



National Association of Insurance Commissioners

P R E V I E W

TO: NAIC Members and Other Interested Regulators & Parties
FROM: NAIC Committee Support Staff
DATE: May 14, 2009
SUBJECT: PREVIEW: Committee, Subcommittee and Task Force activity planned for the 2009 Summer National Meeting in Minneapolis, MN

Following is a summary of activities planned for our upcoming national meeting. Descriptions are provided by NAIC support staff and should be used as a general reference, as they may not be a complete reflection of the considerations by committee members. The complete program, with up-to-date meeting times and room locations, can be found on the NAIC National Meetings Web page: http://www.naic.org/meetings_home.htm

[SPECIAL NOTE: Please be advised of a new schedule for the Life & Health Actuarial Task Force (LHATF) meetings in Minneapolis. LHATF will meet Thursday, June 11, 8:00am – 5:00pm and Friday June 12, 8:00am – 5:00pm. See the official meeting program for further details]

JOINT EXECUTIVE (EX) COMMITTEE/PLENARY

The **Joint Executive (EX) Committee/Plenary** will discuss and consider adoption of reports from the Executive Committee and each of its seven (7) standing committees. They will consider for adoption the all minutes from the 2009 NAIC Spring National Meeting. The Amendments to Derivatives Instrument Model Regulation (#282) is expected to be discussed and considered for adoption. To review NAIC models currently pending adoption, visit NAIC Web site, http://www.naic.org/index_committees.htm.

The members will also discuss progress reports on states' implementation efforts of six (6) recently adopted NAIC model laws or regulations:

- (1) Medical Professional Liability Closed Claim Reporting Model Law (# 77);
- (2) Model Regulation on the Use of Senior Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities (# 278);
- (3) Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition (# 385);
- (4) Amendments to Viatical Settlements Model Act (#697);
- (5) Amendments to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (#651); and
- (6) Uniform Health Carrier External Review Model Act (#76).

EXECUTIVE (EX) COMMITTEE

The **Executive (EX) Committee** will discuss and consider adoption of reports from the Internal Administration (EX1) Subcommittee; Climate Change and Global Warming Task Force, Government Relations Leadership Council, International Insurance Relations Leadership Group, Military Sales Working Group, Producer Licensing Task Force, SVO Initiatives Working Group; Solvency Modernization Initiatives Task Force, and Speed to Market Task Force.

They will also hear reports from the National Insurance Producer Registry (NIPR) Board of Directors, the System for Electronic Rate and Form Filing (SERFF) Board and the Interstate Insurance Product Regulation (IIPRC) Commission.

The **Internal Administration (EX1) Subcommittee** plans to meet in executive session to discuss internal and administrative matters of the NAIC and receive a report from its Information Systems (EX1) Task Force.

The **Information Systems (EX1) Task Force** plans to discuss four key ongoing NAIC technology initiatives and be briefed on the on-time, on-budget status of the 2009 approved NAIC technology projects:

- (1) National Catastrophe Model System: Proof-of Concept Study to Build National Multi-Peril Model (*Sponsor: Property & Casualty Insurance (C) Committee*);
- (2) Support the Existing State-Developed Market Conduct Annual Statement (MCAS) – 2008 Filings (*Market Regulation & Consumer Affairs (D) Committee*);
- (3) Identification of Invested Risk Attributes in the Integrated Securities Information System (ISIS) (*Valuation of Securities (E) Task Force*);
- (4) NAIC Application Development & Testing Productivity Tools (*Information Systems (EX1) Task Force*);
- (5) NAIC Google Search Engine tool (*Internal Administration (EX1) Subcommittee*).

The Task Force will discuss the annual State Technology Survey and the results of the group's recent vote on the revised NAIC budget request form for projects that include technology.

The **Climate Change and Global Warming (EX) Task Force** will meet to discuss their progress on addressing implementation issues related to its March 2009 adopted Insurance Company Climate Risk Disclosure Survey. The goal is for the first survey data to be submitted to regulators in May 2010, for the 2009 reporting year. The Task Force will evaluate the need to develop 1) a guidance document with specific sample survey responses, and 2) a prototype that illustrates the policies and procedures on how regulators and the public would request access to the survey data once companies filed.

