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*NAIC 2009 Summer National Meeting
Minneapolis, MN*

**Executive (EX) Committee
Sunday, June 14, 2009
1:00 p.m. – 2:00 p.m.
Minneapolis Convention Center—Ballroom A**

Executive (EX) Committee Task Force and Working Group Reports

Climate Change and Global Warming (EX) Task Force

The Climate Change and Global Warming Task Force is currently working on the logistics of filing the Climate Risk Disclosure Survey (Climate Risk Survey). It is anticipated that the Climate Risk Survey will be posted to the Consumer Information Source (CIS) section of the NAIC Web site. The Climate Risk Survey filing options currently being considered include sending the survey via e-mail to the NAIC or having it submitted through SERFF. Filing through SERFF would allow for the Climate Risk Survey questions that require yes/no responses to be captured in a database that could be used to aggregate statistics (such as how many insurer groups report having a climate change policy). Also being considered is the use of an interactive PDF, where responses could be typed into fields following each question.

The Climate Change and Global Warming Task Force is also discussing the possibility of hosting a Climate Change and Global Warming Summit. This summit could be hosted during a national meeting or done through webinar modules.

Other activities of the Climate Change and Global Warming Task Force include investigating green insurance product opportunities. As part of this initiative, the Task Force has received presentations on new product and program ideas such as Pay As You Drive Insurance. It has also sought the feedback from industry on their product innovations.

Government Relations Leadership Council (GRLC)

The GRLC will meet June 15 to receive a federal update from NAIC staff. NAIC staff will address the regulatory reform debate under way in Washington, including proposals for a federal insurance regulator, systemic risk regulator, resolution authority and financial products safety regulation. The group will hear an update on the health reform discussions in Washington, the FTC Model Privacy Form, and regulators will be asked to discuss whether the model privacy form should be adopted by NAIC members and if so, how best to implement that form. During this meeting, GRLC members will hear a presentation from former commissioner Glenn Pomeroy from the California Earthquake Authority on a natural catastrophe proposal pending in Congress.

International Insurance Relations (EX) Leadership Group (IIRLG)

The IIRLG meets weekly via conference call to discuss strategic issues related to the NAIC's involvement in international activities. The Group will not meet at the Summer National Meeting in Minneapolis. The Group is currently focused on three principal issues. First, the IIRLG has discussed the impending strategic planning process at the International Association of Insurance Supervisors (IAIS). The NAIC has advocated that a comprehensive initiative be undertaken and has volunteered to chair a new Strategic Planning Task Force reporting to the IAIS Executive Committee. A decision on how the IAIS will move forward will be made at the IAIS committee meetings in Taiwan in June.

The second recent focus of IIRLG is approving an NAIC response to the work of the IAIS New Focus Task Force. The Task Force was created in late 2008 to develop options for a broad, new "vision" for the IAIS, responding to the new demands on the association from the G20 and Financial Stability Board, as well as from members, as the level of detail of the IAIS work on international standards increases. Despite a broad mandate, the Task Force quickly devolved into a narrow concentration on an international benchmark for assessing solvency of "internationally active insurance groups" (IAIGs). In response to the altered direction of the Task Force, the NAIC withdrew from

the chairmanship, and has been working with two other task force members (Australia and Chile) on an alternative response to the Task Force report. A final report will be distributed to the IAIS Executive Committee in June.

Finally, the IIRLG is considering the array of “implementation” measures being drafted by European insurance supervisors related to Solvency II. NAIC staff has developed a matrix of the various work streams, which will guide the NAIC’s decisions on which initiatives to comment on. The EU processes include creation of a framework for evaluating the equivalence of “third country” insurance regulatory practices—a lack of a finding of equivalence threatens to put U.S. companies doing business in Europe at a competitive disadvantage.

Military Sales (EX) Working Group

New Restitution Tool—In 2006, 48 jurisdictions signed a multi-state regulatory settlement agreement with three life insurance companies involved in the improper sale of insurance and investment products to U.S. military service members. The multi-state regulatory settlement required those three companies (American-Amicable Life Insurance Company of Texas and its two affiliates, Pioneer American Insurance Company and Pioneer Security Life Insurance Company) to provide immediate cash refunds and increased policy benefits totaling \$70 million to approximately 92,000 policyholders.

Because many of the service members have left the military and their policies have lapsed, they have not yet been located and have not received the cash refunds due to them—in fact, approximately \$2.3 million is still owed to 14,400 individuals. To help locate those individuals, the NAIC Membership has recently established a new restitution search tool on the NAIC Web page, through which individuals are able to conduct an online search using their last name and first name to identify if they are afforded restitution and the possible amount of restitution. (If American Amicable policyholders are not located, funds will escheat to the state, pursuant to state law.)

The NAIC’s new restitution search tool was released April 23. To ensure proper coordination and the greatest publicity regarding the release of the tool, the Military Sales Working Group requested that state insurance commissioners and public information officers issue state press releases to alert their constituents of the unclaimed funds and the new restitution search tool. All states were encouraged to develop a link on their respective Web pages to the restitution search tool on the NAIC Web site. Each state was provided with a template for a coordinated news release.

As of June 9, the NAIC search tool has had 4,434 unique users; a total of 9,301 searches have been performed, and a total of 300 hits (first and last name matches) have occurred.

