—with implications for insurers who must respond

The NAIC again reinforced the point that its members "believe the state insurance departments have both the expertise and necessary regulatory authority to gather, analyze, and utilize data about their unique market conditions and meet the needs of policyholders." The NAIC reminded the marketplace soon after the FIO announced its intentions to get approval for its data call that state insurance regulators "are uniquely positioned to best understand the challenges that both consumers and the insurance industry face as natural perils persist across our nation."[140]

This state-led effort will be undertaken in tandem with a separate effort by the FIO to collect underwriting data from homeowner insurers.[141]

The FIO data collection exercise will commence this year, if the proposal is approved by the US Office of Management and Budget (OMB), and is to be aggregated at the ZIP code level for a specific subset of insurers representing about 70% of homeowners' insurance premiums nationwide.[142]

This effort has the backing of Secretary Yellen, who said the results and analysis will aid in the creation of potential approaches to improving insurance availability and affordability for consumers. It is also part of the Biden administration's EO on climate-related financial risk.[143]

"These nationwide data are critical to understanding how climate-related financial risks impact individuals and families across state markets and the United States, particularly given recent insurer pullbacks and significant premium increases in several states," FIO stated when it provided public notice on its intent to proceed with its data collection, which was initially proposed in October 2022.[144]

The FIO is also pushing for progress on its June 2023 report on climate-related issues and gaps in insurance supervision, which set forth a hefty to-do list of expectations for state insurance regulators and the NAIC to address the growing and urgent needs created by climate risk.[145] The FIO has also called for states to undertake scenario testing along the lines of the pilot project the Federal Reserve Board has undertaken with its largest banks.[146] Its climate report allows for long-term planning but also is imbued with a sense of urgency to move the insurance regulatory apparatus forward in the face of accelerating climate risk and challenges.[147]

Meanwhile, the FIO's parent, the Treasury Department, has repeatedly pointed to disruptive market developments in the insurance sector, including the withdrawal and pullbacks of major insurers from writing new policies in wildfire, hurricane, and flood-ravaged geographic regions.[148] Treasury has consistently referred to an urgent need for the federal government and state insurance commissioners, the NAIC, and others "to work together to understand and mitigate the risks from these events."[149]

Loss mitigation and attempts to reduce consumers' premium rates

Risk mitigation efforts constitute another major area where, in many areas now prone to extreme-weather events, state regulators are focusing their efforts to address the affordability of auto and homeowners' coverage.

"Catastrophe losses in the first half of 2023 were the highest in over two decades, slightly higher than the record set in first half of 2021," according to a forecast from the Insurance Information Institute (the "Triple-I") showing decreased profitability in personal lines in the next couple of years as the frequency and severity of events increase.[150] As a result, states such as Louisiana, Florida, and California have experienced the retreat of major P&C companies and the concomitant swelling of state-run insurers of last resort, with insolvencies of small insurers and spiking rates in homeowners' insurance. At the same time, auto insurance costs continue to soar.[151]

Auto insurers' bottom lines suffered in 2022, according to an S&P Global Market Intelligence report. The combined ratio for the sector, when excluding policyholder dividends, was almost 112%—the highest recorded in decades, surmounting the 110.4% posted in 2000—according to S&P Global.[152] Premium rates for motor vehicle insurance increased by more than 19% compared to the previous year, as measured in August 2023, according to a Consumer Price Index (CPI) report—the largest annual spike in almost 50 years.[153]

With the news of insurers seeking to retreat from risk, California Gov. Gavin Newsom in September 2023 took the action of issuing an executive order mandating his insurance commissioner "take prompt regulatory action to strengthen and stabilize California's marketplace for homeowners' insurance and commercial property insurance, and to consider whether the recent sudden deterioration of the private insurance market presents facts that support emergency regulatory action."[154] California's Sustainable Insurance Strategy, introduced in September by the California insurance commissioner, is a multi-pronged, comprehensive effort to address problems fueled by climate change.[155]

To address these challenges, California will be continuing to transition homeowners and businesses from the state FAIR Plan by having insurers commit to underwrite in high-wildfire-risk communities at 85% the rate they do elsewhere.[156] The commissioner also pledged to expedite new rules that adjust insurance to wildfire safety and mitigation efforts. This push for expansion of coverage in underserved areas of California, combined with a requirement to improve and speed up the rate approval process in the state, could be a blueprint for other states with persistent and accelerating climate threats impacting consumer coverage in other extreme weather-stricken jurisdictions.

