

**Draft: 9/21/09**

*2009 Fall National Meeting  
Washington, DC*

**Executive (EX) Committee  
Tuesday, September 22, 2009  
1:00 – 2:00 p.m.**

**Gaylord Convention Center—Potomac Ballroom A & B—Ballroom Level**

**Executive (EX) Committee Task Force and Working Group Reports**

**AIG Managing (EX) Task Force**

The AIG Managing Task Force has met as needed and in regulator-to-regulator sessions, pursuant to the NAIC Policy Statement on Open Meetings, to continue to monitor issues related to American International Group (AIG).

**Climate Change and Global Warming (EX) Task Force**

The Climate Change and Global Warming Task Force will meet Sept. 24 to review voluntary prototype Climate Risk Disclosure Survey responses from three health insurers, one life insurer and one property/casualty insurer. The Task Force will continue to discuss preliminary plans to collect, compile and display the insurer responses. It is anticipated that the results of the Climate Risk Disclosure Survey will be posted to the Consumer Information Source section of the NAIC Web site. The Task Force also will evaluate the need to develop a prototype that illustrates the policies and procedures on how regulators and the public would request access to the survey data once companies have filed this information with the NAIC.

The Task Force will discuss the preliminary details of its Climate Change and Global Warming Summit. This day-long summit is tentatively scheduled to occur at the end of the Winter National Meeting.

Other Task Force activities include investigating “green” insurance product opportunities. As part of this initiative, the Task Force continues to receive presentations on new product and program ideas such as pay-as-you-drive insurance. The Task Force also has sought feedback from the industry on their product innovations.

**Government Relations Leadership Council (GRLC)**

The Government Relations Leadership Council will meet Sept. 23, at which time it will hear a presentation from U.S. Rep. Greg Wren (R-Ala.) on efforts in Washington, DC, and in the states regarding the Coalition Organized for the Future of Insurance Regulation (COFIR). The GRLC will then discuss the proposed Reinsurance Modernization Proposal recently adopted by the Reinsurance (E) Task Force. Time permitting, the GRLC will hear an update from NAIC’s Government Relations staff on financial regulatory reform and health reform.

**International Insurance Relations (EX) Leadership Group**

The International Insurance Relations Leadership Group meets weekly via conference call to discuss strategic issues related to the NAIC’s involvement in international activities. The Leadership Group will not meet at the Fall National Meeting. The Leadership Group has recently focused on the strategic planning process at the International Association of Insurance Supervisors (IAIS). The NAIC is actively participating in two IAIS Executive Committee groups: the Financial Stability Task Force and the Common Assessment Framework Task Force, which was created for “design and research into the practicality of a common assessment framework for group supervision.”

The Financial Stability Task Force is focused on issues arising out of discussions by the Financial Stability Board (FSB) and the G20 related to financial supervisory reforms. Key issues identified to date include increased capital requirements for large banks, new rules to apply to executive and management compensation, and development of “macroprudential” tools and supervisory approaches to oversight of “financial stability.” Discussions also have included efforts to provide a definition of “systemic risk” within the context of specific institutions, types of financial products and markets.

The Common Assessment Framework Task Force is an offshoot of last year's IAIS effort to develop options for a broad, new "vision" for the IAIS, responding to the new demands on the association from the G20 and Financial Stability Board, as well as from IAIS members, as the level of detail of the IAIS work on international standards increases. The Task Force has surveyed IAIS members on the tools and practices applied to group supervision, and compiled case studies on group supervision. The NAIC submitted information, including a summary of the supervisory treatment of AIG during the recent crisis. An interim Task Force report will be distributed to the IAIS Executive Committee in October.

### **Military Sales (EX) Working Group**

- **Update on NAIC Restitution Tool Released April 2009** — In 2006, 48 jurisdictions signed a multi-state regulatory settlement agreement with three life insurance companies involved in the improper sale of insurance and investment products to U.S. military service members. The multi-state regulatory settlement required those three companies (American-Amicable Life Insurance Company of Texas and its two affiliates, Pioneer American Insurance Company and Pioneer Security Life Insurance Company) to provide immediate cash refunds and increased policy benefits, totaling \$70 million, to approximately 92,000 policyholders.

