



*NAIC 2009 Summer National Meeting  
Minneapolis, Minnesota*

**Joint Executive (EX) Committee/Plenary  
June 15, 2009  
11:00 a.m.**

### **Meeting Summary Report**

The Joint Executive (EX) Committee/Plenary met June 15, 2009.

During this meeting, the Joint Executive Committee (EX)/Plenary:

- Received a status report on the states' implementation efforts on previously adopted NAIC model laws and regulations:
  - Amendments to Viatical Settlements Model Act (#697)
  - Use of Senior Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities Model Regulation (#278)
  - Amendments to Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651)
  - Uniform Health Carrier External Review Model Act (#76)
  - Medical Professional Liability Closed Claim Reporting Model Law (#77)
  - Amendments to Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition (#385)
  - Life and Health Insurance Guaranty Association Model Act (#520)
  - Property and Casualty Insurance Guaranty Association Model Act (#540)
- Received a status report from the NARAB Working Group and Producer Licensing Task Force concerning the adoption of the federal Gramm-Leach-Bliley (GLBA) reciprocity report, which will be considered for adoption by the Joint Executive Committee/Plenary at the Fall National Meeting.

#### Action Items:

- Adopted the oral report of the June 15 meeting of the Executive (EX) Committee, as well as and written and oral reports of the Life Insurance and Annuities (A) Committee, Health Insurance and Managed Care (B) Committee, Property and Casualty Insurance (C) Committee, Market Regulation and Consumer Affairs (D) Committee, Financial Condition (E) Committee, Financial Regulation Standards and Accreditation (F) Committee, and International Insurance Relations (G) Committee.
- Adopted by consent the committee, subcommittee and task force minutes of the Spring National Meeting, except for items #4 and #5 of this summary.
- Adopted the minutes of its April 17 conference call concerning adoption of SSAP No. 98—*Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments—An Amendment of SSAP No. 43—Loan Backed and Structured Securities*.
- Adopted the document titled, "Guidance Regarding Use of the NAIC/NIPR Attachments Warehouse for the Electronic Filing of Insurance Producer Licensing Documents Bulletin."
- Adopted amendments to the Derivatives Instrument Model Regulation (#282).

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**Jt. Executive (EX) Committee/Plenary  
Monday, June 15, 2009  
10:00 a.m. – 12:00 p.m.  
Minneapolis Convention Center, Ballroom A-B**

**Committee Report of the  
Life Insurance and Annuities (A) Committee**

The Life Insurance and Annuities (A) Committee met June 14, 2009. During this meeting, the Committee:

- Adopted a resolution in support of recognizing September 2009 as Life Insurance Awareness Month.
- Heard a legislative update of bills of interest to the Committee.
- Adopted the report of the Consumer Guides Subgroup. A small drafting group of the Consumer Guides Subgroup has developed drafts of the *Buyer's Guide for Fixed Indexed Annuities* and the *Buyer's Guide for Variable Annuities*. Due to competing priorities of the chair of the Subgroup, the drafting group has been unable to make progress on these two buyer's guides since the 2008 Winter National Meeting. At the suggestion of the Subgroup chair, the Subgroup was reassigned to report to the Annuity Disclosure Working Group, because the consumer guides are an appendix to the NAIC Annuity Disclosure Model Regulation.
- Adopted the report of the Annuity Disclosure Working Group. The Working Group continued its discussion of the guaranty fund coverage disclosure notice issue. At the Working Group's request, a draft guaranty fund coverage disclosure template was developed by the American Council of Life Insurers (ACLI) and the National Organization of Life & Health Insurance Guaranty Associations (NOLHGA). It updates the general notice on guaranty fund coverage required to be provided under Section 19 of the Life and Health Insurance Guaranty Association Model Act. The draft template was discussed during the Working Group's May 14 conference call. Following the conference call, interested parties were asked to submit comments on the draft. Based on the comments received, ACLI and NOLHGA prepared a revised draft incorporating the comments. The Working Group will hold a conference call in July to discuss the revised draft and any comments received on the revised draft. The Working Group did agree to refer the draft template to the Receivership and Insolvency (E) Task Force for its review and comment. The Working Group also continued its discussion of the annuity illustration issue. The Working Group discussed comments received from the American Academy of Actuaries on a second version of the proposed annuity illustration guidelines. The Working Group anticipates holding one or two conference calls in August to complete its work on the guidelines.
- Adopted the report of the Indexed Annuities Working Group. The main focus of the Working Group's activities was to complete a nationwide data call and issue a public report regarding annuity products with a specific focus on the sales and marketing practices of indexed annuities. The State of Iowa, on behalf of the Working Group, issued a nationwide data call Dec. 1, 2008, to assist all states in identifying issues and trends in the fixed indexed annuity marketplace. The data call was issued to 69 companies domiciled in 22 states. Companies were required to complete and return the data to Iowa by Feb. 13, 2009. NAIC staff aggregated the company-specific data for national analysis and issued a report of the findings. With the issuance of the report, the Working Group has completed its charges and, as such, a motion to disband the Working Group was passed.
- Adopted the report of the Suitability of Annuity Sales Working Group. During a series of meetings, the Working Group reviewed and discussed provisions in a revised discussion draft of proposed revisions to the Suitability in Annuity Transactions Model Regulation. At the conclusion of that discussion, including receiving comments from regulators and interested parties concerning issues of concern with certain provisions in the revised discussion draft, the Working Group voted to distribute an exposure draft for comment within the next few weeks.

- Received the report of the Life and Health Actuarial Task Force, which included adopting:
  - Actuarial Guideline 1c.
  - Revisions to Actuarial Opinion and Memorandum Regulation (Model Regulation #822).
  - Revisions to Valuation of Life Insurance Policies Model Regulation (Model Regulation #830).