California will continue to work toward a sustainable market with a regulatory program negotiated with homeowner insurers to help increase coverage. In Colorado, another state hit hard by wildfires in recent years, a new FAIR Plan program has been established. Colorado's FAIR Plan "was created to address situations where insurance companies may refuse coverage due to high-risk factors, such as the property's location or vulnerability to certain perils such as wildfires," the Division of Insurance stated after the plan was signed into law in May 2023.[157]

States in other regions are also working to mitigate extreme weather and storm losses as well through forging stakeholder relationships and building upon them.

Flood and wind protection are top of mind in vulnerable areas—and beyond them

Floridians who have certain policies with the state nonprivate insurer are required to have flood insurance now to combat uninsured losses from storms—whether they are in a high-risk flood zone or not.[158] Through a law passed at the end of 2022, Florida has been trying to combat losses for homeowners.[159] The National Flood Insurance Program (NFIP) has been underscoring the importance to homeowners of possessing flood coverage, noting that just one inch of flood water can cause $25,000 in damages.[160] Other states are holding their own forums to bring in national and state leaders to address these perils.[161]

Alabama's insurance commissioner shared with the group how the legislatively-created Strengthen Alabama Homes program, now over a decade old in the state, makes grants to Alabama residents to fortify their homes against wind damage to certain standards. He also described how alliances with nonprofits, academics, and partnerships, the city of Birmingham itself and a major life insurer have formed to help in underserved neighborhoods.[162] By the end of fiscal year 2023, the Alabama department will have granted $62.5 million and fortified, through retrofitting and other storm-proofing efforts, more than 6,300 homes.[163]

Alabama has worked with the state governments of Louisiana and Minnesota to help them start similar programs. 11 states are looking to establish these programs. Funding for resilience and retrofitting homes, and building firewise or other such fortified communities, is an ongoing issue and requires coordination, outreach and education, planning, and sometimes new laws, according to stakeholders.[164] The growing crisis may see these local efforts jump-started in 2024.

Heightened congressional inquiries

In 2024, Congress will be active in scrutinizing insurers' role in the markets in handling climate risk challenges in vulnerable areas. US Senate Budget Committee leaders are now investigating insurance companies' handling of climate change risk with an eye to where companies might leave markets or raise premiums, building on their investigation begun in June 2023 on the industry's fossil fuel investment and underwriting practices.[165]

In their letter to the largest private P&C insurers in California, senators expressed concern in their requests for information about the "potential economic decline in property values caused by increasing exposure to climate risks" and the accompanying risk in insurance availability as premiums rise. The lawmakers specifically zeroed-in on potential systemic risk caused by mortgage and property markets. This potentially augurs efforts at federal oversight, especially if Biden prevails in the presidential election.[166]

The US House is also scrutinizing the issue of higher costs for consumers and could press forward with proposed remedies. The House Financial Services Committee Housing and Insurance Subcommittee debated the need for state regulators to "encourage greater private sector insurance competition, deployment, and innovation to maintain well-functioning markets."[167]

What firms should be doing now: A climate risk focus

- Requests for data and disclosure will likely grow in 2024, with state, federal, and NAIC efforts—and even investigations as we see from Congress—gaining steam. Even if compliance with new rules is not expected in the immediate year, preparation for compliance should be.
- Expect states like California to introduce new rules for reviewing climate catastrophe models that consider wildfire mitigation actions by homeowners, communities, and local governments.
- Notably for insurance companies, California's new climate disclosure law will require a full range of disclosures on investments and on insurance activities as well. We expect the state to work closely with companies in all sectors that manage the financial impact of the new law and its deadlines, giving insurers a chance to help shape the final regulations. Gov. Newsom signaled a regulatory stance to work more collaboratively with industry, directing his administration to work with the state legislature in 2024 to make reporting requirements and deadlines more feasible for the thousands of affected companies. The governor also called on the California Air Resources Board (CARB) to monitor the overall financial impact of this bill on businesses and make recommendations to streamline the program.[168] He also instructed CARB to closely monitor the fiscal impact as it implements the law, an area where the industry can help guide the final rules.[169]
- Insurers should stay in close touch with state regulators to work on fortifying or hardening homes and properties to help reduce damage and costs for all stakeholders. These relationships that grow over the years working toward a common goal help build and maintain trust.

