

Draft: 9/10/19

Adopted by the Executive (EX) Committee and Plenary, Dec. XX, 2019

Adopted by the Financial Condition (E) Committee, Oct. XX, 2019

2020 Proposed Charges

FINANCIAL CONDITION (E) COMMITTEE

The mission of the Financial Condition (E) Committee is to be the central forum and coordinator of solvency-related considerations of the NAIC relating to accounting practices and procedures; blanks; valuation of securities; financial analysis and solvency; multistate examinations and examiner and analysis training; and issues concerning insurer insolvencies and insolvency guarantees. In addition, the Committee interacts with the technical task forces.

Ongoing Support of NAIC Programs, Products or Services

1. The **Financial Condition (E) Committee** will:

- A. Monitor all of the changes to the annual/quarterly financial statement blanks and instructions, risk-based capital (RBC) formulas, *Financial Condition Examiners Handbook*, *Accounting Practices and Procedures Manual* (AP&P Manual), *Financial Analysis Handbook*, *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), NAIC model laws, NAIC accreditation standards, and other NAIC publications.
- B. Appoint and oversee the activities of the following: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Examination Oversight (E) Task Force; Long-Term Care Insurance (B/E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Risk Retention Group (E) Task Force; and Valuation of Securities (E) Task Force.
- C. Recommend salary rate adjustments for examiners.
- D. Oversee a process to address financial issues that may compromise the consistency and uniformity of the U.S. solvency framework, referring valuation and other issues to the appropriate committees as needed.
- E. Use the Risk-Focused Surveillance (E) Working Group to address specific industry concerns regarding regulatory redundancy and review any issues industry subsequently escalates to the Committee.

2. The **Financial Analysis (E) Working Group** will:

- A. Analyze nationally significant insurers and groups that exhibit characteristics of trending toward or being financially troubled; determine if appropriate action is being taken.
- B. Interact with domiciliary regulators and lead states to assist and advise as to what might be the most appropriate regulatory strategies, methods and action(s).
- C. Support, encourage, promote and coordinate multistate efforts in addressing solvency problems, including identifying adverse industry trends.
- D. Increase information-sharing and coordination between state regulators and federal authorities, including through representation of state regulators in national bodies with responsibilities for system-wide oversight.

3. The **Group Capital Calculation (E) Working Group** will:

- A. Construct a U.S. group capital calculation (GCC) using a RBC aggregation methodology. **Complete by the 2020 Summer National Meeting**; ~~liaise as necessary with the ComFrame Development and Analysis (G) Working Group on international capital developments and consider group capital developments by the Federal Reserve Board, both of which may help inform the construction of a U.S. group capital calculation.~~
- B. Provide direction to the Group Solvency Issues (E) Working Group on appropriate changes to existing authority or existing regulatory guidance related to the GCC. **Complete by the 2020 Fall National Meeting.**
- C. Liaise, as necessary, with the International Insurance Relations (G) Committee on international group capital developments and consider input from participation of U.S. state insurance regulators in the International Association of Insurance Supervisors (IAIS) monitoring process.
- D. Continually review and monitor the effectiveness of the GCC and consider revisions, as necessary, to maintain the effectiveness of its objective under U.S. solvency system.

4. The **Group Solvency Issues (E) Working Group** will:

- A. Continue to develop potential enhancements to the current regulatory solvency system as it relates to group- solvency-related issues.
- B. Critically review and provide input and drafting to the International Association of Insurance Supervisors (IAIS), Insurance Groups Working Group or on other IAIS ~~papers~~material dealing with group supervision issues.

FINANCIAL CONDITION (E) COMMITTEE (continued)

C. Continually review and monitor the effectiveness of the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) and consider revisions as necessary to maintain effective oversight of insurance groups

~~E.D.~~ Assess the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and make recommendations on its implementation in a manner appropriate for the U.S.

5. The **ORSA Implementation (E) Subgroup** of the Group Solvency Issues (E) Working Group will:
 - A. Continue to provide and enhance an enterprise risk management (ERM) education program for regulators in support of the Own Risk and Solvency Assessment (ORSA) implementation.
 - B. Continually review and monitor the effectiveness of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505) and its corresponding *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual*; consider revisions as necessary.
6. The **Mortgage Guaranty Insurance (E) Working Group** will:
 - A. Develop changes to the *Mortgage Guaranty Insurance Model Act* (#630) and other areas of the solvency regulation of mortgage guaranty insurers, including, but not limited to, revisions to *Statement of Statutory Accounting Principles (SSAP) No. 58—Mortgage Guaranty Insurance* and develop an extensive mortgage guaranty supplemental filing. Oversee the work of the consultant on the testing and finalization of proposed risk-based mortgage guaranty capital model and finalize Model #630 by the ~~2020~~2019 Spring/Summer National Meeting.
7. The **NAIC/AICPA (E) Working Group** will:
 - A. Continually review the *Annual Financial Reporting Model Regulation* (#205) and its corresponding implementation guide; revise as appropriate.
 - B. Address financial solvency issues by working with the American Institute of Certified Public Accountants (AICPA) and responding to AICPA exposure drafts.
 - C. Monitor the federal Sarbanes-Oxley Act, as well as rules and regulations promulgated by the U.S. Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB) and other financial services regulatory entities.
 - D. Review annually the premium threshold amount included in Section 16 of Model #205, with the general intent that those insurers subject to the Section 16 requirements would capture at least approximately 90% of industry premium and/or in response to any future regulatory or market developments.
8. The **National Treatment and Coordination (E) Working Group** will:
 - A. Increase utilization and implementation of the *Company Licensing Best Practices Handbook*.
 - B. Encourage synergies between corporate changes/amendments and rate and form filing review and approval to improve efficiency.
 - C. Continue to monitor the usage and make necessary enhancements to the Form A Database.
 - D. Maintain educational courses in the existing NAIC Insurance Regulator Professional Designation Program for company licensing regulators.
9. The **Biographical Third-Party Review (E) Subgroup** of the National Treatment and Coordination (E) Working Group will:
 - A. Increase the uniformity of the third-party vendors that prepare background investigative reports to those state insurance departments that require them. Reduce the inefficiency of applications by developing procedures and approval processes.
 - B. Monitor the ongoing adherence of background investigation reports and third-party vendors.
 - C. Encourage uniformity of requirements in relation to individuals' fitness and propriety and the company's responsibility in notifying state insurance departments of concerns or changes to key individuals.
10. The **Restructuring Mechanisms (E) Working Group** will:
 - A. Evaluate and prepare a White Paper that:
 1. Addresses the perceived need for restructuring statutes and the issues those statutes are designed to remedy. Also, consider alternatives that insurers are currently employing to achieve similar results.
 2. Summarizes the existing state restructuring statutes.
 3. Addresses the legal issues posed by an Order of a Court (or approval by an Insurance Department) in one state affecting the policyholders of other states.

