



Draft date: 11/17/22

*2022 Fall National Meeting  
Tampa, Florida*

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

Tuesday, December 13, 2022

9:00 – 10:00 a.m.

**ROLL CALL**

Lori K. Wing-Heier, Chair	Alaska	Mike Causey	North Carolina
Vicki Schmidt, Co-Vice Chair	Kansas	Andrew R. Stolfi	Oregon
Sharon P. Clark, Co-Vice Chair	Kentucky	Elizabeth Kelleher Dwyer	Rhode Island
Alan McClain	Arkansas	Michael Wise	South Carolina
Andrew N. Mais	Connecticut	Larry D. Deiter	South Dakota
Timothy N. Schott	Maine	Scott A. White	Virginia
Gary D. Anderson	Massachusetts	Jeff Rude	Wyoming
Eric Dunning	Nebraska		

NAIC Support Staff: Becky Meyer/Sara Franson/Dan Schelp

**AGENDA**

1. Consider Adoption of its Summer National Meeting Minutes Attachment One  
—*Director Lori K. Wing-Heier (AK)*
2. Consider Adoption of its 2023 Proposed Charges Attachment Two  
—*Director Lori K. Wing-Heier (AK)*
3. Receive an Update on the Part A Liabilities and Reserves Accreditation Attachment Three  
Standard—*Director Lori K. Wing-Heier (AK)*
4. Discuss Any Other Matters Brought Before the Committee  
—*Director Lori K. Wing-Heier (AK)*
5. Adjournment

## Draft Pending Adoption

Date: 8/16/2022

Financial Regulation Standards and Accreditation (F) Committee  
Portland, Oregon  
August 10, 2022

The Financial Regulation Standards and Accreditation (F) Committee met Aug. 10, 2022. The following Committee members participated: Lori K. Wing-Heier, Chair (AK); Vicki Schmidt, Co-Vice Chair (KS); Sharon P. Clark, Co-Vice Chair (KY); Alan McClain (AR); Andrew N. Mais (CT); Timothy N. Schott (ME); Gary D. Anderson (MA); Eric Dunning (NE); Mike Causey represented by Jackie Obusek (NC); Andrew R. Stolfi represented by Doug Hartz (OR); Elizabeth Kelleher Dwyer represented by Matthew Gendron (RI); Michael Wise represented by Daniel Morris (SC); Larry D. Deiter (SD); Scott A. White (VA); and Jeff Rude (WY).

### 1. Adopted its Spring National Meeting Minutes

Commissioner Schmidt made a motion, seconded by Commissioner Clark, to adopt the Committee's April 5 minutes (see *NAIC Proceedings – Spring 2022, Financial Regulation Standards and Accreditation (F) Committee*). The motion passed unanimously.

Director Wing-Heier said the Committee met Aug. 9 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. During this meeting, the Committee voted to award continued accreditation to Alaska, Iowa, Minnesota, and Ohio.

### 2. Adopted Revisions to the Examination Coordination Accreditation Guidelines

Director Wing-Heier stated that at the Spring National Meeting, the Financial Examiners Handbook (E) Technical Group provided a referral (Attachment One) regarding updates to the exam coordination guidelines in the accreditation program. The Technical Group identified an inconsistency between guidance in the NAIC *Financial Condition Examiners Handbook* (Handbook) and the accreditation guideline regarding exam coordination. Specifically, the Handbook guidance requires coordination documentation for holding company groups with insurers domiciled in multiple states, whereas the accreditation guidance requires the same documentation for holding company groups with multiple insurers. Since the coordination guidance is intended to facilitate work between states, the recommendation is to align the accreditation guideline with the Handbook guidance. The referral was exposed for a 30-day public comment period, and no comments were received.

Commissioner White made a motion, seconded by Commissioner Mais, to adopt the recommendation to change the accreditation guidance to require coordination documentation for holding company groups with insurers domiciled in multiple states. The motion passed unanimously.

### 3. Adopted Receivership Updates to Model #440 and Model #450

Director Wing-Heier stated that at the 2021 Summer National Meeting, the Receivership and Insolvency (E) Task Force adopted revisions to the *Insurance Holding Company System Regulatory Act* (#440) and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450). The revisions address the continuation of essential services through affiliated intercompany agreements with an insurer that is placed into receivership. Because both models are part of the accreditation standards, the Committee considers the impact of any changes. The Task Force provided a recommendation (Attachment Two) that the model revisions should be considered acceptable but not required for accreditation. The recommendation was exposed for a 30-day public comment period, and no comments were received.

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Mr. Hartz made a motion, seconded by Commissioner Clark, to adopt the recommendation from the Receivership and Insolvency Task Force that the 2021 revisions to Model #440 and Model #450 be acceptable for accreditation but not required. The motion passed unanimously.

### 4. Adopted a Recommendation Regarding VA Captives

Director Wing-Heier stated that captives are generally excluded from the accreditation standards with the exception of captive risk retention groups (RRGs), and captives that reinsure term and universal life with secondary guarantees, variable annuity (VA), or long-term care (LTC) business. Currently, VA and LTC have “to be determined” effective dates as work was ongoing in these areas. Last year, this Committee sent a request to the Financial Condition (E) Committee for more information on the extent VA and LTC captives are used, any relevant trends, and updates on related work. The focus of the exposure is the second paragraph (Attachment Three), which discusses updates to the NAIC *Valuation Manual* to alleviate concerns regarding captives that reinsure VA business. The memorandum recommends replacing the “to be determined” effective date with a reference to VM-21, Requirements for Principle-Based Reserves for Variable Annuities. Since the *Valuation Manual* is already required for accreditation, the proposed revision does not represent a new requirement. Rather, it serves as a reference for how this item is addressed in the standards. This means there is no proposed requirement that would apply directly to captives. Rather, the issue is being addressed through the standards for traditional insurers. If future trends indicate a concern, the Committee may reconsider at that time.