The NAIC is forging ahead on a plan to develop a data call to better understand localized protection gaps in property insurance markets as challenges spread for US consumers in more regions across the country.

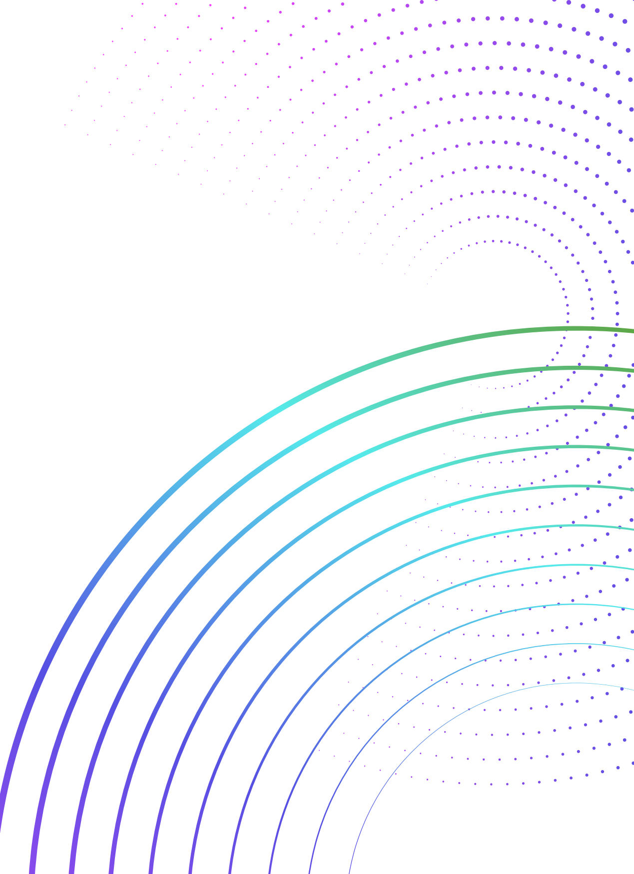
Bringing focus to 2024

While structural change and geopolitical strife is expected to continue through 2024 and buffer many parts of the world, the nation, and its institutions, insurers should keep their eyes focused on the management of new and evolving frameworks and details laid out before them by regulators to stay on course. While uncertainty might govern larger global and national concerns, regulators will be working on the same underlying issues they always have—consumer protection and solvency—to create a fabric that holds existing protocols while fashioning room for advancement, modernization, and new actuarial realities and the manifold disclosures that come with it.

Weathering change and market conditions with substantial protective capital, coupled with the goal to reach and protect the largest amount of people while especially seeking to include underrepresented and marginalized populations in the most efficient manner, will be a challenge for insurers in 2024. Regulators may be wary of vulnerabilities in insurers' governance and operations and a lack of attention to their guidelines and rules, especially as these rules become more entrenched.

Companies should prepare to put the strong scaffolding in place for the myriad frameworks and structures regulators build while preparing and updating comprehensive recordkeeping and monitoring systems to demonstrate that they are not only paying attention to details, but fulfilling the many myriad regulatory requirements the new year will layer upon the old, as structural change in insurance regulation and beyond takes hold.

With external pressures and volatility, insurance regulators will likely welcome collaboration with the industry and consumer stakeholders to offer a safe and effective path forward that keeps insurers solvent and consumers protected.[170]



