EXECUTIVE (EX) COMMITTEE

Executive (EX) Committee Minutes, Dec. 8, 2019, Minutes
  Executive (EX) Committee Interim Meeting Report (Attachment One)
  Executive (EX) Committee Task Force Reports (Attachment Two)
  2020 Executive (EX) Committee Proposed Charges (Attachment Three)
  Adopted Amendments to the Insurance Holding Company System Regulatory Act (#440)
    and the Insurance Holding Company System Model Regulation with Reporting Forms
    and Instructions (#450) (Attachment Four)
  Adopted Amendments to the Unfair Trade Practices Act (#880) (Attachment Five)
  NAIC State Ahead Strategic Plan Implementation Report (Attachment Six)
  Report of Model Law Development Requests (Attachment Seven)
The Executive (EX) Committee met in Austin, TX, Dec. 8, 2019. The following Committee members participated: Eric A. Cioppa, Chair (ME); Raymond G. Farmer, Vice Chair (SC); David Altmaier, Vice President (FL); Dean L. Cameron, Secretary-Treasurer (ID); Lori K. Wing-Heier (AK); Jim L. Ridling (AL); Stephen C. Taylor (DC); Chlora Lindley-Myers (MO); Mike Chaney (MS); Jillian Froment (OH); Andrew R. Stolfi (OR); Jessica Altman (PA); Elizabeth Kelleher Dwyer (RI); Larry Deiter (SD); and Scott A. White (VA).

1. **Adopted the Report of the Executive (EX) Committee and Internal Administration (EX1) Subcommittee Joint Meeting**

Superintendent Cioppa reported the Executive (EX) Committee met Dec. 7 in joint session with the Internal Administration (EX1) Subcommittee. 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 joint meeting, the Committee and Subcommittee adopted its Nov. 18, Oct. 7 and Summer National Meeting minutes.

The Committee and Subcommittee adopted the Internal Administration (EX1) Subcommittee’s Nov. 26 and Oct. 18 minutes, which included the following action: 1) received an update on the Defined Benefit Plan portfolio as of Sept. 30; 2) received an update on the NAIC long-term investment plan portfolio as of Sept. 30; 3) ratification of the vote to begin restructuring the Defined Benefit Plan portfolio to implement the liability driven investment (LDI) strategy; and 4) approved the 2020 proposed charges for the Internal Administration (EX1) Subcommittee and the Information Systems (EX1) Task Force.

The Committee and Subcommittee adopted the Dec. 3 Audit Committee report, which included the following action: 1) received an overview of the Oct. 31 financial statements; 2) received an update on the 2019/2020 Service Organization Control (SOC) 1 and SOC 2 reviews and reports; 3) received an update on database filing fee payments; and 4) received an update on zone financials.

The Committee and Subcommittee adopted the Dec. 6 Information Systems (EX1) Task Force report, which included the following action: 1) received an update on three draft 2020 fiscals with a technology component; 2) received an operational report for the NAIC’s information technology (IT) activities; 3) received an update on 20 active projects and a summary of three projects completed since the Summer National Meeting; and 4) reaffirmed the Audit Committee Charter.

The Committee and Subcommittee also: 1) approved a recommendation on a vendor and funding to conduct a System for Electronic Rate and Form Filing (SERFF) assessment; 2) approved the release of a fiscal to conduct a principal-based reserve (PBR) yearly renewable term (YRT) reinsurance study for public review and comment; 3) heard a presentation on the NAIC branding project, which includes updating the NAIC logo; 4) received the joint chief executive officer (CEO)/chief operating officer (COO) report; and 5) received a cybersecurity briefing.

Commissioner Altmaier made a motion, seconded by Director Froment, to adopt the report of the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee. The motion passed.

2. **Adopted its Nov. 18, Oct. 8 and Oct. 7 Interim Meeting Report**

Commissioner Altmaier made a motion, seconded by Director Lindley-Myers, to adopt the Executive (EX) Committee’s Nov. 18, Oct. 8 and Oct.7 interim meeting report (Attachment One). The motion passed.

3. **Adopted the Reports of its Task Forces**

The Committee received reports from the: Financial Stability (EX) Task Force; the Government Relations (EX) Leadership Council; the Innovation and Technology (EX) Task Force and the Long-Term Care Insurance (EX) Task Force.
Commissioner Altmaier made a motion, seconded by Director Wing-Heier, to adopt the reports of the Financial Stability (EX) Task Force, the Government Relations (EX) Leadership Council, the Innovation and Technology (EX) Task Force and the Long-Term Care Insurance (EX) Task Force (Attachment Two). The motion passed.

3. **Adopted its 2020 Proposed Charges**

Director Farmer reported that the Committee’s 2020 proposed charges for consideration are largely the same from year to year. The Executive (EX) Committee Task Forces will be continuing important work on long-term care insurance (LTCI), financial stability, and innovation and technology.

Director Farmer made a motion, seconded by Commissioner Altmaier, to adopt the Committee’s 2020 proposed charges (Attachment Three). The motion passed.

4. **Adopted the Request to Develop Amendments to the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)**

Commissioner Altmaier reported that the Request for NAIC Model Law Development to develop amendments to the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450) is from the Financial Condition (E) Committee and the Group Capital Calculation (E) Working Group. The Working Group has been developing the group capital calculation (GCC) for some time, and while the calculation is not yet complete, testing of the calculation has recently been completed by 32 volunteer insurers and 15 lead states. The goal is to finalize the calculation in 2020 and have the corresponding models ready to go with it.

Commissioner Altmaier made a motion, seconded by Director Farmer, to adopt the Request for NAIC Model Law Development to develop amendments for Model #440 and Model #450 (Attachment Four). The motion passed.

5. **Adopted the Request to Develop Amendments to the Unfair Trade Practices Act (#880)**

Commissioner Godfread reported that the Innovation and Technology (EX) Task Force adopted a Request for NAIC Model Law Development to develop amendments to the Unfair Trade Practices Act (#880) during its Oct. 18 meeting. Anti-rebating laws have existed in some states for a very long time, originally to ensure company solvency while also leveling the playing field for insurers and preventing unfair trade practices and discrimination. The intent was to prevent insurers and producers from providing an insured or a prospective insured with anything of value not specified or contained in the policy that may act as an inducement to purchase insurance.

The Innovation and Technology (EX) Task Force began discussing rebating issues in 2018 during the Summer National Meeting particularly because of the increased interest in offering value-added products and services such as risk mitigation devices and related services that are not necessarily addressed within the applicable insurance policy language.

After finding that state interpretation and application of anti-rebating laws varies and reviewing the history of Model #880 along with the history and the intent of the anti-rebating portion, it became clear to the Task Force that applying the anti-rebating laws to the innovation of new insurance products and services could be challenging.

During the Summer National Meeting, the Task Force voted to move forward with the Request for NAIC Model Law Development to open Model #880 to amend the language in Section 4(H)(1) - Unfair Trade Practices Defined-Rebates.

Commissioner Altmaier made a motion, seconded by Director Wing-Heier, to adopt the Request for NAIC Model Law Development to develop amendments to Model #880 (Attachment Five). The motion passed.

