NAIC CENTER FOR INSURANCE POLICY & RESEARCH (CIPR) - OVERVIEW

STATE INSURANCE COMMISSIONER/REGULATOR ORIENTATION

Shanique (Nikki) Hall, CIPR Manager
November 16, 2014
CIPR Mission

- The Center for Insurance Policy and Research (CIPR) leverages NAIC resources to collect and analyze information for use by officials, agencies, and policymakers in the U.S. and abroad. Through seminars, presentations and publications, CIPR efforts enhance:
  1. Cooperation between federal, state and international agencies and regulators;
  2. Comprehension of insurance-related topics and issues by thought leaders;
  3. The exchange of information between the states and the federal government; and
  4. NAIC and state regulator participation in public policy decisions affecting insurance and the broader financial services sector.
The scope of CIPR work includes every initiative at the NAIC:
- Government Relations Office
- Research & Actuarial Unit
- Financial Regulatory Services Division
- Capital Markets and Investment Analysis Office
- Life Insurance and Annuities (A) Committee
- Health Insurance and Managed Care (B) Committee
- Property and Casualty Insurance (C) Committee
- Market Regulation and Consumer Affairs (D) Committee
- Financial Condition (E) Committee
- International Insurance Relations (G) Committee
CIPR Org Chart

Eric Nordman
Director, CIPR and Regulatory Services

Kris DeFrain
Director, Research and Actuarial Department

Shanique (Nikki) Hall
CIPR Manager

Anne Obersteadt
Senior Researcher

Dimitris Karapiperis
Research Analyst III
CIPR Website

- Go-to source for insurance information.
- The website provides information on current and emerging insurance regulatory developments, ongoing CIPR projects, and coverage of a wide-range of insurance industry topics.
- www.naic.org/cipr_home.htm

<table>
<thead>
<tr>
<th>Year</th>
<th>NAIC Ranking</th>
<th>Page Visits</th>
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<td>2014</td>
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<td>27,646*</td>
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<td>2013</td>
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<td>2011</td>
<td>463</td>
<td>3,127</td>
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</tbody>
</table>

CIPR Website (Cont’d)

Welcome to the website of the Center for Insurance Policy and Research (CIPR). The CIPR serves international, federal and state policy makers, thought leaders and insurance consumers enhancing intergovernmental cooperation and improving consumer protection while promoting legitimate marketplace competition. More about the CIPR...

Within this website, you will find information on current insurance regulatory developments, ongoing CIPR projects, and coverage of a wide-range of insurance industry topics and concerns.

What's New

- 10/30/14 – CIPR Newsletter - October 2014
- 10/9/14 – Save the date! CIPR Fall Event: Navigating Interest Rate Risk in the Life Insurance Industry
  Wednesday, November 19, 2014 | 1:00 p.m. – 3:00 p.m | During the NAIC Fall National Meeting in Washington, D.C.
- 9/19/14 – New Topics Added to the A-Z Key Issues Index:
CIPR Key Issues

- www.naic.org/cipr_key_issues.htm
CIPR Key Issues

• The CIPR Key Issues Index includes a topical listing of key insurance regulatory issues.
• Each Key Issue includes detailed analysis and link to relevant NAIC activity.
• Index contains over 100 Key Issues and Legislative Issues Briefs.
• “Insurance Wikipedia”
CIPR Key Issues (Cont’d)

A captive is an insurance company created and wholly owned by one or more non-insurance companies to insure the risks of its owner (or owners). Captives are essentially a form of self-insurance whereby the insurer is owned wholly by the insured. They are typically established to meet the risk-management needs of the owners or members. Captives are formed to cover a wide range of risks, practically every risk underwritten by a commercial insurer can be provided by a captive. The type of entity forming a captive varies from a major multinational corporation—the vast majority of Fortune 500 companies have captive subsidiaries—to a nonprofit organization. Once established the captive operates like any commercial insurance company and are subject to state regulatory requirements including reporting, capital and reserve requirements.

Over the past 30 years, there has been significant growth in the captive market. Today, there are over 5,000 captives globally compared to roughly 1,000 in 1980 according to AM Best Captive Center. Captives can be domiciled and licensed in a wide number of jurisdictions, both in the U.S. and offshore. The captive’s primary jurisdiction is known as its domicile. The number of captive domiciles is growing and remains competitive. More than 70 jurisdictions have some form of captive legislation. In terms of number of captives, Bermuda is the largest single jurisdiction followed by the Cayman Islands. In Europe, Guernsey, Luxembourg and Ireland are the market leaders. In the U.S., Vermont is the largest domicile and is considered a leader in captive legislation.