Endnotes

1. Rachel Koning Beals, "Climate change: U.S. Treasury details extreme-weather strain on households, steps up scrutiny of insurance gap," Morningstar MarketWatch, September 29, 2023.
2. NOAA National Centers for Environmental Information (NCEI), "Billion-dollar weather and climate disasters," 2023.
3. International Monetary Fund (IMF), World Economic Outlook: Navigating Global Divergences (Washington, DC, October 2023).
4. JPMorgan Chase & Co. "JPMorgan Chase reports third-quarter 2023 net income of $13.2 billion ($4.33 per share)," 2023.
5. Nicole Goodkind, "Jamie Dimon warns: 'Now may be the most dangerous time the world has seen in decades'," CNN Business, October 13, 2023.
6. Jorge Alvarez, Mehdi Benatiya Andaloussi, and Martin Stuermer, "Geoeconomic fragmentation threatens food security and clean energy transition," IMF, October 3, 2023.
7. Daniel Bachman, US Economic Forecast Q3 2023, Deloitte Insights, 2023.
8. National Association of Insurance Commissioners (NAIC), 2023 Summer National Meeting – Big Data and Artificial Intelligence (H) Working Group meeting summary report, August 13, 2023.
9. NAIC, "NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers – Committee exposure draft," October 13, 2023.
10. NAIC, "Antifraud Plan Guideline," Spring 2021.
11. Deloitte, NAIC update: 2023 Summer National Meeting, 2023.
12. NAIC, NAIC Members Approve Model Bulletin on Use of AI by Insurers, December 2023.
13. Ibid.
14. Insured Retirement Institute (IRI), Letter to NAIC re: AI Model Bulletin, September 5, 2023.
15. NAIC, Innovation, Cybersecurity, and Technology (H) Committee materials (Seattle, WA), August 13, 2023.
16. Deloitte, NAIC update: 2023 Summer National Meeting.
17. NAIC, Innovation Cybersecurity and Technology (H) Committee, December 2023.
18. Deloitte, "Colorado's watershed AI regulation and proposed testing rule for life insurers," 2023.
19. Ibid.
20. Colorado Division of Insurance, "Regulation 10-1-1 Governance and Risk Management Framework Requirements for Life Insurers' Use of External Consumer Data and Information Sources, Algorithms, and Predictive Models," effective November 14, 2023.
21. Colorado Division of Insurance, "Regulation 10-1-1 Governance and Risk Management Framework Requirements for Life Insurers' Use of External Consumer Data and Information Sources, Algorithms, and Predictive Models," effective November 14, 2023; Deloitte, "Colorado's watershed AI regulation and proposed testing rule for life insurers."
22. Colorado Division of Insurance, SB21-169 - Protecting Consumers from Unfair Discrimination in Insurance Practices, accessed November 27, 2023.

23. Colorado Division of Insurance, "DRAFT Proposed New Regulation 10-2-xx Concerning Quantitative Testing of External Consumer Data and Information Sources, Algorithms, and Predictive Models Used for Life Insurance Underwriting for Unfairly Discriminatory Outcomes," September 28, 2023.
24. Ibid.
25. RAND Organization, RAND Bayesian Improved Surname Geocoding, accessed November 27, 2023.
26. Colorado Division of Insurance, "DRAFT Proposed New Regulation 10-2-xx Concerning Quantitative Testing of External Consumer Data and Information Sources, Algorithms, and Predictive Models Used for Life Insurance Underwriting for Unfairly Discriminatory Outcomes," September 28, 2023.
27. District of Columbia Department of Insurance, Banking and Securities (DISB), "Evaluating unintentional bias in private passenger automobile insurance," accessed November 27, 2023.
28. Bloomberg, "NY Top Financial Regulator on Banking System, AI," interview with Superintendent for Financial Services Adrienne Harris, November 7, 2023.
29. American Academy of Actuaries, Comment letter re: draft Colorado AI regulations, March 7, 2023.
30. DISB, District of Columbia Request for Data – Private Passenger Auto template, February 2023.
31. Ibid.
32. DISB, "Evaluating unintentional bias in private passenger automobile insurance."
33. The White House, Blueprint for an AI Bill of Rights, October 4, 2022.
34. The White House, "President Biden issues Executive Order on safe, secure, and trustworthy artificial intelligence," October 30, 2023.
35. The White House, "Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," October 30, 2023.
36. Reva Schwartz et al., Towards a standard for identifying and managing bias in artificial intelligence, National Institute of Standards and Technology (NIST), March 2022.
37. Rohit Chopra et al., "Joint statement on enforcement efforts against discrimination and bias in automated systems," US Equal Employment Opportunity Commission (EEOC), April 28, 2023.
38. The White House, "Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence."
39. US Congress, National AI Commission Act (H.R. 4223), June 20, 2023.
40. Senate Democrats, "Majority Leader Schumer floor remarks on launching the SAFE Innovation Framework for AI and first of their kind AI Insight Forums," press release, June 22, 2023.
41. US Sen. Richard Blumenthal, "Blumenthal & Hawley announce bipartisan framework on artificial intelligence legislation," press release, September 8, 2023.
42. Ibid.
43. GlobalData Technology, "AI deepfake hacking tools have corporations and governments on alert," October 4, 2023.

