
MEMORANDUM

TO: NAIC Members and Other Interested Regulators & Parties
FROM: NAIC Committee Support Staff
DATE: November 17, 2008
SUBJECT: A Preview of Committee, Subcommittee and Task Force activity planned for the NAIC 2008 Winter National Meeting in Grapevine Texas

Following is a summary of the activities planned for our upcoming national meeting. The descriptions are provided by NAIC committee support staff and should be used as a general reference and may not be a complete reflection of the considerations by committee members. The complete meeting program, with current meeting times and locations, can be found on the NAIC Meetings web page at www.naic.org.

EXECUTIVE (EX) COMMITTEE

The **Executive (EX) Committee** will hear and adopt reports from the Internal Administration (EX1) Subcommittee and the Committee's currently appointed task forces and working groups which include AIG Special Task Force, Climate Change and Global Warming Task Force, Credit Default Swap Working Group, Government Relations Leadership Council, Indexed Annuities Working Group, International Insurance Relations Leadership Council, Military Sales Working Group, NARAB Working Group, Principles-Based Reserving Working Group, Speed-to-Market Task Force, SVO Initiatives Working Group,. The Committee will consider a model law classification request for purposes of amending the Derivatives Instrument Model Regulation (#282) and hear reports from seven model laws under development. The Committee will hear reports from standing committees on model law development efforts. The Committee will consider adoption of the 2009 NAIC Committee, Subcommittee and Task Force Charges. It will also hear reports from the National Insurance Producer Registry (NIPR) Board, the System for Electronic Rate and Form Filing (SERFF) Board and the Interstate Insurance Product Regulation (IIPRC) Commission.

The **Climate Change and Global Warming (EX) Task Force** will hear a report from the Climate Risk Disclosure Working Group, which plans to meet by conference call prior to the winter meeting, to consider adoption of a Climate Risk Disclosure Proposal. If adopted by the Working Group, the Task Force will review and consider adoption of the disclosure proposal at this national meeting. The Task Force will also hear a presentation on the *My Safe Florida Home* project and its findings regarding hardening of houses against damage from wind and water losses.

EXECUTIVE HEADQUARTERS	2301 McGee Street, Suite 800	Kansas City, MO 64108-2662	p 816 842 3600	f 816 783 8175
GOVERNMENT RELATIONS	444 N. Capitol Street, NW, Suite 701	Washington, DC 20001-1509	p 202 471 3990	f 202 471 3972
SECURITIES VALUATION OFFICE	48 Wall Street, 6th Floor	New York, NY 10005-2906	p 212 398 9000	f 212 382 4207

The **Government Relations Leadership Council** is expected to hear an update on current federal issues, and implications stemming from the 2008 election. In particular, staff will highlight the current state of implementation of the Emergency Economic Stabilization Act, and give a preview of potential regulatory modernization hearings in the upcoming 111th Congress.

The **NARAB (EX) Working Group** is expected to receive comments on the preliminary recommendation from the NAIC Legal Division on whether further additional issues identified through the comment process contravene Gramm-Leach-Bliley reciprocity. They intend to consider for adoption, the plan for recertification under GLBA for additional issues recently identified. The members plan to review background information on business entity licensing, continue to review options for streamlining business entity licensing and address next steps related to these issues.

The **Speed to Market (EX) Task Force** will hear reports from their three working groups, the Interstate Compact Commission and from the SERFF Board of Directors. One of the reports will be from the Personal Lines Regulatory Framework (EX) Working Group that has a conference call scheduled for November 18th. It is possible this Task Force will consider a White Paper titled the “Personal Lines Regulatory Framework.”

JOINT EXECUTIVE (EX) COMMITTEE/PLENARY

The **Joint Executive (EX) Committee/Plenary** will hear and adopt reports by the Executive Committee and each of its eight (8) standing committees. In addition to adoption of the Committee, Subcommittee, and Task Force Minutes of the 2008 Fall National Meeting of September 22-24, 2008, they are expected to review and consider for adoption:

- NAIC 2009 Budget
- NARAB (EX) Working Group Recommendation on Additional Gramm-Leach-Bliley Reciprocity Issues Guidelines
- Actuarial Guideline CCC and Actuarial Guideline AGT GWP
- Consumer Participation Board of Trustees Conflict of Interest Statement
- Reinsurance Modernization Proposal
- Financial Regulation Standards and Accreditation (F) Committee Recommendations on the Hamm Report for the Accreditation Program
- NARAB (EX) Working Group Recommendation on Additional Gramm-Leach-Bliley Reciprocity Issues

They will also hear progress reports on state implementation efforts of 11 NAIC-adopted model laws or regulations and hold the 2009 Officer elections.

INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE

The **Internal Administration (EX1) Subcommittee** will meet in regulator to regulator session to discuss internal and administrative matters of the NAIC.

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

The **Life Insurance and Annuities (A) Committee** will hear reports from its working groups and subgroup on their activities, as described below.

The **Suitability of Annuity Sales (A) Working Group** will most likely review and consider comments received on a draft of proposed revisions to the NAIC Suitability in Annuity Transactions Model Regulation.

The **Annuity Disclosure (A) Working Group** will hear a presentation from representatives of the American Council of Life Insurers (ACLI) on the use of illustrations in the sale and solicitation of fixed annuities. The group also anticipates hearing from the Iowa Insurance Division on its research concerning the use of illustrations in the sale and solicitation of fixed annuities.

The **Consumer Guides (A) Subgroup** will update the Committee on its progress for revising the Annuity Buyer's Guides. The Subgroup has finalized updates for the *Guide for Fixed Annuities* and is now working on new Consumer Guides for fixed indexed and variable annuities.

HEALTH INSURANCE AND MANAGED CARE (B) COMMITTEE

The **Health Insurance and Managed Care (B) Committee** will hear reports from its Task Forces and Subgroup on their activities, as described below.

The **Regulatory Framework (B) Task Force** anticipates finalizing the survey instrument it intends to use to obtain information from companies and the insurance departments concerning rescission and preexisting condition exclusion determinations. The purpose of the survey is to obtain information for the Task Force's informational paper on these issues. The Task Force intends to hear from representatives of the Department of Labor (DOL) and the Centers for Medicare and Medicaid Services (CMS) about their implementation plans for the recently enacted Paul Wellstone and Pete Domenici Mental Health Parity and Addition Equity Act of 2008. The Act mandates that insurance policies and employer group health plans that provide mental health coverage must provide parity between coverage of mental and surgical benefits and coverage of mental health and substance use disorder benefits. This Act makes permanent the mental health parity provisions first enacted in 1996 and extends its requirements to benefits for substance use disorders, not just mental health disorders. The Act also includes other coverage requirements. The Task Force will also hear the report of the ERISA (B) Subgroup.

The **ERISA (B) Subgroup** intends to review a draft Regulator Alert on Risk Retention Groups.

The **Senior Issues (B) Task Force** will discuss implementation of recent changes to Medigap plans and benefits. States must implement changes to the Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act as

required by Genetic Information Nondiscrimination Act of 2008 (GINA) by July 1, 2009. States must also implement changes to the model regulation pursuant to the Medicare Improvements for Patients and Providers Act (MIPPA) by Sept. 24, 2009. The Task Force will also receive updates from CMS including implementation of the information-sharing Memorandum of Understanding (MOU) between CMS.

The Task Force will receive an update on state implementation of the Long-Term Care Insurance Partnership Program. The Task Force will also hear an update from the Long Term Care External Review (B) Subgroup on its progress to revise the NAIC's Long Term Care Insurance Model Regulation to provide for external review of long term care insurance benefit trigger determinations. This provision is to be based on an Iowa law.

The **Jurisdictional and Extraterritorial Issues (B) Subgroup** will provide an update to the Committee on its efforts to develop a State Jurisdictional and Extraterritorial Issues White Paper: States' Treatment of Regulatory Jurisdiction Over Single-Employer Group Health Insurance.

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

The **Property and Casualty Insurance (C) Committee** will hear reports from their task forces and working groups.

