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NAIC Model Review Manual

As of __month/day__, 2025

This *NAIC Model Review Manual (Manual)* provides a narrative description of the NAIC Model Review Team's ("NAIC Staff") processes and procedures as well as guidance regarding responsibilities.

The Casualty Actuarial and Statistical (C) Task Force ("Task Force") initially adopted the *Manual* in __[month]__ 2025. This guidance is subject to revision by the Task Force.

If you have questions regarding the *Manual* please contact NAIC staff:

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BACKGROUND

The NAIC model review project officially began in April 2018 when the Executive Committee adopted the recommendation of the Big Data (EX) Working Group to direct NAIC management to “conduct research on the appropriate skills and potential number of resources for the organization to help NAIC members in coordinating their reviews of predictive models.” NAIC senior management conducted the research and recommended gradual build-up of expertise at the NAIC to aid regulators’ review of P/C rate models.

In 2019 with existing actuarial, legal, and IT staff, the NAIC did 3 things:

- 1) Drafted a contractual agreement called the Rate Review Support Services Agreement (Appendix A) to be used so a state can gain access to the model database and can request a rate model technical review from the NAIC.
- 2) The NAIC developed the initial NAIC rate model technical review process with a consulting Actuary, and
- 3) the NAIC created a model database for confidential regulatory communication.

The NAIC does not do the following actions:

- Assume any regulatory authority,
- Create objections (“compliance issues”) to be sent to the company,
- Recommend acceptance or rejection of the model or any specific rating variable and,
- Separate analysis to determine any correlation with unlawful characteristics or to assess disparate impact.

Model reviews conducted by NAIC Staff were initially guided by the NAIC white paper *Regulatory Review of Predictive Models* (Attachment 2). This includes the initial paper and Appendices for different types of models adopted by the Task Force over time.

INTRODUCTION

This *Manual* is intended to guide NAIC Staff to assist insurance regulators in the state’s review of predictive models. The aim is to provide a consistent and documented review of complex predictive models used in insurance products while providing appropriate speed to market. To the extent possible, the *Manual* is intended to add uniformity when NAIC Staff produce reports applicable to all states. Compliance with a state’s laws and regulations will be performed by the state insurance regulator.

RATE REVIEW SUPPORT SERVICES AGREEMENT

This Rate Review Support Services Agreement (Agreement) identifies the NAIC services that can be requested and utilized:

- 1) Rate Model Reviews: Develop reports so state insurance regulators can review and decide if the insurer’s rate model support is in compliance with state law and regulations.

- 2) Model Database: Once reports are written, those reports are uploaded to the shared model database. All regulators in states with the Agreement may have access to the database and can also upload the state's own model reviews or communication to the database. There are no limits to the number of regulators in a state that can receive access.

The Agreement provides confidentiality protection. As required by the SERFF contract, all information from SERFF is held confidential by NAIC Staff and is only available to staff assigned to work in model review services. NAIC reports are confidential and for regulator use only.

The template for the Agreement is attached as Appendix A and can be requested from NAIC Staff or the NAIC Legal Department. Once the Agreement is agreed and signed, NAIC Staff meets with the state to explain model services and how to request them.

The Agreement includes no charges to conduct a model review or to provide access to the database. A state is not obligated by the Agreement to ask for reviews or use the database. In such a case, the Agreement is often signed as a contingency measure (e.g., resignation of a state expert on models).

A monthly e-mail is distributed to update all database members and contacts from states that have signed the Agreement regarding reports that were added to the database and other important information.

States with Signed Rate Review Support Services Agreement

The NAIC does not distribute the list of states who have signed a Rate Review Support Services Agreement. States are allowed to share they have signed the Agreement.

SERFF Access

The System for Electronic Rate and Form Filing (SERFF) allows insurers, advisory organizations, and third-party filers to submit insurance product filings (typically rate, rule, and form filings) electronically to state insurance regulators. This is a multi-state electronic filing system (licensed in all jurisdictions), but SERFF access is limited to a regulator's individual state. NAIC Staff will request access to every state with a signed Rate Review Support Services Agreement.

Access to NAIC and State Reports

Access to the Model Database and NAIC or state reports is restricted to regulators only.

REVIEW SUBMISSIONS AND DUE DATES

Before submission of a review request, the regulator will check the model database to see if the model has already been reviewed. Upon receipt of a regulator's request to review model support and/or objections (compliance issues), NAIC Staff will review the model complexity and the current state of the filing's supporting documentation. NAIC Staff will reply within 2 business days to share their availability and a date of when they can complete a review. The regulator will respond whether that date is acceptable, or they wish to withdraw the model review request.

Review submissions should include any specific instructions. The Task Force can also request that specific policy questions be answered with each NAIC model review.