44. Cyberwire, "EU concerns about the threat of election meddling," September 28, 2023.

45. US Department of the Treasury (US Treasury), "Remarks by Assistant Secretary Graham Steele at the Federal Insurance Office and NYU Stern Volatility and Risk Institute Conference on Catastrophic Cyber Risk and a Potential Federal Insurance Response," November 17, 2023.

46. New York Department of Financial Services (NYDFS), "Second Amendment to 23 NYCRR 500," October 16, 2023.

47. NYDFS, "Governor Hochul announces updates to New York's nation-leading cybersecurity regulations as part of sweeping effort to protect businesses and consumers from cyber threats," press release, November 1, 2023.

48. Ibid.

49. Ibid.

50. Ibid.

51. US Government Accountability Office (GAO), "Cyber insurance: Action needed to assess potential federal response to catastrophic attacks," June 21, 2022.

52. US Treasury, Federal Advisory Committee on Insurance (FACI), accessed November 28, 2023.

53. Ibid.

54. US Government Accountability Office (GAO), "Cyber insurance: Action needed to assess potential federal response to catastrophic attacks," June 21, 2022.

55. US Treasury, "Summary of comments on Request for Comments: Federal Insurance Response to Catastrophic Cyber Incidents," March 29, 2023.

56. US Treasury, Federal Advisory Committee on Insurance (FACI).

57. NAIC, Innovation Cybersecurity and Technology (H) Committee, accessed November 28, 2023.

58. Ibid.

59. Chopra et al., "Joint statement on enforcement efforts against discrimination and bias in automated systems."

60. NYDFS, Cybersecurity Resource Center, accessed November 28, 2023.

61. NAIC, "Framework for regulation of insurer investments – A holistic review" and comments, accessed November 28, 2023.

62. NAIC 2023 Summer National Meeting, Valuation of Securities (E) Task Force meeting materials, August 14, 2023.

63. Ibid.

64. NAIC, "Framework for regulation of insurer investments – A holistic review."

65. Ibid.

66. Ibid.

67. NAIC 2023 Summer National Meeting, Risk-Based Capital Investment Risk and Evaluation (E) Working Group meeting materials, August 13, 2023.

68. NAIC, "NAIC adopts change to better monitor life insurer investments," press release, August 16, 2023.

69. Ibid.

70. NAIC 2023 Fall National Meeting, Financial Condition (E) Committee meeting materials, drafted November 14, 2023.

71. NAIC, Collateralized loan obligations, accessed November 28, 2023.

72. NAIC, "Regulatory considerations applicable (but not exclusive) to private equity (PE) owned insurers," accessed November 28, 2023.

73. US Treasury, FACI public meeting, September 26, 2023.

74. Ibid.

75. US Treasury, Financial Stability Oversight Council (FSOC), Council meetings, accessed October 27, 2023.

76. Federal Deposit Insurance Corporation (FDIC) "Remarks by FDIC Chairman Martin J. Gruenberg at the Exchequer Club on the Financial Stability Risks of Nonbank Financial Institutions," last updated September 20, 2023.

77. Ibid.

78. FSOC, Analytic Framework for Financial Stability Risk Identification, Assessment, and Response, F.R. 88, no. 218, November 14, 2023.

79. Christopher Condon and Bloomberg, "Janet Yellen sees a 'protection gap' between insurance and climate change—just 60% of 2020's $165 billion in losses got covered," Fortune, July 30, 2023.

80. FSOC, 12 CFR Part 1310 – Guidance on Nonbank Financial Company Determinations, F.R. 88, no. 221, November 17, 2023.

81. Condon and Bloomberg, "Janet Yellen sees a 'protection gap' between insurance and climate change—just 60% of 2020's $165 billion in losses got covered."

82. Cinthia Pimental, "Major insurance companies may pull out of all US states with high risks of storms, wildfires," NBC Bay Area, September 22, 2023.

83. US Treasury, The impact of climate change on American household finances, accessed September 29, 2023.

84. FSOC, "Minutes of the Financial Stability Oversight Council," July 28, 2023.

85. US Treasury, FACI public meeting, September 26, 2023.

86. NAIC, Letter to US Senate Committee on Banking, Housing, and Urban Affairs re: September 7, 2023, hearing titled: 'Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers'," September 12, 2023.

