



TO: Commissioners, Directors and Superintendents
Interested Parties

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DATE: June 30, 2009

This memorandum describes NAIC action on model laws and guidelines at the 2009 Summer National Meeting. For further information, including current drafts and staff support contacts for each item, please consult the NAIC web site (www.naic.org), Committees and Activities page.

I. Actions by Joint Executive Committee/Plenary

A. Model Laws and Regulations Adopted by Executive/Plenary

1. Amendments to Derivative Instruments Model Regulation (# 282)

The Executive Committee approved the model law development request to amend this model at the 2007 Fall National Meeting. Four states have adopted this model. This model regulation requires those insurers engaged in selling derivatives to establish written guidelines for such transactions, with the written guidelines approved by the board of directors and the state of domicile. The guidelines must address the objective of the insurer's use of derivatives, the exposure limits, credit quality standards set by the insurer and documentation of the insurer's internal controls to ensure appropriate care is taken with such transactions. The joint Executive/Plenary adopted the amendments to this model by a 2/3 vote.

B. Guidelines Adopted by Executive/Plenary

1. Property and Casualty Model Rating Law (File and Use Version) (# 1775)

The joint Executive/Plenary adopted a recommendation by the Speed to Market Task Force to retain this model law as a guideline. The purposes of this guideline are to prohibit price fixing agreements and other anticompetitive behavior by insurers as well as protect policyholders and the public against the adverse effects of excessive, inadequate or unfairly discriminatory rates.

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2. Property and Casualty Model Rating Law (Prior Approval Version) (# 1780)

The joint Executive/Plenary adopted a recommendation by the Speed to Market Task Force to retain this model law as a guideline. The purpose of this guideline is to promote the public welfare by regulating insurance rates to the end that they shall not be excessive, inadequate or unfairly discriminatory, and to authorize and regulate limited cooperative action among insurers in ratemaking-related activities.

C. Actuarial Guidelines Adopted by Executive/Plenary

The joint Executive Committee/Plenary did not adopt any actuarial guidelines during the 2009 Summer National Meeting

D. Bulletins Adopted by Executive/Plenary

1. Guidance Regarding Use of the NAIC/NIPR Attachments Warehouse for the Electronic Filing of Insurer Producer Licensing Documents

The joint Executive/Plenary adopted this bulletin during the 2009 Summer National Meeting. The purpose of the bulletin is to advise all insurance companies and producers transacting business in a state that the Department of Insurance will immediately begin to accept electronic filing of documents and notices submitted on behalf of insurance producers through the NAIC/NIPR Attachments Warehouse. The Attachments Warehouse in NIPR is a secure regulatory database that can electronically receive, store and share licensing documents.

E. White Papers Adopted by Executive/Plenary

The joint Executive/Plenary did not adopt any white papers during the 2009 Summer National Meeting.

II. Actions by Executive (EX) Committee

A. Model Law and Regulation Requests Approved for Development by the Executive Committee

The Executive Committee did not approve any Model Law Requests during the 2009 Summer National Meeting.

III. Actions by Other Committees, Task Forces and Working Groups

A. Executive (EX) Committee

1. Personal Lines Regulatory Framework White Paper

The Personal Lines Market Regulatory Framework Working Group of the Speed to Market (EX) Task Force received this white paper during a conference call held on April 16, 2009. The Group determined that it would be more appropriate to receive the white paper rather than adopt it as official policy. The Speed to Market (EX) Task Force voted to discharge the Working Group during the Summer National Meeting.

B. Life Insurance (A) Committee

1. Actuarial Guideline 1c: Interpretation of the Calculation of the Segment Length with Respect to the Life Insurance Policies Model Regulation and Use of the 2001 CSO Preferred Class Structure Table to Determine Basic and Minimum Reserve Liabilities

The Life and Health Actuarial Task Force and the Life Insurance and Annuities (A) Committee adopted this actuarial guideline during the Summer meeting. The purpose of this guideline is to clarify that when a company elects to use the 2001 CSO Preferred Class Structure Table to determine minimum valuation requirements that it is permissible to use distinct versions of the table for determination of contract segments as defined in the Valuation of Life Insurance Policies Model Regulation. The joint Executive/Plenary will consider adopting this guideline at the 2009 Fall National Meeting.

2. Amendments to Actuarial Opinion and Memorandum Regulation (# 822)

The Life and Health Actuarial Task Force and the Life Insurance and Annuities (A) Committee adopted this model during the Summer National Meeting. The Executive (EX) Committee approved the development of amendments to this model during the 2009 Commissioners Conference. These amendments were approved as part of a larger Capital and Surplus plan. 51 states and U.S. territories have adopted this model. The joint Executive/Plenary will consider adopting the amendments to this model at the 2009 Fall National Meeting.

