

## EXECUTIVE (EX) COMMITTEE AND PLENARY

Executive (EX) Committee and Plenary, Dec. 16, 2022, Minutes

Adopted the NAIC 2023 Proposed Budget (Attachment One)

Adopted the NAIC 2023 Proposed Committee Charges (Attachment Two)

Adopted the 2023 Generally Recognized Expense Table (GRET) (Attachment Three)

Adopted Revisions to the *Actuarial Guideline XLIV—Group Term Life Waiver of Premium Disabled Life Reserves* (AG 44) and the New 2022 Group Term Life Waiver Mortality and Recovery Tables (2022 Tables) (Attachment Four)

Adopted the Guidelines for Uniform Licensing Applications (Attachment Five)

Adopted the U.S. Version of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) (Attachment Six)

Report on States' Implementation of NAIC-Adopted Model Laws and Regulations (Attachment Seven)

## Draft Pending Adoption

Draft: 1/12/23

Executive (EX) Committee and Plenary  
Tampa, Florida  
December 16, 2022

The Executive (EX) Committee and Plenary met in Tampa, FL, Dec. 16, 2022. The following Committee and Plenary members participated: Dean L. Cameron, Chair (ID); Chlora Lindley-Myers, Vice Chair (MO); Andrew N. Mais, Vice President (CT); Jon Godfread, Secretary-Treasurer (ND); David Altmaier, Most Recent Past President (FL); Lori K. Wing-Heier (AK); Mark Fowler (AL); Alan McClain (AR); Evan G. Daniels (AZ); Ricardo Lara represented by Lucy Wang (CA); Michael Conway (CO); Karima M. Woods (DC); Trinidad Navarro (DE); John King (GA); Michelle B. Santos (GU); Gordon I. Ito (HI); Doug Ommen (IA); Dana Popish Severinghaus represented by Shannon Whalen (IL); Amy L. Beard represented by Victoria Hastings (IN); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon represented by Nick Lorusso (LA); Gary D. Anderson (MA); Kathleen A. Birrane (MD); Timothy N. Schott (ME); Anita G. Fox (MI); Grace Arnold (MN); Mike Chaney represented by David Browning (MS); Troy Downing represented by Bob Biskupiak (MT); Mike Causey represented by Jackie Obusek (NC); Eric Dunning (NE); Christopher Nicolopoulos (NH); Marlene Caride (NJ); Russell Toal represented by Jennifer Catechis (NM); Barbara D. Richardson (NV); Adrienne A. Harris represented by John Finston (NY); Judith L. French (OH); Glen Mulready (OK); Andrew R. Stolfi (OR); Michael Humphreys (PA); Elizabeth Kelleher Dwyer (RI); Michael Wise (SC); Larry D. Deiter (SD); Carter Lawrence represented by Toby Compton (TN); Cassie Brown (TX); Jon Pike (UT); Scott A. White (VA); Tregenza A. Roach represented by Cheryl Charleswell (VI); Kevin Gaffney (VT); Mike Kreidler represented by Molly Nollette (WA); Nathan Houdek (WI); Allan L. McVey (WV); and Jeff Rude (WY).

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

Director Cameron reported that the Executive (EX) Committee met Dec. 14. During this meeting, the Committee adopted the Dec. 13 report from the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee.

The Committee adopted its interim meeting report from Oct. 20 and took the following action: 1) approved the release of the NAIC 2023 proposed budget for public review and comment; 2) confirmed the chair and vice chair for the Valuation Analysis (E) Working Group; 3) appointed members to the International Association of Insurance Supervisors (IAIS) Executive Committee; and 4) received an update on business and operational matters.

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

The Committee also: 1) adopted its 2023 proposed charges; 2) received a status report on NAIC *State Connected*; 3) heard a report on the New Avenues to Insurance Careers (N.A.I.C.) Foundation; 4) received a status report on model law development efforts; and 5) adopted a Model Law Review Implementation memorandum and charge to letter committees.

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

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

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

Commissioner Altmaier made a motion, seconded by Director Lindley-Myers, to adopt by consent the committee, subcommittee, and task force minutes of the Summer National Meeting. The motion passed unanimously.

### 3. Adopted the NAIC 2023 Proposed Budget

Director Lindley-Myers presented the NAIC 2023 proposed budget for approval by the membership. This is the final step of a process that began in May and included meetings with NAIC officers, the Executive (EX) Committee, members, and interested parties.

Director Lindley-Myers reported that the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee approved the 2023 proposed budget on Dec. 9. The proposed budget includes \$144.4 million in operating revenues and operating expenses of \$149.2 million, resulting in an operating margin loss of \$4.8 million. After the inclusion of \$2.4 million in investment income, the NAIC's 2023 proposed budget reflects a reduction in net assets of \$2.4 million. In addition, a total of \$11.6 million is requested for capital spending for important projects such as the System for Electronic Rates & Forms Filing (SERFF) Modernization project and implementation of the enterprise resource planning (ERP) platform.

The proposed budget includes five fiscal impact statements. Three of the fiscals are system and information technology related, one is a request for revenue enhancements, and one requests six and half additional staff members in several NAIC departments. The revenue enhancement fiscal has two components: 1) a \$10,000 assessment for life insurers that participate in the collection and analysis of life insurance mortality experience data, as required by VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the *Valuation Manual*; and 2) an increase in the group cap from three times the individual company cap to five times the individual company cap. This is the first increase in the group cap factor since 1993, and it will help address the growing disparity of filing fees between individual companies and large groups. The proposed fiscals are in alignment with the members' priorities as outlined in the NAIC's strategic plan.

Based on projected 2022 financial results, and with approval of the 2023 proposed budget, the NAIC's net asset balance at the end of 2023 is expected to be \$164 million, slightly below the target reserve of \$169.6 million.

Director Lindley-Myers made a motion, seconded by Commissioner Mais, to adopt the NAIC 2023 proposed budget (Attachment One). The motion passed unanimously.

### 4. Adopted the NAIC 2023 Proposed Committee Charges

Director Lindley-Myers reported that the proposed NAIC 2023 committee charges reflect the proposed work of the NAIC committee system. The charges have been exposed for public comment, discussed in open forum, and adopted by each letter committee. The charges include continued work on important financial solvency and market conduct regulatory topics; continued engagement with consumer representatives, the insurance industry and federal, and international colleagues; and continued discussions of challenging public policy issues that affect insurance regulation in all member jurisdictions.

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Director Lindley-Myers also noted that the Executive (EX) Committee adopted a Model Law Review Implementation memorandum and charge to letter committees that outlines an effort to review NAIC model laws for continued relevancy and alignment with current models and strategic objectives.

Director Lindley-Myers made a motion, seconded by Commissioner Godfreed, to adopt the NAIC 2023 proposed committee charges (Attachment Two). The motion passed unanimously.

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

Director French reported that the Life Insurance and Annuities (A) Committee met Dec. 14. During this meeting, the Committee adopted its Nov. 2 minutes, which included the following action: 1) adopted its 2022 Summer National Meeting minutes; 2) adopted the 2023 Generally Recognized Expense Table (GRET); 3) adopted the Life Actuarial (A) Task Force's 2023 proposed charges; and 4) adopted the Committee's 2023 proposed charges.

The Committee heard an update from the Accelerated Underwriting (A) Working Group. An ad hoc group of state insurance regulators developed draft guidance for state insurance regulators regarding accelerated underwriting in life insurance. The ad hoc group incorporated feedback from other NAIC groups, and it plans to have an open meeting to expose the guidance, which includes a referral to the Market Conduct Examination Guidelines (D) Working Group.

The Committee heard an update from the Annuity Suitability (A) Working Group. As of Nov. 27, 29 states have adopted the 2020 revisions to the *Suitability in Annuity Transactions Model Regulation* (#275). Six jurisdictions have legislation pending. The Working Group plans to continue its work on the frequently asked questions (FAQ) document addressing the safe harbor/comparable standards provision in Model #275. Those states that have adopted the 2020 revisions, including Iowa, which is enforcing the safe harbor provision, are gathering information related to enforcement, which will help to inform work on the FAQ document.

The Committee adopted the report of the Life Actuarial (A) Task Force.

The Committee heard an update on the enhanced cash surrender value offer survey. Thirty-one jurisdictions participated in the survey, the results of which will inform any next steps on the issue.

### 6. Adopted the 2023 Generally Recognized Expense Table (GRET)

Director French reported that the Society of Actuaries (SOA) Committee on Life Insurance Company Expenses submitted its Generally Recognized Expense Table (GRET) analysis to the Life Actuarial (A) Task Force for the upcoming year. The SOA followed the same methodology in developing the 2023 GRET as last year for the 2022 GRET. The 2023 GRET was adopted by the Life Insurance and Annuities (A) Committee during its Nov. 15 meeting.

Director French made a motion, seconded by Commissioner Mulready, to adopt the 2023 GRET (Attachment Three). The motion passed unanimously.

### 7. Received the Report of the Health Insurance and Managed Care (B) Committee

Commissioner Mulready reported that the Health Insurance and Managed Care (B) Committee met Dec. 14. During this meeting, the Committee adopted its Nov. 10 and 2022 Summer National Meeting minutes. During its Nov. 10 meeting, the Committee took the following action: 1) adopted revisions to *Actuarial Guideline XLIV—Group Term Life Waiver of Premium Disabled Life Reserves* (AG 44) and the new 2022 Group Term Life Waiver Mortality and Recovery Tables (2022 Tables); 2) adopted the Health Actuarial (B) Task Force's 2023 proposed

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charges; 3) adopted the Regulatory Framework (B) Task Force’s 2023 proposed charges; 4) adopted the Senior Issues (B) Task Force’s 2023 proposed charges; and 5) adopted its 2023 proposed charges.

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

The Committee heard a presentation on pharmacy benefit managers (PBMs) and their business practices from a large, multistate employer perspective.

The Committee also heard an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on recent activities of interest, including highlights from the recently released Notice of Benefit and Payment Parameters for 2024 proposed rule.

### 8. Adopted Revisions to the Actuarial Guideline XLIV—Group Term Life Waiver of Premium Disabled Life Reserves (AG 44) and the New 2022 Group Term Life Waiver Mortality and Recovery Tables (2022 Tables)

Commissioner Mulready reported that the *Health Insurance Reserves Model Regulation* (#10) and the *Valuation Manual* (VM-25, Health Insurance Reserves Minimum Reserve Requirements) contain requirements for the calculation of waiver of premium due to disability reserves on group life insurance policies. The current version of *Actuarial Guideline XLIV—Group Term Life Waiver of Premium Disabled Life Reserves* (AG 44) prescribes the use of the 2005 Group Term Life Waiver Mortality and Recovery Tables.

The American Academy of Actuaries (Academy) and SOA Research Institute Group Life Waiver of Premium Valuation Table (GLWPVT) Work Group developed proposed new 2022 Group Term Life Waiver Mortality and Recovery Tables using more recent experience data and submitted them to the Health Actuarial (B) Task Force for its consideration and adoption. The new 2022 Tables required modifications to AG 44.

The Task Force adopted the final version of AG 44 and the 2022 Tables during its Sept. 28 meeting. The Health Insurance and Managed Care (B) Committee adopted the AG 44 revisions and the new 2022 Tables during its Nov. 10 meeting.

Commissioner Mulready made a motion, seconded by Commissioner Godfread, to adopt revisions to AG 44 and the new 2022 Tables (Attachment Four). The motion passed unanimously.

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

Commissioner McClain reported that the Property and Casualty Insurance (C) Committee met Dec. 15. During this meeting, the Committee adopted its 2022 Summer National Meeting minutes.

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

The Committee adopted revisions to the International Insurers Department (IID) Plan of Operation. The Plan of Operation covers the application process and the core requirements and guidelines that must be met by the non-U.S. insurers and Lloyd’s syndicates, such as the minimum required equity and the establishment of a U.S. trust fund.

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The Committee adopted the *Regulatory Resources for Consumers on Personal Lines Pricing and Underwriting*, which is meant to provide departments of insurance (DOIs) with information they can use to educate consumers about homeowners and auto premiums.

The Committee adopted the *Rate/Rule Filing Checklist*, which is meant to be a resource for state DOIs to use to ensure necessary information is sent in with a filing.

The Committee adopted its 2023 proposed charges.

The Committee also: 1) heard a federal update, including information on the National Flood Insurance Program (NFIP), cannabis legislation, and legislation affecting risk retention groups (RRGs); 2) heard an update on the Big Data and Artificial Intelligence (H) Working Group's Artificial Intelligence (AI)/Machine Learning (ML) Private Passenger Auto (PPA) Public Report; and 3) heard a presentation from Birny Birnbaum (Center for Economic Justice—CEJ) on the future of the NFIP.

### 10. Received the Report of the Market Regulation and Consumer Affairs (D) Committee

Commissioner Pike reported that the Market Regulation and Consumer Affairs (D) Committee met Dec. 15. During this meeting, the Committee adopted its Nov. 28 and 2022 Summer National Meeting minutes.

The Committee adopted the 2023 proposed charges for the Committee, the Antifraud (D) Task Force, the Market Information Systems (D) Task Force, and the Producer Licensing (D) Task Force.

The Committee approved a Request for NAIC Model Law Development to amend the *Unfair Trade Practices Act* (#880) to provide state insurance regulators with appropriate regulatory authority over the activities of lead generators in the health insurance marketplace.

Commissioner Pike reported that the Committee has adopted pet insurance as its next line of business for the Market Conduct Annual Statement (MCAS). The Committee is expected to adopt the pet insurance MCAS blank before the 2023 Summer National Meeting.

The Committee adopted the reports of its task forces and working groups: the Antifraud (D) Task Force, the Market Information Systems (D) Task Force, the Producer Licensing (D) Task Force, the Advisory Organization (D) Working Group, the Market Analysis Procedures (D) Working Group, the Market Conduct Annual Statement Blanks (D) Working Group, the Market Conduct Examination Guidelines (D) Working Group, the Market Regulation Certification (D) Working Group, and the Speed to Market (D) Working Group.

### 11. Adopted the Guidelines for Uniform Licensing Applications

Commissioner Pike reported that the Guidelines for Uniform Licensing Applications will be used for the review and adoption of substantive changes to the NAIC's Uniform Producer Licensing Applications in support of the NAIC and NIPR mission of maintaining stable and consistent NAIC Uniform Applications for producer licensing.

The Guidelines for Uniform Licensing Applications set forth a five-step process to be followed on a biennial basis: 1) any requests for proposed changes to the NAIC Uniform Licensing Applications should be submitted to NAIC staff by Feb. 1, 2023; 2) proposed changes will then be circulated for a 30-day public comment period; 3) after the comment period, the Producer Licensing Uniformity (D) Working Group and Producer Licensing (D) Task Force will have until the close of the 2023 Summer National Meeting to adopt or reject any proposed changes; 4) for the proposed changes that are adopted, NAIC staff will coordinate with NIPR and states, including any back-office system support vendors, to conduct an analysis of how long it will take to implement a proposed change and the

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cost to implement. This work is to be completed within 45 days; and 5) the Market Regulation and Consumer Affairs (D) Committee will consider any proposed changes by Oct. 15, so the Executive (EX) Committee and Plenary can consider adoption of the proposed changes by the 2023 Fall National Meeting.

Commissioner Pike made a motion, seconded by Commissioner Mais, to adopt the Guidelines for Uniform Licensing Applications (Attachment Five). The motion passed unanimously.

### 12. Received the Report of the Financial Condition (E) Committee

Commissioner White reported that the Financial Condition (E) Committee met Dec. 15. During this meeting, the Committee adopted its Nov. 15 and 2022 Summer National Meeting minutes, which included the following action: 1) adopted a pre-receivership memorandum of understanding to be used by states as a template in ensuring that the guaranty funds are prepared and have the appropriate information; and 2) adopted its 2023 proposed charges.

The Committee approved a Request for NAIC Model Law Development to amend the *Property and Casualty Insurance Guaranty Association Model Act* (#540) related to cybersecurity insurance coverage.

The Committee adopted a list of Qualified Jurisdictions and Reciprocal Jurisdictions.

The Committee received an overview and update on the interest maintenance reserve (IMR).

The Committee adopted the reports of its task forces and working groups: the Accounting Practices and Procedures (E) Task Force, the Capital Adequacy (E) Task Force, the Examination Oversight (E) Task Force, the Financial Stability (E) Task Force, the Receivership and Insolvency (E) Task Force, the Reinsurance (E) Task Force, the Risk Retention Group (E) Task Force, the Valuation of Securities (E) Task Force; the Group Solvency Issues (E) Working Group, the Mortgage Guaranty Insurance (E) Working Group, the NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group; the National Treatment and Coordination (E) Working Group, the Restructuring Mechanisms (E) Subgroup, and the Risk-Focused Surveillance (E) Working Group.

**Note:** Items adopted within the Financial Condition (E) Committee's task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards—i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial—will be considered for adoption by the Executive (EX) Committee and Plenary through the Financial Condition (E) Committee's technical changes report process. Pursuant to this process, which was adopted by the NAIC in 2009, a listing of the various technical changes will be sent to NAIC members shortly after completion of the National Meeting, and the members will have 10 days to comment with respect to those items. If no objections are received with respect to a particular item, the technical changes will be considered adopted by the NAIC membership and effective immediately.

### 13. Adopted the U.S. Version of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)

Commissioner White reported that the Common Framework for the Supervision of Internationally Active Insurers (ComFrame) was adopted by relevant groups of the Financial Condition (E) Committee.

In 2020, the Group Solvency Issues (E) Working Group was charged with assessing ComFrame and making recommendations on its implementation in a manner appropriate for the U.S. Ultimately, the Working Group determined that the existing provisions of the *Insurance Holding Company System Regulatory Act* (#440) provided sufficient authority to implement ComFrame in the U.S., and remaining ComFrame elements should be incorporated into NAIC handbooks and manuals rather than model laws or regulations. As such, the Working Group identified the *Financial Analysis Handbook*, the *Financial Condition Examiners Handbook*, and the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual) as the appropriate places for

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additional ComFrame elements to be placed within the U.S. system, and it formed three drafting groups to develop proposed revisions to each of these publications.

The drafting groups developed revisions for all three publications in 2021 and 2022. The Working Group exposed the changes for a public comment period, multiple times in some cases. It received comments from interested state insurance regulators and parties and adjusted the proposed guidance considering the comments received. Ultimately, interested parties supported the proposed revisions, and the Working Group finalized them at the 2022 Summer National Meeting. They were subsequently adopted by other relevant groups that oversee the publications and by the Committee.

Commissioner White made a motion, seconded by Commissioner Ommen, to adopt the U.S. version of the ComFrame (Attachment Six). The motion passed unanimously.

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

Director Wing-Heier reported that the Financial Regulation Standards and Accreditation (F) Committee met 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: 1) discuss state-specific accreditation issues; and 2) vote to award continued accreditation to the insurance departments of Colorado, Nevada, and North Dakota and to re-accredit Puerto Rico.

The Committee met Dec. 13. During this meeting, the Committee adopted its Summer National Meeting minutes and its 2023 proposed charges, which remain unchanged from its 2022 charges.

The Committee received an update on the status of the Committee's referral to the Life Actuarial (A) Task Force as to whether sections of the *Actuarial Opinion and Memorandum Regulation (#822)* that relate to statements of actuarial opinion (SAOs), appointed actuary, and adequacy of reserves are duplicative of requirements in the *Valuation Manual*. Currently, both are required for accreditation under the Part A: Laws and Regulations Standard #9: Liabilities and Reserves. An update is expected at the 2023 Spring National Meeting.

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

Commissioner Anderson reported that the International Insurance Relations (G) Committee met Dec. 13. During this meeting, the Committee adopted its 2022 Summer National Meeting minutes and its 2023 proposed charges.

The Committee heard a presentation from Jonathan Dixon, Secretary General of the International Association of Insurance Supervisors (IAIS), on international activities related to financial stability. The presentation provided an overview of the development and functioning of the IAIS holistic framework for systemic risk and touched on the Financial Stability Board's (FSB's) recent announcement to discontinue global systemically important insurer (G-SII) designations and future related work.

The Committee heard an update on recent activities and priorities of the IAIS, including: 1) a review of recent committee meetings, its Annual General Meeting, and its Annual Conference; 2) an update on work related to financial stability and macroprudential supervision; 3) the comparability assessment process for the aggregation method (AM); and 4) the release of a stock take report on diversity, equity, and inclusion (DE&I).

The Committee also heard an update on international activities, including: 1) bilateral meetings held on the sidelines of the IAIS Annual Conference and committee meetings; 2) recent meetings, events, and speaking engagements with international insurance regulators; 3) workstreams of the European Union (EU)-U.S. Insurance Dialogue Project and its plans for 2023; 4) the NAIC 2022 Fall International Fellows Program; 5) recent meetings

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of the Organisation for Economic Co-operation and Development (OECD) Insurance and Private Pensions Committee; and 6) a review of the recent meeting of the Sustainable Insurance Forum (SIF) and its priorities.

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

Commissioner Birrane reported that the Innovation, Cybersecurity, and Technology (H) Committee met Dec. 13. During this meeting, the Committee adopted its 2022 Summer National Meeting minutes.

The Committee adopted the reports of its task forces and working groups: 1) the Big Data and Artificial Intelligence (H) Working Group; 2) the Cybersecurity (H) Working Group; 3) the E-Commerce (H) Working Group; 4) the Innovation in Technology and Regulation (H) Working Group; and 5) the Privacy Protections (H) Working Group.

The Committee received a status report on model law development efforts. Twenty-one states have adopted the *Insurance Data Security Model Law* (#668), and it is pending in two states. Ten states have adopted the *Unfair Trade Practices Act* (#880) revisions, and they are being considered in one state. Five states have insurance regulatory sandbox laws in place, and nine have indicated that they have an innovation regulatory initiative or regulatory flexibility allowing for innovation in insurance products and services.

The Committee heard an update on committee-level projects, including a review of the status of the online portal (ICT-Hub), an interim solution that provides an activities page reflecting “related group” activity, a vocabulary deliverable based on the Committee’s Collaboration Forum on Algorithmic Bias, and an online resources page that may provide an access point for “related group” activities and vocabulary information.

The Committee discussed the plan and next steps related to the Collaboration Forum on Algorithmic Bias. The plan includes the collaborative drafting of an interpretative bulletin, including the following sections: 1) introduction, background, and legislative authority; 2) definitions (vocabulary); 3) regulatory expectations for the use of AI by the insurance industry; and 4) regulatory oversight and examination standards.

The Committee heard presentations on the feasibility of transparency and explainability to consumers regarding adverse decisions from the use of big data and AI.

### 17. Received a Report on the States’ Implementation of NAIC-Adopted Model Laws and Regulations

Director Cameron referred attendees to the written report for updates on the states’ implementation of NAIC-adopted model laws and regulations (Attachment Seven).

### 18. Heard the Results of the 2023 NAIC Zone Officer Elections

The Executive (EX) Committee and Plenary received the results of the 2023 zone officer elections. Midwest Zone: Commissioner Doug Ommen, Chair (IA); Director Anita G. Fox, Vice Chair (MI); and Commissioner Vicki Schmidt, Secretary (KS). Northeast Zone: Commissioner Kathleen A. Birrane, Chair (MD); Commissioner Trinidad Navarro, Vice Chair (DE); and Commissioner Kevin Gaffney, Secretary (VT). Southeast Zone: Commissioner James J. Donelon, Chair (LA); Commissioner Carter Lawrence, Vice Chair (TN); and Commissioner Sharon P. Clark, Secretary (KY). Western Zone: Director Lori K. Wing-Heier, Chair (AK); Commissioner Michael Conway, Vice Chair (CO); and Commissioner Andrew R. Stolfi, Secretary (OR).

### 19. Elected the 2023 NAIC Officers

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The NAIC membership elected the 2023 NAIC officers: Director Chlora Lindley-Myers, President (MO); Commissioner Andrew N. Mais, President-Elect (CT); Commissioner Jon Godfread, Vice President (ND); and Commissioner Scott A. White, Secretary-Treasurer (VA).

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

SharePoint/NAIC Support Staff Hub/Meetings

## Executive Summary NAIC 2023 Budget



NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS

### About the NAIC

The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories.

Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight activities. NAIC staff supports these efforts and represents the collective domestic and international views of state insurance regulators.

NAIC members, together with the central resources of the association, form the national system of state-based insurance regulation in the U.S. NAIC members are elected or appointed state government officials who, along with their departments and staff, regulate the conduct of insurance companies and agents/brokers in their respective jurisdictions.

The NAIC's annual budget supports the many valuable services and benefits provided to insurance regulators, insurance consumers, and the insurance industry. Each year, the budget is developed with the goal of enabling the membership to accomplish its key strategic priorities.

For the past two and a half years, the NAIC has faced unprecedented challenges. The organization's strategic plan, *State Ahead*, has functioned as a compass to assist navigation through these challenges and to help realize the membership's vision for the future of state insurance regulation. In 2022, the membership began a vigorous review of the plan's initiatives and plans to roll out the new strategic plan, *State Connected*, which will build on the work completed in *State Ahead* and will position the NAIC as a "connected hub" for the membership. Ultimately, the goal is to better protect consumers in the quickly evolving marketplace of insurance, including further educating consumers on available risk management tools and the protections offered by various insurance coverages for informed decisions.

Over the past 12 months, the membership has laid a solid foundation for the future. In late 2021, a new letter committee was launched for the first time since 2004. The purpose of the Innovation, Cybersecurity, and Technology (H) Committee is to focus on consumer protection through the perspective of cybersecurity, innovation, data security and privacy protections, and emerging technology issues. In June 2022, the NAIC established the Catastrophe Modeling Center of Excellence (COE) within the NAIC's Center for Insurance Policy and Research (CIPR), which will provide regulators with access to knowledge, insights, and catastrophe modeling tools to better assess and address natural and man-made catastrophe risk and resiliency issues. In mid-2022, a request was submitted to the IRS for approval of the New Avenues to Insurance Careers Foundation to help individuals obtain skills relevant to the regulation and business of insurance. Scholarships will be awarded to students to fund college education, internships, and apprenticeships once the foundation is up and running.

Operationally, NAIC continues to move forward with platform modernizations and internal improvement projects designed to enhance key systems, utilize data more effectively, offer greater analytical capabilities, and

reinforce cybersecurity. By providing business intelligence, analytics, and reporting for regulatory oversight, NAIC efforts help make the U.S. one of the strongest and most resilient insurance markets in the world.

The 2023 budget incorporates funding necessary to continue the focus on membership priorities and internal improvements necessary to meet those priorities. It recognizes the need for internal resources to be added to ensure adequate staffing levels for important regulatory and operational needs. The budget also demonstrates a firm commitment to technology advancements and the modernization of insurance regulation in areas such as innovation, cybersecurity, and international standard-setting.

The budget continues the NAIC's commitment to support the variety of programs, products, and services in the financial solvency and market regulatory arenas. The NAIC offers a wide range of systems, services, data, accreditation reviews, and many other essential services to assist insurance regulators in achieving their fundamental insurance regulatory goals in a timely and cost-effective manner.

## Support of the Membership

The mission of the NAIC is to assist the insurance regulators in serving the public interest; promoting a competitive marketplace; facilitating the fair and equitable treatment of insurance customers; ensuring the reliability, solvency, and financial stability of insurers; and supporting and improving state insurance regulation. Leveraging NAIC technology solutions, regulatory tools, and staff resources allow members to achieve these goals at a significant cost savings. Without these options, many systems would be cost-prohibitive for the jurisdictions to implement on their own. Without membership in the NAIC, the amount of jurisdiction funding required to provide or access similar types of services and data the NAIC provides — often at no extra charge — would far exceed what a jurisdiction pays in member dues to the NAIC and would greatly increase the cost of regulation for insurers.

## A Focus on Consumers

The NAIC provides a multi-channel approach to reach and assist consumers to help them make informed decisions and effectively use their insurance benefits. These multi-pronged marketing communications campaigns include consumer education pieces, the NAIC Home Inventory mobile app, and targeted social campaigns. In 2022, the NAIC expanded its efforts by creating cobranded products with departments of insurance, thereby providing greater access to these tools.

## Valuable Products and Services

The NAIC seeks to support its mission through a wide variety of products and services offered to both the regulators and insurance industry. NAIC web-based systems automate, standardize, and streamline regulatory processes by transmitting data and facilitating regulatory transactions between insurers, consumers, and insurance regulators.

### By the Numbers

NAIC products and services make life easier.

- ▶ **System for Electronic Rates & Forms Filing (SERFF)** – 548,991 transactions processed in 2021
- ▶ **Online Premium Tax for Insurance (OPTins)** – 169,681 transactions processed in 2021
- ▶ **State Based Systems (SBS)** – back-office services licensed to 34 jurisdictions in 2021
- ▶ **Professional Designation Program** – 1,742 designations awarded since the program's inception in 2006 through year-end 2021
- ▶ **Center for Insurance Policy and Research (CIPR) Key Research Issues** – nearly 200 briefs currently available online including NAIC key initiatives and topics ranging from cybersecurity and innovation to natural catastrophe risk and resiliency

The NAIC is committed to maintaining and enhancing these systems to provide high-quality service to all stakeholders. The 2023 budget includes five fiscals, three of which are technology based and either continues the work of ongoing modernization efforts or lays a solid foundation to modernize additional critical systems.

## Building the Budget

The NAIC strives for transparency in its budget process as well as in its operations. The budget process gets underway in May each year, when department managers evaluate current-year revenues and expenses to assess the year-end picture, then propose a budget for the following year based on their operational objectives and member initiatives. Managers carefully focus on variances between the current year's budget and projected results and anticipated business needs for the coming year. This process includes a review of all projects, products, programs, services, committee charges, and technology initiatives in light of the NAIC's mission and the membership's strategic priorities, particularly those outlined in *State Ahead*. NAIC senior management reviews each department budget in detail with its division director to adjust according to the strategic and financial needs of the association and ultimately consolidates all requests into a single, comprehensive budget.

Following the extensive development and internal review process, the budget is presented to the NAIC Officers, the Executive (EX) Committee and Internal Administration (EX1) Subcommittee, and the full NAIC membership before being released for public review and comment. To ensure transparency, a public hearing is held to receive public comments before final consideration and adoption by the NAIC Executive (EX) Committee and Plenary.

### **State Ahead Draws to a Close**

*State Ahead* enabled the NAIC to build on existing strengths as a nexus for innovation and provided a hub of resources for insurance departments to draw upon.

## Expected Results for 2022

Based on actual operating results (before adding investment income) through June 30, 2022, the NAIC projects a net negative operating margin of \$3.6 million compared to a budgeted net negative operating margin of \$10.4 million, an improvement of \$6.8 million. Investment income is projected to be a loss of \$15.3 million, resulting in a net asset decrease of nearly \$19.0 million, a decrease of \$10.9 million more than budgeted.

As a result of the continuation of the COVID-19 pandemic, 2022 saw a hybrid approach to most meetings, including the spring and summer national meetings and the Insurance Summit, causing travel, meetings, and member grant and zone spending to be lower than budget.

Additional information regarding 2022 projected variances is included throughout the detailed footnotes of the budget.

## 2023 Budget

The 2023 budget demonstrates NAIC's continued strong focus on prudent financial management, which is critically important in these unprecedented times. The 2023 budget also assumes the majority of meetings will continue to be offered in a hybrid format.

### **State Connected to Roll Out in 2023**

Ultimately, the goal of *State Connected* is to better protect consumers in the quickly evolving marketplace of insurance, including further educating consumers on available risk management tools and the protections afforded by insurance coverages for making informed decision-making.

The 2023 NAIC operating budget (before adding investment income) reflects revenues of \$144.4 million and expenses of \$149.2 million, which represent an 11.2% and a 6.4% increase, respectively, from the 2022 budget, resulting in \$4.8 million in projected expenses over revenues. Viewed in relation to the 2022 projected totals, the 2023 budget represents an operating revenue increase of 8.4% and operating expense increase of 9.0%. Additional information about the 2023 budget is included throughout the detailed footnotes of the budget.

