Date: 4/5/22

2022 Spring National Meeting
Kansas City, Missouri

JOINT MEETING OF THE EXECUTIVE (EX) COMMITTEE
AND THE INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE
Monday, April 4, 2022
9:30 – 11:00 a.m.

Meeting Summary Report

The Executive (EX) Committee and the Internal Administration (EX1) Subcommittee met in joint session April 4, 2022. The meeting was held in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC) and paragraph 6 (consultations with NAIC staff members) of the NAIC Policy Statement on Open Meetings. During this meeting, the Committee and Subcommittee:

1. Adopted its 2021 Fall National Meeting minutes.

2. Adopted the March 21, 2022; Feb. 3, 2022; Jan. 14, 2022; and Oct. 12, 2021, minutes of the Executive (EX) Committee, which included the following action:
   A. Approved an amicus brief In Re: Penn Treaty Network America Insurance Company.
   B. Approved the System for Electronic Rates & Forms Filing (SERFF) Modernization – 2022 Transition Stages Fiscal Impact Statement after public exposure.
   C. Approved the establishment of a foundation to promote diversity in the insurance regulatory community.
   D. Approved the release of the SERFF Modernization – 2022 Transition Stages Fiscal for public exposure.
   E. Appointed Director Evan G. Daniels (AZ) to the National Insurance Producer Registry (NIPR) Board of Directors.
   F. Selected Los Angeles as the location of the 2026 Spring National Meeting.
   G. Reappointed Commissioner Andrew N. Mais (CT) to the International Association of Insurance Supervisors (IAIS) Executive Committee.

3. Adopted the report of the Audit Committee, which met March 30, including the 2021 Financial Audit Report.

4. Adopted the report of the Internal Administration (EX1) Subcommittee, which met March 8, including its amended 2022 charges.

5. Appointed Director Dean L. Cameron (ID), NAIC President, to the IAIS Executive Committee.

6. Approved initial funding from the NAIC for the establishment of a foundation.

7. Heard a brief proposal regarding a potential grant for the Center for Insurance Policy and Research (CIPR) from the Robert Wood Johnson Foundation.

8. Adjourned into executive session.

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2022 National Meeting/Summaries

EXECUTIVE (EX) COMMITTEE
March 21, 2022 / February 3, 2022 / January 14, 2022

Summary Report

The Executive (EX) Committee met March 21, Feb. 3, and Jan. 14, in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings. During these meetings, the Committee:

1. Approved the System for Electronic Rates & Form Filings (SERFF) Modernization – 2022 Transition Stages Fiscal Impact Statement after a 10-day public comment period.

2. Discussed composition of the Government Relations Leadership Council (GRLC).

3. Appointed Director Evan G. Daniels (AZ) to serve on the National Insurance Producer Registry (NIPR) Board of Directors beginning in February 2022.

4. Selected Los Angeles, CA, for the 2026 Spring National Meeting site location.

5. Approved the NAIC filing an amicus brief in the case of *In Re: Penn Treaty Network America Insurance Company (In Liquidation), In Re: American Network Insurance Company (In Liquidation).*

NAIC Support Staff Hub/Member Meetings/Spring 2022/Cmte/Ex/Att 2 InterimMtgReport.docx

Draft: 4/4/22

REPORT OF THE EXECUTIVE (EX) COMMITTEE TASK FORCES

Climate and Resiliency (EX) Task Force—The Climate and Resiliency (EX) Task Force met April 6 and took the following action: 1) adopted it March 21 minutes; 2) heard a presentation from Zurich North America and Resilient Cities Network on their partnership to improve community resilience; 3) heard a presentation from Munich Re America on solutions to improve community flood mitigation; and 4) heard a federal update. During its March 21 meeting, the Task Force adopted a proposal for the NAIC Center for Insurance Policy and Research (CIPR) to create a Catastrophe Model Center of Excellence, as well as the revised Climate Risk Disclosure Survey for states to use voluntarily at their discretion.

Government Relations (EX) Leadership Council—The Government Relations (EX) Leadership Council did not meet at the Spring National Meeting. The Leadership Council meets weekly in regulator-to-regulator session, pursuant to paragraph 8 (consideration of strategic planning issues) of the NAIC Policy Statement on Open Meetings, to discuss federal legislative and regulatory developments affecting insurance regulation.

Long-Term Care Insurance (EX) Task Force—The Long-Term Care Insurance (EX) Task Force met April 6 and took the following action: 1) adopted its 2021 Fall National Meeting minutes; 2) received a report on the implementation of the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework), which, upon adoption by the NAIC Executive (EX) Committee and Plenary, is anticipated to be implemented by September 2022; 3) heard a report on industry trends and factors affecting reserve levels; and 4) heard a report on the LTCI Multi-State Actuarial (MSA) Associate Program. Following the open meeting, the Task Force met in regulator-to-regulator session pursuant to policy paragraph #8 (consideration of strategic planning issues) of the NAIC Policy Statement on Open Meetings.

Special (EX) Committee on Race and Insurance—The Special (EX) Committee on Race and Insurance met April 6 and took the following action: 1) adopted its 2021 Fall National Meeting minutes; 2) received reports from its five workstreams; 3) discussed the Innovation, Cybersecurity, and (H) Committee Coordination Forum – Detecting and Addressing Unfair Bias; and 4) heard an update on the State Diversity Leaders Forum.

- Workstream One of the Special Committee is focused on researching and analyzing the level of diversity and inclusion within the insurance sector. The Workstream met in regulator-to-regulator session in October to receive an update from California and New York on their respective diversity, equity, and inclusion (DE&I) efforts and the diversity-related industry data that these states are collecting. The Workstream also met with stakeholders in November 2021 to better understand industry diversity-related programs, how companies are measuring progress, and what state insurance regulators can do to support these efforts. In terms of next steps, the Workstream co-chairs are working to outline proposed recommendations, as well as action steps for the Workstream to consider. The Workstream is also monitoring efforts by the U.S. House Committee on Financial Services' Subcommittee on Diversity and Inclusion, which plans on having a hearing and producing a report on DE&I within the insurance sector. Much of what Chairwoman Maxine Waters (D-CA) and Chairwoman Joyce Beatty (D-OH) plan to evaluate falls within the charges of Workstream One: seeking additional engagement from stakeholders to understand the efficacy of diversity-related programs, how companies measure their progress, and collecting input on any existing gaps in available industry diversity-related data. The Workstream will collaborate with the Special Committee in anticipation of the hearings and subsequent report.

- Workstream Two of the Special Committee has gathered responses to the zone level survey examining best practices and initiatives state insurance departments may consider when promoting DE&I in their offices. The Workstream will soon discuss a method and forum to share diversity and inclusion information among state insurance regulators. Much of Workstream Two's recent work has been conducted by Evelyn Boswell, NAIC Director of Diversity, Equity, and Inclusion, through the State Diversity Leaders Forum. The Forum provides a space for diversity leaders in each state to come together and discuss best practices in promoting diversity in their respective insurance departments. Ms. Boswell provided an update on this work during the Special (EX) Committee on Race and Insurance's meeting on April 6.

- Workstream Three of the Special Committee is focused on property/casualty (P/C) insurance issues. The Workstream co-chairs have met with leadership from the Innovation, Cybersecurity, and Technology (H) Committee, the Big Data and Artificial Intelligence (H) Working Group, the Accelerated Underwriting (A) Working Group and the Casualty Actuarial and Statistical (C) Task Force to discuss issues surrounding algorithmic auditing and how best to work together to understand such auditing. The Workstream plans to hear from various experts in the field to determine what education or tools state insurance regulators might need to evaluate algorithms and models to detect unfair bias. Workstream Three met March 22 in regulator-to-regulator session, pursuant to paragraph 3 (special companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss algorithmic auditing, as well as each of its charges.

- Workstream Four of the Special Committee is focused on life insurance. The co-chairs have met to discuss how best to focus the Workstream's efforts in 2022 and have specifically explored having presenters that could talk more about the Workstream charge to "continue research and analysis related to insurance access and affordability issues, including the marketing, distribution, and access to life insurance products in minority communities, including the role that financial literacy plays." The Workstream hopes to meet following the Spring National Meeting to confirm the Workstream focus for 2022 and hear additional presentations to inform its work.

