NATIONAL MEETING
SUMMER / CHICAGO
2024
NAIC

Draft date: 8/3/24

2024 Summer National Meeting
Chicago, Illinois

THIRD-PARTY DATA AND MODELS (H) TASK FORCE
Tuesday, August 13, 2024
11:45 – 12:45 p.m.
Hyatt Regency McCormick Place—Regency Ballroom—Level 2

ROLL CALL

Michael Conway, Chair	Colorado	Kevin P. Beagan	Massachusetts
Michael Yaworsky, Vice Chair	Florida	Grace Arnold	Minnesota
Mark Fowler	Alabama	Chlora Lindley-Myers	Missouri
Lori K. Wing-Heier	Alaska	Scott Kipper	Nevada
Barbara D. Richardson	Arizona	D.J. Bettencourt	New Hampshire
Ricardo Lara	California	Adrienne A. Harris	New York
Andrew N. Mais	Connecticut	Jon Godfread	North Dakota
Gordon I. Ito	Hawaii	Judith L. French	Ohio
Dean L. Cameron	Idaho	Michael Humphreys	Pennsylvania
Ann Gillespie	Illinois	Elizabeth Kelleher Dwyer	Rhode Island
Doug Ommen	Iowa	Michael Wise	South Carolina
Vicki Schmidt	Kansas	Cassie Brown	Texas
Timothy J. Temple	Louisiana	Kevin Gaffney	Vermont
Robert L. Carey	Maine	Nathan Houdek	Wisconsin
Joy Y. Hatchette	Maryland		

NAIC Support Staff: Kris DeFrain/Scott Sobel

AGENDA

1. Consider Adoption of its July 30, July 19, July 10, and Spring National Meeting Minutes—*Commissioner Michael Conway (CO)* — Attachment One

2. Hear Presentations about Regulatory Decision-Making and the Use of Experts—*Commissioner Michael Conway (CO)* — Attachment Two
   A. Financial: Multistate Exams, Group Exams, and Audits —*Amy Malm (WI)*
   B. Property/Casualty (P/C) Risk-Based Capital (RBC) Catastrophe Approvals—*Tom Botsko (OH) and Wanchin Chou (CT)*

C. Actuarial Statements of Actuarial Opinion —*Christian Citarella (NH); Rachel Hemphill (TX) and Miriam Fisk (TX)*

D. Market Conduct: Advisory Organization vs. Multistate Examinations—*Erica Weyhenmeyer (IL)*

3. Discuss Any Other Matters Brought Before the Task Force —*Commissioner Michael Conway (CO)*

4. Adjournment—*Commissioner Michael Conway (CO)*

Draft: 8/9/24

Third-Party Data and Models (H) Task Force
Virtual Meeting
July 30, 2024

The Third-Party Data and Models (H) Task Force met July 30, 2024. The following Task Force members participated: Michael Conway, Chair, and Jason Lapham (CO); Michael Yaworsky, Vice Chair, represented by Virginia Christy (FL); Mark Fowler represented by Charles Hale (AL); Lori K. Wing-Heier represented by Alex Romero (AK); Barbara D. Richardson (AZ); Ricardo Lara represented by Ken Allen (CA); Andrew N. Mais represented by Wanchin Chou and Jack Broccoli (CT); Gordon I. Ito represented by Lance Hirano (HI); Doug Ommen represented by Travis Grassel (IA); Dean L. Cameron (ID); Ann Gillespie represented by Erica Weyhenmeyer (IL); Vicki Schmidt represented by Julie Holmes (KS); Timothy J. Temple represented by Tom Travis (LA); Kevin P. Beagan represented by Caleb Huntington (MA); Joy Y. Hachette represented by Mary Kwei (MD); Robert L. Carey represented by Sandra Darby (ME); Grace Arnold represented by Phil Vigliaturo (MN); Chlora Lindley-Myers, Cynthia Amann, and Jo DeLuc (MO); Jon Godfread represented by Colton Schulz and Mike Andring (ND); D.J. Bettencourt represented by Christian Citarella (NH); Scott Kipper represented by Gennady Stolyarov II (NV); Adrienne A. Harris represented by Katilin Asrow (NY); Judith L. French represented by Matt Walsh (OH); Michael Humphreys represented by Shannen Logue (PA); Elizabeth Kelleher Dwyer represented by Matt Gendron (RI); Michael Wise represented by Andreea Savu (SC); Cassie Brown represented by J'ne Byckovski (TX); Kevin Gaffney represented by Rosemary Raszka (VT); and Nathan Houdek represented by Monica Hale and Rebecca Rebholz (WI).

1. Heard Opening Comments

Commissioner Conway said the Task Force will ultimately decide whether to create a method to regulate third-party data and models. If the decision is to move forward, the Task Force will then need to decide whether to use a risk-based approach and, if so, decide what type of risk-based approach to use. He said the Task Force will hear three presentations of different risk-based approaches, one implemented nationwide and two that are more state-specific.

2. Heard a Presentation on the National Financial Solvency Approach with Deference to Domestic State

Broccoli presented an overview of the risk-focused surveillance approach to solvency monitoring, which is required for financial examinations given it is an accreditation standard. He said the approach is to identify and assess insurance risk profiles and develop a surveillance plan that focuses on the riskiest areas. He said the process is self-directed and customized as opposed to a checklist process. The approach requires a thorough understanding of the company's business plan, governance, oversight, and risk profile.

Regulatory resources are allocated based on a company priority rating that will impact the nature and scope of solvency monitoring. Priority One is considered a troubled insurer and would require more depth in regulatory oversight in monitoring than Priority Four. Broccoli said more depth could include more frequent on-site or off-site analysis.

Broccoli said the assessment includes evaluating the likelihood of a risk occurring (i.e., probability of the likelihood that a risk will occur or would prevent a process or activity). Risk is evaluated to be high moderate, high, moderate low, or low. With an objective to capture the likelihood of misstatement or a process failure, the regulator would consider transaction type, experience with the company, staff expertise, competency or experience, complexity of the transaction, exposure to fraud, and the current business environment. Additional risk assessment guidance involves consideration of the magnitude of a risk impact or materiality (e.g., dollar impact of risk in terms of

surplus, qualitative factors, reputation, share value, transaction volume) assessed as threatening, severe, moderate, or immaterial. Overall, the regulators want to make sure the insurer has an effective program where risk is identified and mitigated through controls. Chou added Connecticut regulators developed benchmarks by risk to compare companies.

Broccoli said some larger companies are required to file their Own Risk and Solvency Assessment (ORSA) with their domestic regulator. The ORSA allows an understanding of an insurer's risks, risk management, and solvency situation under stressed and expected conditions. The goal is to provide a group-level perspective on risk and capital. Typically, department or consulting actuaries assess the insurer's economic capital model.

