EXECUTIVE (EX) COMMITTEE AND PLENARY

Executive (EX) Committee and Plenary, March 25, 2023, Minutes

- Adopted the Revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold on or After December 14, 2020* (AG 49-A) (Attachment One)
- Adopted *Actuarial Guideline LIV—Nonforfeiture Requirements for Index-Linked Variable Annuity Products* (Attachment Two) (AG 54)
- Adopted the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting* (Attachment Three)
- Adopted the *Rate/Rule Filing Checklist* (Attachment Four)
- Report on the States' Implementation of NAIC-Adopted Model Laws and Regulations (Attachment Five)

Draft Pending Adoption

Draft: 4/10/23

Executive (EX) Committee and Plenary
Louisville, Kentucky
March 25, 2023

The Executive (EX) Committee and Plenary met in Louisville, KY, March 25, 2023. The following Committee and Plenary members participated: Chlora Lindley-Myers, Chair (MO); Andrew N. Mais, Vice Chair (CT); Jon Godfread, Vice President (ND); Scott A. White, Secretary-Treasurer (VA); Dean L. Cameron, Most Recent Past President (ID); Lori K. Wing-Heier (AK); Mark Fowler (AL); Alan McClain (AR); Ricardo Lara represented by Lucy Wang (CA); Michael Conway represented by Peg Brown (CO); Karima M. Woods (DC); Trinidad Navarro (DE); Michael Yaworsky (FL); John F. King represented by Martin Sullivan (GA); Michelle B. Santos (GU); Gordon I. Ito (HI); Doug Ommen (IA); Dana Popish Severinghaus (IL); Amy L. Beard represented by Holly Lambert (IN); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon (LA); Gary D. Anderson (MA); Kathleen A. Birrane (MD); Timothy N. Schott (ME); Anita G. Fox (MI); Grace Arnold (MN); Troy Downing represented by Matt Eberhardt (MT); Mike Causey represented by Jackie Obusek (NC); Eric Dunning (NE); Scott Kipper (NV); Adrienne A. Harris (NY); Judith L. French (OH); Glen Mulready (OK); Elizabeth Kelleher Dwyer (RI); Michael Wise (SC); Larry D. Deiter represented by Jill Kruger (SD); Carter Lawrence (TN); Cassie Brown represented by Jessica Barta (TX); Jon Pike (UT); Kevin Gaffney (VT); Mike Kreidler represented by Molly Nollette (WA); Nathan Houdek (WI); Allan L. McVey (WV); and Jeff Rude (WY).

1. Received the Report of the Executive (EX) Committee

Director Lindley-Myers reported that the Executive (EX) Committee met March 23. During this meeting, the Committee adopted the March 22 report from the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee and took the following action: 1) appointed Andrew J. Beal (NAIC, Chief Operating Officer and Chief Legal Officer) as acting Chief Executive Officer (CEO); and 2) approved the retention of a consultant to conduct an organizational review and succession planning exercise.

The Committee adopted its interim meeting report from Feb. 10 and Jan. 13 including the following action: 1) appointed Superintendent Dwyer to serve on the International Association of Insurance Supervisors (IAIS) Executive Committee; 2) appointed the following to serve as members on the Consumer Board of Trustees: Commissioner Andrew R. Stolfi, Chair (OR); Commissioner McClain; Director Severinghaus; Commissioner Schmidt; Commissioner Downing; and Acting Commissioner Michael Humphreys (PA); 3) appointed Commissioner Mulready to the National Insurance Producer Registry (NIPR) Board of Directors; 4) approved the recommendation for the NAIC's Kansas City, MO, office space; 5) adopted the Washington, DC, property site selection and fiscal impact statement; 6) appointed the following as members of the NAIC 2023 Audit Committee: Connecticut, Kentucky, Maryland, Massachusetts, Missouri, Nebraska, New Jersey, North Dakota, Oregon, South Dakota, Tennessee, and Virginia; 7) received an update from the Investment Committee; and 8) received updates on various operational matters.

The Committee adopted the reports of its task forces: 1) the Climate and Resiliency (EX) Task Force; 2) the Government Relations (EX) Leadership Council; 3) the Long-Term Care Insurance (EX) Task Force; and 4) the Special (EX) Committee on Race and Insurance.

The Committee approved Requests for NAIC Model Law Development to amend: 1) the *Property and Casualty Insurance Guaranty Association Model Act* (#540); and 2) the *Unfair Trade Practices Act* (#880).

The Committee also: 1) received the 2022 Annual Report of the NAIC Designation Program Advisory Board activities; and 2) received a status report on the implementation of *State Connected*.

The Committee received a status report on model law development efforts for amendments to: 1) the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act* (#171); 2) the *Property and Casualty Insurance Guaranty Association Model Act* (#540); 3) the *Mortgage Guaranty Insurance Model Act* (#630); 4) the *Nonadmitted Insurance Model Act* (#870); and 5) the *Insurance Consumer Privacy Protection Model Law* (#674).

The Committee heard reports from the National Insurance Producer Registry (NIPR) and the Interstate Insurance Product Regulation Commission (Compact).

2. Adopted by Consent the Committee, Subcommittee, and Task Force Minutes of the 2022 Fall National Meeting

Commissioner Godfread made a motion, seconded by Commissioner Mais, to adopt by consent the committee, subcommittee, and task force minutes of the 2022 Fall National Meeting. The motion passed unanimously.

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

Director French reported that the Life Insurance and Annuities (A) Committee met March 23. During this meeting, the Committee adopted its Feb. 24 minutes, which included the following action: 1) adopted its 2022 Fall National Meeting minutes; 2) adopted revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold on or After December 14, 2020* (AG 49-A); and 3) adopted *Actuarial Guideline LIV—Nonforfeiture Requirements for Index-Linked Variable Annuity Products* (AG 54).

The Committee adopted the report of the Accelerated Underwriting (A) Working Group, including its Feb. 22 minutes. During this meeting, the Working Group took the following action: 1) exposed the draft regulatory guidance for accelerated underwriting (AU) in life insurance for a 45-day public comment period ending April 15; and 2) exposed the draft referral to the Market Conduct Examination Guidelines (D) Working Group for a 30-day public comment period ending March 24.

The Committee also heard a presentation from the American Council of Life Insurers (ACLI) and the Society of Actuaries (SOA) on the current state of life insurance.

4. Adopted Revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold on or After December 14, 2020* (AG 49-A)

Director French reported that revisions to AG 49-A were adopted by the Life Insurance and Annuities (A) Committee on Feb. 24. These revisions, effective for policies sold on or after May 1, address an issue in indexed universal life (IUL) illustrations where some companies are illustrating non-benchmark indices in a more favorable manner than benchmark indices, particularly for products with uncapped volatility-controlled funds and a fixed bonus.

Director French made a motion, seconded by Commissioner Ommen, to adopt the revisions to AG 49-A (Attachment One). The motion passed unanimously.

5. Adopted *Actuarial Guideline LIV—Nonforfeiture Requirements for Index-Linked Variable Annuity Products* (AG 54)

Director French reported that the Life Insurance and Annuities (A) Committee adopted AG 54 during its Feb. 24 meeting. AG 54 provides principles outlining the conditions under which an index-linked variable annuity (ILVA) is

consistent with the definition of a variable annuity and exempt from the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805), and it specifies nonforfeiture requirements consistent with variable annuities.

The guideline promotes consistency while allowing for reasonable product variation, outlining that interim values should provide equitable treatment to the contract holder and the insurance company. AG 54 ensures that consumers will not only experience losses when indices go down, but they will realize gains when indices go up.

Director French made a motion, seconded by Commissioner Donelon, to adopt AG 54 (Attachment Two). The motion passed unanimously.

6. 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 March 23. During this meeting, the Committee adopted its 2022 Fall National Meeting minutes.

The Committee adopted its subgroup, working group, and task force reports and their interim minutes.

The Committee heard a discussion on the Kaiser Family Foundation (KFF) issue brief, "Claims Denials and Appeals in ACA Marketplace Plans in 2021." The presenters discussed what the data could mean and its limitations, whether the federal Centers for Medicare & Medicaid Services (CMS) use it as part of its regulatory oversight responsibilities, and its potential future uses.

The Committee also heard a discussion of a state "checklist" of actions related to the Medicaid unwinding process provided in the State Health and Value Strategies' (SHVS's) issue brief, "Secrets to a Successful Unwinding: Actions State-Based Marketplaces and Insurance Departments Can Take to Improve Coverage Transitions."

The Committee heard an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on recent activities of interest to the Committee, including activities related to the Medicaid unwinding process as a result of the ending of the COVID-19 public health emergency (PHE), the implementation of the federal No Surprises Act (NSA), its new plan management certification modernization project, its health equity initiatives, and the soon to be finalized Notice of Benefit and Payment Parameters 2024 proposed rule.

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

Commissioner McClain reported that the Property and Casualty Insurance (C) Committee met March 24. During this meeting, the Committee adopted its 2022 Fall National Meeting minutes.

The Committee adopted the reports of its task forces and working groups: 1) the Casualty Actuarial and Statistical (C) Task Force; 2) the Surplus Lines (C) Task Force; 3) the Title Insurance (C) Task Force; 4) the Workers' Compensation (C) Task Force; 5) the Cannabis Insurance (C) Working Group; 6) the Catastrophe Insurance (C) Working Group; 7) the Terrorism Insurance Implementation (C) Working Group; and 8) the Transparency and Readability of Consumer Information (C) Working Group.

