MEMORANDUM

TO: Commissioners, Directors, Superintendents, and Interested Parties
FROM: Jennifer McAdam, Legal Counsel
DATE: April 28, 2015

This memorandum describes NAIC action on model laws, guidelines, and white papers at the 2015 Spring 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 Executive (EX) Committee and Plenary

A. Model Laws and Regulations Adopted by the Executive (EX) Committee and Plenary

Amendments to the Annuity Disclosure Model Regulation (#245); Suitability in Annuity Transactions Model Regulation (#275); Advertisements of Life Insurance and Annuities Model Regulation (#570); and Life Insurance and Annuities Replacement Model Regulation (#613)

The Executive (EX) Committee and Plenary adopted amendments to the Annuity Disclosure Model Regulation (#245); Suitability in Annuity Transactions Model Regulation (#275); Advertisements of Life Insurance and Annuities Model Regulation (#570); and Life Insurance and Annuities Replacement Model Regulation (#613). The amendments were drafted by the Contingent Deferred Annuity (A) Working Group and ensure that the models adequately regulate Contingent Deferred Annuities.

B. Guidelines Adopted by the Executive (EX) Committee and Plenary

The Executive (EX) Committee and Plenary did not adopt any guidelines at the Spring National Meeting.

1 On an interim conference call held on December 16, 2014, the Executive (EX) Committee and Plenary adopted the following items: (1) Individual Market Health Insurance Coverage Model Regulation; (2) Small Group Market Health Insurance Coverage Model Regulation; (3) Actuarial Guideline XLVIII (AG 48); and (4) amendments to the Insurance Holding Company System Regulatory Act (#440).
C. Actuarial Guidelines Adopted by the Joint Executive Committee/Plenary

Amendments to Actuarial Guideline XXXVIII, the Application of the Valuation of Life Insurance Policies Model Regulation (AG 38)

The Executive (EX) Committee and Plenary adopted the process revisions to Actuarial Guideline XXXVIII, the Application of the Valuation of Life Insurance Policies Model Regulation (AG 38). In 2012, the NAIC formed a joint working group of the Life Insurance and Annuities (A) Committee and the Financial Condition (E) Committee that ultimately made revisions to AG 38 requiring domestic states to submit certain actuarial opinions and company representations (Section 8D reports) to the Financial Analysis (E) Working Group. A revision to AG 38 has been adopted by the Financial Condition (E) Committee and the Life Insurance and Annuities (A) Committee to change the insurers’ process for submitting Section 8D reports. With this revision, the Working Group retains the option of requesting the information for review.

D. Bulletins/Consumer Alerts Adopted by Executive (EX) Committee and Plenary


The Executive (EX) Committee and Plenary adopted the Model Bulletin titled, Policyholder Disclosures and Expedited SERFF Filing Document Related to the Terrorism Risk Insurance Program Reauthorization Act of 2015. The Bulletin was drafted by the Terrorism Insurance Implementation (C) Working Group and updated several critical documents related to the federal Terrorism Risk Insurance Program Reauthorization Act (TRIA), which was signed into law in January. The states began using these documents for their bulletins and other regulatory guidance earlier this year.

E. White Papers Adopted by Executive (EX) Committee and Plenary

Transportation Network Company Insurance Principles for Legislators and Regulators White Paper

The Executive (EX) Committee and Plenary adopted the Transportation Network Company Insurance Principles for Legislators and Regulators White Paper. The white paper was drafted by the Sharing Economy (C) Working Group and was adopted by the Property and Casualty Insurance (C) Committee at this Spring National Meeting. The paper identifies regulatory concerns and principles of legislation regarding Transportation Network Companies.

F. Model Laws and Regulations Archived by the Executive (EX) Committee and Plenary

The Executive Committee (EX) Committee and Plenary did not archive any model laws or regulations during the Spring National Meeting.
II. Actions by Executive (EX) Committee

Model Law and Regulation Requests Approved for Development by the Executive (EX) Committee

New Unclaimed Life Insurance Benefits Model Act

The Executive (EX) Committee approved a request by the Life Insurance and Annuities (A) Committee for a new model law titled the Unclaimed Life Insurance Benefits Model Act. The purpose of the model is to develop a uniform standard that insurers must follow to resolve unclaimed death benefits and to prevent inconsistent use of the Social Security Administration’s Death Master File. The Life Insurance and Annuities (A) Committee will name a group to begin drafting the new model.

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

A. Life Insurance and Annuities (A) Committee

1. Amendments to Actuarial Guideline XXXVIII, the Application of the Valuation of Life Insurance Policies Model Regulation, (AG 38)

The Life Insurance and Annuities (A) Committee received a referral from the Financial Condition (E) Committee to consider for adoption the process revisions to Actuarial Guideline XXXVIII, the Application of the Valuation of Life Insurance Policies Model Regulation (AG 38). The Financial Condition (E) Committee adopted the revisions via conference call Oct. 22, 2014.