Broccoli said that if a similar approach would be used for third-party models, modifications may need to be made to the assessment factors and levels to account for differences in area of focus.

3. Heard a Presentation on the NAIC/State-Specific Market Conduct Approach

LeDuc said the NAIC market conduct standardized framework aims to increase efficiency, effectiveness, uniformity, and collaboration among states. She said the NAIC market analysis work improves the ability of insurance departments to identify potential market conduct issues by small and large insurers that might impact consumers and consumer protection. Unlike the national regulatory solvency approach, domestic deference to another state does not generally get applied in the market conduct approach. Some states do not conduct market examinations.

LeDuc said the market analysis process begins with the baseline analysis, then potentially moves to a level 1 review, and then potentially moves to a level 2 review. Baseline analysis compares companies that comprise the market and prioritizes companies for more detailed reviews based on various factors; a level 1 review identifies potential reasons why a company may have risen to the top of the prioritization list; and a level 2 review involves a highly detailed examination of a company's operations and may lead to further regulatory action. In level 2, data includes more information than what is used in level 1. Examples of level 2 analysis include evaluating individual complaints; evaluating other states' market conduct actions on the company; reviewing rate, form, rules, and underwriting manual filings; using third-party data sources, such as those produced by A.M. Best or Moody's and litigation records; and conducting internet searches. She said she would recommend any review of third-party contracts take place in level 2. Following a level 2 review, the decision may be to: 1) take no immediate action, which might mean all issues and concerns were resolved or addressed and/or the regulator will evaluate more information and trends and review the insurer in the following year; or 2) move the identified issues found during the analysis process to the "continuum of market actions," which is a broad array of potential actions.

LeDuc said centralized market conduct tools are described in the NAIC *Market Regulation Handbook*. She said a general and common framework allows market analysts to rely on and learn from each other. She said analysis includes data from the financial annual statement, the complaint database system, the Regulatory Information Retrieval System (RIRS), the market actions tracking system, and the Market Conduct Annual Statement (MCAS). A market prioritization tool is used to identify companies that appear to need a more detailed review by ranking and using weights. The market analyst then decides whether to move a company to the level 1 review.

Regarding regulatory resources, market analysis uses a risk-based approach that allows focus on key concerns and, therefore, lets states appropriately apply resources to higher-risk areas. In addition to lower costs, by identifying issues up front, there tends to be a lighter touch than what would have been employed via a comprehensive or targeted market conduct examination.

The market conduct approach relies on judgment decisions throughout the process, whether made by the analyst, supervisor, or other decision-maker. Market conduct regulators are encouraged to select the most appropriate, cost-efficient, timely, and least intrusive option. Consideration is given to the immediacy of concern, the likelihood or severity of potential harm to consumers, and the potential scope of the issue or issues. LeDuc said that Missouri market conduct regulators will, when the decision is leaning toward the examination side of the continuum, consider: 1) the company's history in being proactive and responsive; 2) compliance actions already taken; 3) actions in progress by other jurisdictions; and 4) the likelihood that the issues may be adversely affecting other jurisdictions' actions or decisions.

4. Heard a Presentation on Colorado's 'Trust but Verify' Approach

Lapham presented Colorado's "trust but verify" approach used in Colorado Senate Bill 21-169 ("SB21-169") and Colorado Insurance Regulation 10-1-1 addressing governance and risk management requirements for insurers using external consumer data and information sources and predictive models. He said that, broadly, SB21-169 is intended to protect Colorado consumers from insurance practices that result in unfairly discriminatory outcomes on the basis of a series of protected classes that are enumerated in SB21-169. He said the focus is on outcomes and is not primarily concerned with individual factors or model variables. SB21-169 is broadly applicable to most types of insurance including life, auto, homeowners, and health. He said "insurance practices" include underwriting, pricing, utilization management, reimbursement methodologies, and claims management which has led to multiple work streams for implementing SB21-169 to address the differences across lines of insurance and insurance practices. Insurers are required to 1) establish a risk management framework around the use of external consumer data and the predictive models that leverage external consumer data and 2) conduct quantitative testing related to the outcomes resulting from the use of those external consumer data and models. Regulators will evaluate whether outcomes are leading to unfairly discriminatory impacts on consumers and appropriateness of any remediation carried out by insurers to address those unfairly discriminatory impacts.

The Division's initial focus beginning in early 2022 was on the life insurance industry. A survey was conducted to evaluate the status of the life insurance industry with respect to building governance or risk management frameworks. Survey results showed a wide range of insurer preparedness, sophistication, and maturity around the use of external consumer data and predictive models. Based on the responses by carriers with fairly robust risk management and governance frameworks as well as other sources of best practices regarding the use of AI and machine learning tool, Regulation 10-1-1 requirements include the following: 1) multidisciplinary cross-functional teams on governance and to address risk management concerns; 2) clearly defined roles within the organization related to the use of the related tools; 3) establish senior management accountability and board oversight; 4) set a high level of importance on documentation and decisions made; 5) documentation includes the following: decisions that are made, data used, how models are used, what models are used, when models are decommissioned, roles and responsibilities for the life cycle of the tools, a process for selecting third-party predictive models and the vendors that supply data, plans for where any noncompliance is occurring, etc.; and 6) must have a documented means for assessing and prioritizing risk.

Related to third-party products, the regulation makes clear that insurers are responsible for ensuring the requirements are met including the production of any documents or information the Division deems necessary to ensure compliance.

The requirements are somewhat flexible, but the regulation includes some items that are required to be documented. Lapham referred to the approach with regular insurer submissions and attestations as "trust but verify."

5. Heard the Task Force Chair's Comments

Commissioner Conway thanked the presenters and remarked that all three approaches show built-in flexibility. He said Colorado's approach probably has the most flexibility.

Commissioner Conway suggested members evaluate whether a blended approach might be useful, perhaps where domestic regulators work collectively at the NAIC to implement a nationwide and market-wide approach to identify risk. He added that he does not anticipate any accreditation standard arising out of the Task Force's work. He said an approach for third parties may need to be more focused on individual state interests and the risks in those individual states. He said the focus on specific models (e.g., hurricane models) will vary by state.

Having no further business, the Third-Party Data and Models (H) Task Force adjourned.