The **Government Relations Leadership (EX) Council** is expected to meet and discuss updates on current proposed and pending federal insurance-related legislation and issues. NAIC support staff will provide briefings on any potential regulatory modernization

efforts, which include new developments of a systemic risk regulator, systemic resolution authority, Optional Federal Charter and producer licensing reforms.

The **Producer Licensing (EX) Task Force** will consider the adoption of their NARAB Working Group's recommendation regarding (1) an updated framework for determining continued compliance by states of producer licensing reciprocity requirements of the Gramm-Leach-Bliley Act (GLBA) and (2) recommendations on whether specific requirements imposed on non-resident producers are inconsistent with the reciprocity requirements of GLBA. The Task Force will also work on how to create greater uniformity in business entity licensing and discuss the Producer Licensing Working Group's work to gain uniformity in state background checks and create greater uniformity in limited lines licensing.

The **Solvency Modernization Initiatives (EX) Task Force** this newly formed Executive Committee Task Force will hold its first meeting at the Summer National Meeting. It will discuss the progress of its three working groups, Group Solvency Issues, International Solvency and Accounting and Principles-Based Reserving Working Groups and the overall goals and charges of this Task Force.

The **Speed to Market (EX) Task Force** will discuss the Operational Efficiencies Working Group's proposal to make significant revisions to the Product Requirements Locator (PRL) project, and hear commitments from states to utilize the PRL. The Task Force will discuss the progress of the charges for the National Standards Working Group, and consider disbanding the Personal Lines Framework Working Group as it has completed its charges. Reports will be heard from the System for Electronic Rate Form and Filing (SERFF) Board and the Interstate Insurance Product Regulation Commission (IIPRC).

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

The **Life Insurance and Annuities (A) Committee** will discuss its working groups and subgroup on their activities. The **Indexed Annuities (A) Working Group** will report on their nationwide data call issued Dec. 1, 2008, to obtain additional detail on the sales and marketing practices of insurance companies that sell indexed annuities. The **Consumer Guides (A) Subgroup** will provide an update on its progress for revising the Annuity Buyer's Guides. The Subgroup has finalized the updated Guide for Fixed Annuities and is now working on new consumer guides for fixed indexed annuities and variable annuities.

The **Annuity Disclosure (A) Working Group** will meet to review revisions to the Annuity Disclosure Model Regulation, which include adding a new disclosure for guaranty fund coverage. The Working Group will also discuss the use of illustrations in the sale and solicitation of fixed annuities and review its proposed annuity illustration guidelines on the subject.

The **Suitability of Annuity Sales (A) Working Group** will meet over three meeting sessions to continue its work on proposed revisions to the NAIC Suitability in Annuity Transactions Model Regulation.

HEALTH INSURANCE AND MANAGED CARE (B) COMMITTEE

The **Health Insurance and Managed Care (B) Committee** will meet to discuss and consider adoption of reports from its task forces in addition to discussing health care reform legislation and other federal legislative activities related to health insurance.

The **Regulatory Framework (B) Task Force** plans to work toward finalizing the survey instrument that is to be used to obtain information from companies and state insurance departments concerning rescission and preexisting condition exclusion determinations. The survey data will be used to develop an informational paper on these issues. The Task Force may review an initial draft of revisions to those NAIC models related to provisions contained in the Genetic Information and Nondiscrimination Act of 2008 (GINA) and SCHIP special enrollment provisions. The Task Force will discuss comments received on draft external review model notices and forms. The Task Force will also hear an update from its ERISA (B) Subgroup.

The **Senior Issues (B) Task Force** will discuss progress on the implementation of changes to Medigap plans and benefits, whereby States must implement changes to the model regulation in order to implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act, as required by Genetic Information Nondiscrimination Act of 2008 (GINA), no later than 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 receive updates from representatives of the Centers of Medicare and Medicaid Services (CMS), including progress on the implementation of an information-sharing Memorandum of Understanding (MOU) between the NAIC and CMS. They will receive an update on states' implementation of the Long-Term Care Insurance Partnership Program. The Long-Term Care External Review (B) Subgroup will provide its progress with revising the NAIC's Long-Term Care Insurance Model Regulation to provide for external review of long-term care insurance benefits trigger determinations.

