

## NAIC Model Laws 101

### What are model laws?

The NAIC model law development process helps provide uniformity while balancing the needs of insurers operating in multiple jurisdictions with the needs of consumers. While the value of a state-based insurance regulatory system from a consumer protection perspective is the ability to tailor state laws and regulations to meet the needs of resident consumers, there are some areas where uniformity across state borders is beneficial to all. The model laws are proposed insurance laws drafted by the NAIC to promote uniformity among the states. Upon NAIC adoption of a model law, it is a priority of the NAIC to uniformly adopt the model law in a majority of the states. NAIC members devote significant resources to communicate, educate and support adoption of the model law by the states.

### Origins of NAIC models

The NAIC was founded in 1871 by state insurance regulators out of concern for a wave of insurer insolvencies across the country. The initial goal was to create uniformity in the financial condition reporting insurers provide to state insurance regulators in order to improve oversight capabilities. The 1940s saw an uptick in model law development after the passage of the McCarran-Ferguson Act affirmed the states' regulatory authority over the business of insurance. The models enacted during this time created the legal framework for rating that still exists today, including the regulation of rating organizations; requirements for the filing and approval of rates; and prohibitions against excessive, inadequate and discriminatory rates.

### Purpose

NAIC model laws are developed in areas where uniformity or a minimum national standard is deemed necessary.

### Model laws procedure

In 2007, the NAIC updated the criteria and procedure for model law development. For a new model to be developed or an existing model to be updated, it must meet two standards. First, the subject matter must require a minimum national standard and/or uniformity across the states. Second, NAIC members must commit significant state insurance regulator and association resources to encourage adoption across the states.

To initiate the development process, an NAIC group requests approval from its [Parent Committee](#) and then the Executive (EX) Committee. Once approved, the group has one year to complete its work, at which point it must be adopted by at least a two-thirds majority by the Parent Committee and subsequently by the Executive (EX) Committee and Plenary at the next NAIC national meeting.

## Documentation/Proceedings/Exposures

In accordance with the NAIC [open meetings policy](#), the drafting work is done via conference calls or in-person meetings that are accessible to the public. In addition, each model, whether new or a revision, must go through a minimum of one 30-day [exposure](#) period. The draft model is posted on the responsible NAIC group's web page, and public comments are invited.

The revised versions, exposure drafts and comment letters are compiled with the minutes from all other meetings and conference calls and added to the NAIC *Proceedings*, which are released after each national meeting. The full *Proceedings* archive is available digitally on the NAIC [Research Library](#) website. Old versions and drafts of NAIC model laws can be easily found within the *Proceedings* by consulting the "Proceedings Citations" section at the end of each [current model law](#).

## Accreditation

The NAIC Financial Regulation Standards and [Accreditation](#) Program was created in the late 1980s to foster accountability and uniformity following several large insurance company insolvencies. The program sets baseline standards for financial regulatory oversight in each state, guiding state legislatures and state insurance departments in the development of effective solvency regulation. The Accreditation Program also improves oversight of multi-state insurers and ultimately reduces the cost of regulatory redundancies.

The process for a model law to become an accreditation standard is extensive and involves input and feedback from numerous parties, including consumer and industry representatives. This is in addition to the model law development process in which state insurance regulators consider comments and receive input from all insurance sector stakeholders. Only after several years and extensive feedback from stakeholders do model laws or model law revisions become accreditation standards. Once a model is adopted as an accreditation standard, the states are typically given a two-year time frame to implement new or revised standards before they take effect.

Currently, accreditation standards include at least a portion of 24 NAIC model laws. The oldest of these was last revised in 1992 ([Life and Health Reinsurance Agreements Model Regulation \[#791\]](#)). Most recently, model law revisions adopted in 2019 were incorporated into the standards by the Financial Regulation Standards and Accreditation (F) Committee ([Credit for Reinsurance Model Law \[#785\]](#) and [Credit for Reinsurance Model Regulation \[#786\]](#)). Fifty-three jurisdictions are currently accredited as of Jan. 1, 2020.