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Draft: 7/19/24

Third-Party Data and Models (H) Task Force
E-Vote
July 19, 2024

The Third-Party Data and Models (H) Task Force conducted an e-vote that concluded July 19, 2024. The following Task Force members participated: Michael Conway, Chair (CO); Mark Fowler (AL); Lori K. Wing-Heier (AK); Barbara D. Richardson (AZ); Ricardo Lara represented by Esteban Mendoza (CA); Andrew N. Mais (CT); Dean L. Cameron (ID); Ann Gillespie (IL); Vicki Schmidt represented by Julie Holmes (KS); Kevin P. Beagan represented by Jackie Horigan (MA); Joy Y. Hachette represented by Mary Kwei (MD); Robert L. Carey represented by Sandra Darby (ME); Grace Arnold represented by Phil Vigliaturo (MN); Jon Godfread represented by Colton Schulz (ND); D.J. Bettencourt represented by Christian Citarella (NH); Adrienne A. Harris represented by Kaitlin Asrow (NY); Judith L. French represented by Matt Walsh (OH); Elizabeth Kelleher Dwyer (RI); and Kevin Gaffney (VT).

1. Adopted its 2024-2025 Work Plan

The Task Force conducted an e-vote to consider adoption of its 2024-2025 work plan. The motion passed unanimously.

Having no further business, the Third-Party Data and Models (H) Task Force adjourned.

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Draft: 7/24/2024

Third-Party Data and Models (H) Task Force
Virtual Meeting
July 10, 2024

The Third-Party Data and Models (H) Task Force met July 10, 2024. The following Task Force members participated: Michael Conway, Chair (CO); Michael Yaworsky, Vice Chair (FL); Mark Fowler and Charles Hale (AL); Lori K. Wing-Heier represented by Chad Bennett (AK); Barbara D. Richardson (AZ); Ricardo Lara represented by Kara Voss (CA); Andrew N. Mais represented by Wanchin Chou (CT); Gordon I. Ito represented by Lance Hirano (HI); Doug Ommen (IA); Dean L. Cameron represented by Shannon Hohl (ID); Ann Gillespie represented by Shannon Whalen (IL); Vicki Schmidt represented by Craig VanAalst (KS); Timothy J. Temple represented by Tom Travis (LA); Kevin P. Beagan represented by Jackie Horigan (MA); Joy Y. Hachette represented by Kelli Dominique Hudson (MD); Robert L. Carey represented by Sandra Darby (ME); Grace Arnold represented by Phil Vigliaturo (MN); Chlora Lindley-Myers and Cynthia Amann (MO); Jon Godfread represented by Tyler Erickson (ND); D.J. Bettencourt represented by Christian Citarella (NH); Scott Kipper represented by Gennady Stolyarov II (NV); Adrienne A. Harris represented by Sumit Sud (NY); Judith L. French represented by Matt Walsh (OH); Michael Humphreys (PA); Elizabeth Kelleher Dwyer (RI); Michael Wise represented by Melissa Manning (SC); Cassie Brown represented by J'ne Byckovski (TX); Kevin Gaffney (VT); and Nathan Houdek (WI).

1. Discussed its 2024–2025 Work Plan and Charges

Commissioner Conway commented on the intent and importance of the Task Force's work plan and charges. He discussed concerns about the impact of third-party models in the insurance market, emphasizing the need for fair usage, transparency, and addressing specific risks, while also considering innovation, operationalization, and resource constraints in developing models to promote regulatory consistency.

Commissioner Conway stated there has been a growing concern among commissioners about the use of third-party models. He said insurance regulators need to be able to tell consumers, bosses, and governors that data and models are being used fairly by insurers. He said insurance regulators cannot always do that when third parties are involved. In homeowners insurance, predictive models are being used for pricing and are having a large impact on affordability and availability. He said if one uses a method of trust, but verify, a problem is that regulators cannot verify that what third parties are saying is, in fact, the case. Third parties are having a growing impact on the insurance market which means this problem is a growing concern. He said this is why the Task Force was created.

Commissioner Conway said the Task Force's work plan was exposed for a 30-day comment period, which ended May 6. He said numerous comments were received (Attachment ___). He said the comments focused more on the work itself rather than on the work plan content.

Commissioner Conway said three themes in the written comments were: 1) how broadly the ultimate framework is going to reach, 2) whether the Task Force will choose a risk-based approach, and 3) whether the Task Force will do work openly and transparently. He said, first, the Task Force is committed to having an open and transparent conversation about where the work is going. He said that, as is typical, there will be conversations that will need to be held in a regulator-to-regulator setting, and the Task Force will bring those issues to the forefront in open session and allow time for interested party feedback.

Commissioner Conway said the breadth of the framework and whether to apply a risk-based approach will be part of the conversations and are inherently built into the questions that are in the work plan. He added that these will be topics in the next two meetings, as the Task Force will hear presentations on risk-based frameworks and how these frameworks may include regulators working together and/or with experts to make decisions.

Peter Kochenburger (Southern University Law Center) said significant changes have occurred over the last 30 years, making it more difficult to keep stakeholders up to date. He said insurance regulators need jurisdiction over third parties or at least some way to evaluate data and models to guide insurers and third parties.

J.P. Wieske (American InsurTech Council) noted that transparency is appreciated. He said there are scope and other issues that may end up attaching because of the basis of the third-party data. Wieske said data has been used throughout the life of the insurance industry and insurers have pulled external data for many years. He thinks there are frameworks that could continue to be used throughout this process.

Bob Ridgeway (America's Health Insurance Plans—AHIP) commented that existing federal laws, particularly the Health Insurance Portability and Accountability Act of 1996 (HIPAA), need to be considered throughout this project.

Lindsey Klarkowski (National Association of Mutual Insurance Companies—NAMIC) suggested that the Task Force: 1) identify the challenge to be solved to avoid creating a solution disjointed from the needs of the market; 2) examine existing state law and any potential applicability to third-party vendors to know what existing law says and might cover; and 3) ensure consistency with other NAIC committees.

Earnest Collins (Regulatory Compliance & Examinations Consultants—RCE) said there are two third-party models to test unfairness going into effect in 2024 . He expressed a desire to discuss these models at another time.

David Heppen (Risk & Regulatory Consulting—RRC) suggested using a risk-based approach and weighing the cost and benefits of different approaches. He said the Task Force should discuss some states' regulatory reviews of catastrophe models because those state insurance regulators could share insights on costs and benefits. He suggested creating a specific list of risks that this group is trying to mitigate and what aspects of those risks are being addressed. He recognized this might happen naturally.

Brian Bayerle (American Council of Life Insurers—ACLI) said the Task Force has a difficult task of producing guidance on third-party vendors while maintaining innovation and not negatively impacting smaller entities. He said ACLI supports the work plan.

Eric Ellsworth (Consumers' Checkbook/Center for the Study of Services) said when a model is built to attempt to make human decisions, accountability questions arise. He posed the question of who is responsible for the outcome of the model and said there are operational, managerial, and authority challenges. He suggested that when conceptualizing consumer outcomes, in addition to analyzing rating or underwriting decisions, the Task Force should analyze the operational experience of the consumer in trying to interact with the insurer or the third party.