A fiscal impact statement (fiscal) is prepared for new or existing NAIC initiatives with revenue, expense, or capital impacts of \$100,000 or more either in the current budget or within the following few years' budgets or requires more than 1,150 hours of internal technical resources to accomplish. Each fiscal includes a detailed description of the initiative; impact on key stakeholders; financial and operational impact of the initiative; and an assessment of the risks. The total financial impact of the five fiscals included in the 2023 budget is \$1.7 million in expenses, \$6.7 million in capital, and \$5.6 million in revenue. Additional information about each initiative is included in the various fiscal sections of the budget.

The 2023 budget includes \$2.4 million in investment income from the NAIC's Long-Term Investment Portfolio. Investment income is composed of interest and dividends earned reduced by investment management fees. Investment gains and losses are volatile and therefore are not projected nor included in the budget.

Combining budgeted results from operations with budgeted investment income, the 2023 budget has a reduction in net assets of \$2.4 million.

## 2023 Fiscal Impact Statements

- ▶ **SERFF Modernization - 2023 Transition Stages** – This project is in its second year of a 3-year initiative to improve the SERFF platform. In 2023, users will move by product into the new platform, beginning with the Insurance Compact, followed by life, and property/casualty. In 2024, health and plan management will complete the transition. This request includes the addition of two headcount to support transition stages and provide ongoing support. Funding for 2024 will be requested via a fiscal with the 2024 proposed budget.
  - Expense of \$500K for two headcount, travel, and amortization
  - Capital of \$6.7M for professional and other services
- ▶ **Financial Data Repository (FDR) Modernization Phase I** – FDR supports the loading, processing, and maintenance of insurance company financial statement data. The more than 20-year-old platform has become increasingly difficult to support. This fiscal requests funding for a third-party assessment and consulting to develop new access paths to FDR data tables.
  - Expense of \$380K for professional services
- ▶ **Regulatory Information Retrieval System (RIRS) Coding Project** – FDR supports the loading, processing, and maintenance of insurance company financial statement data. The more than 20-year-old platform has become increasingly difficult to support. This fiscal requests funding for a third-party assessment and consulting to develop new access paths to FDR data tables.
  - Expense of \$200K for professional services
- ▶ **2023 Revenue Enhancements** – This fiscal includes two enhancements to NAIC revenue. First, the group cap factor for Database Filing Fees, which has not been adjusted in three decades, will increase from three times the individual company cap to five to address inequalities in fees between large groups and individual filers. Second is a new fee to partially cover the ongoing costs of compiling, reviewing, and analyzing life insurance mortality experience data as required in VM-50 and VM-51 of the *Valuation Manual*.
  - Revenue of \$5.6M
- ▶ **2023 Staffing Requests** – Workload increases related to regulatory support and operational business requirements necessitates the expansion of NAIC staff by 6.5 full-time employees. This fiscal excludes two headcount requested in the SERFF Modernization fiscal.
  - 2023 Salary/benefits expense of \$587K

## Preparing for the Unknown

The budget includes all known activities anticipated to occur in 2023. However, situations may arise during 2023 that require additional funding. In such an event, a funding request is prepared and presented to the Executive (EX) Committee and Internal Administration (EX1) Subcommittee for consideration. Funding for any approved project comes from the Regulatory Modernization and Initiatives Fund, established in 2005 to manage requests that arise following the adoption and implementation of an annual budget. The Fund is based on 1.5% of the NAIC's projected consolidated net assets as of December 31, 2023, or \$2.5 million with the inclusion of fiscals.

## Ensuring Financial Stability

The NAIC's operating reserve is designed to ensure the financial stability of the NAIC in the event of emerging business risks and uncertainties and to absorb new priority initiatives pursued by NAIC membership. The association's reserve status is of paramount consideration in the budgeting process, as is strong and prudent financial management of the NAIC's assets.

### **Operating Reserve Target**

The reserve makes assets available to allow an organization to take mission-related risks and to absorb or respond to changes in its environment or circumstances

In 2022, following an extensive review of current and future risks and an evaluation of comparable organizations by an independent financial advisory firm, the Executive (EX) Committee and Internal Administration (EX1) Subcommittee approved the establishment a new methodology for determining the NAIC operating reserves.

The new methodology looks at three areas of reserves: working capital needed to maintain day-to-day operations over three months; an assessment of the funds needed to mitigate potential risks if certain events were to occur; and the funding

necessary for strategic initiatives planned in the upcoming three years that are not currently included in the budget. Based on the evaluation of these three areas, the NAIC's operating reserve target for 2023 was established at \$169.6 million. This target recognizes the increased level of uncertainty facing the NAIC and anticipated future investments which would be required to enhance the association's information technology and technical infrastructure, represented by many elements of the 2023 budget.

## Contact Information

The NAIC appreciates the opportunity to present this 2023 budget and believes it provides a comprehensive review of the NAIC's business and financial operations for the current and upcoming fiscal year. A summary of the key components of the 2023 budget is included in the budget overview.

Please contact Jim Woody, Chief Financial Officer, at [jwoody@naic.org](mailto:jwoody@naic.org), or Carol Thompson, Senior Controller, at [cthompson@naic.org](mailto:cthompson@naic.org), should you have any questions or need additional information.

**NAIC** NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS  
**2023 BUDGET WITH FISCAL IMPACT STATEMENTS**  
**REVENUE AND EXPENSE BY LINE**

Description	Reference	2022					2023				
		2021 Actual	6/30/2022 Actual	12/31/2022 Projected	2022 Budget	2022 Projected Variance	2023 Budget	Increase (Decrease) from 2022 Budget	%	Increase (Decrease) from 2022 Projected	%
Member Assessments	R1	\$2,114,812	\$1,059,055	\$2,119,591	\$2,119,592	(\$1)	<b>\$2,125,696</b>	\$6,104	0.3%	\$6,105	0.3%
Database Fees	R2	32,780,920	34,387,083	34,387,083	33,451,037	936,046	<b>40,153,747</b>	6,702,710	20.0%	5,766,664	16.8%
Publications and Insurance Data Products	R3	16,933,828	10,680,282	17,611,041	17,491,032	120,009	<b>18,056,066</b>	565,034	3.2%	445,025	2.5%
Valuation Services	R4	30,992,789	10,459,811	29,975,899	29,167,475	808,424	<b>30,418,875</b>	1,251,400	4.3%	442,976	1.5%
Transaction Filing Fees	R5	14,673,606	9,479,093	18,843,125	19,123,590	(280,465)	<b>21,724,233</b>	2,600,643	13.6%	2,881,108	15.3%
National and Major Meetings	R6	1,242,231	691,459	2,187,026	2,681,132	(494,106)	<b>3,061,118</b>	379,986	14.2%	874,092	40.0%
Education and Training	R7	323,310	206,890	469,764	410,940	58,824	<b>363,893</b>	(47,047)	-11.4%	(105,871)	-22.5%
Administrative Services and License Fees	R8	26,016,819	13,758,192	27,611,668	25,366,653	2,245,015	<b>28,478,852</b>	3,112,199	12.3%	867,184	3.1%
Other	R9		49,900	65,500	58,360	7,140	<b>46,400</b>	(11,960)	-20.5%	(19,100)	-29.2%
<b>Total Operating Revenues</b>		<b>125,078,315</b>	<b>80,771,765</b>	<b>133,270,697</b>	<b>129,869,811</b>	<b>3,400,886</b>	<b>144,428,880</b>	<b>14,559,069</b>	<b>11.2%</b>	<b>11,158,183</b>	<b>8.4%</b>
Salaries	E1	58,062,625	29,738,153	61,065,644	62,053,672	(988,028)	<b>66,663,162</b>	4,609,490	7.4%	5,597,518	9.2%
Temporary Personnel	E2	767,225	354,014	853,916	1,004,460	(150,544)	<b>1,209,392</b>	204,932	20.4%	355,476	41.6%
Payroll Taxes	E3	4,253,401	2,447,418	4,439,376	4,475,989	(36,613)	<b>4,962,808</b>	486,819	10.9%	523,432	11.8%
Employee Benefits	E4	12,307,081	6,041,044	12,324,220	12,584,850	(260,630)	<b>15,807,992</b>	3,223,142	25.6%	3,483,772	28.3%
Employee Development	E5	566,233	354,643	836,416	1,144,335	(307,919)	<b>904,863</b>	(239,472)	-20.9%	68,447	8.2%
Professional Services	E6	15,361,447	5,595,543	17,261,094	17,913,467	(652,373)	<b>16,327,086</b>	(1,586,381)	-8.9%	(934,008)	-5.4%
Computer Services	E7	6,451,381	4,032,512	8,033,904	7,987,919	45,984	<b>8,444,618</b>	456,699	5.7%	410,714	5.1%
Travel	E8	1,408,766	1,459,042	4,170,796	4,795,742	(624,947)	<b>5,556,797</b>	761,055	15.9%	1,386,001	33.2%
Occupancy and Rental	E9	4,323,963	2,319,490	4,579,924	4,722,460	(142,536)	<b>4,618,793</b>	(103,667)	-2.2%	38,869	0.8%
Computer Hardware and Software Maintenance	E10	6,913,179	3,986,967	8,656,779	8,620,166	36,613	<b>8,371,345</b>	(248,821)	-2.9%	(285,434)	-3.3%
Depreciation and Amortization	E11	4,051,435	2,021,269	4,082,793	4,114,256	(31,463)	<b>4,371,487</b>	257,231	6.3%	288,694	7.1%
Operational	E12	1,626,355	933,360	1,648,186	2,027,747	(379,561)	<b>1,608,719</b>	(419,028)	-20.7%	(39,467)	-2.4%
Library Reference Materials	E13	357,206	176,240	371,151	370,242	909	<b>383,261</b>	13,019	3.5%	12,110	3.3%
National and Major Meetings	E14	3,132,253	1,660,048	4,483,822	4,640,047	(156,225)	<b>5,682,792</b>	1,042,745	22.5%	1,198,969	26.7%
Education and Training	E15	143,310	21,958	189,901	265,063	(75,162)	<b>304,291</b>	39,228	14.8%	114,390	60.2%
Grant and Zone	E16	1,078,283	714,857	2,367,465	2,405,956	(38,491)	<b>2,784,950</b>	378,994	15.8%	417,485	17.6%
Other	E17	978,617	1,143,160	1,552,388	1,184,153	368,235	<b>1,245,772</b>	61,619	5.2%	(306,616)	-19.8%
<b>Total Operating Expenses</b>		<b>121,782,760</b>	<b>62,999,719</b>	<b>136,917,774</b>	<b>140,310,524</b>	<b>(3,392,750)</b>	<b>149,248,127</b>	<b>8,937,603</b>	<b>6.4%</b>	<b>12,330,353</b>	<b>9.0%</b>
Revenues Over/(Under) Expenses before Investment Income		3,295,555	17,772,046	(3,647,077)	(10,440,713)	6,793,636	<b>(4,819,247)</b>	5,621,466		(1,172,170)	
Investment Income	II1	11,857,668	(19,778,538)	(15,328,512)	2,400,115	(17,728,627)	<b>2,391,500</b>	(8,615)		17,720,012	
Revenues Over/(Under) Expenses		<b>\$15,153,223</b>	<b>(\$2,006,493)</b>	<b>(\$18,975,589)</b>	<b>(\$8,040,598)</b>	<b>(\$10,934,991)</b>	<b>(\$2,427,747)</b>	<b>\$5,612,851</b>		<b>\$16,547,842</b>	

A detailed analysis of each line item is included in the Revenue Detail, Expense Detail, and Investment Income Detail sections.



**2023 BUDGET  
 FISCAL IMPACT STATEMENTS**

Fiscal Impact Number	Description	2023 Budget			Net Impact 2023 Budget
		Capital Expenditures	Revenues	Expenses	
	Total Revenues Over/(Under) Expenses Before Fiscals and Investment Income	\$4,990,465	\$138,828,880	\$147,581,295	<b>(\$8,752,415)</b>
1	SERFF Modernization - 2023 Transition Stages	6,654,388		500,142	<b>(500,142)</b>
2	Financial Data Repository (FDR) Modernization Phase I			380,000	<b>(380,000)</b>
3	Regulatory Information Retrieval System (RIRS) Coding Project			200,000	<b>(200,000)</b>
4	2023 Revenue Enhancements		5,600,000		<b>5,600,000</b>
5	2023 Staffing Requests			586,690	<b>(586,690)</b>
	Total Fiscal Revenues Over/(Under) Expenses	6,654,388	5,600,000	1,666,832	<b>3,933,168</b>
	Investment Income		2,391,500		<b>2,391,500</b>
	Total Revenues Over/(Under) Expenses	<u>\$11,644,853</u>	<u>\$146,820,380</u>	<u>\$149,248,127</u>	<b><u>(\$2,427,747)</u></b>



Date: December 2, 2022

To: All NAIC Members and Interested Parties

From: Chlora Lindley-Myers, Director of Missouri Department of Commerce and Insurance and NAIC-  
President Elect  
Michael Consedine, NAIC Chief Executive Officer  
Andy Beal, NAIC Chief Operating Officer and Chief Legal Officer  
Jim Woody, NAIC Chief Financial Officer

Re: Summary of Comments on the Proposed 2023 NAIC Budget

In response to the Executive (EX) Committee's and Internal Administration (EX1) Subcommittee's request for comment on the NAIC's proposed 2023 budget, the NAIC received comment letters on the proposed budget after it was released for public comment on October 21, 2022, from the National Association of Mutual Insurance Companies (NAMIC) (Attachment One) and the American Council of Life Insurers (ACLI) (Attachment Two). This memorandum summarizes the letters' comments and includes the NAIC's response to each comment.

A Public Hearing will be held December 9<sup>th</sup> to discuss these comments. Participation instructions for the public hearing teleconference can be accessed at [https://content.naic.org/about\\_budget.htm](https://content.naic.org/about_budget.htm).

### **State Connected – A New Strategic Vision**

1. NAMIC noted that the NAIC is focused and instrumental in helping the states tackle the many unique challenges facing the insurance industry, citing the proposed budget will build upon its current strategic plan *State Ahead*, and will enable the NAIC to position itself as a connected hub for its members through enhanced technology, data analytics, training, and education. NAMIC noted that two such infrastructure items – System for Electronic Rates and Forms Filing (SERFF) and the Financial Data Repository (FDR) – have budgeted funds for system upgrades in 2023. NAMIC correctly indicated that products and services dependent upon these two platforms account for 36% of NAIC's budgeted revenue. NAMIC recommended further technology infrastructure investments into these platforms be evaluated against several criteria, such as ensuring investments are supported by regulators to assist in regulatory initiatives, are cost-effective, and reflect regulatory tasks delegated by the states. In addition, the ACLI requested additional details of the SERFF fees, specifically if the revenue increases from 2021 through the 2023 budget are volume or price driven.

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Washington, DC 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509 p | 202 471 3990 f | 816 460 7493

Kansas City 1100 Walnut Street NW, Suite 1500, Kansas City, MO 64106-2197 p | 816 842 3600 f | 816 783 8175

New York One New York Plaza, Suite 4210, New York, NY 20004 p | 212 398 9000 f | 212 382 4207

**NAIC Response:** NAMIC correctly identifies that both SERFF and FDR represent significant revenue sources for NAIC operations, however they also represent infrastructure critical for ongoing state-based regulation. SERFF is licensed and used by 53 jurisdictions and over 5,000 insurance companies, third-party filers, rating organizations, and other companies and is a cost-effective and efficient way for insurance companies to submit rate and form filings to the states and jurisdictions. Most jurisdictions receive more than 90% of their filings in an electronic format via SERFF, allowing for faster turnaround, more consistent review, and better reporting. Companies experience significant cost savings and efficiency through the electronic submission of product filings to multiple jurisdictions, saving personnel and mailing costs by streamlining the submission process. Without SERFF (or its planned upgrades reflected in the SERFF Modernization fiscal impact statement), state review and approval of product filings would not occur as timely as they do today, which would inhibit an insurer from being able to react quickly to changing market conditions, or as referenced by NAMIC, react to a new challenge facing the insurance industry. For insurers, being able to file in one location permits companies to pivot faster, an increasingly important characteristic in an environment that often seems to change faster in every subsequent year. It is imperative this 20+ year old system be upgraded to keep pace with current technology and increasing needs of state regulators and the insurance industry.

In terms of SERFF filing volumes, in 2021 SERFF received 548,991 transactions. However, thus far in 2022, SERFF has experienced a significant decrease in transaction count with most states reporting a decline in volume – based on our latest forecast, it is anticipated 510,000 transactions will be processed in 2022. The proposed 2023 budget is based on a return to 2021 levels.

The table below reflects a comparison of actual SERFF transaction revenue in 2021 compared to the 2022 budget and projection as well the proposed 2023 budget. The revenue per transaction increased from an average of approx. \$9.17 in 2021 to a rate of \$17.00 in 2022 and \$17.61 in 2023. The increase in pricing in 2022 compared to 2021 is due to the elimination of bundled pricing as well as an increase in per filing in May 2022 to \$17.00 to fund the modernization and ongoing support of the SERFF platform. The price in 2023 increased \$0.61, or 3.6%, to \$17.61 based on the 2021 CPI-U increase.

	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Projected**</u>	<u>2022 Forecast**</u>	<u>2023 Budget</u>
SERFF Fees*	\$5,577,323	\$9,192,658	\$9,202,697	\$8,273,400	\$9,192,658
Transaction Count	548,991	573,989	570,990	510,000	548,152

\* SERFF Fees also include Integration Expansion license fees and an annual license from the Interstate Compact.

\*\*The 2022 Projected column reflects estimated fees and transactions at the time the budget was produced. The 2022 Forecasted column reflects estimated fees and transactions at the time of this writing.

FDR (Financial Data Repository), the second critical infrastructure system referenced by NAMIC, is in essence one of the most important tools in the regulatory process. This system collects, loads, processes, and maintains annual and quarterly financial statement data and while summarized in a single sentence, involves several complex processes, and dedicated teams to ensure its continued success and operation. It is the beginning point where all solvency analysis begins and as NAMIC correctly states, is a platform that is widely used by state regulators, has been enabled through legislation, and is foundational to ensuring state regulators have the information to ensure solvency in the marketplace and protection of consumers. Capital expenditures on FDR as well as the assessment of fees with associated filings, are critically important to ensure the NAIC can fulfill its core mission of supporting state-based regulation. Given the 20+ year age of this platform, it is critically important that it be modernized over the coming

years which will benefit both regulators and insurance companies. This upgrade will transition this system to current technology which will allow the NAIC to ensure system performance and provide additional functionality requested by regulators and industry.

### **Funding Mechanisms to Support Solvency**

2. NAMIC highlighted that the NAIC uses annual database filing fee revenues to support its financial solvency program, which are then further supplemented by the sale of insurance data products to third-party vendors. NAMIC inquired whether the budgeted funds in the “FDR Modernization” fiscal impact statement would benefit state insurance regulators or supplement data sales. NAMIC also inquired if recent initiatives of the Valuation of Securities (E) Task Force, which will potentially expand the Securities Valuation Office (SVO) staff’s discretion over the assignment of NAIC designations, will incrementally benefit state insurance regulators’ ability to achieve financial solvency objectives.

**NAIC Response:** The NAIC appreciates NAMIC’s inquiry regarding the upcoming FDR Modernization initiative. FDR is built on a platform that is over 20 years old and is becoming increasingly difficult to support. The effective operation of FDR is critical to regulators and industry alike. The system must be functional so that industry can submit documentation when required, and regulators can complete their oversight responsibilities in the name of solvency. In fact, the criticality of system availability was demonstrated as FDR failed to meet this for the most recent annual statements cycle, as some filings were backed up for two days when regulators generally have access to financial statement filings within two hours of submission.

The first part of the fiscal requests funds to use third-party consultants to develop new access paths to FDR data tables. These access paths are for the benefit of regulators so that they may more efficiently gather information for analysis purposes. The magnitude of data tables and the steps required to access information are not efficient for regulators or NAIC staff to support on behalf of the regulators. While this initial fiscal is required to develop a long-term plan for FDR, the ultimate objective is to enable regulators to have the capability to perform additional analysis, independent of requiring special query submissions to NAIC support staff. Enabling regulators to have technologically advanced tools and streamlined access is the goal of this initiative.

Regulators are additionally challenged to ensure solvency in an increasingly complex marketplace, especially in terms of monitoring complicated investments. A number of significant projects to ensure regulatory standards are kept current with marketplace actions are underway with examples including the Principles-Based Bond definition project being pursued by the Statutory Accounting Principles (E) Working Group or as NAMIC mentioned, recent initiatives of the Valuation of Securities (E) Task Force.

The budget estimates for the SVO and AVS+ reflect increasing costs for data, research, and technology to support current regulatory policies in addition to the rising costs impacting all of the NAIC. The Valuation of Securities (E) Task Force has many critical roles, one of which is to identify potential improvements to the filing exempt (FE) process (the use of credit rating provider (CRP) ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve financial solvency objectives. Regulators have expressed concern that there is an inconsistency in application of FE for certain, often bespoke, securities. As NAIC designations are an indication of credit quality, ensuring investments reflects NAIC designations consistent with regulators’ expectations, which appropriately reflect the underlying risk of an investment, promotes a strong and stable state-based regulatory system.

The new charges planned for Valuation of Securities (E) Task Force are not included in this budget and any financial needs to fund these critical regulatory initiatives will be considered separately.

### **NAIC Meetings – New Normal Includes Hybrid Component**

3. NAMIC noted the NAIC's 2023 national meeting schedule is expected to offer a full-slate of in-person meetings and will include hosting the International Association of Insurance Supervisors (IAIS) Global Seminar. In addition to the national meetings being held in-person, the NAIC anticipates building on the successes of the hybrid meeting approach and will continue to offer these types of sessions in 2023. NAMIC noted increases in 2023 travel expenses and inquired if sufficient funding was available for legislators to ensure in-person attendance at national meetings, especially in support of the effort to achieve lasting and meaningful dialogue with federal and international policymakers to ensure an appropriate understanding about the U.S. insurance regulatory system. NAMIC stated it is critically important to defend the U.S. state-based system of insurance regulation and given that the NAIC is a multidimensional regulatory support organization, this opportunity may require additional resources to support all activities associated with state-based regulation, activities that generally are better achieved through in-person dialogue.

**NAIC Response:** The NAIC values NAMIC's thoughtful recommendation to ensure that sufficient funding is available to support collaboration between regulators and insurers, especially as state regulators are in the best position to defend the U.S. state-based system of insurance regulation. Collaboration is at the core of NAIC's culture, and the NAIC stands ready to assist in every possible avenue. The NAIC believes that by working collaboratively, transparency can be improved, deeper expertise can be developed, and a better product is produced. In terms of the continued hybrid model, while the costs are often higher due to additional technology resource needs, the NAIC has found that regulators and individuals from industry, who might not have been able to attend in-person, were able to actively participate and share in the information being presented –increasing the reach to an important audience.

Currently the NAIC sponsors several opportunities for collaboration including the Commissioners Fly-in, participation in the International Association of Insurance Supervisors (IAIS), three national meetings held in varying venues throughout the U.S., and the annual Insurance Summit in Kansas City, MO., where sessions are held on solvency, market conduct, technology, and other topics of interest. In addition, the NAIC is actively involved in the National Council of Insurance Legislators (NCOIL) meetings. Funding for travel to these events for NAIC staff, regulators, funded consumers, and legislators has increased from 2022 projected year-end expenses reflecting a higher level of travel as well as inflationary pressures. The NAIC concurs with NAMIC in that meaningful dialogue most often occurs in-person. Rest assured that while the NAIC believes the proposed budgeted numbers accurately reflect the needed expenditures related to travel, should additional funds be necessary for regulator travel, especially in cases to support the state-based insurance system, those funds will be made available.

### **New Avenues to Insurance Careers Foundation**

4. NAMIC applauded the NAIC for its establishment of the New Avenues to Insurance Careers Foundation. The foundation will proudly serve as an avenue to provide financial support to enable students to pursue a fulfilling insurance career either in government or the insurance industry. Similarly, NAMIC has created their own foundation and has awarded more than \$496,000 in scholarships, 71% of which has been awarded to women or minorities. As the goals of the two

foundations closely align, specifically in fostering interest in insurance related careers, with a particular focus on students from underserved and diverse communities, NAMIC would welcome the opportunity to partner with the NAIC to assist in the promotion of scholarships once the foundation has been established.

**NAIC Response:** The NAIC appreciates NAMIC's generous offer to promote awareness of the NAIC's scholarship foundation. It is clear the objectives of both foundations are similar and both organizations believe it is critical to assist in the promotion of the insurance industry as a desirable career path. The NAIC is honored to have the support of three prior Commissioners and past NAIC presidents – Director Ray Farmer from South Carolina, Commissioner Terri Vaughan from Iowa, and Commissioner George Nichols from Kentucky – actively involved in the establishment of the foundation. When the NAIC's foundation was announced, it was stated the goal is to create opportunities for future regulatory insurance professionals. In the creation of this foundation, the NAIC intends to lead the way in showing how the public sector can help students of all races, genders, and ethnicities launch meaningful insurance careers. With the successes shared by NAMIC in their comment letter, the NAIC appreciates NAMIC's dedication and investment which will likely have a long-lasting positive impact on the industry. The NAIC would welcome assistance in promotion of the NAIC foundation's scholarships and when the program goes live, welcome the opportunity to discuss additional collaboration regarding these endeavors.

Building on the goal to lead by example and make a positive impact in the insurance sector, the NAIC is proud to report its Diversity, Equity, and Inclusion (DE&I) initiative will be celebrating its three-year anniversary in 2023. The initiative is broad and encompasses the NAIC, regulators, and the insurance industry. The NAIC believes that through a diverse workforce, not only will the NAIC be improved, but service, understanding, and services to our members, industry, and insurance consumers will reach new heights. Additionally, in 2023, the NAIC will host the third annual NAIC DE&I conference, a one-day event open to NAIC staff, insurance regulators, insurance companies, and others who desire to participate in this outstanding event.

#### **Group Cap Adjustment**

5. The ACLI requests the NAIC use its unrestricted net assets by increasing its annual deficits rather than increasing the cap on database filing fees to generate additional revenue. Although the database filing fee group cap has not been increased since its inception (despite an increase in the number of mergers and acquisitions resulting in large groups), they do not see the need to increase the group cap to enhance revenues given the NAIC's projected Net Asset balance at the end of 2023.

**NAIC Response:** The NAIC appreciates the ACLI's comments and wishes to note that for 2022, the NAIC is projected to have a \$3.6 million operating loss, and because of investment losses, is budgeted to experience a \$18.9 million reduction in surplus during 2022. Additionally, before the inclusion of the filing fee cap revenue adjustment and considering the other fiscal impact statements, the NAIC's 2023 operations are budgeted to incur a \$9.4 million operating loss (which is reduced to a \$4.8 million operating loss by the increase in group cap revenues by \$4.6 million). Also notable, the budget operating loss does not include the \$11.7 million in planned capital expenditures, an increase of \$5 million over 2022's planned capital spending of \$6.7 million. The ACLI does correctly identify that NAIC's revenues, before the cap adjustment, do indeed increase, however expenses are budgeted to grow at a significantly faster rate. Several of the NAIC's systems, as indicated throughout various fiscal impact statements, are 20+ years old, and accordingly many of these systems will require significant upgrades. These planned and future

upgrades will provide the members, insurance companies, and consumers with the access, data, and services they expect and deserve.

One of the main objectives of any proposed modification is to take into consideration an approach that is fair and equitable. The original (and current group cap) of three times the individual cap has been in place since 1993. However, since that time, the industry has seen significant merger and acquisition activity with many groups now containing over forty insurance reporting entities and two groups having nearly 100 insurance reporting entities. With the ongoing growth of these groups, their prorated filing fee (as a percentage of per million in premium) continues to erode despite the regulatory costs to support these entities continuing to rise.

The inequity or disparity of filing fees (as a percentage of premiums) is significant. Based on year-end 2021 premiums, individual companies, on average, paid approximately \$26 per million in premiums, while large groups paid an average of \$6.36 per million in premiums (on \$1.378 trillion in premiums). This inequity causes significant operating cost differences among insurers with competing products, which further erodes a competitive marketplace and exacerbates an uneven playing field.

Further, while the large capped groups paid an average of \$6.36 per million in premiums, eight large insurer groups representing 433 companies and nearly \$728 billion in premiums, paid less than \$4.52 per million. This amount is less than 20% of the amount paid by individual companies. One of these large insurer groups (representing 93 companies and \$193.8 billion in premiums) paid only \$1.47 per million of premiums (less than 6% of the amount paid by individual companies). The disparity of fees creates an unlevel playing field between similar insurers, with similar products thus increasing the cost to access insurance products for consumers who purchased insurance from individual insurance companies.

Finally, on August 10, 2022, the Executive (EX) Committee and Internal Administration (EX1) Subcommittee adopted an operating reserve policy based on a report from an independent consulting firm hired to review NAIC's operating reserves, which established a new reserve methodology. The recommendation was based on an analysis of NAIC's working capital and strategic needs as well as current and future identified risks. NAIC's operating reserve is currently established with a minimum target reserve of \$169.6 million. Based on the results proposed in the 2023 budget, including all fiscal impact statements, the NAIC is budgeted to fall short of the minimum reserve with \$164 million in unrestricted net assets.

### **Concluding Comments**

The NAIC greatly appreciates the effort, commentary, and questions posed by interested parties. As is woven through NAIC's processes, strategic plan and culture, transparency, and continual collaboration with its members and stakeholders are foundational to the NAIC's success. Accordingly, the NAIC takes a holistic approach to the development of its annual budget, which involves input from NAIC staff, NAIC officers, the Executive Committee, and all NAIC's members. To provide transparency to the public, the NAIC publishes a copy of its proposed budget before the budget is approved and welcomes input and comments from interested parties, which are addressed both in writing and in an open Public Hearing. This process ensures that state insurance regulators, who are committed to protecting policyholders as well as ensuring the financial solvency of the insurance industry, remain supported by the NAIC in a cost-effective and financially prudent manner, while minimizing the impact to industry where possible. The NAIC continuously seeks opportunities to reduce operating costs and improve efficiencies while providing world-class support to its members, regulators, interested parties, and insurance customers.

Attachment One



317.875.5250 | [F] 317.879.8408  
3601 Vincennes Road, Indianapolis, Indiana 46268

202.628.1558 | [F] 202.628.1601  
20 F Street N.W., Suite 510 | Washington, D.C. 20001

November 18, 2022

Jim Woody  
Chief Financial Officer  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

**Re: NAMIC Comments – Proposed 2023 NAIC Budget**

Dear Mr. Woody:

On behalf of the National Association of Mutual Insurance Companies (NAMIC),<sup>1</sup> thank you for the opportunity to provide comments regarding the Proposed 2023 NAIC Budget<sup>2</sup>. NAMIC is a longtime supporter of activities to promote consistency and coordination in state insurance regulation. We recognize the great effort involved in achieving a reasonable degree of uniformity in key areas of insurance oversight and the NAIC's desire for necessary resources and technology to assist states in working collaboratively to address insurance regulatory issues. Our support of the NAIC is rooted in the belief that the tools, regulatory guidance, and model laws that are developed are intended to serve and promote a strong and stable state-based regulatory system which focuses on essential insurance fundamentals. Our support also extends to the role of an ally to the NAIC in its effort to oppose unwarranted federal regulation of insurance; therefore, we appreciate when the NAIC provides strong leadership both at the federal and international levels. It is with these basic principles of support that NAMIC offers our comments today.