7. **Received a Status Report on the NAIC State Ahead Strategic Plan Implementation**

Superintendent Cioppa provided an update on the NAIC State Ahead implementation efforts (Attachment Six) highlighting the projects completed and underway in the themes of safe, solvent and stable markets; consumer protection and education; and superior member services and resources. Through State Ahead, the NAIC has made significant enhancements in regulator training and tools, consumer education, member engagement and support, technology, and NAIC talent development.
8. **Received a Report of Model Law Development Efforts**

Superintendent Cioppa presented a written report on the progress of ongoing model law development efforts (Attachment Seven).

9. **Heard a Report from the NIPR Board of Directors**

Director Deiter reported the National Insurance Producer Registry (NIPR) Board of Directors met Dec. 6 and heard a report from the NIPR Audit Committee regarding NIPR’s financials through October 2019. The Board also heard a report of the Investment Committee. The NIPR Long-Term Investment Portfolio climbed +0.4% for the third quarter.

The NIPR Board approved NIPR’s 2020 budget, with projected revenues of $46.1 million and projected expenses of $43.3 million. The NIPR Board also heard on update on the progress of implementing NIPR’s strategic plan, which will be completed in 2020. In addition to the general progress on the plan, two major strategic initiatives have been accomplished this year.

In September, NIPR added Florida for resident licensing for individual insurance producers, and it is anticipated that Florida’s resident and non-resident business entities will be available before the end of 2019. This leaves only five remaining states to add for NIPR’s major licensing services.

Another major accomplishment this year was a joint NAIC/NIPR security infrastructure initiative, Data De-identification. The joint project was part of the *State Ahead* initiative and involved extensive work to protect Personally Identifiable Information (PII) by masking or de-identifying the PII data in a consistent manner for all NAIC and NIPR non-production technical environments.

NIPR will launch a new and improved website in January, designed to provide easier navigation and improve the user experience.

In addition to the progress on the strategic plan, the Board also received a report on the NAIC and NIPR’s ongoing cybersecurity initiatives. Finally, the Board heard from KC Tech Council CEO, Ryan Weber, on current employment trends in the Kansas City technical industry.

NIPR anticipates that it will have processed more than $726 million in producer licensing-related fees on behalf of the states by yearend. This represents an 8% increase over fees collected on behalf of the states last year.

10. **Heard a Report from the Compact**

Director Froment reported the Interstate Insurance Product Regulation Commission (Compact) will meet Dec. 9. The Compact members have spent this past year engaged in a member-driven strategic planning process. The Compact has conducted member surveys and had four in-person discussions. This effort has culminated in a draft strategic plan, available on its website, that the Compact will discuss during its meeting and hopefully finalize. The Compact is planning to refer to it as the Insurance Compact Compass as it will guide the course of the Compact over the next three years.

The Compact will also consider the adoption of three group annuity standards; this is a new product line the Compact will have available for filing in 2020.

The Compact will consider the annual budget package for adoption, which includes a request for a new position dedicated to member services in support of the strategic plan initiatives.

The Compact will put in place the Management Committee for next year and hold its annual election of officers.

The Compact will also be releasing a report on Compact-Approved Individual Long-Term Care Rate Schedule Certifications. The purpose of the report is to share the aggregate information with respect to the review of the 2018 annual and triennial rate certifications for Compact-approved individual LTCI rate schedules.

The Compact is experiencing another record year of growth in terms of the number of companies using the Compact and in the volume of filing submissions. The Compact exceeded its budgeted revenue as of the end of September and expects to come in under budget in expenses. This is a unique set of circumstances for this year as every life company must prepare for the
Draft Pending Adoption

implementation of principle-based reserving (PBR) by updating their life products to the 2017 Commissioners’ Standard Ordinary (CSO) Mortality Tables.

Regarding the $3.4 million line of credit the NAIC made available to the Compact (2007 to 2012 that has been in a deferred status), the Compact will meet one of the repayment triggers this year as its net positive revenue will exceed $250,000 by yearend.

The Compact officers and NAIC officers are restructuring the terms of repayment, which currently require repayment of the entire amount within five years and expect the organizations to reach an agreement on a restructuring of the Compact debt by the time the first payment is due at the end of the first quarter in 2020.

Having no further business, the Executive (EX) Committee adjourned.
The Executive (EX) Committee met Nov. 18, Oct. 8 and Oct. 7, 2019. These meetings were held 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 NAIC 2020 proposed budget, and recommended the budget be adopted by the full NAIC membership at the Fall National Meeting.

2. Approved recommendations for the NAIC’s Defined Benefit Plan Fund Investments.

3. Adopted the investment policy statement (IPS) for the NAIC’s Long-Term Funds.

4. Adopted the IPS for the NAIC’s defined benefit plan and the defined contribution plan.


6. Adopted the Internal Administration (EX1) Subcommittee’s 2020 proposed charges.

7. Approved the NAIC 2020 proposed budget, including five fiscals, for a public comment period ending Nov. 7.
REPORT OF THE EXECUTIVE (EX) COMMITTEE TASK FORCES

Financial Stability (EX) Task Force—The Financial Stability (EX) Task Force plans to meet Dec. 9 to: 1) consider adoption of its Summer National Meeting minutes; 2) consider adoption of the minutes of the Liquidity Assessment (EX) Subgroup; 3) hear an update on Financial Stability Oversight Council (FSOC) developments; 4) consider a joint exposure of the 2019 proposed liquidity stress test with the Liquidity Assessment (EX) Subgroup; 5) receive an update from the Receivership and Insolvency (E) Task Force on its work to address the Financial Stability (EX) Task Force’s referral letter to undertake analysis relevant to the NAIC Macroprudential Initiative (MPI); 6) hear an update on collateralized loan obligations (CLO) stress tests; and 7) hear an update on macroprudential surveillance.

Government Relations (EX) Leadership Council—The Government Relations (EX) Leadership Council did not meet at the Fall National Meeting. The Leadership Council meets weekly via conference call 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.

Innovation and Technology (EX) Task Force—The Innovation and Technology (EX) Task Force plans to meet Dec. 9 to: 1) consider adoption of its Oct. 18 minutes; 2) consider adoption of its working group reports and hear a report on the activities of the Innovation and Technology State Contact Group; 3) discuss a draft bulletin from North Dakota addressing a specific interpretation of its statutory language considering anti-rebating issues and whether to pursue an NAIC model bulletin; 4) discuss the next steps for developing model law language to amend the Unfair Trade Practices Act (#880); 5) hear an update on cybersecurity activity, including a legislative update and briefing on data privacy activity from the Privacy Protections (D) Working Group chair, Director Chlora Lindley-Myers (MO); and 6) discuss working on an educational document on insurance products and regulation for InsurTech startups; and 7) hear a report from the National Conference of Insurance Legislators (NCOIL) on its insurance modernization activity.

The Artificial Intelligence (EX) Working Group met Sept. 5 and decided to take comments on if it would be appropriate to base artificial intelligence (AI) principles for the insurance industry on the Organisation for Economic Co-operation and Development (OECD) AI principles, and if so, how they might be revised to be more relevant for the insurance industry. The Working Group also met Dec. 7 and discussed those comments and next steps for continuing the development of principles for the insurance industry.