- Workstream Five of the Special Committee met Dec. 20, 2021. During this meeting, the Workstream discussed a revised draft Principles for Data Collection document based on its discussions during its Dec. 3, 2021, meeting and adopted the document. The Workstream recently met in a regulator-to-regulator session to discuss its focus for 2022. The Workstream plans to focus on identifying race-related barriers to the acquisition and use of health insurance, creating strategies for mitigating or removing such barriers, discussing the role health insurance can play in addressing racially based inequities in health outcomes, and addressing social determinants of health. The Workstream hopes to meet at least monthly to hear from various stakeholders, such as consumer groups, academics, and industry related to these issues with a focus on benefit design and consumer empowerment.

NAICSupportStaffHub/Member Meetings/Spring 2022/Cmte/Ex/Rpt of Task Forces/Att 3 TF CombinedRpt.docx

Adopted by the Technology Workstream on Nov. 22, 2021
Adopted by the Climate and Resiliency (EX) Task Force on March 21, 2022

A Proposal to Establish a Catastrophe (CAT) Modeling "Center of Excellence" (COE) within the NAIC's Center for Insurance Policy & Research (CIPR)

September 20, 2021

Introduction

The leadership and members of the NAIC have determined natural CAT risks and resiliency to be a top priority and organized several workstreams to pursue objectives intended to help ensure homes and businesses are protected from insured perils arising from natural CATs, while keeping markets stable through financially strong insurers and reinsurers. For example, the Catastrophe Risk (E) Subgroup has spent many years working to develop risk-based capital (RBC) factors for hurricane and earthquake exposures and, more recently, grappling with how best to address wildfire, flood, and convection storm perils. Separately, the Catastrophe Insurance (C) Working Group is charged with maintaining the NAIC *State Disaster Response Plan*, the *Disaster Assistance Program*, and the *Catastrophe Computer Modeling Handbook*. The Working Group has also commenced work to determine ways in which the private flood market can be facilitated and monitored by the state insurance regulators. The Climate and Resiliency (EX) Task Force has taken on significant work, which will require a deeper understanding of all aspects of climate and natural CAT risks. Further, many state insurance regulators are taking on new roles in working to create risk resilient communities within their jurisdictions.

Given these increased pressures and new roles, state insurance regulators need to improve their understanding of the CAT modeling technologies used by insurers and reinsurers. This means having access to the same knowledge, insights, and tools used by insurers. In doing so, state insurance regulators can more effectively engage with insurers and state and federal policymakers when discussing how best to maintain critical insurance coverages for their states' economies and developing new regulatory policy. The NAIC can play an instrumental role fulfilling these needs.

In this regard, the Technology Workstream of the Climate and Resiliency (EX) Task Force was assigned the task of considering the potential application of technology, such as early warning systems and predictive modeling tools, to better understand and thereby evaluate insurers' climate and natural CAT

risk exposures. In particular, the Technology Workstream was tasked with determining whether technical support services were needed by state insurance departments regarding the industry's use of CAT models.

To help facilitate the members' consideration of such a need, NAIC/CIPR staff conducted two presentations on June 7 and Aug. 6, 2021, wherein staff laid out a range of support services for state insurance departments when encountering the use of commercial CAT models by insurers in rate making processes, solvency functions, and/or other insurance business decisions (e.g., strategic, reinsurance, claims management). NAIC/CIPR staff addressed potential support services in the areas of: 1) facilitating access to CAT modeling documentation; 2) providing technical education and training; and 3) conducting applied research to proactively address regulatory climate risk and resilience priorities. Finally, an additional related benefit highlighted is the ability to provide future support services for other modeled CAT risk beyond climate and natural CATs, including casualty/liability, cyber, terrorism, and infectious diseases such as pandemics. This additional support work could potentially influence other NAIC related committee activities, as appropriate.

Proposal

As outlined in the introduction above, the time has arrived for the NAIC to establish a permanent support group—i.e., the NAIC CAT Modeling COE—to provide the NAIC and state system of insurance regulation with the necessary technical expertise, tools, and information to effectively regulate the insurers and reinsurers exposed to catastrophic events for a secure and stable insurance marketplace. We believe this COE would be best positioned within the NAIC's CIPR given CIPR's: 1) existing knowledge, expertise, and recent NAIC applied research track record in this field; and 2) its ability to effectively work with modelers and state insurance regulators from a neutral perspective within the NAIC. Below is a complementary and integrated series of technical support services envisioned by the COE:

1) Facilitating insurance department access to CAT modeling documentation and assistance in the distilling of this information.
2) Providing general technical education/training materials on the mechanics of commercial models and treatment of perils and risk exposures.
3) Conducting applied research analysis utilizing various model platforms to proactively answer the regulatory "so what" questions that may need to be addressed for regulatory resilience priorities.

The first element from above provides for the CAT Modeling COE to facilitate insurance department access to CAT modeling documentation and other information, as well as centralizing accumulated knowledge and expertise to aid in the deciphering and distillation of CAT models. The COE would assist

with managing both CAT model vendor relationships and insurance department needs. As such, the COE would be briefed on the modeling technologies and inputs in a similar fashion as insurers and reinsurers are and have access to the same modeling documentation to develop internal expertise. This knowledge and expertise would then be actively shared with state insurance regulators for use in regulatory processes and other considerations. Critically, this information would be collected and stored on an NAIC regulator-only technological platform with proper CAT modeling vendor Data Use Agreements (DUAs) in place to allow for proprietary model information sharing, part of which has been a stumbling block to regulatory access to date.

The second element from above provides for technical education/training materials on the mechanics of commercial models and treatment of perils and risk exposures for state insurance regulators. Importantly, this technical training would be utilized to enhance regulatory operational activities, thereby bringing the science to operations. For example, it would allow for state insurance departments and the NAIC to reimagine the NAIC *Catastrophe Computer Modeling Handbook*, which could become the foundational authoritative literature on state insurance regulator use of CAT models. As state insurance regulators gain more practice with these models, the NAIC is also well-positioned to develop best practices on industry use, as well as state insurance regulator use. Consequently, the NAIC *Financial Condition Examiners Handbook* and the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* could be improved to account for the latest developments and best practices in CAT risk assessment. Further from a solvency perspective, both the development of related RBC CAT charges and climate stress testing would benefit greatly from such a technical foundation.

The third element from above provides for conducting applied research analysis to utilize various model platforms to proactively answer the regulatory "so what" questions that may need to be addressed. CAT models are not limited to use by the insurance industry; they are tools for CAT risk assessment. State insurance regulators can apply these tools in much the same way as the industry, albeit for regulatory resilience priorities (e.g., how to increase the uptake and proliferation of home hardening activities related to hurricane and wildfire risk). Such mitigation activities are critical to reduce expected losses and improve the availability and affordability of coverage currently and in a future warming climate. Applied research utilizing CAT models can demonstrate the economic value of such mitigation activities, laying the proper foundation for policy discussions to address increasing property owner mitigation implementation.

Lastly, it is important to note that these identified support services will not be taking the place of individual state department of insurance (DOI) activities involving CAT models, such as model and rate filing reviews, nor will the CAT Modeling COE be approving vendor models. Rather, the support services will allow the COE to engage with state insurance regulators as a trusted partner with a sufficient level

of CAT modeling expertise to enable the conduction of ongoing CAT modeling regulatory activities more effectively.

Plan of Action

In the past year, many of the above support services have already transpired and/or are currently underway. These include: 1) regulator-only technological platform infrastructure development and DUA executions; 2) NAIC Insurance Summit and CIPR events focused on CAT modeling education concerning wildfire and flood models, CAT model climate change incorporation and climate risk assessment, and casualty CAT modeling; 3) successful completion of a California, Colorado, and Oregon DOI wildfire mitigation report and wildfire CAT model technical documentation done in conjunction with the Insurance Institute for Business & Home Safety (IBHS) and Risk Management Solutions (RMS), which was further leveraged by the Catastrophe Risk (E) Subgroup for wildfire RBC factor development and the Catastrophe Insurance (C) Working Group *Catastrophe Computer Modeling Handbook* updates. Therefore, this proposal will not be to start such CAT modeling COE support service activities, but rather to build upon and leverage these activities for further enhancement and formalization at the NAIC.