The following national news media have released articles featuring the NAIC restitution tool:

www.militarytimes.com/news/2009/04/military_moneysearch_insurance_042309w/ (Dated 4/23/09)

www.stripes.com/article.asp?section=104&article=62541 (Dated 5/8/09)

www.militaryhomefront.dod.mil (Dated 5/11/09)

www.militaryonesource.com/MOS/About/Announcements.aspx (Dated 5/19/2009)

Ongoing Efforts—The Working Group continues to monitor the marketplace for inappropriate sales activities to the military. It is critically important that states remain vigilant in monitoring this segment of the market as states continue to see abuses related to the sale of life insurance to military service members. In addition, the Working Group continues to work with senior representatives of the Secretary of Defense to coordinate their activities and monitor the enforcement of the relevant regulations relating to the sales of financial products on U.S. military installations.

The Government Accountability Office (GAO) is currently finalizing its follow-up report regarding life insurance sales to military service members. While a final release date has not been communicated to the Working Group, we anticipate the GAO will release its report in June.

Model Regulation Adoption—As of June 3, 47 jurisdictions have adopted the NAIC’s Military Sales Model Regulation, representing 1,165,110 active military personnel, or 99% of CONUS (Continental United States) components.¹ The additional jurisdictions continue to pursue the adoption of the regulation and are asked to notify NAIC staff upon adoption for proper tracking.

¹ Includes Hawaii, Alaska and Puerto Rico.

Producer Licensing (EX) Task Force

The Producer Licensing (EX) Task Force will meet June 15 to consider adoption of the NARAB Working Group's recommendation regarding an updated framework for determining continued compliance by states of producer licensing reciprocity requirements of the Gramm-Leach-Bliley Act (GLBA), and its recommendations on whether specific requirements imposed on non-resident producers are inconsistent with the reciprocity requirements of GLBA.

In addition, the Task Force will consider the adoption of the revised uniform applications and will specifically discuss the concerns of New York regarding certain background check questions not being included on the renewal applications. These questions address judgments other than personal bankruptcies, delinquent tax obligations, lawsuits relating to fraud, misappropriation of funds or breach of fiduciary duty, and termination for misconduct.

The Task Force will continue its discussions on how to create greater uniformity in business entity licensing. Finally, the Task Force will discuss the Producer Licensing Working Group's efforts to gain uniformity in state background checks and create greater uniformity in limited lines licensing.

SVO Initiatives (EX) Working Group

The SVO Initiatives (EX) Working Group has not met since the Spring National Meeting in San Diego. The Rating Agency (E) Working Group is currently addressing several issues important to the SVO Initiatives Working Group that may have an impact on our ultimate decision whether to move forward with the concept of a non-profit Nationally Recognized Statistical Rating Organization (NRSRO). Meanwhile, several members of the SVO Initiatives Working Group are continuing to reach out to governmental entities, underwriters and insurance companies to solicit their input on the concept of the SVO forming a NRSRO.

Solvency Modernization Initiative (EX) Task Force (SMI)

The new Task Force held their first conference call April 16 to discuss their mission and charges and to adopt charges for their Principles-Based Reserving Working Group, International Solvency and Accounting Working Group and Group Solvency Issues Working Group.

For use in the SMI, the Financial Condition (E) Committee is developing a comprehensive document that describes the U.S. system and framework with an emphasis on solvency. In the SMI, this framework and principles document will be used as a planning tool to give guidance for discussions about enhancements of regulatory tools and standards, and as a communication tool for international dialogues.

The Task Force will be coordinating comments on international papers and deciding whether any ideas in those papers should be considered for implementation in the U.S. system. The current task is to develop a streamlined process for tracking papers, for assigning papers to NAIC groups for comment, and for communicating about any recommended ideas to consider for implementation.

The Task Force meets June 15. Dr. Therese Vaughan, NAIC Chief Executive Officer, will present her Networks Financial Institute paper, "The Implications of Solvency II for U.S. Insurance Regulation," and Ramon Calderon (CA) will lead discussion about potential ideas the International Solvency and Accounting Working Group expects to recommend for consideration within the SMI. The Task Force will also discuss some recent comments submitted to the IAIS.

Speed to Market (EX) Task Force

The Speed to Market Task Force met via conference call April 12 and in Minneapolis June 13. During the April 12 conference call, the Task Force:

- Received the *Personal Lines Regulatory Framework Whitepaper* as recommended by the Personal Lines Regulatory Framework Working Group.
- Adopted a motion to move Models 775 and 780 from model status to guideline status.
- Adopted a motion to move a 2000 draft model on rate regulation to guideline status. This recommendation will be referred to the Property and Casualty (C) Committee for further review and action.

During the June 13 meeting the Task Force:

- Adopted a motion to proceed with drafting standards for product requirements and delay technical implementation of a new Product Requirements Locator tool within SERFF until after the standards are drafted.

- Adopted proposed changes to the Uniform Product Coding Matrix related to Medicare Supplement lines. These changes were derived from new federal requirements.
- Adopted a report of the Operational Efficiencies Working Group covering all working group activity.
- Adopted a report of the National Standards Working Group regarding standards development progress and standards exposure.
- Adopted a motion to discharge the Personal Lines Regulatory Framework Working Group.
- Adopted the minutes of the Task Force's April 12 conference call.
- Heard a report of the Interstate Insurance Product Regulation Commission (IIPRC) regarding new member states, filing growth and product standard development.
- Heard a report on SERFF and Speed to Market activity addressing SERFF releases, system changes and enhancements.
- Heard a report from the SERFF Board of Directors.

The Task Force adopted:

- The proposal from the Operational Efficiencies Working Group to focus on developing product requirement standards and delay technical development within SERFF.
- The proposal from the Operational Efficiencies Working Group to make changes to the Uniform Product Coding Matrices due to federal law changes for Medicare Supplement products.
- A motion to discharge the Personal Lines Regulatory Framework Working Group, as the group has completed its charges.
- The reports of the Operational Efficiencies Working Group and National Standards Working Group.
- Minutes of the April 12 Speed to Market (EX) Task Force conference call.

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