The Big Data (EX) Working Group met Oct. 7 and took the following action: 1) adopted its Summer National Meeting minutes; and 2) heard presentations from the Insurance Services Office (ISO) on the use of data to detect fraud and settle property/casualty (P/C) claims. The Working Group also met Dec. 7 and took the following action: 1) adopted its Oct. 7 minutes; 2) discussed the use of data in fraud detection and claim settlements; 3) received an update from the Casualty Actuarial and Statistical (C) Task Force regarding its draft white paper on best practices for the review of predictive models and analytics filed by insurers to justify rates, the development of state guidance (e.g., information and data) for rate filings that are based on complex predictive models, and the development of training for the sharing of expertise through predictive analytics webinars; 4) received an update on the work of the Accelerated Underwriting (A) Working Group; 5) received an update on NAIC technical and non-technical rate review trainings; and 6) received a presentation on entities not licensed as advisory organizations.

The Speed to Market (EX) Working Group did not meet at the Fall National Meeting. The Working Group met via conference call Dec. 3 and Sept. 12. During its Sept. 12 meeting, the Working Group: 1) heard and discussed a presentation by Joy E. Morrison (NAIC), Bridget Kieras (NAIC) and Brandy Woltkamp (NAIC) regarding prioritization of the System for Electronic Rate and Form Filing (SERFF) enhancements regarding submission validations, review tools, workload management, performance and reliability, search, document management, reporting and data export, streamlined correspondence, and user experience. After the meeting, a survey was sent to all the states seeking feedback on which SERFF enhancement capabilities were the most important to them. During its Dec. 3 meeting, the Working Group: 1) adopted its Sept. 12 minutes; and 2) received an update from Ms. Kieras regarding an upcoming business and technical assessment of SERFF, as well as the survey sent in September. Survey results have been received and continue to be reviewed. Some items from the survey are already being worked into the SERFF analysis and development process, and some are being moved through the development pipeline.
Long-Term Care Insurance (EX) Task Force—The Long-Term Care Insurance (EX) Task Force plans to meet Dec. 9 to:
1) consider adoption of its Oct. 31 and Summer National Meeting minutes; 2) receive a progress report on the activities of each of the Task Force’s six workstreams: a) the rate review practices workstream is refining a set of selection principles and criteria for guiding the development of a recommended rate review methodology; b) the restructuring techniques workstream is developing its strategic plan; c) the reduced benefit options and consumer notices workstream completed a survey of the states and is reviewing results with plans to develop best practices; d) the valuation of reserve issues workstream continues to monitor actuarial review work and solvency monitoring of long-term care insurance (LTCI) companies, and to develop additional state insurance regulator guidance related to reserve assumptions; e) the non-actuarial considerations workstream completed a limited scope survey of the states and is reviewing results with plans to develop best practices; and f) the data call design and oversight workstream has issued a request for proposal to develop a data call; and 3) hear from consumer and industry representatives on the progress of workstream activity.
2020 Proposed Charges for Executive (EX) Committee consideration

Draft: 10/16/19
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Executive (EX) Committee, Dec. 8, 2019

2020 Proposed Charges

EXECUTIVE (EX) COMMITTEE

The mission of the Executive (EX) Committee is to manage the affairs of the NAIC in a manner consistent with its Articles of Incorporation and its Bylaws.

Ongoing Support of NAIC Programs, Products or Services

1. The Executive (EX) Committee will:
   A. Identify the goals and priorities of the organization and make recommendations to achieve such goals and priorities based on input of the membership. Make recommendations by the 2020 Commissioners Conference.
   B. Create/terminate task force(s) and/or Executive (EX) Committee-level working groups to address special issues and monitor the work of these groups. Create necessary task force(s) and/or Executive (EX) Committee-level working groups throughout 2020 as necessary.
   C. Submit reports and recommendations to NAIC members concerning the activities of its subcommittee and the standing committees. Submit a report at each national meeting.
   D. Consider requests from NAIC members for friend-of-the-court briefs.
   E. Establish and allocate functions and responsibilities to be performed by each NAIC zone.
   F. Pursuant to the Bylaws, oversee the NAIC offices to assist the organization and the individual members in achieving the goals of the organization.
   G. Conduct strategic planning on an ongoing basis.
   H. Plan, implement and coordinate communications and activities with the Federal Insurance Office (FIO).
   I. Plan, implement and coordinate communications and activities with other state, federal, local and international government organizations to advance the goals of the NAIC and promote understanding of state insurance regulation.
   J. Review and approve requests for the development of model laws and/or regulations. Coordinate the review of existing model laws and/or regulations.
   K. Select NAIC national meeting sites five and six years in advance of the meeting date to ensure efficient and economical locations and facilities.
   L. Review and revise, as necessary and appropriate, the criteria and categories for registrants at NAIC national meetings.

NAIC Support Staff: Andrew J. Beal/Kay Noonan
2020 Proposed Charges for Executive (EX) Committee consideration

Draft: 10/4/19
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Executive (EX) Committee, Dec. 8, 2019
Adopted by the Financial Stability (EX) Task Force, Oct. 2, 2019

2020 Proposed Charges

FINANCIAL STABILITY (EX) TASK FORCE

The mission of the Financial Stability (EX) Task Force is to consider issues concerning domestic or global financial stability as they pertain to the role of state insurance regulators.

Ongoing Support of NAIC Program, Products or Services

1. The Financial Stability (EX) Task Force will:
   A. Consider issues concerning domestic and global financial stability as they pertain to the role of state insurance regulators and make recommendations to the International Insurance Relations (G) Committee, the Government Relations (EX) Leadership Council, and/or the Executive (EX) Committee, as appropriate.
      1. Analyze existing post-financial crisis regulatory reforms for their application in identifying macroeconomic trends, including identifying possible areas of improvement or gaps, and propose to the Financial Condition (E) Committee or other relevant committee enhancements and/or additions to further improve the ability of state insurance regulators and the industry to address macroprudential impacts; consult with such committees on implementation, as needed.
   B. Consider state insurance regulators’ input to national and international discussions on macroeconomic vulnerabilities affecting the insurance sector.
      1. Monitor international macroprudential activities at forums like the International Association of Insurance Supervisors (IAIS).
      2. Implement the Macroprudential Initiative (MPI) domestically, which includes enhancements to the U.S. regulatory toolkit as part of the State Ahead initiative.
   C. Serve as a forum to coordinate state insurance regulators’ perspectives on a wide variety of issues arising from the designation of a U.S. insurance group as “systemically important” and “internationally active” both pre- and post-designation, including:
      1. Where appropriate, develop policy recommendations and/or guidance regarding the role, responsibilities and activities of state insurance regulators in the context of consolidated supervision resulting from designation.
      2. Analyze proposed rules by the federal agencies that relate to financial stability.
      3. Analyze proposed policy measures regarding supervisory standards for global systemically important insurers and internationally active insurance groups.
      4. Develop comment letters on such analysis for further consideration by the International Insurance Relations (G) Committee, the Government Relations (EX) Leadership Council, and/or the Executive (EX) Committee, as appropriate.

2. The Liquidity Assessment (EX) Subgroup will:
   A. Review existing public and regulator-only data related to liquidity risk, identify any gaps based on regulatory needs and propose the universe of companies to which any recommendations may apply.
   B. Refine and implement a liquidity stress testing framework proposal for consideration by the Financial Condition (E) Committee, including the proposed universe of companies to which the framework will apply (e.g., large life insurers).