3. Amendments to Annuity Disclosure Model Regulation (# 245)

The Executive (EX) Committee adopted the model law development request for this model regulation during the 2008 Fall National Meeting. 15 states and U.S. territories have adopted this model. The Annuity Disclosure (A) Working Group discussed several disclosure issues related to guaranty fund coverage and annuity illustrations. The

Working Group anticipates holding one or more conference calls prior to the Fall National Meeting to continue these discussions.

4. Amendments to Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities (# 815)

The Life and Health Actuarial Task Force adopted this model during the 2009 Summer National Meeting. The Executive (EX) Committee approved the development of amendments to this model during the 2009 Commissioners Conference. These amendments were approved as part of a larger Capital and Surplus plan. 31 states and U.S. territories have adopted this model. The Life Insurance and Annuities (A) Committee deferred final action on this model until it reviews an industry survey conducted by the Task Force.

5. Amendments to Standard Nonforfeiture Law for Life Insurance (# 808)

The Executive (EX) Committee approved the development of amendments to this model during the 2007 Fall National Meeting. These amendments are intended to ensure that the nonforfeiture interest rate is defined for policies whose reserves are calculated using a principles-based methodology. Approximately 53 states and U.S. territories have adopted this model. The Life and Health Actuarial Task Force deferred consideration of these amendments until more work is completed on the Standard Valuation Law and the Valuation Manual in conjunction with the transition to principles-based reserving. These amendments involve delinking the interest rates from the valuation interest rate and linking them to the formula currently used.

6. Amendments to Standard Valuation Law (# 820)

The Life and Health Actuarial Task Force adopted amendments to this model during the Summer National Meeting. The Executive (EX) Committee approved the development of amendments to this model during the 2007 Fall National Meeting. These amendments are intended to enable a principles-based methodology. Approximately 52 states and U.S. territories have adopted this model. The Life Insurance and Annuities (A) Committee deferred final action on this model in order to hold a joint conference call with the Principles-Based Reserving (EX) Working Group and the Solvency Modernization Initiative (EX) Task Force.

7. Amendments to Suitability in Annuity Transactions Model Regulation (# 275)

The Executive (EX) Committee approved the development of amendments to this model during the 2008 Summer National Meeting. Amendments are intended to address problems related to the adequacy of current insurer producer training, supervision and monitoring standards. Approximately 35 states have adopted this model or something similar. The Suitability in Annuity Sales (A) Working Group continued its discussion of proposed revisions and decided to distribute an exposure draft for comment by the end of July.

8. Amendments to Valuation of Life Insurance Policies Model Regulation (# 830)

The Life and Health Actuarial Task Force and the Life Insurance and Annuities (A) Committee adopted this model during the Summer National Meeting. The Executive (EX) Committee approved the development of amendments to this model during the 2009 Commissioners Conference. These amendments were approved as part of a larger Capital and Surplus plan. 40 states and U.S. territories have adopted this model. The joint Executive/Plenary will consider adopting the amendments to this model at the 2009 Fall National Meeting.

C. Health Insurance and Managed Care (B) Committee

1. Amendments to Individual Health Insurance Portability Model Act (# 37)

The Regulatory Framework (B) Task Force discussed a new draft of amendments to this model for consistency with the Genetic Information Nondisclosure Act (GINA) and the special enrollment provisions under the State Children's Health Insurance Program (SCHIP) Reauthorization bill. 29 states and U.S. territories have adopted this model or something similar. The Task Force is accepting comments until July 17, 2009.

2. Amendments to Long-Term Care Insurance Model Act (# 640)

The Senior Issues Task Force amended the Scope section of the model to coincide with approved changes to the Long-Term Care Insurance Model Regulation. The Health Insurance and Managed Care (B) Committee adopted these amendments during the 2009 Summer National Meeting. The B Committee will present a Request for Model Law Development to the Executive Committee prior to the Fall National Meeting. This request will outline the needed changes to the model.

3. Amendments to Long-Term Care Insurance Model Regulation (# 641)

The Health Insurance and Managed Care (B) Committee adopted amendments to this model during the 2009 Summer National Meeting. The Executive (EX) Committee adopted the model law development request for amendments to this model regulation during the 2008 Fall National Meeting. These amendments will add an external review process for long-term care insurance claim denials. Nearly all jurisdictions have adopted the model or something similar. The Senior Issues (B) Task Force postponed revising the Appendix E Claims Denial Reporting Form until a later date.

4. Amendments to Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (# 651)

The Executive (EX) Committee adopted the model law development request for amendments to this model regulation during the 2007 Fall National Meeting. Nearly all

jurisdictions have adopted either the current or a previous version of this model. These amendments make changes to the refund formula. The Accident and Health (B) Working Group requested a one-year extension to work on these amendments.

5. Amendments to Nondiscrimination in Health Insurance Coverage in the Group Market Model Regulation (# 107)

The Regulatory Framework (B) Task Force discussed a new draft of amendments to this model for consistency with GINA and SCHIP. 17 states and U.S. territories have adopted this model or something similar. The Task Force is accepting comments until July 17, 2009.