The Committee adopted revisions to the *Nonadmitted Insurance Model Act* (#870). The revisions are intended to conform Model #870 to the federal Nonadmitted and Reinsurance Reform Act of 2010 (NRRA), which was part of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

The Committee heard presentations from the Nonprofits Insurance Alliance (NIA) and the National Association of Mutual Insurance Companies (NAMIC) on the availability and affordability of insurance coverage for nonprofit organizations.

The Committee discussed its charge related to developing marketing intelligence data so state insurance regulators can better assess their markets.

8. Adopted the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting*

Commissioner McClain reported that the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting* was adopted by the Transparency and Readability of Consumer Information (C) Working Group on Nov. 15, 2022, and by the Property and Casualty (C) Committee on Dec. 15, 2022.

This document can be used by state departments of insurance (DOIs) to create consumer education bulletins, social media posts, and other consumer facing materials to help consumers better understand their home and auto insurance premiums.

Commissioner McClain made a motion, seconded by Commissioner Fowler, to adopt the *Regulator Resources for Consumers on Personal Lines Pricing and Underwriting* (Attachment Three). The motion passed unanimously.

9. Adopted the *Rate/Rule Filing Checklist*

Commissioner McClain reported that the Transparency and Readability of Consumer Information (C) Working Group adopted the *Rate/Rule Filing Checklist* on Nov. 15, 2022, and the Property and Casualty Insurance (C) Committee adopted it on Dec. 15, 2022. DOIs can use the checklist to ensure that their rate/rule filings include all necessary information.

The checklist is based on Kansas' *Rate/Rule Filing Checklist* with the inclusion of a question regarding whether an insurer uses a rating model.

Commissioner McClain made a motion, seconded by Director Cameron, to adopt the *Rate/Rule Filing Checklist* (Attachment Four). The motion passed unanimously.

10. 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 March 24. During this meeting, the Committee adopted its 2022 Fall National Meeting minutes.

The Committee heard a presentation on the emerging cyberthreat of technology-enabled claims instigation, including the review of the use of search engine optimization (SEO).

The Committee adopted the reports of its task forces and working groups: 1) the Antifraud (D) Task Force; 2) the Market Information Systems (D) Task Force; 3) the Producer Licensing (D) Task Force; 4) the Advisory Organization (D) Working Group; 5) the Market Analysis Procedures (D) Working Group; 6) the Market Conduct Annual Statement Blanks (D) Working Group; 7) the Market Conduct Examination Guidelines (D) Working Group; 8) the Market Regulation Certification (D) Working Group; and 9) the Speed to Market (D) Working Group.

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

Superintendent Dwyer reported that the Financial Condition (E) Committee met March 24. During this meeting, the Committee: 1) adopted its 2022 Fall National Meeting minutes; 2) received a referral from the Valuation of Securities (E) Task Force related to additional market and analytical information for bond investments; 3) adopted action from the Valuation of Securities (E) Task Force directing that the Securities Valuation Office (SVO) model

collateralized loan obligations (CLOs) for NAIC designations; and 4) adopted an extension until the Summer National Meeting for revisions to the *Mortgage Guaranty Insurance Model Act* (#630).

The Committee adopted the reports of its task forces and working groups: 1) the Accounting Practices and Procedures (E) Task Force; 2) the Capital Adequacy (E) Task Force; 3) the Examination Oversight (E) Task Force; 4) the Financial Stability (E) Task Force; 5) the Receivership and Insolvency (E) Task Force; 6) the Reinsurance (E) Task Force; 7) the Valuation of Securities (E) Task Force; 8) the Mortgage Guaranty Insurance (E) Working Group; 9) the National Treatment and Coordination (E) Working Group; 10) and the Risk-Focused Surveillance (E) Working Group.

The Committee also agreed to merge the members and charges of the Restructuring Mechanisms (E) Subgroup into the Restructuring Mechanisms (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 with respect to a particular item, the technical changes will be considered adopted by the NAIC membership and effective immediately.

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

Director Wing-Heier reported that the Financial Regulation Standards and Accreditation (F) Committee met March 21 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 Nebraska, Virginia, and West Virginia.

The Committee met March 22. During this meeting, the Committee adopted its 2022 Fall National Meeting minutes and revisions to NAIC publications that are required for accreditation purposes (e.g., the *Accounting Practices and Procedures Manual* [AP&P Manual]) and were deemed insignificant.

The Committee discussed comment letters received in response to the previously exposed 2020 revisions to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450). The revisions, which will be considered for adoption at the Summer National Meeting, are recommended for all states effective Jan. 1, 2026, and implement a group capital calculation (GCC) for the purpose of group solvency supervision and a liquidity stress test (LST) for macroprudential surveillance.

The Committee voted to remove the *Actuarial Opinion and Memorandum Regulation* (#822) from the Part A: Laws and Regulations, #9 Liabilities and Reserves standard as a requirement for accreditation. The Life Actuarial (A) Task Force reported that the standard is no longer necessary for accreditation because the *Standard Valuation Law* (#820) and VM-30, Actuarial Opinion and Memorandum Requirements, overlap with Model #822.

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

Commissioner Anderson reported that the International Insurance Relations (G) Committee met March 22. During this meeting, the Committee adopted its Feb. 3, 2023; Jan. 4, 2023; and 2022 Fall National Meeting minutes.

The Committee heard an update on international activities related to protection gaps, including presentations from the American Property Casualty Insurance Association (APCIA) and the Reinsurance Association of America (RAA) on the recently released report, *Global Protection Gaps and Recommendations for Bridging Them* by the Global Federation of Insurance Associations (GFIA).

The Committee also heard an update on recent activities and priorities of the International Association of Insurance Supervisors (IAIS), including: 1) a review of recent committee meetings; 2) the finalization of the criteria for the comparability assessment process for the aggregation method (AM); 3) continuing work at various IAIS forums and steering groups; and 4) the status of papers on operational resilience and policyholder protection schemes.

The Committee heard an update on international activities, including: 1) workstreams of the European Union (EU)-U.S. Insurance Dialogue Project and its plans for 2023; 2) recent meetings, events, and speaking engagements with international insurance regulators; 3) the upcoming 2023 Spring International Fellows Program; 4) upcoming meetings of the Organisation for Economic Co-operation and Development (OECD) Insurance and Private Pensions Committee; and 5) upcoming plans of the Sustainable Insurance Forum (SIF).

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

Commissioner Birrane reported that the Innovation, Cybersecurity, and Technology (H) Committee met March 22 and adopted: 1) its 2022 Fall National Meeting minutes; and 2) the reports of its task forces and working groups.

The Committee received an update from the Collaboration Forum on Algorithmic Bias on the development of a model bulletin providing regulatory guidance regarding the use of big data/artificial intelligence (AI)-driven decisional systems by insurers.

The Committee also: 1) heard a report on the proposed Colorado Algorithm and Predictive Model Governance Regulation; and 2) heard a presentation on North Dakota's use of blockchain methodology for data calls.

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

Director Lindley-Myers referred attendees to the written report for updates on the states' implementation of NAIC-adopted model laws and regulations (Attachment Five).

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

SharePoint/NAIC Support Staff Hub/Meetings

Adopted by Life Actuarial (A) Task Force – Dec. 11, 2022
Adopted by Life Insurance and Annuities (A) Committee – Feb. 24, 2023

Actuarial Guideline XLIX-A

THE APPLICATION OF THE LIFE ILLUSTRATIONS MODEL REGULATION TO POLICIES WITH INDEX-BASED INTEREST SOLD (On or After December 14, 2020)

Background

The *Life Insurance Illustrations Model Regulation* (#582) was adopted by the NAIC in 1995. Since that time there has been continued evolution in product design, including the introduction of benefits that are tied to an index or indices. Although these policies are subject to Model #582, not all of their features are explicitly referenced in the model, resulting in a lack of uniform practice in its implementation. In the absence of uniform guidance, two illustrations that use the same index and crediting method often illustrated different credited rates. The lack of uniformity can be confusing to potential buyers and can cause uncertainty among illustration actuaries when certifying compliance with Model #582.

~~In 2019, the NAIC decided that illustrations of products with multipliers, cap buy-ups, and other enhancements that are linked to an index or indices should not illustrate better than products without such features. This new requirement is intended to apply to illustrations on policies sold on or after the effective date of this guideline while the existing requirements continue to apply for inforce illustrations on policies sold before the effective date of this guideline.~~

This guideline provides uniform guidance for policies with index-based interest. In particular, this guideline:

(1) Provides guidance in determining the maximum crediting rate for the illustrated scale and the earned interest rate for the disciplined current scale.

(2) Limits the policy loan leverage shown in an illustration.

(3) Requires additional consumer information (side-by-side illustration and additional disclosures) that will aid in consumer understanding.

Text

1. Effective Date

This Actuarial Guideline shall be effective for all new business and in force illustrations on policies sold on or after December 14, 2020.

2. Scope

This Actuarial Guideline shall apply to any life insurance illustration that meets both (i) and (ii), below:

i. The policy is subject to Model #582.

ii. The policy offers Indexed Credits.

3. Definitions

A. Alternate Scale: A scale of non-guaranteed elements currently being illustrated such that:

i. The Annual Rate of Indexed Credits for each Index Account does not exceed the lesser of

the maximum Annual Rate of Indexed Credits for the illustrated scale less 100 basis points and the credited rate for the Fixed Account. If the insurer does not offer a Fixed Account with the illustrated policy, the Annual Rate of Indexed Credits for each Index Account shall not exceed the average of the maximum Annual Rate of Indexed Credits for the illustrated scale and the guaranteed Annual Rate of Indexed Credits for that account. However, the Annual Rate of Indexed Credits for each Index Account shall never be less than the guaranteed Annual Rate of Indexed Credits for that account.

ii. If the illustration includes a loan, the illustrated Policy Loan Interest Credited Rate shall not exceed the illustrated Policy Loan Interest Rate. For example, if the illustrated Policy Loan Interest Rate is 4%, the Policy Loan Interest Credited Rate shall not exceed 4%.

iii. All other non-guaranteed elements are equal to the non-guaranteed elements for the illustrated scale.

