

EXECUTIVE (EX) COMMITTEE

Executive (EX) Committee, Dec. 2, 2023, Minutes

Executive (EX) Committee Interim Meeting Report (Attachment One)

Executive (EX) Committee Task Force Reports (Attachment Two)

2024 Adopted Charges (Attachment Three)

Report of Model Law Development Requests (Attachment Four)

Draft Pending Adoption

Draft: 12/18/23

Executive (EX) Committee
Orlando, Florida
December 2, 2023

The Executive (EX) Committee met in Orlando, FL, Dec. 2, 2023. The following Committee members participated: Andrew N. Mais, Vice Chair (CT); Jon Godfread, Vice President (ND); Scott A. White, Secretary-Treasurer (VA); Dean L. Cameron, Most Recent Past President (ID); Lori K. Wing-Heier (AK); Michael Conway (CO); Trinidad Navarro (DE); Doug Ommen (IA); Vicki Schmidt (KS); Sharon P. Clark (KY); Kathleen A. Birrane (MD); Anita G. Fox (MI); Andrew R. Stolfi (OR); Carter Lawrence (TN); and Kevin Gaffney (VT).

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

Commissioner Mais reported that the Executive (EX) Committee and Internal Administration (EX1) Subcommittee met Dec. 1, 2023, in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC) and paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings.

During this meeting, the Committee and Subcommittee adopted its Nov. 28, Oct. 26, Sept. 28, Aug. 24, and Summer National Meeting minutes, which included the following action: 1) approved the proposed NAIC 2024 budget and recommended the proposed NAIC 2024 budget be considered by the full membership during the joint meeting of the Executive (EX) Committee and Plenary at the Fall National Meeting; 2) held a public hearing on the proposed NAIC 2024 budget with interested parties; 3) approved the exposure of the proposed NAIC 2024 budget for a public comment period; and 4) reviewed senior management's proposed prioritization of the *State Connected* strategic plan initiatives and its impact on the 2024 budget.

The Committee and Subcommittee adopted the Executive (EX) Committee's Oct. 13 and Summer National Meeting minutes, which included the following action: 1) approved the filing of an amicus brief in *Delaware Department of Insurance v. United States of America (IRS)*.

The Committee and Subcommittee adopted the report of the Audit Committee, including its Nov. 21 minutes. During this meeting, the Committee took the following action: 1) received the Oct. 31 financial update; 2) received an update on the 2023 year-end financial audit; 3) received an update on the upcoming Service Organization Control (SOC) 1 and SOC 2 reviews; 4) heard an update on the Enterprise Resource Planning (ERP) project; and 5) reviewed the status of Zone financials and Zone Technical Training Funds, including approved carryover of \$20,000 in grant funds from 2023 to 2024.

The Committee and Subcommittee adopted the report of the Internal Administration (EX1) Subcommittee, including its Nov. 20 minutes. During this meeting, the Subcommittee took the following action: 1) received the Sept. 30 Long-Term Investment Portfolio report; 2) received the Sept. 30 Defined Benefit Portfolio report; 3) updated and affirmed the investment policy statement (IPS) for the Defined Benefit and Defined Contribution Plans; 4) reaffirmed the IPS for the Long-Term Funds Portfolio; and 5) heard a status update on the termination of the Defined Benefit Pension Plan.

The Committee and Subcommittee also: 1) adopted the fiscal for Variable Annuity and Life Insurance Model Office Testing; 2) approved the formation of a Center for Insurance Policy and Research (CIPR) Steering Committee; 3) heard the Acting Chief Executive Officer (CEO) report; 4) heard a cybersecurity report; and 5) heard an update from NAIC General Counsel, Kay Noonan.

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Commissioner Godfread made a motion, seconded by Director Cameron, to adopt the Dec. 1 report of the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee. The motion passed unanimously.

2. Adopted its Oct. 13 Interim Meeting Report

Director Cameron made a motion, seconded by Director Wing-Heier, to adopt the Executive (EX) Committee's Oct. 13 interim meeting report (Attachment One). The motion passed unanimously.

3. Adopted the Reports of its Task Forces

Commissioner White made a motion, seconded by Commissioner Godfread, to adopt the reports of the: 1) Climate and Resiliency (EX) Task Force; 2) Government Relations (EX) Leadership Council; 3) Long-Term Care Insurance (EX) Task Force; and 4) Special (EX) Committee on Race and Insurance (Attachment Two). The motion passed unanimously.