FINANCIAL CONDITION (E) COMMITTEE (continued)

Considers the impact that a restructuring might have on Guaranty Associations and policyholders that had Guaranty Fund protection prior to the restructuring. Complete by the 2020 Summer National Meeting.

4. Identifies and addresses the legal issues associated with restructuring using a protected cell. Complete by the 2020 Summer National Meeting.

- 4.5. Consider requesting approval from the Executive (EX) Committee on developing changes to specific NAIC models as a result of findings from the development of the White Paper. Complete by the 2020 Fall National Meeting.

~~B. Review and propose changes to the Guaranty Association Model Act to ensure that policyholders that had guaranty fund protection prior to a restructuring continue to have it after the restructuring~~

~~C. Review and propose changes to the Protected Cell Companies Model Act to allow for restructuring mechanisms~~

~~D. Develop financial solvency and reporting requirements for companies in runoff (create subgroup of qualified financial regulators to address this charge)~~

11. The Restructuring Mechanisms (E) Subgroup will:

- A. Develop best practices to be used in considering the approval of proposed restructuring transactions, including among other things, the expected level of reserves and capital expected after the transfer along with the adequacy of long-term liquidity needs, and also develop best practices to be used in monitoring the companies after the transaction is completed. Once completed, recommend to the Financial Regulation Standards and Accreditation (F) Committee for their consideration. Complete by the 2020 Summer National Meeting. ~~Consider the development of financial surveillance tools that are specifically designed for companies in runoff (companies that are no longer actively writing insurance business or collecting premiums)~~
- B. Consider the need to make changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff. Complete by the 2020 Fall National Meeting.
- C. Review the various restructuring mechanisms and develop, if deemed needed, protected cell accounting and reporting requirements for referring to the Statutory Accounting Principles (E) Working Group. Complete by the 2020 Fall National Meeting.
- ~~A. Minimum standards of review~~
- ~~B. Minimum capital requirements~~
- ~~C. Specific actuarial guidance in determining initial reserving levels~~
- ~~D. Protected cell reporting requirements~~
- ~~E. Proposed accreditation standards~~

12. The Risk-Focused Surveillance (E) Working Group will:

- A. Continually review the effectiveness of risk-focused surveillance and develop enhancements to processes as necessary.
- B. Continually review regulatory redundancy issues identified by interested parties and provide recommendations to other NAIC committee groups to address as needed.
- C. Oversee and monitor the Peer Review Program to encourage consistent and effective risk-focused surveillance processes.
- ~~D. Consider recommendations to the Financial Regulation Standards and Accreditation (F) Committee for the purpose of evaluating the suitability of insurance department staffing in relation to the necessary skill sets. Complete by the 2019 Fall National Meeting.~~
- ~~E. Continually maintain and update standardized job descriptions/requirements and salary range recommendations for common solvency monitoring positions to assist insurance departments in attracting and maintaining suitable staff.~~
- ~~F.D. Review the Financial Condition Examiners Handbook salary and per diem guidelines to determine the applicability, value and use to the states; consider alternative approaches based on current financial solvency responsibilities. Complete by the 2019 Fall National Meeting.~~

13. The Valuation Analysis (E) Working Group will:

- A. Respond to states in a confidential forum regarding questions and issues arising during the course of annual principle-based reserving (PBR) reviews or PBR examination and which also may include consideration of asset adequacy analysis questions and issues.
- B. Work with NAIC resources to assist in prioritizing and responding to issues and questions regarding PBR and asset adequacy analysis including actuarial guidelines or other requirements making use of or relating to PBR such as *Actuarial Guideline XXXVIII—The Application of the Valuation of Life Insurance Policies Model Regulation* (AG 38), *Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued Under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation*

(AG 48), and the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787).

- C. Develop and implement a plan with NAIC resources to identify outliers/concerns regarding PBR/asset adequacy analysis.
- D. Refer questions/issues as appropriate to the Life Actuarial (A) Task Force that may require consideration of changes/interpretations to be provided in the *Valuation Manual*.
- E. Assist NAIC resources in development of a standard asset/liability model portfolio used to calibrate company PBR models.
- F. Make referrals as appropriate to the Financial Analysis (E) Working Group.
- G. Perform other work to carry out the Valuation Analysis (E) Working Group procedures.

~~14. The Variable Annuities Issues (E) Working Group will:~~

- ~~A. Oversee the NAIC's efforts to study and address, as appropriate, regulatory issues resulting in variable annuity captive reinsurance transactions.~~

NAIC Support Staff: Dan Daveline/Julie Gann/Bruce Jenson

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Adopted by the Accounting Practices and Procedures (E) Task Force, August 22, 2019

2020 Proposed Charges

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

The mission of the Accounting Practices and Procedures (E) Task Force is to identify, investigate and develop solutions to accounting problems with the ultimate goal of guiding insurers in properly accounting for various aspects of their operations; modify the *Accounting Practices and Procedures Manual* (AP&P Manual) to reflect changes necessitated by Task Force action; and study innovative insurer accounting practices that affect the ability of state insurance regulators to determine the true financial condition of insurers.