B. Annual Net Investment Earnings Rate: Gross portfolio annual earnings rate of the general account assets (excluding hedge assets for Indexed Credits), less provisions for investment expenses and default cost, allocated to support the policy. Charges of any kind cannot be used to increase the Annual Net Investment Earnings Rate.

C. Annual Rate of Indexed Credits: The total annualized Indexed Credits expressed as a percentage of the account value used to determine the Indexed Credits.

D. Benchmark Index Account: An Index Account with the following features:

i. The interest calculation is based on the percent change in S&P 500® Index value only, over a one-year period using only the beginning and ending index values. (S&P 500® Index ticker: SPX)

ii. An annual cap is used in the interest calculation.

iii. The annual floor used in the interest calculation shall be 0%.

iv. The participation rate used in the interest calculation shall be 100%.

v. Interest is credited once per year.

vi. The Hedge Budget used to determine the cap in 3 (D) (ii) does not exceed the Annual Net Investment Earnings Rate. Charges of any kind cannot be used to increase the annual cap.

vii. There are no enhancements or similar features that provide additional Indexed Credits in excess of the interest provided by 3 (D) (i) through 3 (D) (v), including but not limited to experience refunds, multipliers, or bonuses.

viii. There are no limitations on the portion of account value allocated to the account.

ix. A single Benchmark Index Account will be determined for each policy. This can be either an Index Account offered with the illustrated policy or determined according to Section 4 (A) (ii) for purposes of complying with this guideline. A policy shall have no more than one Benchmark Index Account.

E. Fixed Account: An account where there are no Indexed Credits.

F. Hedge Budget: For each Index Account, the total annualized amount assumed to be used to generate the Indexed Credits of the account, expressed as a percent of the account value in the Index Account. This total annualized amount should be consistent with the hedging program of the company.

G. Index Account: An account where some or all of the amounts credited are Indexed Credits.

H. Indexed Credits: Any interest credit, multiplier, factor, bonus, charge reduction, or other enhancement to policy values that is linked to an index or indices. Amounts credited to the policy resulting from a floor greater than zero on an account with any interest credit, multiplier, factor, bonus, charge reduction, or other enhancement to policy values that is linked to an index or indices are included.

I. Loan Balance: Any outstanding policy loan and loan interest, as defined in the policy.

J. Policy Loan Interest Rate: The current annual interest rate as defined in the policy that is charged on any Loan Balance. This does not include any other policy charges.

K. Policy Loan Interest Credited Rate: The annualized interest rate credited that applies to the portion of the account value backing the Loan Balance:

i. For the portion of the account value in the Fixed Account that is backing the Loan Balance, the Policy Loan Interest Credited Rate is the applicable annual interest crediting rate.

ii. For the portion of the account value in an Index Account that is backing the Loan Balance, the Policy Loan Interest Credited Rate is the Annual Rate of Indexed Credits, net of any applicable Supplemental Hedge Budget, for that account.

L. Supplemental Hedge Budget: For each Index Account, the Hedge Budget minus the minimum of the Annual Net Investment Earnings Rate and the Hedge Budget that is used in the determination of the Benchmark Index Account. The Supplemental Hedge Budget will never be less than zero. This amount should be consistent with the hedging program of the company.

4. Illustrated Scale

The total Annual Rate of Indexed Credits for the illustrated scale for each Index Account shall be limited as follows:

A. Calculate the geometric average annual credited rate for the Benchmark Index Account for the 25-year period starting on 12/31 of the calendar year that is 66 years prior to the current calendar year (e.g., 12/31/1949 for 2015 illustrations) and for each 25-year period starting on each subsequent trading day thereafter, ending with the 25- year period that ends on 12/31 of the prior calendar year.

i. If the insurer offers a Benchmark Index Account with the illustrated policy, the illustration actuary shall use the current annual cap for the Benchmark Index Account in 4 (A).

ii. If the insurer does not offer a Benchmark Index Account with the illustrated policy, the illustration actuary shall use actuarial judgment to determine a hypothetical, supportable current annual cap for a hypothetical, supportable Index Account that meets the definition of the Benchmark Index Account, and shall use that cap in 4 (A).

B. For the Benchmark Index Account the Annual Rate of Indexed Credits shall not exceed the minimum of (i) and (ii):

i. The arithmetic mean of the geometric average annual credited rates calculated in 4 (A).

ii. 145% of the Annual Net Investment Earnings Rate.

C. For any other Index Account that is not the Benchmark Index Account in 3 (D), the Annual Rate of Indexed Credits illustrated as a percentage of the account value in the Index Account prior to the deduction of any charges used to fund a Supplemental Hedge Budget shall not exceed the minimum of (i) and (ii) for policies sold prior to May 1, 2023 and shall not exceed the minimum of (i), (ii), and (iii) for policies sold on or after May 1, 2023:

i. The Annual Rate of Indexed Credits for the Benchmark Index Account calculated in 4 (B) plus the Supplemental Hedge Budget for the Index Account.

ii. The Annual Rate of Indexed Credits reflecting the fundamental characteristics of the Index Account and the appropriate relationship to the expected risk and return of the Benchmark Index Account. The illustration actuary shall use actuarial judgment to determine this value using lookback methodology consistent with 4 (A) and 4 (B) (i) where appropriate.

iii. The lesser of (1) and (2) multiplied by the Annual Rate of Index Credits for the Benchmark Index Account, calculated in 4 (B), divided by (2); plus, the Supplemental Hedge Budget for the Index Account:

1. The Hedge Budget of the Index Account

2. Hedge Budget of the Benchmark Index Account.

D. For the purposes of compliance with Section 6 (C) of Model #582, the Supplemental Hedge Budget is subtracted from the Annual Rate of Indexed Credits before comparing to the earned interest rate underlying the disciplined current scale.

At the beginning of each calendar year, the insurer shall be allowed up to three (3) months to update the credited rate for each Index Account in accordance with 4 (B) and 4 (C).

5. Disciplined Current Scale

The earned interest rate for the disciplined current scale shall be limited as follows:

A. If an insurer engages in a hedging program for Indexed Credits in an account, the assumed earned interest rate underlying the disciplined current scale for that account, inclusive of all general account assets, both hedge and non-hedge assets, that support the policy, net of default costs and investment expenses (including the amount spent to generate the Indexed Credits of the policy) shall not exceed the lesser of (i) and (ii):

i. The Annual Net Investment Earnings Rate, plus 45% of the lesser of (1) and (2):

1. Hedge Budget minus any annual floor, to the extent that the floor is supported by the Hedge Budget.

2. The minimum of the Annual Net Investment Earnings Rate and the Hedge Budget that is used in the determination of the Benchmark Index Account.

ii. The Annual Rate of Indexed Credits plus the Annual Net Investment Earnings Rate minus the Hedge Budget.

These rates should be adjusted for timing differences in the hedge cash flows to ensure that fixed interest is not earned on the Hedge Budget minus any annual floor, to the extent that the floor is supported by the Hedge Budget.

Guidance Note: The above approach does not stipulate any required methodology as long as it produces a consistent limit on the assumed earned interest rate underlying the disciplined current scale.

For a policy with multiple Index Accounts, a maximum rate in 5 (A) should be calculated for each account. All accounts, fixed and indexed, within a policy can be tested in aggregate.

B. If an insurer does not engage in a hedging program for Indexed Credits, the assumed earned interest rate underlying the disciplined current scale shall not exceed the Annual Net Investment Earnings Rate.

C. These experience limitations shall be included when testing for self-support and lapse-support under Model #582, accounting for all illustrated benefits including any illustrated benefits and bonuses that impact the policy's account value.

6. Policy Loans

If the illustration includes a loan, the illustrated Policy Loan Interest Credited Rate shall not exceed the illustrated Policy Loan Interest Rate by more than 50 basis points. For example, if the illustrated Policy Loan Interest Rate is 4.00%, the Policy Loan Interest Credited Rate shall not exceed 4.50%.

7. Additional Standards

The basic illustration shall also include the following:

A. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.

B. A table showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).

C. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical Indexed Credits using current index parameters for the most recent 20-year period.

PROJECT HISTORY

**2023 REVISIONS TO ACTUARIAL GUIDELINE XLIX-A—
THE APPLICATION OF THE LIFE ILLUSTRATIONS MODEL
REGULATION TO POLICIES WITH INDEX-BASED INTEREST SOLD
(ON OR AFTER DECEMBER 14, 2020)**

1. What issues was the project intended to address?

After the 2020 adoption of *AG XLIX-A— The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold on or After December 14, 2020* (AG 49-A), state regulators developed concerns with some new product designs that illustrated more favorably than those based on a traditional capped Standard and Poor's 500 index (S&P 500). In particular, the revisions to AG 49-A intend to improve illustrations for indexed universal life (IUL) products with uncapped volatility-controlled funds and a fixed bonus.

2. What states participated in drafting the model?

The following states are currently members of the IUL Illustration (A) Subgroup of the Life Actuarial (A) Task Force: Minnesota (Chair), California, Connecticut, Illinois, Indiana, Iowa, Nebraska, New York, Ohio, Texas, Utah, and Virginia.

3. What general procedure was followed in drafting the model? What efforts were made to assure that all interested parties were provided an opportunity to comment during the drafting process?

