

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

Financial Regulation Standards and Accreditation (F) Committee Dec. 3, 2022, Minutes

2023 Proposed Charges (Attachment One)

Referral Regarding Re-evaluation of Model #822 as an Accreditation Standard (Attachment Two)

Draft Pending Adoption

Date: 12/15/2022

Financial Regulation Standards and Accreditation (F) Committee
Tampa, Florida
December 13, 2022

The Financial Regulation Standards and Accreditation (F) Committee met in Tampa, FL, Dec. 13, 2022. The following Committee members participated: Lori K. Wing-Heier, Chair (AK); Vicki Schmidt, Co-Vice Chair (KS); Sharon P. Clark, Co-Vice Chair (KY); Alan McClain (AR); Andrew N. Mais (CT); Gary D. Anderson (MA); Timothy N. Schott (ME); Mike Causey represented by Jackie Obusek (NC); Eric Dunning (NE); Andrew R. Stolfi represented by TK Keen (OR); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise (SC); Larry D. Deiter (SD); Scott A. White (VA); and Jeff Rude (WY).

1. Adopted its Summer National Meeting Minutes

Commissioner Schmidt made a motion, seconded by Commissioner Mais, to adopt the Committee's Aug. 10 minutes (*see NAIC Proceedings – Summer 2022, Financial Regulation Standards and Accreditation (F) Committee*). The motion passed unanimously.

Director Wing-Heier said the Committee met Dec. 12 in regulator-to-regulator session, pursuant to paragraph 7 (consideration of individual state insurance department's compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings, to vote to award continued accreditation to Colorado, Nevada, and North Dakota and to reinstate Puerto Rico's accreditation.

2. Adopted its 2023 Proposed Charges

Director Wing-Heier stated there were no changes to the Committee's charges from the prior year.

Superintendent Schott made a motion, seconded by Commissioner Clark, to adopt its charges (Attachment One). The motion passed unanimously.

3. Received an Update on the Part A Liabilities and Reserves Accreditation Standard

Director Wing-Heier stated that the Committee is committed to ongoing review of the accreditation standards to ensure they are up to date and support the goals of the NAIC's accreditation program. Recently, a question came up about significant elements in the Part A Liabilities and Reserves accreditation standard that require sections of the *Actuarial Opinion and Memorandum Regulation (#822)*. Those significant elements address requirements related to statements of actuarial opinion, the appointed actuary, and adequacy of reserves. Specifically, the question about this standard is whether the requirements in Model #822 are duplicative of requirements in the NAIC *Valuation Manual*, which is also required for accreditation. An initial review of the two requirements indicates they are potentially duplicative.

However, before taking any action, it is important to have the subject matter experts (SMEs) weigh in and make a knowledgeable assessment of the issue. A referral (Attachment Two) was therefore sent to the Life Actuarial (A) Task Force to consider the issue. The Task Force exposed the issue for public comment period ending Dec. 7, and no comments were received that support maintaining both requirements. The Task Force will continue its discussion of the issue and provide a recommendation to the Committee for consideration, likely at the 2023 Spring National Meeting. Any change to the standards will go through a separate exposure period at the Committee level to provide for adequate consideration by all parties.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/F CMTE/2022Fall



MEMORANDUM

TO: Members of the Financial Regulation Standards and Accreditation (F) Committee

FROM: Becky Meyer, Senior Accreditation Manager

DATE: November 17, 2022

RE: 2023 Proposed Charges

Below are the Financial Regulation Standards and Accreditation (F) Committee's 2023 proposed charges. There have been no substantive changes from the Committee's 2022 charges.

The mission of the Financial Regulation Standards and Accreditation (F) Committee is both administrative and substantive, as it relates to the administration and enforcement of the NAIC Financial Regulation Standards and Accreditation Program. This includes, without limitation: 1) the consideration of standards and revisions of standards for accreditation; 2) the interpretation of standards; 3) the evaluation and interpretation of the states' laws and regulations, as well as departments' practices, procedures, and organizations as they relate to compliance with standards; 4) the examination of members for compliance with standards; 5) the development and oversight of procedures for the examination of members for compliance with standards; 6) the selection of qualified individuals to examine members for compliance with standards; and 7) the determination of whether to accredit members.

Ongoing Support of NAIC Programs, Products or Services

1. The **Financial Regulation Standards and Accreditation (F) Committee** will:
 - A. Maintain and strengthen the NAIC Financial Regulation Standards and Accreditation Program.
 - B. Assist the states, as requested and as appropriate, in implementing laws, practices, and procedures and obtaining personnel required for compliance with the standards.
 - C. Conduct a yearly review of accredited jurisdictions.
 - D. Consider new model laws; new practices and procedures; and amendments to existing model laws, practices, and procedures required for accreditation. Determine the timing and appropriateness of the addition of new model laws, practices, procedures, and amendments.
 - E. Render advisory opinions and interpretations of model laws required for accreditation and on substantial similarity of state laws.
 - F. Review existing standards for effectiveness and relevancy, and make recommendations for change, if appropriate.
 - G. Produce, maintain, and update the NAIC *Accreditation Program Manual* to provide guidance to state insurance regulators regarding the official standards, policies, and procedures of the program.
 - H. Maintain and update the "Financial Regulation Standards and Accreditation Program" pamphlet.
 - I. Perform enhanced pre-accreditation review services, including, but not limited to, additional staff support, increased participation, enhanced report recommendations, and informal feedback.