Director Wing-Heier reported that the Climate and Resiliency (EX) Task Force will meet Dec. 3 to consider adopting the *National Climate Resilience Strategy for Insurance*. The document is meant to bring together and formalize resilience actions that can be coordinated by the NAIC, both pre- and post-disaster. Such a multiyear strategy will be informed by more comprehensive data collection by the NAIC, ultimately producing better risk mitigation decisions in state jurisdictions and a greater ability to identify diverse funding strategies for risk mitigation.

4. Adopted its 2024 Proposed Charges

Commissioner Mais reported that the Committee's 2024 proposed charges for consideration are similar to those of the previous year. The Committee's task forces will continue work on climate and resiliency and long-term care (LTC).

Director Cameron made a motion, seconded by Director Fox, to adopt the Committee's 2024 proposed charges (Attachment Three). The motion passed unanimously.

5. Received a Status Report on the Implementation of *State Connected*

Commissioner Mais provided an update on *State Connected* implementation efforts. During the Spring National Meeting, the NAIC unveiled its strategic plan, *State Connected*. Commissioner Mais reported that significant progress has been made, and the NAIC management team is actively advancing 24 initiatives directed at improving member support, advancing technology, and streamlining regulatory support efforts.

6. Received a Report on Model Law Development Efforts

Commissioner Mais presented a written report on the progress of ongoing model law development efforts (Attachment Four).

7. Heard a Report from the NIPR Board of Directors

Director Deiter reported that the National Insurance Producer Registry (NIPR) Board of Directors met Nov. 30 to discuss the proposed 2024 budget and receive an update on state initiatives.

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NIPR reported that New York began processing Resident and Nonresident Licensing and Renewals for all major lines and core limited lines licenses for individual applicants. NIPR is scheduled to expand New York's licensing services by providing Resident and Nonresident Business Entity Licensing and Renewals for agents and brokers, along with Adjuster Licensing, early next year.

NIPR reported that implementation of Resident and Non-Resident Licensing and Renewals for Business Entities in Washington is anticipated before year-end, with additional licensing features coming next year. Once Washington's implementation is complete, all states will be fully utilizing NIPR for major lines products and services.

NIPR's proposed 2024 budget projects a total revenue of \$78.74 million, with \$1.64 million in investment income and the remainder from products and operations. The NAIC is budgeted to receive \$29.3 million of NIPR's revenue as a data license fee.

Expenses are budgeted at \$77.8 million, including funds for additional team members to ensure staffing levels are sufficient to meet the increased demand due to NIPR's rapid state and business expansion. The Board voted unanimously to approve the proposed 2024 budget.

The Board also received an update on new technical initiatives and outreach programs for state regulators. Since 2021, NIPR has conducted 32 virtual or onsite state visits. In addition, NIPR has provided education and training for state insurance regulators in 22 states through onsite zone training, product demonstrations, and the Insurance Summit and Securities and Insurance Licensing Association (SILA) conference.

8. Heard a Report from the Compact

Commissioner Birrane reported that the Interstate Insurance Product Regulation Commission (Compact) will meet Dec. 3. During this meeting, the Compact will welcome two new state legislators to the Legislative Committee: 1) Kentucky Representative Rachel Roberts; and 2) Oklahoma Representative Forrest Bennett. Both were appointed by the National Conference of Insurance Legislators (NCOIL) at its recent annual meeting.

The Compact appointed Richard Weber, NAIC Consumer Representative and Life Insurance Consumer Advocacy Center (LICAC) co-founder, to the Consumer Advisory Committee.

The Compact will consider for adoption a new product line of Uniform Standards for Group Whole Life for Employer Groups.

The Compact will also act on an amendment to the Group Fixed Contract Annuity Uniform Standard to expand its scope beyond pension risk transfer arrangements.

The Compact will consider an amendment for "incorporation by reference" to its rulemaking rule. The Uniform Standards have citations to NAIC model laws and regulations. This provision will provide a process for opening the Uniform Standards when a model law or regulation incorporated by reference is amended.