The committee members will hear an update on a long standing controversy between insurers and lenders regarding a certificate of insurance form known as ACORD 28. Florida has agreed to use its state mediators to settle the dispute. The Committee will also discuss a recommendation regarding the development of a model law related to corporate governance standards for risk retention groups. The Committee will discuss New York's recent actions to require contract certainty as a way to decrease the number of legal disputes that arise when the parties have not fully agreed upon contract terms and conditions before a loss occurs.

The **Advisory Organization Examination Oversight (C) Working Group** held a conference call on Oct. 15, 2008 and is working on revisions to the chapter on advisory organization examinations contained in the *Market Regulation Handbook*. Another conference call is scheduled for Nov. 18, 2008 to continue work on these chapter revisions.

The **Casualty Actuarial and Statistical (C) Task Force** will discuss the workers' compensation large deductible referral and the medical professional liability guidelines to support a recently adopted NAIC model law. The Task Force will receive reports from their Statistical Subgroup, Catastrophe Modeling Subgroup, the line of business subgroups, and the Profitability Report Working Group.

The **Catastrophe Insurance (C) Working Group** will hold a conference call prior to the winter meeting to discuss comments received from its Sept. 3, 2008 draft of the white paper titled: *Natural Catastrophe Risk: Creating a Comprehensive National Plan*. The Working Group hopes to adopt the white paper during the call so it can be presented to the Committee at the Winter National Meeting.

The **Consumer Guides (C) Working Group** held a conference call on Oct. 28, 2008 and is nearing completion on work of two brochures on the subject of auto insurance and homeowner insurance. Another conference call is scheduled for Nov. 25, 2008 to complete work on the brochures. The next project will be more detailed Consumer Guides for these two types of insurance coverage.

The **Crop Insurance (C) Working Group** will review survey results regarding consideration to allow the Risk Management Agency (RMA) to administer training and related examinations to crop insurance adjusters. A presentation will be made by the National Crop Insurance Services on the training and testing aspects.

The **Earthquake (C) Study Group** will hear a presentation on the California Earthquake Authority's challenges to encourage Californians to purchase earthquake insurance coverage. The Study Group will also receive reports on the findings of both the Missouri Earthquake Task Force and the Illinois Seismic Safety Task Force. The Study Group plans to discuss possible regional approaches to addressing earthquake risk.

The **Surplus Lines (C) Task Force** will not meet during the winter national meeting, but rather will meet via teleconference to discuss establishing a national clearinghouse for the allocation of and sharing of premium taxes on multi-state surplus lines policies.

The **Title Insurance Issues (C) Working Group** will review comments received regarding data elements that might be considered for compilation from title insurers. The Working Group will discuss what information is needed to attain expenses associated with title insurance transactions, including possible data collection from individual title insurance agents and underwriters. The Working Group also has scheduled a conference call for Nov. 14, 2008.

The **Workers' Compensation (C) Task Force** will receive reports from its working groups. The Large Deductible Study Implementation Working Group will report on the draft TPA Guidelines; the NAIC/IAIABC Joint Working Group will report on the draft *Independent Contractor* White Paper for review and consideration by the Task Force for adoption; and its findings from the Independent Contractor Trucking Issues Focus Group; and lastly, the Professional Employer Organization Model Law Working Group will provide an update on its draft PEO Guidelines Implementation Paper.

MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE

The **Market Regulation and Consumer Affairs (D) Committee** will discuss a revised market regulation accreditation proposal and a draft credit scoring report. The objective of the proposed Market Regulation Accreditation Program is to provide a process whereby state regulators can objectively monitor and enhance the market conduct of their regulated entities in the insurance marketplace. The areas for inclusion include data collection and reporting, market analysis, market conduct examinations, interstate collaboration, oversight of contractors and treatment of confidential information. The Committee will also discuss both the revised Uniform Licensing Applications and State Licensing Handbook work products.

The **Antifraud (D) Task Force** will receive a report on a first draft of the Antifraud Plan/SUI Guidelines and receive a report on information gathered in anticipation of amendments and additions to the 18 U.S.C. 1033 Guidelines.

The **Consumer Protections & Innovations (D) Working Group** will hold a public hearing regarding the claims handling practices for disability insurance.

The **Market Analysis Priorities (D) Working Group** will discuss a plan to implement the newly adopted Complaint Codes into the NAIC Complaint Database System (CDS); discuss updates to the CDS Coding Manual; receive an update regarding the Market Conduct Annual Statement (MCAS) and the automation of the Market Analysis Review System (MARS).