NAIC Support Staff: Elise Liebers/John Hopman/Mark Sagat/Todd Sells/Tim Nauheimer
2020 PROPOSED CHARGES

GOVERNMENT RELATIONS (EX) LEADERSHIP COUNCIL

The Government Relations (EX) Leadership Council coordinates the NAIC’s ongoing work with the federal government and state government officials on legislative and regulatory policy. The Leadership Council, in conjunction with the NAIC’s other standing committees, is responsible for quickly responding to federal legislative and regulatory developments that affect insurance regulation.

The mission of the Government Relations (EX) Leadership Council is to develop, coordinate and implement the NAIC’s legislative, regulatory and outreach initiatives. The Leadership Council will devise strategies for NAIC action and promote the participation of all NAIC members in the NAIC’s government relations initiatives.

Ongoing Support of NAIC Programs, Products or Services

1. The Government Relations (EX) Leadership Council will:
   A. Monitor, analyze and respond to federal legislative and regulatory actions and other issues of importance to the NAIC membership.
   B. Work with other standing committees, task forces and working groups to help develop and communicate the NAIC’s policy views to federal and state officials on pending legislation and regulatory issues by involvement of NAIC members through testimony, correspondence and other approaches.
   C. Develop a strategy and program for directly engaging NAIC members with the U.S. Congress and federal agencies to advocate for NAIC objectives and the benefits and efficiencies of state-based insurance regulation.
   D. Secure broader participation from NAIC membership on all government affairs advocacy initiatives.
   E. Report to the Executive (EX) Committee on all activities and matters relating to the annual charges of the Leadership Council.

NAIC Support Staff: Ethan Sonnichsen/Mark Sagat/Brian R. Webb
2020 PROPOSED CHARGES

INNOVATION AND TECHNOLOGY (EX) TASK FORCE

The mission of the Innovation and Technology (EX) Task Force is to provide a forum for regulator education and discussion of innovation and technology in the insurance sector, to monitor technology developments that affect the state insurance regulatory framework, and to develop regulatory guidance, as appropriate.

Ongoing Support of NAIC Programs, Products or Services

1. The **Innovation and Technology (EX) Task Force** will:
   A. Provide forums, resources and materials for the discussion of innovation and technology developments in the insurance sector, including the collection and use of data by insurers and state insurance regulators—as well as new products, services and distribution platforms—in order to educate state insurance regulators on how these developments affect consumer protection, privacy, insurer and producer oversight, marketplace dynamics and the state-based insurance regulatory framework.
   B. Develop regulatory guidance, model laws or model law revisions, and white papers or make other recommendations to the Executive (EX) Committee, as appropriate.
   C. Monitor and discuss regulatory issues that arise with the development of autonomous vehicles. Study and, if necessary, develop recommendations for changes needed to the state-based insurance regulatory framework.
   D. Discuss emerging issues related to companies or licensees leveraging new technologies to develop products for on-demand insurance purposes—in addition to potential implications on the state-based insurance regulatory structure—including, but not limited to, reviewing new products and technologies affecting the insurance space and the associated regulatory implications.
   E. Monitor developments in the area of cybersecurity, including the implementation of the *Insurance Data Security Model Law* (#668) and representing the NAIC and communicating with other entities/groups, including sharing information as may be appropriate.
   F. Coordinate with other NAIC committees and task forces, as appropriate, on technology, innovation, cybersecurity issues and data privacy.

2. The **Big Data (EX) Working Group** will:
   A. Review current regulatory frameworks used to oversee insurers’ use of consumer and non-insurance data. If appropriate, recommend modifications to model laws and/or regulations regarding marketing, rating, underwriting and claims, regulation of data vendors and brokers, regulatory reporting requirements, and consumer disclosure requirements.
   B. Propose a mechanism to provide resources and allow the states to share resources to facilitate their ability to conduct technical analysis of, and data collection related to, the review of complex models used by insurers for underwriting, rating and claims. Such a mechanism shall respect and in no way limit the states’ regulatory authority.
   C. Assess data needs and required tools for state insurance regulators to appropriately monitor the marketplace and evaluate underwriting, rating, claims and marketing practices. This assessment shall include gaining a better understanding of currently available data and tools, as well as recommendations for additional data and tools, as appropriate. Based on this assessment, propose a means to collect, house and analyze needed data.
3. The **Speed to Market (EX) Working Group** will:
   
   A. Consider proposed System for Electronic Rate and Form Filing (SERFF) features or functionality presented to the Working Group by the SERFF Advisory Board, likely originating from the SERFF Product Steering Committee. Upon approval and acquisition of any needed funding, direct the SERFF Advisory Board to implement the project. Receive periodic reports from the SERFF Advisory Board, as needed.
   
   B. Discuss and oversee the implementation and ongoing maintenance/enhancement of speed to market operational efficiencies related to product filing needs, efficiencies and effective consumer protection. This includes the following activities:
      1. Provide a forum to gather information from the states and the industry regarding tools, policies and resolutions to assist with common filing issues. Provide oversight in evaluating product filing efficiency issues for state insurance regulators and the industry, particularly with regard to uniformity. In 2020, evaluate the state survey results compiled in 2019 regarding the usefulness of existing tools and potential new tools and propose a plan to make improvements.
      2. Use SERFF data to develop, refine, implement, collect and distribute common filing metrics that provide a tool to measure the success of the speed to market modernization efforts as measured by nationwide and individual state speed to market compliance, with an emphasis on monitoring state regulatory and insurer responsibilities for speed to market for insurance products.
      3. Facilitate proposed changes to the product coding matrices (PCMs) and the uniform transmittal document (UTD) on an annual basis, including the review, approval and notification of changes. Monitor, assist with and report on state implementation of any PCM changes.
      4. Facilitate the review and revision of the *Product Filing Review Handbook*, which contains an overview of all of the operational efficiency tools and describes best practices for industry filers and state reviewers with regard to the rate and form filing and review process. In 2020, develop and implement a communication plan to inform states about the *Product Filing Review Handbook*.
   
   C. Provide direction to NAIC staff regarding SERFF functionality, implementation, development and enhancements. Direct NAIC staff to provide individual state speed to market reports to each commissioner at each national meeting. Receive periodic reports from NAIC staff, as needed.
   
   D. Conduct the following activities as desired by the Interstate Insurance Product Regulation Commission:
      1. Provide support to the Compact as the speed to market vehicle for asset-based insurance products, encouraging the states’ participation in, and the industry’s usage of the Compact.
      2. Receive periodic reports from the Compact, as needed.

4. The **Artificial Intelligence (EX) Working Group** will:
   
   A. Study the development of artificial intelligence (AI), its use in the insurance sector, and its impact on consumer protection and privacy, marketplace dynamics, and the state-based insurance regulatory framework. The Working Group will develop regulatory guidance, beginning with guiding principles, and make other recommendations to the Innovation and Technology (EX) Task Force as appropriate by the 2020 Summer National Meeting.

NAIC Support Staff: Scott Morris/Denise Matthews
2020 Proposed Charges

LONG-TERM CARE INSURANCE (EX) TASK FORCE

The Long-Term Care Insurance (EX) Task Force will:

A. Recognizing the gravity of the threat posed by the current long-term care insurance (LTCI) environment both to consumers and our state-based system of insurance regulation, this Task Force is charged to:
   1. Develop a consistent national approach for reviewing LTCI rates that results in actuarially appropriate increases being granted by the states in a timely manner and eliminates cross-state rate subsidization.
   2. Identify options to provide consumers with choices regarding modifications to LTCI contract benefits where policies are no longer affordable due to rate increases.
   3. Deliver such a proposal to the Executive (EX) Committee by the 2020 Fall National Meeting.