Ongoing Support of NAIC Programs, Products or Services

1. The **Accounting Practices and Procedures (E) Task Force** will:
 - A. Oversee the activities of the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group.
2. The **Blanks (E) Working Group** will:
 - A. Consider improvements and revisions to the various annual/quarterly statement blanks to:
 1. Conform these blanks to changes made in other areas of the NAIC to promote uniformity in reporting of financial information by insurers.
 2. Develop reporting formats for other entities subject to the jurisdiction of state insurance departments.
 3. Conform the various NAIC blanks and instructions to adopted NAIC policy.
 4. Oversee the development of additional reporting formats within the existing annual financial statements as needs are identified.
 - B. Continue to monitor state filing checklists to maintain current filing requirements.
 - C. Continue to monitor and improve the quality of financial data filed by insurance companies by recommending improved or additional language for the *Annual Statement Instructions*.
 - D. Continue to monitor and review all proposals necessary for the implementation of statutory accounting guidance to ensure proper implementation of any action taken by the Accounting Practices and Procedures (E) Task Force affecting annual financial statements and/or instructions.
 - E. Continue to coordinate with other task forces of the NAIC to ensure proper implementation of reporting and instructions changes as proposed by these task forces.
 - F. Coordinate with the Life Actuarial (A) Task Force to use any special reports developed and avoid duplication of reporting.
 - G. Review requests for investment schedule blanks and instructions changes in connection with the work being performed by the Investment Risk-Based Capital (E) Working Group.
 - H. Review changes requested by the Valuation of Securities (E) Task Force relating to its work on other invested assets reporting for technical consistency within the investment reporting schedules and instructions.
3. The Statutory Accounting Principles (E) Working Group will:
 - A. Maintain codified statutory accounting principles by providing periodic updates to the guidance that address new statutory issues and new generally accepted accounting principles (GAAP) pronouncements. Provide authoritative responses to questions of application and clarifications for existing statutory accounting principles. Report all actions and provide updates to the Accounting Practices and Procedures (E) Task Force.
 - B. At the discretion of the Working Group chair, develop comments on exposed GAAP and International Financial Reporting Standards (IFRS) pronouncements affecting financial accounting and reporting. Any comments are subject to review and approval by the chairs of the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee.
 - C. Coordinate with the Life Actuarial (A) Task Force on changes to the Accounting Practices and Procedures Manual (AP&P Manual) related to the Valuation Manual VM-A, Requirements, and VM-C, Actuarial Guidelines, as well as other Valuation Manual requirements. This process will include the receipt of periodic reports on changes to the Valuation Manual on items that require coordination.

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE *(continued)*

~~3.1. The Statutory Accounting Principles (E) Working Group will:~~

- ~~A. Maintain codified statutory accounting principles by providing periodic updates to the guidance that address new statutory issues and new generally accepted accounting principles (GAAP) pronouncements. Provide authoritative responses to questions of application and clarifications for existing statutory accounting principles. Report all actions and provide updates to the Accounting Practices and Procedures (E) Task Force.~~
- ~~B.A. At the discretion of the Working Group chair, develop comments on exposed GAAP and International Financial Reporting Standards (IFRS) pronouncements affecting financial accounting and reporting. Any comments are subject to review and approval by the chairs of the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee.~~
- ~~C.A. Coordinate with the Life Actuarial (A) Task Force on changes to the Accounting Practices and Procedures Manual (AP&P Manual) related to the Valuation Manual VM-A, Requirements, and VM-C, Actuarial Guidelines, as well as other Valuation Manual requirements. This process will include the receipt of periodic reports on changes to the Valuation Manual on items that require coordination.~~
- D. Obtain, analyze and review information on permitted practices, prescribed practices or other accounting treatments suggesting that issues or trends occurring within the industry may compromise the consistency and uniformity of statutory accounting, including, but not limited to, activities conducted by insurers for which there is currently no statutory accounting guidance or where the states have prescribed statutory accounting that differs from the guidance issued by the NAIC. Use this information to consider possible changes to statutory accounting.
- ~~E. Develop specific statutory accounting guidance for certain limited derivative contracts hedging variable annuity guarantees, subject to fluctuations as a result of interest rate sensitivity, reserved for in accordance with Actuarial Guideline XLIII—CARVM for Variable Annuities (AG 43). This guidance shall place an emphasis on reducing non-economic surplus volatility for these specific hedges in situations where strong risk management is in place, with safeguards to ensure appropriate financial statement presentation and disclosures, sufficient transparency, and regulatory oversight. This charge shall be a high priority, with the earliest effective date feasible that allows for adequate development of guidance and related reporting schedules. Complete by the 2019 Summer National Meeting~~
- ~~F. Consider whether current or future changes to reserves resulting from implementation of the Variable Annuities Framework will be reported in the annual financial statement as a “change in basis.” Complete by the 2019 Summer National Meeting~~
- ~~G.E. Review and possibly modify Schedule F and any corresponding annual financial statement pages to determine how best to reflect the expected changes to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786). Give due consideration to alternatives, including whether an allowance for doubtful accounts is appropriate. Complete by the 2020 Fall National Meeting.~~
- ~~H. Develop a model guideline that represents narrowly defined statutory language the states may use in removing the limitations that may exist within their investment statutes that may otherwise limit the extent of hedges an insurer may use in its risk management. Complete by the 2019 Fall National Meeting.~~

NAIC Support Staff: Robin Marcotte

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Adopted by the Capital Adequacy (E) Task Force, Month XX, 2019

2020 Proposed Charges

CAPITAL ADEQUACY (E) TASK FORCE

The mission of the Capital Adequacy (E) Task Force is to evaluate and recommend appropriate refinements to capital requirements for all types of insurers.