<https://naiconline.sharepoint.com/teams/FRSACcreditation/RegulatorOnly Minutes/2022Fall/Open/2023 Proposed Charges.docx>



MEMORANDUM

TO: Life Actuarial (A) Task Force

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

DATE: October 13, 2022

RE: Re-evaluation of Model #822 as an Accreditation Standard

Both the *Standard Valuation Law* (#820), and the *Actuarial Opinion and Memorandum Regulation* (#822), which set forth requirements for statements of actuarial opinion, the appointed actuary, and adequacy of reserves, are part of the NAIC Accreditation Standards (the Standards) that each jurisdiction must adopt to be accredited. In 2020, substantial revisions to Model #820 became effective for accreditation. The required revisions include use of the *Valuation Manual*, which contains VM-30, "Actuarial Opinion and Memorandum Requirements."

There is overlap between the *Valuation Manual* and Model #822 and the question is raised whether Model #822 is still necessary to require as part of the Standards. The Standards operate as a minimum baseline and generally do not restrict the ability of a state to have additional laws or regulations that do not conflict with the Standard. Therefore removing #822 as a Standard would not require states to repeal the regulation, rather it would allow states to choose to repeal if deemed appropriate in their state.

The Committee requests that the Life Actuarial (A) Task Force review the Standard for Model #822 and the requirements in the *Valuation Manual* to determine if the *Valuation Manual* meets the necessary actuarial requirements and Model #822 can be removed from the Standards. The complete Liabilities and Reserves accreditation standard is attached for reference, with references to Model #822 highlighted for your review.

The Committee appreciates the Task Force's assistance on this issue and looks forward to the response.

9. Liabilities and Reserves

State statute should prescribe minimum standards for the establishment of liabilities and reserves resulting from insurance contracts issued by an insurer; including life reserves, active life reserves and unearned premium reserves, and liabilities for claims and losses unpaid and incurred but not reported claims. The NAIC's *Standard Valuation Law* (#820), *Actuarial Opinion and Memorandum Regulation* (#822) and *Property and Casualty Actuarial Opinion Model Law* (#745) or substantially similar provisions shall be in place.

REFERENCE

a. Prescribe minimum standards for establishment of:

- Life reserves?
- Active life reserves?
- Unearned premium reserves?
- Claims liabilities?
- Loss reserves?

Standard Valuation Law (#820)

b. The following definitions under Section 1B apply on or after the operative date of the *Valuation Manual*: appointed actuary; company; policyholder behavior; principle-based valuation; qualified actuary; and *Valuation Manual*?

c. Policies and contracts issued prior to the operative date of the *Valuation Manual* are annually valued in accordance with Section 2A?

d. Policies and contracts issued on or after the operative date of the *Valuation Manual* are annually valued in accordance with Section 2B?

e. Prior to the operative date of the *Valuation Manual*, every life insurance company doing business in this state shall annually submit an actuarial opinion on reserves in accordance with Section 3A?

f. After the operative date of the *Valuation Manual*, every company with outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state shall annually submit the opinion of a qualified actuary in accordance with Section 3B(1)?

p. The commissioner may require a company to change any assumption or method that, in the opinion of the commissioner, is necessary in order to comply with the requirements of the *Valuation Manual* or Model #820, and the company shall adjust the reserves as required by the commissioner in accordance with Section 11G?

q. Provisions providing that a company must establish reserves using a principle-based valuation that meets conditions similar to those in Section 12A for policies or contracts as specified in the *Valuation Manual*?

r. Provisions providing that a company using a principle-based valuation for one or more policies or contracts specified in the *Valuation Manual* shall establish procedures for corporate governance and oversight of the actuarial valuation function in accordance with Section 12B?

s. With respect to policies in force on or after the operative date of the *Valuation Manual*, provisions providing that a company shall submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the *Valuation Manual* similar to Section 13?

t. Prescribes confidentiality provisions similar to Section 14?

u. Although not required for accreditation, a state's laws and regulations may allow an exemption from the reserving requirements of the *Valuation Manual* similar to that provided in the *Valuation Manual*. For such cases, do the laws and regulations contain provisions that are similar to those provided in the *Valuation Manual*?

- If state law or regulation allows an exemption from the reserving requirements of the *Valuation Manual* based on certain parameters (such as insurer premiums or categories of insurers), please provide the citation. If state law or regulation does not allow for this, please indicate such by including "N/A" in the reference column.

Actuarial Opinion and Memorandum Regulation (#822)

v. Scope provisions similar to those in Section 3?

w. Definitions similar to Section 4?

x. General Requirements similar to Section 5?

y. Provisions for statement of actuarial opinion based on an asset adequacy analysis similar to Section 6?

z. Provisions for description of an actuarial memorandum including an asset adequacy analysis similar to Section 7?

aa. Provisions for regulatory asset adequacy issues summary similar to Section 7?

Property and Casualty Actuarial Opinion Model Law (#745)

bb. Requires annual submission of a Statement of Actuarial Opinion similar to Section 2A of the model?

cc. Requires annual submission of an Actuarial Opinion Summary similar to Section 2B of the model?

dd. Requires that the Statement of Actuarial Opinion is provided with the Annual Statement and is treated as a public document similar to Section 3A of the model?

ee. Includes requirements that various documents related to the Actuarial Report or Actuarial Opinion Summary are confidential by law and privileged similar to Section 3B(1) of the model?