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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**

**Written Summary Report on Model Law Development Efforts**

**Standard Nonforfeiture Law (#808)**

The Executive Committee approved the request to work on this model law at the 2007 Summer National Meeting.

- This is a simple change that will be needed when principles-based reserves are authorized. It delinks the interest rates from the valuation interest rate and links them to the formula currently used. This law is not currently being advanced for two reasons: 1) there is no immediate need for the delinking without a principles-based reserving authorized in the Standard Valuation Law; and 2) the Life and Health Actuarial Task Force decided it would be better to incorporate all of the proposed nonforfeiture changes into one new model law rather than piecemeal them into the existing law.
- On a Nov. 14, 2008, conference call, the American Council of Life Insurers said the method of introducing new mortality tables for determining the minimum nonforfeiture values would have to be reviewed. Otherwise, the nonforfeiture mortality standard may not be comparable with the valuation mortality. At the Spring National Meeting, the Task Force decided to defer consideration of this model law until more work is done on the Standard Valuation Law and the Valuation Manual.

**Standard Valuation Law (#820)**

The Executive Committee approved the request to work on this model law at the 2007 Summer National Meeting. The Task Force adopted the Standard Valuation Law at the 2009 Summer National Meeting.

**Meetings to date:**

- Conference calls were held in 2008 on Feb. 5, Feb. 27, April 23, April 29, May 5, July 18, Aug. 5, Aug. 19, Aug. 21, Nov. 7 and Nov. 13 by the Life and Health Actuarial Task Force to discuss changes to the law to authorize a principles-based reserving system and to authorize a valuation manual to specify reserve requirements.
- The Task Force spent part of its meetings at the 2008 Spring, Summer, Fall and Winter National Meetings discussing the changes.
- Prior to the 2008 Fall National Meeting, three major issues remained: the inclusion of a minimum reserve basis in the law, the confidentiality of the required experience data and actuarial memorandum, and the principles defining a principles-based reserve. At the Fall National Meeting these items were resolved, although the Task Force delayed several amendment proposals on the confidentiality issue until they were reviewed by legal staff.
- At the 2008 Winter National Meeting, most of these confidentiality issues were resolved, and the current draft of the law was released for public comment.
- At the 2009 Spring National Meeting, there was discussion of the definitions of life insurance, accident and health insurance, and deposit-type insurance. Several commentators felt that the proposed definitions expanded the scope of the law. In addition, there was a request by the Corporate Governance Working Group to add a paragraph. The Corporate Governance Working Group changed the request to add a sentence to proposed Section 12. The Principles-Based Reserving Working Group adopted that sentence May 21, 2009.
- The Task Force considered the definitions on conference calls on April 4 and May 11, and resolved the issue of the definitions of major products.

### **Annuity Disclosure Model Regulation (#245)**

The Executive Committee approved a model law request to work on revisions to the Annuity Disclosure Model Regulation at the 2008 Fall National Meeting. The Annuity Disclosure Working Group is working to complete its work by the 2009 Fall National Meeting deadline.

The Annuity Disclosure Working Group is focusing on two issues: whether to revise the model's scope to include variable annuities, and whether to add a disclosure requirement to the model concerning guaranty fund coverage. The Working Group held a conference call in May to continue its discussions of the guaranty fund coverage disclosure issue. During that call, a draft guaranty fund coverage disclosure template was exposed and distributed for comment. Another issue the Working Group is working on concerns the use of illustrations in the sale and solicitation of fixed annuities. To address this issue, the Working Group is considering adding annuity illustration guidelines to the model for companies to follow. It is anticipated that the Working Group will continue working to resolve these issues over the next few months prior to the Fall National Meeting and adopt any revisions to the model by the end of the year.

### **Suitability in Annuity Transactions Model Regulation (#275)**

At the Spring National Meeting, the Suitability in Annuity Sales Working Group reviewed a second discussion draft of proposed revisions to the Suitability in Annuity Transactions Model Regulation. The Working Group formed two subgroups to resolve issues identified in the discussion draft: general and specific product producer training requirements and suitability recommendations. The two subgroups met and proposed recommendations to the Working Group for resolving those issues. The Working Group distributed for comment a third discussion draft a few weeks ago that includes the subgroups' recommendations and other revisions reflecting the comments received on the prior discussion draft. The Working Group is holding two meetings during this national meeting to review the comments received on this discussion draft. The Working Group anticipates distributing an official draft of revisions within a few months following this national meeting.

The Executive Committee approved the model law request for revising the Suitability of Annuity Transactions Model Regulation at the 2008 Summer National Meeting. Due to a number of issues that have arisen related to the proposed revisions to the model, the Working Group may not be able to meet the deadline to complete the revisions by the 2009 Fall National Meeting. If that deadline is not met, the Working Group anticipates finalizing the revisions by the end of this year.

### **Long-Term Care Insurance Model Regulation (#641)**

Since the request for model law development classification to revise this model to include an external review process for benefit triggers in long-term care insurance policies was approved in September 2008, the Long Term Care External Review (B) Subgroup of the Senior Issues (B) Task Force, which is the group revising the model, has developed a draft based on the Iowa law to include these revisions. The Subgroup has finalized the revisions to the Model and they are bringing it to the Senior Issues (B) Task Force for adoption at this National Meeting.

### **Amendments to Derivatives Instrument Model Regulation (#282) (to be adopted during Jt. Exec/Plenary)**

On March 2, 2009, the Valuation of Securities (E) Task Force (VOSTF) held an interim meeting by conference call at which time it adopted a motion to release the revised draft of the Amendments to Derivatives Instrument Model Regulation (#282) for a two-week comment period. A mailing was made to the interested persons group for this purpose, and the Securities Valuation Office (SVO) posted the revised draft on the NAIC Web site, [Securities Valuation Office](#) page, in anticipation of the Spring National Meeting. The revised draft was adopted by the Valuation of Securities (E) Task Force and the Financial Condition (E) Committee at the Spring National Meeting.

### **Amendments to Risk-Based Capital (RBC) for Health Organizations Model Act (#315)**

The Executive Committee approved the model law request for revising the Risk-Based Capital (RBC) for Health Organizations Model Act at the Spring National Meeting. On March 31, 2009, the Health Risk-Based Capital (E) Working Group held a conference call and released for 30 days a revised draft of the model, which incorporated the changes contemplated in the model law request form. On a May 7, 2009, conference call, the Health Risk-Based Capital (E) Working Group adopted the revised Risk-Based Capital (RBC) for Health Organizations Model Act. The Capital Adequacy (E) Task Force will consider the revised model at its meeting scheduled for June 14, 2009.