Ongoing Support of NAIC Programs, Products or Services

1. The **Capital Adequacy (E) Task Force** will:
 - A. Evaluate emerging “risk” issues for referral to the risk-based capital (RBC) working groups/subgroups for certain issues involving more than one RBC formula. Monitor emerging and existing risks relative to their consistent or divergent treatment in the three RBC formulas.
 - B. Review and evaluate company submissions for the schedule and corresponding adjustment to total adjusted capital (TAC).
 - C. Review and possibly modify the life and health RBC formulas specific to reinsurance credit risk charges to be based on the financial strength of the reinsurer consistent with the property/casualty (P/C) RBC formula, giving due consideration to public default experience and current factors used by credit rating agencies. Consider also whether adjustments are needed to the P/C RBC formula to consider such information relative to non-rated reinsurers. Complete by the 2020 Fall National Meeting.
2. The **Health Risk-Based Capital (E) Working Group, Life Risk-Based Capital (E) Working Group and Property and Casualty Risk-Based Capital (E) Working Group** will:
 - A. Evaluate refinements to the existing NAIC risk-based capital (RBC) formulas implemented in the prior year. Forward the final version of the structure of the current year life and fraternal, property/casualty (P/C), and health ~~and fraternal~~ RBC formulas to the Financial Condition (E) Committee by June.
 - B. Consider improvements and revisions to the various RBC blanks to: 1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity; and 2) oversee the development of additional reporting formats within the existing RBC blanks as needs are identified. Any proposal that affects the RBC structure must be adopted no later than April 30 in the year of the change, and adopted changes will be forwarded to the Financial Condition (E) Committee by the next scheduled meeting or conference call. Any adoptions made to the annual financial statement blanks or statutory accounting principles that affect an RBC change adopted by April 30 and results in an amended change may be considered by July 30 for those exceptions where the Capital Adequacy (E) Task Force votes to pursue by super-majority (two-thirds) consent of members present, no later than June 30 for the current reporting year.
 - C. Monitor changes in accounting and reporting requirements resulting from the adoption and continuing maintenance of the revised *Accounting Practices and Procedures Manual* (AP&P Manual) to ensure that model laws, publications, formulas, analysis tools, etc., supported by the Task Force continue to meet regulatory objectives.
 - D. Review the effectiveness of the NAIC’s RBC policies and procedures as they affect the accuracy, audit ability, timeliness of reporting access to RBC results and comparability between the RBC formulas. Report on data quality problems in the prior year RBC filings at the summer and fall national meetings.
3. The **Investment Risk-Based Capital (E) Working Group** will:
 - A. Evaluate relevant historical data and apply defined statistical safety levels over appropriate time horizons in developing recommendations for revisions to the current asset risk structure and factors in each of the risk-based capital (RBC) formulas and delivering those recommendations to the Capital Adequacy (E) Task Force.
4. The **Variable Annuities Capital and Reserve (E) Subgroup** a joint subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force, will:
 - A. Monitor the impact of the changes to the RBC calculation for variable annuities and determine if additional revisions need to be made. Develop and recommend changes to C-3 Phase II, Actuarial Guideline XLIII—CARVM for Variable Annuities (AG 43) and VM 21, Requirements for Principle-Based Reserves for Variable Annuities, that implement the Variable Annuities Framework. Complete by the 2019 Summer National Meeting.
~~A.~~

CAPITAL ADEQUACY (E) TASK FORCE *(continued)*

5. The **Longevity Risk (A/E) Subgroup**, a joint subgroup of the Life Actuarial (A) Task Force and the Life Risk-Based Capital (E) Working Group will:
 - A. Provide recommendations for recognizing longevity risk in statutory reserves and/or risk-based capital (RBC), as appropriate. Complete by the 2020 Spring National Meeting.
- ~~6. The **Operational Risk (E) Subgroup** will:~~
 - ~~A. Evaluate growth-related operational risk for life risk-based capital (RBC) and health RBC. Any recommendations for remaining work on growth risk will be referred to the Life Risk-Based Capital (E) Working Group and/or the Health Risk-Based Capital (E) Working Group, after which the Subgroup will be disbanded. Complete by the 2019 Spring National Meeting.~~
- 2.6. The **Catastrophe Risk (E) Subgroup** of the Property and Casualty Risk-Based Capital (E) Working Group will:
 - A. Recalculate the premium risk factors on an ex-catastrophe basis, if needed.
 - B. Continue to update the U.S. and non-U.S. catastrophe eventlist.
 - C. Continue to evaluate the need for exemption criteria for insurers with minimal risk.
 - D. Evaluate the risk-based capital (RBC) results inclusive of a catastrophe risk charge.
 - E. Refine instructions for the catastrophe risk charge.
 - F. Continue to evaluate any necessary refinements to the catastrophe risk formula.
 - G. Evaluate other catastrophe risks for possible inclusion in the charge.

NAIC Support Staff: Jane Barr

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Adopted by the Examination Oversight (E) Task Force, Sept. 13, 2019

2020 Proposed Charges

EXAMINATION OVERSIGHT (E) TASK FORCE

The mission of the Examination Oversight (E) Task Force is to monitor, develop and implement tools for the risk-focused surveillance process. For financial examinations and analysis, this includes maintenance of the *Financial Condition Examiners Handbook* and the *Financial Analysis Handbook* to provide guidance to examiners and analysts using a risk- focused approach to solvency regulation and to encourage effective communication and coordination between examiners, analysts and other regulators. In addition, the mission of the Task Force is to: monitor and refine regulatory tools of the risk- focused surveillance process, including Financial Analysis Solvency Tools (FAST) such as company profiles and the FAST ratio scoring system; ~~oversee the Analyst Team Project~~; oversee financial examiner and analyst use of electronic software tools; monitor the progress of coordination efforts among the states in conducting examinations and the sharing of information necessary to solvency monitoring; establish procedures for the flow of information between the states about troubled companies; maintain an effective approach to the review of information technology (IT) general controls; and monitor the timeliness of financial examinations.