NAMIC's comments on the 2023 proposed budget are focused on the positive benefits included in the budget that we believe give the NAIC – as a regulatory support organization for state insurance regulatory authorities – the necessary and

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<sup>1</sup>The National Association of Mutual Insurance Companies consists of more than 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write \$357 billion in annual premiums and represent 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

<sup>2</sup> Proposed 2023 NAIC Budget - [https://content.naic.org/sites/default/files/inline-files/about-budget-proposed-2023-naic-budget\\_2.pdf](https://content.naic.org/sites/default/files/inline-files/about-budget-proposed-2023-naic-budget_2.pdf)



appropriate resources to support a modernized state-based regulatory system. Furthermore, we offer constructive comments in areas that we believe warrant additional inquiry, as the growth in services, databases, and alternative revenue sources beyond member assessment suggests a desire to continue to create a process that results in policy decisions directed and influenced by this organizational growth.

As described by Chlora Lindley-Myers, NAIC President-Elect and Director of the Missouri Department of Insurance upon the release of the proposed budget:

“The proposed 2023 budget helps equip the NAIC to better support the nation’s chief insurance regulators tackle the many challenges facing consumers and the insurance industry. This budget recognizes the need for additional staffing resources, as well as a commitment to advance our technology and the modernization of insurance regulation in areas such as innovation, cybersecurity, and standard setting.”

#### **State Connected – A New Strategic Vision**

NAMIC agrees with incoming NAIC President Lindley-Myers that there are many challenges facing the insurance industry, and the NAIC can be instrumental in helping states be better equipped to tackle these challenges. The proposed budget describes the NAIC strategic vision for the upcoming years. As the strategic plan recognized as *State Ahead* evolves into the new vision referred to as *State Connected*, our understanding of the planned evolution is that the new strategic vision will build upon what was created with *State Ahead* – a resource hub for insurance departments to draw upon. The new vision will focus on member connectivity – to position the NAIC as a “connected hub” for the membership – as well as, technology and data analytics, regulatory training and consumer education, and NAIC operations. Furthermore, it appears the plan will also incorporate a focus on protecting consumers including by providing NAIC publications and information about available risk management tools.

As the NAIC continues to invest heavily in its technology infrastructure, it is important that these investments meet several thresholds:

- Be reasonably necessary to support key regulatory initiatives;
- Reflect a cost-effective approach;
- Have the support from a majority of insurance regulators; and
- Defer to appropriate legislative oversight and input in regard to the delegation of regulatory tasks to the NAIC by states.

Programs such as the System for Electronic Rate and Form Filing (SERFF) and the Financial Data Repository (FDR) are listed as areas in need of upgrades and are primary support systems that benefit insurance regulators. The budget includes Fiscals for each of these programs, both of which are used widely by state regulators and have been enabled by legislation, underscoring the importance of these programs and the process for participation in them. SERFF processes hundreds of thousands of transactions and is used by 53 jurisdictions and over 5,000 insurance companies; FDR maintains a majority of



insurance company financial statement data that is accessed by state insurance regulators. These programs provide a significant portion of revenue for the association, as SERFF Fees and Data Hosting Fees represent \$12.5 million, and FDR Fees represent \$40.1 million. Together, fees generated from these programs represent 36% of the revenue included in the 2023 proposed budget. Contrast that with member assessments representing 1.5% of revenue. While these are vital programs for state insurance regulators and key sources of revenue for the NAIC, NAMIC maintains the above thresholds should be met if these areas continue to be targeted for future growth opportunities.

#### **Funding Mechanisms to Support Solvency**

The NAIC uses **annual database filing fee revenues** to fund and support its financial solvency program. The budget calls for a 17% increase in database fee revenue above 2022 projected revenue. Further enhancing the revenue earned from FDR fees is an additional \$10.7 million budgeted for revenues generated from the sale of insurance data products, which includes contracts with third-party vendors who use, market, and sometimes redistribute NAIC data. We understand the value and need to provide regulators with timely access to insurance company financial statement data and other solvency data reporting elements; however, it is not clear from the budget if the enhancements to the FDR are for the benefit of state insurance regulators or for the benefit of generating additional “insurance data products” revenue. As part of the FDR Fiscal, funds requested include the use of third-party consultants to develop new access paths to FDR data tables. From this statement, it is not clear if the new access paths are intended for state insurance regulators (or other third parties) and therefore whether they satisfy the above thresholds – it is unclear that they are necessary to support key regulatory initiatives.

Additional revenue sources beyond database fees and insurance data products that are generated by the industry include **valuation services**. The budget includes \$9 million for securities designated by the SVO and an additional \$7.2 million for automated valuation service revenue, which is derived from companies that utilize the AVS+ system to prepare their Schedule D filing. In 2023, work contemplated by the Valuation of Securities (E) Task Force includes implementing additional and alternative ways to measure and report investment risk. Additionally, the Task Force is planning to expand SVO staff discretion over the assignment of NAIC designations. It appears that these initiatives will serve to grow revenue for the association; however, it is not clear if these measures will incrementally benefit state insurance regulators’ ability to achieve their financial solvency objectives. We would request more information about the future growth of both investment analysis fees and valuation services revenue as it applies to the mission of better serving and promoting a strong and stable state-based regulatory system for the benefit of regulators and consumers.

#### **NAIC Meetings – New Normal Includes Hybrid Component**

The NAIC describes the 2022 meeting schedule as the “new normal” as most meetings were held in hybrid fashion. For 2023, it is expected to offer a full-slate of in-person meetings, including hosting the annual International Association of Insurance Supervisors Global Seminar in June. Noted throughout the budget are the additional expenses related to inflation pressures, including for international and domestic travel for state regulators, NAIC staff, consumer representatives, and state legislators.



Increases in budget for Travel expenses (+33%) and National and Major Meetings expenses (+30%) are up significantly compared to 2022 projections with inflation and an anticipated rise in in-person attendance contributing to the increase. As that applies to commissioners, it is noted that \$601,400 is dedicated to commissioner travel for the IAIS Global Seminar and for national and major events. Total commissioner/regulator travel is budgeted at \$2.6 million, which is an increase of 25% versus 2022 projections. Given the NAIC is hosting the Global Seminar, added expenses may appear to be warranted and are expected as the NAIC is a key supporter and member of the IAIS as a standard-setting organization. In addition to these line items, staff travel (+40%) and international travel (+64%) are both up significantly versus 2022 projections. While not as large of an expense for the association, budget for travel expenses associated with consumer funded representatives is up slightly versus 2022 projections; although, it is not clear what (if any) increase in budgeted travel expenses has been established for state legislators to attend 2023 NAIC national meetings and other NAIC events. As it stands, the budget for consumer funded representatives to attend national meetings is nearly double that of for state legislators. We believe that NAIC's objectives are enhanced by participation and input from state legislators, and they are a pivotal voice in all activities associated with state-based regulation. We encourage the NAIC to look for ways to enhance the budgetary support for such an engagement.

It is important that state insurance commissioners and other insurance regulators are put in the best position to defend the U.S. state-based system of insurance regulation. Given the new levels of expertise in data collection and delivery and the commitment to an even greater technological capability, the NAIC evolution to a role as a multidimensional regulatory support organization means more effort is needed to educate domestic and international policymakers about the U.S. state-based system. This need for enhanced education is particularly acute in regard to increased demands for more granular industry data. With that comes a certain amount of domestic and international engagement and in-person dialogue. To the extent that state regulators and NAIC staff are able to achieve lasting and meaningful dialogue with federal and international policymakers and come to agreements and understandings about the U.S. system, NAMIC members are supportive of this necessary engagement. Nevertheless, we encourage additional state legislator involvement at NAIC national and major meetings and would support additional funds dedicated to the NAIC Educational Outreach Program in this regard.

#### **New Avenues to Insurance Careers Foundation**

We applaud the NAIC for the establishment of the New Avenues to Insurance Careers Foundation. NAMIC has established a similar scholarship fund called the NAMIC Mutual Insurance Foundation, which has awarded more than \$496,000 to date in scholarships to students pursuing careers in insurance and risk management. Our commitment is focused on fostering diversity and inclusion at all levels of the mutual insurance industry, to bring individuals with an array of talents, ideas, and cultural experiences into the insurance industry; 71% of NAMIC scholarship recipients have been women or minorities. Our mission is closely aligned with the NAIC's newly established foundation, which is looking to help individuals learn relevant skills for the regulation and business of insurance. As stated by Lindley-Myers in her testimony to Congress, the Foundation "will focus on fostering interest in careers in insurance and insurance regulation, with a particular focus on students from underserved and diverse communities" and "will support our members' efforts to increase diversity and inclusion in the regulatory community specifically, and the industry more generally." In our estimation both foundations will play a critical



role to foster the innovation that drives the industry's ability to effectively serve its policyholders and the regulatory community's ability to serve consumers and the public interest. We welcome opportunities to partner with the NAIC to promote these scholarships to even more students around the country.

**Conclusion**

As a general matter, in reviewing NAIC's budget, NAMIC considered whether the proposed spending is cost-effective, reasonably necessary to support key regulatory initiatives, have support from most insurance regulators, and demonstrate appropriate oversight. NAMIC supports the commitments of the NAIC to serve as a "connected hub" for state insurance regulators to collaborate to address insurance regulatory issues. NAMIC is supportive of the activities of the NAIC to promote uniformity and coordination in state insurance regulation. We applaud the leadership for the creation of the Innovation, Cybersecurity, and Technology (H) Committee and Catastrophe Modeling Center of Excellence, both established in 2022. As the NAIC continues to evolve, these newly established groups will be instrumental in coming to a common understanding for the use of technology both on the regulator and industry side.

Thank you for your consideration of these comments on this matter of importance to insurers and policyholders. NAMIC looks forward to the responses and discussions during the coming year.

Sincerely,

Erin Collins  
Senior Vice President – State and Policy Affairs  
National Association of Mutual Insurance Companies



November 18, 2022

Chlora Lindley-Myers  
NAIC President-Elect  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106

**RE: NAIC's Proposed 2023 Budget**

Dear Commissioner Lindley-Myers:

The American Council of Life Insurers (ACLI)<sup>1</sup> appreciates this opportunity to comment on the NAIC's *Proposed 2023 Budget*.

Our comments are focused on *Fiscal Impact Statement – 2023 Revenue Enhancements*, particularly the proposed increase in the database filing fee group cap from \$283,938 to \$473,230, an increase of \$189,292 per group. While it is true that that group cap has not been increased since its inception and there has been an increase in the number of mergers and acquisitions resulting in larger groups, we do not see the need to increase the group cap to enhance revenues since the NAIC already has a very large budget surplus (unrestricted net assets), one which is projected to be \$166.5 million at the end of 2022 and budgeted to be \$164 million at the end of 2023.

As we have said in previous comment letters, the NAIC should strive to create or increase annual deficits, without increasing fees on our members, in order to reduce its budget surplus to a level that is still sufficient for an organization of its size that has a steady base of companies who pay filing and valuation fees every year. The proposed increase in the group cap, however, would go in the opposite direction, as it would increase overall revenues by \$4.6 million in 2023, \$4.765 million in 2024 and almost \$5 million in 2025.

Furthermore, these additional fees are not necessary since operating revenues are projected to increase from \$125.1 million in 2021 to \$133.3 million in 2022 and are budgeted to increase, without the proposed increase in the group cap, to \$139.8 million in 2023. Similarly, database fees are projected to increase from \$32.8 million in 2021 to \$34.4 million in 2022 and are budgeted to increase, without the proposed increase in the group cap, to \$35.6 million.

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<sup>1</sup> The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

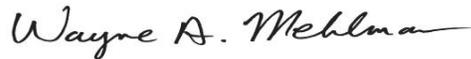
Attachment Two

We, therefore, urge the NAIC to withdraw its proposed increase in the database filing fee group cap, even though it would negatively affect only a small number of our members.

In addition, we would like to know the breakdown of the increases in SERFF fees from \$5.6 million in 2021 to \$9.2 million in 2022 to \$10.8 million in 2023. How much of these increases are due to a rise in the number of actual SERFF transactions, and how much are due to recent filing fee increases (\$0.25 in 2022 and \$0.61 in 2023)?

Thanks again for the opportunity to comment on the *Proposed 2023 Budget*. If you have any questions, please contact me at 202-624-2135 or at [waynemehlman@acli.com](mailto:waynemehlman@acli.com).

Respectfully submitted,



Wayne Mehlman  
Senior Counsel, Insurance Regulation  
[waynemehlman@acli.com](mailto:waynemehlman@acli.com)

cc: Dean L. Cameron, President  
Jim Woody, NAIC Chief Financial Officer  
Andrew Beal, Chief Operating Officer and Chief Legal Officer

Draft: 12/16/22

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Executive (EX) Committee, Dec. 14, 2022*

## **2023 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 2023 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 2023 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

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Executive (EX) Committee, Dec. 14, 2022*

*Adopted by the Climate and Resiliency (EX) Task Force, Oct. 27, 2022*

## **2023 Charges**

### **CLIMATE AND RESILIENCY (EX) TASK FORCE**

The mission of the Climate and Resiliency (EX) Task Force is to serve as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues, including dialogue among state insurance regulators, industry, and other stakeholders.

#### **Ongoing Support of NAIC Programs, Products, or Services**

1. The **Climate and Resiliency (EX) Task Force** will:
  - A. Consider how state insurance departments that opt into the insurer's climate risk disclosure reporting requirement review the information received.
  - B. Evaluate financial regulatory approaches to climate risk and resiliency in coordination with other relevant committees, task forces, and working groups, such as the International Insurance Relations (G) Committee, the Property and Casualty Insurance (C) Committee, the Financial Condition (E) Committee, and the Financial Stability (EX) Task Force, including:
    - i. Evaluation of the use of modeling by carriers and their reinsurers concerning climate risk.
    - ii. Evaluation of how rating agencies incorporate climate risk into their analysis and governance.
    - iii. Evaluation of the potential solvency impact of insurers' exposures, including both underwriting and investments, to climate-related risks.
    - iv. Evaluation and development of climate risk-related disclosure, stress testing, and scenario modeling.
  - C. Consider innovative insurer solutions to climate risk and resiliency, including:
    - i. Evaluation of how to apply technology and innovation to the mitigation of storm, wildfire, other climate risks, and earthquake.
    - ii. Evaluation of insurance product innovation directed at reducing, managing, and mitigating climate risk, as well as closing protection gaps.
  - D. Identify adaptation, resilience, and mitigation issues and solutions related to the insurance industry.
  - E. Consider pre-disaster mitigation and resiliency and the role of state insurance regulators in resiliency.
  - F. Engage with the Center for Insurance Policy and Research (CIPR) Catastrophe Modeling Center of Excellence (COE) regarding climate-related risk and mitigation research and analysis.

NAIC Support Staff: Jennifer Gardner

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Executive (EX) Committee, Dec. 14, 2022*

*Adopted by the Government Relations (EX) Leadership Council, Nov. 16, 2022*

## **2023 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/Brian R. Webb/Brooke Stringer

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Executive (EX) Committee, Dec. 14, 2022*

*Adopted by the Long-Term Care Insurance (EX) Task Force, Oct. 31, 2022*

## **2023 Charges**

### **LONG-TERM CARE INSURANCE (EX) TASK FORCE**

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, the mission of the Long-Term Care Insurance (EX) Task Force is to: 1) monitor and evaluate the LTCI rate review process; 2) monitor and evaluate options to help consumers manage the impact of rate increases; and 3) monitor work performed by other NAIC groups to review the financial solvency of long-term care (LTC) insurers.

#### **Ongoing Support of NAIC Programs, Products, or Services**

1. The **Long-Term Care Insurance (EX) Task Force** will:
  - A. Monitor and evaluate the progress of the multistate actuarial (MSA) rate review process as outlined in the *Long-Term Care Insurance Multistate Rate Review Framework (MSA Framework)* document, and make modification, as appropriate. Monitor state insurance department rate review actions subsequent to the implementation of the MSA Framework and MSA rate review recommendations.
  - B. Monitor and evaluate options to help consumers manage the impact of rate increases, including an evaluation of the use and impact of previously adopted guidance for states regarding reduced benefit options (RBOs).
  - C. Monitor the work performed by other NAIC solvency working groups, and assist in the timely multistate coordination and communication of the review of the financial condition of LTC insurers.
  - D. Monitor the work performed by other NAIC committees, task forces, and working groups, as well as federal regulators, related to the LTCI industry.

Staff Support: Jeffrey C. Johnston/Jane Koenigsman

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Executive (EX) Committee, Dec. 14, 2022*

*Adopted by the Special (EX) Committee on Race and Insurance, Dec. 14, 2022*

## 2023 Charges

### SPECIAL (EX) COMMITTEE ON RACE AND INSURANCE

The mission of the Special (EX) Committee on Race and Insurance is to serve as the NAIC's coordinating body on identifying issues related to: 1) race, diversity, and inclusion within the insurance sector; 2) race, diversity, and inclusion in access to the insurance sector and insurance products; and 3) practices within the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Special (EX) Committee on Race and Insurance** will:
  - A. Serve as the NAIC's coordinating body on identifying issues related to: 1) race, diversity, and inclusion within the insurance sector; 2) race, diversity, and inclusion in access to the insurance sector and insurance products; and 3) practices within the insurance sector that potentially disadvantage people of color and/or historically underrepresented groups.
  - B. Coordinate with existing groups such as the Innovation, Cybersecurity, and Technology (H) Committee, Big Data and Artificial Intelligence (H) Working Group and the Casualty Actuarial and Statistical (C) Task Force and encourage those groups to continue their work on issues affecting people of color and/or historically underrepresented groups, particularly in predictive modeling, price algorithms, and artificial intelligence (AI).
  - C. Receive updates on recommendations on action steps state insurance regulators and companies can take to improve the level of diversity and inclusion in the industry.
  - D. In coordination with the Executive (EX) Committee, receive reports on NAIC diversity, equity, and inclusion (DE&I) efforts. Serve as the coordinating body for state requests for assistance from the NAIC related to DE&I efforts.
  - E. Receive reports from the Member Diversity Leaders Forum concerning best practices among state insurance departments on DE&I efforts.
  - F. Continue research and analysis of insurance, legal, and regulatory approaches to addressing unfair discrimination, disparate treatment, proxy discrimination, and disparate impact. Make recommendations for statutory or regulatory changes and additional steps, including:
    1. (Life Workstream) The impact of traditional life insurance underwriting on traditionally underserved populations, considering the relationship between mortality risk and disparate impact.
    2. (Property/Casualty Workstream) Developing analytical and regulatory tools to assist state insurance regulators in defining, identifying, and addressing unfair discrimination in property/casualty (P/C) insurance, including issues related to:
      - a. Rating and underwriting variables, such as socioeconomic variables and criminal history, including:
        1. Identifying proxy variables for race.
        2. Correlation versus causation, including discussion of spurious correlation and rational explanation.
        3. Potential bias in underlying data.
        4. Proper use of third-party data.
      - b. Disparate impact considerations.

**SPECIAL (EX) COMMITTEE ON RACE AND INSURANCE** *(Continued)*

- G. (Life, Property/Casualty, and Health Workstreams) Consider enhanced data reporting and record-keeping requirements across product lines to identify race and other sociodemographic factors of insureds, including consideration of legal and privacy concerns. Consider a data call to identify insurance producer resources available and products sold in specific ZIP codes to identify barriers to access.
- H. Continue research and analysis related to insurance access and affordability issues, including:
  - 1. (Life Workstream) The marketing, distribution, and access to life insurance products in minority communities, including the role that financial literacy plays.
  - 2. (Life Workstream) Disparities in the number of cancellations/rescissions among minority policyholders.
  - 3. (Health Workstream) Measures to advance equity through lowering the cost of health care and promoting access to care and coverage, with a specific focus on measures to remedy impacts on people of color, low income and rural populations, and historically marginalized groups, such as the LGBTQ+ community, individuals with disabilities, and Alaska Native and other Native and Indigenous people.
  - 4. (Health Workstream) Examination of the use of network adequacy and provider directory measures (e.g., provider diversity, language, and cultural competence) to promote equitable access to culturally competent care.
  - 5. (Health Workstream) Conduct additional outreach to educate consumers and collect information on health and health care complaints related to discrimination and inequities in accessing care.
  - 6. (Property/Casualty Workstream) Whether steps need to be taken to mitigate the impact of residual markets, premium financing, and nonstandard markets on historically underrepresented groups.
  - 7. Make referrals for the development of consumer education and outreach materials, as appropriate.

NAIC Support Staff: Andrew J. Beal/Michael F. Consedine

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Executive (EX) Committee, Dec. 14, 2022*

*Adopted by the Internal Administration (EX1) Subcommittee, Aug. 25, 2022*

## 2023 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 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 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 Subcommittee. The 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 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 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 national meetings.
  - H. 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

*Adopted by Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Life Insurance and Annuities (A) Committee, Nov. 15, 2022*

## **2023 Charges**

### **LIFE INSURANCE AND ANNUITIES (A) COMMITTEE**

The mission of the Life Insurance and Annuities (A) Committee is to: 1) consider issues relating to life insurance and annuities; and 2) review new life insurance products.

#### **Ongoing Support of NAIC Programs, Products, or Services**

1. The **Life Insurance and Annuities (A) Committee** will:
  - A. Monitor the activities of the Life Actuarial (A) Task Force.
2. The **Accelerated Underwriting (A) Working Group** will:
  - A. Consider the use of external data and data analytics in accelerated life underwriting, including consideration of the ongoing work of the Life Actuarial (A) Task Force on the issue; and, if appropriate, draft guidance for the states.
3. The **Annuity Suitability (A) Working Group** will:
  - A. Consider how to promote greater uniformity in the adoption of the *Suitability in Annuity Transactions Model Regulation* (#275) across NAIC member jurisdictions.

NAIC Support Staff: Jennifer R. Cook/Jolie H. Matthews

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Life Insurance and Annuities (A) Committee, Nov. 15, 2022*

*Adopted by the Life Actuarial (A) Task Force, Oct. 24, 2022*

## 2023 Charges

### LIFE ACTUARIAL (A) TASK FORCE

The mission of the Life Actuarial (A) Task Force is to identify, investigate, and develop solutions to actuarial problems in the life insurance industry.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Life Actuarial (A) Task Force** will:
  - A. Work to keep reserve, reporting, and other actuarial-related requirements current. This includes principle-based reserving (PBR) and other requirements in the *Valuation Manual*, actuarial guidelines, and recommendations for appropriate actuarial reporting in blanks. Respond to charges from the Life Insurance and Annuities (A) Committee and referrals from other groups or committees, as appropriate.
  - B. Report progress on all work to the Life Insurance and Annuities (A) Committee and provide updates to the Financial Condition (E) Committee on matters related to life insurance company solvency. This work includes the following:
    - i. Work with the American Academy of Actuaries (Academy) and the Society of Actuaries (SOA) to develop new mortality tables for valuation and minimum nonforfeiture requirements, as appropriate, for life insurance and annuities.
    - ii. Provide recommendations for guidance and requirements for accelerated underwriting (AU) and other emerging underwriting practices, as needed.
    - iii. Evaluate and provide recommendations regarding the VM-21, Requirements for Principle-Based Reserves for Variable Annuities/*Actuarial Guideline XLIII—CARVM for Variable Annuities* (AG 43) standard projection amount (SPA), which may include continuing as a required floor or providing as disclosure. This evaluation is to be completed prior to year-end 2023.
    - iv. Work with the SOA on the annual development of the Generally Recognized Expense Table (GRET) factors.
    - v. Provide recommendations and changes, as appropriate, to other reserve and nonforfeiture requirements to address issues, and provide actuarial assistance and commentary to other NAIC committees relative to their work on actuarial matters.
    - vi. Work with the selected vendor to develop and implement the new economic scenario generator (ESG) for use in regulatory reserve and capital calculations.
    - vii. Monitor international developments regarding life and health insurance reserving, capital, and related topics. Compare and benchmark these with PBR requirements.
2. The **Experience Reporting (A) Subgroup** will:
  - A. Continue the development of the experience reporting requirements within the *Valuation Manual*. Provide input, as appropriate, for the process regarding the experience reporting agent, data collection, and subsequent analysis and use of experience submitted.
3. The **Indexed Universal Life (IUL) Illustration (A) Subgroup** will:
  - A. Consider changes to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold On or After December 14, 2020* (AG 49-A), as needed. Provide recommendations for the consideration of changes to the *Life Insurance Illustrations Model Regulation* (#582) to the Task Force, as needed.

**LIFE ACTUARIAL (A) TASK FORCE** *(Continued)*

4. The **Index-Linked Variable Annuity (A) Subgroup** will:
  - A. Provide recommendations and changes, as appropriate, to nonforfeiture, or interim, value requirements related to index-linked variable annuities (ILVAs).
  
5. The **Longevity Risk (E/A) Subgroup** of the Life Actuarial (A) Task Force and the Life Risk-Based Capital (E) Working Group will:
  - A. Provide recommendations for recognizing longevity risk in statutory reserves and/or risk-based capital (RBC), as appropriate.
  
6. The **Valuation Manual (VM)-22 (A) Subgroup** will:
  - A. Recommend requirements, as appropriate, for non-variable (fixed) annuities in the accumulation and payout phases for consideration by the Task Force. Continue working with the Academy on a PBR methodology for non-variable annuities.
  
7. The **Variable Annuities Capital and Reserve (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
  - A. Monitor the impact of the changes to the variable annuities (VA) reserve framework and RBC calculation and determine if additional revisions need to be made.
  - B. Develop and recommend appropriate changes, including those to improve accuracy and clarity of VA capital and reserve requirements.

NAIC Support Staff: Scott O'Neal/Jennifer Frasier

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Health Insurance and Managed Care (B) Committee, Nov. 10, 2022*

## 2023 Charges

### HEALTH INSURANCE AND MANAGED CARE (B) COMMITTEE

The mission of the Health Insurance and Managed Care (B) Committee is to consider issues relating to all aspects of health insurance.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Health Insurance and Managed Care (B) Committee** will:
  - A. Respond to inquiries from the U.S. Congress (Congress), the White House, and federal agencies; analyze policy implications and their effect on the states of proposed and enacted federal legislation and regulations; and communicate the NAIC's position through letters and testimony, when requested.
  - B. Monitor the activities of the Health Actuarial (B) Task Force.
  - C. Monitor the activities of the Regulatory Framework (B) Task Force.
  - D. Monitor the activities of the Senior Issues (B) Task Force.
  - E. Serve as the official liaison between the NAIC and the Joint Commission on Accreditation of Healthcare Organizations (Joint Commission), the National Committee for Quality Assurance (NCQA), and the Utilization Review Accreditation Commission (URAC).
  - F. Examine factors that contribute to rising health care costs and insurance premiums. Review state initiatives to address cost drivers.
  - G. Coordinate with appropriate Market Regulation and Consumer Affairs (D) Committee groups, as necessary, on health benefit plan and producer enforcement issues.
  - H. Coordinate with the Market Regulation and Consumer Affairs (D) Committee, as necessary, to collect uniform data and monitor market conduct trends on plans that are not regulated under the federal Affordable Care Act (ACA), including short-term, limited-duration (STLD) insurance, association health plans (AHPs), and packaged indemnity health products.
2. The **Consumer Information (B) Subgroup** will:
  - A. Develop information or resources, as needed, that would be helpful to state insurance regulators and others in assisting consumers to better understand health insurance.
  - B. Review NAIC publications that touch on health insurance to determine if they need updating. If updates are needed, suggest specific revisions to the appropriate NAIC group or NAIC division to make the changes.
3. The **Health Innovations (B) Working Group** will:
  - A. Gather and share information, best practices, experience, and data to inform and support health innovation at the state and national levels, including, but not limited to, state flexibility options through the ACA and other health insurance-related policy initiatives.
  - B. Discuss state innovations related to health care—i.e., access, insurance plan designs, underlying medical and prescription drug costs, stability for health care and insurance as a whole, health insurer and provider consolidation or competition, the use of data in regulatory and policy decision making, and health care delivery and financing models—to achieve better patient outcomes and lower spending trends.
  - C. Explore sources and methods for state insurance regulators to obtain data to inform health reform initiatives.
  - D. Disseminate materials and reports, via the NAIC, to the states and the U.S. territories wishing to use the information gathered by the Working Group.
  - E. Take up other matters as directed by the Health Insurance and Managed Care (B) Committee.

NAIC Support Staff: Jolie H. Matthews/Brian R. Webb/Jennifer R. Cook

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Health Insurance and Managed Care (B) Committee, Nov. 10, 2022*

*Adopted by the Health Actuarial (B) Task Force, Sept. 28, 2022*

## 2023 Charges

### HEALTH ACTUARIAL (B) TASK FORCE

The mission of the Health Actuarial (B) Task Force is to identify, investigate, and develop solutions to actuarial problems in the health insurance industry.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Health Actuarial (B) Task Force** will:
  - A. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate long-term care insurance (LTCI) rates, rating practices, and rate changes.
  - B. Provide support for issues related to implementation of, and/or changes to, the federal Affordable Care Act (ACA).
  - C. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.
  - D. Develop LTCI experience reporting requirements in VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the *Valuation Manual*.
  - E. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary to other NAIC groups relative to their work on health actuarial matters.
2. The **Long-Term Care Actuarial (B) Working Group**:
  - A. Assist the Health Actuarial (B) Task Force in completing the following charges:
    - i. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate LTCI rates, rating practices, and rate changes.
    - ii. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a PBR framework.
    - iii. Develop LTCI experience reporting requirements in VM-50 and VM-51.
3. The **Long-Term Care Pricing (B) Subgroup**:
  - A. Assist the Long-Term Care Actuarial (B) Working Group in completing the following charge:
    - i. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate LTCI rates, rating practices and rate changes.
4. The **Long-Term Care Valuation (B) Subgroup**:
  - A. Assist the Long-Term Care Actuarial (B) Working Group in completing the following charges:
    - i. Continue to develop health insurance reserving requirements (VM-25) using a PBR framework.
    - ii. Develop LTCI experience reporting requirements in VM-50 and VM-51 of the *Valuation Manual*.

NAIC Support Staff: Eric King

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Health Insurance and Managed Care (B) Committee, Nov. 10, 2022*

*Adopted by the Regulatory Framework (B) Task Force, Oct. 11, 2022*

## 2023 Charges

### REGULATORY FRAMEWORK (B) TASK FORCE

The mission of the Regulatory Framework (B) Task Force is to: 1) develop NAIC model acts and regulations for state health care initiatives; and 2) consider policy issues affecting state health insurance regulation.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Regulatory Framework (B) Task Force** will:
  - A. Coordinate and develop the provision of technical assistance to the states regarding state-level implementation issues raised by federal health legislation and regulations.
  - B. Review managed health care reforms, their delivery systems occurring in the marketplace, and other forms of health care delivery. Recommend appropriate revisions to regulatory jurisdiction, authority, and structures.
  - C. Consider the development of new NAIC model laws and regulations and the revision of existing NAIC model laws and regulations, including those affected by federal legislation and final federal regulations promulgated pursuant to such legislation.
  - D. Continue to review NAIC models recommended for revision by the former Affordable Care Act (ACA) Model Review (B) Working Group and, as appropriate, appoint a working group or subgroup to revise the NAIC model(s) prioritized for revision in 2023.
  - E. At the direction of the Health Insurance and Managed Care (B) Committee, through the work of the Employee Retirement Income Security Act (ERISA) (B) Working Group, monitor, analyze, and report developments related to association health plans (AHPs).
  - F. Monitor, analyze, and report, as necessary, developments related to short-term, limited-duration (STLD) coverage.
2. The **Accident and Sickness Insurance Minimum Standards (B) Subgroup** will:
  - A. Review and consider revisions to the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171)*.
3. The **ERISA (B) Working Group** will:
  - A. Monitor, report, and analyze developments related to ERISA, and make recommendations regarding NAIC strategy and policy with respect to those developments.
  - B. Monitor, facilitate, and coordinate with the states and the U.S. Department of Labor (DOL) efforts related to sham health plans.
  - C. Monitor, facilitate, and coordinate with the states and the DOL regarding compliance and enforcement efforts regarding the ACA that relate to ERISA.
  - D. Review the *Health and Welfare Plans Under the Employee Retirement Income Security Act: Guidelines for State and Federal Regulation* (ERISA Handbook) and modify it, as necessary, to reflect developments related to ERISA. Report annually.

