



National Association of Insurance Commissioners

P R E V I E W

TO: NAIC Members and Other Interested Regulators and Parties
FROM: NAIC Committee Support Staff
DATE: August 19, 2009
SUBJECT: PREVIEW: Planned Activities of the Committee, Subcommittee and Task Force(s) for the 2009 Fall National Meeting in Washington, DC

Following is a summary of activities planned for our upcoming national meeting. NAIC support staff has provided this information. It should be used as a general reference, and may not be a complete reflection of the considerations by committee members. A detailed agenda, with up-to-date meeting times and room locations can be found at www.naic.org/meetings_home.htm.

[SPECIAL NOTE: The NAIC Fall National Meeting will begin Monday, Sept. 21. No NAIC meetings will be held Sept. 18, 19 or 20]

Special Meetings or Events

- **Second Annual NAIC/State Government Representatives Orientation and Liaison Committee Meeting** – Based on the success of this NAIC-funded program last year, commissioners will again invite their state legislators interested in attending the Fall National Meeting. Two separate sessions are planned on Monday, Sept. 21, for state regulators and legislators. The morning session provides an orientation of the NAIC for legislators, as well as an educational briefing on key legislative developments. The afternoon session offers an open forum for dialogue, with an update on important regulatory initiatives and emerging federal issues (such as a systemic risk regulator and resolution authority) and legislators sharing their insight on state legislative priorities. Commissioners and/or state legislative representatives who would like additional information or to register, please contact Amanda Yanek, 202-471-3973 or ayane@naic.org.
- **Principle-Based Reserving Education Session** – This important informational briefing will be presented by members of the Solvency Modernization Initiative (EX) Task Force. This open session is designed primarily for senior-level state regulators unfamiliar with principle-based reserving for life insurers. All aspects of principle-based reserving will be covered, including the objectives it is designed to achieve, the embedded regulatory “guardrails,” and possible new regulatory processes all state insurance departments will need to consider.
- The **Health Insurance & Managed Care (B) Committee** and **Market Regulation & Consumer Affairs (D) Committee** will hold a joint public hearing on Usual, Customary and Reasonable (UCR) rate practices (including the issue of balance billing) and how they are determined and disclosed to consumers. The objective of the hearing is to obtain a clearer understanding of the current issues involved in this area for the health and property/casualty insurance marketplaces.

- The **Property & Casualty Insurance (C) Committee and Market Regulation & Consumer Affairs (D) Committee** anticipate holding a joint meeting to discuss their April 30 public hearing on credit-based insurance scores.
- The **Rating Agency (E) Working Group** plans to hold a public hearing on Thursday, Sept. 24. A news release with details on the hearing agenda will be made available shortly.

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 standing committees. They will consider for adoption minutes from the Summer National Meeting. At the Fall National Meeting, four NAIC models are planned to be considered for adoption:

- (1) Amendments to Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities (#815)
- (2) Amendments to Actuarial Opinion and Memorandum Regulation (# 822)
- (3) Amendments to Valuation of Life Insurance Policies Model Regulation (# 830)
- (4) Amendments to Risk-Based Capital (RBC) for Health Organizations Model Act (# 315)

Also planned are consideration to adopt an actuarial guideline and a white paper:

- (1) Actuarial Guideline 1c: The Calculation of Segment Length Upon a Change in Valuation Mortality
- (2) *Natural Catastrophe Risk: Creating a Comprehensive National Plan White Paper*

An advance copy of the NAIC models, guidelines and white papers pending adoption can be found at www.naic.org/index_committees.htm.

The members will also discuss progress reports on states' implementation efforts of eight 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) Uniform Health Carrier External Review Model Act (#76)
- (6) Amendments to Derivative Instrument Model Regulation (#282)
- (7) Amendments to Life and Health Insurance Guaranty Association Model Act (#520)
- (8) Amendments to Property and Casualty Insurance Guaranty Association Model Act (#540)

The members also will consider a Financial Condition (E) Committee proposal for a new streamlined approval process for select technical changes to financial handbooks, formulas and other forms of industry guidance.

EXECUTIVE (EX) COMMITTEE

The **Executive (EX) Committee** will discuss and consider adoption of reports from the Internal Administration (EX1) Subcommittee, as well as its Task Forces and Working Groups.

They will consider adoption of minutes from an Executive (EX) Committee electronic vote, a scribner correction to the March 2009 NAIC Amended Bylaws, and its own proposed 2010 Committee charges.