There are various types of captive structures. The vast majority of captives insure only the risk of its parent (single parent or “pure” captive). In addition to single-parent captives, there are group/association captives, rent-a-captive, risk retention groups, agency captives, branch captives, senior or diversified captive, protected cell captive and producer owned reinsurance companies (PORCs). The list is not exhaustive, variations continue to flourish as companies come up with more...
## CIPR Key Issues (Cont’d)

<table>
<thead>
<tr>
<th>Top Key Issues</th>
<th>Web Visits*</th>
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<tbody>
<tr>
<td>1. RBC</td>
<td>26,321</td>
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<td>2. Captives</td>
<td>18,193</td>
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<td>3. ORSA</td>
<td>15,163</td>
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<td>4. TRIA</td>
<td>13,667</td>
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<tr>
<td>5. Usage-Based Insurance</td>
<td>12,240</td>
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<td>6. Lender-Placed Insurance</td>
<td>10,230</td>
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<tr>
<td>7. Medical Professional Liability</td>
<td>7,647</td>
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<tr>
<td>8. Flood Insurance (NFIP)</td>
<td>7,196</td>
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<tr>
<td>9. Statutory Accounting Principles</td>
<td>6,496</td>
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<td>10. AG38</td>
<td>6,292</td>
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<tr>
<td>11. Insurance-Linked Securities</td>
<td>5,465</td>
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<tr>
<td>12. Principle-Based Reserving (PBR)</td>
<td>4,839</td>
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Studies/Special Reports

This page provides access to special reports, white papers, and articles on a wide range of insurance regulatory topics and concerns. Occasionally, this page will include documents from non-NAIC sources posted with the authors' permission. These are provided for informational use only and their inclusion does not represent NAIC endorsement of the positions and/or facts presented by them.

Click here for an index of available White Papers from the NAIC Store. Qualified individuals may receive white papers at no cost by contacting NAIC staff.

CIPR Study on the State of the Life Insurance Industry: Implications of Industry
Trends
• Release #1: Sections: Historical Evolution of Life Insurers and Meeting the Risks of the New Environment
• Release #2: Sections: Life Insurer Balance Sheets and Implications of Economic and Market Changes on Life Insurers
• Release #3: Sections: Current and Emerging Product Trends in Retirement and Long-Term Care Markets
• Final Release: All Sections
Center for Insurance Policy and Research
National Association of Insurance Commissioners

Financing Home Ownership: Origins and Evolution of Mortgage Securitization, Public Policy, Financial Innovations and Crises
Center for Insurance Policy and Research
National Association of Insurance Commissioners

Distinguished Scholar Study: Solvency II Calibration
Thomas Herzig, Ph.D., Distinguished Scholar
Center for Insurance Policy and Research
CIPR Studies

- CIPR publishes Studies on a wide range of insurance regulatory topics and issues.
  - Market and Regulatory Implications of Telematics (to be published next year)
  - U.S. Regulatory Framework (to be published next year)
CIPR Studies (Cont’d)

<table>
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<tr>
<th>Study</th>
<th>TRAFFIC*</th>
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<tr>
<td>CIPR State of the Life Insurance Industry Study (August 2013)</td>
<td>747,103</td>
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<tr>
<td>CIPR Financing Home Ownership Study (August 2012)</td>
<td>17,549</td>
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CIPR Statistics

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CIPR Statistics (Cont’d)
CIPR Newsletter

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CIPR Newsletter (Cont’d)

- [www.naic.org/cipr_newsletter_archive.htm](http://www.naic.org/cipr_newsletter_archive.htm)
CIPR Newsletter

• Provides research for current and emerging insurance issues and hot topics.
• Newsletter topics include: Life, P/C, Health, Market Regulation, Financial and International issues.
• Each issue features 6-8 articles written by NAIC/CIPR staff as well as invited (external) authors.

