
P R E V I E W

TO: NAIC Members, State Insurance Regulators and Interested Parties
FROM: NAIC Committee Support Staff
DATE: February 28, 2011
SUBJECT: PREVIEW: NAIC Committee and Task Force activities for the NAIC Spring 2011 National Meeting in Austin, Texas

The Preview highlights key actions planned by the NAIC membership during its upcoming national meeting. The information should only be used as a general reference. These sessions are subject to update, upon consideration by NAIC committee members.

Important Note: Before making your travel arrangements to attend the national meeting, we strongly encourage you to check the detailed program agenda posted on the NAIC website: www.naic.org/meetings_home.htm for the most current dates and times of all meeting sessions, as well as any pre- or post-national meeting events.

SPECIAL MEETINGS OR EVENTS

In addition to the regularly scheduled committee meetings, all registered attendees are invited to participate in these special sessions on emerging insurance-related issues:

The Catastrophe Insurance (C) Working Group will hold a public hearing during its meeting to discuss Catastrophe Models and receive comments from regulators and interested parties about the uses of short-term versus long-term horizons.

Detailed information about this public hearing will be available on the NAIC website http://naic.org/committees_c_catastrophe.htm

JOINT MEETING OF NAIC EXECUTIVE (EX) COMMITTEE AND PLENARY

The Members will consider adoption of reports from the Executive (EX) Committee, each of its seven standing committees, and its Plenary meeting minutes from the 2010 Fall National Meeting and December 16, 2010 conference call.

Progress reports will be provided on states' implementation efforts on these adopted NAIC model laws, regulations or amendments:

- 1) *Suitability in Annuity Transactions Model Regulation (#275).*
- 2) *Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities (#815).*
- 3) *Actuarial Opinion and Memorandum Regulation (#822).*
- 4) *Valuation of Life Insurance Policies Model Regulation (#830).*

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- 5) *Medical Professional Liability Closed Claim Reporting Model Law* (#77).
- 6) *Derivative Instrument Model Regulation* (#282).
- 7) *Risk Based Capital (RBC) for Health Organizations Model Act* (#315).
- 8) *Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition* (#385).
- 9) *Life and Health Insurance Guaranty Association Model Act* (#520).
- 10) *Property and Casualty Insurance Guaranty Association Model Act* (#540).
- 11) *Insurance Holding Company System Regulatory Act* (#440).
- 12) *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450).
- 13) *American Health Benefit Exchange Act* (#929)
- 14) *Amendments to Health Carrier Grievance Procedure Model Act* (#72)
- 15) *Amendments to Utilization Review and Benefit Determination Model Act* (#73)
- 16) *Model Language for Choice of Health Care Professional* (#930A)
- 17) *Model Language for Dependent Coverage for Individuals to Age of 26* (#930B)
- 18) *Model Language for Lifetime and Annual Limits* (#930C)
- 19) *Model Language for Preventative Services* (#930D)
- 20) *Model Language for Prohibition on Preexisting Condition Exclusions for Individuals Under the Age of 19* (#930E)
- 21) *Model Language for Prohibition on Rescissions of Coverage* (#930F)

At this time, there are no NAIC model laws under development, which are expected to come before the membership for consideration during the spring national meeting.

Please note: Any NAIC model law, regulation, bulletin, white paper or other pertinent items for review and discussion by the Jt. Executive (EX) Committee/Plenary, may be added to its agenda for consideration, prior to the national meeting.

A draft agenda and materials for this meeting will be made available for review on the NAIC website starting March 15. Any NAIC models, guidelines or white papers to be considered by the membership during this meeting will be viewable on the NAIC website:

www.naic.org/index_committees.htm

EXECUTIVE (EX) COMMITTEE

The members plan to consider for adoption a report of the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee, including their 2011 proposed charges.

The members will review the overall changes to the 2011 NAIC Committee Structure. They will also receive progress reports regarding Committee work on NAIC models currently under development and hear updates from NAIC's System for Electronic Rate and Form Filing (SERFF); NAIC's affiliate National Insurance Producer Registry (NIPR); and state Interstate

Insurance Product Regulation Commission (IIPRC). A draft agenda and materials for this meeting will be available on the NAIC website beginning March 15.

The **Government Relations (EX) Leadership Council (GRLC)** will meet to discuss federal legislative and regulatory developments on matters impacting insurance regulation. Members will be briefed on the continuing debate regarding implementation of both the Patient Protection and Affordable Care Act (PPACA) and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Members may also hear updates regarding the National Flood Insurance Program and changes to surplus lines tax requirements.