The **Market Regulation Handbook (D) Working Group** will not meet at the winter meeting. Through interim conference calls, the group adopted an additional core competency standard, which sets forth that departments of insurance, wherever possible and permissible by law, should comply with the guidance provided in the *Market Regulation Handbook* when scheduling, planning, calling and performing an examination. The members also adopted a revision to Chapter 14-Sampling of the *Market Regulation Handbook* and continue to discuss examination standards for title insurance.

The **Producer Licensing (D) Working Group** will adopt recommendations on how the Uniform Licensing Standards should be modified for greater clarification and discuss the uniform interpretation of the commercial lines multi-state exemption and the commission sharing exemption contained in the Producer Licensing Model Act (PLMA).

FINANCIAL CONDITION (E) COMMITTEE

The **Financial Condition (E) Committee** will begin discussing an expected referral from the Credit Default Swap (EX) Working Group which will include suggestions as to where financial regulation can be fortified. The Working Group will also discuss the need for changes to NAIC regulatory requirements for financial guaranty insurers and consider re-establishing the Financial Guaranty Insurers Guideline Revision (E) Working Group.

The **Accounting Practices and Procedures (E) Task Force** will consider credit derivative disclosures for possible adoption by year end 2008.

The **Capital Adequacy (E) Task Force** will consider for adoption a new Health RBC trend test. In addition, it's expected that the Task Force will consider adopting a model law development request for the Health RBC Model Act, and if approved would move to review and consideration by the Executive (EX) Committee, before work would begin on any changes to the model.

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

The **Financial Regulation Standards and Accreditation (F) Committee** will consider revisions to accreditation guidance to specifically indicate that insurers organized as

captive insurers other than Risk Retention Groups, are not subject to the Part B: Regulatory Practices and Procedures accreditation standards. This issue was discussed and voted on by the Committee at the Fall National Meeting, and the revisions to accreditation guidance are intended to now formalize this decision. The Committee will also discuss comments received regarding a referral from the Financial Condition (E) Committee regarding which Part A: Laws and Regulations accreditation standards should apply to Risk Retention Groups licensed as captives.

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The **International Insurance Relations (G) Committee** will consider new activities related to Solvency Modernization Initiative (SMI), which is being coordinated jointly with the International Solvency and Accounting (E) Working Group. The SMI will analyze a variety of international solvency innovations and propose related enhancements to the U.S. regulatory system. Related to the SMI, members of the Committee have been working with European policymakers on several aspects of the EU's "Solvency II" proposal, in light of the recent financial crisis. The Committee will also discuss NAIC leadership roles at the IAIS, including new membership on the Executive Committee, and continuing as chair of both the Technical Committee and Reinsurance & Insurance Contracts Subcommittee. The members plan to discuss work that has been done by the NAIC as chair of a new IAIS task force on the future of the IAIS, as well as updates on the recently held Insurance Regulatory Dialogues with Europe and Switzerland. The Committee will receive a report on a working group of the Joint Forum established to analyze the use of information from credit rating agencies by regulators and financial services entities. The Committee will also receive a report on the highlights of NAIC Fall International Internship Program.

The **International Regulatory Cooperation (G) Working Group** will discuss the NAIC's International Internship Program, which includes intern regulators from Albania, Armenia, China, Egypt, Saudi Arabia and Korea. The group will also discuss regional and bilateral developments and receive reports from Vice Chairs of Asia and Latin America.

INFORMATION RESOURCES MANAGEMENT (H) COMMITTEE

The **Information Resources Management (H) Committee** will hear reports on approved NAIC technology projects, regarding their on-time and on-budget status, based on their original proposed request. Current NAIC projects include the State Producer Licensing Reengineering and the Market Analysis Retrieval System Enhancements. The Committee will also monitor progress on the project to eliminate the private state network. Lastly, the Committee will hear and adopt the report of its Information Systems (H) Task Force.

