

January 11, 2021

Aaron Cocking
President and CEO
Insurance Federation of Minnesota
3500 American Boulevard West, #700
Bloomington, MN 55401

Via Email: akcocking@insurancemn.org

Dear Mr. Cocking,

As you know, the Department has closely monitored the insurance claims process to resolve claims occurring as a result of the civil unrest following the killing of George Floyd in May of last year. This letter provides you and your members some additional information about the claims process from the Department's perspective, requests improved efforts to provide a better claims experience for individuals and requests improved data quality in submissions sent to the Department.

Data collection and analysis

In June of last year, the Department requested certain information from carriers about claims resulting from the civil unrest. To date, the Department has collected information monthly in part to monitor compliance with statutory claims deadlines and to determine the potential market impacts of the civil unrest. The Department's goal has been to provide information to inform local, state and federal public policy and funding decisions for the relief, rebuilding and future risk mitigation effort over the next several months and years. Commerce has posted summary information on our website: <http://mn.gov/commerce-stat/pdfs/data-call-property-casualty.pdf>.

Approximately 95% of the dollar value of the claims reported to date are commercial property claims. Department staff have compared the data collected to available industry-wide data on the commercial property line of business. Data submitted to date has shown that, as a whole, claims are being settled slightly faster than typical timelines for commercial property claims resolution. The Department appreciates the efforts of insurance companies to ensure quick resolution of claims. While over \$120 million in claims were paid out through the October reporting period, that dollar amount represents only 43% of expected commercial property losses paid. Given the unprecedented nature of the civil unrest – and the challenging economic circumstances facing business owners due to the COVID-19 Pandemic -- the Department strongly encourages insurers to make claims payments as expeditiously as possible.

Data Reporting

While the majority of insurers have submitted complete data reporting on time each month, the Department's ability to timely post the summary monthly data for the benefit of the industry and the public has been slowed

by repeated data errors by some companies. I ask that your member companies examine processes to reduce errors and provide timely responses to Department staff to improve turnaround times and speed our ability to use and publish this data. The Department is simultaneously announcing a move to quarterly data collection in the hope that additional time between reporting cycles will improve data quality. Insurers are directed to report updated data by March 5, 2021 and June 4, 2021.

Anecdotal reports of difficulties resolving claims

While the number of formal complaint submissions have been low, the Department continues to hear anecdotal reports of consumers having difficulties with the insurance process. [Media reports](#) have also detailed these difficulties. The limited number of formally submitted complaints may be for several reasons: In some cases, we hear that businesses' limited time is best spent working with insurance companies to resolve their issues. In other cases, the process may be difficult but has not yet (though may ultimately) produced an outcome that can be reported to the Department. Through community outreach efforts, many consumers expressed to the Department a lack of understanding of how to navigate the claims process. Finally, the issues experienced may be outside of the Department's authority.

Whatever the cause, undue delays in claims processing hamper businesses' abilities to rebuild and erode trust in the insurance system. Neither of these are desirable outcomes. I request that insurers redouble efforts to ensure claims are resolved smoothly and quickly.

Part of a larger conversation

Following Mr. Floyd's death, many insurers doing business in Minnesota reaffirmed their commitment to racial equity and to addressing those issues within the insurance industry. The Department continues to monitor the pace and geographic distribution of claims settlement and requests that insurers continue to prioritize equitable treatment of policyholders.

The anecdotal difficulties we've heard with the claims resolution processes following the civil unrest underscore the difficulty in rooting out systemic issues. Status quo processes and standards may have a disproportionate impact on certain communities. While the insurance industry has played an important recovery role, addressing longstanding inequities requires additional effort. I ask that insurers redouble efforts to process claims effectively, with the potential positive impacts on equity in mind.

Sincerely,



Grace Arnold
Commissioner (Temporary)