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

The **Property and Casualty Insurance (C) Committee** will discuss the progress of its charges to three task forces and eight working groups. The Committee will discuss two issues related to risk retention groups and consider the possibility of appointing a Risk Retention Working Group to update the *Risk Retention Handbook* and determine how best to implement the Corporate Governance Standards for Risk Retention Groups that were developed in 2007.

The Committee will receive information on progress related to the feasibility study regarding development of a public catastrophe computer simulation model. The Committee will consider adopting a revised white paper, *Natural Catastrophe Risk: Creating a Comprehensive National Plan*. Comments from regulators are due May 31, 2009 and will be incorporated into the white paper shortly thereafter. NAIC Web site, http://www.naic.org/index_committees.htm provides a current white paper draft.

The Committee will discuss a referral received from the Receivership and Insolvency (E) Task Force. The Task Force asked the Committee to review and provide advice on contract language appearing in a policy providing professional liability coverage for directors and officers. The policy in question contains an exclusion of coverage under the contract for any claim made by a regulatory agency or any guaranty or insolvency fund. The Task Force is concerned the policy language is inconsistent with sound public policy and, if it were to become widespread, would diminish the assets available to guaranty funds for the protection of policyholders and claimants.

The Committee will discuss how to proceed with evaluation of a contract certainty proposal, similar to that developed by the New York State Insurance Department and consider concerns raised by the reinsurance industry. The Committee will also receive an update on negotiations regarding ACORD Form 28 (a proof-of-insurance form for commercial policyholders). The contract certainty issue and the ACORD issue are interrelated as they both deal with providing the business and lien-holders with certainty regarding the overages provided by the insurer to the policyholder. Mortgage lenders have been concerned about changes made to ACORD Form 28 that make it less helpful than prior editions of the form.

The Surplus Lines (C) Task Force will report to the Committee on its progress made during their conference call Jan. 28, 2009 and the formation of a working group to study the feasibility of establishing a clearing house for allocating multi-state surplus lines premium taxes.

The **Casualty Actuarial and Statistical (C) Task Force** will hear a presentation from Thomas Cohen, Bureau of Justice Statistics (BJS), about their report "Civil Bench and Jury Trials in State Courts, 2005." The Task Force will also continue work on premium deficiency reserves and receive updates on subgroup activities concerning catastrophe modeling, line of business definitions, workers compensation large deductibles, and statistical reporting.

The **Catastrophe Insurance (C) Working Group** will meet to learn about the provisions of the Catastrophe Obligation Guarantee Act (S. 886 of 2009). The Working Group will also receive a presentation on Flood Insurance Rate Maps (FIRM) and hear from consumer representatives on considerations for coordinating and maximizing insurance funding for catastrophe loss recovery.

The **Crop Insurance (C) Working Group** will meet to discuss concerns with the inevitable preemption of crop insurance adjuster licensing. Congress, through the Risk Management Agency (RMA), could preempt states on a state-by-state basis beginning July 1, 2012. An all-state survey conducted by NAIC staff assessed each responding insurance department's feedback on whether they could allow a third-party to test crop adjusters to obtain a license. At present it appears 12-15 states can be preempted. The Working Group will focus on working with these identified states, to deter preemption of crop insurance adjuster licensing and help states in any manner they can, including enacting legislation.

The **Earthquake (C) Study Group** will hear a presentation by Glenn Pomeroy, California Earthquake Authority, regarding efforts to educate and persuade Californians to purchase earthquake insurance coverage. The Study Group will also discuss the development of a work plan, including the possibility of developing regional approaches to dealing with earthquake issues.

The **Title Insurance Issues (C) Working Group** will meet to discuss their proposal for the Blanks (E) Working Group to consider adoption of a State Page, including instructions, for the Title Insurer Annual Statement. The Working Group anticipates that Title companies would begin reporting annual data for the 2010 calendar year. The Working Group plans to submit its proposed State Page to the Blanks Working Group during the 2009 Summer National Meeting.

The **Workers' Compensation (C) Task Force** will meet to discuss the activities of its working groups and receive an update on H.R. 635 and the development of an independent contractor's model law by National Conference of Insurance Legislators (NCOIL). Updates are to be provided on progress to complete the draft TPA Guidelines, activities of the NAIC/IAIABC Joint Working Group, and activities of the PEO Guidelines Implementation Paper Drafting Group.

MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE

The **Market Regulation and Consumer Affairs (D) Committee** will meet to continue its work on the centralized data collection of the Market Conduct Annual Statement and policy considerations surrounding market regulation accreditation. The Committee will receive reports from its task force and working groups: Antifraud Task Force, Market Analysis Priorities Working Group, Market Conduct Examination Standards Working Group, Special Accreditation Standards Working, and Consumer Connections Working Group. The Committee will hold a joint hearing with the Property and Casualty Insurance (C) Committee to discuss policy considerations for credit-based insurance scores.

The **Antifraud Task Force** will meet for discussion regarding proposals on a draft of an Antifraud Plan Guideline and will provide a report on revisions of the 18 USC 1033 Guideline. The Task Force has no items to be considered for adoption at this meeting.

FINANCIAL CONDITION (E) COMMITTEE

The **Financial Condition (E) Committee** will discuss and consider adoption of reports from its task forces and working groups.

The **Accounting Practices and Procedures (E) Task Force** will meet to consider action from the Blanks Working Group, the Emerging Accounting Issues Working Group and the Statutory Accounting Principles Working Group.

The **Capital Adequacy (E) Task Force** will meet to consider action from its working groups. This is expected to include discussions by the Life Risk-Based Capital Working Group, which is also schedule to meet, related to the mortgage experience adjustment factor and reports from the American Academy of Actuaries for C-3 Phase III and the American Council of Life Insurers for derivatives. This is also expected to include an update from the Health Risk-Based Capital Working Group regarding proposed changes to the Health Risk Based Capital Model for an added trend test and revisions to the formula for Medicare Part D. An update was expected from the Property Risk-Based Capital Working Group regarding year-end 2009 underwriting risk factors.

The **Examination Oversight (E) Task Force** will meet to discuss their progress on their charges, including discussions by the recently formed Financial Examiners Coordination (E) Working Group and its other working groups. An update will be provided on state's adoption of the recently updated NAIC Model #385--Hazardous Financial Condition Model Regulation.

The **Risk Retention Group (E) Task Force** will receive an update on NAIC Work Related to Captives and continue its dialogue of Part B: Regulatory Practices and Procedures Standards.

The **Receivership and Insolvency (E) Task Force** will meet to provide progress on its current charges.

The **Reinsurance (E) Task Force** will continue discussions regarding draft federal legislation and other implementation considerations of the Reinsurance Regulatory Modernization Framework.

The **Blanks (E) Working Group** will meet to discuss the work of its subgroups and proposed changes to the Annual & Quarterly Statement, including a proposal to significantly change Schedule DB (Derivative transactions) and a separate proposal to add two new electronic columns to Schedule D Part 1.

The **Capital and Surplus Relief (E) Working Group** will meet to receive progress reports from its technical groups and continue the work of its charges.

The **Emerging Accounting Issues (E) Working Group** will meet to consider proposed interpretations to existing statutory accounting, including the previously exposed INT 09-04-Application of the Fair Value Definition.

The **NAIC/AICPA (E) Working Group** will hear an update on recent AICPA activities and actions; receive an update on the state's adoption of the Model Audit Rule Revisions; and discuss recently exposed language on changes to the *Implementation Guide for the Annual Financial Reporting Model Regulation*.

The **Statutory Accounting Principles (E) Working Group** will meet to consider proposed changes to statutory accounting, including initial discussions regarding approaches to address recently developed accounting guidance from the Financial Accounting Standards Board regarding other than temporary impairments.

The **Valuation of Securities (E) Task Force** will meet to discuss their progress on their charges, including progress from the Invested Assets Working Group specifically on proposed changes in reporting, and more generally issues dealings with risks other than credit.

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

The **Financial Regulation Standards and Accreditation (F) Committee** will discuss comments received regarding recent revisions to the Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in a Hazardous Financial Condition (#385). The Committee will also consider adoption of those models for which a one-year exposure period ended as of December 31, 2008, including the Insurer Receivership Model Act, the Risk-Based Capital for Insurers Model Act, and the Annual Financial Reporting Model Regulation. Finally, the Committee will consider comments received and vote on proposed company licensing accreditation standards.