Following the meeting of the Technology Workstream on Aug. 6, 2021, the proposal was released to the member states for further comments and questions. Comments were considered, and a revised proposal was approved for public exposure by the Technology, Solvency, and Pre-Disaster Mitigation Workstreams on Sept. 20, 2021.

Following the Sept. 20 regulator-only meeting, the proposal was released to interested parties for further comment and questions for 30 days. Comments will be considered by the Technology Workstream following this feedback and revisions may be made to the proposal, as agreed upon.

If the proposal advances through the above process steps, it will be prepared for recommendation to the Climate Risk and Resiliency (EX) Task Force at the NAIC 2021 Fall National Meeting in San Diego, CA.

We anticipate there would be no new charges associated with creation of the COE; i.e., the expenses associated with the COE resources would be effectively absorbed by the NAIC budget and have no special assessments, fee for services, etc. These resources may include: 1) recruiting a vendor/insurance department CAT modeling relationship manager and a CAT model research analyst; 2) funding for education/training development and implementation and the licensing and/or running of models for applied research to support and/or enhance regulatory operational activities; and 3) addressing regulatory resilience priorities.

Conclusion

In the face of extreme weather and the future climate significantly affecting property insurance markets, state insurance regulators need to have access to the same knowledge, insights, and CAT modeling tools used by insurers and reinsurers to assess and address climate risk and resiliency; i.e., knowledge and tools that are available for state insurance regulators to access, understand, and utilize. To accomplish this, we propose that the NAIC establish a permanent support group—i.e., the NAIC CAT Modeling COE—housed within the NAIC's research unit; i.e., CIPR. We have laid out a proposal and plan of action that would build upon the work that the NAIC/CIPR has already been conducting around climate and CAT risks and allows the NAIC/CIPR to bring science to the operation of the DOIs in a way that is additive to the existing regulatory system, easy to access, and tailored to the needs of the state insurance regulators.

CATModelCOE Proposal

NAIC/Center for Insurance Policy and Research (CIPR) Catastrophe Model
Center of Excellence (COE)
Frequently Asked Questions (FAQ)
November 16, 2021

Governance & Oversight

Topic: Vendor and Insurer Continued Engagement with Departments of Insurance (DOIs)

Is the intent for the COE to become the primary point of contact between state insurance regulators and modelers?

No. As stated in the proposal, "identified support services will not be taking the place of state DOI activities involving CAT models, such as model and rate filing reviews, nor will the CAT Modeling COE be approving vendor models." However, we do envision the COE providing access to CAT modeling expertise to support state insurance regulator understanding, training, etc.

Will state insurance regulators continue to be open to discussions with modelers (and insurers) about models?

Yes. In fact, the COE will seek to improve communication between state insurance regulators and modelers/insurers, supplying state insurance regulators with expertise and information to help facilitate such discussions.

Topic: Transparency and Potential Bias of Modeled Results/Usage

How will the COE engage with interested stakeholders to remain transparent?

Most NAIC support resources interact with a committee for reporting and oversight. In this instance, at least for now, we propose that the catastrophe resource center will report to the Technology Workstream under the Climate and Resiliency (EX) Task Force, as well as coordinate with the Property and Casualty Insurance (C) Committee.

How will the COE work to ensure impartiality of vendor models?

The COE will make every effort to engage with all vendors willing to participate for all perils with available technical documentation. Furthermore, the COE will establish a governance structure to ensure that partiality is not provided to any model or vendor.

Would the COE be engaging to connect learnings from the CAT model to specific insurer rate-making, solvency, and/or business—i.e., strategic, reinsurance, claims management—decisions?

The COE support services will not take the place of state DOI activities involving CAT models, such as model and rate filing reviews, nor will the CAT Modeling COE be approving vendor models. The COE will work to understand models objectively from a general sense, not for individual rate filings or solvency assessments. We acknowledge that each insurer has their own risk profile that would need to be considered on an individual basis, which is outside the scope of the COE.

Topic: Objective Science

Would the kind of information the COE conveys be facts-based or would it include opinions or analysis?

The information provided to the state DOIs would be fact-based with relevant objective analysis, as requested. Providing this type of information to states highlights the importance of the placement of the COE within the NAIC's independent research center, the CIPR.

Topic: Addressing Regulatory "So What" Questions Through Applied Research

What are regulatory "so what" questions in support service #3 of the proposal conducting applied research analysis?

State insurance regulators are responsible for maintaining well-functioning competitive insurance markets. Forward-looking models can be utilized to help analyze market performance, especially regarding the need for improved resilience. As stated in the proposal, CAT models are tools for catastrophe risk assessment. State insurance regulators can apply these tools in much the same way as the industry, albeit for regulatory resilience priorities. For example, models can be used to identify high-risk areas and where proliferation of home hardening activities can improve resilience to natural hazards, including hurricane, flood, severe convective storm, tornado, wildfire, and earthquake. Such mitigation activities are critical to reduce probable losses. Lower losses over time can improve the availability and affordability of coverage in the future. Applied research utilizing CAT models can demonstrate the economic value of mitigation activities. One

description provided via public comments that we considered useful is, "conducting applied research analysis that utilizes or analyzes the potential to utilize CAT models to further public and private risk mitigation and resiliency efforts; benefits and opportunities at the individual consumer or business; or public agency at the community, regional, state, or national level."

Regarding conducting applied research analyses utilizing CAT models, we would like to understand the research and support expectations from the COE on modelers.

We envision working with modelers on applied research activities as applicable. We are requesting funding to allow for modeler engagement.

Depending on the expected level of granularity for COE work, additional questions may be relevant, such as whether the COE (NAIC/CIPR) would need to be prepared to go to a hearing to testify or respond to discovery?

It is not anticipated that the COE would maintain granular information about individual insurer use of CAT models. The level of detail would be around the actual CAT model to provide education and training to state DOIs.

Will the COE be used to conduct research and analysis into the markets for CAT models. Will conflicts of interest or market failures distort the use of CAT models?

No. It is not envisioned that the COE would set out to conduct this type of research and analysis.

Implementation Considerations

Topic: COE Communication of Various Results, Information, and Observations to DOIs

Given the complexity of models and breadth of expertise required to build and maintain them, there is a risk that any third party cannot adequately communicate the nuances and justification of models. Will the COE plan to coordinate model presentations from the modelers, rather than only relaying this information second-hand?

Yes. The COE would plan to coordinate model presentations from modelers.

How will information, observations, and/or questions about models be conveyed to state insurance departments? What kind of output will be generated?

We plan to hire a relationship manager responsible for communicating with the CAT model vendors and state insurance regulators. A regulator-only technology platform will help facilitate information sharing with state insurance regulators.

Research output could take multiple forms depending upon the nature of the analysis undertaken.

What kinds of data fields will be included? Will others provide input into the design?

The data fields selected would be contingent on the models being used and the research project under consideration. Data fields would follow from model inputs and outputs.

Will the COE reviews and/or output be designed to be geography-specific?

Yes. That is possible.

Once a model has been reviewed, what renewal process is envisioned?

Models will not be reviewed, nor would they be posted on the state insurance regulator-only website. However, model technical documentation and information will be updated as new versions of the models are released.

Topic: Model Vendor Intellectual Property (IP) Protection

How will the COE safe-guard intellectual property of the participating CAT model vendors?

All modeling documentation, access, and usage will be centralized and monitored through the COE via legally binding data use agreements. The NAIC has an extensive track record of experience in collecting and protecting proprietary information. The actual models will not be posted on the state insurance regulator website, only the model documentation will be posted.

Topic: Interaction with Modelers and Other External Experts

Will modelers engage in discussions with the COE about specific models? Do you expect insurers would be involved in model-related discussions?