To address the illustration issues, open meetings of the existing IUL Illustration (A) Subgroup were held to draft revisions to AG 49-A (see Table 1). The subgroup coordinated with all of the industry interested parties, including representatives from the American Council of Life Insurers and the American Academy of Actuaries. Notice of the open conference calls was posted to the NAIC's home page on the Internet and emailed to over 500 interested parties.

Table 1:

Meeting Date	Open/Regulator-only?
7/18/2022	Open
10/12/22	Open
11/9/22	Open

4. What significant issues were raised during the drafting process, and how were those issues resolved?

The key question the group faced was whether to address the issues with the illustrations of specific IUL product designs by revising AG 49-A or to more comprehensively address life insurance illustration issues by opening up the *Life Insurance Illustrations Model Regulation* (#582). The Task Force decided to move forward with a phased approach that would address the immediate issues impacting by revising AG 49-A, while continuing to consider larger changes to life insurance illustration regulations.

5. What are the implications of this project for accreditation and codification?

The Guideline should be handled in a manner that is consistent with the treatment of other guidelines.

Adopted by Life Actuarial (A) Task Force – 12/11/2022
Adopted by Life Insurance and Annuities (A) Committee – 2/24/2023

Actuarial Guideline LIV

Nonforfeiture Requirements for Index-Linked Variable Annuity Products

Background

The purpose of this guideline is to specify the conditions under which an Index-Linked Variable Annuity (ILVA) is consistent with the definition of a variable annuity and exempt from Model 805 and specify nonforfeiture requirements consistent with variable annuities.

A number of insurers have developed and are issuing annuity products with credits based on the performance of an index with caps on returns, participation rates, spreads or margins, or other crediting elements, that include a risk of negative index returns subject to limitations on the loss, such as a floor or a buffer. These products are not unitized and do not invest directly in the assets whose performance forms the basis for the credits.

There is no established terminology for these annuity products. These products go by several names, including structured annuities, registered index-linked annuities (RILA), or index-linked variable annuities, among others. This guideline refers to these products as index-linked variable annuities (ILVA).

Variable annuities are exempted from the scope of NAIC Model 805, *Standard Nonforfeiture Law for Individual Deferred Annuities;* however, NAIC Model 805 does not define the term "variable annuity".

NAIC Model 250, *Variable Annuity Model Regulation*, defines variable annuities as "contracts that provide for annuity benefits that vary according to the investment experience of a separate account." Section 7B of NAIC Model 250 provides that "to the extent that a variable annuity contract provides benefits that do not vary in accordance with the investment performance of a separate account" the contract shall satisfy the requirements of the NAIC Model 805.

The application of the NAIC Model 250 to a traditional variable annuity with unitized values is straightforward. The unitized feature provides an automatic linkage between annuity values and the investment experience of a separate account. Daily values (market values of the separate account assets) are the basis of all the benefits, including surrender values.

The fact that ILVA accounts are not unitized means they do not have values determined directly by the market prices of the underlying assets. Therefore, this guideline sets forth principles and requirements for determining values, including death benefit, withdrawal amount, annuitization amount or surrender values, such that an ILVA is considered a variable annuity and thereby exempt from Model 805. An ILVA that does not comply with the principles and requirements of this guideline is not considered a variable annuity and therefore is subject to Model 805.

Drafting Note: This guideline interprets the term "variable annuity" for purposes of exemption from Model 805. It is not intended to modify the definition of a variable annuity under Model 250 or other Model Regulations.

Scope

This guideline applies to any index-linked annuity exempt from the NAIC Model 805 on the basis that it is a variable annuity and includes index-linked crediting features that are built into policies or contracts (with or without unitized subaccounts) or added to such by rider, endorsement, or amendment.

Principles

This guideline is based on the following principles:

1. Interim Values defined in the contract provide equity between the contract holder and the insurance company.
2. Interim Values are consistent with the value of the Hypothetical Portfolio over the Index Strategy Term.

Definitions

"Derivative Asset Proxy" means a package of hypothetical derivative assets established at the beginning of an Index Strategy Term that is designed to replicate credits provided by an Index Strategy at the end of an Index Strategy Term.

"Fixed Income Asset Proxy" is a hypothetical fixed income asset.

"Hypothetical Portfolio" means a hypothetical portfolio composed of a Fixed Income Asset Proxy and a Derivative Asset Proxy.

"Index" means a benchmark designed to track the performance of a defined portfolio of securities.

"Index Strategy" means a method used to determine index credits with specified index or indices and cap, buffer, participation rate, spread, margin or other index crediting elements.

"Index Strategy Base" means the notional amount used to determine index credits that does not change throughout the Index Strategy Term except for withdrawals, transfers, deposits, loans, and any explicit charges.

"Index Strategy Term" means the period of time from the term start date to the term end date over which an index changes and the index credit is determined.

"Interim Value" means the Strategy Value at any time other than the start date and end date of an Index Strategy Term.

"Strategy Value" means the value, attributable to an Index Strategy, used in determining values including death benefit, withdrawal amount, annuitization amount or surrender values.

"Trading Cost" means the additional cost of liquidating the derivative assets in the Derivative Asset Proxy or actual derivative assets supporting the Index Strategy that is not accounted for in the Derivative Asset Proxy calculation.

Text

The Index Strategy Base must equal the Strategy Value at the Index Strategy Term start date.

The Fixed Income Asset Proxy is assumed to be a hypothetical fixed income asset with a yield that results in

i. At the beginning of the Index Strategy Term, the book value of the Fixed Income Asset Proxy equal to the Index Strategy Base less the Derivative Asset Proxy value; and
ii. At the end of the Index Strategy Term, the book value of the Fixed Income Asset Proxy, assuming no change in yield, projected to equal the Index Strategy Base.

Drafting Note: The guideline defines the conditions under which an index-linked variable annuity is exempt from Model 805 on the basis that it is a variable annuity. A variable annuity provides daily values (analogous to Interim Values in this guideline) based on the market value of separate account assets. In order to more closely align an ILVA to a variable annuity Interim Values should be consistent with the market value of hypothetical assets supporting the ILVA (i.e. Hypothetical Portfolio). The market value of the assets may be determined by a fair value methodology or by applying an MVA to the book value. A state may want to consider whether including or

excluding an MVA is appropriate. In making a determination regarding whether including or excluding an MVA is appropriate and, if applicable, what an acceptable MVA formula is, the state should consider whether the Interim Values provide reasonable equity between the contract holder and the insurance company.

The value of the package of derivative assets is determinable daily. Assumptions used to determine the market value of the Derivative Asset Proxy including implied volatilities, risk-free rates, and dividend yields must be consistent with the observable market prices of derivative assets, whenever possible.

Interim Values must be materially consistent with the value of the Hypothetical Portfolio over the Index Strategy Term less a provision for the cost attributable to reasonably expected or actual Trading Costs at the time the Interim Value is calculated.

If a contract provides Interim Values determined using a methodology other than a Hypothetical Portfolio methodology as described in this guideline, the company must demonstrate that the contractually defined Interim Values will be materially consistent over the Index Strategy Term with the Interim Values that would be produced using the Hypothetical Portfolio methodology for each combination of Index Strategy and Index Strategy Term under a reasonable number of realistic economic scenarios that include index changes that test crediting constraints and recognize initial option pricing market conditions.

The company must provide an actuarial memorandum with each ILVA product filing that includes the following:

1. Actuarial certifications must be included with each ILVA product filing and must include the following:
    a. Interim Values defined in the contract provide equity between the contract holder and the insurance company;
    b. The assumptions used to determine the market value of the Derivative Asset Proxy including implied volatilities, risk-free rates, dividend yields, and other parameters required to value the derivatives are consistent with the observable market prices of derivative assets over the Index Strategy Term, whenever possible. Valuation techniques include the standard Black-Scholes method, Monte-Carlo Simulation techniques, and other market consistent option valuation techniques for more complex options;
    c. The contractually defined Interim Values are materially consistent with the Interim Values that would be produced using the Hypothetical Portfolio methodology for each combination of Index Strategy and Index Strategy Term over the Index Strategy Term less a provision for the Trading Costs at the time the Interim Value is calculated; and
    d. Any Trading Costs represent reasonably expected or actual costs at the time the Interim Value is calculated.

2. If the Interim Values are determined using a methodology other than the Hypothetical Portfolio methodology described in this guideline, the actuary shall describe the testing performed to verify that the values are materially consistent with the Hypothetical Portfolio methodology. The actuary should define any parameters or assumptions used in determining material consistency and provide a summary of the results of the testing.

3. Descriptions of
    a. The value of the Fixed Income Asset Proxy;
    b. The market value adjustment formula, if any;
    c. The market value of the Derivative Asset Proxy including any Trading Costs; and
    d. All formulas, methodologies and assumptions used to calculate these values for each Index Strategy and Index Strategy Term as well as the sources for all assumptions.

ILVA nonforfeiture benefits for Index Strategies subject to this guideline must comply with Section 7 of Model 250 not including Section 7.B with net investment return consistent with the requirements for determining Interim Values in this guideline.

Effective Date

The Guideline applies to all contracts (including associated riders, endorsements, or amendments) issued on or after July 1, 2024.

PROJECT HISTORY

**ACTUARIAL GUIDELINE LIV—
NONFORFEITURE REQUIREMENTS FOR INDEX-LINKED
VARIABLE ANNUITY PRODUCTS**

1. What issues was the project intended to address?

The purpose of the Guideline is stated as follows: "The purpose of this guideline is to specify the conditions under which an Index-Linked Variable Annuity (ILVA) is consistent with the definition of a variable annuity and exempt from Model 805 and specify nonforfeiture requirements consistent with variable annuities."