The Compact will also consider approving the 2024 annual budget package. The Schedule of Fees will remain unchanged, and the budget will include two new resources to be hired mid-year. The Compact is in a healthy cash position of over \$1.1 million. Through the end of October, the Compact is within 6% of budgeted revenues, with actuals being a little over \$2.9 million. Expenses are well managed and under budget by 11%, with actuals being \$2.5 million.

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The Compact is seeing strong annual registration revenue, meaning more companies are using the Compact platform than anticipated. The Compact has collected and remitted more than \$2.5 million in state filing fees to its members.

The Compact has made four annual payments in service of the debt to the NAIC for its line of credit during its early years, totaling \$1.1 million, and has six annual payments remaining.

The Compact will consider the uniform standards development prioritization list, which prioritizes the workload of the Products Standards Committee (PSC) in developing new and amended uniform standards. Much of the feedback for uniform standards has come during Compact roundtables. Since July 2022, the Compact officers have hosted four Compact roundtables, the most recent in Omaha, NE. The Compact hosted 18 commissioners and state insurance regulators, 25 company and industry representatives, and consumer representatives.

The Compact will conduct its annual meeting business, which includes making appointments to the Industry Advisory Committee, forming the 2024 Management Committee, and approving committee assignments and election of officers.

The following states will serve on the Management Committee for the upcoming annual period: Arizona, Georgia, Illinois, Maryland, Minnesota, Nebraska, New Jersey, North Carolina, Ohio, Pennsylvania, Texas, Virginia, West Virginia, and Wyoming.

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

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Virtual Meeting

EXECUTIVE (EX) COMMITTEE

October 13, 2023

Summary Report

The Executive (EX) Committee met Oct. 13, 2023, in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings. During this meeting, the Committee:

1. Approved the NAIC to file an amicus brief in *Delaware Department of Insurance v. United States of America (IRS)*.

Draft: 12/1/23

REPORT OF THE EXECUTIVE (EX) COMMITTEE TASK FORCES

Climate and Resiliency (EX) Task Force—The Climate and Resiliency (EX) Task Force will meet Dec. 3 and anticipates the following action: 1) adopting its Oct. 12 minutes; 2) receiving an update from the Solvency Workstream; 3) hearing a presentation on carbon capture technology; 4) hearing a presentation on parametric insurance; 5) considering adoption of the NAIC National Climate Resilience Strategy; and 6) hearing international and federal updates.

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

Long-Term Care Insurance (EX) Task Force—The Long-Term Care Insurance (EX) Task Force conducted an e-vote that concluded Nov. 16, in lieu of the Fall National Meeting, and took the following action: 1) adopted its Oct. 5 and Summer National Meeting minutes. The Oct. 5 e-vote included adoption of its 2024 proposed charges.

Special (EX) Committee on Race and Insurance—The Special (EX) Committee on Race and Insurance will meet Dec. 2 and anticipates the following action: 1) adopting its Summer National Meeting minutes; 2) adopting its 2024 proposed charges; 3) receiving a status report from its workstreams; 4) hearing an update on the Member Diversity Leadership Forum; and 5) hearing an update on industry diversity efforts.

- **Property/Casualty (P/C) Workstream**—The P/C Workstream of the Special Committee has been looking at potential bias in marketing, access to insurance, underwriting, rating, and claims handling. The Workstream recently met with industry representatives to continue conversations related to underwriting and rating, as well as begin discussions related to claims handling and fraud, having previously met to focus on marketing issues. These discussions help to inform the Workstream as it looks at potential algorithmic bias and explores industry best practices.
- **Life Workstream**—The Life Workstream of the Special Committee met Oct. 10 to hear two presentations. It heard from the Colorado Division of Insurance on the implementation of S.B. 21-169, which seeks to hold insurers accountable for testing their big data systems—including external consumer data and information sources, algorithms, and predictive models—to ensure they are not unfairly discriminating against consumers based on a protected class. It also heard from the Oregon Department of Consumer and Business Services Division of Financial Regulation about its statewide Outreach Sponsorship Program, the goal of which is to collaborate with trusted community partners in delivering financial education to consumers in underserved communities. The Workstream plans to continue its focus on “marketing, distribution, and access to life insurance products in minority communities, including the role that financial literacy plays” by developing a resource guide for state insurance regulators. The guide is intended to be a resource for information helpful to all insurance departments looking to take action to improve access and understanding in underserved communities. The Workstream, working with the NAIC Diversity, Equity, and Inclusion (DE&I) team and the Member Diversity Leadership Forum sent out a survey to gather information about state DE&I initiatives to improve financial literacy. The Workstream plans to distribute the resource guide by the end of the year, with the understanding that states will continue to add to the resource guide in the future. The Workstream also plans to hear additional presentations.