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The **International Insurance Relations (G) Committee** will discuss the strategic planning initiative of the International Association of Insurance Supervisors (IAIS), including new work being undertaken on supervision of internationally active insurance groups; "role and structure" of the IAIS in global standard setting for the insurance sector; and the proper IAIS response to the current financial market situation, such as calls for an increased role by the IAIS in establishing macro-prudential oversight and coordinating supervisory colleges for insurance supervisors. The members will also discuss the IAIS Tri-annual meeting in late-June and possible meetings on-site with the host regulators from Chinese Taipei regarding an agreement on regulatory cooperation. The Committee will receive a report on the Joint Forum's work on off balance sheet items, risk concentrations, aggregations and modeling, and an overview of "regulatory gaps" among the financial sectors. The Committee will receive an update on the NAIC Spring International Internship Program. There will be reports on the NAIC's response to

the Financial Stability Forum's (FSF) request for "supervisory colleges" to be established for major U.S. insurance conglomerates, and the NAIC's coordination related to the insurance sector, as input to the Financial Sector Assessment Program (FSAP) which the International Monetary Fund will conduct on the entire U.S. financial system in 2009-2010.

Life and Health Actuarial Task Force

The **Life and Health Actuarial Task Force** will consider adoption of the modifications to the Standard Valuation Model Law (#820), 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 discussion of a net premium reserve method to be added to VM-20. The Accident and Health Working Group will discuss modifications to the Medicare Supplement refund formula and closed blocks of Long-Term Care insurance policies. [Note: be aware of the change in meeting days/times for Summer National Meeting]

Interstate Insurance Product Regulation Commission (IIPRC)

The **IIPRC** and its Management Committee will convene just prior to the NAIC Summer National Meeting. The Management Committee will hold a public hearing to receive comments on the structured settlement amendments to the Individual Immediate Non-Variable Annuity Contract Standards and amendments to the Operating Procedure for the Filing and Approval of Product Filings to remove the timeline for mix and match. The Management Committee will consider the structured settlement amendments for adoption and will receive reports from standing committees in the areas of finance, communications, product standards, rulemaking and technology. The IIPRC is expected to consider the adoption of the structured settlement amendments and hear reports from the Management Committee and Audit Committee.

National Insurance Producer Registry Board of Directors (NIPR)

The **NIPR Board of Directors** will convene just prior to the NAIC Spring National Meeting to receive a quarterly report on NIPR Financials, Transaction Volumes, User Participation and the State Implementation Plan (SIP).

System for Electronic Rate & Forms Filing Board (SERFF)

The **SERFF Board** will receive reports on SERFF product development and system enhancements; marketing and promotion efforts regarding insurance company licensee activity, rate & form filing counts, event attendance and tutorial offerings; states' progress on the implementation of Speed to Market (S2M) initiatives within the SERFF product; and an update on SERFF financials. In addition, the Board will receive a proposed 2010 budget for review and consideration.

NAIC/Consumer Liaison Committee

The **NAIC/Consumer Liaison Committee** plans to discuss the following at their meeting: (1) current health care and health insurance issues, such as balance billing, and federal proposals; (2) credit-based insurance scores; and (3) national catastrophe policy. In addition to these discussion items, the updates are planned for: (1) Privacy Notice Form Model and (2) Market Conduct Annual Statement.

NAIC/Industry Liaison Committee

The **NAIC/Industry Liaison Committee** will discuss current issues of concern and interest to the insurance industry and the industry trade organizations. They include: (1) the collection of market conduct annual statement data (MCAS) and the transition of the MCAS process to the NAIC during 2008-2009; (2) the use of credit scoring and credit information in insurance; (3) the NAIC natural catastrophe model system analysis; (4) disaster reporting and; (5) insurance company capital reserve requirements.

NAIC/State Government Liaison Committee

The **NAIC/State Government Liaison Committee** is expected to discuss issues of common interest of participating state officials. NAIC will provide an update on important regulatory initiatives and emerging federal issues, such as a systemic risk regulator and resolution authority, and legislators will provide their insight to state legislative priorities. In particular, we anticipate regulators and legislators to dialogue on the success of the Interstate Insurance Product Regulation Compact, the Market Conduct Annual Statement activity, and credit-based insurance scores.

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