To help locate service members who have left the military, or those whose policies have lapsed and have not received the cash refunds due to them, the NAIC membership established a search tool on the NAIC Web site, through which individuals can conduct an online search using their last name and first name to identify if they are afforded restitution and the possible amount of restitution. As of Sept. 14, the NAIC search tool had 15,725 unique users; a total of 29,387 searches had been performed; and 1,690 hits (first and last name matches) had occurred.

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

The U.S. Government Accountability Office (GAO) released a report in May 2009 titled, "Insurance Sales to Military Personnel: Additional Actions Needed to Prevent Improper Life Insurance Sales and Pay Allotment Transactions." The purpose of the GAO study was to conduct a review of state insurance regulator surveillance and DoD oversight over unsuitable insurance products and inappropriate sales practices directed at military servicemembers. The GAO recommends that the DoD and the NAIC work together to improve the sharing of information available on enforcement actions taken against insurers and agents. The recommendations include:

- (1) Clarifying and expanding the definition of disciplinary actions that should be entered and maintained in the DoD and NAIC databases (e.g., terminated agents, as well as agents and companies banned from or limited in access to an installation).
- (2) Ensuring that all relevant information (e.g., agent, agency and company name; specific violation descriptions; and characteristics of the life insurance product) on each disciplinary action is shared.
- (3) Reaching agreement on the mechanism to be used to share the collected information, such that the information is proactively and systematically communicated to the NAIC and the DoD and can be readily searched by either.

The Working Group is in the process of developing proposed NAIC responses to each of the GAO recommendations. The NAIC is finalizing a report to share with the DoD, to include information regarding inappropriate insurance marketing and sales activities to military service members reported to the following NAIC databases: Regulatory Information Retrieval System (RIRS), Special Activities Database (SAD) and Complaints Database System (CDS).

- **Model Regulation Adoption** — As of Sept. 10, 48 jurisdictions have adopted the Military Sales Model Regulation (#568).

**Producer Licensing (EX) Task Force**

The Producer Licensing (EX) Task Force met June 15, 2009. During this meeting, the Task Force:

- Adopted the report of the NARAB Working Group, “Continuing Compliance with Reciprocity Requirements of the Gramm-Leach-Bliley Act.”
- Adopted the revised uniform applications.
- Discussed business-entity licensing, including ways to simplify the licensing process and how licensing helps protect consumers.
- Received an update from the Producer Licensing Coalition, which discussed the purpose of the coalition and ways to streamline the business-entity licensing process.
- Received an update on the activities of the NIPR Board of Directors.
- Adopted a formal recommendation to implement the use of the NAIC/NIPR Attachments Warehouse with those states that are ready to implement this licensing tool, instead of waiting until all states have committed to its use. The Attachments Warehouse allows producers to centrally report civil, criminal and administrative actions to all states via electronic transmission.
- Adopted the reports of the NARAB Working Group and the Producer Licensing Working Group.
- Discussed the Suitability of Annuity Sales (A) Working Group’s proposal to include continuing-education requirements into the Suitability in Annuity Transactions Model Regulation (#275).

The Task Force will meet Sept. 23 to consider the adoption of the Timeline for Reciprocity Certification and its 2010 charges. In addition, the Task Force will discuss the business-entity licensing process, receive an update from the Producer Licensing Coalition, receive an update on NIPR activities and receive reports from the NARAB Working Group and Producer Licensing Working Group. Finally, the Task Force will set a date for the next producer licensing roundtable discussion.

The following items will be presented to the Executive Committee/Plenary for adoption Wednesday, Sept. 23:

- Report of the NARAB Working Group, “Continuing Compliance with Reciprocity Requirements of the Gramm-Leach-Bliley Act.”
- Timeline for Reciprocity Certification.
- Revised Uniform Applications.

**SVO Initiatives (EX) Working Group**

The SVO Initiatives Working Group has not met since the Spring National Meeting. The Rating Agency (E) Working Group is currently addressing several issues important to the SVO Initiatives Working Group that might have an impact on whether to move forward with the concept of the SVO forming a nonprofit nationally recognized statistical rating organization (NRSRO). Meanwhile, several members of the SVO Initiatives Working Group are continuing to contact governmental entities, underwriters and insurance companies to solicit input on the concept of the SVO forming a NRSRO.

