Accreditation Hot Topics & Issues

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Attention APIR, PIR, or SPIR Designees...

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Learning Objectives

At the end of this presentation, you will be able to:

• Summarize changes to accreditation guidance effective in 2016
• Discuss expectations for communication between analysts and examiners.
• Identify the effective date for recent model law adoptions for accreditation purposes.

Overview

• Changes Effective for 2016
  – Part A: Laws and Regulations
  – Part B1: Analysis
  – Part B2: Examinations
• Upcoming Changes
  – Approved with a future effective date
• 2016 Exposures
• Future Considerations
Changes Effective for 2016
– Part A: Laws and Regulations

• 2010 Revisions to Holding Company Models
  – Revisions primarily relate to supervisory colleges and Form F filing
  – The model does not include a premium threshold for the Form F filing
  – Will be reviewed on all IARs and full reviews

Changes Effective for 2016
– Part A: Laws and Regulations

• Part A Preamble
  – Changes relate to:
    • How reinsurance assumption affects multi-state status
    • XXX/AXXX reinsurance captives
    • VA/LTC reinsurance captives (effective date TBD)

http://www.naic.org/documents/committees_f_related_part_a_preamble.pdf
Changes Effective for 2016
– Part A: Laws and Regulations

• Part A Preamble – Reinsurance Assumption
  – L/H and P/C insurers are included in Part A if they are multi-state
    • Licensed/operating in state(s) other than state of domicile
    • Accredited/certified as a reinsurer in state(s) other than state of domicile
    • NEW: Reinsuring business covering risks residing in at least two states
    • Accepting business on exported basis in state(s) other than state of domicile

Changes Effective for 2016
– Part A: Laws and Regulations

• Preamble – Reinsurance Assumption
  – Related change for Part B effective January 1, 2017
  – States may have companies that were previously single state, but are now multi-state
  – Part B guidelines will apply including:
    • Timeliness of review for analysis
    • Timeliness of examination reports
Changes Effective for 2016
– Part A: Laws and Regulations

Preamble – Reinsurance Assumption
• Example: Insurer is domiciled in State A and is only licensed in State A. It assumes business that covers risks in State B and State C.
  – Under OLD Preamble: Single state
  – Under NEW Preamble: Multi-state

Part B – Effective Jan. 1, 2017

Changes Effective for 2016
– Part A Laws and Regulations

• Part A Preamble – XXX/AXXX Captives
  – Captives/SPVs reinsuring XXX/AXXX business covering risks in more than one state are subject to the Part A Standards, EXCEPT:
    • Grandfathering: Does not include policies that both 1) were issued prior to Jan. 1, 2015, and 2) were ceded as part of a reinsurance agreement as of Dec. 31, 2014
    • Safe harbor: If the transaction complies with the XXX/AXXX Reinsurance Framework, the transaction is deemed to satisfy the Part A requirements
  – NAIC staff will review April 1 supplemental filing to determine compliance
Changes Effective for 2016
– Part B1: Analysis

• Analysis Procedures for XXX/Axxx Transactions
  – For insurers that cede XXX/Axxx
    • New transactions: Supplemental Procedures – Form D
    • Existing transactions: Level 2 – Reinsurance
  – Will be selecting files to assess compliance during full accreditation reviews

Changes Effective for 2016
– Part B1: Analysis

• Analysis Communication
  – Analyst utilization of exam information
    • Collaborate with examiner at conclusion of exam and update IPS appropriately
    • Obtain exam report, management letter, summary review memorandum (SRM)
    • Follow-up with insurer
  – Analyst communication to exam team
    • Areas of concern and specific issues to address during the examination
    • Insurer Profile Summary
      – Contains section for “Examination Follow-Up”
Changes Effective for 2016  
– Part B2: Examinations

• Examiner Communication
  – Examiner utilization of analysis
    • Areas of concern and specific issues to address during the examination
    • Insurer Profile Summary
      – Contains section for "Examination Follow-Up"
  – Post-exam communication to analysis
    • Provide and discuss exam report, management letter and SRM
    • Collaborate with analyst to discuss impact on prioritization, supervisory plan and branded risks
Changes Effective for 2016 – Part B2: Examinations

• Inclusion of Exhibit Z, Part Two

| Exhibit Z, Part Two – A | Prepared by Lead State  
|                         | Included by ALL states  |
| Exhibit Z, Part Two – B | Prepared and included by Exam Facilitator  |
| Exhibit Z, Part Two – C | Prepared and included by Participating State in fully coordinated exam  |
| Exhibit Z, Part Two – D | Prepared and included by other states not participating |

Changes Effective for 2016 – Part B2: Examinations

• Exam Coordination
  – Demonstrate fulfillment of exam role and responsibilities as defined by Examiners Handbook
    • Exam Facilitator – overall quality
    • Participating state in fully coordinated exam – demonstrate participation
    • State not participating in a coordinated exam – overall quality
  – File selection by accreditation review team
Changes Effective for 2016 – Part B2: Examinations

• EIC Qualifications
  – Utilize qualified examiners-in-charge
    • CFE designation
    • If no CFE designation, document qualifications in FEETS exam call
      – Qualifications may include other professional designations, prior insurance experience, familiarity with NAIC risk-focused surveillance process, etc.
      – Update to FEETS is in process to include separate option to indicate involvement of CFE

Summary of Part A Changes

• Jan. 1, 2016
  – 2010 revisions to Holding Company models (#440 and #450)
• Jan. 1, 2017
  – Model Risk Retention Act (#705)
  – RBC Life trend test (#312)
  – Section 4B(10) of Hazardous Financial Condition Model (#385)
• Jan. 1, 2018
  – ORSA (#505)
• Jan. 1 2019
  – Credit for Reinsurance (#785 and #786)
Upcoming Changes
– Future Effective Date: 2018

• Own Risk and Solvency Assessment (ORSA)
  – Effective Jan. 1, 2018
  – Requires insurers/groups to
    • Maintain a risk management framework
    • Regularly perform an own risk and solvency assessment (ORSA)
    • Annually file an ORSA Summary Report

Upcoming Changes
– Future Effective Date: 2019

• Credit for Reinsurance
  – Adopted by F Committee at 2016 Spring National meeting
    • Anticipate adoption by Plenary at 2016 Summer National Meeting
  – Effective Jan. 1, 2019
  – Requires all states to adopt Models 785 and 786 requiring reduced collateral provisions
    • Revisions made to significant elements for state that previously adopted the models
2016 Exposures

- F Committee to vote in 2017 for possible effective date of Jan.1, 2020
  - Corporate Governance Annual Disclosure Model Act (#305) and Regulation (#306)
  - 2014 revisions to Annual Financial Reporting Model Regulation (#205) regarding internal audit
  - 2014 revisions to Holding Company Model Act (#440) regarding IAIGs

Future Considerations

- Principle-Based Reserving
  - Revisions were made to the Standard Valuation Law (#820) in 2009
  - F Committee has deferred voting on PBR due to implementation issues
  - Expect to discuss at 2016 Summer National Meeting

- January 2016 Changes to the Credit for Reinsurance Model Law (#785)
  - Provide authority concerning certain captive transactions (XXX/AXXX, long-term care, VA, etc.)
  - F Committee expect to consider at 2017 Spring Meeting in conjunction with new XXX/AXXX Model Regulation
Accreditation Website

http://www.naic.org/committees_f.htm

- Exposure drafts
- Upcoming and recent changes
- List of accredited states
- Informational pamphlet
- Contact information

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