

Draft: 12/5/09

*2009 Winter National Meeting  
San Francisco, CA*

**EXECUTIVE (EX) COMMITTEE\***

**Sunday, December 6, 2009**

**1:00 – 2:00 p.m.**

**Hilton San Francisco—Grand Salon B—Grand 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).

**Broker Compensation (EX) Task Force**

The Broker Compensation Task Force has met as needed and in regulator-to-regulator sessions, pursuant the NAIC Policy Statement on Open Meetings, to evaluate the potential impact on existing multi-state Regulatory Settlement Agreements of modifications made to similar settlement agreements by third parties.

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

The Climate Change and Global Warming Task Force will host a Climate Risk Summit Dec. 9. The Summit will include four sessions on various climate-related topics. During the Climate Change and Investment session, speakers will address the impact of climate change on assets and why insurers should consider climate change risk and opportunities. The Climate Science and Risk Modeling session will explore how climate science is evolving, how it is incorporated into catastrophe models, and how it is impacting modeled losses. The Public Policy Issues and New Insurance Products session will investigate “green” product opportunities, such as green building and pay-as-you-drive programs. The Transparency and Disclosure of Climate-Related Risks session will cover ways to aggregate climate risk disclosure data, prototype company responses and insight from California on how they plan to conduct the surveys.

**Government Relations (EX) Leadership Council**

The Government Relations Leadership Council will meet December 9, at which time it will hear an update from NAIC staff on the latest happenings in Washington, DC, on health insurance reform, including the status of a U.S. Senate debate and the potential provisions that could impact state insurance regulators. The Leadership Council also will receive an update from NAIC staff on the latest status of the financial regulatory reform debate, including the potential for House consideration of a final bill and the likelihood of Senate action this year.

**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 Winter National Meeting. The Leadership Group has recently focused on the European Union’s Solvency II initiative and the EU’s approach to evaluating “third countries” for “equivalence” to their supervision of reinsurance and groups. The EU has an organization of insurance supervisors similar to the NAIC called the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), which last week released draft criteria for the “equivalence” assessment. The Leadership Group will receive technical input on these criteria, and will discuss the appropriate U.S. response.

The Leadership Group also continues its focus 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 IAIS Financial Stability Task Force is focused on issues arising out of discussions by the Financial Stability Board (FSB) and The Group of Twenty (G-20) Finance Ministers and Central Bank Governors related to financial supervisory reforms. The IAIS recently issued a report to the FSB on systemic risk and insurance, which the Leadership Group reviewed and provided comments. Other ongoing issues relate to executive compensation, the concept of “too big to fail” and the

development of “macroprudential” tools and supervisory approaches to the oversight of financial stability. The Common Assessment Framework Task Force continues to consider whether there is a specific role for the IAIS in improving the oversight of internationally active insurers.

Finally, the Leadership Group has been actively reviewing the input of the NAIC and the membership into the Financial Sector Assessment Program being conducted by the International Monetary Fund on the U.S. system of financial regulation. Next week, the Leadership Group will submit final comments on a draft Detailed Assessment Report, which is expected to be published in February.

### **Long-Term Care (EX) Task Force**

The Long-Term Care (EX) Task Force held its first meeting Dec. 6. During this meeting the Task Force: (1) Reviewed its charges and discussed the development of a work plan; (2) Reviewed prior NAIC efforts on long-term care issues, in particular the rate stabilization provisions to the NAIC long-term care model laws adopted in 2000; (3) Discussed analysis of the NAIC Long-Term Care Experience report and identification of closed blocks of business; (4) Discussed pricing risk factors; and (5) Discussed next steps for the Task Force.

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

1. 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 servicemembers who have left the military, or those individuals whose policies have lapsed and have not received 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 entitled to restitution and the possible amount of restitution. As of Dec. 1, the NAIC search tool has had a total of 16,259 unique users, a total of 30,255 searches, and 1,860 hits (first and last name matches). Per information received from American Amicable for the time period April 23–Nov. 17, 2009, the company has received 161 total inquiries regarding a hit on the search tool, issued 305 checks and paid a total of **\$56,504.86 in restitution to policyholders**.