Commissioner White made a motion, seconded by Commissioner Schmidt, to adopt the updates to the preamble to reference VM-21 regarding VA business. The motion passed unanimously.

### 5. Received Updates on the Status of Model Laws for Accreditation

Director Wing-Heier stated that when model laws are adopted as requirements for accreditation, states are given a period of time to work within the legislative processes for their state to put the requirements in place. The NAIC provides support to the states and tracks adoption of the requirements. There are two new requirements that become effective Sept. 1, 2022. While this date is less than a month away, review of states’ laws and regulation for compliance with accreditation will not begin until Jan. 1, 2023.

Holly Weatherford (NAIC) provided an update on the adoption of the 2019 revisions to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786). She stated that jurisdictions have until Sept. 1, 2022, to adopt these revisions or face potential federal preemption by the Federal Insurance Office (FIO) pursuant to the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (Covered Agreement) with the European Union (EU) and United Kingdom (UK). She stated that just this morning, the U.S. Virgin Islands signed its legislation, as expected, bringing the count to all 56 NAIC jurisdictions having adopted the equivalent of Model #785. The three smaller territories, American Samoa, Guam and Northern Mariana Islands, were all able to adopt the models by an Order, with the approval of the FIO. With respect to the model regulation, 51 jurisdictions have adopted so far, another three jurisdictions currently have action pending, and it is expected that the other two jurisdictions will issue their regulations shortly. It is anticipated that all NAIC jurisdictions will have their laws, regulations, or orders in place by Sept. 1.

Ms. Weatherford provided an update on the status of the federal preemption reviews currently being conducted by the FIO. The federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) lays out a process under which the FIO must go through before it can make any federal preemption determinations. The NAIC has been in frequent communication with the FIO regarding its reviews of state laws. Publicly, the FIO has praised the NAIC’s efforts, stating that the NAIC has made tremendous progress on this front and that each state

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has made a sincere effort to adopt the spirit of the models. The NAIC is aware that the FIO is focusing its review on technical details in the law and regulation, and that there might need to be some clean-up made by the states after the reviews are completed. In summary, these have been constructive conversations with the FIO, and at this moment, the NAIC does not have reason for concern that this will lead to any federal preemption determinations. However, if any state is contacted directly by the FIO, please notify the NAIC.

Ms. Weatherford stated that the *Term and Universal Life Insurance Reserve Financing Model Regulation (#787)* becomes an accreditation standard on Sept. 1, 2022, with enforcement beginning on Jan. 1, 2023. As of July 8, when the last updates were received, 20 jurisdictions have adopted Model #787, with another four jurisdictions with action under consideration. Model #787 mirrors *Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued Under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation (AG 48)*, and under the accreditation standards, a state may meet the requirements through an administrative practice, such as an actuarial guideline. Additionally, if a state adopts Model #787, it also will need to adopt Section 5B(4) of Model #785.

Commissioner Clark stated that the FIO reached out to Kentucky, and it appears it was primarily regarding drafting notes that are in place to abide by legislative procedures. Ms. Weatherford responded that the corrections from the FIO are typically highly technical and not related to the Covered Agreement. If there were concerns, states would hear from the NAIC and the FIO.

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

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

**NAIC** NATIONAL MEETING  
FALL 2022

**MEMORANDUM**

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

FROM: Becky Meyer, Senior Accreditation Manager

DATE: November 17, 2022

RE: 2023 Proposed Charges

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

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

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

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

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

**MEMORANDUM**

**TO:** Life Actuarial (A) Task Force

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

**DATE:** October 13, 2022

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

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

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

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

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

## 9. Liabilities and Reserves

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

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### REFERENCE

a. Prescribe minimum standards for establishment of:

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

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*Standard Valuation Law* (#820)

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

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

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

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

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

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- g. After the operative date of the *Valuation Manual*, every company with outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state, except as exempted by the *Valuation Manual*, shall annually submit an opinion of the qualified actuary with respect to the Actuarial Analysis of Reserves and Assets Supporting Reserves in accordance with Section 3B(2)?  

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- h. After the operative date of the *Valuation Manual*, a memorandum in form and substance acceptable to the commissioner shall be prepared to support each actuarial opinion in accordance with Section 3B(3)(a)?  

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- i. After the operative date of the *Valuation Manual*, the commissioner may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare the supporting memorandum required by the commissioner in accordance with Section 3B(3)(b)?  

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- j. Every opinion after the operative date of the *Valuation Manual* shall be governed by the requirements of the provisions of Section 3B(4)(a) through Section 3B(4)(d)?  

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- k. Prescribe computation of minimum standard for reserves similar to Section 4?  

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- l. With respect to accident and health insurance contracts issued on or after the operative date of the *Valuation Manual*, the standard prescribed in the *Valuation Manual* is the minimum standard of valuation required in accordance with Section 10?  

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- m. The *Valuation Manual* should be adopted by the states uniformly, utilizing the version effective Jan. 1, 2017, and all subsequent revisions adopted by the NAIC membership (including any provisions with respect to fraternal benefit societies). For policies issued on or after the operative date of the *Valuation Manual*, the standard prescribed in the *Valuation Manual* is the minimum standard of valuation in accordance with Section 11A?  

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- n. Any changes to the *Valuation Manual* are made in accordance with Section 11C?  

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- o. The *Valuation Manual* is required to specify all the requirements described in Section 11D?  

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*Property and Casualty Actuarial Opinion Model Law (#745)*

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

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

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

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

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