2. What states participated in drafting the model?

The following states are currently members of the Index-Linked Variable Annuity (ILVA) (A) Subgroup of the Life Actuarial (A) Task Force: Ohio (Chair), Utah (Vice-Chair), California, Illinois, Indiana, Nebraska, New Jersey, New York, Texas, Virginia, and Washington.

3. What general procedure was followed in drafting the model? What efforts were made to assure that all interested parties were provided an opportunity to comment during the drafting process?

In response to the emergence of products commonly referred to as index-linked variable annuities, registered index-linked annuities, or other names, Pete Weber (OH) recommended that the Life Actuarial (A) Task Force form an ILVA (A) Subgroup to draft a standard that would define the minimum interim values for these products at a call of the Task Force on June 17, 2021. After approval of the formation of the ILVA (A) Subgroup from the Task Force and subsequent approval from the Life Insurance and Annuities (A) Committee and the NAIC's Executive (EX) Committee and Plenary, open meetings of the subgroup began.

The work of the subgroup was coordinated with all industry interested parties. In addition to twelve open subgroup conference calls that were held over 2021 and 2022 (see Table 1) to develop a draft Actuarial Guideline, several updates were provided to the Life Actuarial (A) Task Force during open sessions. Notice of these conference calls was posted on the NAIC's home page on the Internet and e-mailed to approximately 500 interested parties, including representatives of the American Council of Life Insurers, the Committee of Annuity Insurers, and the American Academy of Actuaries.

Table 1:

Meeting Date	Open/Regulator-only?
7/15/2021	Open
9/23/2021	Open
11/23/2021	Open
2/16/2022	Open
3/2/2022	Open
3/9/2022	Open
3/17/2022	Regulator-only
5/17/2022	Open
5/18/2022	Open
7/13/2022	Open
8/29/2022	Open
9/20/2022	Open
9/27/2022	Open

4. What significant issues were raised during the drafting process, and how were those issues resolved?

Two key questions emerged during the process of drafting the actuarial guideline:

1. Should the actuarial guideline allow companies to utilize market value adjustment term lengths other than the maturity of the Fixed Income Asset Proxy?
2. Should the actuarial guideline allow companies to continue to have to the option to include or exclude a market value adjustment in their ILVA products?

There was concern that reaching a strong consensus on both of these items would be time consuming if not impossible. To address both issues and advance the actuarial guideline, revisions were made to remove specific requirements related to market value adjustments. In place of specific market value adjustment requirements, a drafting note was added that granted more flexibility to the states to be able to approve products that are consistent with the principles laid out in the actuarial guideline. In particular, the first principle of the actuarial guideline states that the interim values must provide equity between the contract holder and the insurance company. That principle should guide states in determining whether a market value adjustment is appropriate or not.

5. What are the implications of this project for accreditation and codification?

The Guideline should be handled in a manner that is consistent with the treatment of other guidelines.

Adopted by Transparency and Consumer Readability (C) Working Group – Nov. 15, 2022
Adopted by Property and Casualty (C) Committee – Dec. 15, 2022

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

REGULATORY RESOURCES FOR CONSUMERS ON PERSONAL LINES PRICING AND UNDERWRITING

AUTO SECTION

How Do Insurers Determine Your Auto Insurance Premium?

The way auto insurers determine how much you pay for insurance is constantly changing. The process starts with the information you provided on the application. The two parts of the process are *underwriting* and *rating*.

How Do Insurers Underwrite?

The first part of the process is underwriting. Insurance companies underwrite to:

- know the risk of insuring an applicant.
- group the applicant with others who have similar risks.
- decide if they will insure the applicant.

To underwrite an auto insurance policy, insurance companies want information about certain factors that might affect how likely you are to have a loss that insurance covers. Some of these factors are beyond your control, such as age and gender. You have control over other factors an insurance company considers, including where your car is, how you use it, the make and model of your car, and your credit-based insurance score.

An underwriter uses information from your application as well as from other sources.

Insurance companies depend on the information in your policy application. The questions you're asked when you apply for insurance help the company know how likely you are to have a loss that insurance covers.

Insurance companies also get information from other sources. For example, some auto insurers get information about your credit history from credit bureaus. They also get information about your driving record from third parties, such as the Division of Motor Vehicles, and your history of filing auto insurance claims from insurance claims databases.

How Do Insurers Rate Risk?

After underwriting, the next step is to rate your risk. The company sets a rate for each group of applicants who are similar risks.

A rating factor is a specific characteristic of a potential policyholder that an insurer uses to price auto insurance premiums. All else being equal, the less risky your rating factors are, the less you'll pay for insurance.

For more information about the rating factors many companies use, see *Factors Used to Rate Auto Insurance.*

How Do Insurers Determine Auto Insurance Premiums?

Insurance companies use information about you, your vehicle, and your insurance coverage to decide whether to insure you and how much you'll pay for auto insurance. They'll get this information from you or from organizations. All this information is used to rate you as an insurance risk and affects how much you'll pay for insurance.

Some factors relate to the driver(s) and some to the type of vehicle you want to insure. Others are based on the amount and types of coverage you buy. There are discounts that could reduce the premium.

Insurance companies use various methods to rate your risk. Different insurance companies often charge you different amounts for the same or similar coverage.

Also, some states limit the factors an insurance company can use. States also have different requirements about how much insurance you buy, which affects your cost.

General Information

Age, years of driving experience, gender, and marital status are factors insurance companies may use to determine how much you'll pay. The insurance company gets information about your driving record and accident history from a third party (such as the Division of Motor Vehicles). In some states, insurance companies can't consider certain factors, such as your gender or age.

If other drivers live with you, your insurance company will also look at their information to decide how much you'll pay.

How You Use the Vehicle

Your insurance premium may vary based on whether you use your vehicle only for pleasure or drive it back and forth to work. Driving for pleasure means that you drive only occasionally. If you drive only for pleasure, you might pay less.

Most personal auto insurance policies won't pay for accidents if you use your car for business activities your policy doesn't cover, such as transporting people or delivering goods.

Gender and Age

Some research shows that males have more accidents than females and younger drivers have more accidents than older and more experienced drivers. That's why young men are often charged more for insurance than young women. Inexperienced drivers may pay more regardless of age. Some states don't let insurance companies use gender as a factor when they rate insurance.

Insurance companies look at accident statistics for all age groups. What you pay for insurance may change as you get older.

Some states require insurance companies to give a discount to any primary driver who is older than 55 if they complete an approved accident prevention or defensive driving course the Division of Motor Vehicles approves.

Location

It's important to tell your insurance company where you keep (or "garage") your vehicle. You may pay more or less based on where you live or keep your car. The insurance company may look at the weather and number of accidents and thefts in the area you live in.

Other Risk Factors

Some insurance companies consider your job and education to decide how much to charge you. That's why an insurance company may ask what you do for a living and how much school you've completed.

In some states, married drivers might pay less for auto insurance. And homeowners might pay less than renters.

Coverage History

When you apply for insurance, you may be asked about your previous insurance coverage. Most insurance companies charge you more if you've gone without insurance before.

You might need to give the name of your previous insurance companies and the dates you were insured. Insurance companies want to know if a company ever cancelled your insurance policy because you didn't pay. Your new insurance company also may ask about your traffic violations and claims history.

Some states limit insurance companies' use of prior insurance coverage as a factor when rating a policy.

Driving Habits and History

Insurance companies look at your driving record and habits and those of anyone else on your policy or living with you. Your new insurance company might ask if you've had traffic tickets or been in an accident. Typically, your driving record for the past three to five years impacts what you pay. Drivers with a bad driving record have a greater chance of being in an accident and might pay more for their insurance.

Drive safely**.** Nothing affects your auto insurance premium more than how you drive. Insurance companies consider drivers who have caused car accidents to be a higher risk and might charge them more for insurance.

Although the company will get your driving record from a third party when you apply for a policy, it's important to be honest and truthful when you give the insurer information. Being honest will mean it's more likely that your quote will match what you'll actually pay for your insurance.

If your driving record has improved over the last few years, shop around to see if you can pay less with another insurance company.

Vehicle Owners and Operators in Your Household

Some states may let you exclude a driver from your insurance policy. Others will not. An excluded driver is one that you ask your insurance company not to cover, usually because having them on your policy will increase what you'll pay. Talk with your agent or insurance company to find out if this is an option for you. Be aware that you have no insurance coverage for damage caused by an excluded driver driving your vehicle.

Telematics

Telematics is in-car tracking technology that insurance companies use to monitor your car and your driving behaviors. Many insurance companies use telematics to learn how fast you drive, your braking behaviors, and the distance you drive. Telematics can work through a mobile app or a Bluetooth device that communicates with your car. The insurance company may use your driving behaviors and habits to determine how much to charge you. Telematics can also work directly with your car to record how it performs and how it's maintained.

Usage-Based Premiums

Some insurance companies may use information about how you drive or how much you drive to decide how much you'll pay. Pay As You Drive and Pay-per-Mile policies are two examples of using telematics to determine premium.

Pay As You Drive. Pay As You Drive uses information from telematics about your driving habits to determine what you'll pay. Telematics can track braking and speeding, how often you drive, the time of day or night you drive, where you drive, and whether you use a cell phone while driving. You may be able to log on to the insurance company's website to see how your driving habits affect how much you pay.

Pay-per-Mile. Insurance companies base what you pay for insurance on an estimate of how much you drive. Some insurance companies charge a base rate and then add a "per-mile" fee to determine your premium. Insurance companies use a device installed in your car to track the number of miles you drive. If you work from home, use mass transit, or don't drive often this type of policy could save you money. Some companies let you have this type of policy without a tracking device but require you to send a photo of your odometer reading each month.