**REGULATORY FRAMEWORK (B) TASK FORCE** *(Continued)*

4. The **Mental Health Parity and Addiction Equity Act (MHPAEA) (B) Working Group** will:
  - A. Monitor, report, and analyze developments related to the MHPAEA, and make recommendations regarding NAIC strategy and policy with respect to those developments.
  - B. Monitor, facilitate, and coordinate best practices with the states, the DOL, and the U.S. Department of Health and Human Services (HHS) related to the MHPAEA.
  - C. Monitor, facilitate, and coordinate with the states and the DOL regarding compliance and enforcement efforts regarding the ACA that relate to the MHPAEA.
  - D. Provide supplemental resources to support documentation and reporting in the MHPAEA chapter of the *Market Regulation Handbook*.
  - E. Coordinate with and provide input to Market Regulation and Consumer Affairs (D) Committee groups, as necessary, regarding mental health parity market conduct examinations.
  
5. The **Pharmacy Benefit Manager Regulatory Issues (B) Subgroup** will:
  - A. Develop a white paper to: 1) analyze and assess the role pharmacy benefit managers (PBMs), pharmacy services administrative organizations (PSAOs), and other supply chain entities play in the provision of prescription drug benefits; 2) identify, examine, and describe current and emerging state regulatory approaches to PBM business practices, such as price transparency and reporting requirements, rebating, and spread pricing, including the implications of the *Rutledge v. Pharmaceutical Care Management Association (PCMA)* decision on such business practices; and 3) discuss any challenges, if any, the states have encountered in implementing such laws and/or regulations.
  - B. Consider developing a new NAIC model to establish a licensing or registration process for PBMs. Based on issues identified in the white paper, the Subgroup may consider including in the new NAIC model provisions on PBM prescription drug pricing and cost transparency.

NAIC Support Staff: Jolie H. Matthews/Jennifer R. Cook

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Health Insurance and Managed Care (B) Committee, Nov.10, 2022*

*Adopted by the Senior Issues (B) Task Force, Oct. 17, 2022*

## 2023 Charges

### SENIOR ISSUES (B) TASK FORCE

The mission of the Senior Issues (B) Task Force is to: 1) consider policy issues; 2) develop appropriate regulatory standards; and 3) revise, as necessary, the NAIC models, consumer guides, and training material on Medicare supplement insurance, long-term care insurance (LTCI), senior counseling programs, and other insurance issues that affect older Americans.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Senior Issues (B) Task Force** will:
  - A. Develop appropriate regulatory standards and revisions, as necessary, to the NAIC models, consumer guides, and training material on Medicare supplement insurance, senior counseling programs, and other insurance issues that affect older Americans. Work with federal agencies to advance appropriate regulatory standards for Medicare supplement and other forms of health insurance applicable to older Americans. Review the *Medicare Supplement Insurance Minimum Standards Model Act* (#650) and the *Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act* (#651) to determine if amendments are required based on changes to federal law. Work with the federal Centers for Medicare & Medicaid Services (CMS) to revise the annual joint publication, *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*.
  - B. Monitor the Medicare Advantage and Medicare Part D marketplace. Assist the states, as necessary, with regulatory issues. Maintain a dialogue and coordinate with the CMS on regulatory issues, including solvency oversight of waived plans and agent misconduct. Assist the states and serve as a clearinghouse for information on Medicare Advantage plan activity.
  - C. Provide the perspective of state insurance regulators to the U.S. Congress (Congress), as appropriate, and the CMS on insurance issues, including those concerning the effect and result of federal activity on the senior citizen health insurance marketplace and regulatory scheme. Review and monitor state and federal relations with respect to senior health care initiatives and other impacts on the states.
  - D. Monitor developments concerning State Health Insurance Assistance Programs (SHIPs), including information on legislation affecting the funding of SHIPs. Assist the states with issues relating to SHIPs and support a strong partnership between SHIPs and the CMS. Provide the perspective of state insurance regulators to federal officials, as appropriate, on issues concerning SHIPs.
  - E. Monitor, maintain, and review, in accordance with changes to Model #651, a record of state approvals of all Medicare supplement insurance new or innovative benefits for use by state insurance regulators and others. Review state-approved new or innovative benefits and consider whether to recommend that they be made part of standard benefit plan designs in Model #651.
  - F. Develop appropriate regulatory standards and revisions, as necessary, to the NAIC models, consumer guides, and training material on LTCI, including the study and evaluation of evolving LTCI product design, rating, suitability, and other related factors. Work with federal agencies, as appropriate.
  - G. Examine examples of health-related financial exploitation of seniors and work with other NAIC committees, task forces, and working groups on possible solutions.
  - H. Examine the effects of structural racism and the COVID-19 pandemic on access, affordability, and outcomes for older insurance consumers.

NAIC Support Staff: David Torian

Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022

Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022

## 2023 Charges

### PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE

The mission of the Property and Casualty Insurance (C) Committee is to: 1) monitor and respond to problems associated with the products, delivery, and cost in the property/casualty (P/C) insurance market and the surplus lines market as they operate with respect to individual persons and businesses; 2) monitor and respond to problems associated with financial reporting matters for P/C insurers that are of interest to regulatory actuaries and analysts; and 3) monitor and respond to problems associated with the financial aspects of the surplus lines market.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Property and Casualty Insurance (C) Committee** will:
  - A. Discuss issues arising and make recommendations with respect to advisory organization and insurer filings for personal and commercial lines, as needed. Report yearly.
  - B. Monitor the activities of the Casualty Actuarial and Statistical (C) Task Force.
  - C. Monitor the activities of the Surplus Lines (C) Task Force.
  - D. Monitor the activities of the Title Insurance (C) Task Force.
  - E. Monitor the activities of the Workers' Compensation (C) Task Force.
  - F. Provide an impartial forum for considering appeals of adverse decisions involving alien insurers delisted or rejected for listing to the *Quarterly Listing of Alien Insurers*. Appeal procedures are described in the International Insurers Department (IID) Plan of Operation.
  - G. Monitor and review developments in case law related to risk retention groups (RRGs). If warranted, make appropriate recommendations to the Risk Retention Group (E) Task Force for changes to the *Risk Retention and Purchasing Group Handbook*.
  - H. Monitor the activities of the Federal Crop Insurance Corporation (FCIC) that affect state insurance regulators:
    - i. Serve as a forum for discussing issues related to the interaction of federal crop insurance programs with state insurance regulation.
    - ii. Review law changes and court decisions, and, if warranted, make appropriate changes to the *Federal Crop Insurance Program Handbook: A Guide for Insurance Regulators*.
    - iii. Monitor the regulatory information exchanges between the FCIC and state insurance regulators, as well as the FCIC and the NAIC, and make recommendations for improvements or revisions, as needed.
  - I. Report on the cyber insurance market, including data reported within the Cybersecurity Insurance and Identity Theft Coverage Supplement.
  - J. Monitor 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.
  - K. Provide a forum for discussing issues related to parametric insurance, and consider the development of a white paper or regulatory guidance.
  - L. Study and report on the availability and affordability of liability and property coverage for non-profit organizations.
  - M. Assist state insurance regulators in better assessing their markets and insurer underwriting practices by developing property market data intelligence so regulators can better understand how markets are performing in their states, and identify potential new coverage gaps, including changes in deductibles and coverage types, and affordability and availability issues.

**PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE** *(Continued)*

- N. Provide a forum for discussing issues related to the use of telematics in insurance, and consider the development of a white paper or regulatory guidance.
2. The **Cannabis Insurance (C) Working Group** will:
- A. Assess and periodically report on the status of federal legislation that would protect financial institutions from liability associated with providing services to cannabis businesses operating legally under state law.
  - B. Encourage admitted insurers to ensure coverage adequacy in states where cannabis, including hemp, is legal.
  - C. Provide insurance resources to stakeholders, and keep up with new products and innovative ideas that may shape insurance in this space.
  - D. Explore potential sources of constraint to coverage limits and availability of cannabis insurance products within the admitted and non-admitted market. Explore the use of cannabis on P/C insurance lines of business. Use information gained to develop an appendix to the *Understanding the Market for Cannabis Insurance 2.0* white paper.
3. The **Catastrophe Insurance (C) Working Group** will:
- A. Monitor and recommend measures to improve the availability and affordability of insurance and reinsurance related to catastrophe perils for personal and commercial lines.
  - B. Evaluate potential state, regional, and national programs to increase capacity for insurance and reinsurance related to catastrophe perils, including mitigation efforts being used in states and investigating loss trends in homeowners markets, with the goal to provide rate stability in the marketplace and protect consumers.
  - C. Monitor and assess proposals that address disaster insurance issues at the federal and state levels. Assess concentration-of-risk issues and whether a regulatory solution is needed.
  - D. Provide a forum for discussing issues and recommending solutions related to insuring for catastrophe risk, including terrorism, war, and natural disasters.
  - E. Draft a Catastrophe Modeling Primer that addresses the basic concepts of catastrophe modeling.
  - F. Investigate and recommend ways the NAIC can assist states in responding to disasters by continuing to build the NAIC's Catastrophe Resource Center for state insurance regulators to better prepare for disasters.
  - G. Continue to monitor the growth of the private flood insurance market and assess the actions taken by individual states to facilitate growth. Update the Considerations for Private Flood Insurance appendix to include new ways states are growing the private flood insurance market.
  - H. Study, in coordination with other NAIC task forces and working groups, earthquake, severe convective storms and wildfire matters of concern to state insurance regulators.
4. The **NAIC/Federal Emergency Management Agency (FEMA) (C) Working Group** will:
- A. Assist state insurance regulators in engaging and collaborating with FEMA on an ongoing basis by establishing a process for the oversight, prioritization, and reporting of disaster-related regional workshops and other exercises to improve disaster preparation and resilience.
5. The **Terrorism Insurance Implementation (C) Working Group** will:
- A. Coordinate the NAIC's efforts to address insurance coverage for acts of terrorism. Work with the U.S. Department of the Treasury's (Treasury Department's) Terrorism Risk Insurance Program (TRIP) Office on matters of mutual concern. Discuss long-term solutions to address the risk of loss from acts of terrorism.
  - B. Review and report on data collection related to insurance coverage for acts of terrorism.

**PROPERTY AND CASUALTY INSURANCE (C) COMMITTEE** *(Continued)*

6. The **Transparency and Readability of Consumer Information (C) Working Group** will:
  - A. Facilitate consumers' capacity to understand the content of insurance policies and assess differences in insurers' policy forms.
  - B. Assist other groups with drafting language included within consumer-facing documents.
  - C. Discuss disclosures for premium increases related to P/C insurance products. .
  - D. Update and develop web page and mobile content for *A Shopping Tool for Homeowners Insurance* and *A Shopping Tool for Automobile Insurance*.
  - E. Study and evaluate ways to engage department of insurance (DOI) communication with more diverse populations, such as rural communities.

NAIC Support Staff: Aaron Brandenburg

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022*

*Adopted by the Casualty Actuarial and Statistical (C) Task Force, Oct. 18, 2022*

## 2023 Charges

### CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE

The mission of the Casualty Actuarial and Statistical (C) Task Force is to identify, investigate, and develop solutions to actuarial problems and statistical issues in the property/casualty (P/C) insurance industry. The Task Force's goals are to assist state insurance regulators with: 1) maintaining the financial health of P/C insurers; 2) ensuring that P/C insurance rates are not excessive, inadequate, or unfairly discriminatory; and 3) ensuring that appropriate data regarding P/C insurance markets are available.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Casualty Actuarial and Statistical (C) Task Force** will:
  - A. Provide reserving, pricing, ratemaking, statistical, and other actuarial support to NAIC committees, task forces, and/or working groups. Propose changes to the appropriate work products, with the most common work products noted below, and present comments on proposals submitted by others relating to casualty actuarial and statistical matters. Monitor the activities regarding casualty actuarial issues, including the development of financial services regulations and statistical reporting, including disaster.
    - i. Property and Casualty Insurance (C) Committee – Ratemaking, reserving, or data issues.
    - ii. Blanks (E) Working Group – P/C annual financial statement, including Schedule P; P/C quarterly financial statement; P/C quarterly and annual financial statement instructions, including the Statement of Actuarial Opinion (SAO) and Actuarial Opinion Summary Supplement.
    - iii. Capital Adequacy (E) Task Force – P/C risk-based capital (RBC) report.
    - iv. Group Solvency Issues (E) Working Group and Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup – ORSA.
    - v. Statutory Accounting Principles (E) Working Group – *Accounting Practices and Procedures Manual* (AP&P Manual), and review and provide comments on statutory accounting issues being considered under *Statement of Statutory Accounting Principles (SSAP) No. 65—Property and Casualty Contracts*.
    - vi. Speed to Market (D) Working Group – P/C actuarial sections of the *Product Filing Review Handbook*.
  - B. Monitor national casualty actuarial developments and consider regulatory implications.
    - i. Casualty Actuarial Society (CAS) – Statements of Principles and *Syllabus of Basic Education*.
    - ii. American Academy of Actuaries (Academy) – Standards of Practices, Council on Professionalism, and Casualty Practice Council.
    - iii. Society of Actuaries (SOA) – General insurance track's basic education.
    - iv. Federal legislation.
  - C. Facilitate discussion among state insurance regulators regarding rate filing issues of common interest across the states through the scheduling of regulator-only conference calls.
  - D. Conduct the following predictive analytics work:
    - i. Facilitate training and the sharing of expertise through predictive analytics webinars (Book Club).
    - ii. Review the completed work on artificial intelligence (AI) from other Committee groups. Coordinate with the Innovation, Cybersecurity, and Technology (H) Committee on the tracking of new uses of AI, auditing algorithms, product development, and other emerging regulatory issues, in as far as these issues contain a Task Force component.
    - iii. With the NAIC Rate Model Team's assistance, discuss guidance for the regulatory review of models used in rate filings.

**CASUALTY ACTUARIAL AND STATISTICAL (C) TASK FORCE** *(Continued)*

2. The **Actuarial Opinion (C) Working Group** will:
  - A. Propose revisions to the following, as needed, especially to improve actuarial opinions, actuarial opinion summaries, and actuarial reports, as well as the regulatory analysis of these actuarial documents and loss and premium reserves:
    - i. *Financial Analysis Handbook*.
    - ii. *Financial Condition Examiners Handbook*.
    - iii. *Annual Statement Instructions—Property/Casualty*.
    - iv. Regulatory guidance to appointed actuaries and companies.
    - v. Other financial blanks and instructions, as needed.
  
3. The **Statistical Data (C) Working Group** will:
  - A. Consider updates and changes to the *Statistical Handbook of Data Available to Insurance Regulators*.
  - B. Consider updates and developments, provide technical assistance, and oversee the production of the following reports and databases. Periodically evaluate the demand and utility versus the costs of production of each product.
    - i. *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance* (Homeowners Report).
    - ii. *Auto Insurance Database Report* (Auto Report).
    - iii. *Competition Database Report* (Competition Report).
    - iv. *Report on Profitability by Line by State* (Profitability Report).
  - C. Enhance the expedited reporting and publication of average auto and average homeowners premium portions of the annual Auto Report and Homeowners Report.

NAIC Support Staff: Kris DeFrain/Libby Crews

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022*

*Adopted by the Surplus Lines (C) Task Force, Oct. 17, 2022*

## 2023 Charges

### SURPLUS LINES (C) TASK FORCE

The mission of the Surplus Lines (C) Task Force is to monitor the surplus lines market and regulation, including the activity and financial condition of U.S. and alien surplus lines insurers by providing a forum for discussion of issues and to develop or amend relevant NAIC model laws, regulations and/or guidelines.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Surplus Lines (C) Task Force** will:
  - A. Provide a forum for discussion of current and emerging surplus lines-related issues and topics of public policy, and determine appropriate regulatory response and action.
  - B. Review and analyze quantitative and qualitative data on U.S. domestic and alien surplus lines industry results and trends.
  - C. Monitor federal legislation related to the surplus lines market, and ensure all interested parties remain apprised.
  - D. Develop or amend relevant NAIC model laws, regulations, and/or guidelines.
  - E. Oversee the activities of the Surplus Lines (C) Working Group.
  
2. The **Surplus Lines (C) Working Group** will:
  - A. Operate in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, and operate in open session when discussing surplus lines topics and policy issues, such as amendments to the International Insurers Department (IID) Plan of Operation.
  - B. Maintain and draft new guidance within the IID Plan of Operation regarding standards for admittance and continued inclusion on the NAIC *Quarterly Listing of Alien Insurers*.
  - C. Review and consider appropriate decisions regarding applications for admittance to the NAIC *Quarterly Listing of Alien Insurers*.
  - D. Analyze renewal applications of alien surplus lines insurers on the NAIC *Quarterly Listing of Alien Insurers*, and ensure solvency and compliance per the IID Plan of Operation guidelines for continued listing.
  - E. Provide a forum for surplus lines-related discussion among jurisdictions.

NAIC Support Staff: Andy Daleo

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022*

*Adopted by the Title Insurance (C) Task Force, Oct. 24, 2022*

## **2023 Charges**

### **TITLE INSURANCE (C) TASK FORCE**

The mission of the Title Insurance (C) Task Force is to study issues related to title insurers and title insurance producers.

#### **Ongoing Support of NAIC Programs, Products or Services**

1. The **Title Insurance (C) Task Force** will:
  - A. Discuss and/or monitor issues and developments affecting the title insurance industry, and provide support and expertise to other NAIC committees, task forces and/or working groups, or outside entities, as appropriate.
  - B. Review and assist various regulatory bodies in combating fraudulent and/or unfair real estate settlement activities. Such efforts could include working with the Antifraud (D) Task Force and other NAIC committees, task forces and/or working groups to combat mortgage fraud and mitigating title agent defalcations through the promotion of closing protection letters (CPLs) and other remedies.
  - C. Consult with the Consumer Financial Protection Bureau (CFPB) and other agencies responsible for information, education, and disclosure for mortgage lending, closing services, and settlement services about the role of title insurance in the real estate transaction process.
  - D. Update the 2019 *Survey of State Insurance Laws Regarding Title Data and Title Matters*.
  - E. Review Section 15C of the *Title Insurers Model Act* (#628) to determine if a request should be made to remove the requirement for on-site review of underwriting and claims practices.
  - F. Obtain information on consumer complaints submitted to states regarding title insurance to determine if updates are needed to insurance regulatory best practices or standards.

NAIC Support Staff: Anne Obersteadt/Aaron Brandenburg

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Property and Casualty Insurance (C) Committee, Dec. 15, 2022*

*Adopted by the Workers' Compensation (C) Task Force, Oct. 7, 2022*

## 2023 Charges

### WORKERS' COMPENSATION (C) TASK FORCE

The mission of the Workers' Compensation (C) Task Force is to study the nature and effectiveness of state approaches to workers' compensation and related issues, including, but not limited to: assigned risk plans; safety in the workplace; treatment of investment income in rating; occupational disease; cost containment; and the relevance of adopted NAIC model laws, regulations and/or guidelines pertaining to workers' compensation.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Workers' Compensation (C) Task Force** will:
  - A. Oversee the activities of the NAIC/International Association of Industrial Accident Boards and Commissions (IAIABC) Joint (C) Working Group.
  - B. Discuss issues with respect to advisory organizations, rating organizations, statistical agents and insurance companies in the workers' compensation arena.
  - C. Monitor the movement of business from the standard markets to the assigned risk pools. Alert state insurance department representatives if the growth of assigned risk pools changes dramatically.
  - D. Follow workers' compensation issues regarding cannabis in coordination with the Cannabis Insurance (C) Working Group.
  - E. Discuss workers' compensation issues related to COVID-19 and Teleworking.
2. The **NAIC/IAIABC Joint (C) Working Group** will:
  - A. Study issues of mutual concern to state insurance regulators and the IAIABC. Review relevant IAIABC model laws and white papers and consider possible charges in light of the Working Group's recommendations.

NAIC Support Staff: Sara Robben/Aaron Brandenburg

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Market Regulation and Consumer Affairs (D) Committee, Dec. 15, 2022*

## 2023 Charges

### MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE

The mission of the Market Regulation and Consumer Affairs (D) Committee is to monitor all aspects of the market regulatory process for continuous improvement. This includes market analysis, regulatory interventions with companies, and multi-jurisdictional collaboration. The Committee will also review and make recommendations regarding the underwriting and market practices of insurers and producers, as those practices affect insurance consumers, including the availability and affordability of insurance.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Market Regulation and Consumer Affairs (D) Committee** will:
  - A. Monitor the centralized collection and storage of market conduct data, national analysis, and reporting at the NAIC, including issues regarding the public availability of data.
  - B. Monitor and assess the current process for multi-jurisdictional market conduct activities and provide appropriate recommendations for enhancement, as necessary.
  - C. Evaluate all data currently collected in the NAIC Market Information Systems (MIS) and considered confidential to determine what, if any, can be made more widely available.
  - D. Oversee the activities of the Antifraud (D) Task Force.
  - E. Oversee the activities of the Market Information Systems (D) Task Force.
  - F. Oversee the activities of the Producer Licensing (D) Task Force.
  - G. Monitor the underwriting and market practices of insurers and producers, as well as the conditions of insurance marketplaces, including urban markets, to identify specific market conduct issues of importance and concern. Hold public hearings on these issues at the NAIC national meetings, as appropriate.
  - H. In collaboration with other technical working groups, discuss and share best practices through public forums to address broad consumer concerns regarding personal insurance products.
  - I. Coordinate with the International Insurance Relations (G) Committee to develop input and submit comments to the International Association of Insurance Supervisors (IAIS) and/or other related groups on issues regarding market regulation concepts.
  - J. Coordinate with the Health Insurance and Managed Care (B) Committee to provide policy recommendations regarding uniform state enforcement of the federal Affordable Care Act (ACA).
  
2. The **Advisory Organization (D) Working Group** will:
  - A. Revise the protocols, as necessary, for the examination of national or multistate advisory organizations (including rating organizations and statistical agents) to be more comprehensive, efficient, and possibly less frequent than the current system of single-state exams. Solicit input and collaboration from other interested and affected committees and task forces.
  - B. Monitor the data reporting and data collection processes of advisory organizations (including rating organizations and statistical agents) to determine if they are implementing appropriate measures to ensure data quality. Report the results of this ongoing charge, as needed.
  - C. Actively assist with and coordinate multistate examinations of advisory organizations (including rating organizations and statistical agents).

**MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE** *(Continued)*

3. The **Market Actions (D) Working Group** will:
  - A. Facilitate interstate communication and coordinate collaborative state regulatory actions.
  
4. The **Market Analysis Procedures (D) Working Group** will:
  - A. Recommend changes to the market analysis framework based on results over the past five years, including the current set of Level 1 and Level 2 questions.
  - B. In accordance with the second recommendation of the adopted *Review of Artificial Intelligence Techniques in Market Analysis*, assess currently available market analysis data to identify needed improvements in the effectiveness of the data for market analysis and the predictive abilities of the market scoring systems utilizing the data.
  - C. Discuss other market data collection issues and make recommendations, as necessary.
  - D. Consider recommendations for new lines of business for the Market Conduct Annual Statement (MCAS).
  
5. The **Market Conduct Annual Statement Blanks (D) Working Group** will:
  - A. Review the MCAS data elements and the “Data Call and Definitions” for those lines of business that have been in effect for longer than three years and update them, as necessary.
  - B. Develop an MCAS blank to be used for the collection of data for additional lines of business, where appropriate.
  
6. The **Market Conduct Examination Guidelines (D) Working Group** will:
  - A. Develop market conduct examination standards, as necessary, for inclusion in the *Market Regulation Handbook*.
  - B. Monitor the adoption and revision of NAIC models and develop market conduct examination standards to correspond with adopted NAIC models.
  - C. Develop updated standardized data requests, as necessary, for inclusion in the *Market Regulation Handbook*.
  - D. Discuss the development of uniform market conduct procedural guidance (e.g., a library, depository or warehouse with market conduct examination templates, such as an exam call letter, exam exit agenda, etc.) for inclusion in, or for use in conjunction with, the *Market Regulation Handbook*.
  - E. Coordinate with the Innovation, Cybersecurity and Technology (H) Committee to develop market conduct examiner guidance for the oversight of regulated entities’ use of insurance and non-insurance consumer data and models using algorithms and artificial intelligence (AI).
  - F. Discuss the effectiveness of group supervision of market conduct risks and develop examination procedural guidance, as necessary.
  - G. Discuss the role of market conduct examiners in reviewing insurers’ corporate governance as outlined in the NAIC’s *Corporate Governance Annual Disclosure Model Act* (#305) and *Corporate Governance Annual Disclosure Model Regulation* (#306).
  
7. The **Market Regulation Certification (D) Working Group** will:
  - A. Develop a formal market regulation certification proposal for consideration by the NAIC membership that provides recommendations for the following: 1) certification standards; 2) a process for the state implementation of the standards; 3) a process to measure the states’ compliance with the standards; 4) a process for future revisions to the standards; and 5) assistance for jurisdictions to achieve certification.

**MARKET REGULATION AND CONSUMER AFFAIRS (D) COMMITTEE** *(Continued)*

8. The **Speed to Market (D) Working Group** will:
- A. Consider proposed System for Electronic Rates & Forms Filing (SERFF) features or functionality presented to the Working Group by the Product Steering Committee (PSC). Receive periodic reports from the PSC, as needed.
  - B. Provide feedback and recommendations concerning the SERFF modernization when requested by the Executive (EX) Committee and any group assigned oversight of the SERFF modernization by the Executive (EX) Committee.
  - C. 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:
    - i. 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 regarding uniformity.
    - ii. 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.
    - iii. 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.
    - iv. Facilitate the review and revision of the Product Filing Review Handbook, which contains an overview of all the operational efficiency tools and describes best practices for industry filers and state reviewers regarding the rate and form filing and review process. Develop and implement a communication plan to inform the states about the Product Filing Review Handbook.
  - D. Provide direction to NAIC staff regarding SERFF functionality, implementation, development, and enhancements. Receive periodic reports from NAIC staff, as needed.
  - E. Conduct the following activities, as desired, by the Interstate Insurance Product Regulation Commission (Compact):
    - i. 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.
    - ii. Receive periodic reports from the Compact, as needed.

NAIC Support Staff: Tim Mullen/Randy Helder

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Market Regulation and Consumer Affairs (D) Committee, Dec. 15, 2022*

*Adopted by the Antifraud (D) Task Force, Oct. 28, 2022*

## 2023 Charges

### ANTIFRAUD (D) TASK FORCE

The mission of the Antifraud (D) Task Force is to serve the public interest by assisting the state insurance supervisory officials, individually and collectively, through the detection, monitoring, and appropriate referral for the investigation of insurance crime, both by and against consumers. The Task Force will assist the insurance regulatory community by conducting the following activities: 1) maintaining and improving electronic databases regarding fraudulent insurance activities; 2) disseminating the results of research and analysis of insurance fraud trends, as well as case-specific analysis, to the insurance regulatory community; and 3) providing a liaison function between state insurance regulators, law enforcement—i.e., federal, state, local, and international—and other specific antifraud organizations. The Task Force will also serve as a liaison with the NAIC Information Technology Group (ITG) and other NAIC committees, task forces, and/or working groups to develop technological solutions for data collection and information sharing. The Task Force will monitor all aspects of antifraud activities by its working groups on the following charges.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Antifraud (D) Task Force** will:
  - A. Work with NAIC committees, task forces, and working groups (e.g., Title Insurance (C) Task Force, etc.) to review issues and concerns related to fraud activities and schemes related to insurance fraud.
  - B. Coordinate efforts to address national concerns related to agent fraud and activities of unauthorized agents related to insurance sales.
  - C. Coordinate the enforcement and investigation efforts of state and federal securities regulators with state insurance fraud bureaus.
  - D. Coordinate with state, federal, and international law enforcement agencies in addressing antifraud issues relating to the insurance industry.
  - E. Review and provide comments to the International Association of Insurance Supervisors (IAIS) on its Insurance Core Principles (ICPs) related to insurance fraud.
  - F. Coordinate activities and information from national antifraud organizations and provide information to state insurance fraud bureaus.
  - G. Coordinate activities and information with state and federal fraud divisions to determine guidelines that will assist with reciprocal involvement concerning antifraud issues resulting from natural disasters and catastrophes.
  - H. Coordinate efforts with the insurance industry to address antifraud issues and concerns.
  - I. Evaluate and recommend methods to track national fraud trends.
  - J. Develop seminars, trainings, and webinars regarding insurance fraud. Provide three webinars by the 2023 Fall National Meeting.
2. The **Antifraud Technology (D) Working Group** will:
  - A. Work with the NAIC to develop an Antifraud Plan Repository to be used by insurers to create and store an electronic fraud plan for distribution among the states/jurisdictions. Complete by the 2023 Fall National Meeting.
  - B. Evaluate sources of antifraud data and propose methods for enhancing the utilization and exchange of information among state insurance regulators, fraud investigative divisions, law enforcement officials, insurers, and antifraud organizations. Complete by the 2023 Fall National Meeting.

**ANTIFRAUD (D) TASK FORCE** *(Continued)*

3. The **Improper Marketing of Health Insurance (D) Working Group** will:
  - A. Coordinate with state insurance regulators, both on a state and federal level, to provide assistance and guidance monitoring the improper marketing of health plans and coordinate appropriate enforcement actions, as needed, with other NAIC committees, task forces, and working groups.
  - B. Review existing NAIC models and guidelines that address the use of lead generators for sales of health insurance products and identify models and guidelines that need to be updated or developed to address current marketplace activities.

NAIC Support Staff: Greg Welker/Lois E. Alexander

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Market Regulation and Consumer Affairs (D) Committee, Dec. 15, 2022*

*Adopted by the Market Information Systems (D) Task Force, Oct. 31, 2022*

## 2023 Charges

### MARKET INFORMATION SYSTEMS (D) TASK FORCE

The mission of the Market Information Systems (D) Task Force is to provide business expertise regarding the desired functionality of the NAIC Market Information Systems (MIS) and the prioritization of regulatory requests for the development and enhancement of the MIS.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Market Information Systems (D) Task Force** will:
  - A. Ensure that the MIS support the strategic direction set forth by the Market Regulation and Consumer Affairs (D) Committee.
  - B. Analyze the data in the MIS. In accordance with the first recommendation of the adopted *Review of Artificial Intelligence Techniques in Market Analysis*, recommend methods to ensure better data quality.
  - C. In conjunction with the Market Analysis Procedures (D) Working Group and in accordance with the second recommendation of the adopted *Review of Artificial Intelligence Techniques in Market Analysis*, assess currently available market analysis data to identify needed improvements in the effectiveness of the data for market analysis and the predictive abilities of the market scoring systems utilizing the data.
  - D. Provide guidance on the appropriate use of the MIS and the data entered in them.
    - i. Complaints Database System (CDS).
    - ii. Electronic Forums.
    - iii. Market Actions Tracking System (MATS).
    - iv. Market Analysis Profile.
    - v. Market Analysis Prioritization Tool (MAPT).
    - vi. Market Analysis Review System (MARS).
    - vii. Market Conduct Annual Statement (MCAS).
    - viii. Regulatory Information Retrieval System (RIRS).
    - ix. 1033 State Decision Repository (SDR1033) (in conjunction with the Antifraud (D) Task Force).
2. The **Market Information Systems Research and Development (D) Working Group** will:
  - A. Serve as the business partner to review and prioritize submitted Uniform System Enhancement Request (USER) forms to ensure an efficient use of available NAIC staffing and resources.
  - B. Assist the Task Force with tasks as assigned, such as:
    - i. Analyze MIS data.
    - ii. Provide state users with query access to MIS data.
    - iii. Provide guidance on the appropriate use of the MIS.