The **Long-Term Care (EX) Task Force** will continue their work on pricing issues as it relates to long-term care insurance.

The **Producer Licensing (EX) Task Force** will meet to discuss ways to simplify and create greater uniformity within the business entity licensing process, review the process for producer examination development, and establish the Task Force's priorities for 2011. The NARAB (EX) Working Group's will report states' continued compliance with the licensing reciprocity mandates of the Gramm-Leach-Bliley Act. Members will also hear a progress report from the Producer Licensing (EX) Working Group.

The **Solvency Modernization Initiative (EX) Task Force** will hear reports on the progress of their working groups. The Corporate Governance (EX) Working Group is expected to discuss their first draft paper outlining high-level governance principles. The Group Solvency Issues (EX) Working Group will review its updates of a draft work product on Holding Company Best Practices, review updates to the draft proposal for Substantially Similar Provisions of the Revised Insurance Holding Company System Model Act (#440) and Regulation (#450) for Accreditation; and begin drafting a work product on the group-wide capital proposal via the Own Risk and Solvency Assessment (ORSA). The International Solvency (EX) Working Group will present a proposal for the Internal Risk Management Assessment (IRMA), known internationally as the Own Risk and Solvency Assessment (ORSA). The International Accounting Standards (EX) Working Group will provide an update on IASB decisions. The Principles-Based Reserving (EX) Working Group will hear a progress report on the Valuation Manual-20 impact study of the proposed principle-based reserving standards for life insurance.

The **Speed to Market (EX) Task Force** will hear progress reports from its Operational Efficiencies Working Group and National Standards Working Group, as well as briefings from the IIPRC and SERFF on their speed-to-market related implementation efforts.

The **Surplus Lines Implementation (EX) Task Force** will discuss progress on implementation of the surplus lines provisions of the Nonadmitted and Reinsurance Reform Act, including state legislation related to the Nonadmitted Insurance Multi-State Agreement (NIMA) and progress on the development of a plan of operation for a proposed surplus lines premium tax clearinghouse.

The **Information Systems (EX1) Task Force** will hear progress reports on these approved NAIC technology initiatives: *Application Development & Testing Environments Expansion*;

Complaints Handling and Reporting Standards; Market Conduct Annual Statement 2010; and Financial Electronic Examination Tracking System. The Task Force will receive a briefing on NAIC's Database Symmetry analysis. Status updates will also be received on key NAIC-supported state-based technology initiatives, including: System for Electronic Rater & Form Filing (SERFF), State-Based-Systems (SBS) and State Producer Licensing (SPL).

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE members plan to review and consider for adoption a revised stranger-originated annuity transactions (STATs) insurer alert and review a draft of proposed revisions to the *Annuity Disclosure Model Regulation* (#245).

A **Life Actuarial Task Force** will convene to continue work on the valuation manual referenced in NAIC *Standard Valuation Model Law* (#820). Key discussions will include experience studies on policyholder behavior and reporting requirements for principle-based reserving and a progress report on the Valuation Manual-20 impact study of the proposed principle-based reserving standards for life insurance. In addition, there will be a presentation on issues related to reserves for variable annuities under *Actuarial Guideline XLIII*.

HEALTH INSURANCE AND MANAGED CARE (B) COMMITTEE members will receive and consider for adoption reports of the Committee's subgroups and task forces, which include activities related to the Patient Protection and Affordable Care Act (PPACA) health reform implementation; the Consumer Information (B) Subgroup work on coverage facts labels--illustrations of how a particular plan will work for a particular course of treatment for a particular health care condition or disease, which are part of the Summary of Coverage documents required under the PPACA; and the Exchanges (B) Subgroup who plan to begin discussions on white papers under development and receive testimony from stakeholders related to the establishment of exchanges as provided in the PPACA.

The **Health Actuarial Task Force** will assemble to discuss long-term care insurance pricing and valuation issues; a Medicare Supplement refund formula; and see a presentation on the development of a new valuation table for long-term disability insurance.

The **Regulatory Framework Task Force** will begin work on their 2011 charges and hear a progress report from the ERISA (B) Subgroup.

The **Senior Issues Task Force** will discuss current issues relating to Medicare supplement insurance, Medicare private plans, and long-term care insurance. The Task Force will receive updates regarding implementation of new Medicare supplement plans, and will begin discussions regarding changes required by PPACA. Members will also receive updates from representatives of the Centers for Medicare and Medicaid Services (CMS).