Credit-Based Insurance Score

Insurance companies may use information about your credit history when they rate your policy. They use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurance companies combine credit information with traditional insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even ban the use of credit-based insurance scoring. Each insurance company uses its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries

may mean a lower credit-based insurance score. You can find information about how to get your credit report at https://www.usa.gov/credit-reports.

It's important to talk to your agent or insurance company if you've had extraordinary life circumstances, such as divorce, death of a family member, job loss, military deployment, or serious illness, that might affect your credit.

If you have a "freeze" on your credit to help prevent identity theft, an insurance company won't be able to see your credit report and you may pay more for your insurance. You can temporarily "unfreeze" your credit when you apply for insurance.

Vehicle Specific Factors

The type of vehicle you drive affects the cost of your auto insurance. You'll pay more for cars that cost more to repair or replace or that are often stolen. For example, you'll pay more to insure higher-value cars and newer cars. Some examples are large SUVs or trucks, high-performance sports cars, and vehicles with special features such as all-wheel drive transmissions and hybrid engines.

Auto Insurance Discounts

You may pay less for car insurance if you qualify for a discount. To make sure you get the discounts you qualify for, be sure to ask your agent what discounts the insurance company offers and how much you could save. When you compare the cost of insurance between different companies, compare the total cost after any discounts.

Here are some important things to consider:

- Discounts vary depending on the insurance company and the state where you live;
- Ask about discounts at every policy renewal; and
- If you get quotes from different insurance companies, be sure to ask each about discounts.

General Discounts

Most insurance companies offer various types of discounts. Insurance companies might offer discounts if you use automated payments, pay your annual premium in one payment, or sign up for electronic billing.

Ask your agent or insurance company about discounts you can get.

Continuous Coverage

Insurers may offer discounts if you keep a car continually insured and haven't had a gap in coverage.

Group Memberships

Some insurance companies may offer a discount if you're a member of an organization, such as an alumni or professional association, a union, or other organization.

Loyalty

Some insurance companies may offer discounts for:

- Renewing your policy for a certain number of years;
- Children who use the same company their parents use even after they move out.

Multiple Vehicles

Most insurance companies offer a discount if you insure more than one car with them.

Multiple Policies

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This often is called bundling or home/auto packages.

Driver-Specific Discounts

Insurance companies may look at information about each driver on the policy when they choose which discounts to give you.

Claim Free

If you haven't filed any claims, insurance companies may offer a discount.

Defensive Driver/Driver's Education

Many insurance companies offer discounts if you've completed a defensive driving or driver's education course. Discounts for driver education courses are targeted primarily at younger and older drivers.

Good Student

Some insurance companies offer discounts to students who get good grades.

Mileage

Driving fewer miles reduces the chance you'll be in an accident. Many insurance companies know this and offer discounts if you don't drive much. Some companies offer discounts to drivers who use carpools.

Military

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). This discount isn't available in all states. Ask your insurance company if this discount is available to you.

They might also have a discount if you keep your car on base while you're deployed.

Non-smoker/Non-drinker

Because smoking and drinking can increase the chances that you'll be in an accident, some insurance companies offer non-smoker and non-drinker discounts.

Seat Belt Use

Using your seat belt may get you a discount.

Vehicle Discounts

Safety Devices.

Auto safety devices can reduce how much you'll pay because they help prevent accidents, vehicle damage, and injuries. This equipment includes:

- Adaptive Cruise Control
- Adaptive Headlights
- Air Bags
- Anti-Lock Brakes
- Automatic Braking
- Automatic Seat Belts
- Blind Spot Warning
- Daytime Running Lights
- Electronic Stability Control
- Forward Collision Warning
- Lane Departure Warning
- Passive Restraint

Anti-Theft Discount

You'll also pay less if you have certain devices that reduce theft or vandalism. Some examples include:

- Active Disabling Device
- Audible Alarm
- Vehicle Recovery
- Vehicle Identification Number Etching

There are a lot of things to consider if you're trying to lower your auto insurance premiums. You'll find some great questions to ask your agent in A Shopping Tool for Auto Insurance.

HOMEOWNERS SECTION

How Do Insurers Determine Your Homeowners Insurance Premium?

Insurance companies use information about you, your home, and your insurance coverage to decide whether to insure your home and how much you'll pay for homeowners insurance. They'll get this information from you and from organizations. All this information is linked to "factors" that affect how much you'll pay for insurance, or how the insurance company "rates" your insurance risk. Many of these factors are described below. Different insurance companies determine their risk of insuring you in different ways and charge different amounts for the same or similar coverage.

There may be discounts that reduce your premium.

Factors Relating to You

Claims History and Loss History Reports

If you've filed homeowners insurance claims, or if a previous homeowner has filed claims for your home, you may pay more for insurance. Your history of filing claims will affect how much you pay for homeowners insurance, even if claim payments were low. Insurance companies use third-party data, including the Comprehensive Loss and Underwriting Exchange (CLUE) database to see, the number and types of claims you've filed in the last five to seven years. Different insurance companies treat claims information differently, so it's always a good idea to shop around.

Credit-Based Insurance Score

Insurance companies may use information about your credit history when they rate your policy. They use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurance companies combine credit information with traditional insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even ban the use of credit-based insurance scoring. Each insurance company uses its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries may mean a lower credit-based insurance score. You can find information about how to get your credit report at https://www.usa.gov/credit-reports.

It's important to talk to your agent or insurance company if you've had extraordinary life circumstances, such as divorce, death of a family member, job loss, military deployment, or serious illness, that might affect your credit.

If you have a “freeze” on your credit to help prevent identity theft, an insurance company won't be able to see your credit report and you may pay more for your insurance. You can temporarily “unfreeze” your credit when you apply for insurance.

Pets

Some insurance companies consider some pets or breeds of pets aggressive. An aggressive pet increases the risk you may be legally responsible if someone makes a claim against you for a pet-related injury. Some insurance companies have their own list of pet breeds they won’t cover, or that could increase your premium. Check with your agent or company if you own a pet.

Smoking

Smoking increases the risk of a fire in your home. Insurance companies usually charge more if someone in your home smokes.

Factors Relating to Your Policy

Coverage History

Insurance companies look at your insurance history to see if you’ve had continuous coverage on your home. If you canceled a policy before you bought a new one (called a lapse) you may pay a higher premium on a new policy. You also could have had a lapse in coverage if:

- you didn’t pay your bill on or before the due date or within the grace period; or
- you let your current policy end before you bought a new policy.

If you don’t pay your bill on time, your insurance company could:

- cancel your policy and not cover a loss to your home; or
- refuse to continue your policy, which may leave you without homeowners insurance.

If you let your insurance coverage lapse and you have a mortgage, your lender may buy a policy and charge you for it. Your premium for a lender-placed policy will probably be higher and might not provide as much coverage for you.

The Homeowners Insurance Coverage You Choose

Your insurance agent or company will help you decide what types and amounts of coverage you need. Your policy will specify the coverage for your home and personal belongings. It also may include *liability* coverage, which can pay if someone gets hurt on your property.

Your agent might suggest that you buy enough coverage to rebuild your house and replace your personal belongings. That’s called replacement cost coverage. Another type of coverage is based on actual cash value.

- *Actual cash value* coverage pays the fair market value of property at the time of the loss. This value usually is the cost to repair or replace the property, less *depreciation*. (Depreciation is a deduction for the age of the property and wear and tear.) Actual cash value coverage pays you for your loss, but often doesn’t pay enough to fully replace or repair the damage to your property.

Some policies provide only actual cash value coverage for roofs over a certain age or that are in poor condition. Be sure to find out what your policy covers.

- *Replacement cost* coverage pays the cost to repair or replace your damaged or destroyed property *without* a deduction for depreciation. Most policies cover your house for replacement cost. If you don't have replacement cost coverage, your insurance company might only pay actual cash value. The cost of building supplies might be higher now than when you bought your policy. Review your policy with your agent at renewal to be sure you have the best coverage you can afford.

Replacement cost and *market value* aren't the same. The market value of a home includes the price of your land and depends on the real estate market. For more information about these and other coverages, see the NAIC's Homeowners Shopping Tool.

The Deductible You Choose

A deductible is the money you pay out of pocket on a claim before the policy pays. The deductible applies to coverage for your home and personal property. You pay a deductible for each claim. Higher deductibles mean lower policy premiums. The premium for a policy with a $1,000 deductible will be lower than the premium for the same policy with a $500 deductible. In some areas, there are also catastrophe deductibles, which are either a dollar amount or a percentage of the value of the property.

A higher deductible can be a good way to save money on your premium. But be sure you can afford the deductible if you have a loss.

The Risks Your Policy Covers

Peril is an insurance term for a specific risk or reason for a loss. An all-perils policy insures your property against all perils, except those the policy names as not covered. Flood and earthquake are often not covered.

A *named perils* policy covers your home and personal property only against a specific list of reasons for a loss. Your policy will list the types of losses that it covers. Common examples of covered losses include fire, theft, and vandalism. Named perils policies cover less than all perils policies and are less expensive.

Talk with your insurance company's representative or agent if you want coverage for floods or earthquakes. A homeowners policy doesn't cover either, so you'll need to buy extra coverage.

Coverage You Add

To cover the full value of your possessions, you may need to add coverage to your homeowners policy. These additions may be called endorsements or riders and will increase your premium.

You may want to add coverage for:

- Antiques
- Computer Equipment
- Fine Art
- Firearms
- Jewelry

Your Home's characteristics

Your Home's Age and Condition

If you have an older home, your policy might be more expensive. Older homes might have outdated electrical and plumbing systems which might increase the risk of a loss. Older "historic" homes may require building materials that are hard to find. If you have an older home, you may need a special policy and probably will pay a higher premium.