NAIC Support Staff: Randy Helder

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Market Regulation and Consumer Affairs (D) Committee, Dec. 15, 2022*

*Adopted by the Producer Licensing (D) Task Force, Oct. 28, 2022*

## 2023 Charges

### PRODUCER LICENSING (D) TASK FORCE

The mission of the Producer Licensing (D) Task Force is to: 1) develop and implement uniform standards, interpretations, and treatment of producer and adjuster licensees and licensing terminology; 2) monitor and respond to developments related to licensing reciprocity; 3) coordinate with industry and consumer groups regarding priorities for licensing reforms; and 4) provide direction based on NAIC membership initiatives to the National Insurance Producer Registry (NIPR) Board of Directors regarding the development and implementation of uniform producer licensing initiatives, with a primary emphasis on encouraging the use of electronic technology.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Producer Licensing (D) Task Force** will:

- A. Work closely with NIPR to encourage the full utilization of NIPR products and services by all the states and producers, and encourage accurate and timely reporting of state administrative actions to the NAIC's Regulatory Information Retrieval System (RIRS) to ensure that this data is properly reflected in the State Producer Licensing Database (SPLD) and the Producer Database (PDB).
- B. Facilitate roundtable discussions, as needed, with the state producer licensing directors for the exchange of views, opinions, and ideas on producer licensing activities in the states and at the NAIC.
- C. Discuss, as necessary, state perspectives regarding the regulation and benefit of the activities of the federal Affordable Care Act (ACA), established enrollment assisters (including navigators and non-navigator assisters and certified application counselors), and the activities of producers in assisting individuals and businesses purchasing in the health insurance marketplaces. Coordinate with the Health Insurance and Managed Care (B) Committee and the Antifraud (D) Task Force, as necessary.
- D. Monitor the activities of the National Association of Registered Agents and Brokers (NARAB) in the development and enforcement of the NARAB membership rules, including the criteria for successfully passing a background check.
- E. Coordinate through NAIC staff to provide guidance to NIPR on producer licensing-related electronic initiatives. Hear a report from NIPR at each national meeting.
- F. Coordinate with the Market Information Systems (D) Task Force and the Antifraud (D) Task Force to evaluate and make recommendations regarding the entry, retention, and use of data in the NAIC's Market Information Systems (MIS).
- G. Coordinate with the Special (EX) Committee on Race and Insurance on referrals affecting insurance producers.
- H. Discuss how criminal convictions may affect producer licensing applicants, and review the NAIC's *Guidelines for State Insurance Regulators to the Violent Crime Control and Law Enforcement Act of 1994* to create a more simplified and consistent approach in how states review 1033 waiver requests.

2. The **Adjuster Licensing (D) Working Group** will:

- A. Monitor state implementation of adjuster licensing and reciprocity; update, as necessary, the NAIC adjuster licensing standards.

**PRODUCER LICENSING (D) TASK FORCE** *(Continued)*

3. The **Producer Licensing Uniformity (D) Working Group** will:
  - A. Work closely with state producer licensing directors and exam vendors to ensure that: 1) the states achieve full compliance with the standards in order to achieve greater uniformity; and 2) the exams test the qualifications for an entry-level position as a producer.
  - B. Provide oversight and ongoing updates, as needed, to the *State Licensing Handbook*.
  - C. Monitor and assess the state implementation of the Uniform Licensing Standards (ULS), and update the standards, as needed.
  - D. Review and update, as needed, the NAIC's uniform producer licensing applications and uniform appointment form. Provide any recommended updates to the Producer Licensing (D) Task Force by the 2023 Summer National Meeting.
  
4. The **Uniform Education (D) Working Group** will:
  - A. Update, as needed, the reciprocity guidelines, the uniform application forms for continuing education (CE) providers, and the process for state review and approval of instructors and courses. Provide any recommended updates to the Producer Licensing (D) Task Force by the 2023 Fall National Meeting.
  - B. Coordinate with NAIC parent committees, task forces, and/or working groups to review and provide recommendations, as necessary, on prelicensing education and CE requirements that are included in NAIC model acts, regulations, and/or standards.

NAIC Support Staff: Tim Mullen/Greg Welker

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

## 2023 Charges

### FINANCIAL CONDITION (E) COMMITTEE

The mission of the Financial Condition (E) Committee is to be the central forum and coordinator of solvency-related considerations of the NAIC relating to accounting practices and procedures; blanks; valuation of securities; financial analysis and solvency; multistate examinations and examiner and analysis training; and issues concerning insurer insolvencies and insolvency guarantees. In addition, the Committee interacts with the technical task forces.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Financial Condition (E) Committee** will:
  - A. Monitor all of the changes to the annual/quarterly financial statement blanks and instructions, risk-based capital (RBC) formulas, *Financial Condition Examiners Handbook*, *Accounting Practices and Procedures Manual* (AP&P Manual), *Financial Analysis Handbook*, *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual), NAIC model laws, NAIC accreditation standards, and other NAIC publications.
  - B. Appoint and oversee the activities of the following: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Examination Oversight (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Risk Retention Group (E) Task Force; and Valuation of Securities (E) Task Force.
  - C. Oversee a process to address financial issues that may compromise the consistency and uniformity of the U.S. solvency framework, referring valuation and other issues to the appropriate committees as needed.
  - D. Use the Risk-Focused Surveillance (E) Working Group to address specific industry concerns regarding regulatory redundancy, and review any issues that industry subsequently escalates to the Committee.
2. The **Financial Analysis (E) Working Group** will:
  - A. Analyze nationally significant insurers and groups that exhibit characteristics of trending toward or being financially troubled; determine if appropriate action is being taken.
  - B. Interact with domiciliary regulators and lead states to assist and advise as to what might be the most appropriate regulatory strategies, methods, and action(s).
  - C. Support, encourage, promote, and coordinate multistate efforts in addressing solvency problems, including identifying adverse industry trends.
  - D. Increase information-sharing and coordination between state insurance regulators and federal authorities, including through representation of state insurance regulators in national bodies with responsibilities for system-wide oversight.
3. The **Group Capital Calculation (E) Working Group** will:
  - A. Continually review and monitor the effectiveness of the group capital calculation (GCC), and consider revisions, as necessary, to maintain the effectiveness of its objective under the U.S. solvency system.
  - B. Liaise, as necessary, with the International Insurance Relations (G) Committee on international group capital developments, and consider input from participation of U.S. state insurance regulators in the International Association of Insurance Supervisors (IAIS) monitoring process.

**FINANCIAL CONDITION (E) COMMITTEE** *(Continued)*

4. The **Group Solvency Issues (E) Working Group** will:
  - A. Continue to develop potential enhancements to the current regulatory solvency system as it relates to group solvency-related issues.
  - B. Critically review and provide input and drafting on IAIS material dealing with group supervision issues and identify best practices in group supervision emerging from the IAIS Supervisory Forum.
  - C. Continually review and monitor the effectiveness of the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450), and consider revisions, as necessary, to maintain effective oversight of insurance groups.
  
5. The **Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup** of the Group Solvency Issues (E) Working Group will:
  - A. Continue to provide and enhance an enterprise risk management (ERM) education program for state insurance regulators in support of the ORSA implementation.
  - B. Continually review and monitor the effectiveness of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505) and its corresponding *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual); consider revisions as necessary.
  
6. The **Mortgage Guaranty Insurance (E) Working Group** will:
  - A. Develop changes to the *Mortgage Guaranty Insurance Model Act* (#630) and other areas of the solvency regulation of mortgage guaranty insurers, including, but not limited to, revisions to *Statement of Statutory Accounting Principles (SSAP) No. 58—Mortgage Guaranty Insurance*, and develop an extensive mortgage guaranty supplemental filing. Finalize Model #630 by the 2023 Spring National Meeting.
  
7. The **Mutual Recognition of Jurisdictions (E) Working Group** will:
  - A. Oversee the process for evaluating jurisdictions, and maintain a listing of jurisdictions that meet the NAIC requirements for recognizing and accepting the NAIC GCC.
  - B. Maintain the *NAIC List of Qualified Jurisdictions* and the *NAIC List of Reciprocal Jurisdictions* in accordance with the *Process for Evaluating Qualified and Reciprocal Jurisdictions*.
  
8. The **NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group** will:
  - A. Continually review the *Annual Financial Reporting Model Regulation* (#205) and its corresponding implementation guide; revise as appropriate.
  - B. Address financial solvency issues by working with the AICPA and responding to AICPA exposure drafts.
  - C. Monitor the federal Sarbanes-Oxley (SOX) Act of 2002, as well as rules and regulations promulgated by the U.S. Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), and other financial services regulatory entities.
  - D. Review annually the premium threshold amount included in Section 16 of Model #205, with the general intent that those insurers subject to the Section 16 requirements would capture at least approximately 90% of industry premium and/or in response to any future regulatory or market developments.

**FINANCIAL CONDITION (E) COMMITTEE** *(Continued)*

9. The **National Treatment and Coordination (E) Working Group** will:
  - A. Increase utilization and implementation of the *Company Licensing Best Practices Handbook*.
  - B. Encourage synergies between corporate changes/amendments and rate and form filing review and approval to improve efficiency.
  - C. Continue to monitor the usage and make necessary enhancements to the Form A Database.
  - D. Maintain educational courses in the existing NAIC Insurance Regulator Professional Designation Program for company licensing regulators.
  - E. Make necessary enhancements to promote electronic submission of all company licensing applications.
  
10. The **Restructuring Mechanisms (E) Working Group** will:
  - A. Evaluate and prepare a white paper that:
    - i. Addresses the perceived need for restructuring statutes and the issues those statutes are designed to remedy. Also, consider alternatives that insurers are currently employing to achieve similar results.
    - ii. Summarizes the existing state restructuring statutes.
    - iii. Addresses the legal issues posed by an order of a court (or approval by an insurance department) in one state affecting the policyholders of other states.
    - iv. Considers the impact that a restructuring might have on guaranty associations and policyholders that had guaranty fund protection prior to the restructuring.
    - v. Identifies and addresses the legal issues associated with restructuring using a protected cell.
  - B. Consider requesting approval from the Executive (EX) Committee on developing changes to specific NAIC models as a result of findings from the development of the white paper.
  
11. The **Restructuring Mechanisms (E) Subgroup** of the Restructuring Mechanisms (E) Working Group will:
  - A. Develop best practices to be used in considering the approval of proposed restructuring transactions, including, among other things, the expected level of reserves and capital expected after the transfer, along with the adequacy of long-term liquidity needs. Also, develop best practices to be used in monitoring the companies after the transaction is completed. Once completed, recommend to the Financial Regulation Standards and Accreditation (F) Committee for its consideration.
  - B. Consider the need to make changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff.
  - C. Review the various restructuring mechanisms, and develop, if deemed needed, accounting and reporting requirements for referring to the Statutory Accounting Principles (E) Working Group.
  
12. The **Risk-Focused Surveillance (E) Working Group** will:
  - A. Continually review the effectiveness of risk-focused surveillance, and develop enhancements to processes as necessary.
  - B. Continually review regulatory redundancy issues identified by interested parties, and provide recommendations to other NAIC committee groups to address as needed.
  - C. Oversee and monitor the Peer Review Program to encourage consistent and effective risk-focused surveillance processes.
  - D. Continually maintain and update standardized job descriptions/requirements and salary range recommendations for common solvency monitoring positions to assist insurance departments in attracting and maintaining suitable staff.

**FINANCIAL CONDITION (E) COMMITTEE** *(Continued)*

13. The **Valuation Analysis (E) Working Group** will:

- A. Work with NAIC resources to assist in prioritizing and responding to issues and questions regarding principle-based reserves (PBR) and asset adequacy analysis, including actuarial guidelines or other requirements .
- B. Develop and implement a plan to coordinate PBR reviews/examinations, and provide a confidential forum to address questions and issues.
- C. Review, on a targeted basis, asset adequacy analysis filings for *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53), and coordinate with states as appropriate.
- D. Review, on a targeted basis, long-term care (LTC) reserve adequacy filings for *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51), and coordinate with states as appropriate.
- E. Refer questions/issues, as appropriate, to the Life Actuarial (A) Task Force that may require consideration of changes/interpretations to be provided in the *Valuation Manual* or related actuarial guidelines.
- F. Assist NAIC resources in the use of models and other analytical tools to support the review of PBR/asset adequacy analysis.
- G. Make referrals, as appropriate, to the Financial Analysis (E) Working Group.
- H. Perform other work to carry out the Valuation Analysis (E) Working Group procedures.

NAIC Support Staff: Dan Daveline/Julie Gann/Bruce Jenson

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

*Adopted by the Accounting Practices and Procedures (E) Task Force, Aug. 11, 2022*

## 2023 Charges

### ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

The mission of the Accounting Practices and Procedures (E) Task Force is to identify, investigate, and develop solutions to accounting problems with the ultimate goal of guiding insurers in properly accounting for various aspects of their operations; modify the *Accounting Practices and Procedures Manual* (AP&P Manual) to reflect changes necessitated by Task Force action; and study innovative insurer accounting practices that affect the ability of state insurance regulators to determine the true financial condition of insurers.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Accounting Practices and Procedures (E) Task Force** will:
  - A. Oversee the activities of the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group.
2. The **Blanks (E) Working Group** will:
  - A. Consider improvements and revisions to the various annual/quarterly statement blanks to:
    - i. Conform these blanks to changes made in other areas of the NAIC to promote uniformity in reporting of financial information by insurers.
    - ii. Develop reporting formats for other entities subject to the jurisdiction of state insurance departments.
    - iii. Conform the various NAIC blanks and instructions to adopted NAIC policy.
    - iv. Oversee the development of additional reporting formats within the existing annual financial statements as needs are identified.
  - B. Continue to monitor state filing checklists to maintain current filing requirements.
  - C. Continue to monitor and improve the quality of financial data filed by insurance companies by recommending improved or additional language for the *Annual Statement Instructions*.
  - D. Continue to monitor and review all proposals necessary for the implementation of statutory accounting guidance to ensure proper implementation of any action taken by the Accounting Practices and Procedures (E) Task Force affecting annual financial statements and/or instructions.
  - E. Continue to coordinate with other task forces of the NAIC to ensure proper implementation of reporting and instructions changes as proposed by these taskforces.
  - F. Coordinate with the applicable task forces and working groups as needed to avoid duplication of reporting within the annual and quarterly statement blanks.
  - G. Consider proposals presented that would address duplication in reporting, eliminate data elements, financial schedules and disclosures that are no longer needed, and coordinate with other NAIC task forces and working groups if applicable, to ensure revised reporting still meets the needs of regulators.
  - H. Review requests for investment schedule blanks and instructions changes in connection with the work being performed by the Capital Adequacy (E) Task Force and its working groups.
  - I. Review changes requested by the Valuation of Securities (E) Task Force relating to its work on other invested assets reporting for technical consistency within the investment reporting schedules and instructions.

**ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE** *(Continued)*

3. The **Statutory Accounting Principles (E) Working Group** will:
- A. Maintain codified statutory accounting principles by providing periodic updates to the guidance that address new statutory issues and new generally accepted accounting principles (GAAP) pronouncements. Provide authoritative responses to questions of application and clarifications for existing statutory accounting principles. Report all actions and provide updates to the Accounting Practices and Procedures (E) Task Force.
  - B. At the discretion of the Working Group chair, develop comments on exposed GAAP and International Financial Reporting Standards (IFRS) pronouncements affecting financial accounting and reporting. Any comments are subject to review and approval by the chairs of the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee.
  - C. Coordinate with the Life Actuarial (A) Task Force on changes to the AP&P Manual related to the *Valuation Manual VM-A, Requirements, and VM-C, Actuarial Guidelines*, as well as other *Valuation Manual* requirements. This process will include the receipt of periodic reports on changes to the *Valuation Manual* on items that require coordination.
  - D. Obtain, analyze, and review information on permitted practices, prescribed practices, or other accounting treatments suggesting that issues or trends occurring within the industry may compromise the consistency and uniformity of statutory accounting, including, but not limited to, activities conducted by insurers for which there is currently no statutory accounting guidance or where the states have prescribed statutory accounting that differs from the guidance issued by the NAIC. Use this information to consider possible changes to statutory accounting.

NAIC Support Staff: Robin Marcotte

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

*Adopted by the Capital Adequacy (E) Task Force, Sept. 21, 2022*

## 2023 Charges

### CAPITAL ADEQUACY (E) TASK FORCE

The mission of the Capital Adequacy (E) Task Force is to evaluate and recommend appropriate refinements to capital requirements for all types of insurers.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Capital Adequacy (E) Task Force** will:
  - A. Evaluate emerging “risk” issues for referral to the risk-based capital (RBC) working groups/subgroups for certain issues involving more than one RBC formula. Monitor emerging and existing risks relative to their consistent or divergent treatment in the three RBC formulas.
  - B. Review and evaluate company submissions for the schedule and corresponding adjustment to total adjusted capital (TAC).
  - C. Evaluate relevant historical data, and apply defined statistical safety levels over appropriate time horizons in developing recommendations for revisions to the current asset risk structure and factors in each of the RBC formulas.
2. The **Health Risk-Based Capital (E) Working Group, Life Risk-Based Capital (E) Working Group, and Property and Casualty Risk-Based Capital (E) Working Group** will:
  - A. Evaluate refinements to the existing NAIC RBC formulas implemented in the prior year. Forward the final version of the structure of the current year life and fraternal, property/casualty (P/C), and health RBC formulas to the Financial Condition (E) Committee by June.
  - B. Consider improvements and revisions to the various RBC blanks to: 1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity; and 2) oversee the development of additional reporting formats within the existing RBC blanks as needs are identified. Any proposal that affects the RBC structure must be adopted no later than April 30 of the reporting year, and any proposal that affects the RBC factors and/or instructions must be adopted no later than June 30 of the reporting year. Adopted changes will be forwarded to the Financial Condition (E) Committee by the next scheduled meeting. Any adoptions made to the annual financial statement blanks or statutory accounting principles that affect an RBC change adopted by June 30 and result in an amended change may be considered by and adopted by July 30, where the Capital Adequacy (E) Task Force votes to pursue by super-majority (two-thirds) consent of members.
  - C. Monitor changes in accounting and reporting requirements resulting from the adoption and continuing maintenance of the revised *Accounting Practices and Procedures Manual (AP&P Manual)* to ensure that model laws, publications, formulas, analysis tools, etc., supported by the Task Force continue to meet regulatory objectives.
  - D. Review the effectiveness of the NAIC’s RBC policies and procedures as they affect the accuracy, audit ability, timeliness of reporting access to RBC results, and comparability between the RBC formulas. Report on data quality problems in the prior year RBC filings at the summer and fall national meetings.

**CAPITAL ADEQUACY (E) TASK FORCE (*continued*)**

3. The **Longevity Risk (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
  - A. Provide recommendations for the appropriate treatment of longevity risk transfers by the new longevity factors.
  
4. The **Variable Annuities Capital and Reserve (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
  - A. Monitor the impact of the changes to the variable annuities reserve framework and RBC calculation, and determine if additional revisions need to be made.
  - B. Develop and recommend appropriate changes, including those to improve accuracy and clarity of variable annuity (VA) capital and reserve requirements.
  
5. The **Catastrophe Risk (E) Subgroup** of the Property and Casualty Risk-Based Capital (E) Working Group will:
  - A. Recalculate the premium risk factors on an ex-catastrophe basis, if needed.
  - B. Continue to update the U.S. and non-U.S. catastrophe event list.
  - C. Continue to evaluate the need for exemption criteria for insurers with minimal risk.
  - D. Evaluate the RBC results inclusive of a catastrophe risk charge.
  - E. Refine instructions for the catastrophe risk charge.
  - F. Continue to evaluate any necessary refinements to the catastrophe risk formula.
  - G. Evaluate other catastrophe risks for possible inclusion in the charge.
  
6. The **Risk-Based Capital Investment Risk and Evaluation (E) Working Group** will:
  - A. Perform a comprehensive review of the RBC investment framework for all business types, which could include:
    1. Identifying and acknowledging uses that extend beyond the purpose of the *Risk-Based Capital (RBC) for Insurers Model Act* (#312).
    2. Assessing the impact and effectiveness of potential changes in contributing to the identification of weakly capitalized companies; i.e., those companies at action level.
    3. Documenting the modifications made over time to the formulas, including, but not limited to, an analysis of the costs in study and development, implementation (internal and external), assimilation, verification, analysis, and review of the desired change to the RBC formulas and facilitating the appropriate allocation of resources.

NAIC Support Staff: Eva Yeung

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*  
*Adopted by the Examination Oversight (E) Task Force, Sept. 28, 2022*

## 2023 Charges

### EXAMINATION OVERSIGHT (E) TASK FORCE

The mission of the Examination Oversight (E) Task Force is to monitor, develop, and implement tools for the risk-focused surveillance process. For financial examinations and analysis, this includes maintenance of the *Financial Condition Examiners Handbook* and the *Financial Analysis Handbook* to provide guidance to examiners and analysts using a risk-focused approach to solvency regulation and to encourage effective communication and coordination between examiners, analysts, and other regulators. In addition, the mission of the Task Force is to: monitor and refine regulatory tools of the risk-focused surveillance process, including Financial Analysis Solvency Tools (FAST) such as company profiles and the FAST ratio scoring system; oversee financial examiner and analyst use of electronic software tools; monitor the progress of coordination efforts among the states in conducting examinations and the sharing of information necessary to solvency monitoring; establish procedures for the flow of information between the states about troubled companies; maintain an effective approach to the review of information technology (IT) general controls; and monitor the timeliness of financial examinations.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Examination Oversight (E) Task Force** will:
  - A. Accomplish its mission using the following groups:
    - i. Electronic Workpaper (E) Working Group.
    - ii. Financial Analysis Solvency Tools (E) Working Group.
    - iii. Financial Examiners Coordination (E) Working Group.
    - iv. Financial Examiners Handbook (E) Technical Group.
    - v. Information Technology (IT) Examination (E) Working Group.
2. The **Electronic Workpaper (E) Working Group** will:
  - A. Monitor and support the state insurance departments in using electronic workpaper software tools to conduct and document solvency monitoring activities.
  - B. Provide ongoing oversight to the transition of electronic workpaper work to the TeamMate+ application.
  - C. Monitor state insurance regulator use of TeamMate+ to proactively identify best practices and improvements to the application, as necessary.
3. The **Financial Analysis Solvency Tools (E) Working Group** will:
  - A. Provide ongoing maintenance and enhancements to the *Financial Analysis Handbook* and related applications for changes to the NAIC annual/quarterly financial statement blanks, as well as enhancements developed to assist in the risk-focused analysis and monitoring of the financial condition of insurance companies and groups. Monitor the coordination of analysis activities of holding company groups, and coordinate and analyze input received from other state regulators.
  - B. Provide ongoing development maintenance and enhancements to the automated financial solvency tools developed to assist in conducting risk-focused analysis and monitoring the financial condition of insurance companies and groups. Prioritize and perform analysis to ensure that the tools remain reliable and accurate.

**EXAMINATION OVERSIGHT (E) TASK FORCE (Continued)**

- C. Coordinate with the Financial Examiners Handbook (E) Technical Group and the Risk-Focused Surveillance (E) Working Group, as appropriate, to develop and maintain guidance in order to provide effective solvency monitoring.
  - D. Adjust the *Financial Analysis Handbook* and current financial analysis solvency tools for life insurance companies based on any recommendations as requested from the Life Actuarial (A) Task Force to incorporate principle-based reserving (PBR) changes.
4. The **Financial Examiners Coordination (E) Working Group** will:
- A. Develop enhancements that encourage the coordination of examination activities regarding holding company groups.
  - B. Promote coordination by assisting and advising domiciliary regulators and exam coordinating states as to what might be the most appropriate regulatory strategies, methods, and actions regarding financial examinations of holding company groups.
  - C. Facilitate communication among regulators regarding common practices and issues arising from coordinating examination efforts.
  - D. Provide ongoing maintenance and enhancements to the Financial Examination Electronic Tracking System (FEETS).
5. The **Financial Examiners Handbook (E) Technical Group** will:
- A. Continually review the *Financial Condition Examiners Handbook* and revise, as appropriate.
  - B. Coordinate with the Risk-Focused Surveillance (E) Working Group to monitor the implementation of the risk- assessment process by developing additional guidance and exhibits within the *Financial Condition Examiners Handbook*, including consideration of potential redundancies affected by the examination process, corporate governance, and other guidance as needed to assist examiners in completing financial condition examinations.
  - C. Coordinate with the Financial Analysis Solvency Tools (E) Working Group and the Risk-Focused Surveillance (E) Working Group, as appropriate, to develop and maintain guidance in order to provide effective solvency monitoring.
  - D. Coordinate with the IT Examination (E) Working Group and the Financial Examiners Coordination (E) Working Group to maintain specialized areas of guidance within the *Financial Condition Examiners Handbook* related to the charges of these specific working groups.
  - E. Adjust the *Financial Condition Examiners Handbook* based upon any recommendations as requested from the Life Actuarial (A) Task Force to incorporate PBR changes.
6. The **Information Technology (IT) Examination (E) Working Group** will:
- A. Continually review and revise, as needed, the “General Information Technology Review” and “Exhibit C — Evaluation of Controls in Information Systems” sections of the *Financial Condition Examiners Handbook*.
  - B. Coordinate with the Cybersecurity (H) Working Group to monitor cybersecurity trends, including emerging and/or ongoing vulnerabilities, and develop guidance within the *Financial Condition Examiners Handbook* or other tools, if deemed necessary, to support IT examiners.

NAIC Support Staff: Bailey Henning

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

*Adopted by the Financial Stability (E) Task Force, Oct. 28, 2022*

## 2023 Charges

### FINANCIAL STABILITY (E) TASK FORCE

The mission of the Financial Stability (E) 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 (E) Task Force** will:
  - A. Manage the macroprudential supervisory component of the NAIC financial solvency framework.
    - i. Monitor the U.S. insurance industry's macroprudential risk levels.
    - ii. Maintain macroprudential regulatory tools.
    - iii. Identify data gaps and enhanced disclosure needs for the statutory financial statement and/or other reporting mechanisms.
    - iv. Propose enhancements and/or additional supervisory measures to the Financial Condition (E) Committee or other relevant committees, and consult with such committees on implementation.
  - B. Monitor U.S. macroprudential policy issues, and respond as appropriate.
    - i. Support and work with the state insurance regulator representative to the Financial Stability Oversight Council (FSOC) to address confidential FSOC or other federal agency macroprudential work.
    - ii. Participate in public FSOC or other federal agency macroprudential work.
  - C. Monitor international macroprudential policy issues, and participate/respond as appropriate.
    - i. Coordinate with the International Insurance Relations (G) Committee to address International Association of Insurance Supervisors (IAIS) or other international macroprudential work.
2. The **Macroprudential (E) Working Group** will:
  - A. Oversee the implementation and maintenance of the Liquidity Stress Testing Framework (LST Framework).
  - B. Monitor domestic and global activities including those frequently associated with private equity (PE) ownership that may affect the U.S. insurance industry.
  - C. Execute the original Macroprudential Initiative (MPI) projects related to counterparty disclosures and capital stress testing.
  - D. Continue to develop and administer data collection tools as needed, leveraging existing data where feasible, to provide the Financial Stability (E) Task Force with meaningful macroprudential information regarding how the insurance sector is navigating the prevailing market conditions.
  - E. Oversee the development, implementation, and maintenance process for a new Macroprudential Risk Assessment system (i.e., policies, procedures, and tools) to enhance regulators' ability to monitor industry trends from a macroprudential perspective.
  - F. Oversee the documentation of the NAIC's macroprudential policies, procedures, and tools.
  - G. Provide the Task Force with updates to IAIS and other international initiatives as needed.

NAIC Support Staff: Tim Nauheimer/Todd Sells

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

*Adopted by the Receivership and Insolvency (E) Task Force, Aug. 11, 2022*

## 2023 Charges

### RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE

The mission of the Receivership and Insolvency (E) Task Force is to be administrative and substantive as it relates to issues concerning insurer insolvencies and insolvency guarantees. Such duties include, without limitation: 1) monitoring the effectiveness and performance of state administration of receiverships and the state guaranty fund system; 2) coordinating cooperation and communication among regulators, receivers, and guaranty funds; 3) monitoring ongoing receiverships and reporting on such receiverships to NAIC members; 4) developing and providing educational and training programs in the area of insurer insolvencies and insolvency guarantees to regulators, professionals, and consumers; 5) developing and monitoring relevant model laws, guidelines, and products; and 6) providing resources for regulators and professionals to promote efficient operations of receiverships and guaranty funds.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Receivership and Insolvency (E) Task Force** will:
  - A. Monitor and promote efficient operations of insurance receiverships and guaranty associations.
  - B. Monitor and promote state adoption of insurance receivership and guaranty association model acts and regulations, and monitor other legislation related to insurance receiverships and guaranty associations.
  - C. Provide input and comments to the International Association of Insurance Supervisors (IAIS), the Financial Stability Board (FSB), or other related groups on issues regarding international resolution authority.
  - D. Monitor, review, and provide input on federal rulemaking and studies related to insurance receiverships.
  - E. Provide ongoing review of the *Receiver's Handbook for Insurance Company Insolvencies* (Receiver's Handbook), other related NAIC publications, and the Global Receivership Information Database (GRID), and make any necessary updates.
  - F. Monitor the work of other NAIC committees, task forces, and working groups to identify and address any issues that affect receivership law and/or regulatory guidance.
  - G. Perform additional work as directed by the Financial Condition (E) Committee and/or received through referral by other groups.
  
2. The **Receivership Financial Analysis (E) Working Group** will:
  - A. Monitor receiverships involving nationally significant insurers/groups to support, encourage, promote, and coordinate multistate efforts in addressing problems.
  - B. Interact with the Financial Analysis (E) Working Group, domiciliary regulators, and lead states to assist and advise as to what might be the most appropriate regulatory strategies, methods, and/or action(s) regarding potential or pending receiverships.
  
3. The **Receivership Law (E) Working Group** will:
  - A. Review and provide recommendations on any issues identified that may affect states' receivership and guaranty association laws (e.g., any issues that arise as a result of market conditions; insurer insolvencies; federal rulemaking and studies; international resolution initiatives; or as a result of the work performed by or referred from other NAIC committees, task forces, and/or working groups).
  - B. Discuss significant cases that may affect the administration of receiverships.

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE *(Continued)*

4. The **Receiver's Handbook (E) Subgroup** will:
  - A. Complete the review the Receiver's Handbook to identify areas where information is outdated, updates are required, or additional guidance is needed. Based on this review, draft and propose recommended edits to the Receiver's Handbook. Complete by the 2023 Fall National Meeting.