Yes. The COE would be engaged with modelers on the modeling technologies and inputs in a similar fashion as insurers and reinsurers and have access to the same modeling documentation to develop internal expertise. It is possible that insurers could be involved in model-related discussions with the COE, but the COE will not review individual insurer's use of models.

Is the CIPR planning to license and use modeler software or engage in paid consulting studies for their research and development of processes?

Yes, depending on COE resources and the specific research use case. The CIPR would be willing to either license modeler software and/or engage in paid consulting studies for research and educational/training purposes, as directed by the appropriate NAIC authorities.

How will results and underlying assumptions from licensed models be communicated to state insurance regulators?

Any use of a licensed model, including distribution of modeled results, would be subject to the model license agreement and/or model vendor negotiated research consulting contract. Underlying assumptions from the various models utilized would be collected via the model technical documentation as part of the model vendor data use agreement. Note that it is possible that the model technical documentation, including underlying model assumptions, could be collected through a COE data use agreement without an associated model-based research project. If we were to license a model, the actual model would not be posted on the state insurance regulator-only website.

Will modelers be involved in establishing workflows, best practices, agendas, and expectations of the COE, including timing?

We anticipate that modelers will be actively engaged with the COE staff, advising on these items as appropriate.

How many vendors is the COE considering supporting?

The COE will not be "supporting" vendors, but rather the COE will collect model documentation and engage with model vendors. The COE will engage with any model vendor serving insurance markets where the information is relevant to state insurance regulators.

Does the COE anticipate looking to external experts for some of the implementation or ongoing work?

Yes. External collaboration would be welcome, whether that be with industry experts, public agencies, or the academic community.

Topic: Resources – Staffing and Funding

How many states do you expect to be interfacing with the COE?

The COE will be a resource of the NAIC potentially interfacing with all 56 jurisdictions.

Beyond recruiting for the identified new roles of CAT modeling relationship manager and CAT model research analyst, how many people at the NAIC/CIPR will be contributing to COE activities? Do you expect that to change over time?

The CIPR director, the NAIC solvency enterprise risk management (ERM) advisor, and potentially Property and Casualty Insurance (C) Committee staff support will have a role in supporting the work of the COE. We anticipate that additional technical and administrative support resources may be necessary as the workload and demand for services evolve with demonstrated success.

Will the staffing level proposed by the NAIC be able to provide meaningful analysis in the broad category of catastrophe modeling?

Prior to the creation of the COE, CIPR and NAIC staff have provided meaningful analysis on wildfire CAT modeling and applied wildfire resilience research. We aim to build off this success and need to start somewhere. Every little bit helps for the states, as stated by one industry commenter, "[t]he staffing issues mentioned above regarding experts at the NAIC are even larger for state insurance departments. Most states are not going to have enough or the right staff to review these models. They will have to rely on others to evaluate catastrophe model validity, and most likely will have to rely heavily on the decisions and evaluations made by others."

Have long-term plans been prepared? Are there budget implications?

No long-term plan has been developed for the COE. The expenses associated with the COE would be subject to the NAIC budget process and have no special assessments or fees for service.

CIPR COE FAQ

Adopted by the Climate Risk Disclosure Workstream March 11, 2022
Adopted by the Climate and Resiliency (EX) Task Force March 21, 2022

PROPOSED REDESIGNED NAIC CLIMATE RISK DISCLOSURE SURVEY

INTENT AND PURPOSE

The Climate Risk Disclosure Survey is a voluntary risk management tool for state insurance regulators to request from insurers on an annual basis a non-confidential disclosure of the insurers' assessment and management of their climate-related risks.

The purpose of the Climate Risk Disclosure Survey is to:

- Enhance transparency about how insurers manage climate-related risks and opportunities.
- Identify good practices and vulnerabilities.
- Provide a baseline supervisory tool to assess how climate-related risks may affect the insurance industry.
- Promote insurer strategic management and encourage shared learning for continual improvement.
- Enable better-informed collaboration and engagement on climate-related issues among regulators and interested parties.
- Align with international climate risk disclosure frameworks to reduce redundancy in reporting requirements.

BACKGROUND

The NAIC adopted the original Climate Risk Disclosure Survey in 2010 and it has since been administered by the California Department of Insurance. In 2021, fifteen states participated in the climate risk disclosure survey initiative, up from six states in prior years. Because any insurer writing business in a participating state is required to submit their survey response annually, adding nine states in 2021, increased the market coverage from approximately 70% in 2020 to nearly 80% of the market in 2021 based on direct premium written.

In 2021, the Financial Stability Oversight Council (FSOC) produced a series of recommendations for financial regulators to enhance supervision, data analysis, staff resources, and regulatory cooperation related to climate risk. This included a recommendation to consider enhancing public reporting requirements for climate-related risks in a manner that builds on the four core elements of the Task Force on Climate-Related Financial Disclosure (TCFD), to the extent consistent with the U.S. regulatory framework and the needs of U.S. regulators and market participants.

This revised survey responds to FSOC's recommendations and incorporates international best practices in adopting a TCFD aligned framework for US insurers to report on climate risks when requested by their state regulator.

The TCFD framework is structured around four thematic areas that are core elements

for how insurers operate—governance, strategy, risk management, and metrics and targets. The four thematic areas are supported by key climate-related financial disclosures—referred to as recommended disclosures—that build out the framework with information that will help regulators and others understand how reporting organizations assess and approach climate-related issues.

INTRODUCTORY GUIDANCE

Timeline and expectation for reporting

We expect that every company who will be asked to complete the survey in 2022 will have already completed the existing NAIC survey or filed a TCFD report; nearly all companies having participated for several prior years. The table below outlines the timing and other expectations for reporting in 2022 and 2023 as the new survey is phased in. If a company has not previously responded to the NAIC survey, it should be given until 2023 to first respond.

Reporting Year	Expectation Regarding Content	Deadline for Completion
2022	• If the insurer has already completed a TCFD for this reporting year, they can submit it as is. • If the insurer has not already completed a TCFD for this reporting year, they should make their best effort to complete the survey below or include such information in their TCFD filing, as is requested below. • Closed-ended questions are voluntary for 2022, and states may opt out of requesting responses to closed-ended questions.	To allow additional time for insurers to move to the new reporting structure, submission deadlines should be moved from Aug. 31 to Nov. 30. Extensions may be granted by the state that initiated the request to the company or the lead state for the group filing.
2023	Insurers are expected to address the content of the entire TCFD aligned survey below, to the best of their ability.	In accordance with prior years, submissions are due from insurers by Aug. 31st. Extensions may be granted by the state that initiated the request to the company.

Threshold and voluntary state participation

The reporting threshold remains consistent with the threshold implemented each year since 2013. All insurers with countrywide premium written of at least $100 million, licensed to write in any of the participating states/territories, are required to complete and submit their survey on an annual basis. As of 2021, the following states/territories participate: California,

Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Minnesota, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Washington.

Confidentiality and best effort basis

While the existing NAIC survey and TCFD contain sufficient overlap in the analysis required to answer, we recognize that many insurers will be moving to a new reporting framework in the TCFD. Insurers should make their best effort to answer each question honestly and completely, keeping in mind that the information contained in the filing will be made public. During the transition to the TCFD aligned survey, state insurance regulators should work closely with insurers to provide as much flexibility as possible in terms of responding to the survey and deadlines. Confidential information should not be included in this public disclosure unless it is intended to be made public. If additional detail is requested by a state insurance regulator, that request will be handled directly between the regulator and insurer.

Materiality

There is no requirement to provide information that is immaterial to an assessment of financial soundness (insurers may choose to disclose such information voluntarily, with no implication that such information is in fact material). Insurers should justify their materiality assessment. For the definition of materiality, refer to the Financial Condition Examiners Handbook and/or the U.S. Securities and Exchange Commissioner Accounting Bulletin: No. 99, if applicable.

Consistent with TCFD guidance, the Strategy and Metrics and Targets Sections involve an assessment of materiality, except for the question on Scope 1 and Scope 2 greenhouse gas emissions within the Metrics and Targets Section. Disclosures related to Governance and Risk Management Sections do not involve an assessment of materiality.