- **Health Workstream**—The Health Workstream of the Special Committee met in regulator-to-regulator session after the Spring National Meeting to consider its activities and initiatives for 2023. During that meeting, the Workstream decided to continue its education on benefit design relating to preventive care and mental health coverage (beyond pure parity). The Health Workstream met twice in open session since the Summer National Meeting. During these meetings, the Workstream heard presentations on addressing health disparities through essential health benefits (EHBs). It also heard a presentation on the potential for the states to use the federal Affordable Care Act’s (ACA’s) Section 1332 waiver provision beyond reinsurance programs to address issues such as obesity and social determinants of health. The Workstream also heard presentations on reducing barriers to mental wellness and mental health and substance use considerations among communities of color. The Workstream continued its work to finalize a collaborative space on NAIC Connect to provide a platform where Workstream members can share with other NAIC members the information it has captured during its meetings on removing barriers to health insurance for historically disadvantaged communities. The thought is that the Workstream’s NAIC Connect page would be a living resource for the NAIC membership, and the Workstream can continue to build content and other tools for the states on this site. In addition, the Workstream hopes this site could also serve as a platform for discussions and conversations related to health equity and other related topics. In a regulator-to-regulator meeting, the Workstream received a demonstration of the Workstream’s page on the NAIC Connect platform. The Workstream plans to continue adding content to the page as it moves forward with its work.

Draft: 12/4/23

Adopted by the Executive (EX) Committee and Plenary, Dec. 4, 2023
Adopted by the Executive (EX) Committee, Dec. 2, 2023

2024 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 2024 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 2024 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 the Executive (EX) Committee and Plenary, Dec. 4, 2023
Adopted by the Executive (EX) Committee, Dec. 2, 2023
Adopted by the Climate and Resiliency (EX) Task Force, Nov. 17, 2023

2024 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 (E) 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: Aaron Brandenburg

Adopted by the Executive (EX) Committee and Plenary, Dec. 4, 2023

Adopted by the Executive (EX) Committee, Dec. 2, 2023

Adopted by the Government Relations (EX) Leadership Council, Oct. 25, 2023

2024 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/Shana Oppenheim

Adopted by Executive (EX) Committee and Plenary, Dec. 4, 2023

Adopted by the Executive (EX) Committee, Dec. 2, 2023

Adopted by the Internal Administration (EX1) Subcommittee, Aug. 22, 2023

2024 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 and other senior management 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.
 - 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.
 - E. Receive a report at each national meeting from the Audit Committee, which will be chaired by the secretary-treasurer. The 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:
 - i. 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.
 - ii. 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 make appropriate recommendations to the Executive (EX) Committee. Consult with the CEO on the compensation of senior management.

NAIC Support Staff: Andrew J. Beal/Jim Woody

Reaffirmed by the Executive (EX) Committee and Plenary, Dec. 4, 2023
Reaffirmed by the Executive (EX) Committee, Dec. 2, 2023
Reaffirmed by the Internal Administration (EX1) Subcommittee, Aug. 13, 2023
Reaffirmed by the Audit Committee, Aug. 3, 2023

2024 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 during 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 the Internal Administration (EX1) Subcommittee on significant results of the foregoing activities.
 - vii. Instruct the independent auditor that the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee are the auditor's clients.
 - B. Provide continuous oversight of reporting policies, including:
 - i. Advise financial management and the independent auditor that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
 - ii. 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.
 - iii. 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.
 - iv. 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:
 - i. Review the monthly consolidated financial statements and receive regular reports from executive management on the financial operations of the association.
 - ii. 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.
 - iii. 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.
 - i. Receive annual audit reports provided by the service advisory firm.
 - ii. 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:
 - i. 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.
 - ii. 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 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).
 - iii. Arrange for the independent auditor to be available to the full Executive (EX) Committee and the Internal Administration (EX1) Subcommittee, as needed.
- F. Conduct other activities when necessary, including:
 - i. Review and approve needs-based funding allocations, as needed.
 - ii. Review and update the Committee charter on at least an annual basis.
 - iii. 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.
 - iv. 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.
 - v. 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