The members will consider two requests for model law developments: 1) Amendments to Insurance Holding Company System Regulatory Act (#440); and 2) Amendments to Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450).

They also will 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 Commission (IIPRC).

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

The **Information Systems (EX1) Task Force** will meet to review five approved NAIC technology initiatives currently in progress, and be briefed on each project's on-time, on-budget status:

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

The Task Force will also discuss any proposed 2010 Budget Fiscal Impact Statements that involve a technology initiative, and receive reports on key NAIC-supported state technology initiatives: SERFF, Security Framework Project/Technology Roll-Out Plan (TROP), State Based Systems (SBS) and State Producer Licensing Re-engineering (SPLR).

The **Climate Change and Global Warming (EX) Task Force** will discuss progress on addressing implementation issues related to its March 2009 Insurance Company Climate Risk Disclosure Survey. The goal of the first survey, which is to be submitted to regulators in May 2010, for the 2009 reporting year, will be to evaluate the need for developing a prototype to illustrate the policies and procedures related to how regulators and/or the public request access to company filed data. The Task Force will review voluntary prototype responses from insurers to facilitate its deliberations. They will also continue to discuss preliminary plans to collect, compile and display survey responses. Allen Greenberg of the U.S. Department of Transportation will give a presentation on the Federal Highway Administration on a Value Pricing Pilot Program, which is intended to encourage the use of mile-based auto insurance products. Finally, the Task Force will hear from insurers regarding innovative "green" products.

The **Government Relations Leadership (EX) Council (GRLC)** is expected to meet and discuss updates on proposed and pending federal insurance-related legislation and issues. NAIC staff will provide briefings on regulatory modernization efforts, which include new developments of a systemic risk regulator, systemic resolution authority, consumer financial protection, Office of National Insurance, optional federal charter and producer-licensing reforms. As events in Washington, DC, change rapidly, the GRLC will be prepared to brief commissioners with the latest information.

The **Producer Licensing (EX) Task Force** meeting will focus on how to create greater uniformity in business-entity licensing, discuss the Producer Licensing Working Group's recommendations on state background checks and creating greater uniformity in limited-lines licensing.

The **Solvency Modernization Initiative (EX) Task Force** will discuss the July 2009 Symposium on U.S. Insurance Regulation held at Temple University. The Task Force will continue to address the NAIC approach to monitoring and commenting on International Association of Insurance Supervisors (IAIS) documents. The members will review the progress of the work of their Group Solvency Issues, International Solvency & Accounting, and Principles-Based Reserving Working Groups. They will contemplate the best approach for the NAIC to structure future corporate governance work.

The **Speed to Market (EX) Task Force** will review the progress on its 2009 charges and consider proposed 2010 charges. Progress reports from its Operational Efficiencies and National Standards Working Groups will be received. The Personal Lines Framework Working Group was disbanded after completing its charges earlier this year.

Life and Health Actuarial Task Force

The **Life and Health Actuarial Task Force** meeting will focus on the valuation manual VM-20: Requirements for Principle-Based Reserves for Life Products, referenced in the Standard Valuation Law (#820), which is currently under development. The discussion of VM-20 will focus on a net premium reserve method, economic scenarios and default costs on fixed-income investments. Other discussions will include experience studies, the scope of the initial implementation of principle-based reserves, and reporting requirements. [Note: Be aware of the day/time change for this Task Force during the Fall National Meeting.]

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

The **Life Insurance and Annuities (A) Committee** will review and consider adoption of its 2010 charges and discuss the progress of its working groups' charges.

The **Annuity Disclosure (A) Working Group** will continue dialogue on revisions to the Annuity Disclosure Model Regulation (#245), including adding guidelines on the use of illustrations in the sale and solicitation of fixed annuities. Members also will discuss progress made on revisions to the annuity buyers' guides.

The **Suitability of Annuity Sales (A) Working Group** will continue its review of proposed revisions to the Suitability in Annuity Transactions Model Regulation (#275).

HEALTH INSURANCE AND MANAGED CARE (B) COMMITTEE

The **Health Insurance and Managed Care (B) Committee** will meet to discuss progress reports from its task forces, review and consider adoption of its 2010 committee charges, as well as discuss federal health care reform activities and other federal legislation of interest to the Committee.

