

Report of the Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee met Nov. 18, 2024. During this meeting, the Committee:

1. Adopted its Oct. 21 minutes. During this meeting, the Committee took the following action:
 - A. Adopted the 2025 Generally Recognized Expense Table (GRET).
 - B. Adopted its 2025 proposed charges and those of the Life Actuarial (A) Task Force.
2. Heard a federal update.
3. Adopted the report of the Life Actuarial (A) Task Force.
4. Adopted the report of the Annuity Suitability (A) Working Group, which met Nov. 17. During this meeting, the Working Group took the following action:
 - A. Discussed the Working Group chair's draft safe harbor guidance document and comments.
 - B. Announced plans to reconvene the small drafting group that developed the initial draft guidance document to review the comments received and revise the draft accordingly. The Working Group anticipates distributing the revised draft guidance document for public comment and holding a future meeting to discuss the comments received.
5. Received an update from the Life Workstream of the Special (EX) Committee on Race and Insurance. The endorsement of a mandatory financial education course as a prerequisite to high school graduation that was developed by the Life Workstream was adopted by the Special (EX) Committee on Race and Insurance during its meeting on Nov. 17. The Life Workstream also exposed a draft survey of life insurers' use of criminal history in underwriting, received comments, and discussed a revised draft based on the comments received. Next steps include finalizing the survey questions and the process for issuing the survey.
6. Heard a presentation from the American Council on Gift Annuities (ACGA) reacquainting regulators with charitable gift annuities.
7. 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.



Pending adoption 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:

- 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.
- 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.
- 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.
- 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.
- 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

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

The Health Insurance and Managed Care (B) Committee will meet Nov. 19, 2024. During this meeting, the Committee anticipates it will:

1. Adopt its Summer National Meeting minutes.
2. Adopt the report of the Consumer Information (B) Subgroup, including its Oct. 18 minutes. During this meeting, the Subgroup took the following action:
 - A. Adopted its Oct. 8 and Aug. 29 minutes. During these meetings, the Subgroup took the following action:
 - i. Reviewed the NAIC's *Frequently Asked Questions About Health Care Reform* document (FAQ document), which is updated yearly before the open enrollment period begins so state insurance regulators have accurate information to answer consumers' questions.
 - ii. Discussed the use of current NAIC guides developed by the Subgroup.
 - B. Discussed and adopted revisions to the FAQ document.
 - C. Discussed potential future Subgroup projects, including using SurveyMonkey to solicit suggestions for a consumer guide on prior authorization.
3. Adopt the report of the Health Innovations (B) Working Group, including its Oct. 15 minutes. During this meeting, the Working Group took the following action:
 - A. Heard a presentation on hospital price caps in Oregon, which limit payments to hospitals in the state employee plan to 200% of the Medicare amount.
 - B. Heard presentations from the Center on Health Insurance Reforms (CHIR) and AHIP on federal transparency in coverage (TIC) requirements.
 - C. Heard a presentation from the PhRMA Foundation on a U.S. Department of Veterans Affairs (VA) program that helps veterans understand their prescription drugs, eliminate prescriptions that are no longer needed, and prevent conflicting drug usage.
4. Adopt the report of the Health Actuarial (B) Task Force.
5. Adopt the report of the Long-Term Care Insurance (B) Task Force.
6. Adopt the report of the Regulatory Framework (B) Task Force.
7. Adopt the report of the Senior Issues (B) Task Force.
8. Adopt its 2025 proposed charges and its task forces' 2025 proposed charges.

9. Adopt 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)*.
10. Hear 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 will discuss a recent report on the use of AI in health insurance and its key findings regarding health benefit plan use, impact, and regulatory oversight. The presentation also will outline recommendations related to its use, such as transparency, accountability, and ensuring effective oversight.
11. Hear a presentation from the Center for Insurance Policy and Research (CIPR) on small group market trends.
12. Hear an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on recent activities of interest to the Committee.

Report of the Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee will meet Nov. 19, 2024. During this meeting, the Committee anticipates it will:

1. Adopt its Summer National Meeting minutes.
2. Adopt the following Task Force and Working Group reports:
 - A. Casualty Actuarial and Statistical (C) Task Force
 - B. Surplus Lines (C) Task Force
 - C. Title Insurance (C) Task Force
 - D. Workers' Compensation (C) Task Force
 - E. Cannabis Insurance (C) Working Group
 - F. Catastrophe Insurance (C) Working Group
 - G. Terrorism Insurance Implementation (C) Working Group
 - H. Transparency and Readability of Consumer Information (C) Working Group
3. Adopt *Premium Increase Transparency Guidance*.
4. Adopt its 2025 proposed charges.
5. Hear a presentation from QuantivRisk on the intersection of advanced vehicle technology and auto claim adjudication.
6. Hear a presentation from FortressFire on using fire science and data to deliver home resilience.
7. Hear a federal update.
8. Hear an update on the status of the property/casualty (P/C) market intelligence (PCMI) data call.