Ongoing Support of NAIC Programs, Products or Services

1. The **Examination Oversight (E) Task Force** will:
 - A. Accomplish its mission using the following groups:
 1. Electronic Workpaper (E) Working Group.
 2. Financial Analysis Solvency Tools (E) Working Group.
 3. Financial Examiners Coordination (E) Working Group.
 4. Financial Examiners Handbook (E) Technical Group.
 5. IT Examination (E) Working Group.
2. The **Electronic Workpaper (E) Working Group** will:
 - A. Monitor and support the state insurance departments in using electronic workpaper software tools to conduct and document solvency monitoring activities.
 - B. Provide ongoing oversight to the NAIC's Electronic Workpaper Hosting Project.
 - C. Develop a framework to meet the long-term hosting and software needs of state insurance regulators in using electronic workpapers to conduct and document solvency monitoring activities. Ensure that solutions developed consider various state insurance regulator uses, as appropriate.
3. The **Financial Analysis Solvency Tools (E) Working Group** will:
 - A. Provide ongoing maintenance and enhancements to the *Financial Analysis Handbook* and related applications for changes to the NAIC annual/quarterly financial statement blanks, as well as enhancements developed to assist in the risk-focused analysis and monitoring of the financial condition of insurance companies and groups. Monitor the coordination of analysis activities of holding company groups, and coordinate and analyze input received from other state regulators.
 - B. Provide ongoing development maintenance and enhancements to the automated financial solvency tools developed to assist in conducting risk-focused analysis and monitoring the financial condition of insurance companies and groups. Prioritize and perform analysis to ensure that the tools remain reliable and accurate.
 - ~~C. Coordinate with the Financial Examiners Handbook (E) Technical Group and the Risk-Focused Surveillance (E) Working Group, as appropriate, to develop and maintain guidance in order to provide effective solvency monitoring.~~
 - ~~D. In compliance with the framework developed by the former PBR Review (EX) Working Group:~~
 - ~~1. Continue to provide advice to regulators, identifying and judging risk, establishing appropriate procedures, identifying frequency of model reviews, and documenting best practices. Address all risks, financial and non-financial; e.g., enterprise risk management (ERM), board, corporate governance and the Own Risk and Solvency Assessment (ORSA).~~
 - ~~2. —~~
 - ~~D. Continue to adjust the Financial Analysis Handbook and current financial analysis solvency tools for life insurance companies based on any recommendations as requested from the Life Actuarial (A) Task Force to incorporate principle-based reserving (PBR) changes.~~

4. The **Financial Examiners Coordination (E) Working Group** will:

- A. Develop enhancements that encourage the coordination of examination activities with regard to holding company groups.

EXAMINATION OVERSIGHT (E) TASK FORCE (*continued*)

~~4.1. The **Financial Examiners Coordination (E) Working Group** will:~~

- ~~A. Develop enhancements that encourage the coordination of examination activities with regard to holding company groups.~~
- B. Promote coordination by assisting and advising domiciliary regulators and exam coordinating states as to what might be the most appropriate regulatory strategies, methods and actions regarding financial examinations of holding company groups.
- C. Facilitate communication among regulators regarding common practices and issues arising from coordinating examination efforts.
- D. Provide ongoing maintenance and enhancements to the Financial Examination Electronic Tracking System (FEETS).

5. The **Financial Examiners Handbook (E) Technical Group** will:

- A. Continually review the *Financial Condition Examiners Handbook* and revise, as appropriate.
- B. Coordinate with the Risk-Focused Surveillance (E) Working Group to monitor the implementation of the risk-assessment process by developing additional guidance and exhibits within the *Financial Condition Examiners Handbook*, including consideration of potential redundancies affected by the examination process, corporate governance and other guidance as needed to assist examiners in completing financial condition examinations.
- C. Coordinate with the Financial Analysis Handbook (E) Working Group and the Risk-Focused Surveillance (E) Working Group, as appropriate, to develop and maintain guidance in order to provide effective solvency monitoring.
- D. Coordinate with the IT Examination (E) Working Group and the Financial Examiners Coordination (E) Working Group to maintain specialized areas of guidance within the *Financial Condition Examiners Handbook* related to the charges of these specific working groups.

~~E. In compliance with the framework developed by the former PBR Review (EX) Working Group:~~

- ~~1. Continue to provide advice to regulators, identifying and judging risk, building repositories, evaluating controls, determining the extent of data quality testing (by actuaries and examiners), identifying frequency of model reviews and documenting best practices. Address all risks, financial and non financial; e.g., enterprise risk management (ERM), board, corporate governance and the Own Risk and Solvency Assessment (ORSA).~~

- ~~E. Continue to adjust the *Financial Condition Examiners Handbook* based upon any recommendations as requested from the Life Actuarial (A) Task Force to incorporate principle-based reserving (PBR) changes.~~

~~2.~~

6. The **IT Examination (E) Working Group** will:

- A. Continually review and revise, as needed, the “General Information Technology Review” and “Exhibit C— Evaluation of Controls in Information Systems” sections of the *Financial Condition Examiners Handbook*.
- B. Coordinate with the Market Conduct Examination Standards (D) Working Group to assist in the development of regulatory oversight policy with respect to cybersecurity examination issues, as requested by the Innovation and Technology (EX) Task Force.