The Committee also approved the release of the VM-20 section of the Valuation Manual for comment and the release of 2010 GRET table for comment. The Committee decided to defer adopting the revisions to the Standard Valuation Law in order to allow for a 30-day comment period. The Committee anticipates holding a joint conference call with the Principles-Based Reserving (EX) Working Group and the Solvency Modernization Initiative (EX) Task Force within the next few months to consider those revisions. The Committee also decided to defer adopting the revisions to the Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities (Model Regulation #815) to provide additional opportunity for regulators and interested parties to review the proposed revisions. The Committee anticipates holding a conference call within the next few weeks to consider the revisions.

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**Committee Report of the  
Health Insurance and Managed Care (B) Committee**

The Health Insurance and Managed Care (B) Committee is to meet today from 3:00 – 5:00 p.m. in Salon G at the Hilton Minneapolis Hotel. During this meeting, the Committee will:

- Hear a presentation from Jennifer Libster of the Georgetown Health Policy Institute regarding their final report *Coverage When it Counts* with respect to the California and Massachusetts health insurance markets.
- Hear a federal legislative update on health insurance issues. The Committee will also receive an update on current federal health care reform proposals. It is anticipated that the Committee will engage in a lively discussion of those anticipated proposals and their impact on the state regulation of health insurance for both the small group and individual markets.
- Discuss pandemic influenza preparedness.
- Hear reports from the Regulatory Framework Task Force and the Senior Issues Task Force about their work toward completing their charges and other activities. It is anticipated that the Regulatory Framework Task Force will release for comment drafts of revisions to NAIC models impacted by the Genetic Information Nondiscrimination Act of 2008 (GINA) and new special enrollment requirements in the State Children's Health Insurance Program (SCHIP) legislation. It is also anticipated that the Regulatory Framework Task Force will continue its discussions of a survey related to rescissions in the individual health insurance market.
- Hear an update from the Senior Issues Task Force on state implementation activities with respect to the recent changes made to the Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act. States must comply with the GINA by July 1. States must also implement changes to the model regulation pursuant to the Medicare Improvements for Patients and Providers Act (MIPPA) by Sept. 24. It is anticipated that the Senior Issues Task Force will hear from its Long-Term Care Insurance External Review Subgroup. This Subgroup has finished its work on adding an independent review process for benefit trigger determinations and prompt pay to the Long-Term Care Insurance Model Regulation.
- Hear a report from the Accident and Health Working Group of the Life and Health Actuarial Task Force, which could include a request to adopt revisions to the *NAIC Medicare Supplement Insurance Model Regulations Compliance Manual*.

Action Items:

1. There are no items for the Committee to consider for adoption.



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**Committee Report of the  
Property and Casualty Insurance (C) Committee**

The Property and Casualty Insurance (C) Committee met on Tuesday, March 17, 2009, at the Spring National Meeting in San Diego, California. During this meeting, the Property and Casualty Insurance (C) Committee:

- Appointed Working Groups as follows:
  - Advisory Organization Examination Oversight Working Group;
  - Catastrophe Insurance Working Group;
  - Catastrophe Reserve Working Group;
  - Consumer Guides Working Group;
  - Crop Insurance Working Group;
  - Earthquake Study Group;
  - Terrorism Insurance Implementation Working Group; and
  - Title Insurance Issues Working Group.
  
- Adopted the report of the Surplus Lines (C) Task Force which did not meet since the Winter National Meeting. However, the Multi-State Surplus Lines Premium Tax Working Group was charged with studying the feasibility of establishing a clearinghouse for the purpose of allocating surplus lines premium taxes on multi-state surplus lines policies. The Working Group met via conference call on January 28, 2009. During the meeting, the Working Group discussed a draft of a Surplus Lines survey that would be distributed to the states to gauge the complexity of state processes related to surplus lines premium taxes and documentation, and to identify state statutes that control many of these processes. Following input from regulators and industry interested parties, the Working Group formulated additional survey questions. During a February 26, 2009, conference call the Working Group discussed and approved additional refinements to the Surplus Lines survey.
  
- Adopted the report of the Workers Compensation (C) Task Force which met on Tuesday, March 17, 2009. During the meeting, the Task Force received information regarding proposed regulation before Congress seeking the creation of a National Review of State Workers' Compensation Laws—H.R. 635. The bill was introduced by California Congressman Joe Baca. The bill would establish a separate body to evaluate state workers' compensation laws in order to determine if they provide an "adequate, prompt and equitable" system for injured workers. During the meeting it was mentioned that in 1972 a national workers' compensation commission authorized by the Nixon administration made numerous recommendations and set minimum standards. The Task Force received information from the Ohio Department of Insurance regarding Ohio S.B. 334, which became effective September 11, 2008. The bill impacts employers based in other states that do business in Ohio. Other states' coverage will be recognized in Ohio if the other states accept Ohio coverage on employers working in their states. However, employers from states that do not recognize Ohio coverage must obtain Ohio coverage for employees working in Ohio. The bill can be viewed by visiting <http://www.gongwer-oh.com>. The Large Deductible Study Implementation (C) Working Group reported it continues toward completion of the draft Third Party Administrator (TPA) Guidelines. The NAIC/IAIABC Joint (C) Working Group reported it would next meet in Baltimore, Maryland on Saturday, April 25 during the International Association of Industrial Accident Boards and Commissions (IAIABC) 2009 All Committee Conference. The Working Group reported on its Independent Contractor Trucking Issues Focus Group activities. The Focus Group was formed to look specifically at workers' compensation trucking independent contractor regulatory concerns for possible development of a separate paper or future addendum to the just adopted *Overview of Workers' Compensation Independent Contractor Regulatory Approaches* (Independent Contractor White Paper). A report was received from the Professional Employer Organization (PEO) Model Law (C) Working Group in which recent activities of its PEO Guidelines Implementation Paper Drafting Group were discussed. It was announced that nearly all the assignments to develop the draft paper have now been completed, with a conference

call scheduled on March 24, 2009, to review the first completed draft of the paper and determine what may be needed to improve it. The purpose of the paper is to provide assistance to states with implementation of the *Guidelines for Regulations and Legislation on Workers' Compensation Coverage for Professional Employer Organization Arrangements* (PEO Guidelines) that were adopted in 2007 by the NAIC.