<table>
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<tr>
<th></th>
<th>Web Visits*</th>
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<tr>
<td>January 2014 Newsletter</td>
<td>19,119</td>
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<td>April 2014 Newsletter</td>
<td>21,262</td>
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<td>July 2014 Newsletter</td>
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<td>October 2014 Newsletter</td>
<td>2,599</td>
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Over 1,200 new subscribers have joined since the Newsletter launched in October 2011
## CIPR Newsletter (Cont’d)

<table>
<thead>
<tr>
<th>Top Newsletter Articles this Year</th>
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<tr>
<td>Emerging Regulatory Issues (released Jan 2014)</td>
<td>15,887</td>
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<tr>
<td>Life Insurers to Benefit from Rising Interest Rates (Jan 2014)</td>
<td>9,773</td>
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<tr>
<td>ORSA Is On its Way (Oct 2012)</td>
<td>9,586</td>
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<tr>
<td>The Use of Internal Models in U.S. Insurance Regulation (Oct 2013)</td>
<td>7,653</td>
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<tr>
<td>Recent Developments in the Captive Insurance Industry (Jan 2012)</td>
<td>6,918</td>
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<tr>
<td>Data at a Glance: Medical Professional Labiality (July 2013)</td>
<td>6,483</td>
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<td>State of Market Conduct Collaboration (Jan 2014)</td>
<td>6,161</td>
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<td>Insurance Regulation for Captives and SPVs (July 2014)</td>
<td>5,283</td>
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<tr>
<td>A Closer Look at Contingent Deferred Annuity Issues (April 2014)</td>
<td>5,332</td>
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<tr>
<td>Managing Longevity Risk (April 2013)</td>
<td>5,110</td>
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<tr>
<td>Increasing Importance of Operation Risk Management (Oct 2013)</td>
<td>4,756</td>
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<tr>
<td>Navigating the Regulatory Alphabet Soup (July 2014)</td>
<td>3,718</td>
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CIPR Events

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CIPR Events (Cont’d)

- Sponsor forums to discuss current and emerging issues at NAIC National Meetings and other venues.

- Past events include:
  - Navigating Interest Rate Risk in the Life Insurance Industry (2014)
  - Implications for Increasing Catastrophe Volatility on Insurers and Consumers Symposium (2014)
  - Commercial Ride-Sharing and Car-Sharing Issues (2014)
  - Insuring Cyber Liability Risk (2014)
  - Exploring Insurers’ Liabilities Summit (2013)
  - Insurance for Acts of Terrorism (2013)
  - Financing Home Ownership (2012)
  - Flood Insurance Summit (2012)
CIPR Events (Cont’d)

CIPR Fall Event: Navigating Interest Rate Risk in the Life Insurance Industry

The CIPR will host a panel discussion of Navigating Interest Rates in the Life Insurance Industry. The event will take place Wednesday, Nov. 19, from 1 to 3 p.m. at the NAIC Fall National Meeting in Washington, D.C. Attendee sign-in is scheduled from noon to 1 p.m.

The event will feature a panel of subject-matter experts, including life insurance companies, insurance regulator, economists and rating agencies. Doug Hieb (former NAIC Senior Counsel for financial and insolvency regulation) will serve as moderator. The event will address how insurers are navigating the current interest rate environment and the potential for various future interest rate fluctuations. The prolonged period of low interest rates has been a useful test in aiding the recovery of the U.S. economy, but it has diminished insurer’s investment yields, placing pressure on liabilities and the products they can offer. A gradual rise in interest rates would be welcome, but uncertainties on future market correction scenarios—including the unlikely but high-impact risk of an interest rate spike—pose challenges for insurers.

During the event, panelists will share how insurers are coping with the current interest rate environment through product and benefit design, investment strategy, and asset-liability match. Panelists will share their views on the potential impact of future interest rate scenarios, including the unlikely worst-case scenario of an interest rate spike resulting in an outflow of liquidity causing higher yields. The discussion will include policy changes insurers have made since they last faced interest rate disintermediation risk in the early 1990s to protect their liquidity and remain attractive in the market.

This event is complimentary and no registration is required. However, we ask that you RSVP to ciprevents@naic.org.

Event Materials:
- Final Agenda
- Event Program
- CIPR Interviews Life Insurance Company Top Executives
- NAIC — Impact on Life Insurance Industry Investment Margin Slides
- Insurance Regulator Professional Designations Program Learning Objectives
- GAIC To Designate Program Candidates:

Past CIPR Events

2014

October 7 – 8, 2014
CIPR Symposium: Implications for Increasing Catastrophe Volatility on Insurers and Consumers
Program Highlights

Presentations:
- Overview of Catastrophic Events
Questions?

Shanique (Nikki) Hall
shall@naic.org
212-386-1930