NAIC Support Staff: Miguel Romero

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2020 Proposed Charges

LONG-TERM CARE INSURANCE (B/E/B) TASK FORCE

Ongoing Support of NAIC Programs, Products or Services

1. The **Long-Term Care Insurance (B/E/B) Task Force** of the Health Insurance and Managed Care (B) Committee and Financial Condition (E) Committee will:
 - A. Coordinate all aspects of the NAIC's work regarding the long-term care insurance (LTCI) market. In addition to coordinating all current Health Insurance and Managed Care (B) Committee and Financial Condition (E) Committee projects, the Task Force should pursue the following general objectives:
 1. Evaluate the sufficiency of actuarial valuation standards. ~~Complete by the 2019 Spring National Meeting.~~
 2. Evaluate the sufficiency of current financial reporting. ~~Complete by the 2019 Fall National Meeting~~
 3. Assess state activities regarding the regulatory considerations on rate increase requests on blocks and to identify common elements for achieving greater transparency and predictability.
 4. Consider product innovations and the development of potential state and federal solutions for stabilizing the LTCI market. ~~Complete by the 2019 Fall National Meeting.~~
 5. Provide periodic reports to the Health Insurance and Managed Care (B) Committee and the Financial Condition (E) Committee, as well as the Executive (EX) Committee, regarding key issues and progress toward the general objectives set forth above. Conduct meetings in regulator-to-regulator session, as appropriate.

NAIC Support Staff: Dan Daveline/Jolie Matthews

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Adopted by the Financial Condition (E) Committee, Oct. XX, 2019

Adopted by the Receivership and Insolvency (E) Task Force, Aug. 4, 2019

2020 Proposed Charges

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE

The mission of the Receivership and Insolvency (E) Task Force shall be administrative and substantive as it relates to issues concerning insurer insolvencies and insolvency guarantees. Such duties include, without limitation, monitoring the effectiveness and performance of state administration of receiverships and the state guaranty fund system; coordinating cooperation and communication among regulators, receivers and guaranty funds; monitoring ongoing receiverships and reporting on such receiverships to NAIC members; developing and providing educational and training programs in the area of insurer insolvencies and insolvency guarantees to regulators, professionals and consumers; developing and monitoring relevant model laws, guidelines and products; and providing resources for regulators and professionals to promote efficient operations of receiverships and guaranty funds.

Ongoing Support of NAIC Programs, Products or Services

1. The **Receivership and Insolvency (E) Task Force** will:
 - A. Monitor and promote efficient operations of insurance receiverships and guaranty associations funds.
 - B. Monitor and promote state adoption of insurance receivership and guaranty association related model acts and regulations and monitor other legislation related to insurance receiverships and guaranty associations.
 - C. Provide input and comments to the International Association of Insurance Supervisors (IAIS), the Financial Stability Board (FSB) or other related groups on issues regarding international resolution authority.
 - D. Monitor, review and provide input on federal rulemaking and studies related to insurance receiverships.
 - E. Provide ongoing review of maintenance and enhancements to the *Receiver's Handbook for Insurance Company Insolvencies (Receiver's Handbook)*, other related NAIC publications, and the Global Receivership Information Database (GRID), and make any necessary updates.
 - F. Monitor the work of other NAIC committees, task forces and working groups to identify and address any issues that affect receivership law and/or regulatory guidance.
 - G. Perform additional work as directed by the Financial Condition (E) Committee and/or received through referral by other groups.
 - ~~H. Monitor Federal Home Loan Bank (FHLB) legislation pending in and enacted by the states, and the impact on insurance companies in those states.~~
2. The **Receivership Financial Analysis (E) Working Group** will:
 - A. Monitor receiverships involving nationally significant insurers/groups ~~within receivership~~ to support, encourage, promote and coordinate multistate efforts in addressing problems.
 - B. Interacting with the Financial Analysis (E) Working Group, domiciliary regulators and lead states to assist and advise as to what might be the most appropriate regulatory strategies, methods and/or action(s) with regard to potential or pending the receiverships.
3. The **Receivership Large Deductible Workers' Compensation (E) Working Group** will:
 - A. ~~Perform Complete~~ work based on recommendations for possible enhancements to the U.S. receivership regime, as approved and directed by the Receivership and Insolvency (E) Task Force, resulting from a study of the states' receivership laws and practices related to the receivership of insurers with significant books of large deductible workers' compensation business. Complete by the 202019 FallSummer National Meeting.
4. The **Receivership ~~Model-Law~~ (E) Working Group** will:
 - A. Review and provide recommendations on any issues identified that may affect the states' receivership and guaranty association model laws; for example, any issues that arise as a result of market conditions, insurer insolvencies, federal rulemaking and studies, international resolution initiatives or as a result of the work performed by other NAIC committees, task forces and/or working groups.
 - B. Discuss significant cases that may affect~~impact~~ the administration of receiverships.
 - C. Complete work, as assigned from the Task Force, to address recommendations from the Financial Stability (EX) Task Force's Macroprudential Initiative (MPI) referral as follows:
 1. Draft updated guidance for the Receiver's Handbook on taxes in receivership and federal releases.

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE (continued)

2. Explore if bridge institutions could be implemented under regulatory oversight pre-receivership to address an early termination of qualified financial contracts (QFCs), and if appropriate, develop applicable guidance. Review the Receiver's Handbook guidance on QFCs and, if necessary, draft enhancements. Identify related pre-receivership considerations related to QFCs and, if necessary, make referrals to other relevant groups to enhance pre-receivership planning, examination and analysis guidance.~~and,~~
- Review and provide recommendations for remedies to ensure continuity of essential services and functions to an insurer in receivership by affiliated entities, including non-regulated entities. Consult with the Group Solvency Issues (E) Working Group as the topic relates to affiliated intercompany agreements.
3. Complete by the 2020 Fall National Meeting.

~~A. Monitor, and provide recommendations for possible enhancements to the U.S. receivership regime and the states' receivership laws and practices based on, international supervisory and advisory developments regarding recovery, resolution, receivership and liquidation, including, but not limited to, the Financial Stability Board's (FSB) *Key Attributes of Effective Resolution Regimes for Financial Institutions (KA)* and *Assessment Methodology (AM)* and the International Association of Insurance Supervisors' (IAIS) *Insurance Core Principles (ICPs)* and its *Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)* (particularly ICP 10, Preventive and Corrective Measures and ICP 12, Winding up and Exit from the Market, as well as related ComFrame materials). Complete by the 2019 Fall National Meeting.~~

NAIC Support Staff: Jane Koenigsman

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Adopted by the Financial Condition (E) Committee, Oct. XX, 2019

Adopted by the Reinsurance (E) Task Force, Sept. 16, 2019

2020 Proposed Charges

REINSURANCE (E) TASK FORCE

The mission of the Reinsurance (E) Task Force is to monitor and coordinate activities and areas of interest, which overlap to some extent the charges of other NAIC groups—specifically, the International Insurance Relations (G) Committee.