NAIC Support Staff: Jane Koenigsman

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*  
*Adopted by the Reinsurance (E) Task Force, July 25, 2022*

## 2023 Charges

### REINSURANCE (E) TASK FORCE

The mission of the Reinsurance (E) Task Force is to monitor and coordinate activities and areas of interest that overlap to some extent the charges of other NAIC groups—specifically, the International Insurance Relations (G) Committee.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Reinsurance (E) Task Force** will:
  - A. Provide a forum for the consideration of reinsurance-related issues of public policy.
  - B. Oversee the activities of the Reinsurance Financial Analysis (E) Working Group.
  - C. Monitor the implementation of the 2011, 2016, and 2019 revisions to the *Credit for Reinsurance Model Law* (#785); and the 2011 and 2019 revisions to the *Credit for Reinsurance Model Regulation* (#786) and the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787).
  - D. Communicate and coordinate with the Federal Insurance Office (FIO), other federal authorities, and international regulators and authorities on matters pertaining to reinsurance.
  - E. Consider any other issues related to the revised Model #785, Model #786, and Model #787.
  - F. Monitor the development of international principles, standards, and guidance with respect to reinsurance. This includes, but is not limited to, monitoring the activities of various groups within the International Association of Insurance Supervisors (IAIS), including the Reinsurance and Other Forms of Risk Transfer Subcommittee, the Reinsurance Mutual Recognition Subgroup, and the Reinsurance Transparency Group.
  - G. Consider the impact of reinsurance-related federal legislation, including, but not limited to, the federal Nonadmitted and Reinsurance Reform Act (NRA) and the Federal Insurance Office Act, and coordinate any appropriate NAIC action.
  - H. Continue to monitor the impact of reinsurance-related international agreements, including the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (EU Covered Agreement) and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement).
2. The **Reinsurance Financial Analysis (E) Working Group** will:
  - A. Operate in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, and operate in open session when discussing certified reinsurance topics and policy issues, such as amendments to the Uniform Application for Certified Reinsurers.
  - B. Provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.
  - C. Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities, or individuals.
  - D. Support, encourage, promote, and coordinate multistate efforts in addressing issues related to certified reinsurers, including, but not limited to, multistate recognition of certified reinsurers.

**REINSURANCE (E) TASK FORCE** *(Continued)*

- E. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
- F. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
- G. Ensure the public passporting website remains current.
- H. For reinsurers domiciled in reciprocal jurisdictions, determine the best and most effective approaches for the financial solvency surveillance to assist the states in their work to protect the interests of policyholders.

NAIC Support Staff: Jake Stultz/Dan Schelp

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

*Adopted by the Risk Retention Group (E) Task Force, Oct. 5, 2022*

## **2023 Charges**

### **RISK RETENTION GROUP (E) TASK FORCE**

The mission of the Risk Retention Group (E) Task Force is to stay apprised of the work of other NAIC groups as it relates to financial solvency regulation and the NAIC Financial Regulation Standards and Accreditation Program. The Task Force may make referrals to the Financial Regulation Standards and Accreditation (F) Committee and/or other NAIC groups, as deemed appropriate.

#### **Ongoing Support of NAIC Programs, Products, or Services**

1. The **Risk Retention Group (E) Task Force** will:
  - A. Monitor and evaluate the work of other NAIC committees, task forces, and working groups related to risk retention groups (RRGs). Specifically, if any of these actions affect the NAIC Financial Regulation and Accreditation Standards Program, assess whether and/or how the changes should apply to RRGs and their affiliates.
  - B. Monitor and analyze federal actions, including any U.S. Government Accountability Office (GAO) reports. Consider any action necessary as a result of federal activity.
  - C. Monitor the impacts of recent tools and resources made available to domiciliary and non-domiciliary state insurance regulators pertaining to RRGs. Consider whether additional action is necessary, including educational opportunities, updating resources, and further clarifications.

NAIC Support Staff: Becky Meyer/Sara Franson

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*

*Adopted by the Valuation of Securities (E) Task Force, Oct. 19, 2022*

## 2023 Charges

### VALUATION OF SECURITIES (E) TASK FORCE

The mission of the Valuation of Securities (E) Task Force is to provide regulatory leadership and expertise to establish and maintain all aspects of the NAIC's credit assessment process for insurer-owned securities, as well as produce insightful and actionable research and analysis regarding insurer investments.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Valuation of Securities (E) Task Force** will:
  - A. Review and monitor the operations of the NAIC Securities Valuation Office (SVO) and the NAIC Structured Securities Group (SSG) to ensure they continue to reflect regulatory objectives.
  - B. Maintain and revise the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to provide solutions to investment-related regulatory issues for existing or anticipated investments.
  - C. Monitor changes in accounting and reporting requirements resulting from the continuing maintenance of the *Accounting Practices and Procedures Manual* (AP&P Manual), as well as financial statement blanks and instructions, to ensure that the P&P Manual continues to reflect regulatory needs and objectives.
  - D. Consider whether improvements should be suggested to the measurement, reporting, and evaluation of invested assets by the NAIC as the result of: 1) newly identified types of invested assets; 2) newly identified investment risks within existing invested asset types; or 3) elevated concerns regarding previously identified investment risks.
  - E. Identify potential improvements to the credit filing process, including formats and electronic system enhancements.
  - F. Provide effective direction to the NAIC's mortgage-backed securities modeling firms and consultants.
  - G. Coordinate with other NAIC working groups and task forces—including, but not limited to, the Capital Adequacy (E) Task Force, the Statutory Accounting Principles (E) Working Group, the Blanks (E) Working Group, and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group—to formulate recommendations and to make referrals to such other NAIC regulator groups to ensure expertise relative to investments, or the purpose and objective of guidance in the P&P Manual, is reflective in the guidance of such other groups and that the expertise of such other NAIC regulatory groups and the objectives of their guidance is reflected in the P&P Manual.
  - H. Identify potential improvements to the filing exempt (FE) process (the use of credit rating provider [CRP] ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives.
  - I. Implement policies to oversee the NAIC's staff administration of rating agency ratings used in NAIC processes, including staff's discretion over the applicability of their use in their administration of FE.
  - J. Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives.
  - K. Implement additional and alternative ways to measure and report investment risk.

NAIC Support Staff: Charles A. Therriault

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Adopted by the Financial Condition (E) Committee, Nov. 15, 2022*  
*Adopted by the Valuation of Securities (E) Task Force, Oct. 19, 2022*

## 2023 Charges

### VALUATION OF SECURITIES (E) TASK FORCE

The mission of the Valuation of Securities (E) Task Force is to provide regulatory leadership and expertise to establish and maintain all aspects of the NAIC's credit assessment process for insurer-owned securities, as well as produce insightful and actionable research and analysis regarding insurer investments.

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1. The **Valuation of Securities (E) Task Force** will:
  - A. Review and monitor the operations of the NAIC Securities Valuation Office (SVO) and the NAIC Structured Securities Group (SSG) to ensure they continue to reflect regulatory objectives.
  - B. Maintain and revise the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to provide solutions to investment-related regulatory issues for existing or anticipated investments.
  - C. Monitor changes in accounting and reporting requirements resulting from the continuing maintenance of the *Accounting Practices and Procedures Manual* (AP&P Manual), as well as financial statement blanks and instructions, to ensure that the P&P Manual continues to reflect regulatory needs and objectives.
  - D. Consider whether improvements should be suggested to the measurement, reporting, and evaluation of invested assets by the NAIC as the result of: 1) newly identified types of invested assets; 2) newly identified investment risks within existing invested asset types; or 3) elevated concerns regarding previously identified investment risks.
  - E. Identify potential improvements to the credit filing process, including formats and electronic system enhancements.
  - F. Provide effective direction to the NAIC's mortgage-backed securities modeling firms and consultants.
  - G. Coordinate with other NAIC working groups and task forces—including, but not limited to, the Capital Adequacy (E) Task Force, the Statutory Accounting Principles (E) Working Group, the Blanks (E) Working Group, and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group—to formulate recommendations and to make referrals to such other NAIC regulator groups to ensure expertise relative to investments, or the purpose and objective of guidance in the P&P Manual, is reflective in the guidance of such other groups and that the expertise of such other NAIC regulatory groups and the objectives of their guidance is reflected in the P&P Manual.
  - H. Identify potential improvements to the filing exempt (FE) process (the use of credit rating provider [CRP] ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives.
  - I. Implement policies to oversee the NAIC's staff administration of rating agency ratings used in NAIC processes, including staff's discretion over the applicability of their use in their administration of FE.
  - J. Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives.
  - K. Implement additional and alternative ways to measure and report investment risk.

NAIC Support Staff: Charles A. Therriault

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Financial Regulation Standards and Accreditation (F) Committee, Dec. 13, 2022*

## 2023 Charges

### FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

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, and 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.

NAIC Support Staff: Becky Meyer/Sara Franson

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the International Insurance Relations (G) Committee, Dec. 13, 2022*

## 2023 Charges

### INTERNATIONAL INSURANCE RELATIONS (G) COMMITTEE

The mission of the International Insurance Relations (G) Committee is to: 1) coordinate NAIC participation in international discussions on and the development of insurance regulatory and supervisory standards; 2) promote international cooperation; 3) coordinate on international insurance matters with the U.S. federal government, including the U.S. Department of the Treasury (Treasury Department), the Federal Reserve Board (FRB), the Office of the U.S. Trade Representative (USTR), the U.S. Department of Commerce (DOC), and other federal agencies; and 4) provide an open forum for NAIC communication with U.S. interested parties, stakeholders, and among its members on international insurance matters.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **International Insurance Relations (G) Committee** will:
  - A. Monitor and assess activities at international organizations, such as the International Association of Insurance Supervisors (IAIS), the Financial Stability Board (FSB), and the Organisation for Economic Co-operation and Development (OECD), that affect U.S. insurance regulation, U.S. insurance consumers, and the U.S. insurance industry.
  - B. Support and facilitate the participation of state insurance regulators and the NAIC in relevant workstreams of international organizations.
  - C. Develop NAIC policy on international activities and issues, coordinating, as necessary, with other NAIC committees, task forces, and working groups and communicating key international developments to those NAIC groups.
  - D. Coordinate and facilitate state efforts to participate in key bilateral and multilateral dialogues, projects, conferences, and training opportunities with international regulators and international organizations, both directly and in coordination with the federal government, as appropriate.
  - E. Strengthen foreign regulatory systems and relationships by interacting with international regulators and sharing U.S. supervisory best practices, including conducting an International Fellows Program and educational (technical assistance) seminars to provide an understanding of the U.S. state-based system of insurance regulation.
  - F. Coordinate the NAIC's participation in the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP).
  - G. Coordinate state efforts to assist in achieving U.S. international trade objectives through reviewing relevant materials, developing input, and providing assistance and expertise on insurance matters to the USTR and/or other federal entities.

NAIC Support Staff: Ryan Workman/Nikhail Nigam

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*

*Adopted by the Innovation, Cybersecurity, and Technology (H) Committee, Dec. 13, 2022*

## 2023 Charges

### INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

The mission of the Innovation, Cybersecurity, and Technology (H) Committee is to: 1) provide a forum for state insurance regulators to learn and have discussions regarding: cybersecurity, innovation, data security and privacy protections, and emerging technology issues; 2) monitor developments in these areas that affect the state insurance regulatory framework; 3) maintain an understanding of evolving practices and use of innovation technologies by insurers and producers in respective lines of business; 4) coordinate NAIC efforts regarding innovation, cybersecurity and privacy, and technology across other committees; and 5) make recommendations and develop regulatory, statutory, or guidance updates, as appropriate.

#### Ongoing Support of NAIC Programs, Products, or Services

1. The **Innovation, Cybersecurity, and Technology (H) Committee** will:
  - A. Provide forums, resources, and materials for the discussion of insurance sector developments in cybersecurity and data privacy to educate state insurance regulators on how these developments affect consumer protection, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.
  - B. Discuss emerging issues related to cybersecurity, including cybersecurity event reporting and consumer data privacy protections. Monitor and advise on the cybersecurity insurance market, including rating, underwriting, claims, product development, and loss control. Report on the cyber insurance market, including data reported within the Cybersecurity Insurance and Identity Theft Coverage Supplement.
  - C. Coordinate with various subject matter expert (SME) groups on insurer and producer internal cybersecurity. Discuss emerging developments; best practices for risk management, internal control, and governance; and how state insurance regulators can best address industry cyber risks and challenges. Work with the Center for Insurance Policy and Research (CIPR) to analyze cybersecurity-related information from various data sources.
  - D. 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, producers, and state insurance regulators, as well as new products, services, and distribution platforms. Educate state insurance regulators on how these developments affect consumer protection, data privacy, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.
  - E. Discuss emerging technologies and innovations related to insurance and insurers, producers, state insurance regulators, licensees, or vendors, as well as the potential implications of these technologies for the state-based insurance regulatory structure—including reviewing new products and technologies affecting the insurance sector and their associated regulatory implications.
  - F. Consider and coordinate the development of regulatory guidance and examination standards related to innovation, cybersecurity, data privacy, the use of big data and artificial intelligence (AI) including machine learning (ML) in the business of insurance, and technology, including drafting and revising model laws, white papers, and other recommendations as appropriate. Consider best practices related to cybersecurity event tracking and coordination among state insurance regulators, and produce guidance related to regulatory response to cybersecurity events to promote consistent response efforts across state insurance departments.

**INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE** *(Continued)*

- G. Track the implementation of and issues related to all model laws pertaining to innovation, technology, data privacy, and cybersecurity, including the *Insurance Data Security Model Law* (#668), the *NAIC Insurance Information and Privacy Protection Model Act* (#670), the *Privacy of Consumer Financial and Health Information Regulation* (#672), and the *Unfair Trade Practices Act* (#880) rebating language and providing assistance to state insurance regulators as needed.
  - H. Coordinate with other NAIC committees and task forces, as appropriate, and evaluate and recommend certifications, continuing education (CE), and training for regulatory staff related to technology, innovation, cybersecurity, and data privacy.
  - I. Follow the work of federal, state, and international governmental bodies to avoid conflicting standards and practices.
2. The **Big Data and Artificial Intelligence (H) Working Group** will:
- A. Research the use of big data and AI including ML in the business of insurance, and evaluate existing regulatory frameworks for overseeing and monitoring their use. Present findings and recommendations to the Innovation, Cybersecurity, and Technology (H) Committee including potential recommendations for development of model governance for the use of big data and AI including ML for the insurance industry.
  - B. Review current audit and certification programs and/or frameworks that could be used to oversee insurers' use of consumer and non-insurance data and models using intelligent algorithms including AI and in alignment with the NAIC AI Principles. If appropriate, issue recommendations and coordinate with the appropriate SME committees on the development of or modifications to model laws, regulations, handbooks, and regulatory guidance regarding data analysis, marketing, rating, underwriting and claims, regulation of data and model vendors, regulatory reporting requirements, and consumer disclosure requirements.
  - C. Assess data and regulatory tools needed for state insurance regulators to appropriately monitor the marketplace, and evaluate the use of big data, algorithms, and ML, including AI/ML in underwriting, rating, claims, and marketing practices This assessment shall include a review of currently available data and tools, as well as recommendations for development of additional data and tools, as appropriate. Based on this assessment, propose a means to include these tools in existing and/or new regulatory oversight and monitoring processes to promote consistent oversight and monitoring efforts across state insurance departments.
3. The **Cybersecurity (H) Working Group** will:
- A. Monitor cybersecurity trends such as vulnerabilities, risk management, governance practices, and breaches with the potential to affect the insurance industry.
  - B. Interact with and support state insurance departments responding to insurance industry cybersecurity events.
  - C. Promote communication across state insurance departments regarding cybersecurity risks and events.
  - D. Oversee the development of a regulatory cybersecurity response guidance document to assist state insurance regulators in the investigation of insurance cyber events.
  - E. Monitor federal and international activities on cybersecurity engaging on efforts to manage and evaluate cybersecurity risk.

**INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE** *(Continued)*

4. The **E-Commerce (H) Working Group** will:
  - A. Examine e-commerce laws and regulations and work toward meaningful, unified recommendations. The Working Group will also examine whether a model bulletin would be appropriate for addressing some of the identified issues and draft a proposed bulletin if determined appropriate.
  - B. Coordinate NAIC committee cybersecurity work, including cybersecurity guidance developed by the Market Conduct Examination Guidelines (D) Working Group and the Information Technology (IT) Examination (E) Working Group.
  - C. Advise on the development of cybersecurity training for state insurance regulators.
  - D. Work with the CIPR to receive updates on cybersecurity research efforts, by the CIPR and others, and to analyze publicly available cybersecurity-related information.
  - E. Support the states with implementation efforts related to the adoption of Model #668.
  
5. The **Innovation in Technology and Regulation (H) Working Group** will:
  - A. Develop forums, resources, and materials for discussing innovation and technology regarding companies, producers, state insurance regulators, and licensees relevant to the state-based insurance regulatory structure, including new products, services, business models, and distribution mechanisms.
  - B. In conjunction with NAIC staff, explore developing a forum that provides insurers or third parties working with insurers the opportunity to confidentially brief state insurance regulators regarding innovation and technology applications, tests, use cases, and results.
  - C. Identify and discuss regulatory models or programs that may assist state insurance regulators to identify and better understand innovation taking place within the insurance industry.
  - D. Monitor innovation work occurring in other NAIC letter committees, task forces, and working groups, and identify areas of possible coordination for the Innovation, Cybersecurity, and Technology (H) Committee.
  
6. The **Privacy Protections (H) Working Group** will:
  - A. Use state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions to draft a new Privacy Protections Model Act to replace NAIC models, such as Model #670 and Model #672.
  - B. Develop a research paper on state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions that states can use to support their implementation efforts related to the adoption of the new *Privacy Protections Model Act* (#674).

NAIC Support Staff: Scott Morris

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Reaffirmed by the NAIC/Consumer Liaison Committee, Oct. 21, 2022*

**2023 Reaffirmed Mission Statement**

**NAIC/CONSUMER LIAISON COMMITTEE**

The mission of the NAIC/Consumer Liaison Committee is to assist the NAIC in its mission to support state insurance regulation by providing consumer views on insurance regulatory issues. The Liaison Committee provides a forum for ongoing dialogue between NAIC members and NAIC consumer representatives. The Liaison Committee's activities in 2022 will be closely aligned with the priorities of the NAIC Consumer Board of Trustees.

NAIC Support Staff: Lois E. Alexander

*Adopted by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Reaffirmed by the NAIC/Consumer Liaison Committee, Oct. 21, 2022*

### **2023 Reaffirmed Mission Statement**

#### **NAIC/AMERICAN INDIAN AND ALASKA NATIVE LIAISON COMMITTEE**

The mission of the NAIC/American Indian and Alaska Native Liaison Committee is to provide a forum for ongoing dialogue between NAIC Members and the American Indian and Alaska Native communities concerning insurance issues of common interest. Specifically, the Liaison Committee will provide a forum for an exchange of information and views on issues surrounding the availability of insurance for American Indian and Alaska Native consumers and tribal interests, an opportunity for American Indian and Alaska Native groups to bring insurance consumer protection issues to the attention of NAIC Members, and a dialogue on best practices for dealing with insurance issues unique to sovereign tribal nations.

NAIC Support Staff: Lois E. Alexander

*Reaffirmed by the Executive (EX) Committee and Plenary, Dec. 16, 2022*  
*Reaffirmed by the Executive (EX) Committee, Dec. 14, 2022*  
*Reaffirmed by the Internal Administration (EX1) Subcommittee, Aug. 10, 2022*  
*Reaffirmed by the Audit Committee, Aug. 3, 2022*

## 2023 Committee Charter

### AUDIT COMMITTEE

1. The **Audit Committee** will:
  - A. Provide continuous audit oversight, including:
    - i. Provide an open avenue of communication between the independent auditor and the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee.
    - ii. Confirm and ensure the independence of the independent auditor.
    - iii. Inquire of management and the independent auditor about significant risks or exposures, and assess the steps management has taken to minimize such risk.
    - iv. 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.
    - v. Meet periodically with the independent auditor in separate executive sessions to discuss any matters the Committee believes should be discussed privately with the Committee.
    - vi. Report periodically to the Executive (EX) Committee and Internal Administration (EX1) Subcommittee on significant results of the foregoing activities.
    - vii. 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 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.

**AUDIT COMMITTEE** *(Continued)*

- D. Provide continuous oversight of the service advisory firm that conducts the Service Organization Control (SOC) 1 and SOC 2 reviews.
  - 1. Receive annual audit reports provided by the service advisory firm.
  - 2. Instruct the independent service advisory firm that the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee are the auditor's clients.
- E. 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.
- F. 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 that members of the Committee receive the appropriate orientation to the Committee and receive a copy of the policy manual.

NAIC Support Staff: Jim Woody

*Adopted by the Life Actuarial (A) Task Force, 9/8/22*

*Adopted by the Life Insurance and Annuities (A) Committee, 11/15/22*

*Adopted by the Executive (EX) Committee and Plenary, TBD*

**TABLE 1**

**PROPOSED 2023 GRET FACTORS, BASED ON AVERAGE OF 2019/2020 DATA**

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$180	\$1.00	45%	\$54	141	3,073	204
Career	203	1.10	51%	61	84	2,296	197
Direct Marketing	197	1.10	49%	59	21	899	57
Niche Marketing	147	0.80	37%	44	30	507	14
Other*	153	0.90	39%	46	106	853	72
* Includes companies that did not respond to this or prior year surveys					382		

**TABLE 2**

**CURRENT 2022 GRET FACTORS, BASED ON AVERAGE OF 2017/2019 DATA**

Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$183	\$1.00	46%	\$55	142	3,252	194
Career	212	1.20	53%	64	77	2,327	197
Direct Marketing	200	1.10	50%	60	23	875	72
Niche Marketing	151	0.90	37%	45	24	517	13
Other*	139	0.80	35%	42	109	786	70
* Includes companies that did not respond to this or prior year surveys					375		

**APPENDIX A -- DISTRIBUTION CHANNELS**

The following is a description of distribution channels used in the development of recommended 2022 GRET values:

- Independent – Business written by a company that markets its insurance policies through an independent insurance agent or insurance broker not primarily affiliated with any one insurance company. These agencies or agents are not employed by the company and operate without an exclusive distribution contract with the company. These include most PPGA arrangements.
- Career – Business written by a company that markets insurance and investment products through a sales force primarily affiliated with one insurance company. These companies recruit, finance, train, and often house financial professionals who are typically referred to as career agents or multi-line exclusive agents.
- Direct Marketing – Business written by a company that markets its own insurance policies direct to the consumer through methods such as direct mail, print media, broadcast media, telemarketing, retail centers and kiosks, internet, or other media. No direct field compensation is involved.
- Niche Marketers – Business written by home service, pre-need, or final expense insurance companies as well as niche-market companies selling small face amount life products through a variety of distribution channels.
- Other – Companies surveyed were only provided with the four options described above. Nonetheless since there were many companies for which we did not receive a response (or whose response in past years’ surveys confirmed an “other” categorization (see below), values for the “other” category are given in the tables in this memo. It was also included to

indicate how many life insurance companies with no response (to this survey and prior surveys) and to indicate whether their exclusion has introduced a bias into the resulting values.

**APPENDIX B – UNIT EXPENSE SEEDS**

The  
2014

expense seeds used in the  
and prior GRETS were  
differentiated between  
office and all other

branch categories, due to the results of a relatively old study that had indicated that branch office acquisition cost expressed on a per Face Amount basis was about double that of other distribution channels. Due to the elimination of the branch office category in the 2015 GRET, non-differentiated unit expense seeds have been used in the current and immediately prior studies.

The unit expense seeds used in the 2022 GRET and the 2021 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission this information will become more readily available.

**2006-2010 (AVERAGE) CLICE STUDIES:**

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
Term				
Weighted Average	\$149	\$0.62	38%	\$58
Unweighted Average	\$237	\$0.80	57%	\$76
Median	\$196	\$0.59	38%	\$64
Permanent				
Weighted Average	\$167	\$1.43	42%	\$56
Unweighted Average	\$303	\$1.57	49%	\$70
Median	\$158	\$1.30	41%	\$67

**CURRENT UNIT EXPENSE SEEDS:**

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	\$200	\$1.10	50%	\$60

**TO:** Reggie Mazyck, ASA, MAAA, Life Actuary, LATF Support  
**FROM:** Pete Miller, ASA, MAAA, Experience Study Actuary, Society of Actuaries (SOA) Research Institute  
Tony Phipps, Chair, SOA Research Institute Committee on Life Insurance Company Expenses  
**DATE:** July 23, 2022  
**RE:** 2023 Generally Recognized Expense Table (GRET) – SOA Research Institute Analysis

Dear Mr. Mazyck:

As in previous years, the Society of Actuaries Research Institute expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2023 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense related information reported on companies' 2020 and 2021 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in its consideration of potential revisions to the GRET that could become effective for calendar year 2023. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2020 and 2021. This included data from 771 companies in 2020 and 766 companies in 2021. This decrease resumes the trend of small decreases from year to year. Of the total companies, 382 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (375 companies passed similar tests last year).

#### **APPROACH USED**

The methodology for calculating the recommended GRET factors based on this data is similar to that followed the last several years. The methodology was last altered in 2015. The changes made at that time can be found in the recommendation letter sent to LATF on July 30, 2015<sup>1</sup>.

To calculate updated GRET factors, the average of the factors from the two most recent years (2020 and 2021 for those companies with data available for both years) of Annual Statement data was used. For each company an actual-to-expected ratio was calculated. Companies with ratios that fell outside predetermined parameters were excluded. This process was completed three times to stabilize the average rates. The boundaries of the exclusions have been modified from time to time; however, there were no adjustments made this year. Unit expense seed factors (the seeds for all distribution channel categories are the same), as shown in Appendix B, were used to compute total expected expenses. Thus, these seed factors were used to implicitly allocate expenses between acquisition and maintenance expenses, as well as among the three acquisition expense factors (on a direct of ceded reinsurance basis).

Companies were categorized by their reported distribution channel (four categories were used as described in Appendix A included below). There remain a significant number of companies for which no distribution channel was provided, as no responses to the annual surveys have been received from those companies. The characteristics of these companies vary significantly, including companies not currently writing new business or whose major line of business is not individual life insurance. Any advice or assistance from LATF in future years to increase the response rate to the surveys of companies that submit Annual Statements in order to reduce the number of companies in the "Other" category would be most welcomed. The intention is to

<sup>1</sup> <https://www.soa.org/Files/Research/Projects/research-2016-gret-recommendation.pdf>

continue surveying the companies in future years to enable enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if in either 2020 or 2021 (1) their actual to expected ratios were considered outliers, often due to low business volume, (2) the average first year and single premium per policy were more than \$40,000, (3) they are known reinsurance companies or (4) their data were not included in the data supplied by the NAIC. To derive the overall GRET factors, the unweighted average of the remaining companies' actual-to-expected ratios for each respective category was calculated. The resulting factors were rounded, as shown in Table 1.

**THE RECOMMENDATION**

The above methodology results in the proposed 2023 GRET values shown in Table 1. To facilitate comparisons, the current 2022 GRET factors are shown in Table 2. Further characteristics of the type of companies represented in each category are included in the last two columns in Table 1, including the average premium per policy issued and the average face amount (\$000s) per policy issued.

To facilitate comparisons, the current 2022 GRET factors are shown in Table 2. Further characteristics of the type of companies represented in each category are included in the last two columns in Table 1, including the average premium per policy issued and the average face amount (\$000s) per policy issued.

**TABLE 1**  
**PROPOSED 2023 GRET FACTORS, BASED ON AVERAGE OF 2019/2020 DATA**

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$180	\$1.00	45%	\$54	141	3,073	204
Career	203	1.10	51%	61	84	2,296	197
Direct Marketing	197	1.10	49%	59	21	899	57
Niche Marketing	147	0.80	37%	44	30	507	14
Other*	153	0.90	39%	46	106	853	72
* Includes companies that did not respond to this or prior year surveys					382		

**TABLE 2**  
**CURRENT 2022 GRET FACTORS, BASED ON AVERAGE OF 2017/2019 DATA**

Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$183	\$1.00	46%	\$55	142	3,252	194
Career	212	1.20	53%	64	77	2,327	197
Direct Marketing	200	1.10	50%	60	23	875	72
Niche Marketing	151	0.90	37%	45	24	517	13
Other*	139	0.80	35%	42	109	786	70
* Includes companies that did not respond to this or prior year surveys					375		

In previous recommendations, an effort was made to reduce volatility in the GRET factors from year-to-year by limiting the change in GRET factors between years to about ten percent of the prior value. The changes from the 2022 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation.

All GRET factors for the other distribution channel category experienced a change greater than ten percent so the factors for these lines were capped at this ten percent level (or slightly above 10% due to rounding of the factor) from the corresponding 2022 GRET values. The volatility occurred due to incorrect NAIC data for 2018 for some companies, which caused their actual to expected ratios to be considered outliers and they were not included in the calculation. This resulted in lower final 2022 GRET factors and subsequently the same for the 2023 recommendation. Over the next one to three years, the ten percent cap will allow this difference to be graded in so calculated GRET will be used for the final recommended GRET factors.

#### USAGE OF THE GRET

This year's survey, responded to by companies' Annual Statement correspondent, included a question regarding whether the 2022 GRET table was used in its illustrations by the company. Last year, 31% of the responders indicated their company used the GRET for sales illustration purposes, with similar percentage results by size of company; this contrasted with about 29% in 2020. This year, 35% of responding companies indicated that they used the GRET in 2022 for sales illustration purposes. The range was from 33% for Career and Niche Marketing to 43% for Independent. No companies in Career or Other used GRET. Based on the information received over the last several years, the variation in GRET usage appears to be in large part due to the relatively small sample size and different responders to the surveys.

We hope LATF finds this information helpful and sufficient for consideration of a potential update to the GRET. If you require further analysis or have questions, please contact Pete Miller at 847-706-3566.

Kindest personal regards,



Pete Miller, ASA, MAAA  
Experience Study Actuary  
Society of Actuaries Research Institute



Tony Phipps, FSA, MAAA  
Chair, SOA Research Institute Committee on  
Life Insurance Company Expenses

## APPENDIX A -- DISTRIBUTION CHANNELS

The following is a description of distribution channels used in the development of recommended 2022 GRET values:

1. Independent – Business written by a company that markets its insurance policies through an independent insurance agent or insurance broker not primarily affiliated with any one insurance company. These agencies or agents are not employed by the company and operate without an exclusive distribution contract with the company. These include most PPGA arrangements.
2. Career – Business written by a company that markets insurance and investment products through a sales force primarily affiliated with one insurance company. These companies recruit, finance, train, and often house financial professionals who are typically referred to as career agents or multi-line exclusive agents.
3. Direct Marketing – Business written by a company that markets its own insurance policies direct to the consumer through methods such as direct mail, print media, broadcast media, telemarketing, retail centers and kiosks, internet, or other media. No direct field compensation is involved.
4. Niche Marketers – Business written by home service, pre-need, or final expense insurance companies as well as niche-market companies selling small face amount life products through a variety of distribution channels.
5. Other – Companies surveyed were only provided with the four options described above. Nonetheless since there were many companies for which we did not receive a response (or whose response in past years' surveys confirmed an "other" categorization (see below), values for the "other" category are given in the tables in this memo. It was also included to indicate how many life insurance companies with no response (to this survey and prior surveys) and to indicate whether their exclusion has introduced a bias into the resulting values.

**APPENDIX B – UNIT EXPENSE SEEDS**

The expense seeds used in the 2014 and prior GRETs were differentiated between branch office and all other categories, due to the results of a relatively old study that had indicated that branch office acquisition cost expressed on a per Face Amount basis was about double that of other distribution channels. Due to the elimination of the branch office category in the 2015 GRET, non-differentiated unit expense seeds have been used in the current and immediately prior studies.

The unit expense seeds used in the 2022 GRET and the 2021 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission this information will become more readily available.

**2006-2010 (AVERAGE) CLICE STUDIES:**

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
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**CURRENT UNIT EXPENSE SEEDS:**

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	\$200	\$1.10	50%	\$60

Adopted by the Health Insurance and Managed Care (B) Committee, Nov. 10, 2022  
Adopted by the Health Actuarial (B) Task Force, Sept. 28, 2022

## Actuarial Guideline XLIV

### GROUP TERM LIFE WAIVER OF PREMIUM DISABLED LIFE RESERVES

DRAFT ONLY - VERSION ASSUMES GRANDFATHERING OF 2005 TABLES AND ASSOCIATED USE OF COMPANY EXPERIENCE PROVISIONS (SEE SECTION V). ALSO HAS RECOGNITION OF NEW TABLES AND NEW USE OF COMPANY EXPERIENCE PROVISIONS, EFFECTIVE WITH JANUARY 1, 2023 DISABILITIES (SEE SECTION VI). SECTION VI, USE OF COMPANY EXPERIENCE PROVISIONS ASSOCIATED WITH THE NEW TABLES, LARGELY MODELS THOSE OF GROUP LONG-TERM DISABILITY (GLTD) ACTUARIAL GUIDELINE XLVII.