- Adopted the report of the Casualty Actuarial and Statistical (C) Task Force which met on March 16, 2009. The Task Force adopted interim conference call minutes from January 13 and February 10 which included adoption of the *2007 Commercial Lines Competition Database Report*, adoption of the *2006 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report*, and elimination of the quarterly accelerated statistical reports included in the *Statistical Handbook of Data Available to Insurance Regulators* about specific liability coverages that were instituted in the 1980's. Prior to elimination of the accelerated statistical reports, the Task Force required notification of the potential discontinuation of the reports to be sent to regulators with both of the last two reports. No comments were received. The Task Force heard a report from Thomas Cohen, Bureau of Justice Statistics, about litigation activity. The Bureau studied all general civil trial litigation concluded by jury or bench trials in 2005. Mr. Cohen said plaintiffs win more often in front of judges but the awards are smaller. It also takes six months longer to prepare a case for a jury and the trial lasts two days longer compared to bench trials. The Task Force adopted a survey to send to some insurance companies regarding the reporting of property/casualty financial data by line of business. The survey is short, but is broad enough to identify issues and disparities with reporting. The aim is to assist the Task Force in preparation of its statistical reports and to determine whether any changes in reporting by line of business should be proposed to the Blanks Working Group. In October 2008 the Credit Default Swap (EX) Working Group was charged to consider suggestions to other standing committees where financial regulation can be fortified. As a result, the Working Group asked the Task Force, as well as the Life and Health Actuarial Task Force (LHATF), to consider the long-term need to establish new requirements for stress testing of all insurers' reserves, investments, security lending arrangements, reinsurance, etc. against realistic scenarios and to recommend to the parent committees how these issues should be addressed. The Task Force adopted a letter to submit to the Property and Casualty Insurance (C) Committee that essentially proposes to work with the NAIC's new Solvency Modernization Initiative (EX) Task Force as they develop requirements for enterprise risk management. The Catastrophe Modeling Subgroup expects to propose modifications to the NAIC's Catastrophe Modeling Handbook by the Summer National Meeting. The Statistical Subgroup will continue to draft the *Guideline for Implementation of Medical Professional Liability Closed Claim Reporting* to supplement the model law. They will also begin to work with LHATF's Statistical Subgroup to aid them with principles-based reserving. The Workers' Compensation Large Deductible Subgroup, in cooperation with industry representatives, is discussing whether to keep premium assessments based off of losses on large deductible business rather than to try to develop a new method based on premiums.
- Adopted the report of the Consumer Guides (C) Working Group which met via conference call on January 27, 2009. The Working Group discussed the recently completed home and auto brochures that were approved by the Property and Casualty Insurance (C) Committee during the 2008 Winter National Meeting. The Working Group now needs to decide if it should merely update the *Consumer's Guide to Home Insurance* or revise the guide to include the same outline as contained in the brochure. Alaska, Missouri, New Mexico and two of the NAIC funded consumer representatives agreed to participate in the Consumer Guides Drafting Subgroup. The subgroup will recommend a format and begin drafting a *Consumer's Guide to Home Insurance* to the Working Group.
- Adopted the report of the Crop Insurance (C) Working Group which met on Sunday, March 15, 2009. During the meeting the Crop Insurance (C) Working Group received an update on the status of the state results of the Risk Management Agency (RMA) Proficiency Examination in lieu of state examinations for adjuster licensing. Reviewed proposed draft letters to be sent out to states that responded on the state survey that would be unable to accept the RMA examination. There are 12 states to receive the letter. There are three states to receive a similar letter that acknowledges that the states have been working towards updating legislation and asks for a status. The letters will be sent to the states at the end of the month. The letters will inform the Commissioners that they will be preempted for crop insurance adjuster licensing if they do not make changes. Received an update on the RMA Standard Reinsurance Agreement (SRA) contract revision and informational memorandum for adjuster licensing. RMA provided their informational memorandum, which included a background and explanation of the amendment. There was also a section within the bulletin of received questions, with answers provided by RMA. RMA also presented their final draft of the SRA amendment, aiming for a deadline of March 31, 2009. If RMA receives a signed amendment from each approved insurance provider (AIP) under the SRA for the 2009 reinsurance year prior to this

deadline, then the amendment will become effective as of July 1, 2009, for the SRA for the 2010 and subsequent reinsurance years. In the event that RMA has not received a signed amendment from all AIP's approved for the 2009 reinsurance year prior to this deadline then the amendment will not become effective for the SRA for the 2010 and subsequent reinsurance years. The National Crop Insurance Services (NCIS) reported on the Crop Adjuster Proficiency Program (CAPP) and stated the Multi-Peril Crop Insurance (MPCI) Loss Adjustment Manual was updated for the exam as of March 4, 2009, for the 2009 crop year. Laurence Crane (NCIS) mentioned that although no CAPP exams have been proctored to date, NCIS is working proctorship into their current system. This effort would include conferring with each state on their individual decisions on who should be able to proctor an exam, and how and where proctoring would best be appropriate for their state. Craig Witt (RMA) reported on controlled business. Last spring a farm bill was passed that included a new provision stating that an individual producer may not receive compensation if more than 30% of their portfolio is derived from their, or their immediate family's, business. The 30% rule applies to federal crop insurance or a lesser percentage if a state has a lower trigger amount. If states do not have a controlled business trigger amount to any specific line of business, the federal 30% rule will supersede.

