

EXECUTIVE (EX) COMMITTEE AND PLENARY

Executive (EX) Committee and Plenary, Nov. 19, 2024, Minutes

Adopted the 2025 Generally Recognized Expense Table (GRET) (Attachment One)

Adopted a P&P Manual Amendment Authorizing State Insurance Regulator Discretion over NAIC

Designations Assigned through the FE Process (Attachment Two)

Report on States' Implementation of NAIC-Adopted Model Laws and Regulations (Attachment Three)

Draft Pending Adoption

Draft: 12/3/24

Executive (EX) Committee and Plenary
Denver, Colorado
November 19, 2024

The Executive (EX) Committee and Plenary met in Denver, CO, Nov. 19, 2024. The following Committee and Plenary members participated: Andrew N. Mais, Chair (CT); Jon Godfread, Vice Chair (ND); Scott A. White, Vice President (VA); Elizabeth Kelleher Dwyer, Secretary-Treasurer (RI); Chlora Lindley-Myers, Most Recent Past President (MO); Lori K. Wing-Heier (AK); Mark Fowler (AL); Alan McClain (AR); Peni Itula Sapini Teo (AS); Barbara D. Richardson (AZ); Ricardo Lara represented by Lucy Wang (CA); Michael Conway (CO); Karima M. Woods represented by Sharon Shipp (DC); Trinidad Navarro (DE); Michael Yaworsky (FL); John F. King (GA); Michelle B. Santos (GU); Gordon I. Ito represented by Jerry Bump (HI); Doug Ommen (IA); Dean L. Cameron (ID); Ann Gillespie (IL); Holly W. Lambert represented by Meggan Brumbaugh (IN); Vicki Schmidt represented by Barbara Rankin (KS); Sharon P. Clark (KY); Timothy J. Temple represented by Barrow Peacock (LA); Michael T. Caljouw represented by Kevin P. Beagan (MA); Marie Grant (MD); Robert L. Carey represented by Timothy N. Schott (ME); Anita G. Fox (MI); Grace Arnold (MN); Mike Chaney (MS); Mike Causey represented by Jackie Obusek (NC); Eric Dunning (NE); D.J. Bettencourt (NH); Justin Zimmerman (NJ); Alice T. Kane represented by Sahar Hassanin (NM); Scott Kipper (NV); Adrienne A. Harris represented by Bhavna Agnihotri (NY); Judith L. French represented by Matt Peters (OH); Glen Mulready (OK); Andrew R. Stolfi (OR); Michael Humphreys (PA); Michael Wise (SC); Larry D. Deiter (SD); Carter Lawrence represented by Toby Compton (TN); Cassie Brown (TX); Jon Pike (UT); Tregenza A. Roach (VI); Kevin Gaffney (VT); Mike Kreidler represented by Jim Odiorne (WA); Nathan Houdek represented by Lauren Van Buren (WI); and Allan L. McVey (WV).

1. Adopted by Consent the Committee, Subcommittee, and Task Force Minutes of the Summer National Meeting

Commissioner Godfread made a motion, seconded by Director Lindley-Myers, to adopt by consent the committee, subcommittee, and task force minutes of the Summer National Meeting. The motion passed unanimously.

2. Received the Report of the Life Insurance and Annuities (A) Committee

Commissioner Ommen reported that the Life Insurance and Annuities (A) Committee met Nov. 18. During this meeting, the Committee adopted its Oct. 21 minutes, which included the following action: 1) adopted the 2025 Generally Recognized Expense Table (GRET); and 2) adopted its 2025 proposed charges and those of the Life Actuarial (A) Task Force.

The Committee also: 1) heard a federal update from Taylor Walker (NAIC); and 2) adopted the report of the Life Actuarial (A) Task Force.

Additionally, the Committee adopted the report of the Annuity Suitability (A) Working Group, which met Nov. 17. During this meeting, the Working Group took the following action: 1) discussed the Working Group chair's draft safe harbor guidance document and comments; and 2) announced plans to reconvene the small drafting group that developed the initial draft guidance document to review the comments received and revise the draft accordingly.

The Committee received an update from the Special (EX) Committee on Race and Insurance's Life Workstream. During its Nov. 17 meeting, the Special (EX) Committee on Race and Insurance adopted the endorsement of a mandatory financial education course as a prerequisite to high school graduation developed by the Life Workstream. The Life Workstream also exposed a draft survey of life insurers' use of criminal history in

Draft Pending Adoption

underwriting, received comments, and discussed a revised draft based on the comments received. The next steps include finalizing the survey questions and the process for issuing the survey.