6. Amendments to Small Employer and Individual Health Insurance Availability Model Act (# 35)

The Regulatory Framework (B) Task Force discussed a new draft of amendments to this model for consistency with GINA and SCHIP. Nearly all jurisdictions have adopted this model or something similar. The Task Force is accepting comments until July 17, 2009.

7. Amendments to Small Employer Health Insurance Availability Model Act (Prospective Reinsurance With or Without an Opt-Out) (# 118)

The Regulatory Framework (B) Task Force discussed a new draft of amendments to this model for consistency with GINA and SCHIP. Nearly all jurisdictions have adopted this model or something similar. The Task Force is accepting comments until July 17, 2009.

8. Guideline Amendments to Uniform Health Carrier External Review Model Act (# 76)

The Regulatory Framework (B) Task Force discussed the most recent drafts of several model notices. These notices will be attached to the existing model as appendices. The Task Force discussed several comments received from interested parties. The Task Force agreed to revise the notices and forms and distribute a new draft for comment prior to the Fall National Meeting.

D. Property and Casualty Insurance (C) Committee

1. Guideline Amendments to Property and Casualty Rate and Form Model Law (# 775)

The Speed to Market (EX) Task Force approved converting the 2000 draft of this model to a guideline during an April, 2009 conference call. This action was one part of the recommendations found in the Personal Lines Regulatory Framework White Paper. The 2000 draft was adopted by the Property and Casualty (C) Committee but not adopted by the Plenary at that time. Due to the length of time that has passed since this draft was last

considered, the C Committee will review this draft prior to the joint Executive/Plenary considering it for adoption as a guideline.

2. Guideline for Implementation of Medical Professional Liability Closed Claim Reporting

The Casualty Actuarial and Statistical (C) Task Force received a draft Part A of this guideline. This guideline is intended to supplement the Medical Professional Liability Closed Claim Reporting Model Law (# 77), which was adopted during the 2008 Fall National Meeting. The draft identified several items for further discussion, including NAIC Statement of Statutory Accounting Principles modifications regarding transfer of run-off business and allowance of prospective accounting. Other issues included the collection and compilation of Actuarial Opinion Summary data as well as the need to work with states that still allow a commissioner to approve a specialist instead of a qualified actuary to sign actuarial opinions.

3. Guidelines for Regulations and Legislation for Workers' Compensation Coverage for Professional Employer Organization Arrangements

The Workers' Compensation Task Force reviewed a draft of this white paper. The purpose of this paper is to assist the states, professional employer organizations (PEOs) and the insurance industry in implementing a regulatory framework consistent with the *Guidelines for Regulations and Legislation on Workers' Compensation Coverage for Professional Employer Association Arrangements*. The PEO Guidelines Implementation Paper Drafting Group is accepting comments until July 17, 2009.

4. Natural Catastrophe Risk: Creating a Comprehensive National Plan

The Property and Casualty (C) Committee adopted this white paper during the 2009 Summer National Meeting. The white paper describes the approaches and issues in managing catastrophic risk and is intended to identify a means of implementing common ground solutions. Some areas of agreement outlined in the white paper include: support of loss mitigation efforts, improvements to building codes and rigorous enforcement of the improved building codes. The joint Executive/Plenary will consider adopting this white paper at the Fall National Meeting.

5. Third Party Administrator Guidelines (# 90)

The Large Deductible Study Implementation (C) Working Group presented a draft to the Regulatory Framework (B) Task Force for review of health insurance changes from the existing model law.

E. Market Regulation and Consumer Affairs (D) Committee

1. Model Antifraud Plan Guideline

The Antifraud Liaison (D) Working Group continued drafting this proposed guideline. The Working Group intends to distribute a new draft prior to the Fall National Meeting. The guideline addresses recommended requirements for state regulations and statutes such as: (1) elements that should be included in fraud plans filed by insurers; (2) fraud warning language and (3) Special Investigation Unit requirements.

F. Financial Condition (E) Committee

1. Amendments to Risk Based Capital (RBC) for Health Organizations Model Act (# 315)

The Financial Condition (E) Committee adopted this model during the Summer National Meeting. This model sets standards for minimum capital requirements for health insurers and is currently adopted by 31 states and U.S. territories. The proposed amendment to this model adds a trend test to Section 3: Company Action Level Event. The regulation of insurers' capital requirements is becoming increasingly relevant on a national as well as international basis. This trend test should provide an earlier warning and identify those companies that may experience financial distress. The joint Executive/Plenary will consider adopting the amendments to this model during the 2009 Fall National Meeting.

G. Financial Regulation Standards and Accreditation (F) Committee

The Committee did not discuss any model laws or guidelines during the 2009 Summer National Meeting.

H. International Insurance Relations (G) Committee

The Committee did not discuss any model laws or guidelines during the 2009 Summer National Meeting.