

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

Financial Regulation Standards and Accreditation (F) Committee Aug. 13, 2024, Minutes
Revisions to Model #540 (Attachment One)

Draft Pending Adoption

Date: 8/19/24

Financial Regulation Standards and Accreditation (F) Committee
Chicago, Illinois
August 13, 2024

The Financial Regulation Standards and Accreditation (F) Committee met in Chicago, IL, Aug. 13, 2024. The following Committee members participated: Lori K. Wing-Heier, Chair (AK); Sharon P. Clark, Co-Vice Chair (KY); Andrew R. Stolfi, Co-Vice Chair (OR); Alan McClain represented by Leo Liu (AR); Andrew N. Mais represented by Jack Broccoli (CT); Kevin P. Beagan represented by Christopher Joyce (MA); Robert L. Carey represented by Vanessa Sullivan (ME); Eric Dunning (NE); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Scott A. White represented by Greg Chew (VA); and Jeff Rude (WY).

1. Adopted its Spring National Meeting Minutes

Commissioner Rude made a motion, seconded by Broccoli, to adopt the Committee's March 16 minutes (*see NAIC Proceedings – Spring 2024, Financial Regulation Standards and Accreditation (F) Committee*). The motion passed unanimously.

Director Wing-Heier said the Committee also met Aug. 12 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. During this meeting, the Committee voted to award continued accreditation to Florida, Georgia, Montana, Pennsylvania, and Utah.

2. Adopted a Recommendation from the Receivership and Insolvency (E) Task Force Regarding Model #540

Director Wing-Heier stated that a memorandum had been previously received from the Receivership and Insolvency (E) Task Force regarding revisions to the *Property and Casualty Insurance Guaranty Association Model Act* (#540). These revisions, to be made acceptable but not required for accreditation, were exposed for a 30-day public comment period that ended April 19. No comments were received.

Commissioner Clark made a motion, seconded by Broccoli, to adopt the revisions to Model #540 (Attachment One). The motion passed unanimously.

3. Affirmed the GCC Accreditation Standard for RRGs

Director Wing-Heier said that at the 2023 Summer National Meeting, the Committee discussed and adopted the 2020 revisions to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450), to be effective Jan. 1, 2026. These revisions implemented a group capital calculation (GCC) for the purpose of group solvency supervision and a liquidity stress test (LST) for macroprudential surveillance. Part of the discussion included input from the Risk Retention Group (E) Task Force that recommended that the GCC element apply to risk retention groups (RRGs) but that the LST should not be applicable since that applies to life insurers and RRGs are not permitted to write life products. There was no opposition to this recommendation; however, the Committee did not affirm this when it was adopted.

Commissioner Stolfi made a motion, seconded by Commissioner Clark, to affirm that the will of the Committee is that GCC applies to RRGs but not LST. The motion passed unanimously.

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4. Exposed an Accreditation Manual Revision and Updates

Director Wing-Heier said the volunteer drafting group suggested revisions to the review team guidelines (RTGs) and self-evaluation guide (SEG) for the Committee's consideration. Sara Franson (NAIC) said that with the increasing use of contractors for analysis functions, the volunteer drafting group has proposed revisions that align the guidance concerning the use of contractors between analysis and exam. These revisions include incorporating the use of contractors within the count of qualified staff for analysis and that contractor supervision needs to document reviews.

Fischer made a motion, seconded by Broccoli, to expose the revisions to the RTGs and SEG for a 30-day public comment period ending Sept. 13.

5. Discussed a Referral to the Risk-Focused Surveillance (E) Working Group

Director Wing-Heier discussed a proposed referral to the Risk-Focused Surveillance (E) Working. Franson said the volunteer drafting group is seeking additional guidance on how to properly assess departmental oversight of contractors within examination and analysis functions. Currently, the RTGs include a process-oriented guideline for each area. The review teams often question whether there should be any additional guidelines or requirements for the person serving as the department's oversight of contractors. While the *Financial Condition Examiners Handbook* contains some guidance in this area, the volunteer drafting group is seeking guidance, clarification, and input for both the analysis and exam functions.

Commissioner Rude made a motion, seconded by Commissioner Clark, to send a referral to the Risk-Focused Surveillance (E) Working Group for additional guidance concerning the supervision of contractors.

Having no further business, the Financial Regulation Standards and Accreditation (F) Committee adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/F CMTE/2024Summer



TO: Director Lori K. Wing-Heier, Chair of Financial Regulation Standards and Accreditation (F) Committee

FROM: Director Dana Popish Severinghaus, Chair of Receivership and Insolvency (E) Task Force

DATE: February 29, 2024

RE: 2023 Amendments to the *Property and Casualty Insurance Guaranty Association Model Act* (#540)

In December 2023, the *Property and Casualty Insurance Guaranty Association Model Act* (#540) was amended to include the following updated provisions: 1) to preserve guaranty fund coverage for policyholders subject to insurance business transfers (IBT) and corporate divisions (CD) where the policyholder had guaranty fund coverage before the transaction; and 2) to clarify guaranty fund coverage of cyber security insurance.

The Receivership and Insolvency (E) Task Force recommends that the 2023 amendments to Model 540 be considered acceptable but not required, and therefore does not recommend any changes to the current Part A Accreditation standard #14—Guaranty Funds.

The current accreditation standards include Part A: Laws and Regulations standard #14 – Guaranty Funds.

- This standard requires a regulatory framework, such as that contained in the NAIC’s model acts on the subject, to ensure the payment of policyholder obligations subject to appropriate restrictions and limitations when a company is deemed insolvent. The applicable models include the *Life and Health Insurance Guaranty Association Model Act* (#520) for life companies and the *Property and Casualty Insurance Guaranty Association Model Act* (#540) for property/casualty companies.
- For this standard in which a “regulatory framework” is required rather than specific elements of the models, the revisions do not necessitate an exposure period by the Committee to include them as part of the acceptable framework for accreditation. The inclusion of the revisions as acceptable within the framework would allow a state to either adopt the revisions or not adopt the revisions and still remain in compliance with the regulatory framework required by accreditation. Following this process, the model will be considered acceptable but not required when determining if a regulatory framework is in place in accordance with the accreditation standard.

If you have any questions, please contact NAIC staff, Jane Koenigsman (jkoenigsman@naic.org).

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