The Committee also: 1) heard a presentation from the American Council on Gift Annuities (ACGA) reacquainting state insurance regulators with charitable gift annuities; and 2) heard a presentation from the Coalition Against Insurance Fraud (CAIF) on the types of fraud it is currently hearing about involving life insurance and annuities.

3. Adopted the 2025 Generally Recognized Expense Table (GRET)

Commissioner Ommen reported that the Society of Actuaries (SOA) Committee on Life Insurance Company Expenses submitted its GRET analysis to the Life Actuarial (A) Task Force for the upcoming year. Around 40% of companies use GRET for sales illustration purposes. To develop the GRET, the SOA takes average industry expense data for the most recent two years for each distribution channel. The SOA's methodology has been consistent since 2015.

No concerns were raised with this year's SOA updates, and the Life Insurance and Annuities (A) Committee adopted the 2025 GRET during its Oct. 21 meeting.

Commissioner Ommen made a motion, seconded by Acting Director Gillespie, to adopt the 2025 GRET (Attachment One). The motion passed unanimously.

4. Received the Report of the Health Insurance and Managed Care (B) Committee

Director Fox reported that the Health Insurance and Managed Care (B) Committee met Nov. 19 and adopted its Summer National Meeting minutes.

The Committee also: 1) adopted its subgroup, working group, and task force reports and interim minutes; and 2) adopted its 2025 proposed charges and its task forces' 2025 proposed charges.

The Committee adopted revisions to the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act* (#171). The revisions update the model for consistency with its model act, the *Supplementary and Short-Term Health Insurance Minimum Standards Model Act* (#170).

The Committee heard a presentation from NORC at the University of Chicago on research to assess the use of artificial intelligence (AI) to conduct utilization management. The presentation covered the use of AI in health insurance and key findings regarding health benefit plan use, impact, and regulatory oversight. The presentation also outlined recommendations related to the use of AI, such as transparency, accountability, and ensuring effective oversight.

Additionally, the Committee: 1) heard a presentation from the Center for Insurance Policy and Research (CIPR) on small group market trends; and 2) heard an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on recent activities of interest to the Committee.

5. Received the Report of the Property and Casualty Insurance (C) Committee

Commissioner McClain reported that the Property and Casualty Insurance (C) Committee met Nov. 19 and adopted its Summer National Meeting minutes.

The Committee adopted the reports of its task forces and working groups: Casualty Actuarial and Statistical (C) Task Force; Surplus Lines (C) Task Force; Title Insurance (C) Task Force; Workers' Compensation (C) Task Force;

Draft Pending Adoption

Cannabis Insurance (C) Working Group; Catastrophe Insurance (C) Working Group; Terrorism Insurance Implementation (C) Working Group; and Transparency and Readability of Consumer Information (C) Working Group.

The Committee also: 1) adopted the *Premium Increase Transparency Guidance*, which is a voluntary template for states to use if they wish to require insurers to provide additional information related to premium increases; and 2) adopted its 2025 proposed charges.

Additionally, the Committee: 1) heard a presentation from QuantivRisk on the intersection of advanced vehicle technology and auto claim adjudication; 2) heard a presentation from FortressFire on using fire science and data to deliver home resilience; 3) heard a federal update; and 4) heard an update on the status of the Property & Casualty Market Intelligence (PCMI) data call.

6. Received the Report of the Market Regulation and Consumer Affairs (D) Committee

Commissioner Pike reported that the Market Regulation and Consumer Affairs (D) Committee met Nov. 19 and adopted its Summer National Meeting minutes.

The Committee adopted its 2025 proposed charges, which include disbanding the Market Information Systems (D) Task Force and appointing a new Market Information Systems (D) Working Group.

The Committee adopted revisions to Chapter 23—Conducting the Life and Annuity Examination of the *Market Regulation Handbook* regarding *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After Dec. 14, 2020* (AG 49-A).

The Committee adopted amendments and an implementation timeline for the NAIC Uniform Licensing Applications, which will require between 4,122 and 10,715 hours of work. National Insurance Producer Registry (NIPR) work on amending the Uniform Producer Licensing Application will begin in October 2025 and will be completed by February 2026, with implementation into production scheduled between March and May 2026.

The Committee adopted the NAIC continuing education (CE) audit guidelines to provide states with instructions on auditing approved CE courses.

The Committee adopted amendments to the *Public Adjuster Licensing Model Act* (#228) to strengthen regulatory standards governing the conduct of public adjusters in the following areas: 1) individuals acting as unlicensed public adjusters; 2) contractors who are also acting as public adjusters on the same claim; 3) inappropriate assignment of benefit rights; and 4) excessive fees charged by public adjusters.