Assessing financial impact of climate-related risks and opportunities

The financial impacts of climate-related issues on an insurer are driven by the specific climate-related risks and opportunities to which the insurer is exposed and its strategic and risk management decisions on seizing those opportunities and managing those risks (i.e., accept, avoid, pursue, reduce, or share/transfer). Once an insurer assesses its climate-related issues and determines its response to those issues, it can then consider actual and potential financial impacts on revenues, expenditures, assets and liabilities, and capital and financing.[1]

Consistent with the TCFD Guidelines, determining whether an individual organization is or may be affected financially by climate-related issues usually depends on:

- the organization's **exposure** to, and anticipated effects of, specific climate-related risks and opportunities;
- the organization's planned **responses** to manage (i.e., accept, avoid, pursue, reduce, or share/transfer) its risks or seize opportunities; and

[1] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf, pg.9

- the **implications** of the organization's planned responses on its income statement, cash flow statement, and balance sheet.[2]

Importantly, an organization should assess its climate-related risks and opportunities within the context of its businesses, operations, and physical locations in order to determine potential financial implications. In making such an assessment, an organization should consider (1) current and anticipated policy constraints and incentives in relevant jurisdictions, technology changes and availability, and market changes and (2) whether an organization's physical locations or suppliers are particularly vulnerable to physical impacts from climate change.[3]

See pages 10-12 of the TCFD's Implementation Recommendation Report for more guidance on assessing exposure, response and implications.

ADDITIONAL SPECIFIC GUIDANCE

One of the several benefits of aligning with the TCFD is that it allows insurers to benefit from years of guidance and supporting material developed and being regularly updated by the TCFD and other organizations.

For those insurers new to TCFD reporting, the Implementation Recommendation Report provides a useful guide. It contains guidance for all sectors on each of the four thematic areas of governance, strategy, risk management and metrics and targets. For example, in relation to the risk management disclosure to describe the insurers' processes for identifying and assessing climate-related risks, it provides the following guidance:

> Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks.
>
> Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered.
>
> Organizations should also consider disclosing the following:
> - processes for assessing the potential size and scope of identified climate-related risks and
> - definitions of risk terminology used or references to existing risk classification frameworks used.[4]

[2] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf, pg.10
[3] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf, pg. 11
[4] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf, pgs. 32-33.

The same document also provides supplemental insurance-sector specific guidance. For example, for the same disclosure question, it provides:

> Insurance companies should describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks:
> - physical risks from changing frequencies and intensities of weather-related perils;
> - transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation; and
> - liability risks that could intensify due to a possible increase in litigation.[5]

Notably, this general and supplemental guidance is not required to be included in a TCFD report. Rather, it is designed to support an insurer in developing climate-related financial disclosures consistent with the TCFD framework, including by providing context and suggestions for implementing the recommended disclosures.

The disclosures identified in bullet points in this survey are intended to be supplemental, insurance-sector specific guidance. They have been developed by the NAIC to respond to the TCFD and FSOC recommendations that regulators enhance public reporting requirements for climate-related risks in a manner that builds on the TCFD's four core elements. They are designed to further support insurers' in developing their disclosures by providing context and suggestions for the information a regulator may expect.

Additional guidance published by the TCFD includes:

The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities (2017) provides information on types of climate-related scenarios, the application of scenario analysis, and the key challenges in implementing scenario analysis to support an organization's disclosure of the resilience of its strategy, taking into consideration different climate-related scenarios.

Guidance on Risk Management Integration and Disclosure (2020) describes considerations for organizations interested in integrating climate-related risks into their existing risk management processes and disclosing information on their risk management processes in alignment with the Task Force's recommendations.

Guidance on Metrics, Targets, and Transition Plans (2021) describes recent developments around climate-related metrics and users' increasing focus on information describing organizations' plans for transitioning to a low-carbon economy. The guidance also describes a set of cross-industry, climate related metric categories (described in Appendix 2: Cross-Industry,

[5] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf, pg. 33.

Climate-Related Metric Categories) that the Task Force believes are applicable to all organizations.

The FSB frequently produces content to assist companies in creating TCFD reports, the knowledge hub with related content is accessible at https://www.tcfdhub.org/.

SURVEY QUESTIONS

To provide clear direction for achieving a robust, insurance-sector specific TCFD report, narrative and closed ended questions follow, grouped into the TCFD's four topics: governance, strategy, risk management and metrics and targets.

The statements listed next to numbers and letters are directly taken from the TCFD Framework and should be fully addressed in the insurer's response. As discussed in detail above, insurers should consider including the bulleted items in their response to the TCFD statement above it. For additional guidance on sector specific content to consider including, refer to the Implementation Recommendation Report.

Governance

1. *Disclose the insurer's governance around climate-related risks and opportunities.*

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. *Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.*

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. *Describe management's role in assessing and managing climate-related risks and opportunities.*

Strategy

2. *Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.*

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.*[i]

- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.*

A. *Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.*

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30years as long term.

B. *Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.*

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. *Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.*

<u>Risk Management</u>

3. *Disclose how the insurer identifies, assesses, and manages climate-related risks.*

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.*
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.*
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.*

A. *Describe the insurers' processes for identifying and assessing climate-related risks.*

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.*

B. *Describe the insurer's processes for managing climate-related risks.*

C. *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.*

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

<u>Metrics and Targets</u>

4. *Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.*

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. *Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.*

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

B. *Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.*

C. *Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.*

Closed-ended questions directly correspond to the narrative above, allowing for explanation and qualification of the yes/no answers. Closed-ended questions are voluntary for reporting year 2022 and individual states may elect not to request them.

Governance

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N)
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)
- Does management have a role in assessing climate-related risks and opportunities? (Y/N)
- Does management have a role in managing climate-related risks and opportunities? (Y/N)

Strategy

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N) *
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N)
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N)
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)*

Risk Management

- Does the insurer have a process for identifying climate-related risks? (Y/N)
    - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)
- Does the insurer have a process for assessing climate-related risks? (Y/N)
    - If yes, does the process include an assessment of financial implications? (Y/N)
- Does the insurer have a process for managing climate-related risks? (Y/N)
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)*
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)*
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)*
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)

Metrics and Targets

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N)
- Does the insurer use metrics to assess and monitor climate-related risks? (Y/N)
- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)
- Does the insurer have targets to manage climate-related performance? (Y/N)

2022ProposedClimateRiskSurvey

[i] * Asterisks represent questions derived from the original Climate Risk Disclosure Survey.

MEMORANDUM

TO: NAIC Executive (EX) Committee

FROM: Kay Noonan

DATE: March 23, 2022

RE: SERFF Advisory Board

The NAIC's System for Electronic Rates and Forms Filing (SERFF) was launched collaboratively by regulators and industry more than 22 years ago to provide an efficient process for product filing and review. Today, 53 jurisdictions accept SERFF filings made by more than 6500 industry users. The NAIC is currently engaged in a multi-year SERFF modernization effort. The overall modernization is a $20 million-dollar, three year project and all expenditures are subject to Executive (EX) Committee approval, with input from an Oversight group of state regulators.

As the SERFF modernization efforts move forward, the Executive (EX) Committee has also been considering modernizing the governance of SERFF and the avenues for regulator, industry, and consumers into the SERFF system. Given the overlap between the roles of the Executive (EX) Committee, the SERFF Oversight Group, the Product Steering Committee, the Speed to Market (D) Working Group and the SERFF Advisory Board, the proposal before the Committee is to disband the SERFF Advisory Board and streamline industry and consumer input into SERFF operations through the other available forums.

The Speed to Market (D) Working Group will continue to be the primary forum for public policy discussions related to rate and form filing and review. Meetings of the Working Group are open. The Product Steering Committee which currently reports to the SERFF Advisory Board will now report to the Speed to Market (D) Working Group and will be the primary source of industry and consumer input into the SERFF modernization efforts. Meeting of the PSC are open to all SERFF users and membership of the PSC includes both regulator and industry representatives, as well as two representatives from the IIPRC.

The current SERFF Advisory Board held a meeting on Feb. 24, 2022, to discuss the proposal. The NAIC Members participating supported the proposal. An industry representative participating commented that the SERFF oversight group and the PSC have been very effective in gathering feedback and prioritizing work on behalf of the industry and would support the change if that transparency continues. The minutes of the Feb. 24, 2022 meeting are attached to this memorandum.