Improvements to your home, such as replacing your roof; upgrading electrical, heating, or plumbing; or installing a security system, may lower your premium. You should tell your insurance agent or company about any upgrades you make to your home.

The Size of Your Home

The size of your home affects what you pay for insurance. Larger homes normally cost more to insure because they cost more to rebuild or repair. Your agent or company might ask about your basement and what percent is finished.

Your Home's Construction and Exterior Features

The material your home is made of affects how your home holds up against a natural disaster and perils like wind and fire. Homes made with concrete or solid brick exteriors are less likely to catch fire and are more stable during a storm.

Your home's roof is its main protection against hail, wind, fire, and other perils. The age, condition, material, and shape of your roof are all factors that determine your premium. Homes with newer roofs made of materials that are stable and fire-resistant usually cost less to insure.

Installing fire-resistant siding made of metal, fiber-cement shingles and clapboards, or masonry can help you pay less for your homeowners insurance, especially in fire-prone areas.

Custom Features of the Home

If you have a wood-burning or pellet stove, you may pay more for insurance. If a licensed contractor installed your stove and it meets code requirements, your premium may be lower.

If your home is made from custom, designer, or luxury grade materials, such as high-end marble, luxury grade cabinets, and expensive lighting, or requires professional craftmanship to rebuild, you may pay more for your insurance.

Where You Live

Your home's location affects what you pay for homeowners insurance. If your area gets a lot of hurricanes, tornadoes, or wildfires, your insurance will cost more.

Insurance companies consider how far you live from a fire station when they calculate your premium. Living in a city or suburban area, by a body of water, or in an area with a lot of crime will increase your premium.

Attractive Nuisances (For Example, A Swimming Pool) on Your Property

An *attractive nuisance* is a dangerous condition that may attract children to a homeowner's property. Examples are swimming pools, trampolines, and playground equipment. If you have an attractive nuisance you might want to increase your homeowners policy's liability insurance. You may be liable if someone is hurt using an attractive nuisance on your property (even if they don't have your permission and aren't using the item safely).

Your insurance company may require you to install an enclosure or fence around an attractive nuisance. Your policy might not cover items like diving boards or slides. Having an attractive nuisance on your property likely will increase your premium.

Homeowners Insurance Discounts

Most insurance companies offer various types of discounts. You will pay less for homeowners insurance if you qualify for a discount. Ask your agent or the insurance company what discounts the company offers and how much you could save. When you compare the costs of different insurance policies, compare the total cost after discounts.

Here are some important things to know:

- Discounts vary depending on the insurance company and the state where you live. Some insurance companies may not offer discounts.
- Ask about discounts every year when you renew your policy.
- If you get quotes from different insurance companies, be sure to ask each about discounts you might qualify for.

General Discounts

Most insurance companies offer various types of discounts. The discounts may be tied to how you pay for your policy, your personal characteristics, and/or your home.

Advance Purchase

You might get an Advance Purchase Discount if you buy a policy before the renewal date. Insurance companies might give discounts if you give them seven to 10 days' notice before you switch to their company.

Purchasing and Payment

Some insurance companies offer discounts if you pay for the full year of insurance in one payment, sign up for electronic billing, or are a new customer.

Multiple Policies

Insurance companies might offer a discount if you have your auto and homeowners policies with the same insurance company. This is known as bundling.

Discounts Specific to You and Your Policy

Discounts vary by insurance company. Some are not available in all states.

Claim Free

Insurance companies might offer a discount if you haven't filed any claims or haven't filed a claim for a certain number of years. Ask your insurance company if they offer this discount.

Prior Insurance

The prior insurance discount is for new policyholders. It's based on the number of years in a row that you had a policy with your previous insurance company.

Being Married or Widowed

Your insurance company may offer a discount if you're married or widowed. Ask your agent or insurance company about this discount.

Retirement Discount

Some insurance companies offer a discount to retired people. They tend to spend more time at home and will know about fires, water leaks, or burglaries at their homes.

Non-smoker Discount

Smoking at home may increase your fire risk, so some insurance companies offer a non-smoker discount.

Group Memberships

Military

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). Ask your agent or insurance company if they offer this discount.

Associations

Some insurance companies offer a discount if you're a member of an organization, such as an alumni or professional association or a union.

Occupation

Some insurance companies offer a discount to people with certain jobs, such as first responders, teachers, and nurses.

Loyalty (5-10 years or more)

Some insurance companies offer discounts if you:

- Renew your policy for a certain number of years
- No longer live with your parents, but buy a policy from the same insurance company

Replacement Cost

If you insure your home for 100% of the cost to replace it, you might be eligible for a discount.

Discounts Relating to Your Home

Age of Home

If your home is less than 10 years old, insurance companies may offer you a discount.

Construction Type

If your home is built from brick, stucco, metal, or concrete, you might be eligible for a discount.

New or Renovated Home Discount

If you bought a new or renovated home with upgraded electrical or plumbing, you may be eligible for a discount.

Roof Age Discount

Some insurance companies give a discount based on the age of your roof. If your home has a newer roof, or an impact-resistant roof, you might get a discount.

Accredited Builder Discount

If your home's builder is on the insurance company's "accredited builder" list, you might be eligible for a discount. This discount will probably only last for five years after your home is built.

Homeowners Association (HOA)

Some insurance companies offer a discount if you live in a neighborhood with an HOA.

Living in a Gated Community

Living in a gated community (with or without security patrols) offers an extra level of security and might make you eligible for a discount.

Fire and Safety Protection

Your insurance company may offer a discount if your home has qualifying fire or theft protection. Some of these include:

- Smoke Detectors
- Sprinkler System
- Fire Alarm
- Security Alarm
- Backup Generator
- Smart Technology to Alert You to Fires, Water Leaks, or Burglaries
- Deadbolt Locks

Water Leak Detection

You might get a discount if you have a water leak detector or prevention system. Discounts depend on how advanced the detection system is, so ask your agent or insurance company.

Mitigation Discounts

If you live in an area that has severe weather, your insurance company might give you a discount if you have storm shutters, reinforced doors, shatterproof glass, or other protections.

If you live in an area that is at risk for wildfires, you may get a discount if you take steps to mitigate damage. This includes using concrete or other fire-resistant materials for your home's structure and creating an area around your home that reduces fire risks.

PROJECT HISTORY

Transparency and Readability of Consumer Information (C) Working Group's Regulatory Resources for Consumers on Personal Lines Pricing and Underwriting

1. Description of the project, issues addressed, etc.

The purpose of the *Regulatory Resources for Consumers on Personal Lines Pricing and Underwriting* document is to provide state insurance regulators with information they can use in social media, bulletins, and other means of consumer information for which a department of insurance (DOI) might need to provide information to consumers regarding the pricing, rating, and underwriting of personal lines products.

The resources document includes information regarding both auto insurance and homeowners' insurance.

The auto insurance section includes information regarding how insurers: 1) underwrite; 2) rate risk; and 3) determine premiums for auto insurance products. The rating factors addressed in the document include: 1) how a vehicle is used; 2) an insured's gender and age; 3) the vehicle's location; 4) vehicle-specific factors; and 5) other risk factors. The document also affords information regarding a driver's coverage history, driving habits and history, and the vehicle owners and operators in a household.

The document additionally covers information regarding telematics and usage-based premiums, information regarding credit-based insurance scores, and vehicle-specific factors.

Furthermore, the document identifies information regarding auto insurance premium discounts, including general discounts like: 1) continuous coverage; 2) group memberships; 3) loyalty discounts; and 4) multiple vehicle and multiple policy discounts.

The document further identifies driver-specific discounts, including: 1) being claims-free; 2) taking defensive driving or driver's education courses; 3) good student discounts; 4) mileage discounts; 5) military discounts; 6) being a non-smoker/non-drinker; and 7) using a seat belt. Lastly, the document includes vehicle discounts for various safety devices and anti-theft discounts.

The document's homeowners insurance section discusses how insurers determine a premium using factors related to the homeowner, as well as discount information. General factors include items such as: 1) the homeowner's credit-based insurance score; 2) pets owned by the homeowner; and 3) whether someone in the homeowner's home smokes.

Factors concerning the homeowners policy include: 1) coverage history; 2) the coverage chosen; 3) the deductible chosen; 4) risks a policy covers; and 5) coverages added for valuable items.

Factors about a home's characteristics consist of: 1) the home's age and condition; 2) the home's size; 3) the home's construction and exterior features; 4) the home's custom features; 5) the home's location; and 6) whether there are attractive nuisances on the homeowner's property.

Discounts offered for a homeowners policy include general discounts, such as: 1) the advance purchase of a policy; 2) certain methods of purchasing and paying for insurance; and 3) whether the homeowner has multiple policies.

Discounts to a homeowners policy also include discounts specific to the homeowner and their policy, including: 1) being claims-free; 2) having prior insurance; 3) being married or widowed; 4) retirement discounts; and 5) non-

smoker discounts. Homeowners can also get discounts for things like: 1) having a group membership, such as belonging to the military or being a member of an association; 2) the homeowner's occupation; 3) loyalty discounts for having a policy for five to 10 years or more; and 4) insuring a home for replacement cost.

Discounts pertaining to the home may include: 1) the home's age; 2) the construction type; 3) whether the home is new or renovated; 4) roof age; 5) an accredited builder discount; 6) living in a gated community; 7) having qualifying fire or theft protection; 8) having water leak detection; and 9) mitigating the home for damage.