- Learned the Terrorism Insurance Implementation (C) Working Group did not meet this quarter. The Working Group is on-call whenever the Treasury's Terrorism Risk Insurance Program calls upon the NAIC.
- Adopted the report of the Earthquake (C) Study Group which met on March 15, 2009 and during the meeting the Working Group heard a presentation by the California Earthquake Authority (CEA) regarding techniques for effectively generating interest/awareness among consumers. Glenn Pomeroy (CEA), before his presentation, strongly encouraged the Study Group to have an interim meeting to allow for deeper discussions. He pledged the CEA's support in assisting the Study Group and mentioned that he would be glad to contact his acquaintances in the scientific community as well as use the CEA experts. Although the CEA is currently the largest provider of earthquake insurance in the United States, the CEA is focusing on methods to expand earthquake insurance to more residents by promoting earthquake awareness and restructuring policies to provide more affordable coverage. The Study Group discussed charges and collected suggestions from the members on how to proceed in the 2009 year. Suggestions for the Study Group's 2009 Work Plan included:
  - Conducting a day-long interim meeting;
  - Reviewing current earthquake studies;
  - Bringing in scientists and geologists to present findings;
  - Analyzing risks on a regional basis due to the varying degrees of frequency and severity;
  - Hearing from modelers and looking at current models; and
  - Updating the *Final Report of the Earthquake Study Group*, originally released in 2000.
- Learned the Catastrophe Insurance (C) Working Group did not meet since the Winter National Meeting but plans to meet via conference call before the Summer National Meeting.
- Learned the Catastrophe Reserve Working Group did not meet since the Winter National Meeting however the Working Group will have conference calls to review the NAIC Catastrophe Reserve Proposal. Consideration of the IRS Tax Code regarding catastrophe reserves will be considered and the Working Group will coordinate with the Casualty Actuarial and Statistical (C) Task Force as necessary.
- Adopted the report of the Title Insurance Issues (C) Working Group which met via conference call on January 28, 2009, and at the Spring National Meeting on March 16, 2009. During the meetings the Working Group discussed a draft Title State Page that would collect certain data elements by state and countrywide and decided that if a state page is needed, the reporting would be required on an annual basis to begin in 2011 for the 2010 calendar year. The Working Group agreed to try to have a proposal submitted to the Blanks (E) Working Group by May for the Summer National Meeting. A subcommittee of regulators, consumers and industry was charged to discuss and refine the proposed state page. The State Page Subgroup reported that the Statutory Premium Reserve by state will be removed from the proposed state page; the treatment of Other Income under the proposed state page instructions is appropriate; and, no other column changes were needed. The Subgroup reported that:
  - Title insurers need at least a year lead-time to implement the reporting of type of property. A representative from American Land and Title Association (ALTA) will research the issue and report back to the Subgroup by March 25, 2009;

- The Working Group should make a single Blanks proposal with two effective dates, (1) a state page for the 2010 annual statement with residential and non-residential combined, and (2) a state page for the 2011 (or later) annual statement showing residential and non-residential separately;
- No changes should be made regarding direct, non-affiliated and affiliated by state; and,
- It will draft reporting instructions by March 20, 2009, for its proposed rate type by state list.

The Working Group outlined and developed a work plan for 2009 tasks which includes:

- Developing a nationwide title statistical plan that includes collecting data from title insurers and title agents.
    - Collection of data from title insurers will be done through development of a State Page.
    - Collection of data from title agents will be determined by analyzing the results of a state survey on current state laws and regulations. State survey questions will be developed by the Title Working Group and distributed/compiled by NAIC staff. There was also much discussion on whether title agent financials should be collected through the insurer or directly from the agent.
  - Considering ways to improve the solvency regulation of title insurers.
  - Considering ways to mitigate the impact of insolvencies on policyholders.
  - Promote fair, compliant and transparent real estate settlement practices by title agents and insurers.
  - Update and enhance title model acts.
  - Consider adding mortgage fraud to the 2009 work plan.
- Learned the Advisory Organization Examination Oversight Working Group did not meet since the Winter National Meeting but plans to meet via conference call before the Summer National Meeting.
  - Heard an update on concerns of ACORD Form 28. This issue relates to concerns that mortgage lenders have over their ability to rely on certificates of insurance as adequate proof of coverage related to mortgage requirements. ACORD indicated there is a renewed interest to begin reviewing and perhaps modifying the language in the certificate of insurance forms and they plan to begin holding weekly meetings beginning March 18, 2009.
  - Heard that an interim meeting via conference call may be held of the Property and Casualty Insurance (C) Committee to consider the Natural Disaster White Paper.
  - Heard an update from the Joint Executive and Plenary meeting held earlier today. A charge was adopted for the Property and Casualty Insurance (C) Committee and Market Regulation and Consumer Affairs (D) Committee to study how insurers are using credit-based insurance scores in light of the economic downturn. The charge calls for a public hearing to be convened to gather information to answer three questions:
    - Define what constitutes a credit-based insurance score;
    - Evaluate how insurers use credit-based insurance scores; and
    - Determine how current economic conditions have affected policyholder premiums related to credit-based insurance scores.

The final work product is a report documenting findings and including recommendations for regulatory or legislative action, if warranted. This report is due at the 2009 Fall National Meeting.

- Received a handout that is a news release from the Insurance Research Council (IRC). The IRC periodically releases estimates of the uninsured motorists population. They develop their estimates using a technique that compares claims made by individuals injured by uninsured motorists with claims made by individuals who were injured by insured drivers. There is a color-coded chart that shows how states fare. It is important to note that the chart contains 2007 data. The narrative includes an estimate for the future that is grim. The IRC has noticed a correlation between unemployment data and the number of uninsureds. Projections suggest that there will be over 16% uninsureds by 2010. This is up from the 13.8% estimated using the 2007 data. This will result in some changes in auto insurance premiums as the cost for the uninsured is shifted to the insured driver population.
- Received a referral from the Receivership and Insolvency (E) Task Force regarding a recent opinion released by the Nebraska Supreme Court that involved regulatory exclusions contained in Directors and Officers insurance policies pertaining to a receiver, conservator, and liquidator. The Receivership and Insolvency (E) Task Force would sincerely request that the Property & Casualty Insurance (C) Committee review this language and advise whether

the NAIC and/or individual state insurance departments should pursue policy form requirements to prevent such language.