Property and Casualty Insurance (C) Committee members will receive a presentation on cyber security, focusing on Voice Over IP security--an area of significant vulnerability to hackers, identity theft and insurance coverage in each of these areas. They will receive working group and task force reports and consider adoption of an Earthquake Consumer Guide. The Committee will consider for adoption the completed Risk Classification Survey Instrument and receive a progress update on drafting of a model law regarding a regulatory framework for credit

scoring information vendors. They will be updated on progress relative to the CIAB/Lexis Nexis Insurance Exchange and discuss National Flood Insurance Program (NFIP) reauthorization efforts, which include the possibility of privatizing the delivery of flood insurance. In addition to the regularly scheduled committee meetings, all registered attendees are invited to participate in these special sessions on emerging insurance-related issues: The Catastrophe Insurance (C) Working Group will hold a public hearing during its meeting to discuss Catastrophe Models and receive comments from regulators and interested parties about the uses of short-term versus long-term horizons. The Crop Insurance (C) Working Group will discuss its impending federal preemption of crop adjuster licensing, hear updates from the Risk Management Agency (RMA) and National Crop Insurance Services (NCIS), and discuss any possible updates to the Crop Insurance Handbook. The Risk Retention (C) Working Group will report progress made towards adding corporate governance standards to the Model Risk Retention Act (#705) and updating the Risk Retention and Purchasing Group Handbook. The Earthquake (C) Study Group plans to see a presentation on earthquake-resistant design and modern building codes of earthquake-resistant masonry, as well as review the Earthquake Consumer Guide.

The **Casualty Actuarial and Statistical (C) Task Force** will discuss the qualifications of an Appointed Actuary in consideration of the revised Casualty Actuarial Society's educational syllabus.

The **Title Insurance (C) Task Force** plans to formally constitute three working groups: Annual Statement Instructions Working Group, Title Statistical Plan Working Group and Title Insurance Market Conduct & Mortgage Fraud Working Group. They expect to consider whether or not NAIC should take a position related to private transfer fee covenants. (A public hearing on private transfer fee covenants was held at the 2010 Fall National Meeting and a survey of members was recently concluded. They will receive reports from its Annual Statement Instructions (C) Working Group, which is expected to submit a recommendation to the Blanks (E) Working Group of improvements to the title annual statement and filing instructions, which include crosschecks for title filing data. The Title Statistical Plan (C) Working Group will report on its progress in developing a Title Agent Statistical Data Plan Implementation Guideline, to assist states in implementing the Title Insurance Agent Statistical Report. The data call report and guideline will assist members in the collection of various data elements that could be useful in market analysis and market regulation, thereby assisting state insurance regulators in analyzing the insurance marketplace. The newly formed Title Insurance Market Conduct and Mortgage Fraud Working Group will report on its activities related to reviewing and assisting various regulatory bodies in combating fraudulent or unfair real estate settlement activities. The Task Force will hear an update from the National Conference of Commissioners on Uniform State Laws regarding their consideration of a model law on mortgage subrogation.

The **Workers' Compensation (C) Task Force** plans to receive updates on: proposed federal legislation to establish a National Commission on State Workers' Compensation; the draft NCOIL Transportation Issues Model Act and concerns with workers' compensation enforcement related to out-of-state employers; the status of Third Party Administrator (TPA) Guidelines; and developments occurring at the recent meeting of the NAIC/IAIABC Joint (C) Working Group.

MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE will receive reports on the actions of its task forces and working groups. The **Market Analysis Procedures (D) Working Group** will report on discussions about possible future changes to the Market Conduct Annual Statement data elements and definitions.

The **Market Information Systems (D) Task Force** agenda plans to include a presentation of the new Market Conduct Annual Statement (MCAS) system.

FINANCIAL CONDITION (E) COMMITTEE will consider for adoption reports of its task forces and working groups.

The **Accounting Practices and Procedures (E) Task Force** will consider action based on the work of its Blanks, Emerging Accounting Issues, and Statutory Accounting Principles (SAP) working groups. The **Blanks (E) Working Group** will consider the supporting blanks proposals for changes to the 2011 filing instructions and any newly submitted proposals for exposure. The **Emerging Accounting Issues (E) Working Group** will consider proposed interpretations to existing statutory accounting principles. The **Statutory Accounting Principles (E) Working Group** will hear comments on exposed items and consider proposed changes to statutory accounting principles, including guidance on the allocation of realized capital gains and losses to AVR and IMR and further disclosure of fair value.