Birny Birnbaum raised a concern that if the SERFF Advisory is disbanded there will not be a formal role for consumers to provide input into the development and operation of SERFF. The primary consumer interest in SERFF relates to the operation of the SERFF Filing Access (SFA) Function. Consumer representatives can participate in any meeting of the Product Steering Committee where that functionality is discussed. Based on consumer input to date, there are changes to SFA contemplated. NAIC SERFF staff will specifically seek consumer feedback when the modernization efforts reach that point.

Draft Pending Adoption

Draft: 3/1/22

SERFF Advisory Board
Virtual Meeting
February 24, 2022

The SERFF Advisory Board met Feb. 24, 2022. The following Advisory Board members participated: Barbara D. Richardson, Chair (NV); Doug Ommen (IA); Russell Toal (NM); Carter Lawrence represented by Brian Hoffmeister (TN); Birny Birnbaum (Center for Economic Justice—CEJ); Andrea Davey (Athene Annuity and Life Company); Susan Gould (The Hanover Insurance Group); Phyllis Hollerbach (Zurich North America); and Karen Schutter (Interstate Insurance Product Regulation Commission—Compact). There was no representation from Kansas or Rhode Island.

1. Discussed Continued State Insurance Regulator, Industry, and Consumer Representative Input Related to the Operation of SERFF

Commissioner Richardson called the meeting to order. She discussed the purpose of this meeting, the history of the System for Electronic Rates & Forms Filing (SERFF) Advisory Board (SAB), the current forums for discussing SERFF operations and development efforts, and the current support for disbanding the SAB.

As the SERFF modernization effort moves forward and the NAIC reviews its overall governance structure, the Executive (EX) Committee is considering disbanding the SAB and focusing on the other venues for industry and consumer input into the continued development and management of SERFF. SERFF is a product of the NAIC that is operated for the benefit of state insurance regulators, industry, and consumers. The NAIC has undertaken a substantial SERFF modernization effort overseen by the Executive (EX) Committee. The SERFF modernization effort has been informed by industry and consumer input through: 1) numerous interviews during the SERFF Assessment phase to gather industry and consumer feedback (2019-2020); 2) regular and ongoing reporting to the SERFF Product Steering Committee (PSC); 3) regular and ongoing workshops with the SERFF PSC; and 4) capability-specific focus groups with the SERFF PSC. As the modernization efforts continue, NAIC and SERFF staff hope to continue to utilize the PSC as the primary source of industry and consumer input. Those meetings are open to all SERFF users. That group will report up through the Speed to Market (EX) Working Group, and the NAIC is in the process of revising the charges for that group to accurately reflect its role. The Executive (EX) Committee oversight of SERFF has been informed by an ad hoc committee of state insurance regulators—i.e., the SERFF Oversight Group—and the NAIC expects that to continue. As of today, the SERFF Oversight Group is made up of nine state insurance regulators: 1) Commissioner Andrew N. Mais (CT); 2) Superintendent Eric A. Cioppa, who will be replaced given his retirement, (ME); 3) Commissioner Richardson (NV); 4) Superintendent Toal (NM); 5) Commissioner Jon Godfread (ND); 6) Tynesia Dorsey (OH); 7) Superintendent Elizabeth Kelleher Dwyer (RI), representing the Compact; 8) Nancy Clark (TX); and 9) Molly Nollette (WA). Given the overlap between the roles of the Executive (EX) Committee, the SERFF Oversight Group, the PSC, and the SAB, this proposal will streamline industry and consumer input into SERFF operations.

The current plan is for the Executive (EX) Committee to consider disbanding the SERFF Advisory Board at the Executive Committee's April meeting.

Commissioner Ommen said he supports the change. His experience and engagement with the Speed to Market (EX) Working Group showcases that there are other avenues to keep updated with SERFF modernization efforts and current redundancies in reporting.

Draft Pending Adoption

Ms. Gould stated that she attends the PSC meetings, and the SERFF Oversight Group is doing a great job with gathering feedback and prioritizing work on behalf of the industry. She reiterated the importance of the industry continuing to have input opportunities going forward, and she would support the change so long as there is continued transparency.

Mr. Birnbaum mentioned his concern with the SAB disbanding, as he believes this is the only forum where the consumer group can share consumer concerns related to SERFF. He mentioned that there are no consumer seats on the PSC, and it is unclear where else there is opportunity and enablement for consumer participation regarding requests or answers to questions regarding the application. He requested that the proposed change be formalized into documentation so he and his colleagues could review and provide feedback at the upcoming Executive (EX) Committee meeting in April. Kay Noonan (NAIC) will add this item to the agenda and provide the action item ahead of said meeting.

Having no further business, the SERFF Advisory Board adjourned.

To: Members of the NAIC Executive Committee

From: Commissioner Sharon Clark, Kentucky Department of Insurance
Chair, NAIC Insurance Regulator Professional Designation Program Advisory Board

Date: April 6, 2022

Subject: 2021 Annual Report of NAIC Designation Program Advisory Board Activities

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In October of 2006, the NAIC launched the Insurance Regulator Professional Designation Program ("Designation Program"), a formal credentialing program designed for regulators, by regulators to establish structured training and development paths for insurance department employees. In that same year, the Internal Administration (EX1) Subcommittee directed the program's Advisory Board to present a brief annual report of program benchmarks and board activities. This memorandum, with its supplemental charts, sets forth an account of the program's year in review.

Program Enrollments
We continued our outreach to states and have seen increased interest and enrollments across the board. In 2021, the Designation Program surpassed 3,000 enrollments, bringing the total number of enrollments since 2006 to 3,021.

By year-end, earned designation totals were as follows: 1,227 APIR designees, 452 PIR designees, 22 SPIR designees, and 3 IPIR designees.

The Designation Program Mentoring Network
States have been encouraged to appoint a "mentor" that can serve as a liaison between the Department and the NAIC's Education & Training Department as a means of disseminating information about the program to interested regulators, and to assist candidates as they have questions. Most mentors have earned an NAIC Designation or are currently working toward one.

Designation Program Advisory Board Meetings
The Designation Program Advisory Board met monthly throughout 2020 via WebEx to discuss policy matters and other issues. Discussion items included policy recommendations and promotion of the program to increase awareness and participation.

2021 Accomplishments
Significant accomplishments of 2021 include:

- Fully rolled out the new program management system (Certemy) to streamline and automate many of the processes done manually. Work was completed with a soft rollout of the new system in February 2021, with a full rollout in late March 2021.
- Began work to select an online proctoring service vendor, which will roll out in 2022.