Amann mentioned that the Catastrophe Insurance (C) Working Group is writing a catastrophe primer (formerly known as the *Catastrophe Modeling Handbook*). She said it could be useful to expand the catastrophe framework to cover third-party vendors.

Commissioner Fowler and Hale raised the following situations, asking if Section B of the work plan is broad enough to encompass them: 1) Third parties may be new to the regulator and not have a known reputation. 2) Output

provided by a third-party model is used as input into an insurer's model. 3) One third-party vendor files rate models directly in the System for Electronic Rates & Forms Filing (SERFF) while another third party never submits a filing directly, rather, the insurer submits the third-party's model for approval for use by that individual insurer. Hale said the latter produces logistic problems. Commissioner Conway responded that Section B of the work plan may be broad enough to encompass those questions. He added that the intention was to keep the questions at a high level and then add questions or new items as they arise, especially as the framework is developed in 2025. He asked Commissioner Fowler to assess Section B after the meeting and submit any proposed modifications if more detail is needed.

Chou said insurers often spend 18 months in the development of one model, using an army of data scientists. He said the models are more complex and much more difficult to explain to stakeholders than what existed 30 years ago. He said the Task Force needs to evaluate the talent and resources available to the state. He said for rate models, states can rely on the NAIC Rate Model Review team for some assistance, but the resources still do not come close to the insurers' resources. He said the other issue is a need for consistency. He said catastrophe models are usually high severity, low frequency, and use simulation, while other rating models use more homogenous data and are low severity, high frequency. He summarized that modeling many years ago was simpler (e.g., Excel file), and the state had the resources for proper review; now, the modeling is much more complex, yet state resources (except for the addition of the NAIC rate model review team) have not changed.

Commissioner Conway said the Task Force will consider adoption of the work plan via e-vote after allowing some time for Commissioner Fowler to decide whether to submit any proposed changes.

Having no further business, the Third-Party Data and Models (H) Task Force adjourned.

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Draft Pending Adoption

Draft: 3/25/24

Third-Party Data and Models (H) Task Force
Phoenix, Arizona
March 16, 2024

The Third-Party Data and Models (H) Task Force of the Innovation, Cybersecurity, and Technology (H) Committee met in Phoenix, AZ, March 16, 2024. The following Working Group members participated: Michael Conway, Chair (CO); Michael Yaworsky, Vice Chair (FL); Lori K. Wing-Heier (AK); Barbara D. Richardson represented by Tom Zuppan (AZ); Ricardo Lara represented by Ken Allen (CA); Gordon I. Ito (HI); Doug Ommen represented by Andrew Hartnett (IA); Dean L. Cameron represented by Weston Trexler (ID); Vicki Schmid represented by Julie Holmes (KS); Gary D. Anderson represented by Jackie Horigan (MA); Grace Arnold represented by Phil Vigliaturo (MN); Chlora Lindley-Myers represented by Cynthia Amann (MO); Jon Godfread represented by Colton Schulz (ND); D.J. Bettencourt represented by Christian Citarella (NH); Scott Kipper represented by Alexia Emmermann (NV); Adrienne A. Harris represented by Sumit Sud (NY); Judith L. French represented by Matt Walsh (OH); Michael Humphreys (PA); Elizabeth Kelleher Dwyer represented by Brett Bache (RI); Michael Wise represented by Melissa Manning (SC); Cassie Brown represented by J'ne Byckovski (TX); Kevin Gaffney represented by Mary Block (VT); and Nathan Houdek represented by Timothy Cornelius (WI). Also participating were: Wanchin Chou (CT); Brian Downs (OK); and Travis Jordan (SD).

1. Received a Report on the Formation of the Task Force and its Charges

Commissioner Conway stated the two adopted charges of the Task Force. The first charge is to research and gather information as to what types of artificial intelligence (AI)/machine learning (ML) models are currently being used by insurance companies that are provided from third parties that may require regulation. The second charge is to monitor and report on the regulatory efforts of third-party models at the federal and international levels.

Commissioner Conway stated that the Task Force will work through the first charge over the next year, while the plan for the second year will be to draft a regulatory framework to then propose to the Innovation, Cybersecurity, and Technology (H) Committee for review and approval through Plenary.

Further, he stated that the Task Force has drafted and discussed the work plan in regulator-to-regulator session and will have a follow-up meeting to discuss the feedback received. At that point, the Task Force will discuss the work plan with interested parties and other stakeholders.

2. Heard a Presentation on the FCHLPM

Commissioner Yaworsky referenced the development of Florida's catastrophe (CAT) models regulatory framework and its impact on the Florida insurance market as a baseline for how those models are used. He stated that the Florida CAT modeling commission is housed within an agency that is separate from the Florida Office of Insurance Regulation (OIR) and consists of experts from across the state, including an actuary from the OIR and state meteorologists who are charged with reviewing CAT models.

Donna Sirmons (State Board of Administration of Florida—SBA) gave a presentation (Attachment One) on the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM). She stated that after Hurricane Andrew, the Florida legislature recognized the need for expert evaluation of CAT models to resolve conflicts among actuarial professionals and provide immediate and continuing improvement in the sophistication of the actuarial methods. This prompted the legislature to create the FCHLPM in 1995 as an independent body housed within the SBA, funded out of the Florida Hurricane Catastrophe Fund (FHCF) and operating under its governing statute.

The structure and processes of the FCHLPM are designed to protect the proprietary intellectual property of the CAT models. A team of experts representing each of the scientific disciplines conducts on-site audits. In 2005, the Florida legislature passed a law exempting the FCHLPM from Florida public records and public meetings laws for trade secret information. The FCHLPM has authorized a team of professional experts to travel on-site to review and evaluate the models for compliance with the standards. The FCHLPM reviews each model independently and looks at the scientific principles that have been applied.

For the flood models, the same general framework would be used for any peril whether for wildfire, earthquake, or severe convective storms with changes made to address the different parameters specific to each peril. The audit requirements are proprietary items that the professional team reviews in-depth when they are on-site. A sensitivity analysis is also required to be performed to identify the major contributors to the uncertainty. The computer information standards address: 1) model documentation; 2) specification requirements; 3) implementation of the model; 4) data verification testing of the components and the input data; 5) human-computer interaction and interface options; 6) minimum requirements for cybersecurity standards; and 7) certifications for cloud computing, compliance controls, and backup and redundancy procedures. In 2000, Florida passed a law to develop a public hurricane loss model, which is housed at Florida International University (FIU).

Allen asked whether the public gets a chance to ask questions, voice concerns or objections, or interact in a public session. Sirmons said that the public is allowed under Florida law to make any comments and ask questions during a public meeting. The FCHLPM has had some representatives from Massachusetts and from the Florida Keys attend public meetings. However, it is mainly during these public meetings when the FCHLPM is developing standards on how it is going to review the model and how it is setting the standards.