The Committee adopted the reports of its task forces and working groups: Antifraud (D) Task Force; Producer Licensing (D) Task Force; Market Analysis Procedures (D) Working Group; Market Conduct Annual Statement Blanks (D) Working Group; Market Conduct Examination Guidelines (D) Working Group; Market Regulation Certification (D) Working Group; and Speed to Market (D) Working Group.

The Committee also heard an update on federal activities from NAIC staff.

Commissioner Pike noted that 11 states have completed the Market Regulation Certification program's self-assessments and are now provisionally certified.

Draft Pending Adoption

7. Received the Report of the Financial Condition (E) Committee

Director Wise reported that the Financial Condition (E) Committee met Nov. 19. During this meeting, the Committee adopted its Oct. 24, Aug. 29, and Summer National Meeting minutes, which included the following action: 1) adopted its 2025 proposed charges; 2) made changes to address comments on the draft request for proposal (RFP) to engage a consultant to design and help implement a new due diligence program over the ongoing use of credit rating providers (CRPs); and 3) adopted amendments to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) that provide state insurance regulators with discretion over securities that are otherwise exempt from filing with the Securities Valuation Office (SVO).

The Committee adopted the reports of its task forces and working groups: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Examination Oversight (E) Task Force; Financial Stability (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Valuation of Securities (E) Task Force; NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group; National Treatment and Coordination (E) Working Group; Restructuring Mechanisms (E) Working Group; and Risk-Focused Surveillance (E) Working Group.

The Committee adopted a listing of qualified jurisdictions and reciprocal jurisdictions.

The Committee also: 1) received a status report on the draft reinsurance asset adequacy actuarial guideline; 2) a status report from the Valuation of Securities (E) Task Force; and 3) a status report from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group.

Note: Items adopted within the Financial Condition (E) Committee’s task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards—i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial—will be considered for adoption by the Executive (EX) Committee and Plenary through the Financial Condition (E) Committee’s technical changes report process. Pursuant to this process, which was adopted by the NAIC in 2009, a listing of the various technical changes will be sent to NAIC Members shortly after the completion of the national meeting, and the Members will have 10 days to comment with respect to those items. If no objections are received concerning a particular item, the technical changes will be considered adopted by the NAIC membership and effective immediately.

8. Adopted a P&P Manual Amendment Authorizing State Insurance Regulator Discretion over NAIC Designations Assigned through the FE Process

Director Wise reported that the amendment to the P&P Manual provides state insurance regulators with discretion over the NAIC Designations assigned to securities based on a conversion from NRSRO ratings that otherwise are exempt from filing with the SVO.

The Task Force considered the changes over the past year and the proposal went through three iterations before being adopted. Each iteration elicited constructive criticism, and the ultimate product was improved. The most noteworthy change was the addition of specific language to ensure that it is clear that a subgroup of state insurance regulators will have the ultimate authority over the outcome of any given challenge and to clarify the expected involvement of the domiciliary regulator(s). Among other important changes, language was added to clarify the open dialogue expected between the insurer and the SVO. In some cases, the SVO may need additional information, particularly for some private transactions.

Language was also added to clarify the anticipated frequency of the tool’s use. Given the number of steps involved in the process, it would be difficult to use this process often because the NAIC does not have enough resources.

Draft Pending Adoption

Finally, language was added to clarify that the insurer may involve any authorized party in the discussion, which includes, but is not limited to, the credit rating provider.

Director Wise made a motion, seconded by Commissioner White, to adopt the P&P Manual amendment authorizing regulator discretion over NAIC Designations assigned through the filing exemption (FE) process (Attachment Two). The motion passed unanimously.

9. Received the Report of the Financial Regulation Standards and Accreditation (F) Committee

Commissioner Clark reported that the Financial Regulation Standards and Accreditation (F) Committee met Nov. 17. During this meeting, the Committee reported that it met Nov. 16 in regulator-to-regulator session, pursuant to paragraph 7 (consideration of individual state insurance department's compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings, to: 1) discuss state-specific accreditation issues; and 2) vote to award continued accreditation to the insurance departments of Connecticut, Massachusetts, New York, and the U.S. Virgin Islands.

The Committee adopted its Summer National Meeting minutes and its 2025 proposed charges, which include the formation of a new subordinate Working Group, the Accreditation Scope and Alignment (F) Working Group.

10. Received the Report of the International Insurance Relations (G) Committee

Director Dunning reported that the International Insurance Relations (G) Committee met Nov. 17 and adopted its Summer National Meeting minutes.

The Committee also adopted its Oct. 22, Oct. 8, and Sept. 24 minutes and its 2025 proposed charges.

