Governance Review Task Force

Administrative Due Process

Background

• Interested Parties have asked that, as part of the Governance Review, the NAIC look at the process requirements applicable to NAIC Work Product—Particularly for those materials that are not subject to a separate statutory or regulatory process at the state level.
• This presentation will give a brief overview of what is currently in place and ask some questions for the Task Force to consider.
Guiding Principles

– Broad input from Members/regulators on technical and public policy issues
– Adequate time and opportunity for interested party input and discussion
– Record of NAIC deliberations and decisions
– Flexibility to respond to emergency and emerging issues

• Questions-
  • Do you agree with these Principles?
  • How closely can/should the NAIC process match state administrative process?

Processes Subject to Procedural Requirements

• Annual and Quarterly Statements
• Accounting Practices and Procedures Manual
• Valuation Manual

Each of these processes has its own set of requirements.

Question- Does the Task Force want to pursue “aligning” these processes?
Annual and Quarterly Statements

• Items are considered at a meeting if filed 30 days before.
• Suggested revisions can be considered outside of this process if 2/3 of the members of the Blanks WG agree.
• Revisions to the quarterly statement are effective January 1 and must be adopted by the Summer Meeting.
• Revisions to the annual statement are adopted in June for the following year.

Annual and Quarterly Statements

• On receipt of a proposal, the Blanks WG will either receive for public comment or reject.
• Public comment period ends 30 days prior to the next scheduled meeting.
• Agendas for meetings distributed two weeks prior.
• Non-substantive changes developed by staff are voted on at any regularly scheduled meeting.
SAPWG

- Statutory Accounting Principles Working Group- charged with maintaining the Statutory Accounting Principles.
- Reports to the Accounting Practices and Procedures Task Force.
- As new issues arise, research and drafting is done by NAIC staff at the direction of SAPWG.
- Issue papers are first step in developing or substantially revising SSAPs

SAPWG

- In order for an issue to be placed on the Pending List, form submitted 20 days prior to the next scheduled meeting.
- SAPWG can reject or accept. If accepted, an item is listed as Substantive or Nonsubstantive.
- Items on the Substantive List require and new issue paper and SSAP.
SAPWG

- Public comment is solicited on issue papers and at least one public hearing is held on an issue paper before it is converted to an SSAP.
- SSAPs are exposed for public comment for a length of time commensurate with length and complexity.
- Adoption by simple majority – one public hearing before presentation to the TF.

Valuation Manual

- The Manual contains the specific requirements related to Principle-Based Reserving and will become operative once the Standard Valuation Law (SVL) is adopted by the requisite number of states.
- The SVL sets out that amendments to the Valuation Manual will be effective on January 1 following adoption by the NAIC.
Valuation Manual

• Additional procedures for amending the Manual are in the Manual itself.
• Last year, with the support of interested parties, the NAIC adopted a process document for updating the Manual.
• The updated process carries out the guiding principles and incorporates many of the concepts interested parties have presented to this Task Force.

Valuation Manual

• The Life Actuarial Task Force (LATF) is charged with maintenance of the Manual for presentation to the Plenary.
• Issues to be considered for amendment can come from another NAIC group or from interested parties.
• Amendment Proposal Forms are required to place an issue on the Pending List. These must be submitted 20 days prior to the next scheduled meeting to be placed on the agenda.
Valuation Manual

• LATF can move an item from Pending to Rejected or Active. Items moved to Active will be categorized as Substantive or Non-Substantive.
• Any disposition of an item will take place in an open meeting.
• Non-substantive is defined as a technical revision—examples are changes to titles, grammar corrections, reference errors, changes for consistency, etc.

Valuation Manual

• Non-substantive Items require adoption by a simple majority of LATF.
• Meeting notices for LATF will indicate if any vote on a non-substantive item is anticipated.
• Non-substantive items will be exposed for comment for a period of time commensurate with the complexity of the change.
Valuation Manual

• Substantive Items are defined as those that will alter the meaning, application or interpretation of a provision.
• Substantive Items are exposed for a minimum of 21 days. The comment period begins when the item is place on the website.
• LATF will hold at least one open meeting before a final vote on any substantive item.
• Subsequent exposures will be for a minimum of 7 days.
• Meeting notices will indicate if any votes are anticipated.
• Adoption is by a simple majority.

Valuation Manual

• Waiver of Procedure
  – Requires ¾ vote of LATF
  – Any Substantive Item must be exposed for 14 days
  – Waiver is required to “advance a valid regulatory purpose.”
• A Committee
  – Any Valuation Manual amendments will be considered as a separate agenda item.
  – Generally will not vote unless 14 days have elapsed since LATF adoption.
Valuation Manual

- Executive/Plenary
  - Will generally consider Valuation Manual amendments at the National Meeting following Committee adoption.
  - On Substantive Items, final action will generally be taken at the Summer National Meeting.
  - Voting requirements and effective dates are set out in the SVL.

Questions

- Do you agree with the guiding principles?
- How closely can/should the NAIC process match what happens at the state level?
- Does the Task Force want to pursue “aligning” these processes?