B. Provide periodic reporting to the Long-Term Care Insurance (E/B) Task Force to help ensure coordination between the two task forces on LTCI issues.

Unless otherwise affirmatively extended or modified by the Executive (EX) Committee, the Task Force and its charges will expire Jan. 31, 2021.

NAIC Support Staff: Jeffrey C. Johnston
2020 Proposed Charges for Executive (EX) Committee consideration

Draft: 8/22/19
Adopted by the Executive (EX) Committee and Plenary, TBD
Adopted by the Executive (EX) Committee, Dec. 8, 2019
Adopted by the Internal Administration (EX1) Subcommittee, Oct. 8, 2019

2020 Proposed Charges

INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE

The mission of the Internal Administration (EX1) Subcommittee is to monitor the operations of the NAIC, including: 1) preparing a budget for Executive (EX) Committee review; 2) providing direction on personnel issues; 3) approving emergency expenditures; 4) evaluating the chief executive officer (CEO); and 5) assisting the CEO in resolving competing demands for NAIC staff resources.

Ongoing Support of NAIC Programs, Products or Services

1. The Internal Administration (EX1) Subcommittee will:
   A. Review and approve all expenditures of funds not included in the annual budget by considering any fiscal impact statements of unbudgeted resource requests and reporting its actions to the Executive (EX) Committee.
   B. Annually work with the CEO, chief operating officer/chief legal officer (COO/CLO), and chief financial officer (CFO) to review the business operations plan, which will incorporate the Executive (EX) Committee’s strategic management initiatives, and report its actions to the Executive (EX) Committee.
   C. Oversee a review of any management areas of the NAIC that should be designated for formal operational reviews by working with the CEO and COO/CLO.
   D. Oversee the development, revision and delivery of all NAIC education programs, or the addition of new programs, by coordinating with other committees, as appropriate, and providing direction to the CEO and COO/CLO.
   E. Receive a report at each national meeting from the NAIC Audit Committee, which will be chaired by the secretary-treasurer. The NAIC Audit Committee will meet with NAIC management at or before each national meeting, or more frequently as necessary, to review the NAIC financial statements and hear reports from NAIC management on emerging financial issues for the NAIC, and it will report such information to the Internal Administration (EX1) Subcommittee. The NAIC Audit Committee shall also carry out the following activities pursuant to its charter:
      1. Engage the NAIC’s independent accountants with respect to the annual audit. This will include the appointment of an independent audit firm, a review of the results of the annual audit, and discussions with the independent auditors and NAIC management to ensure that all audit comments or suggestions are addressed in a timely manner.
      2. Engage the NAIC’s service advisory firm. This will include the selection of an independent firm to provide Statement on Standards for Attestation Engagements (SSAE) services to the NAIC.
   F. Serve as the primary liaison between the NAIC membership and the NAIC investment advisor, or appoint a subcommittee to act in that capacity, including receiving reports on the performance of the NAIC’s investment portfolio and, from time to time, meeting directly with investment firm representatives to hear periodic reports and recommendations.
   G. Review and revise, as necessary and appropriate, the criteria and categories for registrants at NAIC national meetings.
   H. Appoint the Information Systems (EX1) Task Force to provide regulator-based technology expertise.
   I. Conduct evaluations of the CEO and COO/CLO, and make appropriate recommendations to the Executive (EX) Committee. Consult with the CEO and COO/CLO on compensation of senior management.

NAIC Support Staff: Andrew J. Beal/Jim Woody
2020 PROPOSED CHARGES

INFORMATION SYSTEMS (EX1) TASK FORCE

The mission of the Information Systems (EX1) Task Force is to: 1) provide regulator-based technology expertise to the Internal Administration (EX1) Subcommittee; and 2) support committee activities and objectives by monitoring projects that provide technical services or systems for state-based insurance regulation, as prioritized by the Executive (EX) Committee.

Ongoing Support of NAIC Programs, Products or Services

1. The Information Systems (EX1) Task Force will:
   A. Serve as the Internal Administration (EX1) Subcommittee’s project-independent technology monitor and consultant. This involves monitoring the development, deployment and operations of NAIC information technology (IT) systems and services for state insurance regulators and, based on this effort, providing reports and recommendations to the Subcommittee as appropriate. To achieve this, the Task Force will receive regular portfolio and technical operational reports.
   B. Provide consultation to the NAIC technology staff, as well as the interpretation of intent and specific technology direction where needed. For example, from time to time, NAIC technology staff may request approval of a specific technology approach, such as a proposal to drop support for a particular version of software. The Task Force will provide direction in such matters, either directly or through a working group. Task Force members will also communicate current and future state technology changes planned for their state to alert NAIC technology staff of potential impacts and requirements for NAIC systems and services used by state insurance regulators.
   C. Review, with technical recommendations for the Subcommittee: 1) Fiscal Impact Statements Appendix A for all State Ahead projects, as well as others involving a technology component exceeding $100,000 or 1,150 hours of technology staff development and which is not limited to the support of the internal operations; and 2) project requests that involve technology being submitted to the Subcommittee or directly to the Executive (EX) Committee.

NAIC Support Staff: Cheryl McGee/Sherry Stevens
2020 Proposed Charges for Executive (EX) Committee consideration

Draft: 7/24/2019
Reaffirmed by the Executive (EX) Committee and Plenary, TBD
Reaffirmed by the Executive (EX) Committee, Dec. 8, 2019
Reaffirmed by the Internal Administration (EX1) Subcommittee, Nov. 26, 2019
Reaffirmed by the Audit Committee, Aug. 2, 2019

2020 PROPOSED NAIC AUDIT COMMITTEE

Committee Charter

1. The Audit Committee will:
   A. Provide continuous audit oversight, including:
      1. Provide an open avenue of communication between the independent auditor and the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee.
      2. Confirm and ensure the independence of the independent auditor.
      3. Inquire of management and the independent auditor about significant risks or exposures and assess the steps management has taken to minimize such risk.
      4. Consider and review with the independent auditor:
         a. Significant findings during the year, including the status of previous audit recommendations.
         b. Any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information.
         c. The adequacy of internal controls, including computerized information system controls and security, as documented in the Statement on Auditing Standards (SAS) 115 letter from the independent auditor.
         d. Related findings and recommendations of the independent auditor with management’s responses, as documented in the SAS 114 letter from the independent auditor.
      5. Meet periodically with the independent auditor in separate executive sessions to discuss any matters the Committee believes should be discussed privately with the Committee.
      6. Report periodically to the Executive (EX) Committee and Internal Administration (EX1) Subcommittee on significant results of the foregoing activities.
      7. Instruct the independent auditor that the Executive (EX) Committee and Internal Administration (EX1) Subcommittee are the auditor’s clients.
   B. Provide continuous oversight of reporting policies, including:
      1. Advise financial management and the independent auditor that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
      2. Inquire as to the auditor’s independent qualitative judgments about the appropriateness, not just the acceptability, of the accounting principles and the clarity of the financial disclosure practices.
      3. Inquire as to the auditor’s views about whether management’s choices of accounting principles are conservative, moderate or aggressive from the perspective of income, asset and liability recognition, and whether those principles are common practices or are minority practices.
      4. Inquire as to the auditor’s views about how choices of accounting principles and disclosure practices may affect NAIC members, the insurance industry, and public views and attitudes.
   C. Provide continuous oversight of financial management, including:
      1. Review the monthly consolidated financial statements and receive regular reports from executive management on the financial operations of the association.
      2. Meet prior to, or at, each national meeting, or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings and provide pertinent information, as necessary.
      3. Report on significant results of the foregoing activities to the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee on a regular basis.
   D. Conduct scheduled audit activities, including:
      1. Recommend the selection of the independent auditor for approval by the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee, approve the compensation of the independent auditor, and review and approve the discharge of the independent auditor.
      2. Review annually the audit scope and plan of the independent auditor with management and the independent auditor, including:
         a. The independent auditor’s audit of the financial statements, accompanying footnotes and its report thereon.
         b. Any significant changes required in the independent auditor’s audit plans.
         c. Any difficulties or disputes with management encountered during the course of the year under audit.
d. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards (GAAS).