2. Name of group responsible for drafting the model and states participating.

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee was responsible for drafting the resource document and formed drafting groups to draft it. Participating states included: Alabama, the District of Columbia, Kansas, Maryland, Michigan, North Carolina, and Tennessee.

3. Project authorized by what charge and date first given to the group.

The project was authorized by the charge of the Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee to: "Consider drafting regulatory best practices that serve to inform consumers of the reasons for significant increases related to property/casualty (P/C) insurance products." The charge was given to the Working Group in 2021.

4. A general description of the drafting process (e.g., drafted by a subgroup, interested parties, the full group, etc.). Include any parties outside the members that participated.

In March 2021, the Transparency and Readability of Consumer Information (C) Working Group began discussing items to be included in a document meant to provide state insurance regulators with information about pricing, rating, and the underwriting of personal lines products. The document gives the state insurance regulator information that can be used in social media, bulletins, and other means of consumer education.

The Working Group formed drafting groups to work on each section of the document. The drafting groups met monthly to work on drafting the document. Interested parties from the American Property Casualty Insurance Association (APCIA) and the American Automobile Association (AAA) of Missouri also joined these meetings and provided feedback.

5. A general description of the due process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers, and legislators was solicited).

The drafting groups of the Transparency and Readability of Consumer Information (C) Working Group met regularly, and during its meetings, the Working Group heard comments and discussed suggested revisions from state insurance regulators and interested parties. Following the drafting of the document, the document was exposed on June 9, 2022, for a 14-day public comment period. Once comments were received, in early July, the drafting groups addressed these comments to put back before the Working Group. The changes made were editorial, mainly to increase the readability level. The Working Group adopted the regulatory document on Nov. 15, 2022. The Property and Casualty Insurance (C) Committee adopted the regulatory document during its Dec. 15, 2022, meeting at the 2022 Fall National Meeting.

6. A discussion of the significant issues (items of some controversy raised during the due process and the group's response).

There were no items of controversy raised during the due process.

7. Any other important information (e.g., amending an accreditation standard).

Not applicable.

Adopted by the Transparency and Readability of Consumer Information (C) Working Group, Nov. 15, 2022
Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022

Completed	N/A	EXAMPLE RATE/RULE FILING CHECKLIST	
☐	☐	**1.**	**Please complete all check boxes on this form or your filing may be returned "Rejected," and a resubmission may be necessary.**
☐	☐	**2.**	**All rate information must be completed on the rate/rule tab without capping.**
☐	☐	**3.**	**All proposed rate/rule manual pages must be submitted under the rate/rule schedule tab for approval.**
☐	☐	**4.**	**Complete rate/rule manual with all proposed changes must be submitted under supporting documents tab as this will be marked informational only. A complete manual should consist of all corresponding rules for your optional forms, all rules corresponding to your rating factors, all rating factors, territory definitions and factors, and all proposed changes to rules and rates.**
☐	☐	**5.**	**Provide a histogram on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.**
☐	☐	**6.**	**Provide the characteristics of the insured(s) receiving the maximum rate increase. If the filing contains more than one company, please provide a separate histogram for each company.**
☐	☐	**7.**	**Provide the average dollar change, the maximum dollar change, and minimum dollar change on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.**
☐	☐	**8.**	**Please provide our department with a talking points sheet that will assist our consumer assistance division should we receive consumer complaints regarding the rate increase. This submission should provide detailed information that we can share with policyholders that will explain what it is causing this rate increase.**
☐	☐	**9.**	**Please provide us with the breakdown of the permissible loss ratio by coverage including:** a. **Taxes, licenses, and fees** b. **Total production expense** c. **Underwriting profit** d. **Any other fees that comprise the permissible loss ratio** e. **Permissible loss ratio**
☐	☐	**10.**	**Provide all support and justification exhibits for rate change including how you derived your overall indication, all support for proposed factor changes, etc.**
☐	☐	**11.**	**This checklist item is only required for Personal Auto rate filings: Provide the percentage breakdown of the rate impact. If the filing contains more than one company, please provide a separate histogram for each company.**
☐	☐	**12.**	**Rates developed using generalized linear modeling or other predictive modeling techniques must include a detailed narrative of the modeling process. This should include a description of the modeling data, variable selection process, data dictionary, model testing & validation, and any judgements made throughout the process.**
☐	☐	**13.**	**If a GLM (Generalized Linear Model) is currently in use, the company must include the SERFF tracking number of the original GLM filing.**

PROJECT HISTORY

Transparency and Readability of Consumer Information (C) Working Group's
NAIC Rate/Rule Filing Checklist

1. Description of the project, issues addressed, etc.

The purpose of the *NAIC Rate/Rule Filing Checklist* is to provide state insurance regulators with a checklist that insurers with a rate/rule filing can complete. It was determined that many states do not have a rate/rule filing checklist in place. Kansas and Connecticut both have checklists in place and have found them to be extremely helpful.

The checklist includes items insurers are required to complete for the filing to be accepted. For example: 1) all rate information must be completed on the rate/rule tab without capping; 2) all proposed rate/rule manual pages must be submitted under the rate/rule schedule tab for approval; 3) all proposed changes must be submitted under the supporting documents tab (will be marked informational only); 4) provide a histogram on an uncapped basis; 5) provide the characteristics of the insureds receiving the maximum rate increase; 6) provide the average dollar change, the maximum dollar change, and minimum dollar change on an uncapped basis; 7) provide the department of insurance (DOI) with a talking points sheet that will assist the consumer assistance division if a consumer complaint regarding a rate increase is made; 8) provide a breakdown of permissible loss ratio by coverage; 9) provide all support and justification exhibits for rate change; 10) the checklist is only required for personal auto rate filings; 11) rates developed using a generalized linear modeling (GLM) or other predictive modeling techniques must include a detailed narrative of the modeling process; and 12) if a GLM is currently in use, the company must include the System for Electronic Rates & Forms Filing (SERFF) tracking number of the original GLM filing.

The checklist is not a required document but will be available to states that do not have one in place and wish to implement it.

2. Name of group responsible for drafting the model and states participating.

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee was responsible for drafting the *NAIC Rate/Rule Filing Checklist*. A drafting group was formed to draft the checklist. Participating states included: Alabama, Kansas, Maryland, and Tennessee.

3. Project authorized by what charge and date first given to the group.

The project was authorized by the charge of the Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee to: "Consider drafting regulatory best practices that serve to inform consumers of the reasons for significant increases related to property/casualty (P/C) insurance products." The charge was given to the Working Group in 2021.

4. A general description of the drafting process (e.g., drafted by a subgroup, interested parties, the full group, etc.). Include any parties outside the members that participated.

In March 2021, the Transparency and Readability of Consumer Information (C) Working Group began discussing items to be included in the checklist. This checklist is based on a checklist that has been used in Kansas for several years.

The Working Group formed a drafting group to work on the rate/rule filing checklist. The drafting group met monthly via conference call to work on drafting the document.

5. A general description of the due process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers, and legislators was solicited).

The drafting group of the Transparency and Readability of Consumer Information (C) Working Group met regularly via conference call, during which the drafting group discussed suggested revisions in the *NAIC Rate/Rule Filing Checklist*. Following the drafting of the checklist, the Working Group exposed the checklist on June 9, 2022, for a 14-day public comment period. Interested parties were given the opportunity to participate in the calls, and there were no objections prior to the comment period. The drafting group received one comment from a trade organization. However, the Working Group agreed there was no need for changes to be made to the checklist, as it has been being used in Kansas for several years with no objections from insurers. The Transparency and Readability of Consumer Information (C) Working Group adopted the checklist on Nov. 15, 2022. The Property and Casualty Insurance (C) Committee adopted the checklist during its Dec. 15, 2022, meeting at the 2022 Fall National Meeting.

6. A discussion of the significant issues (items of some controversy raised during the due process and the group's response).

There were no items of controversy raised during the due process.

7. Any other important information (e.g., amending an accreditation standard).

Not applicable.

NAIC NATIONAL MEETING SPRING 2023

Date: 3/23/2023

State Implementation Reporting of NAIC-Adopted Model Laws and Regulations

Executive (EX) Committee

- Amendments to the ***Unfair Trade Practices Act* (#880)**—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2021 Spring National Meeting. Eight jurisdictions have enacted the revisions to this model.

Life Insurance and Annuities (A) Committee

- Amendments to the ***Annuity Disclosure Model Regulation* (#245)**—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2021 Summer National Meeting. NAIC staff are not aware of any activity regarding this model.

- Amendments to the ***Suitability in Annuity Transactions Model Regulation* (#275)**—These revisions were adopted by the Executive (EX) Committee and Plenary during the February 13, 2020, conference call. 30 jurisdictions have enacted the revisions to the model.

- Amendments to the ***Standard Nonforfeiture Law for Individual Deferred Annuities* (#805)**—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. 22 jurisdictions have adopted the revisions to this model.

Health Insurance and Managed Care (B) Committee

- Amendments to the ***Health Maintenance Organization Model Act* (#430)**—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. One jurisdiction has adopted the revisions to this model.

- Amendments to the ***Insurance Holding Company System Regulatory Act* (#440)**—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. 24 jurisdictions have adopted the revisions to this model.

- Amendments to the ***Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450)**—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. 12 jurisdictions have adopted the revisions to this model.

Property and Casualty Insurance (C) Committee

- Adoption of the ***Real Property Lender-Placed Insurance Model Act* (#631)**—This model was adopted by the Executive (EX) Committee and Plenary at the 2021 Spring National Meeting. One jurisdiction has adopted this model.

- Adoption of the ***Pet Insurance Model Act* (#633)**— This model was adopted by the Executive (EX) Committee and Plenary at the 2022 Summer National Meeting. One jurisdiction has adopted this model.