2. Amendments to Synthetic Guaranteed Investment Contract Model Regulation (#695)

The Life Insurance and Annuities (A) Committee granted an extension to the Life Actuarial (A) Task Force for its amendments to the Synthetic Guaranteed Investment Contract Model Regulation (#695). The amendments will modify the valuation methodology for in-force synthetic guaranteed investment contracts to allow for a liability valuation methodology that is appropriate in multiple economic environments. The Task Force has one outstanding revision to consider.

B. Health Insurance and Managed Care (B) Committee

1. Amendments to Accident and Sickness Insurance Minimum Standards Model Act (#170), and Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171)

The Regulatory Framework (B) Task Force reviewed and discussed initial drafts of proposed revisions to the Accident and Sickness Insurance Minimum Standards Model Act (#170) and the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171). The Task Force set a June 15 public comment
deadline. The Task Force is revising these models to comply with the Affordable Care Act.

2. **Amendments to the Managed Care Plan Network Adequacy Model Act (#74)**

The Network Adequacy Model Review (B) Subgroup continued its discussion of the comments received on the initial draft of revisions to the Managed Care Plan Network Adequacy Model Act (#74). The Subgroup plans to start holding conference calls twice a week in April. The Subgroup is revising this model for consistency with the Affordable Care Act and is making other necessary revisions to reflect changes in the way health care services are delivered since Model #74 was initially adopted in 1996.

3. **Stop Loss Insurance, Self-Funding and the ACA White Paper**

The ERISA (B) Working Group discussed a revised draft of the Stop Loss Insurance, Self-Funding and the ACA white paper and plans to consider adoption of the white paper at the end of April. The white paper examines the issues surrounding the potential impact of small employer self-insurance on the small group market.

C. **Property and Casualty Insurance (C) Committee**

1. **Amendments to the Creditor-Placed Insurance Model Act (#375)**

The Property and Casualty Insurance (C) Committee granted a request for extension for drafting amendments to the Creditor-Placed Insurance Model Act (#375). The model is being reevaluated to assure appropriate consumer safeguards are included.

2. **New Guideline for Title Insurance Guaranty Fund**

The Property and Casualty Insurance (C) Committee adopted the Title Insurance Guaranty Association – Title Insurance Consumer Protection Fund Guideline (Title Insurance Guaranty Fund Guideline). The Title Insurance (C) Task Force adopted the Guideline earlier at the Spring National Meeting. The Guideline had been adopted by the Title Insurance Guaranty Fund (C/E) Working Group via an e-vote ending December 12. The model would create a nonprofit legal entity within the state and all insurers that write title insurance business in the state would be members. The fund would cover claims up to a specified dollar amount.


The Property and Casualty Insurance (C) Committee adopted the Transportation Network Company Insurance Principles for Legislators and Regulators White Paper. The white paper was drafted by the Sharing Economy (C) Working Group and identifies regulatory concerns and principles of legislation regarding Transportation Network Companies. Following adoption by the Property and Casualty Insurance (C) Committee, the Executive (EX) Committee and Plenary adopted this white paper at this Spring National Meeting.
D. Market Regulation and Consumer Affairs (D) Committee

The Market Regulation and Consumer Affairs (D) Committee did not take any action on model laws, guidelines or white papers at the Spring National Meeting.

E. Financial Condition (E) Committee

1. **New Guideline for Title Insurance Guaranty Fund**

   The Receivership and Insolvency (E) Task Force adopted the Title Insurance Guaranty Association – Title Insurance Consumer Protection Fund Guideline (Title Insurance Guaranty Fund Guideline). The Guideline had been adopted by the Title Insurance Guaranty Fund (C/E) Working Group via an e-vote ending December 12. The model would create a nonprofit legal entity within the state and all insurers that write title insurance business in the state would be members. The fund would cover claims up to a specified dollar amount.

2. **Amendments to Mortgage Guaranty Insurance Model Act (#630)**

   The Financial Condition (E) Committee granted an extension of time to the Mortgage Guaranty Insurance (E) Working Group to complete drafting amendments to this model. The Working Group is finalizing the Mortgage Guaranty Insurance Standards Manual, which will be referenced in the Model and is intended to allow for more timely technical improvements in the underwriting and quality assurance requirements. The Working Group intends to finalize its work by the Summer National Meeting. The Working Group is drafting amendments to Capital Requirements, Investment Limitations, Reinsurance and other areas of the model to address areas highlighted for change as a result of the recent mortgage crisis.

3. **XXX/AXXX Reinsurance Framework Model Laws**

   The XXX/AXXX Captive Reinsurance Regulation drafting group of the Reinsurance (E) Task Force is preparing a draft regulation for review by the Task Force incorporating the provisions of AG 48. The drafting group is currently working from a draft document prepared by Rector & Associates, which it has reviewed and discussed. NAIC staff will incorporate them into the draft document. The Drafting Group intends to present a first draft to the Reinsurance (E) Task Force for consideration at the Summer National Meeting.

   The Executive (EX) Committee approved a model law request for the Reinsurance (E) Task Force to draft a new XXX/AXXX Reinsurance Model Regulation that will establish the requirements regarding the reinsurance of XXX/AXXX policies, using the Principle-Based Reserving Implementation (EX) Task Force’s XXX/AXXX Reinsurance Framework as the starting point.