Commissioner Conway asked to gain a better understanding about why the law change in 2005 was needed. Sirmons said that it was a specific trade secret exemption to address the trade secret information about the design and development of CAT models. Under Florida law, if two or more FCHLPM members are gathered together to discuss anything that would come before the FCHLPM for formal action, then that is considered to be a public meeting. So, if two FCHLPM members were to go on-site to review the model, then that would have been a violation of the public meetings law. The law change allows more than one FCHLPM member to be able to attend an on-site review at the same time to gain confidence that they have seen and understand what they are voting on.

Chou asked whether Sirmons is involved in the Federal Emergency Management Agency (FEMA) rating 2.0 modeling review for flood and works with any of its intellectual property Sirmons said that the FCHLPM is not involved with the FEMA rating. However, she added that the FCHLPM has looked at FEMA's aggregated exposure and claims data but have not been involved in the FEMA rating.

Emmermann asked what happens when a model is rejected or if there are issues with a model. She asked if the FCHLPM has to review and approve it, is there some sort of protection or a hearing process to contest whether the FCHLPM's decision was appropriate. Sirmons said that a modeler can appeal the FCHLPM's finding that the model is not acceptable or does not meet the standards. The modeler has up to 30 days to follow up with a written appeal to say what additional information it will provide in order to state its case. If the appeal fails, then the modeler must wait until the next change of standards at the next review cycle to submit again.

Commissioner Conway asked who pays for the reviews and the audits. Sirmons said that the FCHLPM pays, funded out of the FHCF.

Trexler stated that there are seven hurricane models that are accepted in Florida. He asked whether other models have been rejected over the years. Sirmons said that there was a short-term model submitted that did not pass

the standards because there was not enough claims data, and the validation of the model was weak. That model was withdrawn, and a full historical model was submitted and found acceptable.

Commissioner Conway asked Sirmons to elaborate on how models are properly incorporating the impact of mitigation and the building code changes that Florida has undertaken. Sirmons said that the modeler must show the FCHLPM its vulnerability functions that show at what point it considers 100% loss at different wind speeds and what the ratio of the damage will be. The modeler also must show the reduction in losses after applying mitigation factors such as techniques for sliding glass windows, garage doors, roof attachment, the roof, the deck, etc. that are in place. The FCHLPM looks at the mitigations individually and collectively. Commissioner Yaworsky stated that the Florida Office of Insurance Regulation conducts studies every five years to determine the mandatory minimum mitigation credits that need to be applied to a policy. The OIR promulgates Form 802, which requires every homeowner to have an inspection done to determine qualifying credits. The form is a tool the FCHLPM uses to ensure mitigations are applied appropriately within the model. Sirmons responded that the FCHLPM also looks at the damage assessment reports after an event and assesses whether mitigations worked on homes that were damaged.

Having no further business, the Third-Party Data and Models (H) Task Force adjourned.

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Regulatory Examinations and Audit Requirements

Amy Malm
Administrator, Division of Financial Regulation
Wisconsin Office of the Commissioner of Insurance

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Types of Regulatory Examinations

	Financial Condition Exams	Market Conduct Exams
Frequency	• Minimum – Once every 5 years • More often as needed	• As needed, no minimum frequency requirement
Scope	• Full scope of potential solvency risks. • Limited scope may be performed in interim period, as needed.	• As deemed necessary to address complaints and identified concerns
Focus	• Review business processes and controls to assess financial condition • Evaluate risks that could cause an insurer's surplus to be misstated	• Determine compliance with market conduct requirements and fair treatment of consumers
State Coordination	• Exams led by domestic state, with licensed states relying on those efforts • Coordination framework in place for group exams	• Exams typically led by each licensed state • Collaborative exams may be conducted, when warranted

Audit/Assurance Requirements

- Annual Financial Reporting Model Regulation (NAIC #205) requires:
  - Annual submission of financial statements audited by a qualified CPA firm
  - Reporting on the effectiveness of internal controls
    - Requirement dependent on company size (i.e., annual premium volume)
  - Establishment of an audit committee and internal audit function
    - Requirements dependent on company size (i.e., annual premium volume)
- Audits based on statutory accounting rules promulgated by the NAIC
  - Other comprehensive basis of accounting recognized by AICPA
- CPA firm conducting the annual audit required to provide access to full audit workpapers to financial examiners
  - Workpapers utilized to gain efficiencies in conducting financial examinations

Questions

How do Regulators Evaluate Catastrophe Risk

Tom Botsko, ACAS, MAAA,
Ohio Dept. of Insurance, Chief P&C Actuary
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Connecticut Dept. of Insurance, Chief Actuary
August 13, 2024

Antitrust Notice

- This meeting is for the purpose of promoting a general exchange of information pertinent to reporting and regulatory issues which affect the insurance industry. It is not intended to be a forum for the discussion of specific company issues or results, nor for the exchange of information related to any company's pricing, underwriting, reserving, claims development or similar issues which could impact competition among the participating companies. The statements in this presentation are our own and do not reflect opinions of either department of insurance.

- Generally, the U.S. antitrust laws prohibit anticompetitive agreements among competitors concerning price and other terms and conditions of competition, including agreements between competitors to engage in price-fixing, bid-rigging and customer or market allocation, and group boycotts. In particular, the discussion of competitively sensitive subjects, such as comments about current pricing or future pricing plans or about decisions to participate or not participate in certain markets, might be interpreted as evidence of an anticompetitive objective, even though the intent of the parties was entirely legitimate. Accordingly, all participants at this meeting shall exercise due care in order to avoid inadvertent discussion of competitively sensitive topics and potentially ambiguous statements.

Agenda

1. Recent Updates – CAT Models by Peril
    a. Maturity - EQ & Hurricane
    b. Evolving – Wildfire & SCS
    c. Flood Model
2. CAT Model Regulation
    a. RBC and Financial Solvency
    b. Rate Regulation - ASOP 39
    c. CAT vs. GLM – Roofing/Overhanging
3. Independent Model Review – RBC Instruction

Regulatory Policy – DOI Perspective

As the NAIC puts it, “The public wants two things from insurance regulators:
They want solvent insurers who are financially able to make good on the promises they have made, and
they want insurers to treat policyholders and claimants fairly.
All regulatory functions will fall under either
solvency regulation or market regulation to meet these two objectives.”