The Committee also: 1) heard an update on the conclusion of the comparability assessment of the aggregation method to the International Association of Insurance Supervisors (IAIS) insurance capital standard (ICS); 2) heard an update on recent IAIS activities, including its recent committee meetings and publications, as well as ongoing discussions on the implementation of its 2025–2026 Roadmap and 2025–2029 Strategic Plan; and 3) heard an update on international activities, including: a) recent meetings, events, and speaking engagements with international insurance regulators; b) bilateral meetings with certain jurisdictions; c) the NAIC Fall 2024 International Fellows Program; and d) an update on international climate-related activities, including recent events and ongoing developments at the Sustainable Insurance Forum (SIF).

11. Received the Report of the Innovation, Cybersecurity, and Technology (H) Committee

Commissioner Gaffney reported that the Innovation, Cybersecurity, and Technology (H) Committee met Nov. 19 and adopted its Summer National Meeting minutes.

The Committee adopted the reports of its task force and working groups, which included the following: 1) formation of the Data Call Study Group; 2) approval of the Privacy Protections (H) Working Group's request to extend the deadline for the completion of its revisions to the *Privacy of Consumer Financial and Health Information Regulation* (#672) until Dec. 31, 2025; and 3) an update on the Cybersecurity (H) Working Group's ongoing discussions to consider building a cybersecurity event response notice portal to assist state insurance regulators and the insurance industry in simplifying the notice provision process.

The Committee adopted its 2025 proposed charges.

Draft Pending Adoption

The Committee also: 1) heard a presentation from FireBreak Risk on the use of AI to help mitigate wildfire risk; and 2) heard a presentation from Clearcover and Lemonade on the responsible use of AI.

12. Received a Report on the States' Implementation of NAIC-Adopted Model Laws and Regulations

Commissioner Mais referred attendees to the written report for updates on states' implementation of NAIC-adopted model laws and regulations (Attachment Three).

13. Heard the Results of the 2025 NAIC Zone Officer Elections

The Executive (EX) Committee and Plenary received the results of the 2025 zone officer elections:

- Midwest Zone: Commissioner Vicki Schmidt, Chair (KS); Director Eric Dunning, Vice Chair (NE); and Director Larry D. Deiter, Secretary (SD).
- Northeast Zone: Commissioner Michael Humphreys, Chair (PA); Commissioner Justin Zimmerman, Vice Chair (NJ); and Commissioner D.J. Bettencourt, Secretary (NH).
- Southeast Zone: Commissioner Sharon P. Clark, Chair (KY); Commissioner Alan McClain, Vice Chair (AR); and Commissioner Tregenza A. Roach, Secretary (VI).
- Western Zone: Commissioner Andrew R. Stolfi, Chair (OR); Commissioner Cassie Brown, Vice Chair (TX); and Director Barbara D. Richardson, Secretary (AZ).

14. Elected the 2025 NAIC Officers

The NAIC Membership elected the 2025 NAIC officers: Commissioner Jon Godfread, President (ND); Commissioner Scott A. White, President-Elect (VA); Director Elizabeth Kelleher Dwyer, Vice President (RI); and Commissioner Jon Pike, Secretary-Treasurer (UT).

Having no further business, the Executive (EX) Committee and Plenary adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/2024 NAIC Meetings/Fall National Meeting/Plenary/Minutes – EX-Plenary.docx



Adopted by the Executive (EX) Committee and Plenary on Nov. 19, 2024
Adopted by the Life Insurance and Annuities (A) Committee on Oct. 21, 2024
Adopted by the Life Actuarial (A) Task Force on Sept. 5, 2024

TABLE 1
PROPOSED 2025 GRET FACTORS, BASED ON AVERAGE OF 2022/2023 DATA

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	204	\$1.10	51%	61	147	3,008	241
Career	227	1.20	57%	68	86	2,739	218
Direct Marketing	239	1.30	59%	72	24	465	119
Niche Marketing	131	0.70	33%	39	27	649	12
Other*	159	0.90	40%	48	94	869	81
* Includes companies that did not respond to this or prior year surveys					378		

TABLE 2
CURRENT 2024 GRET FACTORS, BASED ON AVERAGE OF 2021/2022 DATA

Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$198	\$1.10	50%	\$59	140	3,433	222
Career	206	1.10	52%	62	90	2,325	196
Direct Marketing	217	1.20	54%	65	23	767	122
Niche Marketing	132	0.70	33%	40	31	347	10
Other*	162	0.90	41%	49	95	917	80
* Includes companies that did not respond to this or prior year surveys					379		

APPENDIX A -- DISTRIBUTION CHANNELS

The following is a description of distribution channels used in the development of recommended 2022 GRET values:

1. Independent – Business written by a company that markets its insurance policies through an independent insurance agent or insurance broker not primarily affiliated with any one insurance company. These agencies or agents are not employed by the company and operate without an exclusive distribution contract with the company. These include most PPGA arrangements.
2. Career – Business written by a company that markets insurance and investment products through a sales force primarily affiliated with one insurance company. These companies recruit, finance, train, and often house financial professionals who are typically referred to as career agents or multi-line exclusive agents.
3. Direct Marketing – Business written by a company that markets its own insurance policies direct to the consumer through methods such as direct mail, print media, broadcast media, telemarketing, retail centers and kiosks, internet, or other media. No direct field compensation is involved.
4. Niche Marketers – Business written by home service, pre-need, or final expense insurance companies as well as niche-market companies selling small face amount life products through a variety of distribution channels.
5. Other – Companies surveyed were only provided with the four options described above. Nonetheless since there were many companies for which we did not receive a response (or whose response in past years’ surveys confirmed an “other”

categorization (see below), values for the “other” category are given in the tables in this memo. It was also included to indicate how many life insurance companies with no response (to this survey and prior surveys) and to indicate whether their exclusion has introduced a bias into the resulting values.

APPENDIX B – UNIT EXPENSE SEEDS

The expense seeds used in the 2014 and prior GRETs were differentiated between branch office and all other categories, due to the results of a relatively old study that had indicated that branch office acquisition cost expressed on a per Face Amount basis was about double that of other distribution channels. Due to the elimination of the branch office category in the 2015 GRET, non-differentiated unit expense seeds have been used in the current and immediately prior studies.

The unit expense seeds used in the 2024 GRET and the 2023 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission this information will become more readily available.

2006-2010 (AVERAGE) CLICE STUDIES:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
Term				
Weighted Average	\$149	\$0.62	38%	\$58
Unweighted Average	\$237	\$0.80	57%	\$76
Median	\$196	\$0.59	38%	\$64
Permanent				
Weighted Average	\$167	\$1.43	42%	\$56
Unweighted Average	\$303	\$1.57	49%	\$70
Median	\$158	\$1.30	41%	\$67

CURRENT UNIT EXPENSE SEEDS:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	\$200	\$1.10	50%	\$60

Amendments Adopted by:

The Executive (EX) Committee and Plenary, Nov. 19, 2024

The Valuation of Securities (E) Task Force, Aug. 13, 2024

The Financial Condition (E) Committee, Aug. 29, 2024

TO: Carrie Mears, Chair, Valuation of Securities (E) Task Force
Members of the Valuation of Securities (E) Task Force

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

RE: Revised Amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the "P&P Manual") Authorizing the Procedures for the SVO's Discretion Over NAIC Designations Assigned Through the Filing Exemption Process

DATE: July 30, 2024

Summary: The Valuation of Securities (E) Task Force exposed the prior version of this amendment, dated June 4, 2024, for a 38-day comment period that ended on July 26, 2024. The following updates have been made to this prior version and reflect recommendations received from interested parties.

- Clarification that the process will be consistently applied to all CRPs.
- The term "authorized insurers" is defined.
- Clarification of the SVO's written summary of its analysis during the review phase.
- Including other authorized parties to discuss the security with the SVO.
- IAO shall communicate in writing its opinion of the appropriate NAIC Designation Category.
- The annual summary will be anonymized and will not disclose information on specific securities, CRPs or impacted insurers.
- The SVO will publish within 45 days of a security being removed from the Filing Exemption process an anonymized summary (without references specific to the security or CRP, to avoid disclosing confidential information).
- Impact to issuers that have multiple securities within the same debt class.

Recommendation: The SVO recommends adoption of this proposed amendment authorizing the procedures for the SVO's discretion over NAIC Designations assigned through the FE process with an effective date of January 1, 2026. The effective date can be amended, if needed, if additional time is needed to implement the applicable technological enhancements, as previously discussed. The proposed text changes to P&P Manual are shown in red-underline or ~~red-strikethrough~~ below with new text since the last exposure highlighted in yellow.

PART ONE

POLICIES OF THE NAIC VALUATION OF SECURITIES (E) TASK FORCE

POLICIES APPLICABLE TO THE FILING EXEMPTION (FE) PROCESS

NOTE: The policies below provide the policy framework for “Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities” in Part Three and are related to “The Use of Credit Ratings of NRSROs in NAIC Processes” discussed above; “NAIC Policy on the Use of Credit Ratings of NRSROs” and the “Definition – Credit Ratings Eligible for Translation to NAIC Designations” in Part Two (“Eligible NAIC CRP Credit Ratings” excludes the use of any credit rating assigned to a security type where the NAIC has determined that the security type is not eligible to be reported on Schedule D or the it is not appropriate for NRSRO credit ratings to be used to determine the regulatory treatment of the security or asset.)