Draft: 11/27/23

Model Law Development Report

Amendments to the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171)*—Amendments to Model #171 are required for consistency with the federal Affordable Care Act (ACA) and the revisions to its companion model act, the *Supplementary and Short-Term Health Insurance Minimum Standards Model Act (#170)*. The Accident and Sickness Insurance Minimum Standards (B) Subgroup completed the revisions to Model #170 in late 2018, which the Executive (EX) Committee and Plenary adopted in February 2019. Therefore, they did not require approval of a Request for NAIC Model Law Development by the Executive (EX) Committee.

Soon after completing its work on Model #170, the Subgroup began considering revisions to Model #171. The Subgroup met every two weeks until it lost one of its co-chairs in December 2019. After a long hiatus since late 2019 because of the loss of a co-chair, the COVID-19 pandemic, and other resource issues, the Subgroup resumed its meetings in June 2021. The Subgroup has been meeting on a regular basis to discuss the comments received on Model #171. During the last few months of 2022, the Subgroup's discussions focused on Section 8—Supplementary and Short-Term Health Minimum Standards for Benefits. This section establishes minimum standards for benefits for the products subject to the model, including accident-only coverage, hospital indemnity or other fixed indemnity coverage, and disability income protection coverage. The revisions also include a new section establishing minimum benefits for short-term, limited-duration (STLD) plans. The Subgroup completed its discussions of Section 8 in December 2022, including developing a new subsection establishing minimum benefit standards for STLD plans.

The Subgroup resumed its meetings in February 2023 and plans to continue meeting on a regular basis to continue its discussions and plans to work on the following Model #171 sections in this order: 1) the remainder of Section 8, including revisiting the proposed new subsection on STLD plans to discuss the Feb. 24 comments received on that section; 2) Section 7—Prohibited Policy Provisions; 3) revisit Section 5—Definitions and Section 6—Policy Definitions to reconcile any inconsistencies that may have arisen after the Subgroup's review of the substantive provisions of Model #171; and 4) Section 9—Required Disclosure Provisions. The Subgroup is completing work on Section 9—Required Disclosure Provisions. It recently completed its review of all the comments received on Model #171. The Subgroup has set a public comment deadline of Dec. 1 to receive comments on the initial draft reflecting its discussions and preliminary revisions to Model #171 based on the comments received. The Subgroup anticipates it will begin reviewing the comments received by the Dec. 1 public comment deadline in early 2024 and complete its work prior to or immediately following the 2024 Spring National Meeting.

Amendments to the *Property and Casualty Insurance Guaranty Association Model Act (#540)*—The Executive (EX) Committee approved a Request for NAIC Model Law Development for amendments to Model #540 during the 2022 Summer National Meeting. The amendments will address the continuity of guaranty fund coverage when a policy is transferred from one insurer to another. The Executive (EX) Committee also approved a Request for NAIC Model Law Development for additional amendments to Model #540 during the 2023 Spring National Meeting. The amendments will address guaranty association coverage of cybersecurity insurance. The Receivership Law (E) Working Group adopted draft amendments that address both requests on July 24, the Receivership and Insolvency (E) Task Force adopted them on Oct. 2, and the Financial Condition (E) Committee adopted them on Oct. 25. The Executive (EX) Committee and Plenary will consider adoption of the amendments on Dec. 4.

Amendments to the *Unfair Trade Practices Act* (#880)—The Executive (EX) Committee approved a Request for NAIC Model Law Development for amendments to Model #880 during the 2023 Spring National Meeting. The amendments will 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. The Improper Marketing of Health Insurance (D) Working Group distributed the initial draft on Aug. 31, 2022, for a public comment period that ended Sept. 30, 2022. The Working Group met Nov. 3, 2022, to hear a summary of comments received on the draft exposure and actions the Working Group took to address the comments. The Working Group exposed revised amendments to Model #880 for a public comment period that ended Nov. 18, 2022. The Working Group discussed the draft exposure and comments received during an open meeting on Dec. 3, 2022, during the Fall National Meeting. It extended the review period for draft amendments to Model #880.