87. International Association of Insurance Supervisors (IAIS), "Public consultation on Insurance Capital Standard as a prescribed capital requirement," June 23, 2023.

88. IAIS, "IAIS statement: IAIS begins the AM comparability assessment," October 17, 2023.

89. NAIC 2023 Fall National Meeting, Financial Condition (E) Committee meeting materials, drafted November 14, 2023.

90. NAIC, Letter to US Senate Committee on Banking, Housing, and Urban Affairs re: September 7, 2023, hearing titled: 'Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers'," September 12, 2023.

91. Ayo Mseka, "Low financial literacy may be costing consumers money, Advisor News, September 19, 2023.

92. Leslie Werstein Hann, "In the hot seat," Leader's Edge, November 1, 2023.

93. Maryland Insurance Administration, Virtual Disaster Center, September 28, 2023; Colorado Department of Regulatory Agencies, "Consumer advisory: Division of Insurance recovers over $52 million in life insurance benefits for Coloradans," press release, September 27, 2023; State of Connecticut, Council on Women and Girls – Financial Literacy Portal, accessed November 28, 2023.

94. NAIC, "Exposure Draft: Insurance Consumer Privacy Protection Model Law #674," July 11, 2023.

95. Deloitte, "NAIC's Consumer Privacy Protection Model Law #674," 2023.

96. NAIC, Innovation, Cybersecurity, and Technology (H) Committee meeting materials, November 16, 2023.

97. Lily Hay Newman and Matt Burgess, "The biggest hack of 2023 keeps getting bigger," Wired, October 2, 2023.

98. NAIC, Privacy Protections (H) Working Group meeting materials, November 30. 2023.

99. Deloitte, "NAIC's Consumer Privacy Protection Model Law #674."

100. Shelby Schoensee, "Comments regarding July 2023 Draft of Consumer Privacy Protection Model Law (#674)" (attach. 10), APCIA, July 28, 2023.

101. California Office of the Attorney General Rob Bonta, California Consumer Privacy Act (CCPA), updated May 10, 2023; Deloitte, "A quick reference guide for CCPA compliance," 2019.

102. US Securities and Exchange Commission (SEC), "Regulation Best Interest, Form CRS and Related Interpretations," updated April 20, 2023.

103. SEC Division of Examination, 2024 Examination priorities, 2023; Financial Industry Regulatory Authority (FINRA), 2023 report on FINRA's Examination and Risk Monitoring Program, January 10, 2023.

104. SEC Division of Examination, 2024 Examination priorities, 2023.

105. Ibid.

106. SEC, Staff Bulletin: Standards of Conduct for Broker-Dealers and Investment Advisers – Care Obligations, updated April 20, 2023.

107. US Department of Labor (DOL), "Proposed Retirement Security Rule: Definition of an Investment Advice Fiduciary," accessed October 31, 2023.

108. DOL, "Fact sheet: Retirement security proposed rule and proposed amendments to class prohibited transaction exemptions for investment advice fiduciaries," October 31, 2023.

109. DOL, "US Department of Labor announces proposed rule to protect retirement savers' interests by updating definition of investment advice fiduciary," press release, October 31, 2023.

110. The White House, "President Biden remarks on protecting retirement security," video, 20:28, October 31, 2023.

111. DOL, "Fact sheet: Retirement security proposed rule and proposed amendments to class prohibited transaction exemptions for investment advice fiduciaries."

112. Ibid.

113. Insured Retirement Institute (IRI), "President Biden proposes retirement 'insecurity' regulation," press release, October 31, 2023.

114. NAIC, Life Insurance and Annuities (A) Committee, December 3 and 14, 2023.

115. NAIC, "State insurance regulators work to protect consumers who buy annuities; NAIC releases statement on DOL fiduciary rule proposal," press release, November 1, 2023; Mark Schoeff Jr., "Provisions to kill DOL fiduciary proposal add to uncertainty," InvestmentNews, November 15, 2023.

116. NAIC, "Implementation of 2020 revisions to Model #275 Suitability in Annuity Transactions Model Regulation," June 27, 2023; "NAIC, "State insurance regulators work to protect consumers who buy annuities; NAIC releases statement on DOL Fiduciary Rule proposal," press release, November 1, 2023.