The **Regulatory Framework (B) Task Force** will receive a progress report on the status of a survey to be sent to all applicable insurance companies regarding rescissions in the individual market and on revisions to the NAIC models related to provisions contained in the Genetic Information and Nondiscrimination Act of 2008 (GINA) and State Children's Health Insurance Program (SCHIP) special enrollment provisions. The Task Force also plans to discuss comments received on revisions to the Uniform Health Carrier External Review Model Act (#76), which includes external review model notices and forms. Based on the nature of the comments received, the members might choose to adopt the revisions. The Task Force also will hear the report of its ERISA Subgroup, which is also expected to hold a meeting during the Fall National Meeting.

The **Senior Issues (B) Task Force** will discuss progress on the implementation of changes to Medigap plans and benefits, as required by the federal Medicare Improvements for Patients and Providers Act (MIPPA). The Task Force also will consider revisions to Appendix E of the Long-Term Care Insurance Model Regulation (#641) and receive an update on the states' implementation of the Long-Term Care Insurance Partnership Program. They also will receive updates from the U.S. Centers for Medicare and Medicaid Services (CMS) and the U.S. Department of Health and Human Services (DHHS) representatives regarding their activities that relate to the Task Force.

PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

The **Property and Casualty Insurance (C) Committee** will discuss progress on the charges of its task forces and working groups and review its proposed 2010 charges. The Committee will listen to a presentation from Peter Goelz, former managing director of the National Transportation Safety Board, and Demetrius Thompson, chairman of Global Mobile Alert Corp., on auto safety-device innovations that offer the potential for reducing auto insurance loss costs. The Committee plans to discuss a possible survey of insurers and insurance regulators regarding risk-classification factors and the regulatory framework for monitoring insurers' use of risk-classification factors. The Committee will receive a progress report on the development of a public catastrophe computer simulation model feasibility study.

The Committee will discuss a referral from the Receivership and Insolvency (E) Task Force 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 **Casualty Actuarial and Statistical (C) Task Force** will continue work on premium deficiency reserves and discuss subgroup activities concerning catastrophe modeling, line of business definitions, workers' compensation large deductibles, and statistical reporting.

The **Crop Insurance (C) Working Group** will meet to discuss regulators' concerns with the preemption of crop insurance adjuster licensing. The U.S. Congress, through the Risk Management Agency (RMA), could preempt the states' licensing authority in this area, on a state-by-state basis, beginning as early as July 1, 2011. The NAIC previously surveyed all states to assess whether they could allow a third-party to test crop adjusters to obtain a crop insurance license. These results appear to indicate that as many as 14 states could be preempted. Members also will hear a report on the 14 states' plans for deterring preemption, and offer these states the Working Group's assistance and recommendations, including ideas for enacting legislation. The RMA will provide an update from the U.S. Department of Agriculture on activities affecting crop insurance, including the preemption of state adjuster licensing. Finally, the National Crop Insurance Services (NCIS) will provide an update on the Crop Adjuster Proficiency Program (CAPP).

The **Earthquake (C) Study Group** will hear a presentation by Dr. Gary Patterson, information services director from the Center for Earthquake Research and Information (CERI), who will speak on the threat of the earthquake peril within the Midwest, including new findings and theories. In addition, the Study Group will continue discussions on the development an earthquake consumer guide and potential for holding an Earthquake Education Day.

The **Surplus Lines (C) Task Force** will discuss the progress made investigating a surplus lines producer-licensing exemption and the results of a working group's study on a universal form for allocating multi-state surplus lines premium taxes.

The **Title Insurance Issues (C) Working Group** will discuss the status of their proposal to the Blanks (E) Working Group, which is to consider the adoption of three revisions to the title insurer annual statement, presented at the Summer National Meeting. These enhancements would provide increased data collection for use by regulators to determine agent and insurer costs and revenues related to underwriting, production and title services. The four main annual statement segments impacted by the revisions include: Residential Direct, Residential Independent Agent, Residential Affiliated Agent Operations, and Commercial. The members also will hear from the U.S. Department of Housing and Urban Development's (HUD) Real Estate Settlement Procedures Act (RESPA) Office on new rules within RESPA and the collaborative efforts between the states and RESPA. This collaborative enforcement group provides a forum for open communication and active coordination, resulting in several joint investigations involving RESPA and state agencies. Finally, members will hear preliminary analysis of state laws on the collectability of title agent data and will review a draft 2009/2010 work plan with prioritized components.