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

The Market Regulation and Consumer Affairs (D) Committee will meet Nov. 19. During this meeting, the Committee anticipates it will:

1. Adopt its Summer National Meeting minutes.
2. Adopt its 2025 proposed charges, which include disbanding the Market Information Systems (D) Task Force and appointing a new Market Information Systems (D) Working Group.
3. Adopt 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).
4. Adopt 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.
5. Adopt the NAIC continuing education (CE) audit guidelines to provide states with instructions on auditing approved CE courses.
6. Adopt amendments to the *Public Adjuster Licensing Model Act (#228)* to strengthen regulatory standards governing the conduct of public adjusters for the following four issues: 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.
7. Adopt the following Task Force and Working Group reports:
 - A. Antifraud (D) Task Force
 - B. Producer Licensing (D) Task Force
 - C. Market Analysis Procedures (D) Working Group
 - D. Market Conduct Annual Statement Blanks (D) Working Group
 - E. Market Conduct Examination Guidelines (D) Working Group
 - F. Market Regulation Certification (D) Working Group
 - G. Speed to Market (D) Working Group
8. Hear an update on federal activities from NAIC staff.

Report of the Financial Condition (E) Committee

The Financial Condition (E) Committee met Nov. 19, 2024. During this meeting, the Committee:

1. Adopted its Oct. 24, Aug. 29, and Summer National Meeting minutes. During these meetings, the Committee took the following action:
 - A. Adopted its 2025 proposed charges
 - B. 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).
 - C. 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).
2. Adopted the reports of the following 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.
3. Adopted a listing of qualified jurisdictions & reciprocal jurisdictions.
4. Received a status report on the draft reinsurance asset adequacy actuarial guideline.
5. Received a status report from the Valuation of Securities (E) Task Force.
6. Received 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 completion of the national meeting, and the Members will have 10 days to comment with respect to those items. If no objections are received with respect to a particular item, the technical changes will be considered adopted by the NAIC membership and effective immediately.

Amendments Adopted by:

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

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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 Sub-group 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.

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PART TWO
OPERATIONAL AND ADMINISTRATIVE INSTRUCTIONS
APPLICABLE TO THE SVO

SVO ORGANIZATION

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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:

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- 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.

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<https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2024/2024-08 Summer NM/04-SVO Discretion/2023-005.16a PP SVO Discretion - Revised v6.1.docx>

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

The Financial Regulation Standards and Accreditation (F) Committee met Nov. 17, 2024. During this meeting, the Committee:

1. 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
2. Adopted its Summer National Meeting minutes.
3. Adopted its 2025 Charges, which include the formation of a new subordinate Working Group, the Accreditation Scope and Alignment (F) Working Group.

Report of the International Insurance Relations (G) Committee

The International Insurance Relations (G) Committee met Nov. 17, 2024. During this meeting, the Committee:

1. Adopted its Summer National Meeting minutes.
2. Adopted its Oct. 22, Oct. 8, and Sept. 24 minutes. During these meetings, the Task Force took the following action:
 - A. Approved NAIC comments on the following International Association of Insurance Supervisors (IAIS) public consultations: 1) a draft application paper on operational resilience objectives; 2) proposed changes to reflect climate risk in selected Insurance Core Principles guidance and supporting material; and 3) a draft application paper on how to achieve fair treatment for diverse consumers.
3. Adopted its 2025 proposed charges.
4. Heard an update on the conclusion of the comparability assessment of the aggregation method to the IAIS insurance capital standard.
5. Heard an update on recent IAIS activities, including its recent committee meetings and publications, as well as ongoing discussions on the implementation of the IAIS Roadmap 2025-2026 and 2025-2029 Strategic Plan & Financial Outlook.
6. Heard an update on international activities, including: 1) recent meetings, events, and speaking engagements with international insurance regulators; 2) bilateral meetings with certain jurisdictions; and 3) the NAIC Fall 2024 International Fellows Program.
7. Heard an update on international climate-related activities, including recent events and ongoing developments at the Sustainable Insurance Forum.

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

The Innovation, Cybersecurity, and Technology (H) Committee met meet Nov. 19, 2024. During this meeting, the Committee:

1. Adopted its Summer National Meeting minutes.
2. Adopted the reports of its task force and working groups, including the formation of the Data Call Study Group, adoption of the Privacy Protections (H) Working Group's request to extend the deadline for the completion of its model law until Dec. 31, 2025, and receipt of an update on the Cybersecurity (H) Working Group's ongoing discussions to consider building a cybersecurity event response notice portal to assist regulators and the insurance industry in simplifying the notice provision process.
3. Adopted its 2025 proposed charges.
4. Heard a presentation from FireBreak Risk on the use of artificial intelligence (AI) to help mitigate wildfire risk.
5. Heard a presentation from Clearcover and Lemonade on the responsible use of AI.

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.