Ongoing Support of NAIC Programs, Products or Services

1. The **Reinsurance (E) Task Force** will:

- A. Provide a forum for the consideration of reinsurance-related issues of public policy.
- B. Oversee the activities of the Reinsurance Financial Analysis (E) Working Group.
- C. Oversee the activities of the Qualified Jurisdiction (E) Working Group.
- D. Monitor the implementation of the 2011, ~~and~~ 2016 and 2019 revisions to the *Credit for Reinsurance Model Law* (#785); ~~and~~ the 2011 and 2019 revisions to the *Credit for Reinsurance Model Regulation* (#786); ~~and~~ the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787).
- E. Communicate and coordinate with the Federal Insurance Office (FIO) and other federal authorities on matters pertaining to reinsurance.
- F. Consider any other issues related to the revised Model #785, Model #786 and Model #787.
- G. Monitor the development of international principles, standards and guidance with respect to reinsurance. This includes, but is not limited to, monitoring the activities of various groups within the International Association of Insurance Supervisors (IAIS), including the Reinsurance and Other Forms of Risk Transfer Subcommittee, the Reinsurance Mutual Recognition Subgroup and the Reinsurance Transparency Group.
- H. Consider the impact of reinsurance-related federal legislation, including, but not limited to, the federal Nonadmitted and Reinsurance Reform Act (NRRA) and the Federal Insurance Office Act, and coordinate any appropriate NAIC action.
- I. ~~Consider~~ Continue to monitor the impact of reinsurance-related international agreements, including the “Bilateral Agreement Between the United States of America and the European Union ~~and U.S.~~ on Prudential Measures Regarding Insurance and Reinsurance” (EU Bilateral Covered Agreement)~~;~~ and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement) between the U.S. and the United Kingdom.

~~J. The Reinsurance (E) Task Force is directed to develop revisions to Model #785 and Model #786 to conform to the terms of the Bilateral Agreement.~~

~~K. The Reinsurance (E) Task Force is directed to develop revisions to Model #785 and Model #786 to allow reinsurers domiciled in NAIC-qualified jurisdictions other than within the European Union (EU) to realize reinsurance collateral requirements similar to those provided under the Bilateral Agreement under specified circumstances. In order for an insurer domiciled in a qualified jurisdiction outside of the EU to receive the same collateral requirement treatment as provided to EU-domiciled reinsurers, that non-EU-qualified jurisdiction must agree to adhere to all other standards imposed upon the EU in the Bilateral Agreement, including the requirement that the qualified jurisdiction must agree to recognize the states’ approach to group supervision, including group capital. As part of its deliberations, the Task Force should consult with international regulators, in addition to all other interested parties.~~

~~L. The Reinsurance (E) Task Force is directed to develop revisions to Model #785 and Model #786 to address the effect of a breach of the Bilateral Agreement (as determined pursuant to its terms) on a reinsurer’s collateral obligations and the effect of a failure of a non-EU-qualified jurisdiction to meet the standards imposed by its agreement or acknowledgment to adhere to the terms of the Bilateral Agreement and/or the model law and regulation.~~

~~M. In conjunction with any revisions to Model #785 and Model #786, the Qualified Jurisdiction (E) Working Group is directed to consider changes to the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* to require that qualified jurisdictions recognize key NAIC solvency initiatives, including group supervision and group capital standards, as well as require strengthening of the information sharing requirements between the states and qualified jurisdictions, in order for reinsurers domiciled in qualified jurisdictions to receive similar treatment to EU reinsurers under the Bilateral Agreement, and processes of removal of qualified jurisdiction status in the event of a breach.~~

2. The Reinsurance Financial Analysis (E) Working Group will:

- A. Operate in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the

NAIC Policy Statement on Open Meetings and operate in open session when discussing certified reinsurance topics and policy issues, such as amendments to the Uniform Application for Certified Reinsurers.

- B. Provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.
- C. Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities or individuals.
- D. Support, encourage, promote and coordinate multistate efforts in addressing issues related to certified reinsurers, including, but not limited to, multistate recognition of certified reinsurers.
- E. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
- F. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
- G. Ensure the public passporting website remains current.
- H. For reinsurers domiciled in Reciprocal Jurisdictions, determine the best and most effective approaches for the financial solvency surveillance to assist the states in their work to protect the interests of policyholders.

3. The **Qualified Jurisdiction (E) Working Group** will:

- A. Maintain the *NAIC List of Qualified Jurisdictions* and the *NAIC List of Reciprocal Jurisdictions* in accordance with the *Process for Evaluating Qualified and Reciprocal Jurisdictions*.