**Solvency Modernization Initiative (EX) Task Force**

The International Solvency and Accounting (EX) Working Group have been split into two working groups: International Solvency (EX) Working Group, chaired by Commissioner Christina Urias (AZ); and International Accounting Standards (EX) Working Group, chaired by Mel Anderson (AR).

During its Sept. 23 meeting, the Task Force will adopt charges and discuss solvency modernization issues identified at the July 2009 Symposium on U.S. Insurance Regulation, which was co-sponsored by the CIPR, American Risk and Insurance Association and the Advanta Center for Research in Financial Institutions at the Fox School of Business at Temple University. The Task Force also will evaluate needs for a broader corporate governance framework and discuss IAIS document tracking and comment submissions.

The Group Solvency Issues Working Group has submitted a request for model law development for the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450). The Working Group will be proposing changes in line with their charges to study the models’ effectiveness in addressing the issues that exist within insurer groups, particularly considering issues identified during this most recent economic downturn.

At the Summer National Meeting, the Task Force heard a presentation from NAIC CEO Therese Vaughan, Ph.D., about her Networks Financial Institute paper, “The Implications of Solvency II for U.S. Insurance Regulation.” The Task Force also adopted working group reports that included the following action items:

- A working document about ideas for consideration within the Solvency Modernization Initiative (SMI) and a charge to the International Solvency and Accounting (EX) Working Group to develop an SMI roadmap.
- A referral to the Financial Condition (E) Committee to develop a comprehensive document that describes the U.S. solvency system and framework and compiles U.S. solvency principles.
- A motion to “oppose finalization of any IAIS [International Association of Insurance Supervisors] standard and guidance papers on valuation of assets and liabilities prior to the finalization of the converged IASB/FASB [International Accounting Standards Board/Financial Accounting Standards Board] Financial Instruments and Insurance Contracts standards.” The Working Group generally supported production of an IAIS issues or position paper at this stage.
- A recommendation that the United States should endeavor to ensure that it either complies with, or intends to make, any necessary changes to comply with future IAIS standards that the United States supports in IAIS proceedings. As a corollary, the United States should vote against IAIS standards with which it does not agree.
- Adoption of interim conference call minutes that included adoption of comments sent to the IAIS on the “Issues Paper on the Roles of and Relationship between the Actuary and the External Auditor in the Preparation and Audit of Financial Reports” and standards and guidance papers on capital resources.

### **Speed to Market (EX) Task Force**

The Speed to Market (EX) Task Force will meet Sept. 23. During this meeting, the Task Force will:

- Adopt its 2010 proposed charges.
- Adopt the report of the Operational Efficiencies Working Group, which will include:
  - A progress report on the *Product Filing Review Handbook* recognizing the near completion of chapter three on property/casualty ratemaking and upcoming work on the chapters devoted to SERFF and speed-to-market tools. In addition, a review of the regulatory data chapter is under way and work for the life/health ratemaking chapter shall be undertaken soon.
  - The Working Group will be reporting that work on the Product Requirements Locator has been suspended pending a commitment from the industry illustrating broader support for the tool.
  - A report on a joint call between the Working Group and the National Treatment and Coordination (E) Working Group to address the potential for company licensing and rate and form units to collaborate in the event of corporate changes to ensure a smooth transition for insurers.
- Adopt the report of the National Standards Working Group, which will address progress made on annuity longevity, group term life, long-term care and disability insurance standards. In addition, work was completed on standards for Filing Rate Increases in Individual Long-Term Care Insurance Premium Rate Schedule and a number of disability income products.
- Receive a report from the IIPRC, which plans to report growth in filings and industry filers, as well as new officers and an update on outreach efforts.
- Receive a report on SERFF and speed-to-market activity. This report shall include an update on speed-to-market implementation success, whereby only 6 states have outstanding implementation initiatives. It will also be noted that the states should be congratulated on their short turnaround when implementing new product codes for the upcoming Medicare supplement plans effective in mid-2010. Nearly all jurisdictions have completed implementation.
- Receive a report from the SERFF Board, which will cover items on the agenda for its Sept. 22 meeting — including possibly adopting the 2010 proposed SERFF budget, hearing comments on the use of SERFF to access filings by the public and receiving standard operational reports.