Recent Updates – CAT Models by Peril
EQ & Hurricane

- Hurricane Andrew – 1992
- Maturity
- FL Hurricane Commission

Recent Updates – CAT Models by Peril
Emerging Perils

- Wildfire – Informational Only
- Severe Convective Storms
- Flood Insurance Markets

CAT Model Regulation – RBC & Financial Solvency

- Development – CAT Models
- NAIC and ASOP 38
- Review Strategy and Plans

CAT Model Regulation – Rate Filings and CAT Loads

- CAT Model Considerations
  - ASOP 39
  - Historical Data
  - CAT Models Evaluation

CAT Model Regulation – CAT vs. GLM Challenges

- CAT Models & Catastrophes
  - Low Frequency and High Severity
  - Data Governance and Model Application
- Predictive Models & AI
  - High Frequency and Low Severity
  - Secondary and Credibility Assumptions
- Rating and Underwriting Challenges

Independent Model Review

To obtain permission to use the own model, the insurer must provide the domestic or lead state insurance regulator with written evidence of each of the following:

1. The use of the own model is reasonable considering the nature, scale, and complexity of the insurer's catastrophe risk;
2. The own model is used for catastrophe risk management, capital assessment, and the capital allocation process and the model has been used for at least the last 3 years;
3. The perils included in the RBC Catastrophe Risk Charge have been validated by the insurer and that these perils include both US and global exposures, where applicable;
4. The own model has been developed using reasonable data and assumptions and that model results used in determining the RBC Catastrophe Risk Charge reflect exposure data that is no older than six months;
5. The insurer has individuals with experience in developing, testing and validating internal models or engages third parties with such experience. The insurer must provide supporting model documentation and a copy of the latest validation report and the insurer is solely responsible for the relevant cost. For each peril included in the RBC Catastrophe Risk Charge, the validation report should attest that the projected losses are a reasonable quantification of the exposure of the reporting entity. The validation report must provide a description of the scope, content, results and limitations of the validation, the individual qualifications of validation team and the date of the validation. Both the model documentation and the model validation report must be provided at a minimum once every five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer's exposure to catastrophe exposure.
6. The results of the own model should be compared with the results produced by at least one of the following models: AIR, **CoreLogic for earthquake and hurricane only**, RMS, **KCC,** ARA HurLoss **(hurricane only)**, or the Florida Public Model **for hurricane**. The insurer must provide the comparison and an explanation of the drivers of differences between the results produced by the internal model vs. results produced by the selected prescribed model.
7. If the own model has been approved or accepted by the non-U.S. group-wide supervisor for use in the determination of regulatory capital, the insurer must submit evidence, if available, from the non-US group-wide supervisor of the most recent approval/acceptance including the description of scope, content, results and limitations of the approval/acceptance process and dates of any planned future approval/acceptance, if known. The name and the contact information of a contact person at the non-US group-wide supervisor should also be provided for questions on the approval/acceptance process.

Questions?

The Appointed Actuary and the Statement of Actuarial Opinion

Christian Citarella (NH)
Rachel Hemphill, Ph.D., FSA, FCAS, MAAA (TX)
Miriam Fisk, FACS, ASA, MAAA (TX)

What is a Statement of Actuarial Opinion?

- **Statement of Actuarial Opinion:** The opinion of an appointed actuary regarding the adequacy of reserves, required annually, included with the Annual Statement
- Opinion requirements:
  - Life, A&H, or Fraternal: VM-30 Section 3.A
  - P&C: Annual statement instructions
  - Title: Annual statement instructions
  - Health: Annual statement instructions

Opinion-Related Reports/Filings

- Life
  - **Actuarial Memorandum:** confidential report that must be made available to an insurance commissioner upon request (VM-30 Section 3.B)
  - **Regulatory asset adequacy issues summary (RAAIS):** confidential report that must be submitted to the domiciliary commissioner each year (VM-30 Section 3.B.13)
- P&C
  - **Actuarial Report:** confidential report documenting the analysis underlying the opinion that must be made available to an insurance commissioner upon request (P/C Annual Statement Instructions – Statement of Actuarial Opinion section – paragraph 7)
  - **Actuarial Opinion Summary (AOS):** confidential document that must be submitted to the domiciliary commissioner each year (P/C Annual Statement Instructions – Actuarial Opinion Summary Supplement section)

What is an Appointed Actuary? (Life)

As defined in Valuation Manual VM-01, an appointed actuary means a qualified actuary who:

- Is appointed by the board of directors, or its equivalent, or by a committee of the board, by Dec. 31 of the calendar year for which the opinion is rendered.
- Is a member of the Academy.
- Is familiar with the valuation requirements applicable to life and health insurance.
- Has not been found by the insurance commissioner (or if so found has subsequently been reinstated as a qualified actuary) following appropriate notice and hearing to have:
  - Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as a qualified actuary.
  - Been found guilty of fraudulent or dishonest practices.
  - Demonstrated incompetency, lack of cooperation or untrustworthiness to act as a qualified actuary. Submitted to the insurance commissioner during the past five years, pursuant to these AOM requirements, an actuarial opinion or memorandum that the insurance commissioner rejected because it did not meet the provisions of this regulation, including standards set by the ASB.
  - Resigned or been removed as an actuary within the past five years as a result of acts or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards.
- Has not failed to notify the insurance commissioner of any action taken by any insurance commissioner of any other state similar to that under the paragraph above.

What is a Qualified Actuary? (Life)

The term “qualified actuary” means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the **Academy qualification standards** for actuaries signing such statements and who meets the requirements specified in the Valuation Manual. (Standard Valuation Law (SVL)/Model #820 definition.)

What is an Appointed Actuary? (P&C)

- **"Appointed Actuary"** is a Qualified Actuary (or individual otherwise approved by the domiciliary commissioner) appointed by the Board of Directors
- **"Qualified Actuary"** is a person who:
  - (i) Meets the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualifications Standards), promulgated by the American Academy of Actuaries (Academy);
  - (ii) Has obtained and maintains an Accepted Actuarial Designation; and
  - (iii) Is a member of a professional actuarial association that requires adherence to the same Code of Professional Conduct promulgated by the Academy, requires adherence to the U.S. Qualification Standards, and participates in the Actuarial Board for Counseling and Discipline when its members are practicing in the U.S.
  - An exception to parts (i) and (ii) of this definition would be an actuary evaluated by the Academy's Casualty Practice Council and determined to be a Qualified Actuary for particular lines of business and business activities.

AOM Required Disclosures (Life)

VM-30 has requirements for what the AOM must document, and in what detail. For example:

> Documentation of assumptions used for lapse rates (both base and excess), interest crediting rate strategy, mortality (including base assumptions and future mortality improvement or deterioration), policyholder dividend strategy, competitor or market interest rate, annuitization rates, commissions and expenses, and morbidity. **The documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions and whether the assumptions contribute to the conclusion that the reserves make provision for "moderately adverse conditions."**

This standard of documentation enables the regulatory actuary to be able to rely on the appointed actuary's reserve opinion.

Actuarial Report Required Disclosures (P&C)

The P/C Opinion instructions include similar language, enabling regulatory actuaries to rely on the appointed actuary's analysis:

> The Actuarial Report must contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to Company management, the Board of Directors, the regulator or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide **sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work**. This technical component **must show the analysis from the basic data (e.g., loss triangles) to the conclusions**.