Determinations

80. The VOS/TF is resolved that the benefit obtained from the use of credit ratings in state regulation of insurance (i.e. conservation of limited regulatory resources) must be balanced against the risk of blind reliance on credit ratings. To ensure the Task Force properly understands the composition and risk of the filing exempt securities population; promote uniformity in the production of NAIC Designations, reduce reporting exceptions for filing exempt securities and increase the efficiency of this NAIC process, the SVO and SSG (hereafter, the IAO) is charged with administration of the filing exempt process defined in Part Three of this Manual.

Directives

81. The IAO shall:

- Recommend improvements to the production of NAIC Designations based on NRSRO credit ratings.
- Identify monitoring and communication procedures that enhance the possibility of regulatory intervention by the VOS/TF to respond to risks to insurer solvency posed by securities in the filing exempt population.
- Identify and develop correctives to the administrative, operational and system-based causes of reporting exemptions in the filing exempt process.
- Change the NAIC Designation equivalent calculated for filing exempt securities when necessary to correct errors or other anomaly that occur in the automated filing exempt process.
- Develop a staff-administered reporting exceptions resolution process that incorporates state insurance regulator and insurance companies’ participation.

- In furtherance of the above directives, exclude specific otherwise Eligible NAIC CRP Credit Ratings from the automated filing exemption process in accordance with the administrative procedures outlined in Part Two of this Manual, if a Subgroup of the Task Force agrees with the determination of the IAO Credit Committee that the resulting NAIC Designation equivalent does not provide a reasonable assessment of investment risk for regulatory purposes.

...

PART TWO
OPERATIONAL AND ADMINISTRATIVE INSTRUCTIONS
APPLICABLE TO THE SVO

SVO ORGANIZATION

SVO Administrative Symbols

153. SVO administrative symbols convey information about a security or an administrative procedure instead of an opinion of credit quality. The administrative symbols in use by the SVO and their meanings are described below.

SVO Analytical Department Symbols

154. All SVO analytical departments use the following administrative symbols:

...

- UR means the NAIC Designation assigned pursuant to the filing exemption process is under review by the NAIC's Investment Analysis Office.
- ER means that one or more otherwise Eligible NAIC CRP Credit Ratings have been excluded from the filing exemption process when determining the NAIC Designation through the Eligible NAIC CRP Rating exclusion procedures in this Manual.

PROCESS FOR EXCLUDING AN ELIGIBLE NAIC CRP RATING FROM FILING EXEMPTION FOR A SPECIFIC SECURITY

Overview

164. This section outlines the process by which a state insurance regulator or IAO staff can contest an NAIC Designation Category assigned through the filing exemption process which it thinks is not a reasonable assessment of investment risk of the security for regulatory purposes. The process in this section will be consistently applied to all CRPs, without favor to any individual CRP or class of CRPs, and is not expected to be used often. For purposes of this section, the term “authorized insurers” is defined as: Holders of the affected securities that agree to the confidentiality provisions required by the NAIC.

(Note: The guidance in this part is effective as of January 1, 2026, but this date may be amended if additional time is needed to implement the necessary NAIC technological enhancements to IAO systems.)

Request for Information

165. The IAO staff will bring to the attention of the Credit Committee any filing exemption-eligible security assigned an NAIC Designation Category equivalent through the automated filing exemption process as being a security under review if (i) a state insurance regulator notifies the IAO staff that it has determined the NAIC Designation Category equivalent may not be a reasonable assessment of investment risk of the security for regulatory purposes, or (ii) the IAO staff, in its opinion, determines that the NAIC Designation Category equivalent may not be a reasonable assessment of investment risk of the security for regulatory purposes. State insurance regulator notification pursuant to this section does not negate the authority of state insurance regulators under “States May Require a Filing of Exempt or Other Transactions” in Part One of this Manual.