The Working Group met on March 23, 2023, during the Spring National Meeting to hear a summary of comments on the draft exposure and actions the Working Group took to address the comments. It created a subject matter expert (SME) group to meet and finalize the draft amendments to Model #880. On July 10, the Working Group distributed the revised draft amendments for a public comment period that ended July 21. It met on July 27 to hear a summary of comments received on the draft exposure and action the Working Group took to address comments. The Working Group distributed revised amendments on Aug. 9, and it adopted the model on Aug. 14 during the Summer National Meeting.

The Antifraud (D) Task Force exposed the model for a public comment period and met on Oct. 20 to discuss the comments received. After the meeting, the Task Force circulated a revised draft of the model, and additional comments were solicited until Nov. 10. The Task Force and the Market Regulation and Consumer Affairs (D) Committee anticipate considering adoption of the model during the 2023 Fall National Meeting.

New Model: *Insurance Consumer Privacy Protection Model Law*—During the 2022 Summer National Meeting, the Executive (EX) Committee approved a Request for NAIC Model Law Development for a new model that would replace existing models in order to enhance consumer protections and corresponding obligations of entities licensed by insurance departments to reflect the extensive innovations that have been made in communications and technology. The Privacy Protections (H) Working Group approved this request on Aug. 2, 2022. The drafting group met in regulator-to-regulator session on Aug. 31, Sept. 15, Sept. 29, Oct. 4, Oct. 13, Dec. 1, and Dec. 5, 2022. It also met with companies privately to discuss current consumer data practices on Nov. 17, Nov. 29, Nov. 30, Dec. 5, Dec. 6, and Dec. 8, 2022. The Working Group met in open session on Dec. 12, 2022, to hear presentations from an industry and a consumer perspective on general market practices regarding the use of personal information during the insurance process, followed by an open discussion of these insights.

The Working Group exposed its initial draft of the new model (Model #674) on Feb. 1, 2023, for a 60-day public comment period that ended April 3. The drafting group met in regulator-to-regulator session on Jan. 23 and March 15. The drafting group continued its meetings with companies privately to discuss current consumer data practices on Feb. 16, March 1, March 2, March 7, March 8, March 9, March 14, April 5, April 12, and April 13. The Working Group discussed comments received and engaged with the public to continue to revise the privacy model law's language at the Spring National Meeting; during open Working Group meetings on April 18, May 2, and May 16; and during the in-person, two-day interim meeting in Kansas City, MO, June 5–6.

The Working Group exposed the second draft of the new model (Model #674, version 1.2) on July 11 for a public comment period that ended July 28 because the new version was based on changes that were discussed during its interim meeting in June. The drafting group met in regulator-to-regulator session on June 22, June 23, June 26, June 29, June 30, July 7, July 10, and July 20. The drafting group continued its meetings with companies privately to discuss current consumer data practices on July 28, with additional meetings scheduled for Aug. 2, Aug. 7, and

Aug. 9. The Working Group met in open session on July 25 to discuss comments received and to engage with the public to continue to revise the privacy model law's language. It also met in regulator-to-regulator and open sessions at the Summer National Meeting to discuss key topics noted in the comments received and to discuss an extension to continue to engage with interested parties in improving the model law's language, as appropriate to the model law's purpose.

As directed by its parent committee, the Innovation, Cybersecurity, and Technology (H) Committee, the Working Group paused its public activities to allow SMEs the time necessary to review the comments received, discuss the detailed concerns with individual companies, and develop wording that would address the needs of industry to conduct business while providing important consumer protection. The SMEs met twice a week on this endeavor. At the Fall National Meeting, the Working Group will meet in regulator-to-regulator session to update state insurance regulators on the progress of SMEs on comments received, especially with regard to company-specific concerns voiced during confidential one-on-one meetings with individual companies. The Working Group will also meet in open session to: 1) consider adoption of its Summer National Meeting minutes; 2) hear an update on state privacy legislation and federal activities; and 3) hear a presentation on legacy versus non-legacy systems and data access.

With the Innovation, Cybersecurity, and Technology (H) Committee's recent adoption of an extension to Dec. 31, 2024, the Working Group's process moving forward is for SMEs to continue reviewing comments and meeting with individual companies to develop a third redline draft (version 2.0) that will be exposed for a regulator-to-regulator comment period early in 2024, followed by a public comment period. Additional comments periods and transparent discussions during open meetings will conclude with the adoption of a workable model by the end of 2024.