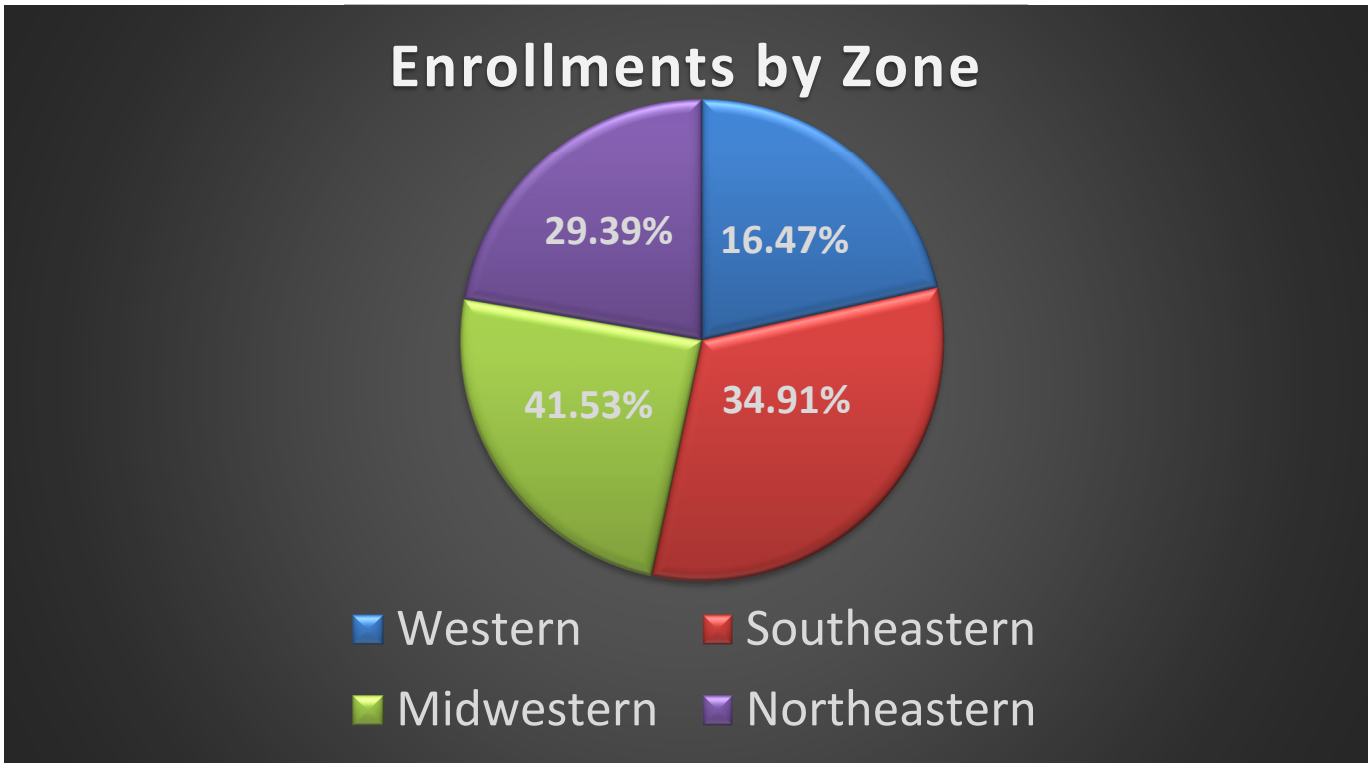
About the Insurance Regulator Professional Designation Program Advisory Board
The 2020 Advisory Board was composed of Laura Arp (NE Department of Insurance), Rachel Chester (RI Insurance Division), Eric Fletcher (ID Department of Insurance) and Scott Sanders (GA Department of Insurance).

Kentucky Commissioner Sharon Clark chaired the 2021 Advisory Board.

In addition to overseeing Designation Program policy and advising NAIC Education Department staff on designation program policy administration, the board members work on outreach to regulators during NAIC Zone Meetings and other regulatory meetings. Additional information about the Designation Program can be found by visiting the NAIC website: http://naic.org/education_designation.htm

TOTAL ENROLLMENTS - 3021
Designation Participation by Zone
As of December 31, 2021

Western Zone	*Enrollments*	*Southeastern Zone*	*Enrollments*
Alaska	22	Alabama	26
American Samoa	1	Arkansas	41
Arizona	45	Florida	249
California	71	Georgia	27
Colorado	21	Kentucky	62
Guam	1	Louisiana	60
Hawaii	52	Mississippi	28
Idaho	55	North Carolina	98
Montana	44	Puerto Rico	51
Nevada	79	South Carolina	66
New Mexico	54	Tennessee	88
N. Mariana Isle	0	Virgin Islands	12
Oregon	33	Virginia	75
Texas	21	West Virginia	80
Utah	104		
Washington	24		
Wyoming	22		
Total	**649**	**Total**	**963**
Midwestern Zone	*Enrollments*	*Northeastern Zone*	*Enrollments*
Illinois	66	Connecticut	30
Indiana	43	Delaware	23
Iowa	75	District of Col	24
Kansas	49	Maine	23
Michigan	95	Maryland	53
Minnesota	52	Massachusetts	26
Missouri	33	New Hampshire	28
Nebraska	83	New Jersey	75
North Dakota	19	New York	209
Ohio	49	Pennsylvania	74
Oklahoma	123	Rhode Island	54
South Dakota	27	Vermont	54
Wisconsin	22		
Total	**736**	**Total**	**673**


Enrollments by Zone
29.39%
16.47%
41.53%
34.91%
Western
Southeastern
Midwestern
Northeastern

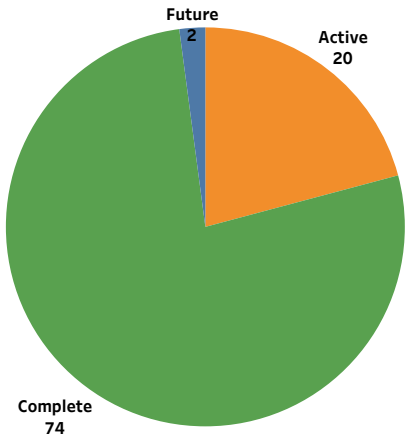
State	Enrollments/State Participation*	EARNED DESIGNATIONS				% Completed
		APIR	PIR	SPIR	IPIR	
Alabama	26	9	1	1		42.31%
Alaska	22	4	2	1		31.82%
American Samoa	1					0.00%
Arizona	45	13	6			42.22%
Arkansas	41	17	7			58.54%
California	71	6	1			9.86%
Colorado	21	9	3	1		61.90%
Connecticut	30	10	6	1	1	60.00%
DC	24	7	4			45.83%
Delaware	23	11	3			60.87%
Florida	249	100	29	2		52.61%
Georgia	27	12	2			51.85%
Guam	1					0.00%
Hawaii	52	17	3			38.46%
Idaho	55	22	3			45.45%
Illinois	66	28	10			57.58%
Indiana	43	21	3			55.81%
Iowa	75	33	16			65.33%
Kansas	49	16	8	1		51.02%
Kentucky	62	25	12			59.68%
Louisiana	60	24	7	1		53.33%
Maine	23	8	3			47.83%
Maryland	53	26	6			60.38%
Massachusetts	26	7	3	1		42.31%
Michigan	95	42	25			70.53%
Minnesota	52	29	2			59.62%
Mississippi	28	9				32.14%
Missouri	33	8	1	1		30.30%
Montana	44	18	8	1		61.36%
Nebraska	83	46	9			66.27%
Nevada	79	25	14	1		50.63%
New Hampshire	28	11	4			53.57%
New Jersey	75	29	9	2		53.33%
New Mexico	54	10	3			24.07%
New York	209	104	44			70.81%
North Carolina	98	47	23	1		72.45%
North Dakota	19	8	2			52.63%

Northern Mariana Islands	0					#DIV/0!
Ohio	49	22	9			63.27%
Oklahoma	123	47	28		1	61.79%
Oregon	33	12	7			57.58%
Pennsylvania	74	32	21			71.62%
Puerto Rico	51	22	2			47.06%
Rhode Island	54	27	8	2		68.52%
South Carolina	66	30	16			69.70%
South Dakota	27	10	3			48.15%
Tennessee	88	46	10	1		64.77%
Texas	21	10	5		1	76.19%
Utah	104	33	20	2		52.88%
Vermont	54	24	13	1		70.37%
Virginia	75	38	6			58.67%
Virgin Islands	12	3	2			41.67%
Washington	24	7	3			41.67%
West Virginia	80	32	12	1		56.25%
Wisconsin	22	7	2			40.91%
Wyoming	22	14	3			77.27%
TOTALS	**3021**	**1227**	**452**	**22**	**3**	**56.41%**