2. Ongoing Efforts – Throughout 2009, the Working Group has monitored the marketplace for inappropriate sales activities to military servicemembers. It continues to be critically important that the states remain vigilant in monitoring this segment of the market, as the states are still seeing abuses related to the sale of life insurance to military servicemembers. The Working Group continues to work with senior representatives of the U.S. Secretary of Defense 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 Working Group continues to address a number of issues raised in the U.S. Government Accountability Office (GAO) recommendations released in its May 2009 report 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 U.S. Department of Defense (DoD) oversight over unsuitable insurance products and inappropriate sales practices directed at military servicemembers. The GAO recommended that the DoD and the NAIC work together to promote and improve the sharing of information available on enforcement actions taken against insurers and agents.

The NAIC has finalized a report to share with the DoD regarding inappropriate insurance marketing and sales activities to military servicemembers reported to the following NAIC databases: the Regulatory Information Retrieval System (RIRS), the Special Activities Database (SAD) and the Complaints Database System (CDS). This report will be provided to the DoD by year-end 2009.

3. Model Regulation Adoption – As of Dec. 1, the *Military Sales Model Regulation* (#568) has been adopted in 50 jurisdictions.

### **Producer Licensing (EX) Task Force**

The Producer Licensing (EX) Task Force met Sept. 23, 2009. During this meeting, the Task Force:

1. Adopted the Timeline for Reciprocity Certification. In this timeline, the NARAB (EX) Working Group has outlined a process similar to what was done in 2002. The states have been asked to complete a checklist and self-certify whether they are reciprocal. The checklists will be posted to the NAIC Web site to allow for interested party comments. The NARAB (EX) Working Group will work with the NAIC Legal Division in reviewing the checklists to determine whether a state may be re-certified as reciprocal.
2. Adopted its 2010 proposed charges.
3. Discussed the business-entity licensing process, which included the review of a document that provided a summary of the reasons for business-entity licensing, a range of options for simplifying the licensing process and a proposed solution.
4. Received a report from Producer Licensing Coalition, which reviewed an update on electronic processing business rules and uniform licensing standards.
5. Received an update from the NIPR Board of Directors regarding the release of phase two of the Attachment Warehouse for the Reporting of Actions (ROA), which was released Sept. 25. ROA was created to allow the producer an electronic capability to submit the document(s) associated with an administrative, criminal or civil action in order to satisfy the producer's regulatory duty to report the action within 30 days to all jurisdictions in which the producer is actively licensed.
6. Adopted the report of the Producer Licensing (EX) Working Group, which included the adoption of the background check standards.

The Task Force will meet Dec. 7 to 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 (EX) Working Group and Producer Licensing (EX) Working Group. Finally, the Task Force will set a date for the next producer licensing roundtable discussion.

### **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 an NRSRO.

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

On Dec. 3, the International Solvency (EX) Working Group met jointly with the IAIS Solvency and Actuarial Issues Subcommittee. The groups had a productive and informative meeting, discussing the implementation of enterprise risk management regulatory requirements around the world. Speakers included Mary Miller (Ohio), Trevor Cooke (UK), Helen Rowell (Australia), Bernard Dupont (Canada), Thorston Pfeiffer (Switzerland) and Rob Curtis (UK).

With the release of numerous documents, the Task Force is showing significant process in the study of potential changes to the U.S. solvency system. The International Solvency (EX) Working Group released two documents for comments: one on the capital requirements and high-level accounting/valuation issues and one on corporate governance and risk management. Comments are due by March 1, 2010. The Working Group will have an interim meeting — tentatively scheduled for March 11–12, 2010, in Phoenix — to discuss comments received on these documents. The Group Solvency Issues (EX) Working Group released four documents for comment: revisions to the Insurance Holding Company System Regulatory Act and Model Regulation, including supervisory college considerations; areas for possible enhancement with regard to group supervision; an IAIS Guidance Paper related to unregulated entities; and regulator monitoring best practices with regard to specific holding company risks. Comments on the IAIS paper are due by Jan. 15, 2010; other comments are due by Jan. 29, 2010.

During its upcoming meeting, the Task Force will discuss the activities of its working groups, hear a report on the Systemic Risk Panel — including presentations by Commissioner Sullivan (CT), Ray Spudeck (FL) and J. David Cummins, Temple University — and discuss IAIS governance work.