117. SEC, "Fact sheet: Registration for index-linked annuities and amendments to Form N-4," accessed November 28, 2023.

118. NAIC, Privacy Protections (H) Working Group, accessed November 28, 2023.

119. Deloitte, "NAIC's Consumer Privacy Protection Model Law #674."

120. NAIC, NAIC Members Approve Model Bulletin on Use of AI by Insurers, December 2023.

121. NASA, "Extreme weather and climate change," accessed November 28, 2023.

122. NASA, "NASA announces summer 2023 hottest on record," press release, September 14, 2023.

123. Bill Hutchinson, "Maui wildfire now ranks as the fifth-deadliest in US history," ABC News, August 22, 2023.

124. NASA, "NASA announces summer 2023 hottest on record."

125. Insurance Journal, "First-half P/C underwriting loss just $2B shy of loss for all of 2022," October 2, 2023.

126. NCEI, "Billion-dollar weather and climate disasters."

127. Delger Erdenesanaa, "Earth's hottest August on record followed by record-breaking June and July," New York Times, September 21, 2023.

128. NAIC, "U.S. insurance commissioners endorse internationally recognized climate risk disclosure standard for insurance companies," press release, April 8, 2022; The White House, National Climate Resilience Framework, September 2023.

129. Declan Harty, "SEC's Gensler weighs scaling back climate rule as lawsuits loom," Politico, February 4, 2023; SEC, "SEC proposes rules to enhance and standardize climate-related disclosures for investors," press release, March 21, 2022.

130. Kara Voss, Steven M. Rothstein, and Michael Peterson, Climate risk management in the U.S. insurance sector: An analysis of climate risk disclosures, Ceres, July 2023.

131. United Nations (UN), The Paris Agreement, accessed November 28, 2023.

132. IAIS, A call to action: The role of insurance supervisors in addressing natural catastrophe protection gaps, November 2023.

133. State of California, SB-253 Climate Corporate Data Accountability Act, October 9, 2023.

134. Deloitte "The Climate Corporate Data Accountability Act (SB-253)," 2023.

135. California Legislature, California Senate Bill 261, October 7, 2023.

136. Deloitte "The Climate Corporate Data Accountability Act (SB-253)."

137. NAIC, "Data call to provide robust look at property insurance availability, affordability," news release, November 2, 2023.

138. NAIC, "NAIC to issue data call to help regulators better understand property markets," news release, August 15, 2023.

139. NAIC, "Data call to provide robust look at property insurance availability, affordability."

140. NAIC, Letter to US Treasury re: FIO climate-related financial risk data collection comments, November 22, 2022.

141. US Treasury, "Agency information collection activities; proposed collection; comment request; Federal Insurance Office climate-related financial risk data collection," October 14, 2022.

142. Ibid.

143. US Treasury, "Treasury's Federal Insurance Office advances first insurer data call to assess climate-related financial risk to consumers," press release, November 1, 2023.

144. Ibid.

145. Deloitte, "The FIO calls on states NAIC to increase their climate-risk capabilities as it preps for more detailed market analysis," 2023.

146. US Treasury, "Treasury's Federal Insurance Office advances first insurer data call to assess climate-related financial risk to consumers."

147. Ibid.

148. US Treasury Federal Insurance Office, Insurance Supervision and Regulation of Climate-Related Risks, June 2023.

149. Brookings Institution, "Assessing insurance regulation and supervision of climate-related financial risk," June 27, 2023.

150. Jeff Dunsavage, "P/C underwriting losses forecast to at least 2025," Triple-I Blog, August 3, 2023.

151. Elisabeth Buchwald, "Car insurance rates just had their biggest annual jump in 47 years. This is why," CNN Business, September 13, 2023.

152. Jason Woleben, "US private auto insurers report historically bad underwriting results in 2022," S&P Global Market Intelligence, May 8, 2023.

153. DOL, Consumer Price Index – August 2023, September 13, 2023.

154. State of California Executive Department, Executive Order N-13-23, September 21, 2023.

155. California Insurance Department, "California's sustainable insurance strategy," 2023.

156. California Department of Insurance, "Commissioner Lara announces Sustainable Insurance Strategy to improve state's market conditions for consumers," September 21, 2023.