#### I. Background

Section 4.G. of the Standard Valuation Law establishes tables approved by the commissioner as the minimum standard for computing reserves for group life insurance and special benefits. The purpose of this Actuarial Guideline (Guideline) is to determine the minimum standard of valuation for group term life waiver of premium disabled life benefits and to recognize the 2023 Group Term Life Waiver (GTLW) Mortality and Recovery Valuation Tables. The Guideline also maintains recognition of the 2005 Group Term Life Waiver Mortality and Recovery Tables for purposes outlined in Section V of the Guideline.

Claims subject to Section V of the Guideline (applicable to individuals who become disabled on or after January 1, 2009 and on or before December 31, 2022) may be valued under Section VI (applicable to individuals who become disabled on or after January 1, 2023) at the election of the insurer provided these claims, for all future valuation dates, are valued under that section or any newer succeeding section at the insurer's election.

Group term life policies do not maintain contract reserves beyond the duration of the policy issued to the group policyholder. However, some policies guarantee an extended death benefit to an individual insured who is disabled according to the terms of the policy. Thus, to the extent such guarantees are made, a disabled life reserve must be maintained for each individual that is so disabled. However, prior to the creation of this guideline, there has been no formal guidance regarding the calculation of these disabled life reserves.

#### II. Scope

This guideline applies to group term life certificates on individuals who become disabled on or after January 1, 2009. Based on the provisions of Section 4.G. of the Standard Valuation Law, companies may apply this to group term life certificates on individuals who became disabled prior to January 1, 2009, provided they obtain permission from the commissioner.

#### III. Definitions

“2005 GTLW Mortality Tables” means the mortality rate tables shown in Attachments A and B.

“2005 GTLW Recovery Tables” means the recovery rate tables shown in Attachments C and D.

“2023 GTLW Mortality Valuation Table” means the mortality rate tables shown in Attachments E and F.

“2023 GTLW Recovery Valuation Table” means the recovery rate tables shown in Attachments G and H.

#### IV. The Group Waiver of Premium Reserve Calculation

- A. The minimum standard of valuation for group term life waiver of premium disabled life benefits shall be the present value of the death benefit payable discounted for interest and recovery. Since there is not a contract reserve based upon an aggregate table, the discounted value of waived premiums is inadequate to support this liability.
- B. The maximum interest rate to be used in determining the minimum valuation standard for any group term life waiver of premium disabled life benefit incurred on or after the effective date of this guideline shall be the maximum rate permitted by law in the valuation of life insurance of the same guaranteed duration issued on the

same date as the claim incurral date of disability. For most groups and companies this rate shall be the rate for life insurance with guaranteed duration greater than 20 years. The guaranteed duration used to determine the life insurance rate of interest is equal to the largest term in years between the point at which any individual in the group may become disabled and the point at which no death benefit is available. Thus, if a person could become disabled at age 20, and remain disabled, and receive a benefit upon death before age 65, the guaranteed duration would be 45 years.

- C. The valuation tables were derived from employer-employee group life experience. Other forms of group term life insurance are also subject to the same requirements if they contain similar extended death benefit provisions.

V. Text - Group Term Life Certificates on Individuals Who Become Disabled on or After January 1, 2009 and on or Before December 31, 2022.

Claims subject to this section of the Guideline may be valued under Section VI (applicable to disabilities incurred January 1, 2023 and later) at the election of the insurer provided these claims, for all future valuation dates, are valued under that section or any newer succeeding section at the insurer's election.

A. Group Waiver of Premium Reserve Calculation

- 1. Except as provided in Section V.B, the 2005 GTLW Mortality and Recovery Tables shall be used for determining the minimum standard of valuation for any group term life waiver of premium disabled life benefit incurred during the effective period of this section of this Guideline. Section V.B offers ways to modify the underlying rates of mortality or recovery if they differ from those associated with the underlying experience in the valuation table.

B. Use of Company Experience

- 1. The Appointed Actuary shall review company experience at least once every five years. The review of company experience can range from a detailed experience study to a high level analysis. The extent of the review must be sufficient to enable the Appointed Actuary to defend any conclusion reached. Company experience shall:
  - i. Be segmented into policies with similar benefits, on individuals of each gender;
  - ii. Be experience-specific to the company;
  - iii. Include all relevant experience in the past three most recent years;
  - iv. Exclude experience that is not in the past six most recent years;
  - v. Otherwise be relevant, in accordance with the professional judgment of the Appointed Actuary; and
  - vi. Not be deemed irrelevant by the commissioner.
- 2. The commissioner may require a company to use its experience based upon the most recent review referenced in Section V.B.1 to establish its specific valuation tables if:
  - i. Actual mortality experience is reasonably expected to be greater than 90% of the 2005 GTLW Mortality Tables; or

- ii. Actual recovery experience is reasonably expected to be less than 125% of the 2005 GTLW Recovery Tables.

Under these circumstances, the commissioner may require a company to use the process set out in Section V.B.4 and establish for the company a minimum value for *Z*.

- 3. A company may use its experience exclusively without reference to the standard tabular mortality expected experience or to the standard tabular recovery expected experience to create its specific valuation tables if:

- i. The Appointed Actuary can demonstrate and certify the following:
  - a) The company-specific valuation tables are based on company experience with allowances for graduation and margins for adverse experience;
  - b) The company-specific mortality valuation tables used for computing minimum reserves for group term life waiver of premium benefits are such that there is at least an 85% statistical confidence that the actual annual aggregate mortality will be less than the mortality in the company-specific-mortality valuation tables; and
  - c) The company-specific recovery valuation tables used for computing minimum reserves for group term life waiver of premium benefits are such that there is at least an 85% statistical confidence that the actual annual aggregate recoveries will be greater than the recoveries in the company-specific recovery valuation tables.
- ii. The company has written permission from the domiciliary commissioner to use the company-specific valuation tables.
- iii. Unless otherwise exempted or required, the specific valuation tables shall apply to the computation of minimum reserves for group term life waiver of premium disabled life benefits for claims incurred during or after the calendar year in which the study was performed.
- iv. The company shall not use mortality and recovery tables with rates that produce reserves less than the reserves produced by using 75% of the 2005 GTLW Mortality Tables and 160% of the 2005 GTLW Recovery Tables for all durations of disability combined.

- 4. If not invoking Section V.B.3, a company may use a credibility-weighted combination of company mortality experience with the 2005 GTLW Mortality Tables and/or of company recovery experience with the 2005 GTLW Recovery Tables to create its specific valuation tables.

- i. The blended tables for each gender and type of experience (mortality and recovery) shall be computed using the formula  $\text{Blended Table} = T \times S$ , where:
  - a) *Z* shall be a credibility weighting factor, between 0 and 1, developed by the Appointed Actuary using credibility theory methods not unacceptable to the commissioner;
  - b) *F* shall be the ratio of the company's actual experience to the expected experience for the 2005 GTLW Mortality and Recovery Tables for each gender and type of experience (mortality and recovery);

- c) M shall be 1.12 for mortality tables and 0.80 for recovery tables. The values provide a smooth transition between the 2005 tables and company experience when  $Z = 1$ ;
- d) S shall be the 2005 GTLW Mortality and Recovery Tables; and
- e) T shall be computed using the following steps:
  - Step 1: Compute the raw value of  $T = [Z \times (F \times M) + (1 - Z)]$ .
  - Step 2: Round T to the nearest 5%.
  - Step 3: If the absolute difference between the T produced in step 2 and the value of T utilized immediately prior to the study is less than 10%, then set T equal to the value of T utilized immediately prior to the study.
  - Step 4: For all durations of disability, combined for each gender, set the value of T to the greater of 75% and the T resulting from step 3 for mortality and set the value of T to the lesser of 160% and the T resulting from step 3 for recovery.
- ii. The company has written permission from the domiciliary commissioner to use the blended valuation tables.
- iii. Unless otherwise exempted or required, the specific valuation tables shall apply to the computation of minimum reserves for group term life waiver of premium disabled life benefits for claims incurred during or after the calendar year in which the study was performed.

VI. Text - Group Term Life Certificates on Individuals Who Become Disabled on or After January 1, 2023.

<<< BEGINNING OF GLW-ADAPTED GLTD AG 47 SECTION >>>

A. When the insurer follows the instructions provided in this guideline, the selected claim mortality rates and recovery automatically meet the minimum standard for computing reserves as established by Section 4.G of the Standard Valuation Law.

B. Valuation Table Modifications for Company Experience

If not invoking the small company exception specified in Section VI.D, a company must use a credibility-weighted combination of its own claim mortality experience and claim recovery experience with the 2023 GTLW Mortality and Recovery Valuation Tables to create its specific valuation table.

- i. For claim durations within the elimination period, mortality rates and recovery rates may be developed as below consistent with other Duration Groups or in any other manner deemed appropriate by the actuary. With respect to credibility, any value between 0 and 1 that the actuary deems appropriate for the block may be used.
- ii. For claim durations beyond the elimination period, the valuation mortality rates and recovery rates shall be computed using the mortality rates from the 2023 GTLW Mortality Valuation Table ( $S_M$ ) and recovery rates from the 2023 GTLW Recovery Valuation Table ( $S_R$ ) multiplied by mortality experience adjustment factors ( $T_M$ ) and recovery experience adjustment factors ( $T_R$ ) that are calculated separately for three different duration groups for mortality and separately for three different duration groups for recovery.

Valuation Mortality Rate =  $T_M \times S_M$

Valuation Recovery Rate =  $T_R \times S_R$

The duration groups are defined as follows:

- Group 1: duration > the satisfaction of the elimination period and duration <= 24 months
- Group 2 duration > 24 months and duration <= 60 months
- Group 3: duration > 60 months

- a)  $S_M$  and  $S_R$  shall be the mortality rates and recovery rates respectively from the 2023 GTLW Mortality and Recovery Valuation Tables.
- b)  $T_M$  shall be computed as  $T_M = [Z_M \times F_M + (1 - Z_M)] \times (1 + M_M)$  and  $T_R$  shall be computed as  $T_R = [Z_R \times F_R + (1 - Z_R)] \times (1 - M_R)$

where

- 1)  $Z_M$  shall be a mortality credibility weighting factor, between 0 and 1, developed for each duration group according to the following specifications:

Group 1-3:  $Z_M = \text{Min} \left( \sqrt{N_M / K_M}, 1 \right)$  where  $N_M$  is the number of expected death counts determined by using claim mortality rates from the 2023 GTLW Mortality Valuation Table, and

- 2)  $K_M$  is a set of constants defined by duration group as follows for mortality:

Group 1:  $K_M = 800$                       Group 3:  $K_M = 800$   
Group 2:  $K_M = 800$

- 3)  $Z_R$  shall be a recovery credibility weighting factor, between 0 and 1, developed for each duration group according to the following specifications:

Group 1-3:  $Z_R = \text{Min} \left( \sqrt{N_R / K_R}, 1 \right)$  where  $N_R$  is the number of expected recovery counts determined by using claim recovery rates from the 2023 GTLW Recovery Valuation Table, and

- 4)  $K_R$  is a set of constants defined by duration group as follows for recoveries:

Group 1:  $K_R = 1,700$                       Group 3:  $K_R = 1,700$   
Group 2:  $K_R = 1,700$

- 5)  $F_M$  shall be the ratio of the company's actual death counts to the expected death counts in the 2023 GTLW Mortality Valuation Table for each duration group specified above and  $F_R$  shall be the ratio of the company's actual recovery counts to the expected recovery counts in the 2023 GTLW Recovery Valuation Table for each duration group specified above.

If the actuary has reserve adequacy or other significant analysis that demonstrates in the development and use of company-specific experience (see Section VI.C below) that an alternative measurement is deemed appropriate, such as:

- I. Use of some other weighting of claims (for example, death benefit amount) that is not only appropriate for measuring actual to expected (A to E), but also is expected to generally produce reserves not less than those produced by using a claim count measurement.
- II. Use of an increased mortality credibility factor  $Z_M$  if  $F_M$  is greater than 1 and / or use of an increased recovery credibility factor  $Z_R$  if  $F_R$  is less than 1 to give unfavorable company experience more weight.

Then, a basis other than claim count may be used.

- 6)  $M_M$  and  $M_R$  are the company experience margins for mortality and recovery respectively, determined for each duration group, according to the following formulas:

$$M_M = \text{Min} \left( 15\%, \text{Max} \left( 5\%, 3\% + 1.65 * \sqrt{A_M / C_M} \right) \right)$$

$$M_R = \text{Min} \left( 15\%, \text{Max} \left( 5\%, 3\% + 1.65 * \sqrt{A_R / C_R} \right) \right)$$

where  $A_M$  is a set of constants defined by duration group as follows for mortality:

Group 1:  $A_M = 1.0$                       Group 3:  $A_M = 1.0$   
Group 2:  $A_M = 1.0$

and  $A_R$  is a set of constants defined by duration group as follows for recoveries:

Group 1:  $A_R = 2.0$                       Group 3:  $A_R = 2.0$   
Group 2:  $A_R = 2.0$

and  $C_M$  shall be the company's actual number of death counts by duration group.

and  $C_R$  shall be the company's actual number of recovery counts by duration group.

These are the minimum values for the definition of  $M_M$  and  $M_R$  prior to any reserve adequacy analysis. Adequacy tests and analysis of experience (for example, sharpness of fluctuations, trends over the period of the mortality rate study or recovery rate study, changing claims practices) may indicate that larger values of  $M_M$  or  $M_R$  may be more appropriate. If so, such values are deemed appropriate.

- iii. The company shall not use mortality rates that are less than those produced by computing  $T_M$  as  $T_M = 0.75$ .

### C. Company-Specific Experience - Own Experience Measurement

In computing values  $F_M$ ,  $F_R$ ,  $T_M$ , and  $T_R$  to comply with section VI.B above, the Appointed Actuary may consider the following:

- i. Segment the company claim mortality experience and claim recovery experience into any major subgroups that may produce significantly different results (for example, market niches, claims operations, and unique benefit designs).
- ii. Combine affiliated statutory entities and assumed reinsurance, where claim management is under a common structure, when considering company experience. It is also appropriate to evaluate experience separately when specific blocks of company business have distinct claim management practices or significantly different risk characteristics.
- iii. Include all relevant experience the company is capable of providing for as many of the last five years as possible (not including the lag period described below). However, there are two situations where using other than a five-year period may be more appropriate. The first is when a company's experience in a longer period not only increases credibility but is still relevant and appropriate for the company's products and claim management practices. In this case, the period to be used is not to exceed ten years. The second is for a company that has had significant changes in product and/or claim management practices within the past five years that has diminished the relevance of the company's experience early in the five year period. In this second situation, less than five years of experience may be used for any duration band for which there is compelling logic and when either the company's experience to be used is at least 90% credible, or the shorter experience period produces higher reserves than using five years.
- iv. Recognize a suitable lag period to allow for a full resolution of claim status. For example, the lag period used in the 2019 Group Term Life Waiver Experience Study performed by the Society of Actuaries was 12 months. However, the Appointed Actuary may use a different lag period based on his or her company experience. For example, company experience indicates that all changes after the selected lag period are negligible.
- v. Measure actual (A) to expected (E) deaths and A to E recoveries based on claim count (unless another weighting is deemed more appropriate, as mentioned in Section VI.B(ii)(b)(5)), where the E is based on expected deaths and recoveries, respectively, from the 2023 GTLW Mortality Valuation Table and the 2023 GTLW Recovery Valuation Table. Claim count is also used in the measurement of credibility.
- vi. Recognize where appropriate any flexibility built into the 2023 GTLW Mortality and Recovery Valuation Tables, such as not utilizing diagnosis-specific mortality rates and recovery rates when the information is deemed unreliable.
- vii. Do not count as deaths or recoveries those claims that are closed due to settlement, or that have reached the end of the maximum benefit duration, or that are closed due to any other contractual limit.

- viii. Use experience that is otherwise relevant in accordance with the professional judgment of the Appointed Actuary.

In the above paragraphs, the term “company” refers to a single company or a group of legally related companies subject to the same claim management.

D. Own Experience Measurement Exemption

Determine the number of claims that, according to the provisions of this Guideline, are subject to valuation using the 2023 GTLW Mortality and Recovery Valuation Tables. If, at the time of valuation, a company has fewer than 50 such open claims disabled within two years of the effective date of the valuation, and fewer than 200 such open claims disabled more than two years prior to the effective date of the valuation, the company is exempt from the requirement that the 2023 GTLW Mortality and Recovery Valuation Tables be modified by the company’s own experience. Said company will use, based on the maximum values of  $M_M$  and  $M_R$  for any duration group according to Section VI(B)(ii)(b)(6) above, 115% of the 2023 GTLW Mortality Valuation Table for all duration groups to calculate claim mortality rates and 85% of the 2023 GTLW Recovery Valuation Table for all duration groups to calculate claim recovery rates in order to comply with the minimum valuation standard.

<<< END OF GLW-ADAPTED GLTD AG 47 SECTION >>

[ATTACHMENT A = 2005 GTLW Mortality Rates, Select Period]  
[ATTACHMENT B = 2005 GTLW Mortality Rates, Ultimate Period]  
[ATTACHMENT C = 2005 GTLW Recovery Rates, Select Period]  
[ATTACHMENT D = 2005 GTLW Recovery Rates, Ultimate Period]  
[ATTACHMENT E = 2023 GTLW Mortality Rates, Select Period]  
[ATTACHMENT F = 2023 GTLW Mortality Rates, Ultimate Period]  
[ATTACHMENT G = 2023 GTLW Recovery Rates, Select Period]  
[ATTACHMENT H = 2023 GTLW Recovery Rates, Ultimate Period]

**This workbook contains the proposed 2022 group life waiver tables and adjustment factors.**

This workbook was developed by the Group Life Waiver of Premium (Waiver) Valuation Table Work Group (Work Group) of the American Academy of Actuaries (Academy) and the Society of Actuaries Research Institute (SOARI). It contains the proposed tables, as well as the current tables (2005 Tables).

It supplements the information provided regarding an update to Actuarial Guideline XLIV (AG 44).

Waiver tables are on a select and ultimate basis. There are separate sets of rates for mortality and recovery.

The select period is through claim duration 10 years. The select tables are based on age at disability and duration of The ultimate tables, which are for all claims in duration year 11 and beyond, are on an attained age basis only. Diagnosis adjustment factors have also been developed for select and ultimate tables.

*2022 Table Select* contains the select mortality / recovery rates for males and females. It also contains the diagnosis adjustment factors for mortality / recovery, as well as commentary on adjustments made by the Work

*2022 Table Ultimate* contains the same information for the ultimate period.

*2005 Table Select* and *2005 Table Ultimate* contain the 2005 tables.

July 2022

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2022 TABLE MALES

PROBABILITY OF DEATH (1,000Q[X]+T) - SELECT PERIOD

Central Age =>	17	22	27	32	37	42	47	52	57	62	67	72
1 (3rd qtr.)	11	13	13	15	18	20	23	26	30	32	29	27
1 (4th qtr.)	14	17	17	19	22	26	29	34	39	41	37	34
2 (1st qtr.)	13	16	16	18	21	24	27	31	36	38	35	32
2 (2nd qtr.)	12	13	14	16	18	21	24	27	31	33	30	26
2 (3rd qtr.)	11	12	12	14	16	18	21	24	27	29	28	24
2 (4th qtr.)	10	10	10	12	14	16	18	21	24	25	25	22
3	29	33	32	37	42	48	56	64	73	81	81	81
4	13	19	23	27	31	35	41	47	54	60	61	65
5	8	11	21	24	28	32	37	42	48	53	55	58
6	7	11	20	23	26	30	35	40	46	51	56	59
7	8	12	19	22	26	30	34	39	45	49	63	70
8	10	16	19	22	25	29	33	38	45	50	68	75
9	11	17	19	22	25	29	33	38	46	51	68	75
10	13	19	19	22	25	29	33	38	47	52	70	81

MALES

PROBABILITY OF RECOVERY (1,000Q[X]+T) - SELECT PERIOD

4

Central Age => Year of Dis.	17	22	27	32	37	42	47	52	57	62	67	72
1 (3rd qtr.)	167	167	137	112	92	75	62	51	42	36	27	22
1 (4th qtr.)	165	165	136	111	91	75	61	50	41	36	27	22
2 (1st qtr.)	141	141	117	96	78	64	53	43	35	31	27	19
2 (2nd qtr.)	126	126	102	84	69	56	46	38	31	27	23	19
2 (3rd qtr.)	113	113	92	76	62	51	42	34	28	24	20	16
2 (4th qtr.)	102	102	86	70	58	47	39	32	26	23	18	14
3	434	434	353	290	244	187	143	115	90	73	54	50
4	259	259	195	163	130	99	77	59	45	36	23	20
5	189	189	139	114	86	66	52	38	29	23	16	14
6	136	136	116	87	65	49	38	28	21	16	11	10
7	107	107	97	71	52	40	31	23	17	13	8	6
8	92	92	83	61	45	34	26	19	14	11	5	4
9	78	78	74	54	40	30	22	16	12	9	4	2
10	74	74	68	49	37	27	20	15	11	8	4	0

Rates for both recovery and mortality for ages 17 and 22 were extended using the same slope from ages 27/22/17 as the 2005 table, on a gender specific basis

Rates for both recovery and mortality for ages 67 and 72 were extended using the same slope from ages 62/67/72 as the 2005 table, on a gender specific basis

FEMALES

PROBABILITY OF DEATH (1,000Q[X]+T) - SELECT PERIOD

Central Age => Year of Dis.	17	22	27	32	37	42	47	52	57	62	67	72
1 (3rd qtr.)	6	7	9	11	13	16	19	22	26	27	26	24
1 (4th qtr.)	7	9	12	14	17	20	24	28	33	35	33	31
2 (1st qtr.)	7	8	11	13	16	19	22	27	32	33	31	29
2 (2nd qtr.)	6	8	10	12	14	17	20	24	28	29	26	23
2 (3rd qtr.)	6	7	9	10	12	15	17	21	25	26	25	22
2 (4th qtr.)	5	6	8	9	11	13	16	18	22	23	23	20
3	18	21	28	29	34	41	48	57	67	76	76	76
4	12	19	24	25	26	31	37	44	51	58	66	69
5	12	16	19	20	21	25	30	35	41	47	53	56
6	7	13	17	18	19	22	26	31	36	41	45	47
7	9	15	16	17	17	21	25	29	36	39	48	50
8	10	14	15	16	17	20	24	28	35	40	51	53
9	10	14	15	16	17	20	24	28	36	41	55	57
10	9	12	14	15	17	20	24	28	36	43	60	63

FEMALES

PROBABILITY OF RECOVERY (1,000Q[X]+T) - SELECT PERIOD

Central Age => Year of Dis.	17	22	27	32	37	42	47	52	57	62	67	72
1 (3rd qtr.)	244	244	200	168	105	88	73	61	51	44	34	27
1 (4th qtr.)	184	184	151	126	105	87	73	61	51	44	34	27
2 (1st qtr.)	152	152	127	106	88	73	61	51	43	37	31	26
2 (2nd qtr.)	133	133	109	91	76	63	52	44	36	32	26	20
2 (3rd qtr.)	116	116	97	81	67	56	47	39	32	28	22	19
2 (4th qtr.)	107	107	89	74	62	51	43	36	30	26	22	17
3	430	430	350	295	276	214	174	135	106	86	67	59
4	286	286	215	187	152	117	94	70	54	42	26	21
5	201	201	147	126	100	76	60	45	33	25	19	16
6	144	144	122	93	73	55	42	32	23	17	12	9
7	114	114	102	75	57	43	32	24	17	13	9	7
8	96	96	87	64	47	36	26	19	14	11	6	4
9	82	82	77	55	41	30	22	16	12	9	4	1
10	76	76	69	50	36	27	20	14	10	8	5	0

Rates for both recovery and mortality for ages 17 and 22 were extended using the same slope from ages 27/22/17 as the 2005 Table, on a gender-specific basis

Rates for both recovery and mortality for ages 67 and 72 were extended using the same slope from ages 62/67/72 as the 2005 table, on a gender-specific basis

Death Diagnosis Adjustment				
Adjusted & Finalized				
Duration	Unclassified	Low Non-Cancer	High Non-Cancer	Cancer
Q3	1.00	0.20	0.50	3.65
Q4	1.00	0.20	0.50	3.95
Q5	1.00	0.20	0.60	4.20
Q6	1.00	0.25	0.60	4.50
Q7	1.00	0.30	0.65	4.70
Q8	1.00	0.35	0.75	4.73
3	1.00	0.40	0.90	4.75
4	1.00	0.50	1.25	4.60
5	1.00	0.60	1.35	4.00
6	1.00	0.65	1.45	3.60
7	1.00	0.70	1.55	3.05
8	1.00	0.70	1.65	2.65
9	1.00	0.75	1.60	2.30
10	1.00	0.75	1.57	2.15

Death Diagnosis Adjustment				
Jerry Holman				
Duration	Unclassified	Low Non-Cancer	High Non-Cancer	Cancer
Q3	1.00	0.20	0.50	3.65
Q4	1.00	0.20	0.50	3.95
Q5	1.00	0.20	0.60	4.20
Q6	1.00	0.25	0.60	4.50
Q7	1.00	0.30	0.70	4.70
Q8	1.00	0.30	0.80	4.90
3	1.00	0.40	0.95	4.75
4	1.00	0.50	1.25	4.60
5	1.00	0.60	1.35	4.00
6	1.00	0.65	1.45	3.60
7	1.00	0.70	1.55	3.05
8	1.00	0.70	1.65	2.65
9	1.00	0.75	1.60	2.30
10	1.00	0.75	1.65	2.15

Diagnosis factors were adjusted from those originally regressed by Jerry Holman to smooth transition points between duration groups. This applied to both Mortality and Recovery Adjustments

Recovery Diagnosis Adjustment				
Adjusted & Finalized				
Duration	Unclassified	Low	Mid	High
Q3	1.00	0.55	1.15	1.40
Q4	1.00	0.55	1.15	1.40
Q5	1.00	0.60	1.15	1.40
Q6	1.00	0.65	1.15	1.35
Q7	1.00	0.65	1.15	1.35
Q8	1.00	0.65	1.15	1.38
3	1.00	0.65	1.15	1.40
4	1.00	0.68	1.13	1.48
5	1.00	0.70	1.10	1.55
6	1.00	0.70	1.15	1.45
7	1.00	0.70	1.20	1.35
8	1.00	0.70	1.20	1.35
9	1.00	0.70	1.20	1.35
10	1.00	0.70	1.20	1.25

Recovery Diagnosis Adjustment				
Jerry Holman				
Duration	Unclassified	Low	Mid	High
Q3	1.00	0.55	1.05	1.60
Q4	1.00	0.55	1.15	1.35
Q5	1.00	0.60	1.15	1.40
Q6	1.00	0.65	1.15	1.35
Q7	1.00	0.65	1.15	1.35
Q8	1.00	0.75	1.10	1.30
3	1.00	0.65	1.15	1.40
4	1.00	0.60	1.10	1.65
5	1.00	0.70	1.10	1.55
6	1.00	0.70	1.15	1.45
7	1.00	0.70	1.25	1.35
8	1.00	0.75	1.15	1.35
9	1.00	0.70	1.25	1.35
10	1.00	0.70	1.10	1.25

Death Diagnosis Adjustment				
Duration	Comparison			
	Unclassified	Low Non-Cancer	High Non-Cancer	Cancer
Q3	100%	100%	100%	100%
Q4	100%	100%	100%	100%
Q5	100%	100%	100%	100%
Q6	100%	100%	100%	100%
Q7	100%	100%	93%	100%
Q8	100%	117%	94%	96%
3	100%	100%	95%	100%
4	100%	100%	100%	100%
5	100%	100%	100%	100%
6	100%	100%	100%	100%
7	100%	100%	100%	100%
8	100%	100%	100%	100%
9	100%	100%	100%	100%
10	100%	100%	95%	100%

Recovery Diagnosis Adjustment				
Duration	Comparison			
	Unclassified	Low	Mid	High
Q3	100%	100%	110%	88%
Q4	100%	100%	100%	104%
Q5	100%	100%	100%	100%
Q6	100%	100%	100%	100%
Q7	100%	100%	100%	100%
Q8	100%	87%	105%	106%
3	100%	100%	100%	100%
4	100%	113%	102%	89%
5	100%	100%	100%	100%
6	100%	100%	100%	100%
7	100%	100%	96%	100%
8	100%	93%	104%	100%
9	100%	100%	96%	100%
10	100%	100%	109%	100%

2022 Table

**Graduated Rates(1,000Q[X]), No Margin  
 Ultimate Period (Durations 11 years and beyond)**

Attained Age	Male		Female	
	Recovery	Death	Recovery	Death
27	71	16	73	11
28	70	16	72	11
29	70	16	71	11
30	69	18	70	12
31	68	18	69	12
32	68	18	69	12
33	67	18	68	12
34	66	18	67	12
35	66	19	66	13
36	65	19	65	13
37	64	19	64	13
38	60	20	60	14
39	56	20	55	14
40	53	21	51	14
41	49	21	48	15
42	46	22	44	15
43	43	22	41	16
44	41	23	39	16
45	38	24	36	17
46	35	24	33	17
47	33	25	30	18
48	30	26	28	18
49	29	26	27	19
50	27	27	26	20
51	26	28	24	20
52	24	29	23	21
53	23	29	22	22
54	22	30	21	22
55	20	31	20	23
56	19	32	19	24
57	18	33	18	24
58	17	34	17	25

Mortality rates for attained ages prior to 45 were extended back to attained age 27 using judgment, holding to monotonically decreasing slope, and to create a reasonable transition from the select period rates

Recovery rates for attained ages prior to age 45 were extended back to age 27 using a monotonically increasing slope, and to create a reasonable transition from the select period rates

Decrement rates for ages 45-70 were taken directly from Jerry Holman's Regressions/graduations

2015 VBT Unismoke Tables		
Attained Age	Male	Female
27	0.86	0.35
28	0.84	0.36
29	0.84	0.38
30	0.86	0.41
31	0.90	0.44
32	0.97	0.48
33	1.05	0.52
34	1.13	0.57
35	1.23	0.64
36	1.33	0.72
37	1.44	0.80
38	1.55	0.87
39	1.67	0.93
40	1.81	0.98
41	1.93	1.02
42	2.02	1.06
43	2.07	1.10
44	2.13	1.14
45	2.19	1.21
46	2.25	1.31
47	2.30	1.41
48	2.36	1.52
49	2.45	1.64
50	2.57	1.78
51	2.72	1.94
52	2.90	2.11
53	3.10	2.30
54	3.34	2.51
55	3.62	2.74
56	3.93	3.00
57	4.29	3.30
58	4.71	3.63

59	16	35	16	26
60	15	37	14	27
61	14	39	13	27
62	13	40	13	28
63	12	42	12	30
64	11	44	11	31
65	10	45	10	33
66	10	47	9	35
67	9	48	8	36
68	8	49	8	38
69	8	50	7	39
70	7	51	6	40
71	6	53	6	42
72	6	55	5	44
73	5	58	4	47
74	4	61	3	50
75	4	64	3	53
76	3	68	2	57
77	2	72	2	61
78	2	76	1	65
79	1	80	1	69
80	1	85	0	74
81	0	92	0	81
82	0	97	0	85
83	0	103	0	90
84	0	109	0	95
85	0	117	0	101
86	0	126	0	108
87	0	136	0	116
88	0	147	0	124
89	0	159	0	134
90	0	172	0	144
91	0	185	0	155
92	0	199	0	166
93	0	212	0	178
94	0	225	0	191
95	0	236	0	204
96	0	248	0	218
97	0	263	0	235
98	0	279	0	254

From Age 71 to 99, Mortality Rates were graduated to transition from the Jerry Holman rate at age 70 to 100% of the 2015 VBt table at age 100. This was done as the committee views that disabled mortality and the total mortality represented in the 2015 VBT table will converge by age 100.