Actuarial Professional Standards

- The appointed actuary must follow Actuarial Standards of Practice (ASOPs)
- Credentialed actuaries are subject to the Academy's Actuarial Board for Counseling and Discipline (ABCD), which oversees adherence to ASOPs and the actuarial code of professional conduct.

Valuation Manual, VM-30 Section 1.A.3:

> The AOM requirements shall be applied in a manner that allows the appointed actuary to use his or her **professional judgment** in performing the actuarial analysis and developing the actuarial opinion and supporting actuarial memoranda, **conforming to relevant ASOPs**.

P&C Opinion instructions, paragraph 1:

> The Actuarial Opinion and the supporting Actuarial Report and workpapers should be **consistent with the appropriate ASOPs**, including, but not limited to, ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board.

Key ASOPs

Certain ASOPs include further requirements for what the actuary must do and/or disclose.

- **Life:**
  - ASOP 22, Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities
- **P&C:**
  - ASOP 36, Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves
  - ASOP 43, Property/Casualty Unpaid Claim Estimates

Required Disclosures, ASOP 22 (Life)

- the material risks analyzed, any **sensitivity tests** performed on those risks, and the **results** of those tests, when relevant;
- the **assumptions** chosen and any trends reflected in the assumptions;
- the **margins** chosen, even if the actuary concludes that a margin is not necessary;
- whether and how **reinsurance ceded** cash flows were reflected in the asset adequacy analysis;
- any **management actions** reflected in the asset adequacy analysis;
- any **material changes** in the methods, models, or assumptions from those used in the prior statement of actuarial opinion or if the models, assumptions, or methods used in the prior statement of actuarial opinion are unknown;
- the **criteria** used to form an opinion about the adequacy of reserves or other liabilities;

Required Disclosures, ASOP 36 and 43 (P&C)

Opinion (ASOP 36)

- the **materiality standard** and its basis
- whether there are **significant risks and uncertainties that could result in material adverse deviation** and the quantitative and qualitative factors underlying risks and uncertainties that the actuary considered when assessing the risk of material adverse deviation;
- identification of any **other party (not under the actuary's direction) whose analysis or opinion the actuary relied on** for a material portion of the reserves
- any material exposure to **uncollectable recoverables**
- **changes in assumptions, procedures, methods, or models** from those used in the prior statement of actuarial opinion, if the actuary concludes the changes are likely to have a material effect on the actuary's estimate; or that the prior assumptions, procedures, methods, or models are unknown, if the actuary is not able to review the prior opining actuary's work
- Additional disclosures by type of opinion:
    - Deficient/inadequate [redundant/excessive] opinion: the minimum [maximum] amount that the actuary believes is reasonable
    - Qualified opinion: the items to which the qualification relates, the reasons for the qualification, and the amounts for such items that are included in the reserves
    - No opinion: the reasons no opinion could be rendered

Actuarial Report (ASOP 43)

- any **significant limitations** constraining the actuary's analysis such that the actuary believes there is a significant risk that a more in-depth analysis would produce a materially different result
- **specific significant risks and uncertainties**, if any, with respect to whether actual results may vary from the unpaid claim estimate
- **significant events, assumptions, or reliances** that have a material effect on the unpaid claim estimate, including assumptions provided by the actuary's principal or an outside party or assumptions regarding the accounting basis or application of an accounting rule
- if the actuary specifies a range of estimates, the **basis of the range** provided
- if the unpaid claim estimate is an update of a previous estimate, **changes in assumptions, procedures, methods or models** that the actuary believes to have a material impact on the unpaid claim estimate and the reasons for such changes to the extent known by the actuary.

Commissioner Methods/Assumptions (Life)

The commissioner may specify methods of analysis and assumptions where they deem necessary for an acceptable opinion.

Valuation Manual, VM-30 Section 3

> *"However, a **state commissioner has the authority to specify methods of analysis and assumptions** when, in the commissioner's judgment, these specifications are **necessary for the actuary to render an acceptable opinion** relative to the adequacy of reserves and related actuarial items."*

Commissioner May Engage New Actuary (Life)

Further, the commissioner may engage a new actuary at the company's expense, where a memorandum is not provided or the commissioner determines the memorandum is unacceptable.

Standard Valuation Law Section 3.A.3.b , Alternate Memorandum

> *"If the insurance company **fails to provide a supporting memorandum** at the request of the commissioner within a period specified by regulation or the commissioner **determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by the regulations or is otherwise unacceptable** to the commissioner, the commissioner may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare the supporting memorandum required by the commissioner."*

ADVISORY ORGANIZATION (D) WORKING GROUP (AOWG)

Erica Weyhenmeyer, CPCU, PIR, MCM, AIE
Deputy Director Chief Market Conduct Examiner
Illinois Department of Insurance

Chair of Advisory Organizations Working Group
Chair of Market Actions Working Group

The Working Group's Main Purpose:

THE ADVISORY ORGANIZATION (D) WORKING GROUP'S PURPOSE AND CURRENT CHARGES ARE FOCUSED ON THE EXAMINATION OF LICENSED NATIONAL ADVISORY ORGANIZATIONS.

EXAM SCHEDULING AND COMPREHENSIVE ANNUAL ANALYSIS (CAA) FORM

The purpose of the CAA form is to keep state insurance regulators informed of any significant changes made in the operation of business over the past 12 months.

- In between the 5-year cycles, the Comprehensive Annual Analysis (CAA) form is sent annually to capture any major changes the company may have experienced during the year.
- The intent of this form is that it helps reduce the time needed during the 5-year exam.

Examinations are on a 5 year schedule, and generally follow the Advisory Organizations Chapter in the Market Regulation Handbook.

- The domicile state regulator is notified in advance of the 5-year exam and provided the required documentation and asked to schedule the next exam.
- Participation notices are sent out to all states prior to the exam being called allowing them to sign on to participate.
- Participating states do not take an active role in the exam process.
- The domicile state generally takes on the role of the Managing Lead State. Other states have the ability to also sign on as a Lead State.

EXAM STRUCTURE:

BASED ON CHAPTER 29 OF THE MARKET REGULATION HANDBOOK: CONDUCTING THE ADVISORY ORGANIZATION EXAMINATION.

Areas of Examination:

1. Advisory Organizations Operations/ Management
2. Statistical Plans
3. Data Collection and Handling
4. Correspondence with Insurers and States
5. Reports, Report Systems, and Other Data Requests
6. Ratemaking Functions
7. Classification and Appeal Handling
8. Form Development
9. Information Technology Audit

FINALIZING AN EXAM

- Once the Managing Lead State and the Lead States have completed the exam, a final report is created. The report is sent to all participating states along with a certification form. States are asked to review the report, voice any comments or concerns, and certify the final report. Generally participating states accept the results of the report and certify.
- Once all the certification forms have been collected from the states the exam is then certified/closed. The company is notified by the managing lead state and reports are posted on state websites.