166. The Credit Committee will convene to determine if, in its opinion, the NAIC Designation Category assigned pursuant to the filing exemption process is a reasonable assessment of investment risk of the security for regulatory purposes. As part of its review, the Credit Committee may consider observable factors including, but not limited to (i) a comparison to peers rated by different CRPs, (ii) consistency of the security's yield at issuance or current market yield to securities with equivalently calculated NAIC Designations rated by different CRPs, (iii) the IAO's assessment of the security applying available methodologies, and (iv) any other factors it deems relevant. If the Credit Committee's opinion is that the assigned NAIC Designation Category is likely a reasonable assessment of investment risk of the security for regulatory purposes, no further action will be taken at that time. If the Credit Committee's opinion is that the assigned NAIC Designation Category is likely not a reasonable assessment of investment risk of the security for regulatory purposes, an information request will be initiated and the security will be put under review.
167. The IAO will notify insurance company holders of the security determined to be a Filing Exempt Security "Under Review" by issuing an information request and publishing a separate SVO Analytical Department Symbol of "UR" for under review in NAIC systems. The SVO Analytical Department Symbol of "UR" will not be reported on the statutory investment schedules. The purpose of the information request is to notify insurance company holders of the security to provide the IAO staff with sufficient information to perform a full analysis of the security. The information provided by insurers should be comparable to an Initial Filing, as described in this Manual, and must be accompanied by each insurer's internal analysis. Consistent with the informational deficiency instructions in this Manual, security information consistent with an Initial Filing should be provided to the IAO within 45 days unless an extension has been granted to the insurance company by the IAO, not to exceed 90 days in total from the date that the IAO issues an information request. The IAO may contact the insurance company's domiciliary chief financial regulator for assistance after the initial 45 days if there has been no meaningful response. If after 90 days additional information equivalent to an Initial Filing has not been provided to the IAO, the IAO may proceed with removal of the otherwise Eligible NAIC CRP Credit Rating(s) from the Filing Exempt process without convening the Sub-group of the Task Force, as described in this section.

For the avoidance of doubt, if an issuer has multiple securities within the same debt class (i.e. position in the capital stack) whose ratings are placed Under Review, for purposes of this process only, insurers must only provide requested information materials once. After a final determination is made regarding the CRP ratings for the affected securities, should the IAO's proposed NAIC Designation Category prevail, insurers would then need to file all securities/identifiers individually to receive an IAO-assigned NAIC Designation upon NAIC Designation renewal.

Full Review

168. At any time during the information request submission period or during the IAO's subsequent analysis of the security, the insurance company holders of the security are encouraged to provide additional information to the IAO such as their internal analysis, presentations from the issuer, meetings with the issuer's management team and any other information that may be useful or persuasive in the analysis of the security. The IAO will coordinate verbally and in writing with the authorized insurer(s) staff to discuss any questions or issues the IAO may have about the security and answer any question that the authorized insurer(s) staff may have about the IAO's analysis. The IAO will provide a written summary of its analysis and its view of why it believes the CRP's risk assessment is an unreasonable assessment of investment risk for regulatory purposes to authorized insurers. It will also coordinate verbally and in writing with the authorized insurer(s) staff to discuss any questions or issues the IAO may have about the security and answer any question that the authorized insurer(s) staff may have about the IAO's analysis. The authorized insurer(s) staff may invite other authorized parties that have agreed to the confidentiality provisions required by the NAIC to these discussions with the IAO.
169. Upon satisfactory receipt of the information through the information request, the IAO will perform a full analysis of the security during which time the SVO Analytical Department Symbol "UR" will remain in place but this symbol will not be reported on the statutory investment schedules.

IAO Determination and Materiality Threshold

170. Upon completion of the IAO's analysis, the Credit Committee will reconvene to determine its own opinion of the NAIC Designation Category. The Credit Committee will then determine whether the NAIC Designation Category assigned through the automated filing exemption process is materially different from its own assessment of the security's risk.
171. The IAO will consider the materiality of the difference between the Eligible NAIC CRP Credit Rating used in the filing exempt process and the IAO's own assessment of the risk. The IAO may propose the removal of an otherwise Eligible NAIC CRP Credit Rating from the Filing Exemption process to a Task Force Sub-group only if the Credit Committee determines, based upon its review, that the Eligible NAIC CRP Credit Rating for the security is three (3) or more notches different than the IAO's assessment (e.g. NAIC Designation Category 1.G versus 2.C) (the "Materiality Threshold").

Valuation of Securities (E) Task Force Oversight

172. The Credit Committee shall schedule a call with a VOS/TF Sub-Group (the composition of which shall be determined by the VOS/TF chair) to discuss and explain its analytical basis for any Eligible NAIC CRP Credit Rating being recommended for removal from Filing Exemption eligibility. The Credit Committee will use communication processes that maintain confidentiality and **notify invite the** domiciliary regulators of insurer holders of the security ~~of to~~ **participate in** the Sub-group meeting.
173. If the Credit Committee identifies that there is a recurring analytical pattern or concern, the IAO Director(s) will inform the VOS/TF chair and they will decide if an issue paper, referral, amendment to this Manual or some other action is needed **to be introduced into Task Force proceedings and deliberation.**
174. Insurance company staff, and other parties invited by the insurer, that are authorized to discuss the security and who have agreed to confidentiality provisions required by the NAIC, may present their analytical basis to maintain the Eligible NAIC CRP Credit Rating's eligibility for Filing Exemption to the **joint** meeting of the VOS/TF Sub-group and the Credit Committee. **Prior to inviting insurers to discuss the security and CRP ratings in question, the IAO shall communicate in writing what it believes the NAIC Designation Category to be, citing the main considerations that form the basis of the IAO's proposed NAIC Designation Category.** Any materials shared during **or in advance of** this meeting with the VOS/TF Sub-group **and Credit Committee** are considered highly confidential and may not be shared beyond those participants at the meeting that have been identified as having been authorized to receive such materials and have agreed to maintain their confidentiality.
175. At any time, the VOS/TF chair may direct the VOS/TF to review the described process to ensure it remains effective and efficient and to recommend revisions to any components.