Recovery rates were graduated down to 0 by age 80 from the Jerry Holman rates at age 70.

59	5.19	4.01
60	5.75	4.43
61	6.38	4.92
62	7.09	5.46
63	7.89	6.08
64	8.75	6.76
65	9.67	7.53
66	10.65	8.37
67	11.69	9.31
68	12.85	10.35
69	14.18	11.49
70	15.74	12.74
71	17.56	14.10
72	19.69	15.59
73	22.11	17.25
74	24.79	19.11
75	27.71	21.21
76	30.85	23.60
77	34.26	26.30
78	38.02	29.34
79	42.27	32.78
80	47.14	36.77
81	52.61	41.41
82	58.97	46.66
83	66.47	52.66
84	75.06	59.53
85	84.93	67.38
86	96.15	76.12
87	108.69	85.66
88	122.34	96.11
89	136.76	107.46
90	151.63	119.54
91	166.51	132.30
92	181.13	145.88
93	195.09	159.87
94	207.76	174.25
95	221.27	190.71
96	237.50	209.82
97	255.11	230.48
98	274.22	252.51

12/16/22

99	0	296	0	273	Mortality rates for attained ages 100-120 were set equal to the 2015 VBT unismoke tables. See columns H-J for reference of those rates
100	0	316	0	299	
101	0	337	0	323	
102	0	359	0	347	
103	0	380	0	370	
104	0	400	0	393	
105	0	420	0	414	
106	0	438	0	434	
107	0	455	0	452	
108	0	470	0	468	
109	0	482	0	481	
110	0	491	0	491	
111	0	497	0	497	
112	0	500	0	500	
113	0	500	0	500	
114	0	500	0	500	
115	0	500	0	500	
116	0	500	0	500	
117	0	500	0	500	
118	0	500	0	500	
119	0	500	0	500	
120	0	500	0	500	
121	0	1,000	0	1,000	All lives assumed to terminate by age 121

99	294.48	275.55
100	315.52	299.21
101	336.99	323.14
102	358.54	346.98
103	379.81	370.36
104	400.44	392.92
105	420.09	414.30
106	438.40	434.13
107	455.01	452.05
108	469.56	467.69
109	481.70	480.68
110	491.07	490.65
111	497.31	497.23
112	500	500
113	500	500
114	500	500
115	500	500
116	500	500
117	500	500
118	500	500
119	500	500
120	500	500

Attained Age	Recovery Diagnosis Group Adjustments			
	Other	Low	Medium	High
0-44	100%	70%	125%	110%
45-49	100%	70%	125%	105%
50-54	100%	75%	130%	110%
55-59	100%	75%	125%	120%
60-64	100%	77%	120%	105%
65+	100%	80%	120%	120%

As recovery rates are relatively small (compared to mortality) for ages 65, and reach a terminus value of 0 at age 80, no graduating of adjustments for diagnosis groups was deemed material or necessary for ages 65+

Attained Age	Death Diagnosis Group Adjustments			
	Other	Low	Medium	High
0-44	100%	75%	170%	200%
45-59	100%	85%	160%	200%
60-64	100%	80%	155%	200%
65-69	100%	75%	155%	200%
70	100%	75%	155%	200%
71	100%	76%	153%	197%
72	100%	77%	151%	193%
73	100%	78%	150%	190%
74	100%	78%	148%	187%
75	100%	79%	146%	183%
76	100%	80%	144%	180%
77	100%	81%	142%	177%
78	100%	82%	140%	173%
79	100%	83%	139%	170%
80	100%	83%	137%	167%
81	100%	84%	135%	163%
82	100%	85%	133%	160%
83	100%	86%	131%	157%
84	100%	87%	129%	153%
85	100%	88%	128%	150%
86	100%	88%	126%	147%
87	100%	89%	124%	143%
88	100%	90%	122%	140%
89	100%	91%	120%	137%
90	100%	92%	118%	133%
91	100%	92%	117%	130%
92	100%	93%	115%	127%
93	100%	94%	113%	123%
94	100%	95%	111%	120%
95	100%	96%	109%	117%
96	100%	97%	107%	113%
97	100%	97%	106%	110%
98	100%	98%	104%	107%
99	100%	99%	102%	103%
100+	100%	100%	100%	100%

Diagnosis Adjustments more death rates were assumed to ultimately disappear by age 100, and are so graduated to 100% by attained age 100, indicating no mortality differences by diagnosis grouping for ages 100+

2005 TABLE

MALES

PROBABILITY OF DEATH (1,000Q[X]+T) - SELECT PERIOD

Central Age =>	17	22	27	32	37	42	47	52	57	62	67	72
1 (4th qtr.)	17	20	20	23	28	28	28	30	31	37	34	31
2 (1st qtr.)	21	23	24	29	30	30	30	30	30	30	27	24
2 (2nd qtr.)	22	24	24	30	28	28	27	27	27	27	26	23
2 (3rd qtr.)	25	27	27	27	21	21	22	22	23	23	23	20
2 (4th qtr.)	27	31	30	26	18	18	18	18	17	17	17	17
3	30	45	55	56	57	58	59	60	65	67	69	73
4	18	26	48	48	49	50	50	50	55	57	59	62
5	12	18	33	39	40	41	42	42	45	47	52	55
6	12	18	30	33	34	35	36	37	42	43	55	61
7	12	18	22	25	26	27	28	30	39	42	57	63
8	12	18	20	23	25	26	27	29	44	46	62	68
9	12	18	18	19	23	25	27	32	45	48	65	75
10	12	18	15	17	19	22	27	34	45	50	70	81

MALES

PROBABILITY OF RECOVERY (1,000Q[X]+T) - SELECT PERIOD

Central Age =>	17	22	27	32	37	42	47	52	57	62	67	72
Year of Dis.												
1 (4th qtr.)	61	61	50	41	39	30	23	15	12	8	6	5
2 (1st qtr.)	58	58	48	40	36	25	21	13	11	8	7	5
2 (2nd qtr.)	53	53	43	35	34	24	19	12	10	7	6	5
2 (3rd qtr.)	49	49	40	33	32	23	15	11	9	6	5	4
2 (4th qtr.)	43	43	36	30	29	22	13	10	7	5	4	3
3	171	171	139	113	83	71	58	36	23	16	12	11
4	154	154	116	87	67	55	40	27	17	14	9	8
5	125	125	92	67	56	45	27	21	13	11	8	7
6	76	76	65	55	48	37	21	14	10	10	7	6
7	60	60	54	48	43	32	17	12	8	8	5	4
8	53	53	48	43	36	25	16	10	8	6	3	2
9	43	43	41	38	31	21	13	8	7	5	2	1
10	38	38	35	32	23	17	10	7	6	4	2	0

**FEMALES**

**PROBABILITY OF DEATH (1,000Q[X]+T) - SELECT PERIOD**

Central Age =>	17	22	27	32	37	42	47	52	57	62	67	72
Year of Dis.												
1 (4th qtr.)	10	12	16	17	18	21	25	27	29	32	30	28
2 (1st qtr.)	9	11	14	16	16	19	24	26	27	29	26	23
2 (2nd qtr.)	9	11	14	16	16	17	23	25	25	26	25	22
2 (3rd qtr.)	8	10	13	15	15	17	20	21	22	22	22	19
2 (4th qtr.)	8	9	12	13	13	14	16	17	16	16	16	16
3	15	23	29	30	32	35	42	52	53	54	61	64
4	12	17	20	21	23	25	32	39	44	45	51	54
5	8	15	19	20	21	23	25	30	36	41	45	47
6	8	13	14	14	16	19	24	28	36	39	48	50
7	8	11	12	13	14	19	24	28	35	40	51	53
8	8	11	12	13	14	18	23	27	35	41	55	57
9	8	10	12	13	14	16	23	27	33	42	59	62
10	8	9	11	12	14	16	23	27	32	42	63	67

**FEMALES**

**PROBABILITY OF RECOVERY (1,000Q[X]+T) - SELECT PERIOD**

Central Age =>	17	22	27	32	37	42	47	52	57	62	67	72
Year of Dis.												
1 (4th qtr.)	94	94	77	63	44	38	26	25	20	13	10	8
2 (1st qtr.)	71	71	59	49	41	34	25	23	18	13	11	9
2 (2nd qtr.)	59	59	48	39	38	30	22	21	15	11	9	7
2 (3rd qtr.)	53	53	44	36	35	26	18	17	12	9	7	6
2 (4th qtr.)	46	46	38	32	31	23	14	13	9	6	5	4
3	199	199	162	132	108	91	65	49	31	22	17	15
4	193	193	145	109	85	68	45	35	21	18	11	9
5	164	164	120	88	67	53	33	23	18	16	12	10
6	101	101	86	73	55	41	27	17	15	15	10	8
7	75	75	67	60	47	34	25	14	12	12	8	6
8	62	62	56	50	40	28	23	13	11	9	5	3
9	49	49	46	43	35	24	19	11	9	7	3	1
10	42	42	38	35	29	18	11	8	8	5	3	0

2005 Table

**Graduated Rates(1,000Q[X]), No Margin  
 Ultimate Period (Durations 11 years and beyond)**

Attained Age	Male		Female	
	Recovery	Death	Recovery	Death
27	25	10	25	8
28	25	10	25	8
29	25	10	25	8
30	25	11	25	9
31	25	11	25	9
32	25	11	25	9
33	25	11	26	9
34	25	11	27	9
35	25	12	29	10
36	25	12	31	10
37	25	12	33	10
38	24	12	32	10
39	23	13	31	11
40	23	14	30	11
41	22	15	28	12
42	22	15	27	12
43	21	15	27	12
44	20	16	27	13
45	19	16	26	14
46	18	17	26	14
47	17	17	26	15
48	17	18	24	15
49	17	19	22	15
50	16	20	20	16
51	16	21	18	16
52	16	22	17	16
53	15	24	16	18
54	14	25	15	19
55	12	26	14	20
56	11	28	12	22
57	10	29	11	23
58	9	31	10	24
59	8	33	10	25

60	7	34	9	25
61	6	35	9	26
62	5	37	8	27
63	5	39	8	28
64	5	40	8	30
65	5	42	7	31
66	5	44	7	32
67	5	45	7	32
68	4	47	6	34
69	3	48	4	36
70	3	51	3	38
71	2	52	2	40
72	1	53	1	42
73	1	58	1	46
74	1	62	1	50
75	1	66	1	54
76	1	70	1	59
77	1	74	1	63
78	1	76	1	64
79	1	79	1	65
80	0	80	0	66
81	0	83	0	67
82	0	86	0	67
83	0	91	0	71
84	0	97	0	75
85	0	103	0	79
86	0	109	0	84
87	0	115	0	89
88	0	122	0	94
89	0	129	0	99
90	0	137	0	105
91	0	146	0	112
92	0	156	0	120
93	0	168	0	129
94	0	182	0	140
95	0	199	0	153
96	0	224	0	172
97	0	268	0	206
98	0	359	0	276
99	0	999.9	0	999.9

## PROJECT HISTORY

### ACTUARIAL GUIDELINE 44

#### GROUP TERM LIFE WAIVER OF PREMIUM DISABLED LIFE RESERVES

**1. Description of the Project, Issues Addressed, etc.**

The *Health Insurance Reserves Model Regulation* (#10) and the NAIC *Valuation Manual* (VM-25, Health Insurance Reserves Minimum Reserve Requirements) contain requirements for the calculation of waiver of premium due to disability reserves on group life insurance policies. The current version of *Actuarial Guideline XLIV—Group Term Life Waiver of Premium Disabled Life Reserves* (AG 44) prescribes the use of the 2005 Group Term Life Waiver Mortality and Recovery Tables. The American Academy of Actuaries (Academy) and Society of Actuaries Research Institute (SOARI) Group Life Waiver of Premium Valuation Table (GLWPVT) Work Group proposed new 2022 Group Term Life Waiver Mortality and Recovery Tables (2022 Tables) that were developed using more recent experience data. The use of the 2022 Tables, as adopted by the Health Actuarial (B) Task Force on Sept. 28, 2022, required modifications to AG 44 to accommodate their application.

**2. Name of Group Responsible for Drafting the Model and States Participating**

The Health Actuarial (B) Task Force, comprising state insurance regulator representatives from Alabama, California, Colorado, Connecticut, District of Columbia, Idaho, Indiana, Iowa, Kansas, Maine, Maryland, Michigan, Minnesota, Missouri, Nebraska, Northern Marina Islands, Nebraska, New Jersey, New Mexico, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Virginia, Washington, and West Virginia oversaw the drafting of the proposed changes to the actuarial guideline. The proposed changes were drafted by the Academy and SOARI GLWPVT Work Group.

**3. Project Authorized by What Charge and Date First Given to the Group**

The Health Actuarial (B) Task Force agreed to expose a draft of the proposed changes to the actuarial guideline at its May 16, 2022 meeting. The proposed changes were exposed for public comment on July 11, 2022, with a comment deadline of Aug. 11, 2022. Additional revisions were proposed at its Sept. 6 meeting, which were exposed for public comment until Sept. 22. The charge is in accordance with the Health Actuarial (B) Task Force charge to “Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.”

**4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated**

The proposed changes were drafted by the Academy and SOARI GLWPVT Work Group. The draft actuarial guideline changes were first exposed on July 11, 2022, with a comment deadline of Aug. 11, 2022. Additional revisions were proposed at the Task Force’s Sept. 6 meeting, which were exposed for public comment until Sept. 22. and have received substantial vetting in conference calls. The Health Actuarial (B) Task Force adopted the final version of the guideline during its Sept. 28, 2022, conference call, as did the Health Insurance and Managed Care (B) Committee on its November 10, 2022, conference call.

**5. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited)**

Please see 4.

**6. A Discussion of the Significant Issues (items of some controversy raised during the due process and the group’s response)**

Please see 5.

**7. Any Other Important Information (e.g., amending an accreditation standard).**

None.

Draft: 12/5/22

*Adopted by the Market Regulation and Consumer Affairs (D) Committee, Aug. 12, 2022*

*Adopted by the Producer Licensing (D) Task Force, May 5, 2022*

**DRAFT FOR DISCUSSION**  
**GUIDELINES FOR AMENDING THE UNIFORM LICENSING APPLICATIONS**

The mission of the Producer Licensing (D) Task Force includes the development and implementation of uniform standards with a primary emphasis on encouraging the use of electronic technology. As part of this mission, the Task Force has appointed a Producer Licensing Uniformity (D) Working Group to “review and update, as needed, the NAIC’s uniform producer licensing applications and uniform appointment form.” In support of this mission and charge, the Producer Licensing (D) Task Force recognizes the importance of having stable, streamlined, and consistent Uniform Licensing Applications that comply with the statutes and regulations of the NAIC Membership and encourage the use of electronic technology in the most efficient manner.

In support of this mission and the importance of maintaining stable and consistent NAIC Uniform Licensing Applications, the Producer Licensing (D) Task Force will use the following guidelines for substantive changes to the NAIC’s Uniform Licensing Applications:

1. On a biennial basis, the Producer Licensing (D) Task Force will send an email by Dec. 1 to members of the Producer Licensing (D) Task Force, interested state insurance regulators, interested parties, and state producer licensing directors asking for proposed changes to the NAIC Uniform Licensing Applications. The requested changes are to be submitted as a Word document using the NAIC Uniform Licensing Application Change Request form. The form should be completed, attached to an email message, and directed and submitted to the NAIC staff providing primary support for the Producer Licensing (D) Task Force. All requests should be submitted by Feb. 1.
2. If the Producer Licensing (D) Task Force recommends further analysis of the request, the Task Force will assign the request to the Producer Licensing Uniformity (D) Working Group by the close of the NAIC Spring National Meeting. The Working Group will review the request using the following guiding questions:
  - A. Does the proposed change maintain the NAIC Membership’s mission of uniform licensing standards with a primary emphasis on encouraging the use of electronic technology?
  - B. Does the proposed change serve the regulatory purpose of strengthening consumer protection while maintaining an efficient licensing process for producer applicants? This should include documentation on why the existing Uniform Applications do not meet these objectives.
  - C. Does the proposed change comply with the statutes and regulations of the NAIC Membership and encourage the use of the NAIC’s Uniform Applications in all jurisdictions?
3. The initial comment period on exposure drafts issued by the Producer Licensing Uniformity (D) Working Group should be 30 calendar days. The Working Group may consider additional exposure periods of less than 30 days for revisions to the same draft.
4. The Producer Licensing Uniformity (D) Working Group and the Producer Licensing (D) Task Force should adopted revisions to the NAIC’s Uniform Applications by the close of the NAIC Summer National Meeting.<sup>1</sup>

<sup>1</sup>The dates and meetings set forth herein pertain only to the year in which the Producer Licensing (D) Task Force solicits proposed changes to the Uniform Licensing Applications as described in item 1.

5. If the Producer Licensing Uniformity (D) Working Group recommends that a requested change not be pursued, the request will be updated with that decision and filed for future reference. A copy of the recommendation and decision will be provided to the requestor.
6. If the Producer Licensing Uniformity (D) Working Group recommends proceeding with a requested change, NAIC staff providing primary support for the Producer Licensing (D) Task Force will coordinate with the National Insurance Producer Registry (NIPR) and states, including back-office system support vendors, during the next 45 days to conduct an analysis culminating in the provision of a time and cost estimate for the Producer Licensing (D) Task Force's review and prioritization. Using staff analysis, the Producer Licensing (D) Task Force will identify an appropriate implementation date.
7. The Market Regulation and Consumer Affairs (D) Committee should adopt revisions to the NAIC's Uniform Applications by Oct. 15, and the Executive (EX) Committee and Plenary should adopt them by the conclusion of the NAIC Fall National Meeting.

### NAIC Uniform Application Change Request

Date Submitted: \_\_\_\_\_

Name: \_\_\_\_\_

State: \_\_\_\_\_

E-Mail: \_\_\_\_\_

Phone: \_\_\_\_\_

**Change Request to Following NAIC Uniform Application (Check all that apply)**

- Uniform Application for Individual License/Registration
- Uniform Application for Individual License Renewal/Continuation
- Uniform Application for Business Entity Licensing Registration
- Uniform Application for Business Entity License Renewal/Continuation

**Provide Concise Description of Proposed Change**

**Provide Reason for the Proposed Change**

**Provide Supporting Information Related to the Proposed Change**

**To Be Completed by NAIC Staff**

Change Request ID #	Date Received	Estimated Hours	Recommendation

[Guidelines for Uniform Apps](#)

## MEMORANDUM

TO: Executive (EX) Committee and Plenary

FROM: Scott White (VA), Chair, Financial Condition (E) Committee

DATE: December 16, 2022

RE: IAIS ComFrame Implementation

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The International Association of Insurance Supervisors (IAIS) adopted the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) on Nov. 14, 2019. ComFrame establishes supervisory standards and guidance focusing on the effective group-wide supervision of internationally active insurance groups (IAIGs). The intent of ComFrame is to help supervisors address group-wide risks and avoid supervisory gaps by supporting coordination across jurisdictions.

ComFrame builds on, and expands upon, the high-level standards and guidance currently set out in the Insurance Core Principles (ICPs) of the IAIS, which generally apply on both an insurance legal entity and group-wide level. There are ComFrame elements included in 10 of the 25 ICPs, as well as the ICP Introduction and Assessment Methodology. Consistent with the application of the ICPs, the minimum requirements established by ComFrame are expected to be implemented and applied in a proportionate manner. However, supervisors have the flexibility to tailor the implementation of supervisory requirements and application of insurance supervision to achieve the outcomes described in ComFrame standards.

In 2020, the Group Solvency Issues (E) Working Group received a charge to: “Assess the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and make recommendations on its implementation in a manner appropriate for the U.S.” To address this charge, the Working Group first conducted a gap analysis to determine which ComFrame standards had already been incorporated into the U.S. system and which still needed to be considered for incorporation. The Working Group determined that while certain ComFrame elements were incorporated into the 2014 revisions of the *Insurance Holding Company System Regulatory Act* (#440) and others were currently under development (i.e., group capital calculation [GCC]), there were additional elements that should be considered for implementation.

The Working Group ultimately determined that the existing provisions of Model #440 provided sufficient authority to implement ComFrame in the U.S. and that remaining ComFrame elements deemed appropriate for the U.S. system should be incorporated into NAIC handbooks and manuals rather than model laws or regulations. As such, the Working Group identified the *Financial Analysis Handbook*, the *Financial Condition Examiners Handbook*, and the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual) as the appropriate places for additional ComFrame elements to be placed within the U.S. system, and it formed three drafting groups to develop proposed revisions to each of these publications.

The drafting groups developed revisions for all three publications in 2021 and 2022. The Working Group exposed the changes for a public comment period—in some cases, multiple times. It received comments from interested regulators and interested parties, and the Working Group made adjustments to the proposed guidance in light of the comments received. Ultimately, interested parties supported the proposed revisions, and the Working Group finalized them at the 2022 Summer National Meeting. They were subsequently adopted by other relevant groups that oversee the publications and by the Financial Condition (E) Committee.

Summaries of the revisions incorporated into the *Financial Analysis Handbook*, the *Financial Condition Examiners Handbook*, and the ORSA Guidance Manual are attached to this memorandum as Exhibits A, B, and C, respectively.

**Exhibit A – Summary of ComFrame Elements Incorporated into the *Financial Analysis Handbook***

ICP	Topic(s)	Proposed Addition(s)
ICP 5	Suitability of key individuals at the IAIG	Section VI.D – Corporate Governance Disclosure Procedures <ul style="list-style-type: none"> <li>Consideration of obtaining governance information at the head of the IAIG level (i.e., Corporate Governance Annual Disclosure [CGAD], biographical affidavits) and conducting review and assessment procedures at that level</li> </ul>
ICP 7	Corporate governance framework at the IAIG	Section VI.D – Corporate Governance Disclosure Procedures <ul style="list-style-type: none"> <li>Consideration of obtaining governance information at the head of the IAIG level (i.e., CGAD, biographical affidavits) and conducting review and assessment procedures at that level</li> </ul>
ICP 8	Risk management system at the IAIG	Sections VI.E – ERM Process Risks Guidance and VI.F – ORSA Review Template <ul style="list-style-type: none"> <li>Obtain ORSA reports at the head of the IAIG level, and conduct review and assessment procedures at that level (new Appendix C)</li> </ul>
	Internal control system at the IAIG	Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>IAIG Procedure #5 places primary reliance on exam function for assessment, but includes analysis procedures to follow up on results and address any significant changes since the last exam</li> </ul>
	Compliance function at the IAIG	Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>IAIG Procedure #6 places primary reliance on exam function for assessment, but includes analysis procedures to follow up on results and address any significant changes since the last exam</li> </ul>
	Actuarial function at the IAIG	Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>IAIG Procedure #7 places primary reliance on exam function for assessment, but includes analysis procedures to follow up on results and address any significant changes since the last exam</li> </ul>
	Internal audit function at the IAIG	Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>IAIG Procedure #8 places primary reliance on exam function for assessment, but includes analysis procedures to follow up on results and address any significant changes since the last exam</li> </ul>
ICP 9	Group risk assessment	Section VI.C – Insurance Holding Company System Analysis Guidance • <ul style="list-style-type: none"> <li>Added IAIG Procedures #1–3 to provide general considerations unique to IAIG risk assessment, as a supplement to existing group analysis procedures</li> </ul>
	Group inspections (examinations)	Sections VI.A, VI.B, VI.I and VI.J <ul style="list-style-type: none"> <li>Narrative guidance and procedures reference the fact that some group-wide assessments are more appropriately conducted through coordinated on-site examinations, when relevant</li> </ul>
ICP 10	Supervisory measures	Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>Added IAIG Procedure #4 to provide considerations relevant to any supervisory measures or corrective action that may be necessary to address group-wide solvency concerns</li> </ul> Section VI.B – Roles and Responsibilities of Group-Wide Supervisor <ul style="list-style-type: none"> <li>Added narrative guidance to clarify the role of the group-wide supervisor in taking any necessary corrective action</li> </ul>
ICP 12	Recovery and resolution	Section VI.J – Supervisory Colleges Guidance



**Exhibit B – Elements of ComFrame Incorporated into the *Financial Condition Examiners Handbook***

ICP	Topic(s)	Proposed Addition(s)
ICP 5 ICP 7	Corporate governance framework at the IAIG, including the suitability of key individuals at the IAIG	<p>Section 2, Part I – Understanding the Corporate Governance Function</p> <ul style="list-style-type: none"> <li>• Consideration of obtaining governance information at the head of the IAIG level (i.e., CGAD, biographical affidavits) and conducting review and assessment procedures at that level, when applicable</li> </ul> <p>Section 4, Exhibit E – Audit Review Procedures</p> <ul style="list-style-type: none"> <li>• Guidance clarifying that Internal Audit members should not have other operational, risk management, or accounting responsibilities to be considered independent</li> </ul> <p>Section 4, Exhibit M – Corporate Governance Assessment</p> <ul style="list-style-type: none"> <li>• Added a section that includes inquiries/procedures applicable to IAIGs</li> </ul> <p>Section 4, Exhibit Y – Examination Interviews</p> <ul style="list-style-type: none"> <li>• Added guidance indicating that interviews may be necessary at the head of the IAIG, when applicable</li> </ul>
ICP 8 ICP 15 ICP 16	<p>Risk management framework at the IAIG, including groupwide considerations for internal control systems; internal audit, compliance, and actuarial functions; and outsourcing activities/functions</p> <p>Consideration of policies and practices for relevant key activities:</p> <ul style="list-style-type: none"> <li>• Investments</li> <li>• Claims Management</li> <li>• Reinsurance</li> <li>• Actuarial Function</li> <li>• Capital Management</li> </ul>	<p>Section I, Part III.F – Outsourcing Critical Functions</p> <ul style="list-style-type: none"> <li>• Added guidance to evaluate a company’s due diligence prior to entering into new, material outsourcing agreements.</li> </ul> <p>Section I, Part XI – Reviewing and Utilizing the ORSA</p> <ul style="list-style-type: none"> <li>• Added guidance for reviewing and using Appendix C – IAIG Risk Management Assessment Considerations (See the ORSA Guidance Manual and the <i>Financial Analysis Handbook</i>)</li> </ul> <p>Section IV – Exhibit M: Corporate Governance Assessment</p> <ul style="list-style-type: none"> <li>• Added a section that includes inquiries and procedures applicable to IAIGs</li> </ul> <p>Section III – Examination Repositories</p> <ul style="list-style-type: none"> <li>• Added a statement to respective examination repositories to indicate that some or all risks within the key activity could be used to address relevant ComFrame considerations, and, therefore, procedures may need to be performed at the head of the IAIG. When only some risks are deemed applicable, these are identified with the † symbol.</li> </ul>
ICP 9	Group-wide risk assessment and inspections	<p>Section I–I.F – Coordinated Examinations of Internationally Active Insurance Groups</p> <ul style="list-style-type: none"> <li>• Narrative guidance and procedures reference the fact that some group-wide assessments are more appropriately conducted through coordinated onsite examinations, when relevant</li> </ul> <p>Section 4 – Exhibit AA: Summary Review Memorandum</p> <ul style="list-style-type: none"> <li>• For coordinated examinations of IAIGs or other groups (as deemed appropriate), documentation on the Summary Review Memorandum (SRM) may need to be expanded to include groupwide conclusions</li> </ul>
ICP 23	IAIG and head of IAIG determination	Section I–I.F – Coordinated Examinations of Internationally Active Insurance Groups

ICP	Topic(s)	Proposed Addition(s)
		<ul style="list-style-type: none"><li>• Added guidance from ComFrame and Model #440 on IAIG determination for background purposes</li><li>• Added reference to the <i>Financial Analysis Handbook</i> as the primary source for related information and procedures for identifying the IAIG and the head of the IAIG</li></ul>



ICP	Topic(s)	Proposed Addition(s)
	IAIG investment policies and practices	<p>ORSA GM V</p> <ul style="list-style-type: none"> <li>• The investment policies should ensure that assets are properly diversified and that asset concentration risk is mitigated across the IAIG</li> </ul>
	IAIG actuarial function	<p>ORSA GM V</p> <ul style="list-style-type: none"> <li>• The ORSA should describe how the actuarial function is involved in the risk assessment and management of the risks emanating from the legal entities, in determining the IAIG’s solvency position, in any actuarial-related modeling in the ORSA, and in the annual reporting to the IAIG Board of Directors on the risks posed to the IAIG</li> </ul>
	IAIG internal audit function	<p>ORSA GM V</p> <ul style="list-style-type: none"> <li>• The ORSA should describe how the audit function provides an independent assessment and assurance to the IAIG Board of Directors of the operational effectiveness of the internal controls incorporated into the risk management framework</li> </ul>
	IAIG liquidity exposures	<p>ORSA GM V</p> <ul style="list-style-type: none"> <li>• The risk management framework should include a series of mechanisms to manage the IAIG’s liquidity risk and demonstrate the IAIG’s resilience against severe but plausible liquidity stresses. These mechanisms include: <ul style="list-style-type: none"> <li>○ A liquidity risk appetite statement and liquidity risk limits to determine if the current liquidity position of the IAIG is within the risk appetite and the limits</li> <li>○ Strategy, policies, and processes to manage liquidity risk</li> <li>○ Liquidity stress testing (LST)</li> <li>○ An adequate level of unencumbered highly liquid assets</li> <li>○ Contingency funding to mitigate potential liquidity stresses</li> </ul> </li> </ul>
	IAIG recovery plan	<p>ORSA GM V</p> <ul style="list-style-type: none"> <li>• The IAIG may be asked by the group-wide supervisor to develop a recovery plan. A recovery plan identifies in advance options to restore the financial position and viability of the group if it comes under severe stress. The full recovery plan is not expected to be included in the ORSA Summary Report. However, the ORSA Summary Report should discuss at a high-level the severe stresses that could trigger a recovery plan and should summarize the recovery options available</li> </ul>

Date: 11/28/22

## State Implementation Reporting of NAIC-Adopted Model Laws and Regulations

### Executive (EX) Committee

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

### Life Insurance and Annuities (A) Committee

- Amendments to the *Annuity Disclosure Model Regulation (#245)*—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2021 Summer National Meeting. NAIC staff are not aware of any activity regarding this model.
- Amendments to the *Suitability in Annuity Transactions Model Regulation (#275)*—These revisions were adopted by the Executive (EX) Committee and Plenary during the February 13, 2020, conference call. 28 jurisdictions have enacted the revisions to the model.
- Amendments to the *Standard Nonforfeiture Law for Individual Deferred Annuities (#805)*—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. 22 jurisdictions have adopted the revisions to this model.

### Health Insurance and Managed Care (B) Committee

- Amendments to the *Health Maintenance Organization Model Act (#430)*—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. One jurisdiction has adopted the revisions to this model.
- Amendments to the *Insurance Holding Company System Regulatory Act (#440)*—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. 22 jurisdictions have adopted the revisions to this model.
- Amendments to the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)*—These revisions were adopted by the Executive (EX) Committee and Plenary at the 2020 Fall National Meeting. 12 jurisdictions have adopted the revisions to this model.

### Property and Casualty Insurance (C) Committee

- Adoption of the *Real Property Lender-Placed Insurance Model Act (#631)*—This model was adopted by the Executive (EX) Committee and Plenary at the 2021 Spring National Meeting. NAIC staff are not aware of any activity regarding this model.
- Adoption of the *Pet Insurance Model Act (#633)*— This model was adopted by the Executive (EX) Committee and Plenary at the 2022 Summer National Meeting. One jurisdiction has adopted this model.