

Draft: 12/15/17

Market Conduct Examination Standards (D) Working Group
Conference Call
December 6, 2017

The Market Conduct Examination Standards (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met via conference call Dec. 6, 2017. The following Working Group members participated: Bruce R. Ramage, Chair, (NE); Jim Mealer, Vice Chair, and Cynthia Amann (MO); Bruce Glaser and Susan Kurtz (CO); Kurt Swan (CT); Sharon Shipp (DC); Lindsay Bates (IA); Debra Peirce (GA); Russell Hamblen (KY); Mary Lou Moran (MA); Maureen Belanger and Win Pugsley (NH); Ralph Boeckman (NJ); Peggy Willard-Ross (NV); Sylvia Lawson and Sharon Ma (NY); Rodney Beetch and Angela Dingus (OH); Brian Gabbert and Joel Sander (OK); Constance Arnold (PA); Julie Fairbanks and Laura Klanian (VA); Carla Bailey (WA); Barbara Belling, Diane Dambach, Sue Ezalarab, Renee Fabry, Jo LeDuc, Linda Low, Darcy Paskey, Rebecca Rebholz and Mary Kay Rodriguez (WI); and Mark Hooker (WV).

1. Discussed New Annuity-Related Standardized Data Requests, Oct. 24 Draft

Director Ramage said the standardized data requests, which were initially distributed Oct. 24, were updated to add data elements where needed, and to delete items that were either obsolete or redundant. Director Ramage said the annuity standardized data requests were originally part of a document titled, “NAIC Life and Annuity Insurance Standardized Data Request.”

Director Ramage said the life insurance-related standardized data requests were developed separately, and were adopted by the Working Group on its July 20 conference call; by the Market Regulation and Consumer Affairs (D) Committee at the Summer National Meeting; and by the Executive (EX) Committee and Plenary at the Fall National Meeting.

For clarity of use, each annuity area of review was developed into a separate data request to address: 1) claims; 2) in-force contracts; 3) new business declinations; 4) payment, withdrawal and surrender; 5) annuity plan codes; and 6) replacement of annuity contracts. Director Ramage said revisions were also made to the Contents section and the Uses section of each standardized data request, and the standardized data requests were edited to have the same format, style and consistency in field names/definitions as the standardized data requests that have been previously adopted by the Working Group.

Because the revisions to the documents are extensive, redlines are not shown in the documents; they can be considered as new NAIC standardized data requests. Director Ramage asked that when the Working Group considers the standardized data requests for adoption, that the standardized data requests be adopted simultaneously (all six of them at the same time).

Mr. Hamblen provided a brief explanation of the NAIC standardized data requests and their use. Mr. Hamblen said the NAIC standardized data requests offer uniform instruction to regulators with regard to obtaining data elements from regulated entities for the purposes of a targeted data call or an examination. Mr. Hamblen said the NAIC standardized data requests are designed to be used as a template or guide for regulators, noting that the states may tailor the standardized data requests for a specific or targeted purpose.

Mr. Hamblen said that before asking for data, the Kentucky Department of Insurance makes a practice of contacting the regulated entity to review the requested data fields and field descriptions in the standardized data request that will be utilized with the regulated entity, which also provides the regulated entity with an opportunity to ask questions and obtain feedback about how the data is to be provided to the insurance department. Mr. Hamblen said the NAIC standardized data requests are not one-size-fits-all documents, and the states may remove fields or add fields as necessary, depending on the circumstances, scope and purpose of an examination.

Director Ramage said the ACLI submitted comments Nov. 27, which were posted on the Working Group web page Nov. 28. Robbie Meyer (American Council of Life Insurers—ACLI) presented the comments and suggested revisions in track changes to each standardized data request.

Ms. Meyer said the ACLI has no fundamental concerns with the data elements shown in the draft standardized data requests; rather, the ACLI has technical and administrative questions regarding how the data should be provided; for example, where there is more than one applicant for an annuity, or if there is more than one annuitant, how would that data be provided to an insurance department.

In addition, Ms. Meyer said the ACLI asks that various field descriptions shown in the track changes comments be clarified, so a regulated entity will better understand what data is being sought. She said providing opportunities for companies (as with Kentucky's example) to work with examiners is beneficial for both parties.

Carla Strauch (Thrivent Financial for Lutherans) said it is also important for regulators to demonstrate flexibility with regard to companies not being able to provide the data elements that are being requested.

Director Ramage asked that comments on the standardized data requests be submitted to Petra Wallace (NAIC) by Dec. 31. Revised standardized data requests addressing comments received as of that date will be developed for further Working Group review in 2018.

2. Discussed Other Matters

Director Ramage said, in 2018, the Working Group will likely resume its review of the process review methodology proposal provided by Don Koch (NorthStarExams LLC) and the compliance risk assessment methodology outline provided by INS Regulatory Insurance Services.

Director Ramage said draft long-term care (LTC) examination standards, mental health parity-related exam standards and exam standards corresponding to the recently adopted *Insurance Data Security Model Law* (#668) will be developed for review and discussion on a future Working Group conference call.

Director Ramage said the Working Group should be monitoring the work of the Short Duration Long-Term Care Policies (B) Subgroup, which will be creating a model to address LTC products of short duration, and the Travel Insurance (C) Working Group, which is drafting a new Travel Insurance Model Act. Additionally, Director Ramage said that when work on the *Annuity Disclosure Model Regulation* (#245) and the *Suitability in Annuity Transactions Model Regulation* (#275) is completed, corresponding examination standards should be developed for inclusion in the *Market Regulation Handbook*.

Director Ramage said NAIC staff will provide advance email notice of the next Working Group conference call, which is anticipated to occur early in 2018, after the Working Group is reappointed by the Market Regulation and Consumer Affairs (D) Committee.

Having no further business, the Market Conduct Examination Standards (D) Working Group adjourned.

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