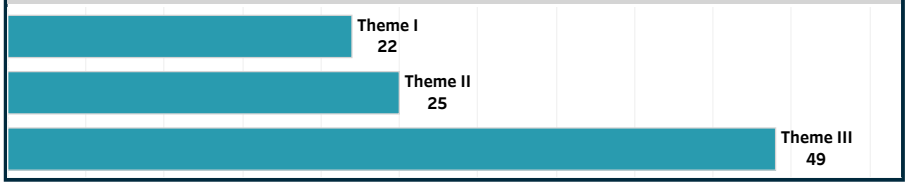
STATE AHEAD

State Ahead Status Reporting - March 2022

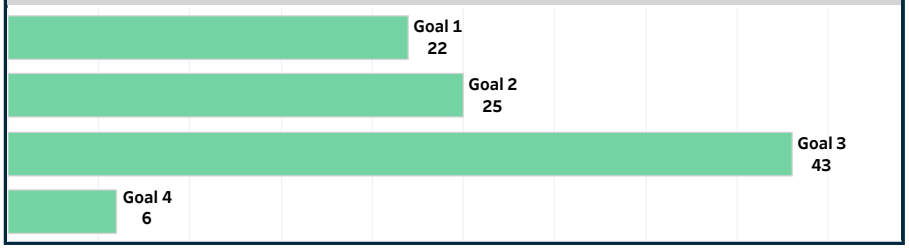
Current Project Phase



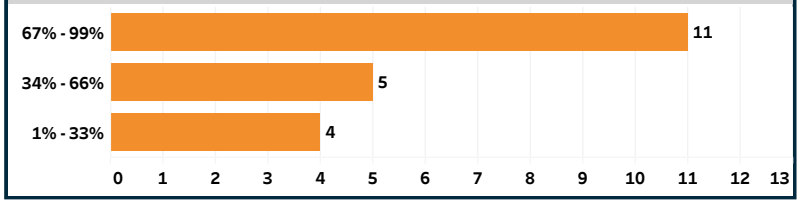
Projects by Strategic Themes



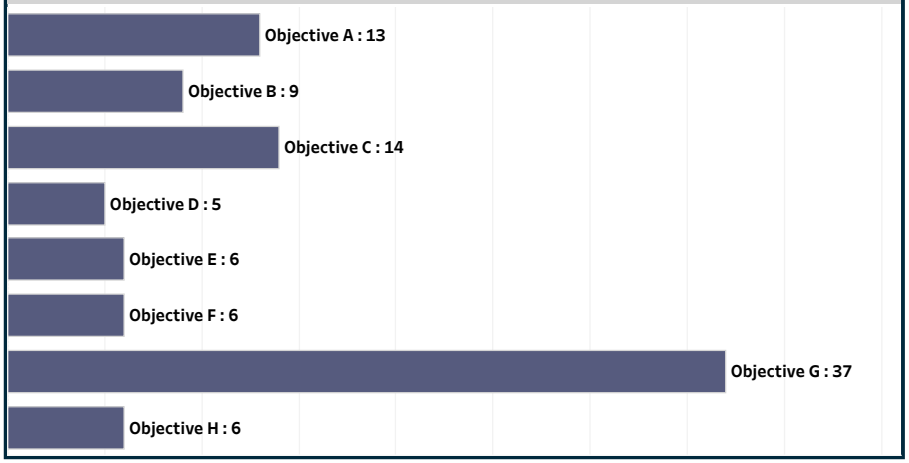
Projects by Strategic Goals



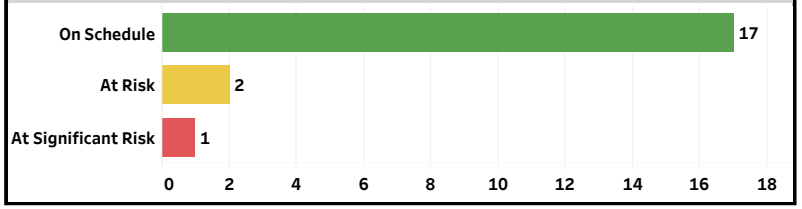
Progress On Active Projects



Projects by Strategic Objectives



Current Status of Active Projects



Draft: 4/4/22

Model Law Development Report

Amendments to the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act* (#171)—Amendments to Model #171 are required for consistency with the federal Affordable Care Act (ACA). Therefore, they did not require approval of a Request for NAIC Model Law Development by the Executive (EX) Committee. At the 2015 Fall National Meeting, the Regulatory Framework (B) Task Force discussed the proposed revisions to this model. The Task Force met Feb. 11, 2016, and appointed the Accident and Sickness Insurance Minimum Standards (B) Subgroup to work on revisions to this model. The Subgroup has been meeting on a regular basis since the 2016 Spring National Meeting, and it plans to continue meeting until it completes its work. During its meetings, the Subgroup has discussed several issues, including its approach for revising the model's disability income insurance coverage provisions, and it decided preliminarily to review the Interstate Insurance Product Regulation Commission's (Compact's) approach. After pausing its work due to the ACA's potential repeal, replacement, or modification—and the possible impact on the provisions of this model, as well as the Subgroup's preliminary proposed revisions to the model—the Subgroup began meeting again in May 2018. Revisions to the *Supplementary and Short-Term Health Insurance Minimum Standards Model Act* (#170) were adopted by the full NAIC membership at the 2019 Spring National Meeting. The Subgroup has been meeting to consider revisions to Model #171 for consistency with the revised Model #170 since the 2019 Summer National Meeting discussion on comments received on Sections 1–5 of Model #171. In December 2019, the Subgroup set a public comment period ending Feb. 7, 2020, to receive comments on Sections 6–7 of Model #171. Due to the COVID-19 health emergency, the Subgroup has not scheduled any meetings. Any future meetings will depend on when a new co-chair is appointed and the duration of the COVID-19 health emergency. As requested, the Subgroup received comments from stakeholders on Sections 6–7 of Model #171. A new Subgroup co-chair has been appointed. The Subgroup met June 7, 2021, to discuss the status of the proposed revisions to Model #171 and its next steps. The Subgroup decided to establish a new public comment period ending July 2, 2021, to receive comments on Sections 1–7 of Model #171. The Subgroup did not meet at the 2021 Fall National Meeting. Since the 2021 Summer National Meeting, the Subgroup has been meeting to discuss possible revisions to Model #171 based on the comments received by the July 2, 2021, public comment deadline. During some of these meetings, the Subgroup heard from industry presenters about the products currently covered under Model #171 and the products to be covered under Model #171 after it is revised. The Subgroup is continuing its discussions of revisions to Model #171. Currently, it is focused on revisions related to fixed indemnity products.

Amendments to the *Mortgage Guaranty Insurance Model Act* (#630)—The Executive (EX) Committee approved a Request for NAIC Model Law Development for amendments to Model #630 at the 2013 Summer National Meeting. The Mortgage Guaranty Insurance (E) Working Group has developed proposed changes to the model, which have been exposed for comment, and subsequent changes have been made to address the comments. However, the Working Group has been focused on the development of a capital model, which is currently incorporated as a requirement in the model, but further changes are expected to be made to that model before adoption can occur. The Working Group has requested an extension from the Financial Condition (E) Committee, which is expected to be considered at the Spring National Meeting, which would continue work on the capital model until the 2023 Spring National Meeting.

Amendments to the *Nonadmitted Insurance Model Act* (#870)—The Executive (EX) Committee approved a Request for NAIC Model Law Development for amendments to Model #870 at the 2021 Spring National Meeting. The amendments will modernize the model and bring it into alignment with the federal Nonadmitted and Reinsurance Reform Act (NRRA). The Surplus Lines (C) Task Force met Aug. 5, 2021, and appointed a drafting group to work on the revisions to Model #870.

New Model: Pet Insurance Model Act—The Executive (EX) Committee approved a Request for NAIC Model Law Development at the 2019 Summer National Meeting. The Pet Insurance (C) Working Group held numerous meetings to draft the model law to define a regulatory structure for pet insurance and address issues such as producer licensing, policy terms, coverages, claims handling, premium taxes, disclosures, arbitration, and preexisting conditions. The Working Group adopted the Pet Insurance Model Act on Aug. 4, 2021, and the Property and Casualty Insurance (C) Committee adopted it on Nov. 10, 2021. The Model was removed from the Executive (EX) Committee and Plenary agenda at the 2021 Fall National Meeting. The Pet Insurance (C) Working Group will consider additional revisions prior to considering the model for adoption. Because the work on the Pet Insurance Model Act is not yet completed, an additional request for extension is expected by the Property and Casualty Insurance (C) Committee at the 2022 Spring National Meeting.

NAIC Support Staff Hub/Member Meetings/Spring 2022/Cmte/Ex/Att 7 ModelLawDevelopmentReport.docx