The Property and Casualty Insurance (C) Committee and the following action items:

1. Appointed the Advisory Organization Examination Oversight Working Group; Catastrophe Insurance Working Group; Catastrophe Reserve Working Group; Consumer Guides Working Group; Crop Insurance Working Group; Earthquake Study Group; Terrorism Insurance Implementation Working Group; and, Title Insurance Issues Working Group.
2. Adopted the Surplus Lines (C) Task Force report including a survey to be submitted to the states regarding Surplus Lines documentation and premium taxes.
3. Adopted the Casualty Actuarial and Statistical (C) Task Force report which included adoption of the *2007 Commercial Lines Competition Database Report*, adoption of the *2006 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report*, and elimination of the quarterly accelerated statistical reports.
4. Adopted the Casualty Actuarial and Statistical (C) Task Force letter submitted to the Property and Casualty Insurance (C) Committee that essentially proposes to work with the NAIC's new Solvency Modernization Initiative (EX) Task Force as they develop requirements for enterprise risk management for stress testing of all insurers' reserves, investments, security lending arrangements, reinsurance, etc. against realistic scenarios.
5. Adopted the report of the Consumer Guides (C) Working Group which established a Consumer Guides Drafting Subgroup to begin the re-drafting of the *Consumer's Guide to Home Insurance*.

The Property and Casualty Insurance (C) Committee will meet from 3:00 – 5:00 p.m., Monday, June 15, 2009, at the Minneapolis Convention Center. During this meeting, the Committee will:

- Consider a motion to adopt the revised natural disaster white paper.
- Discuss a proposal for a federal guarantee of post-event debt.
- Discuss issues related to risk retention groups.
- Discuss a referral from the Receivership and Insolvency (E) Task Force regarding D&O contract language.
- Receive an update on credit-based insurance scoring activity.
- Receive an update on the P&C model rating laws.
- Consider reports from its three task forces and eight working groups.



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**Committee Report of the  
Market Regulation & Consumer Affairs (D) Committee**

1. The Market Regulation and Consumer Affairs (D) Committee met March 18, 2009. During this meeting, the Committee:
  - Discussed the Market Conduct Annual Statement (MCAS) being in a transition phase since NAIC Membership had voted to have the data centrally collected and stored at the NAIC. The Committee acknowledged that the decision regarding the best way to collect the data had not yet been determined. It was pointed out that each state submitting data was provided a confidentiality agreement to sign with the NAIC, if necessary under state law, and there was no intention of publicly releasing the data collected in the current process. The Committee discussed that while consumers need data to make insurance-buying decisions, any data released needs to be meaningful. The Committee agreed to form two subgroups to evaluate the data elements currently being collected by MCAS.
  - Received the report of the Special Accreditation Standards Working Group. The Working Group had received a presentation regarding the history and success of the NAIC's Financial Accreditation Program.
  - Received the report of the Market Actions Working Group. The Working Group had discussed ongoing actions with several insurance companies and had set their schedule for the rest of the year and hoped to have discussions regarding long-range plans for the Working Group. The Working Group adopted Policies and Procedures as well as Settlement Best Practices documents.
  - Received the report of the Consumer Connections Working Group. The Working Group discussed the importance of connecting with consumers and discussed that a recent NAIC survey indicated that consumers thought they knew more about insurance than they actually did. The Working Group had a discussion about Third Party Claims Vendors and wanted the claims process to be more transparent for consumers.
  - Received the report of the Market Conduct Examinations Standards Working Group. The Working Group tasks for this year include: (1) finalizing the draft market conduct examination standards and procedures for revision of a Commercial Property and Casualty Standardized Data Request; and (2) the revision of Chapter 18—Conducting the Title Insurance Company. The Working Group also discussed performing a review of new and revised NAIC models adopted in the past two years in order to ensure the market conduct examination standards in the *Market Regulation Handbook* are more complete and reflect current issues in the insurance marketplace.
  - Received the report of the Market Analysis Procedures Working Group. The Working Group is establishing a priority list of new data elements and lines of business to be centrally collected and incorporated into new and existing NAIC systems by the Fall National Meeting; developing detailed enhancements to the market analysis chapters (Baseline, Level 1 and Level 2) of the *Market Regulation Handbook*; and overseeing ongoing enhancements of market tools via the Market Analysis Research & Development Focus Group.
  - Received the Report of the Antifraud Task Force and its working groups. The Agent and Unlawful Activity Working Group had decided to send a survey to states regarding state laws on unauthorized transactions. The Federal and International Enforcement Coordination Working Group discussed working on revisions of the 18 USC 1033 Guidelines. The Antifraud Liaison Working Group discussed comments regarding the draft Anti-Fraud Plan Guideline as a best practices tool for regulators and industry members in the creation of Antifraud Plans. The Antifraud Training and Seminar Working Group discussed the 2009 Insurance Investigators Toolbox Seminar to be held following the Spring National Meeting. The Information Sharing and Technology Working Group had announced agreement with International Claims Association (ICA) to implement Life Insurance Alert System and

reported that the Online Fraud Reporting System (OFRS) and NICB agreement to push NICB-suspected fraud claim reports to OFRS will be completed by summer 2009.

- Announced that the Market Regulation and Consumer Affairs Committee and the Property and Casualty Insurance (C) Committee would hold a joint hearing regarding credit scores and how they are used by industry.
  - Charged NAIC staff with performing an objective review of all market tools to determine which tools should be enhanced, combined or eliminated.
2. The Market Regulation and Consumer Affairs (D) Committee will meet from 9:30 – 11:30 a.m. Tuesday, June 16, 2009 at the Minneapolis Convention Center. During this meeting the Committee will consider adoption of:
- The Complaint Database System Manual.
  - Revisions to Chapter 25, Conducting the Advisory Organization Examination, of the *Market Regulation Handbook* as adopted by the Property and Casualty Insurance (C) Committee.