The **Capital Adequacy (E) Task Force** plans to review the actions of its three risk-based capital working groups, its Solvency Modernization Initiative RBC (E) Subgroup and its C-3 Phase 2 Results (E) Subgroup. The Task Force will also discuss deferred tax assets and fraternal risk-based capital. The **Life Risk-Based Capital (E) Working Group** will discuss the commercial mortgage calculation, state low income housing tax credits, and the American Academy of Actuaries C-3 Phase III proposal.

The **Examination Oversight (E) Task Force** will receive reports and consider action on the work of its Financial Analysis Handbook, Financial Analysis Research and Development, Financial Examiners Coordination, and IT Examination working groups, and the Financial Examiners Handbook (E) Technical Group. An update will also be provided on states' adoption of the recently revised *Hazardous Financial Condition Model Regulation* (#385).

The **Receivership and Insolvency (E) Task Force** will receive reports and consider action on the work of the Receivership Technology and Administration (E) Working Group, the Receivership Reinsurance Recoverables (E) Working Group, the Receivership Separate Accounts (E) Working Group, and the Dodd-Frank Receivership Implementation (E) Working Group.

The **Reinsurance (E) Task Force** will continue discussions with respect to reinsurance regulatory modernization, including proposed amendments to the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786), in an effort to make them consistent with key elements of the Reinsurance Regulatory Modernization Framework. Updates will also be received on activities of the Insurance Supervisors (IAIS) Subcommittee on Reinsurance and Other Forms of Risk Transfer.

The **Risk Retention Group (E) Task Force** will receive a report from the Capital Adequacy for RRGs (E) Technical Subgroup regarding discussions on risk-based capital for risk retention groups (RRGs). The Task Force will receive a report and discuss the recommendation from the RRGs and Risk-Focused Examinations (E) Subgroup regarding examinations of RRGs. They will also receive an update on other NAIC groups' work related to RRGs.

The **Valuation of Securities (E) Task Force** will continue to review the changes to how certain securities are analyzed and filed, including the Residential Mortgage-Backed Securities (RMBs) and Commercial Mortgage-Backed Securities (CMBs) that will be modeled for year-end 2011, as well as other loan-backed and structured securities, for which the determination of the NAIC designation has changed. The Task Force will discuss changes to the SVO Purposes and Procedures Manual, including FDIC guaranteed securities. The Task Force will also consider proposals to Recalibrate NAIC Designations and Discontinue the Classification of Securities by the SVO. The staff will provide an update on the progress of work done on referrals received from the Rating Agency (E) Working Group and the SVO Review Study Group.

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE will consider comments received and adoption of the 2008 revisions to the *Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition* (model #385) as an addition to the accreditation standards.

The Committee will discuss revisions adopted in 2010 to NAIC publications that are referenced in the accreditation standards such as the *Accounting Practices and Procedures Manual* and the *Financial Condition Examiners Handbook*. The Committee will also discuss the 2010 revisions made to the *Insurance Holding Company System Regulatory Act* (model #440) and the *Insurance Holding Company System Model Regulation* (model #450).

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE will discuss progress of the International Association of Insurance Supervisors (IAIS) initiatives, including: 1) Common Framework for Internationally Active Insurance Groups; 2) consultation on draft revisions to IAIS Insurance Core Principles; 3) Supervisory Forum developments; and 4) the Financial Stability Committee. The members plan to discuss Europe's Solvency II and third country equivalence; review preparations for the NAIC 2011 Spring International Fellows Program; and receive reports on work in progress at the Joint Forum, and ongoing trade agreement discussions which include the World Trade Organization's (WTO) General Agreement on Trade in Services (GATS) and the Trans-Pacific Partnership Regional Agreement (TPP).

NAIC/CONSUMER LIAISON COMMITTEE agenda includes plans to discuss parts of the Federal health legislation, including Exchanges and guidance for consumer information on different coverages; homeowners insurance in the areas of insurance policy transparency, underinsurance and consumer complaint ratios; the fraud bill partnership relating to automobile PIP coverage; consumer orientation plans for co-ops; agents' selling individual insurance plans; proposed rulemaking for rate review programs; and institute of medicine work on health benefits. The Committee will also receive an update on federal insurance, credit-based insurance scores and underwriting transparency.

NAIC/STATE GOVERNMENT LIAISON COMMITTEE plans to discuss issues of common interest with participating state government officials, including state legislators. NAIC will brief the members on key insurance regulatory initiatives, including health care implementation, federal financial regulatory reforms, and international matter, while legislators will provide their insights to current state legislative priorities.