Assignment of NAIC Designation Category

176. If the VOS/TF Sub-group disagrees with the Credit Committees' NAIC Designation Category opinion and determines that the NAIC Designation Category assigned pursuant to the Filing Exemption process *does not* meet the Materiality Threshold, the Eligible NAIC CRP Credit Rating shall remain eligible for Filing Exemption, the SVO Analytical Department Symbol "UR" will be deactivated, and no further action will be taken at that time. This determination shall not preclude the IAO from placing the same Eligible NAIC CRP Credit Rating under analytic review at a later date following a subsequent review should changing conditions warrant.

177. If the VOS/TF Sub-group agrees with the Credit Committees' NAIC Designation Category opinion and determines that the NAIC Designation Category assigned pursuant to the Filing Exemption process *does* meet the Materiality Threshold, the IAO is authorized to block the otherwise Eligible NAIC CRP Credit Rating in NAIC systems to prevent that otherwise Eligible NAIC CRP Credit Rating from being used in the automated Filing Exempt Securities Process.
178. If an Eligible NAIC CRP Rating has been removed from Filing Exemption eligibility for a security according to this section and the security has other Eligible NAIC CRP Rating(s) which have not been removed or the security receives an additional Eligible NAIC CRP Rating at any time during or after this process, then the security can receive its NAIC Designation Category through the Filing Exemption process based on the Eligible NAIC CRP Rating(s) that have not been removed. If there is no alternate Eligible NAIC CRP Rating in NAIC systems, the Credit Committee's NAIC Designation Category will be entered into NAIC systems to assign an NAIC Designation Category to the security.

Reinstatement of Filing Exemption Eligibility

179. If an insurer would like the IAO to re-evaluate an Eligible NAIC CRP Credit Rating that was removed from Filing Exemption Eligibility for possible reinstatement in a subsequent filing year, it can follow the operational steps outlined in Appeals of SVO Determinations in this Manual to submit the request.

Reporting Securities Removed from Filing Exemption Eligibility

180. The IAO Director(s) will prepare an anonymized summary that does not disclose specific securities, CRPs or impacted insurers of the removed from Filing Exemption Eligibility actions taken over the prior calendar year.
181. Within 45 days of a security being removed from the Filing Exemption process, the IAO will also publish an anonymized summary (without references specific to the security, to avoid disclosing confidential information) of each unique situation encountered for the securities subject to removal from Filing Exemption Eligibility and publish it on an insurer accessible web location.
182. To facilitate transparency as to the SVO's application of discretion, the SVO Analytical Department Symbols "ER" will be added in NAIC Systems to securities with an excluded otherwise Eligible NAIC CRP Credit Rating(s). The SVO Analytical Department Symbols, "ER" *will be* reported on the insurer's statutory investment schedules for the effected security instead of SVO Administrative Symbols "FE" for filing exemption.

...

Date: 11/15/24

State Implementation Reporting of NAIC-Adopted Model Laws and Regulations
As of November 14, 2024

Executive (EX) Committee

- Amendments to the ***Unfair Trade Practices Act (#880)***—The Executive (EX) Committee and Plenary adopted these revisions at the 2024 Spring National Meeting. NAIC staff are not aware of adoption by any jurisdiction.

Property and Casualty Insurance (C) Committee

- Adoption of the ***Pet Insurance Model Act (#633)***—The Executive (EX) Committee and Plenary adopted Model #633 at the 2022 Summer National Meeting. Eleven jurisdictions have adopted this model.
- Adoption of the ***Nonadmitted Insurance Model Act (#870)***—The Executive (EX) Committee and Plenary adopted Model #870 at the 2023 Summer National Meeting. One jurisdiction has adopted this model.

Financial Condition (E) Committee

- Adoption of the ***Property and Casualty Insurance Guaranty Association Model Act (#540)***—The Executive (EX) Committee and Plenary adopted Model #540 at the 2023 Fall National Meeting. NAIC staff are not aware of adoption by any jurisdiction.
- Adoption of the ***Mortgage Guaranty Insurance Model Act (#630)***—The Executive (EX) Committee and Plenary adopted Model #630 at the 2023 Summer National Meeting. NAIC staff are not aware of adoption by any jurisdiction.