REINSURANCE (E) TASK FORCE *(continued)*

~~1. The Reinsurance Financial Analysis (E) Working Group will:~~

- ~~A. Operate in regulator to regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings and operate in open session when discussing certified reinsurance topics and policy issues, such as amendments to the Uniform Application for Certified Reinsurers.~~
- ~~B.A. Provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.~~
- ~~C.A. Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities or individuals.~~
- ~~D.A. Support, encourage, promote and coordinate multistate efforts in addressing issues related to certified reinsurers, including, but not limited to, multistate recognition of certified reinsurers.~~
- ~~E.A. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.~~
- ~~F. Interact with domiciliary regulators of ceding insurers and certifying states to assist and advise on the most appropriate regulatory strategies, methods and actions with respect to certified reinsurers.~~
- ~~G. Provide guidance and expertise on regulatory policy and practices with respect to certified reinsurers.~~
- ~~H. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.~~
- ~~I. Monitor Ensure the public passporting website remains current and provide recommendations to the Task Force if amendments are required.~~
- ~~J. Consider changes in its current methods of monitoring certified reinsurers domiciled in qualified jurisdictions to incorporate changes to state reinsurance collateral requirements caused by the "Bilateral Agreement Between the United States of America and the European Union (EU) on Prudential Measures Regarding Insurance and Reinsurance" (Bilateral Agreement) and any changes to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786) to provide similar treatment to reinsurers domiciled in qualified jurisdictions. Complete by the 2019 Fall National Meeting. For reinsurers domiciled in Reciprocal Jurisdictions, determine the best and most effective approaches for the financial solvency surveillance to assist the states in their work to protect the interests of policyholders.~~

2. The Qualified Jurisdiction (E) Working Group will:

- A. Develop and maintain the NAIC List of Qualified Jurisdictions in accordance with the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*.
- B. In conjunction with any revisions to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786), the Working Group is directed to consider changes to the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* to require that qualified jurisdictions recognize key NAIC solvency initiatives, including group supervision and group capital standards, as well as require strengthening of the information-sharing requirements between the states and qualified jurisdictions, in order for reinsurers domiciled in qualified jurisdictions to receive similar treatment to European Union (EU) reinsurers under the "Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance" (Bilateral Agreement), and processes of removal of qualified jurisdiction status in the event of a breach.
- ~~— Maintain the *NAIC List of Qualified Jurisdictions* and the *NAIC List of Reciprocal Jurisdictions* in accordance with the *Process for Evaluating Qualified and Reciprocal Jurisdictions*.~~
- B. Perform a yearly due diligence review of Qualified Jurisdictions to determine whether there have been any significant changes over the prior year that might affect their status as Qualified Jurisdictions.
- C. Consider evaluations of any additional jurisdictions for inclusion on the *NAIC List of Qualified Jurisdictions*.

NAIC Support Staff: Jake Stultz/Dan Schelp

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Adopted by the Risk Retention Group (E) Task Force, Month XX, 2019

2020 Proposed Charges

RISK RETENTION GROUP (E) TASK FORCE

The mission of the Risk Retention Group (E) Task Force is to stay apprised of the work of other NAIC groups as it relates to financial solvency regulation and the NAIC Financial Regulation Standards and Accreditation Program. The Task Force may make referrals to the Financial Regulation Standards and Accreditation (F) Committee and/or other NAIC groups, as deemed appropriate.

Ongoing Support of NAIC Programs, Products or Services

1. The **Risk Retention Group (E) Task Force** will:
 - A. Monitor and evaluate the work of other NAIC committees, task forces and working groups related to risk retention groups (RRGs). Specifically, if any of these ~~changes-actions~~ affect the NAIC Financial Regulation and Accreditation Standards Program, assess whether and/or how the changes should apply to RRGs and their affiliates.
 - B. Monitor and analyze federal actions, including any U.S. Government Accountability Office (GAO) reports. Consider any action necessary as a result of federal activity.
 - ~~B.C.~~ Monitor the impacts of recent tools and resources made available to domiciliary and non-domiciliary state insurance regulators pertaining to RRGs. Consider whether additional action is necessary, including educational opportunities, updating resources and further clarifications.

NAIC Support Staff: Becky Meyer

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Adopted by the Valuation of Securities (E) Task Force, Sept. 5, 2019

2020 Proposed Charges

VALUATION OF SECURITIES (E) TASK FORCE

The mission of the Valuation of Securities (E) Task Force is to provide regulatory leadership and expertise to establish and maintain all aspects of the NAIC's credit assessment process for insurer-owned securities, as well as produce insightful and actionable research and analysis regarding insurer investments.

Ongoing Support of NAIC Programs, Products or Services

1. The **Valuation of Securities (E) Task Force** will:

- A. Review and monitor the operations of the NAIC Securities Valuation Office (SVO) and the NAIC Structured Securities Group (SSG) to ensure they continue to reflect regulatory objectives.
- B. Maintain and revise the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to provide solutions to investment-related regulatory issues for existing or anticipated investments.
- C. Monitor changes in accounting and reporting requirements resulting from the continuing maintenance of the *Accounting Practices and Procedures Manual*, as well as financial statement blanks and instructions, to ensure that the P&P Manual continues to reflect regulatory needs and objectives.
- D. Consider whether improvements should be suggested to the measurement, reporting and evaluation of invested assets by the NAIC as the result of: 1) newly identified types of invested assets; 2) newly identified investment risks within existing invested asset types; or 3) elevated concerns regarding previously identified investment risks.
- E. Identify potential improvements to the credit filing process, including formats and electronic system enhancements.
- F. Provide effective direction to the NAIC's mortgage-backed securities modeling firms and consultants.
- G. Coordinate with other NAIC working groups and task forces—including, but not limited to, the Capital Adequacy (E) Task Force, the Investment Risk-Based Capital (E) Working Group, the Statutory Accounting Principles (E) Working Group and the Blanks (E) Working Group—to formulate recommendations and to make referrals to such other NAIC regulator groups to ensure expertise relative to investments, or the purpose and objective of guidance in the P&P Manual, is reflective in the guidance of such other groups and that the expertise of such other NAIC regulatory groups and the objectives of their guidance is reflected in the P&P Manual.

H. Identify potential improvements to the filing exempt process (the use of credit rating provider ratings to determine an NAIC designation) to ensure greater consistency, uniformity and appropriateness to achieve the NAIC's financial solvency objectives. Implement to the different areas of the NAIC, and to the state-based insurance regulatory structure, the modification of the existing NAIC credit assessment framework by adding NAIC designation categories. Complete by the 2019 Fall National Meeting.

NAIC Support Staff: Charles Theriault