

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

Financial Regulation Standards and Accreditation (F) Committee Aug. 13, 2023, Minutes
2024 Proposed Charges (Attachment One)

Draft Pending Adoption

Draft: 8/17/23

Financial Regulation Standards and Accreditation (F) Committee
Seattle, Washington
August 13, 2023

The Financial Regulation Standards and Accreditation (F) Committee met Aug. 13, 2023. The following Committee members participated: Lori K. Wing-Heier, Chair (AK); Vicki Schmidt, Co-Vice Chair, represented by Tish Becker (KS); Sharon P. Clark, Co-Vice Chair (KY); Alan McClain (AR); Andrew N. Mais (CT); Mike Causey, represented by Jacqueline R. Obusek (NC); Jon Godfread, represented by Matt Fischer (ND); Eric Dunning represented by Lindsay Crawford (NE); Andrew R. Stolfi (OR); Elizabeth Kelleher Dwyer represented by Ted Hurley (RI); Larry D. Deiter (SD); Scott A. White (VA); and Jeff Rude (WY).

1. Adopted its Spring National Meeting Minutes

Commissioner Clark made a motion, seconded by Commissioner Mais, to adopt the Committee's March 22 minutes (see *NAIC Proceedings – Spring 2023, Financial Regulation Standards and Accreditation (F) Committee*). The motion passed unanimously.

Director Wing-Heier said the Committee met Aug. 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 of Open Meetings, to vote to award continued accreditation to Missouri, New Hampshire, South Dakota, and Texas.

2. Adopted Proposed Revisions to the Part A Insurance Holding Company Systems Accreditation Standard

Director Wing-Heier stated that in December 2020, the NAIC adopted revisions to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450). These revisions implement a group capital calculation (GCC) for the purpose of group solvency supervision and a liquidity stress test (LST) for macroprudential surveillance. The revisions to these models have been through the formal process for consideration of adoption as an accreditation standard. This process included a 30-day initial exposure period in 2021 and a one-year exposure period that ended Dec. 31, 2022. The exposure included a recommendation by the Committee for a revised approach to the GCC significant elements, allowing the commissioner to grant exemptions to qualifying groups meeting the standards set forth in Model #450, Section 21A and Section 21B, without the requirement to file at least once.

At the Spring National Meeting, Committee members discussed the comment letters received, which affirmed the importance of allowing the commissioner to exempt qualifying groups from the GCC requirements, when appropriate, to avoid placing an unnecessary burden on groups where such a filing would not provide added benefit. In accordance with the procedures for adopting amendments to existing models already included in the standards, if adopted, the recommendation will go to the Plenary at the Fall National Meeting for approval. Once adopted by the Plenary, the revised standard will become effective Jan. 1, 2026.

Dan Schelp (NAIC) stated that with respect to Section 21A and Section 21B of Model #450, a state may still adopt the language of those two sections and require that the insurance holding company system file a GCC at least once in order to grant an exemption with respect to future filings. He said the accreditation standards are minimum standards for solvency requirements, and states can choose to take a more conservative approach in their own requirements. The amended accreditation standard simply permits states to remove the requirement to file at least once at their discretion. Schelp also said that states may contact the NAIC's Legal Division if they would like assistance with drafting language that is consistent with the new accreditation standard.

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Acting Superintendent Schott made a motion, seconded by Commissioner Clark, to adopt the significant elements of the 2020 revisions to Model #440 and Model #450, which implement a GCC, allowing for commissioner exemption for qualifying groups without having to file at least once and an LST, as an accreditation standard effective for all states Jan. 1, 2026. The motion passed unanimously.

3. Adopted its 2024 Proposed Charges

Director Wing-Heier discussed a memorandum that includes the Committee's 2024 proposed charges, noting the proposed charges are unchanged from the Committee's 2023 charges.

Acting Superintendent Schott made a motion, seconded by Commissioner Mais, to adopt the Committee's 2024 proposed charges (Attachment One). The motion passed unanimously.

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

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MEMORANDUM

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

FROM: Bailey Henning, Senior Manager – Accreditation & Financial Examinations

DATE: July 31, 2023

RE: 2024 Proposed Charges

Below are the Financial Regulation Standards and Accreditation (F) Committee’s 2024 proposed charges. There have been no substantive changes from the Committee’s 2023 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.