WHAT IS AN ADVISORY ORGANIZATION?

- "Advisory organizations" are currently authorized by statute and are defined in the *Property and Casualty Model Rating Law (Prior Approval Version)* (#1780), which was amended in 2009 to a guideline, as:
  - "Advisory organization" means any entity, including it affiliates or subsidiaries, which either has two or more member insurers or is controlled either directly or indirectly by two or more insurers, and which assists insurers in ratemaking-related activities such as enumerated in Sections 10 and 11. Two or more insurers having a common ownership or operating in this State under common management or control constitute a single insurer for purposes of this definition.

CURRENT LIST OF AO EXAMINEES

The Advisory Organization (D) Working Group (AOWG) currently conducts exams on a 5-year cycle for eight National Companies

American Association of Insurance Services (AAIS)

Auto Insurance Plans Service Office (AIPSO)

Insurance Service Office/Verisk (ISO)

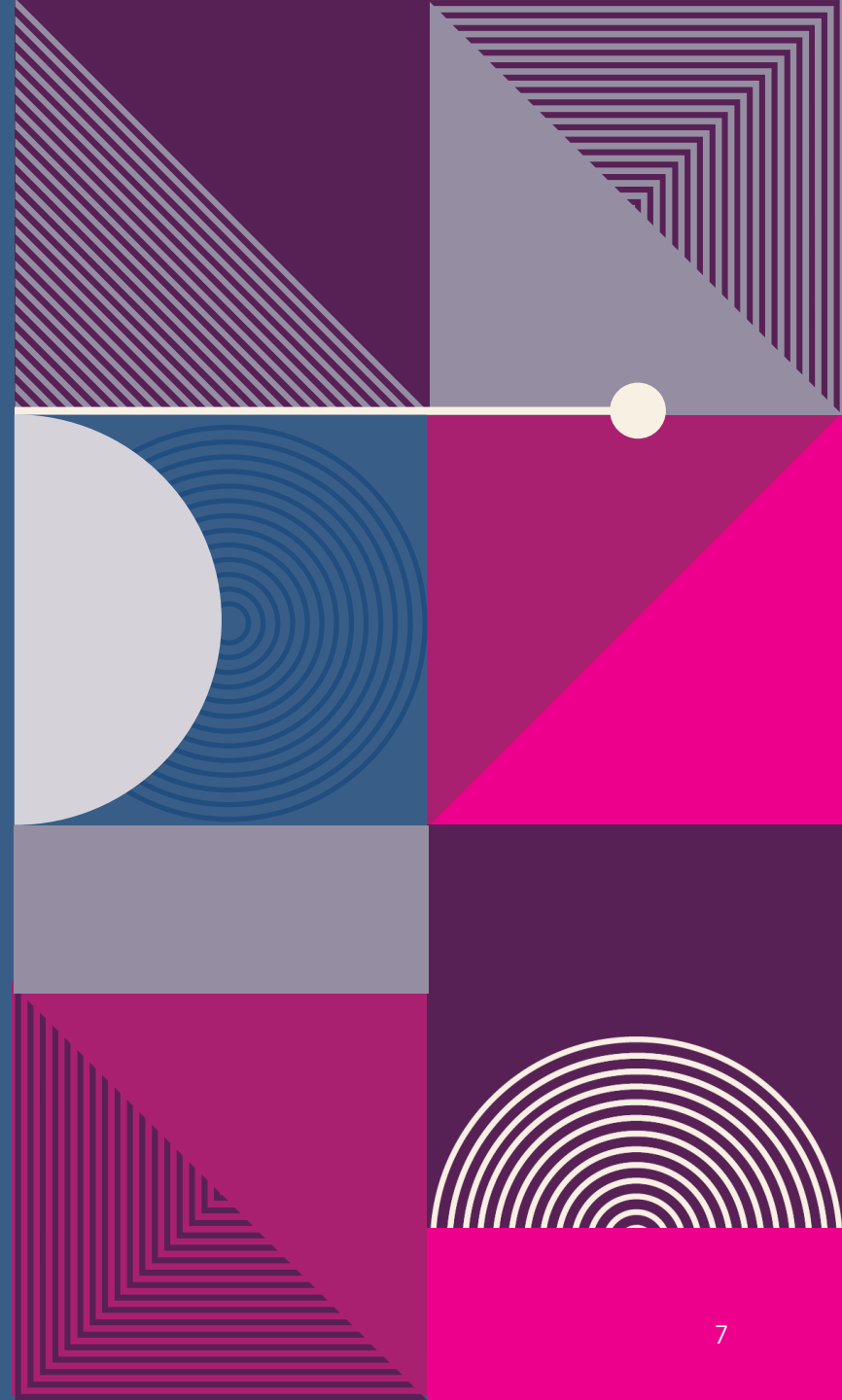
Independent Statistical Service (ISS)

National Council on Compensation Insurance (NCCI)

National Crop Insurance Services (NCIS)

National Independent Statistical Service (NISS)

Surety Fidelity Association of America (SFAA)



NEW ADVISORY ORGANIZATIONS

- The Advisory Organization Working Group is currently considering eleven Advisory/Rating/Statistical organizations in hopes of adding them to the rotation of national companies being monitored by the working group.
- The challenge we are facing as a working group is how do the newer Advisory Organizations' fit into the structure currently used. We are currently considering revisions to the AO Chapter in the Market Regulator handbook and making the CAA form more applicable to the new business models.

- Acord
- Arity
- Anywhere Insurance Services
- Cambridge Mobile Telematics
- CyberAcuView
- Highway Loss Data
- Milliman Appleseed
- Octo Analytics
- On the Money
- TNEDICCA Inc.
- Willis Towers Watson

MARKET ACTIONS (D) WORKING GROUP

Multistate Examinations/Collaborative Actions:

- Issues of potential multi-jurisdictional impact may be identified in a number of ways including but not limited to:
  - Individual state market analysis processes.
  - Results of individual states' exams.
  - MAWG National Analysis and MCAS Outlier processes.
  - Commissioner-level concern formally communicated to the Market Regulation and Consumer Affairs (D) Committee or NAIC staff.
- When a regulator believes an issue impacts multiple jurisdictions, that regulator completes a Request for Review (RFR).
- MAWG members vote on the RFR for Multi-state examination.
  - A Managing Lead State volunteers to take overall responsibility for facilitating communication and coordinating activities.
  - States have the choice to sign on as a supporting Lead State or a as a participating state.

QUESTIONS?

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