After a model is reviewed in one state, Comparison Reports were completed to compare an insurer's model in one state with the model reviewed in another state. At this time with limited NAIC resources, NAIC Staff will only create Comparison Reports if there are current resources available in the 30 days following the request. A Comparison Report template is maintained by NAIC staff.

STATE, INSURER, AND MODEL-TYPE PRIORITIES

1. Data Gathered before Submission to the NAIC

- **Objective:** Ensure complete support documentation is received from the insurer prior to asking for an initial report from the NAIC. This should facilitate a smooth and more efficient review process. Insisting that companies provide complete information will reduce the review time of a model and will effectively reduce the number of NAIC reports per filing by one.
- **Process:**
 - States will be responsible for collecting and compiling relevant model support information prior to NAIC review.
 - The NAIC Model Checklist (Appendix C) provides information that must be submitted by regulators to the NAIC. The current Appendix C contains only GLM information. The Task Force will add the following to the GLM information in Appendix C: 1) checklists for non-GLM models, 2) modifications to support information when a model is a refresh to a previously filed model, and 3) guidance for any other special circumstances (e.g., specific components of a telematics filing to be reviewed).
 - States are encouraged to continually update their model filing requirements in SERFF upon adoption of new guidance from the Task Force.
 - Regularly review and adjust model support requirements to maintain efficiency and relevance.

2. Focus on Nationally Significant Companies and Licensed Third Parties

- **Objective:** Prioritize NAIC efforts on entities with the greatest impact.
- **Process:**
 - Limit NAIC review work to top 20 insurance groups (by market size) and third-party vendors licensed or operating in 10 or more states.
 - Exceptions may arise; as in the case of an innovative modeling approach initiated by a smaller company or a new product.

3. Scheduling with Priorities -- Limiting the Number of Reports by State

- **Objective:** Ensure fairness in each state’s ability to receive assistance from the NAIC Staff in a timely manner, while recognizing that every state benefits from the Model Database regardless of which state requests the review.
- **Process:**
 - Give priority to states that have had fewer requests in the previous six months.
 - Implement measures to limit the number of reports from any state for fairness.
 - Limit the number of initial model reviews from one state to two (2) filed models in a calendar month.
 - Should resources become available at the NAIC during a week, scheduled review request(s) will be moved up in the queue to an earlier open date.

5. Scheduling with Priorities – Maintain Open Spots for 30-day Response States

- **Objective:** For those states that must respond to a rate filing within a limited number of days (often 30 days) by law or regulation, ensure fairness in each state’s ability to receive assistance from the NAIC Staff in a timely manner.
- **Process:**
 - Maintain at least 4 open spots a month for those states that need a review within a limited amount of time.

6. Scheduling with Priorities – Objection (Compliance Issues) Reviews

- **Objective:** Ensure a rate model is reviewed through all stages of a filing review process and provide faster speed-to-market.
- **Process:**
 - Upon scheduling the initial review, the NAIC will also set aside two additional review slots for expected objection (compliance issues) reviews.
 - The “set aside” review slots will be postponed if the insurer’s responses do not arrive in the expected time period.
 - The aim will be to review objection responses within 30 days of receipt from the regulator.

7. Follow-Up Calls with State and Insurer for Unresolved High- and Medium-Priority Questions

- **Objective:** Address unresolved high-priority and medium-priority questions in an efficient manner to aid speed-to-market of rate models.
- **Process:**
 - NAIC Staff will conduct a second assessment of insurer compliance issues to identify any remaining high-priority or medium-priority questions.
 - If these questions are not fully answered, or if additional discussion is needed, the state will schedule a follow-up call with the company.
 - Use these calls to clarify outstanding issues and ensure all critical points are addressed in the next insurer submission of responses to compliance issues.

NAIC STAFF RESOURCES

The Task Force will quarterly evaluate the queue of filings and the NAIC model review staff/resources. If the Task Force and/or Task Force leadership determine regulatory needs are not being met, the Task Force will first attempt to find efficiencies or suggest using other resources. If the Task Force wishes the needs to be met by NAIC Staff, the Task Force chair will discuss NAIC resources with the chair of the Property and Casualty Insurance (C) Committee.

MANUAL REVISIONS

NAIC will evaluate the prioritization and utilization of NAIC resources to ensure that they are meeting the needs of those states participating in this process. Suggestions for improving or correcting information contained in the *Manual* may be made via written proposal to the Task Force. The Task Force will determine if changes should be made. Substantive changes made will be discussed in open session, while mechanical corrections (e.g., editorial or typographical changes) will be made without announcement or discussion.

APPENDIX

- A. Rate Review Support Services Agreement Template
- B. The Task Force's white paper and all adopted appendices
- C. NAIC Model Checklists (Currently GLM only)