**At the Fall National Meeting, the Solvency Modernization Initiative (EX) Task Force met Sept. 23, 2009. During this meeting, the Task Force:**

1. Adopted 2010 proposed charges, with an added charge for the International Solvency (EX) Working Group to study solvency improvements made by the individual states.
2. Adopted a motion to create a Corporate Governance (EX) Working Group to report to the Task Force. The Working Group will be charged to outline high-level corporate governance principles and to determine the appropriate methodology to require insurance company compliance with such principles (e.g., model law). The Working Group is also asked to provide input and drafting to the IAIS Governance and Compliance Subcommittee.
3. Heard a report on the July 2009 CIPR/AIRA Symposium on U.S. Insurance Regulation. The purpose of the symposium was to bring together people well-versed in financial issues and international developments to discuss solvency regulation in the United States. Overall, participants generally agreed that the U.S. solvency record was good and that state-based insurance regulation works well. Some said that RBC should be replaced to take advantage of technological improvements that have occurred since the 1990s, and that companies' enterprise risk management processes should be more fully incorporated into the U.S. solvency system. The Insurance Holding Company System Regulatory Act (#440) and the work of the Financial Analysis (E) Working Group were identified as being important components of the U.S. insurance regulatory system. Group supervisory colleges were considered beneficial if there is "real" information-sharing. For multi-country groups, the fungibility of capital is an issue.
4. The Principles-Based Reserving (EX) Working Group adopted corporate governance guidance to be included in the Valuation Manual. They had also previously added language into the *Standard Valuation Law* (#820) that was ultimately adopted that refers to the Valuation Manual for corporate governance guidance.
5. Adopted interim conference call minutes and working group reports.

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

The Speed to Market (EX) Task Force will meet Dec. 6. During this meeting, the Task Force will:

1. Consider for adoption the report of the Operational Efficiencies (EX) Working Group, which will include a progress report on the *Product Filing Review Handbook* recognizing the completion of chapter 7. The Product Filing Review (EX) Subgroup continues to work on chapters 4, 5 and 8. The Subgroup will propose that the handbook be completed in time for Task Force consideration at the 2010 Summer National Meeting.
2. Consider for adoption the report of the National Standards (EX) Working Group, which will address progress made on Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (Commonly Marketed as Longevity Annuities) and Individual Deferred Non-Variable Annuity Contract Standards; Group Term Life Insurance Policy and Certificate Standards; Individual Disability Income Insurance standards as applicable to Disability Income Plans, Buy-Sell Plans, Key Person Plans, Business Overhead Expense Plans and Individual Plans Marketed to Employer or Association Groups and Individual Disability Business Overhead Expense Plan Standards. In addition, the Working Group is expected to report that work is complete for Individual Long-Term Care Insurance Standards. The Working Group is in recess until draft group standards become available for consideration.
3. Receive a report from the IIPRC, which plans to report growth in filings and industry filers, as well as report on the incorporation of a data centric Statement of Intent in SERFF, which will be released in December.
4. Receive a report on SERFF and speed-to-market activity. This report shall include an update on speed-to-market implementation success, whereby only five states have outstanding implementation initiatives. It will also be noted that all states using SERFF are now ready to receive new Medicare supplement plan filings via SERFF.

5. Receive a report from the SERFF Board, which will cover items from its Dec. 5 meeting, which included marketing, implementation and usage reports, as well as strategic development and use of SERFF for access to filings.

**SERFF Board**

The SERFF Board met Dec. 5. During the meeting the SERFF Board:

1. Heard a report on SERFF usage, which is down approximately 6% compared to one year ago.
2. Heard a report on state implementation, which illustrates state willingness to support NAIC initiatives. To date, 51 jurisdictions have fully implemented SERFF for all lines of business (property, life and health). These 51 jurisdictions now accept the new Medicare supplement plan filings via SERFF. Only a handful of jurisdictions have outstanding speed-to-market implementation issues. For all but two states, these should be resolved by Jan. 1, 2010.
3. Heard a report on company licensing. There are now 2,950 insurance companies licensed to use SERFF.
4. Heard a report on SERFF outreach, which involved participation in the Association of Insurance Compliance Professionals (AICP) national meeting and the Southeastern Regulator's Association (SERA) conference.
5. Discussed strategic planning/development progress related to SERFF v5.8 due out in December.
6. Discussed issues to be evaluated in relationship to the request to leverage SERFF for access to filings submitted to the states.
7. Announced re-elected and newly elected members: Bill Lacy (AR) – three-year term; Theresa Boyce (ACE) and Fred Alvarado (Transamerica) – three-year terms; and Robert Yass (The Hartford), appointed by the American Insurance Association (AIA) for a two-year term.
8. The Board requests Executive (EX) Committee ratification of all elected board members and requests ratification of the reappointment of Iowa Insurance Commissioner Susan E. Voss to the SERFF Board.

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