The Committee will give a high priority to the following items:

- Current activities regarding the Market Conduct Annual Statement.
- NAIC staff report on Market Information Systems.
- Findings of April 2009 GAO Report, Insurance Reciprocity and Uniformity.
- Market Regulation Accreditation Issues.

The Committee will receive reports from the following working groups and task force:

- Special Accreditation Standards Working Group.
- Market Actions Working Group.
- Market Analysis Procedures Working Group.
- Consumer Connections Working Group.
- Market Conduct Examinations Standards Working Group.
- Antifraud (D) Task Force.

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**Committee Report of the  
Financial Condition (E) Committee**

1. The Financial Condition (E) Committee met March 18, 2009. During this meeting, the Committee:

Adopted or received the reports of its task forces and working groups. Many of these groups are very technical in nature and involve ongoing work necessary to maintain and keep current the NAIC solvency framework. The details of those activities have not been provided in this report; rather, the details of items that were of a non-routine and/or significant nature are included in this report.

- **Adopted the Report of the Accounting Practices and Procedures Task Force** – The report included the adoption of *SSAP No. 98—Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43—Loan-backed and Structured Securities*. It should be noted that SSAP 98 was adopted by Joint Executive/Plenary on an April 17 conference call with a modified effective date of “for periods ending on or after September 30, 2009, and with early adoption permitted” (changed from “For periods beginning January 1, 2009” as previously adopted by the E Committee).
- **Adopted the Report of the Capital Adequacy Task Force** – The report included a 60-day exposure of the C-3 Phase III proposal as developed by the American Academy of Actuaries. Also included in the report was an update from the C-3 Result Subgroup, which noted a more-than-50% drop in C-3 Phase II RBC from 2007 to 2008, due in part to changes in company allocation between reserves and capital.
- **Adopted the Report of the Receivership and Insolvency Task Force** – The report included a new charge assigned to the Task Force: “Identify and recommend possible solutions to address timing and collection concerns with reinsurance recoverables held by insurers in receivership.”
- **Adopted the Report of the Reinsurance Task Force** – The report included a 30-day exposure of the Reinsurance Collateral Guidance Memo previously proposed by the Capital and Surplus Relief Working Group to the Executive Committee on Jan. 28, 2009. The Task Force voted not to proceed with respect to the Reinsurance Collateral Model Bulletin. Also included in the report was an announcement that draft federal legislation would be exposed for comment shortly after the Spring National Meeting to implement the reinsurance regulatory modernization framework.
- **Adopted the Report of the Valuation of Securities Task Force** – The report included adoption of a revised Model 282—*Derivative Instruments Model Regulation*, which is currently a separate item for the Joint Executive Committee/Plenary meeting.
- **Adopted the Report of the Capital and Surplus Relief Working Group** – The report included a proposed 2009 work plan for the previous recommendations made by the Working Group to the Executive Committee, as well as charges of the group as revised during the meeting:
  - Monitor the progress of the Capital and Surplus Relief Working Group Recommendations in 2009.
  - Consider the current system of permitted practices including: 1) the definition of what is and is not a permitted practice; 2) the requirements surrounding requests and notification; and 3) the processes used in determining if a practice is granted, as well as the responses of the non-domiciliary state regulator, and make recommendations for improvements as applicable.
  - Consider any necessary changes to the NAIC process to accommodate emergency items.

2. The Financial Condition (E) Committee will meet from 8:30 – 10:30 a.m. Tuesday, June 16, 2009, at the Minneapolis Convention Center to:

- Discuss a draft letter to the membership that contemplates a new process for considering the adoption of technical items from the Financial Condition (E) Committee. This separate process for these technical changes is considered necessary to make sure regulators and the industry have the most relevant and timely information to help facilitate consistent, accurate financial information necessary to evaluate the financial condition of the insurer. This draft letter could be distributed to the membership prior to the Fall National Meeting.
- Discuss responses to the Committee's exposure of a memorandum from the Premium Survey Subgroup of the Blanks Working Group. The survey was the result of a charge given June 8 to obtain an overview of allocation of premium tax issues.
- Consider the reports of ongoing and maintenance work from eight task forces and six working groups.

*NAIC 2009 Summer National Meeting  
Minneapolis, MN*

**Jt. Executive (EX) Committee/Plenary  
Monday, June 15, 2009  
10:00 a.m. – 12:00 p.m.  
Minneapolis Convention Center, Ballroom A-B**

**Committee Report of the  
Financial Regulation Standards and Accreditation (F) Committee**

The Financial Regulation Standards and Accreditation (F) Committee met in regulator-to-regulator session June 12, 2009. During this meeting, the Committee discussed state-specific accreditation issues and voted to award continued accreditation to the state insurance departments of Delaware, Louisiana, Massachusetts and Rhode Island.

The Financial Regulation Standards and Accreditation (F) Committee also met June 13, 2009. During this meeting, the Committee:

- Voted to expose for a 30-day comment period the 2008 revisions to the Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in a Hazardous Financial Condition. The revisions provide additional standards for consideration by the commissioner to determine whether the continued operation of any insurer might be deemed to be hazardous to its policyholders, creditors or the general public. In addition, the revisions give the commissioner additional authority to issue an order requiring companies deemed to be in a hazardous financial condition to take corrective action.
- Voted to adopt the 2006 revisions to the Risk-Based Capital for Insurers Model Act as an amendment to the current significant element required for accreditation with an effective date of Jan. 1, 2012. The revisions had been released for a one-year comment period that ended Dec. 31, 2008, and no comment letters were received. The revisions incorporate a new trend test for property/casualty companies that, given certain conditions, may trigger a company action level.
- Voted to immediately revise the Receivership standard within the Part A: Laws and Regulations accreditation standards to indicate that state law should set forth a receivership scheme for the administration, by the insurance commissioner, of insurance companies found to be insolvent as set forth in the Insurer Receivership Model Act (IRMA). The standard previously referred to the Insurers Rehabilitation and Liquidation Model Act, which was superseded by IRMA. This issue had been released for a one-year comment period that ended Dec. 31, 2008, and only one comment letter was received. The Receivership Part A standard only requires that state law set forth a receivership scheme. Therefore, a state does not have to have language that is substantially similar to what is included in the model, but rather have a scheme similar to what is contemplated in the model.
- Voted to adopt the 2006 revisions to the Model Regulation Requiring Annual Audited Financial Reports—commonly referred to as the Model Audit Rule—as new significant elements required for accreditation within the CPA Audits Part A standard with an effective date of Jan. 1, 2010. These revisions, which included renaming the model to the Annual Financial Reporting Model Regulation, require that insurers comply with certain best practices related to auditor independence, corporate governance and internal control over financial reporting. The revisions had been released for a one-year comment period that ended Dec. 31, 2008, and no comment letters were received.
- Voted to adopt new accreditation standards related to change in ownership and company licensing. The proposed standards had been released for a 45-day comment period, and two comment letters were received. These new “Part D” accreditation standards will not be scored by accreditation review teams, and a state could not fail an accreditation review based solely on lack of compliance with the company licensing standards. If deficiencies are noted, the review team would provide management comments to the state insurance department similar to what is currently performed with the Part C: Organizational and Personnel Practices standards. Because this is a significant change to the accreditation program, the Committee agreed that a two-year implementation period was reasonable, and the standards will become effective Jan. 1, 2012.

Action Items:

1. Voted to expose for a 30-day comment period the 2008 revisions to the Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in a Hazardous Financial Condition.
2. Voted to adopt the 2006 revisions to the Risk-Based Capital for Insurers Model Act as an amendment to the current significant element required for accreditation with an effective date of Jan. 1, 2012.
3. Voted to immediately revise the Part A Receivership accreditation standard to indicate that state law should set forth a receivership scheme for the administration, by the insurance commissioner, of insurance companies found to be insolvent as set forth in the Insurer Receivership Model Act.
4. Voted to adopt the 2006 revisions to the Annual Financial Reporting Model Regulation as new significant elements required for accreditation within the CPA Audits Part A standard with an effective date of Jan. 1, 2010.
5. Voted to adopt new accreditation standards related to change in ownership and company licensing with an effective date of Jan. 1, 2012.

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*NAIC 2009 Summer National Meeting  
Minneapolis, Minnesota*

**Jt. Executive (EX) Committee/Plenary  
Monday, June 15, 2009  
10:00 a.m. – 12:00 p.m.  
Minneapolis Convention Center, Ballroom A-B**

**Committee Report of the  
International Insurance Relations (G) Committee**

1. The International Insurance Relations (G) Committee met March 17, 2009. During this meeting, the Committee:
  - Discussed updates on International Guiding Principles.
  - Received a report from the International Regulatory Cooperation Working Group on the Spring class of regulators participating in the International Internship Program.
  - Discussed progress on the Solvency Modernization Initiative to analyze solvency reforms in other jurisdictions and other financial sectors to identify issues and innovations that might productively be included in NAIC work going forward.
  - Received reports on the International Association of Insurance Supervisors (IAIS), including work of the New Focus Task Force on the supervision of “internationally active insurance groups,” and the NAIC’s proposed Strategic Planning Initiative.
  - Received a report on the work of the Joint Forum on a project to identify regulatory gaps by reviewing the “Differentiated Nature and Scope of Financial Regulation.”
  - Discussed plans for the NAIC International Issues Conference to be held in Washington, DC, May 18-19.
  - Heard a report from Yoshi Kawai, IAIS Secretary General, on the IAIS response to discussions on insurance regulatory issues by the Financial Stability Forum and the meeting of the G20.
  - Discussed the NAIC’s contributions to the work of the G20 and Financial Stability Forum (FSF) on global regulatory modernization.
  - Reported on progress on the creation of “supervisory colleges” in response to the FSF’s demand that financial regulators convene colleges for the largest global financial institutions.
  - Reported on the NAIC’s coordination of the U.S. insurance regulatory community in the International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) in 2009.
  
2. The International Insurance Relations (G) Committee will meet from 8:30 – 10:00 a.m., Monday, June 15, 2009, at the Minneapolis Convention Center. The Committee will:
  - Discuss updates on International Guiding Principles and consider submitting recommendation for review and adoption by Executive/Plenary.
  - Receive a report from the International Regulatory Cooperation Working Group on the Spring class of regulators participating in the International Internship Program, the IAIS international education strategy, and the IAIS-CGAP Joint Working Group on Microinsurance.
  - Discuss the IAIS work under the New Focus Task Force on the supervision of “internationally active insurance groups,” and the NAIC’s contributions to a new IAIS Strategic Planning Initiative.
  - Report on the NAIC’s preparation of a self-assessment and discussions with the IMF on stress-testing under the FSAP.



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*NAIC 2009 Summer National Meeting  
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**Jt. Executive (EX) Committee/Plenary  
Monday, June 15, 2009  
10:00 a.m. – 12:00 p.m.  
Minneapolis Convention Center—Ballroom A/B**

**Written Summary Report on the  
State Implementation Efforts of NAIC Adopted Model Laws and Regulations**

**Amendments to Viatical Settlements Model Act (#697)**—since the last quarterly update at the Spring National Meeting, 11 states have enacted legislation related to viatical/life settlements. Legislation is still pending in a number of states. Since 2007, 23 states have enacted legislation on the subject. NAIC staff will continue to track state legislative activity and provide updates at each national meeting. For additional information and updates, please contact Jolie Matthews, NAIC Sr. Health Policy and Legislative Analyst and Counsel, [jmatthew@naic.org](mailto:jmatthew@naic.org).

**Use of Senior Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities Model Regulation (#278)**—since the last quarterly update, 9 states have adopted legislation or regulations that are substantially similar to the NAIC model regulation. Seven states have started the legislative or the rulemaking process related to the NAIC model regulation. NAIC staff will continue to track legislative and regulatory activities for this model throughout the year. For additional information and updates, please contact Jolie Matthews, NAIC Sr. Health Policy and Legislative Analyst and Counsel, [jmatthew@naic.org](mailto:jmatthew@naic.org).