The **Workers' Compensation (C) Task Force** will meet to receive the state-of-the-line annual report on workers' compensation from the National Council on Compensation Insurance (NCCI). Updates will also be provided regarding H.R. 635—the proposed federal bill to establish the National Commission on State Workers' Compensation Laws—and a draft National Conference of Insurance Legislators (NCOIL) Independent Contractor Model Law.

The **Professional Employer Organization Model Law (C) Working Group** will meet to consider a draft guidelines implementation paper, developed by its subgroup to assist the states in implementing the Guidelines for Regulations and Legislation on Workers' Compensation Coverage for Professional Employer Organization Arrangements (#1950). Members will hear a presentation on the history of the draft paper's development, review the implementation paper, and discuss comments received on the paper's first public exposure.

MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE

The **Market Regulation and Consumer Affairs (D) Committee** will continue its work on the centralized data collection and storage 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.

The Committee will hold a public hearing with the Health Insurance and Managed Care (B) Committee on usual, customary and reasonable (UCR) rates (including the issue of balance billing), and how they are determined and disclosed to consumers. The objective of the hearing is to obtain a clearer understanding of current issues in the health and the property/casualty insurance marketplaces.

The **Antifraud (D) Task Force** will discuss proposals of draft Antifraud Plan Guidelines and will review a report on the revisions of the guideline related to 18 U.S.C. Section 1033 .

The **Special Accreditation Standards (D) Working Group** will continue an open dialogue to explore the concept of the states being held accountable to their own market regulation plans, which meet a set of minimum standards, in lieu of all states being held accountable to one set of uniform standards.

FINANCIAL CONDITION (E) COMMITTEE

The **Financial Condition (E) Committee** will discuss and consider adoption of reports from its task forces and working groups. The Committee will consider the formation of a new group to develop regulatory requirements where risk-charge fees would be submitted from the separate account to the general account. The Committee also will consider adoption of its 2010 charges. A significant item regarding impairment accounting for loan-backed and structured securities is expected to be adopted by the Committee prior to the Fall National Meeting.

The **Accounting Practices and Procedures (E) Task Force** will meet to consider action on the work of their Blanks, Emerging Accounting Issues and Statutory Accounting Principles Working Groups. Members also will begin to consider a referral from the Capital and Surplus Relief (E) Working Group related to regulatory processes dealing with permitted practices.

The **Blanks (E) Working Group** will discuss proposed changes to the annual and quarterly financial statement, including a proposal to modify Schedule T and the State Page for the title insurance annual statement blank.

The **Emerging Accounting Issues (E) Working Group** will consider proposed interpretations to existing statutory accounting, including the previously exposed INT 09-07T—Accounting for Re-Securitization of Loan-Backed and Structured Securities (e.g., ReREMICs).

The **Statutory Accounting Principles (E) Working Group** will consider proposed changes to statutory accounting, including the accounting for pensions, post-retirement benefits and financial guaranty insurance contracts.

The **Capital Adequacy (E) Task Force** plans to receive an update by the Valuation of Securities Task Force on discussions regarding the impact of rating agency downgrades on residential mortgage-backed securities (RMBS). They might consider short-term guidance for the Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF). Members plan to review action from its working groups. The Life Risk-Based Capital Working Group, which is also scheduled to meet at the Fall National Meeting, will discuss the long-term mortgage calculation, a derivatives risk-mitigation proposal, and the American Academy of Actuaries' C-3 Phase III proposal. The Property Risk-Based Capital Working Group will update regulators on a Schedule P blanks proposal to expand Schedule P for certain lines of business, and an update on the catastrophe risk proposal.

The **Examination Oversight (E) Task Force** will discuss progress on their current charges, including discussions by the Financial Examiners' Coordination (E) Working Group and its other working groups. An update will be provided on the states' adoption of the recently revised Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition (#385).

The **Receivership and Insolvency (E) Task Force** will review its progress on its current charges, including discussions on solutions to address concerns regarding the timing and collection of reinsurance recoverables held by insurers in receivership.

The **Reinsurance (E) Task Force** will continue discussions regarding implementation considerations for the Reinsurance Regulatory Modernization Framework.