3. Review and approve needs-based funding allocations, as needed.
4. Review and update the Committee charter, on at least an annual basis.

E. Conduct other activities when necessary, including:
1. Arrange for the independent auditor to be available to the full Executive (EX) Committee and the Internal Administration (EX1) Subcommittee, as needed.
2. Review and approve requests for any management consulting engagement to be performed by the independent auditor, and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter.
3. Conduct and/or authorize investigations into any matters within the Committee’s scope of responsibilities. The Committee shall be empowered to retain independent counsel and other professionals to assist in the conduct of any investigation.
4. Ensure members of the Committee receive the appropriate orientation to the Committee and receive a copy of the policy manual.

NAIC Support Staff: Jim Woody

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REQUEST FOR NAIC MODEL LAW DEVELOPMENT

This form is intended to gather information to support the development of a new model law or amendment to an existing model law. Prior to development of a new or amended model law, approval of the respective Parent Committee and the NAIC’s Executive Committee is required. The NAIC’s Executive Committee will consider whether the request fits the criteria for model law development. Please complete all questions and provide as much detail as necessary to help in this determination.

Please check whether this is: ☐ New Model Law or ☒ Amendment to Existing Model

1. Name of group to be responsible for drafting the model:
   Group Capital Calculation (E) Working Group

2. NAIC staff support contact information:
   Dan Daveline
ddaveline@naic.org
   (816) 783-8134

3. Please provide a brief description of the proposed new model or the amendment(s) to the existing model. If you are proposing a new model, please also provide a proposed title. If an existing model law, please provide the title, attach a current version to this form and reference the section(s) proposed to be amended.
   - Insurance Holding Company System Regulatory Act (#440)
   - Insurance Holding Company System Regulation with Reporting Forms and Instructions (#450)

In 2015, the NAIC adopted the following charge to the Financial Condition (E) Committee who subsequently formed the Group Capital Calculation (E) Working Group to carry out such a change.

   “Construct a U.S. group capital calculation using an RBC aggregation methodology; liaise as necessary with the Comframe Development and Analysis (G) Working Group on international capital developments and consider group capital developments by the Federal Reserve Board, both of which may help inform the construction of a U.S. group capital calculation.”

The Group Capital Calculation (E) Working Group has been developing the group capital calculation (GCC) since receiving its charge and in May, with the assistance of 33 insurance groups and 15 lead states, began testing the current construction. The lead states are currently reviewing the completed templates and take aways from the testing are expected to be summarized and discussed at the Fall National Meeting in Austin. Upon completion of the field-testing, state regulators will use the results to further improve the construction of the calculation and at this junction, the Working Group is striving to adopt the calculation sometime in 2020. In order to allow states to be able to adopt the GCC, the Working Group is seeking approval to modify the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Regulation with Reporting Forms and Instructions (#450). While the Working Group has not concluded the exact construct of such changes, the Working Group expects Section 4 of #440 will need to be revised to require a new filing and #450 will need to be revised to add the new filing and a related new section (Form G).
4. **Does the model law meet the Model Law Criteria?**  
   ☑ Yes  or  ☐ No  (Check one)  
   (If answering no to any of these questions, please reevaluate charge and proceed accordingly to address issues).

   a. **Does the subject of the model law necessitate a national standard and require uniformity amongst all states?**  
      ☑ Yes  or  ☐ No  (Check one)

      If yes, please explain why:

      State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system based on currently available information. However, state regulators currently do not have the benefit of a consolidated statutory accounting system and financial statements to assist them in these efforts. The GCC is expected to fill this void since it requires an aggregation and display of the individual company’s available capital and operating figures. More specifically, the GCC and related reporting will provide more transparency to insurance regulators regarding the insurance group and make risks more identifiable and more easily quantified. In this regard, the tool will assist regulators in holistically understanding the financial condition of non-insurance entities, how capital is distributed across an entire group, and whether and to what degree insurance companies may be subsidizing the operations of non-insurance entities, potentially undermining the insurance company’s financial condition and/or placing upward pressure on premiums to the detriment of insurance policyholders. It is envisioned that this calculation will provide an additional early warning signal to regulators so they can begin working with a company to resolve any concerns in a manner that will ensure that policyholders will be protected. Importantly, the GCC will complement existing group supervisory tools already available to state insurance regulators, such as the **Form F Enterprise Risk Report**\(^1\), the **Own Risk and Solvency Assessment Summary Report**\(^2\), and the **Form B Holding Company Filings**\(^3\). As such, we would expect it to be a national standard.

   b. **Does Committee believe NAIC members should devote significant regulator and Association resources to educate, communicate and support this model law?**  
      ☑ Yes  or  ☐ No  (Check one)

5. **What is the likelihood that your Committee will be able to draft and adopt the model law within one year from the date of Executive Committee approval?**
   
   ☑ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5  (Check one)

   **Explanation, if necessary:**

   As previously noted, the Working Group is striving to adopt the calculation sometime in 2020 and it is expected that revisions to the model be adopted by the NAIC within that same time period so that states can begin to implement through changes to state law.

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\(^1\) *Insurance Holding Company System Model Act *(#440) and supporting *Insurance Holding Company System Model Regulation* (#450) require the annual filing of an Enterprise Risk Report (Form F) which requires the disclosure on material risks within the insurance holding company system that could pose enterprise risk to the insurer.

\(^2\) *Risk Management and Own Risk and Solvency Assessment (ORSA) Model Act* (#505) require the annual filing of an ORSA Summary report that includes 1) Description of the Insurer’s Risk Management Framework; 2) Insurer’s Assessment of Risk Exposure; and 3) Group Assessment of Risk Capital and Prospective Solvency Assessment.

\(^3\) *Insurance Holding Company System Model Act* (#440) and supporting *Insurance Holding Company System Model Regulation* (#450) require the annual filing of a Registration Statement (Form B) which includes, among other items, the annual financial statements of the ultimate controlling person in the insurance holding company system and all of its affiliates and subsidiaries.
6. What is the likelihood that a minimum two-thirds majority of NAIC members would ultimately vote to adopt the proposed model law?

☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5  (Check one)

High Likelihood  Low Likelihood

Explanation, if necessary: See previous discussion.

7. What is the likelihood that state legislatures will adopt the model law in a uniform manner within three years of adoption by the NAIC?

☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5  (Check one)

High Likelihood  Low Likelihood

Explanation, if necessary:

At this juncture, the changes to the NAIC models are expected to 1) require the filing of the GCC with the state; 2) provide important confidentiality protections; 3) provide exemptions for who is not expected to file the GCC. As such, variations by states related to these elements are not expected.

8. Is this model law referenced in the NAIC Accreditation Standards? If so, does the standard require the model law to be adopted in a substantially similar manner?

The Group Capital Calculation (E) Working Group has not discussed whether the GCC should be an accreditation standard. However, because the GCC is expected to be required of the largest and most complex U.S. insurance group who operate in all states, a national standard is appropriate.

9. Is this model law in response to or impacted by federal laws or regulations? If yes, please explain.

Yes. Under Title V of the Dodd-Frank Act, the U.S. Department of the Treasury and the Office of the U.S. Trade Representative are authorized to jointly negotiate covered agreements, defined under the Dodd-Frank Act as written bilateral or multilateral agreements between the United States and one or more foreign governments, authorities or regulators regarding prudential measures with respect to insurance or reinsurance, on the condition that the prudential measures subject to a covered agreement achieve a level of protection for insurance or reinsurance consumers that is “substantially equivalent” to the level of protection achieved under U.S. state insurance laws. On Sept. 22, 2017, the U.S. Department of the Treasury and the Office of the U.S. Trade Representative signed the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (Covered Agreement). On December 18, 2018, a separate Covered Agreement was signed between the U.S. and the United Kingdom, which is mirrors the language from the agreement with the EU, and has the same timing requirements for implementation.

The Covered Agreement includes requirements on reinsurance collateral, group supervision and group capital. Specifically, Article 4(h) provides that the host supervisor (i.e., a supervisory authority from the territory in which an insurance group has operations but which is not the territory where the worldwide parent is domiciled or headquartered) may not impose a group capital assessment or requirement at the level of the worldwide parent, but only if the insurance group is subject to a group capital assessment imposed by the home supervisor. The group capital assessment of the home supervisor must include a worldwide group capital calculation capturing risk at the level of the entire group, and the home supervisor must have the authority to impose preventive, corrective or otherwise responsive measures on the basis of the assessment, including the authority to impose capital measures where appropriate.

Under Article 10(e) of the Covered Agreement, supervisory authorities in the European Union shall not impose a group capital requirement at the level of the worldwide parent undertaking of the insurance or reinsurance group, with regard to
a U.S. insurance or reinsurance group with operations in the European Union, for 60 months after the date of provisional application of the Covered Agreement; i.e., Nov. 7, 2022. The NAIC is developing a group capital calculation intended to serve as an analytical tool for evaluating an insurer’s capital position at the group level, but which is not intended to be applied as a group-level capital requirement or standard. The Statement of the United States on the Covered Agreement with the European Union provides further clarification with respect to this group capital assessment:

The Agreement limits the worldwide application of EU prudential group insurance measures on U.S. insurers operating in the EU. The Agreement provides that U.S. insurers and reinsurers can operate in the EU without the U.S. parent being subject to the group level governance, solvency and capital, and reporting requirements of Solvency II, and reinforces that the EU system of prudential insurance supervision is not the system in the United States. The Agreement does not require development of a group capital standard or group capital requirement in the United States. Article 4(h) contemplates that the states will develop a group-wide capital assessment. Through the National Association of Insurance Commissioners (NAIC), the states are in the process of developing a group capital calculation which is intended to serve as an analytical tool for evaluating a firm’s capital position at the group level. The United States expects that the NAIC’s group capital calculation will satisfy the “group capital assessment” condition of Article 4(h), provided that the work is completed and implemented within five years of the date on which the Agreement is signed. [Emphasis added].

Any state with U.S. groups operating in either the European Union or the United Kingdom will need to adopt these legislative changes by Nov. 7, 2022 in order to effectuate compliance with the Covered Agreement.
REQUEST FOR NAIC MODEL LAW DEVELOPMENT

This form is intended to gather information to support the development of a new model law or amendment to an existing model law. Prior to development of a new or amended model law, approval of the respective Parent Committee and the NAIC’s Executive Committee is required. The NAIC’s Executive Committee will consider whether the request fits the criteria for model law development. Please complete all questions and provide as much detail as necessary to help in this determination.

Please check whether this is: □ New Model Law or X Amendment to Existing Model

1. Name of group to be responsible for drafting the model:

   Innovation and Technology (EX) Task Force

2. NAIC staff support contact information:

   Denise Matthews
dmatthews@naic.org
   816-783-8007

3. Please provide a brief description of the proposed new model or the amendment(s) to the existing model. If you are proposing a new model, please also provide a proposed title. If an existing model law, please provide the title, attach a current version to this form and reference the section(s) proposed to be amended.

   NAIC Unfair Trade Practices Act (Model #880)
   Section 4(H)(1)

   The Innovation and Technology (EX) Task Force will draft amendments to the NAIC Unfair Trade Practices Act (Model #880), focusing on Section 4H, to clarify what is considered a “rebate” or “inducement”.

4. Does the model law meet the Model Law Criteria? X Yes or □ No (Check one)

   (If answering no to any of these questions, please reevaluate charge and proceed accordingly to address issues).

   a. Does the subject of the model law necessitate a national standard and require uniformity amongst all states? X Yes or □ No (Check one)

      If yes, please explain why: Inconsistency in the interpretation of the Model language necessitates revisions to clarify the intent and ensure necessary consumer protections remain in place in light of technologies being deployed to add value to existing insurance products and services.

   b. Does Committee believe NAIC members should devote significant regulator and Association resources to educate, communicate and support this model law?

      X Yes or □ No (Check one)

5. What is the likelihood that your Committee will be able to draft and adopt the model law within one year from the date of Executive Committee approval?

   X 1 □ 2 □ 3 □ 4 □ 5 (Check one)
High Likelihood | Low Likelihood

Explanation, if necessary: A significant amount of time and discussion has already been devoted to this topic including presentations from all stakeholders and discussion around draft guideline language. That should help in accelerating the development process related to this model language.

6. What is the likelihood that a minimum two-thirds majority of NAIC members would ultimately vote to adopt the proposed model law?

- [ ] 1  X  [ ] 2  [ ] 3  [ ] 4  [ ] 5  (Check one)

High Likelihood | Low Likelihood

Explanation, if necessary:

7. What is the likelihood that state legislatures will adopt the model law in a uniform manner within three years of adoption by the NAIC?

- [ ] 1  X  [ ] 2  [ ] 3  [ ] 4  [ ] 5  (Check one)

High Likelihood | Low Likelihood

Explanation, if necessary:

8. Is this model law referenced in the NAIC Accreditation Standards? If so, does the standard require the model law to be adopted in a substantially similar manner?

   No.

9. Is this model law in response to or impacted by federal laws or regulations? If yes, please explain.

   No.