**Amendments to Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651)**—revisions to the Medicare Supplement Insurance Model Regulation were adopted during the Jt. Executive (EX) Committee/Plenary session on Sept. 24, 2008. These revisions implemented major changes to Medicare supplement plans and benefits first approved by the NAIC in March 2007. The revisions also made changes in compliance with the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) and the Genetic Information Nondiscrimination Act of 2008 (GINA). States must adopt the GINA revisions by July 1, 2009, in order to enforce the GINA requirements, and the revisions required by MIPPA by Sept. 24, 2009, in order to continue to regulate the Medicare supplement market.

The NAIC and the Center for Medicare & Medicaid Services (CMS) surveyed the states as to their implementation status and 47 states responded to the inquiry. As of May 8, 2009, 13 of the 47 responding states have completed final adoption of the new rules. Of the responding states that have not yet completed adoption, all have taken substantial steps towards adopting—including holding public hearings, undergoing legislative review, publishing draft regulations, or in some cases legislation has already been approved and is simply awaiting signature by the Governor.

The majority of responding states (40 out of 47) do not require approval by their state legislature to adopt the required changes. Of the 7 states requiring legislature approval, 3 have already completed the process and have enacted legislation. Of the 40 states able to adopt the changes through their regulatory process, 10 have already completed that process. Note, in a few states, legislature approval is required for the GINA changes, but MIPPA-related changes can be handled through the state regulatory process.

Virtually every state has reported they expect to have their revised rules in place by the deadlines set by GINA and MIPPA. The list of states that have completed adoption will also continue to grow quickly this month, as we are approaching the July 1, 2009 deadline set by GINA and many states are finalizing adoption this month in order to meet that deadline. NAIC staff will continue to track state legislative and regulatory activity concerning implementation of these changes until all states have completed implementation. Questions or requests for additional information may be sent to Jane Sung, NAIC Sr. Health Policy Analyst and Counsel, [jsung@naic.org](mailto:jsung@naic.org).

**Uniform Health Carrier External Review Model Act (#76)**—based on information received from the states, earlier in the year, concerning their intentions regarding the adoption of the Uniform Health Carrier External Review Model Act, approximately, 4 states indicated their intent to introduce legislation during the 2009 legislative session related to the

model. To date, 1 state has enacted legislation substantially similar to the NAIC model law. With the assistance of the NAIC Legal Division, NAIC staff will be tracking this legislative activity throughout the year.

For additional information and updates, please contact Jolie Matthews, NAIC Sr. Health Policy and Legislative Analyst and Counsel, [jmatthew@naic.org](mailto:jmatthew@naic.org).

**Medical Professional Liability Closed Claim Reporting Model Law (#77)**—The Medical Professional Liability Closed Claim Reporting Model Law was adopted during the Jt. Executive (EX) Committee/Plenary session on Sept. 24, 2008. As of June 2009, we are not aware of any states adopting the model.

For additional information and updates, please contact Eric Nordman, NAIC Regulatory Services Director, [enordman@naic.org](mailto:enordman@naic.org).

**Amendments to Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition (#385)**—NAIC staff surveyed the states in May 2009 to gather information from each state on plans to adopt the model revisions. Based on the survey results, 31 states plan to adopt the revisions, 6 states plan to adopt the revisions with minor changes, 2 states do not plan to adopt the revisions, 7 states are undecided and 5 states have not yet provided a response to the survey. Of the states who plan to adopt the revisions or adopt with minor changes, 13 states plan to complete the adoption in 2009; 7 in 2010; 2 in 2011; and 15 do not yet have a timeline for adoption. No states have indicated that problems are anticipated in adopting the model revisions. An update will be provided at the 2009 Fall National Meeting.

For additional information and updates, please contact Bruce Jenson, NAIC Manager II-Financial Examination, [bjenson@naic.org](mailto:bjenson@naic.org).

**Life and Health Insurance Guaranty Association Model Act (#520)**—Since the adoption of the revised Model Act during the 2009 Spring National Meeting, a few states have approached their legislatures regarding the proposed increases to coverage limits for specific lines of business (e.g. TX and LA), legislation is still pending in those few states. However, as the adoption of the Model Act occurred in March 2009, most states have not had an opportunity to approach their legislatures regarding the proposed revisions.

NAIC staff will continue to track state legislative activity and provide updates at each NAIC quarterly meeting. For additional information and updates, please contact David Vacca, Assistant Director, Financial Analysis, [dvacca@naic.org](mailto:dvacca@naic.org).

**Property and Casualty Insurance Guaranty Association Model Act (#540)**—since the adoption of the revised Model Act at the Spring National Meeting, most states have not had an opportunity to approach their legislatures regarding the proposed revisions.

NAIC staff will continue to track state legislative activity and provide updates at each NAIC quarterly meeting. For additional information and updates, please contact David Vacca, Assistant Director, Financial Analysis, [dvacca@naic.org](mailto:dvacca@naic.org).

**Model Audit Rule**—this model is not being tracked since it was adopted prior to the new model law process. It is being included here to provide an update on its current status. The Model Audit Rule revisions were adopted June 11, 2006 by the NAIC and represent best practices for companies to follow related to corporate governance in three areas: auditor independence, corporate governance and internal control over financial reporting.

A uniform effective date of Jan. 1, 2010 gives states and companies sufficient time to prepare. The following states, 23 in all, have finalized orders to adopt these revisions into their amended regulations: Alabama, Connecticut, Delaware, Idaho, Illinois, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, New Hampshire, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Virginia, West Virginia, Wisconsin and Wyoming. Six states: California, Indiana, Kansas, Nevada, Pennsylvania and Tennessee have publicly released proposed revisions to their regulations/statutes, but have not yet finalized the revisions. All states have indicated plans to adopt the revisions prior to the Jan. 1, 2010 effective date.