157. Colorado Department of Insurance, Fair Access to Insurance Requirements (FAIR) Plan," May 12, 2023.

158. Insurance Journal, "Florida citizens posts info on new flood insurance requirements," August 24, 2023.

159. Citizens Property Insurance Corporation, "Flood insurance coverage rules kick in for citizens," Policyholder Newsletter, March 31, 2023.

160. FEMA, "Fact sheet: Why should I buy flood insurance?," press release, October 31, 2019.

161. State of Connecticut, Connecticut Conference on Climate Change and Insurance (C4I), virtual event, November 15, 2023.

162. Strengthen Alabama Homes, Strengthen Alabama Homes application, accessed November 28, 2023.

163. Carly Berlin, "An Alabama program helps residents stormproof their homes. Louisiana wants to copy it," Gulf States Newsroom, May 24, 2023.

164. NAIC 2023 Summer National Meeting, Joint Meeting of the Catastrophe Insurance (C) Working Group and NAIC/FEMA (C) Advisory Group meeting materials, August 13, 2023.

165. US Senate Committee on the Budget, "Budget Committee launches investigation into climate change-fueled insurance crisis," press release, November 2, 2023.

166. Ibid.

167. US Congress House Financial Services Committee, Memo re: Housing and Insurance Subcommittee Hearing entitled, "Factors Influencing the High Cost of Insurance for Consumers," October 24, 2023.

168. California Governor Gavin Newsome, Letter to California State Senate re: Senate Bill 253, October 7, 2023.

169. Ibid.

170. Ibid.

Contacts

Karl Hersch
US Insurance Leader
Principal | Deloitte Consulting LLP
khersch@deloitte.com

Rich Godfrey
Advisory Principal | Deloitte & Touche LLP
rgodfrey@deloitte.com

Jordan Kuperschmid
Advisory Principal | Deloitte & Touche LLP
jkuperschmid@deloitte.com

Craig Friedman
Advisory Managing Director | Deloitte & Touche LLP
crfriedman@deloitte.com

David Sherwood
Managing Director | Deloitte & Touche LLP
dsherwood@deloitte.com

Tim Cercelle
Managing Director | Deloitte & Touche LLP
tcercelle@deloitte.com

Josh Martin
Audit & Assurance Managing Director | Deloitte & Touche LLP
joshmartin@deloitte.com

Deloitte Center for Regulatory Strategy

Irena Gecas-McCarthy
FSI Director, Deloitte Center for Regulatory Strategy, US

Principal | Deloitte & Touche LLP
igecasmccarthy@deloitte.com

Jim Eckenrode
Deloitte Center for Financial Services/Deloitte Center for Regulatory Strategy, US

Managing Director | Deloitte Services LP
jeckenrode@deloitte.com

Liz Festa
Senior Research Specialist | Deloitte Services LP
lfesta@deloitte.com

Contributors

John Tittle
Audit & Assurance Senior Manager | Deloitte & Touche LLP
johntittle@deloitte.com

Brandon Righi
Advisory Manager | Deloitte & Touche LLP
brrighi@deloitte.com

Doug Garback
Advisory Senior Consultant | Deloitte & Touche LLP
dgarback@deloitte.com

Ashley Wells
Advisory Consultant | Deloitte & Touche LLP
aswells@deloitte.com

Rebecca Dangler
Advisory Analyst | Deloitte & Touche LLP
rdangler@deloitte.com

Allison Palivoda
Advisory Analyst | Deloitte & Touche LLP
apalivoda@deloitte.com

Center *for*
Regulatory Strategy
US

About the Center
The Deloitte Center for Regulatory Strategy provides valuable insight to help organizations in the financial services industry keep abreast of emerging regulatory and compliance requirements, regulatory implementation leading practices, and other regulatory trends. Home to a team of experienced executives, former regulators, and Deloitte professionals with extensive experience solving complex regulatory issues, the Center exists to bring relevant information and specialized perspectives to our clients through a range of media, including thought leadership, research, forums, webcasts, and events.

This article contains general information only and Deloitte is not, by means of this article, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This article is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this article.

Deloitte.

About Deloitte
This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, “Deloitte” means Deloitte Consulting LLP and Deloitte & Touche LLP, which are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2024 Deloitte Development LLC. All rights reserved.