The **Risk Retention Group (E) Task Force** will receive updates on progress related to risk retention groups incorporated as captives. Task Force members plan to finalize dialogue for Part B: Regulatory Practices and Procedures Standards and Part C: Organizational and Personnel Practices Standards, as well as briefly revisit Part A: Laws and Regulations Standards of the NAIC accreditation standards.

The **Valuation of Securities (E) Task Force** will continue discussion of an American Council of Life Insurers (ACLI) proposal requesting modification of year-end 2009 risk-based capital charges for residential mortgage-backed securities. They will review a new draft of the proposed reorganization of the *Purposes and Procedures Manual* and consider the merits of the NAIC purchasing credit ratings from RealPoint. The Invested Assets Working Group report will include proposals of the NAIC transparency initiative and discuss other issues related to its charges.

The **NAIC/AICPA (E) Working Group** will hear an update on recent activities by the American Institute of Certified Public Accountants (AICPA) and actions related to insurance accounting; receive a progress report on the states' adoption of revisions to the Annual Financial Reporting Model Regulation (#205); and discuss a referral from the Risk Assessment Implementation Subgroup regarding the Financial Examiners Handbook Technical Group accessing CPA work papers prior to the release of the audit report.

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

The **Financial Regulation Standards and Accreditation (F) Committee** will not meet during the Fall National Meeting. Instead, the Committee will review and consider adoption of its 2010 charges via e-mail or during a future scheduled conference call.

INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The **International Insurance Relations (G) Committee** will review and consider adoption of its 2010 charges and discuss the progress of its working groups. It also will continue discussions on the strategic planning initiative of the International Association of Insurance Supervisors (IAIS), including:

- New work being undertaken on supervision of internationally active insurance groups.
- The “role and structure” of the IAIS in global standard-setting for the insurance sector.
- 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.
- Scheduling regulatory dialogues during the upcoming IAIS annual meeting with regulators from Europe, Japan and Latin America.

The Committee will receive a report on the Joint Forum's work on “regulatory gaps” among the financial sectors. They will receive an update on the International Internship Program. Finally, there will be reports on the NAIC's coordination of input to the Financial Sector Assessment Program (FSAP), which the International Monetary Fund is conducting on the entire U.S. financial system.

Interstate Insurance Product Regulation Commission (IIPRC)

The **Interstate Insurance Product Regulation Commission** will hold its annual meeting during the Fall National Meeting. The IIPRC will finalize the composition of its 2009/2010 Management Committee and elect its officers in accordance with its bylaws. The IIPRC will adopt its 2010 annual budget and hear a report from its independent audit committee, as well as receive an operational update from its executive director. [Note: The IIPRC will hear a final report from its 2008/2009 Management Committee via conference call at 1:30 pm ET / 12:30 pm CT on Sept. 14, 2009.]

National Insurance Producer Registry (NIPR) Board of Directors

The **NIPR Board of Directors** will convene just prior to the Fall National Meeting to conduct normal business, including receiving a quarterly report on NIPR financials, transaction volumes, user participation and its State Implementation Plan.

System for Electronic Rate and Form Filing (SERFF) Board Meeting

The **SERFF Board** meeting agenda includes receiving reports on SERFF product development and system enhancements; marketing and promotion efforts with insurance company licensees; filing volumes; training participation; financials; and the states' progress on implementing directives from the Speed to Market (EX) Task Force . The Board also will receive its draft 2010 budget for review.

NAIC/Consumer Liaison Committee

The **NAIC/Consumer Liaison Committee** will have an open dialogue with regulators regarding current health care and health insurance issues, including the federal health insurance reform proposals.

NAIC/Industry Liaison Committee

The **NAIC/Industry Liaison Committee** agenda was not yet available at the time of this Preview's release.

NAIC/State Government Liaison Committee

[Also see the Special Meetings section on Page 1.]

The **NAIC/State Government Liaison Committee** has been expanded for this meeting to provide an orientation and dialogue for a large number of invited state legislators. During the orientation session, it is expected the Committee will provide a brief overview of the NAIC, as well as discuss the NAIC's meetings, products and procedures. During the dialogue session, the Committee will discuss issues of common interest with participating state officials. The NAIC will provide an update on important regulatory initiatives and emerging federal issues, such as a systemic risk regulator and resolution authority; state legislators will provide their insight regarding state legislative priorities. In particular, it is anticipated that regulators and legislators will dialogue on the success of the Interstate Insurance Product Regulation Commission, NIPR, and various health and international insurance issues.