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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) and, therefore, 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 requested additional comments by Jan. 22, 2016. 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 plans to continue meeting via conference call until it completes its work. During its meetings, the Subgroup has discussed a number of issues, including its approach for revising the model’s disability income insurance coverage provisions, and decided preliminarily to review the Interstate Insurance Product Regulation Commission’s (Compact) 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 via conference call in May 2018. Revisions to Model #170, now known as the Supplementary and Short-Term Health Insurance Minimum Standards Model Act, were adopted by the full NAIC membership at the Spring National Meeting. The Subgroup has begun meeting via conference call to consider revisions to Model #171 for consistency with the revised Model #170 since the Summer National Meeting discussing comments received on Sections 1-5 of Model #171. The Subgroup plans to meet via conference call following the Fall National Meeting to complete its review of the Section 1-5 comments and establish public comment period ending in mid-January 2020 for additional Model #171 sections. The Subgroup hopes to complete its work by the 2020 Summer National Meeting.

Amendments to the Annuity Disclosure Model Regulation (#245)—The Executive (EX) Committee met June 19, 2017 and approved a Request for NAIC Model Law Development to amend Model #245. The amendments will revise Section 6—Standards for Illustrations. The purpose of the revision is to address issues identified by the Life Insurance and Annuities (A) Committee’s Annuity Disclosure (A) Working Group related to innovations in annuity products that are not addressed, or not addressed adequately, in the current standards. Revisions addressing participating income annuities were adopted by the Life Insurance and Annuities (A) Committee during its July 19, 2018, conference call and held pending the resolution of the Working Group’s discussions regarding illustrating indexes in existence for less than 10 years. The Working Group continues to discuss additional revisions on the index issue. The Working Group made progress during discussions via conference call on Sept. 19 and Dec. 2, and it received an extension from the Life Insurance and Annuities (A) Committee at the Fall National Meeting to continue its work. The Working Group hopes to complete its work by the 2020 Spring National Meeting.

Amendments to the Suitability in Annuity Transactions Model Regulation (#275)—Amendments to Model #275 are being drafted for consistency with federal rules and, therefore, did not require approval of a Request for NAIC Model Law Development by the Executive (EX) Committee. The Life Insurance and Annuities (A) Committee’s Annuity Suitability (A) Working Group is drafting amendments to Model #275 that would raise the standard of conduct requirement for insurers and producers offering annuity products. The Working Group held an in-person meeting in June to consider the comments received on the draft proposed revisions exposed for a public comment period ending Feb. 15. The Working Group continued its discussion July 23 and July 29 via conference call, as well as during its meeting at the Summer National Meeting. Following the Summer National Meeting, the Working Group developed a new draft of proposed revisions incorporating a best interest standard of conduct and set a comment period ending Sept. 30 to receive comments on the draft. The Working Group discussed the comments received by the Sept. 30 comment deadline via conference calls Nov. 5, Oct. 29, Oct. 15 and Oct. 8. At the end of its Nov. 5 conference call, the Working Group agreed that it had completed its work as directed by the Life Insurance and Annuities (A) Committee at the Spring National Meeting and sent the revised draft to the Life Insurance and Annuities (A) Committee for its consideration. The Life Insurance and Annuities (A) Committee chair set a public comment period ending Nov. 26 to receive comments on the revised draft. The Life Insurance and Annuities (A) Committee plan to discuss the comments received by the public comment deadline during its meeting at the Fall National Meeting.

Amendments to the Health Maintenance Organization Model Act (#430)—The Executive (EX) Committee approved the Request for NAIC Model Law Development to amend Model #430 at the 2019 Summer National Meeting. The HMO Issues (B) Subgroup of the Regulatory Framework (B) Task Force is drafting the amendments to address conflicts and redundancies with provisions in the Life and Health Insurance Guaranty Association Model Act (#520). Following the Summer National Meeting, the Working Group met via conference call to consider recommendations from the Virginia Insurance Bureau on revising Model #430 consistent with its charge. During its Nov. 21 conference call, the Working Group decided to move forward with revising Model #430 based on recommendations from the Maine Bureau of Insurance (BOI). It is anticipated the
Subgroup will meet via conference call sometime after the Fall National Meeting to review an initial draft of revisions to Model #430 based on the Maine BOI’s recommendations.

**Amendments to the Life Insurance Disclosure Model Regulation (#580)**—The Executive (EX) Committee met June 19, 2017, and approved the Request for NAIC Model Law Development to incorporate a policy overview document requirement into Model #580 and the Life Insurance Illustrations Model Regulation (#582), in order to improve the understandability of the life insurance policy summary and narrative summary already required by Section 5A(2) of Model #580 and Section 7B of Model #582. While the Life Insurance and Annuities (A) Committee’s Life Insurance Illustration Issues (A) Working Group was originally planning to revise both Model #580 and Model #582, it will now revise only Model #580. The Working Group has been meeting via conference call to develop language to add a requirement for a one- to two-page consumer-oriented policy overview. The Working Group continued to make progress during its discussions Oct. 21, Sept. 17 and Sept. 3 via conference call and received an extension from the Life Insurance and Annuities (A) Committee at the Fall National Meeting to continue its work. The Working Group hopes to complete its work by the 2020 Spring National Meeting.

**Amendments to the Mortgage Guaranty Insurance Model Act (#630)**—The Executive (EX) Committee and Plenary approved the Request for NAIC Model Law Development to amend Model #630 on July 26, 2013. The Financial Condition (E) Committee’s Mortgage Guaranty Insurance (E) Working Group developed substantial changes to the model but continues to discuss those changes. The Working Group’s focus has shifted to working with a consultant to produce a capital model that will serve as the basis for levels of intervention included in Model #630, with significant progress made in this area since the Spring National Meeting. The Working Group received an extension from the Financial Condition (E) Committee until the 2020 Spring National Meeting.

**New Model: Real Property Lender-Placed Insurance Model Act**—The Executive (EX) Committee approved the Request for NAIC Model Law Development, submitted by the Property and Casualty Insurance (C) Committee, to draft the new Real Property Lender-Placed Insurance Model Act at the 2017 Summer National Meeting. The Property and Casualty Insurance (C) Committee’s Lender-Placed Insurance Model Act (C) Working Group exposed a draft of this proposed new model focusing on lender-placed insurance related to mortgage loans for a public comment period ending Oct. 31, 2018. At the 2019 Fall National Meeting, the Working Group received an extension of time to continue drafting the new model.

**New Model: Pet Insurance Model Law**—The Executive (EX) Committee approved the Request for NAIC Model Law Development at the 2019 Summer National Meeting. The Pet Insurance (C) Working Group is drafting the model law to define a regulatory structure for pet insurance and to address issues, such as: producer licensing; policy terms; coverages; claims handling; premium taxes; disclosures; arbitration and preexisting conditions.

**New Model: Pharmacy Benefit Manager (PBM) Model Law**—The Executive (EX) Committee approved the Request for NAIC Model Law Development at the 2019 Summer National Meeting to draft a new model law addressing licensure or registration of pharmacy benefit managers (PBMs). The Regulatory Framework (B) Task Force’s Pharmacy Benefit Manager Regulatory Issues (B) Subgroup is drafting the model as a result of discussions that began during the Health Insurance and Managed Care (B) Committee’s work to revise the Health Carrier Prescription Drug Benefit Management Model Act (#22). Following the Summer National Meeting, the Working Group held a number of information-gathering sessions to gather information to assist it in working on its charge. The Working Group is currently considering its next steps.