The **Information Systems (H) Task Force** will hear reports on a number of key NAIC technology initiatives. Additionally, the Task Force will hear updates on IT projects, SERFF, Market Analysis Reporting System enhancements and automation of Level 2; On-Line Fraud Reporting System (OFRS) enhancements; and the status of the State Producer Licensing Reengineering (SPLR) project. The Task Force will also discuss their

possible sponsorship of the SLPR and Tools budget fiscals. Finally, the Task Force will receive a summary of the NAIC's 2008 State Technology Survey.

LIFE AND HEALTH ACTUARIAL TASK FORCE

The **Life and Health Actuarial Task Force** will consider adoption of the modifications to the Standard Valuation Law which will allow principle-based reserve methodology to be used and authorize a valuation manual. The Task Force will also discuss the various sections of the valuation manual, especially VM-20, the requirements for principle-based reserves on life insurance products. There will be a presentation of the status of international accounting issues and how those issues will affect the principle-based reserve methodology.

Interstate Insurance Product Regulation Commission (IIPRC)

The **IIPRC** will convene just prior to the NAIC Winter National Meeting to receive reports from its standing committees in the areas of communications, product standards, rulemaking and technology. The Audit Committee and Treasurer will offer reports as well. The IIPRC will hear updates on continuing outreach efforts to filing companies and to states seeking legislative adoption of the Compact. After the Management Committee and full Commission meetings, the Product Standards Committee will convene a joint session with the NAIC Interstate Compact National Standards (EX) Working Group to continue aligning and drafting priorities, as well as receive a presentation from industry representatives about the market profile and current regulatory requirements for group annuities.

National Insurance Producer Registry Board of Directors (NIPR)

The **NIPR Board of Directors** will convene to discuss the elimination of the one-time \$75 User Fee for new users of the PDB and/or Gateway; review the NIPR Board's Strategic Summit Topics; receive a report on NIPR Financials, Transaction Volumes, User Participation and the State Implementation Plan (SIP); and discuss the appointment of both a 2009 Audit and Officer Nominating Committee.

System for Electronic Rate & Forms Filing Board (SERFF)

The **SERFF Board** will hear reports and discuss long-term development plans for SERFF. Reports will include: Product Development – updates regarding upcoming enhancements to SERFF; SERFF Marketing - updates on new licensee activity, filing counts, event attendance and tutorial offerings; Speed to Market (S2M) Implementation – data regarding states' implementation of S2M initiatives within the SERFF product; Financials – hear report on the NAIC SERFF Department financial activity; EFT Survey – discuss EFT survey results; and hear the election results of the Fall 2008 SERFF election process. With regard to the long term development plans for SERFF, the Board will continue discussions initiated in October 2008 regarding identification and prioritization of Speed to Market and SERFF initiatives, which will continue to streamline the rate and form filing and review process.

NAIC/Legislative Liaison Committee

The **NAIC/Legislative Liaison Committee** is expected to discuss issues of common interest of participating state legislators. NAIC will provide an update on important regulatory initiatives and emerging federal issues and legislators will provide their insight to state legislative priorities. In particular, we anticipate regulators and legislators to dialogue on the potential for broad financial services regulatory restructuring with a new administration coming on board in 2009.

NAIC/Consumer Liaison Committee

The **NAIC/Consumer Liaison Committee** will present concerns regarding their perceived lack of transparency and public accountability from the NAIC, and their call for public information to hold regulators and insurers more accountable. This discussion will also address public disclosure of market conduct annual statement data. The group will hear a presentation on suggested principles and strategy for health insurance reform, including suggested actions state regulators could take. The members will also discuss the national catastrophe policy and proposals for federal catastrophe insurance programs. The funded consumer representatives will encourage the NAIC to put forward an affirmative state-based and market-based solution, which includes an all-perils policy, actuarial pricing, assistance to low-income consumers and aggressive loss mitigation. Finally, the Committee will hear a presentation on how insurance regulators can ensure the absence of unfair discrimination in the pricing and availability of insurance.

NAIC/Industry Liaison Committee

The **NAIC/Industry Liaison Committee** will meet to further discuss, among other topics, the collection of market conduct annual statement data (MCAS), transition of the MCAS process to the NAIC during 2008–2009, and industry liaison representatives providing their understanding of the process and the issues foreseen by the collection of centralized data.