

National Association of Insurance Commissioners (NAIC) Spring 2021 Meeting Summary

The National Association of Insurance Commissioners (NAIC) recently held its Spring National Meeting virtually. This summary highlights issues that various NAIC Committees addressed at the recent meeting.

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What You Need to Know:

- The Executive (EX) Committee and Plenary adopted the Real Property Lender-Place Insurance Model Act; Amendments to the Unfair Trade Practices Act (#880); the Regulatory Review of Predictive Models White Paper; Amendments to the Antifraud Plan Guideline (#1690); and the Guideline for Administration of Large Deductible Policies in Receivership.
- The Special (EX) Committee on Race and Insurance reviewed its proposed charges and received initial recommendations from its five workstreams.
- Charges for the Long-Term Care Insurance (EX) Task Force were updated to include work for the Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup.
- The Health Insurance and Managed Care (B) Committee received a report from Jeff Wu with Center for Consumer Information & Insurance Oversight regarding Biden Administration priorities and plans relevant to health insurance.
- Letter Committees adopted various task force and working group reports from meetings that occurred prior to the Spring National Meeting.
- Status reports were provided on a number of NAIC initiatives including NAIC Designation Program Advisory Board Activities and NAIC State Ahead Implementation.

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Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee met on Monday, April 12, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Consider Adoption of its Task Force and Working Group Reports

The committee dispensed with oral reports and adopted reports and request for extension on model of development. The motion passed.

- Accelerated Underwriting (A) Working Group —Commissioner Mark Afable (WI)
- Annuity Suitability (A) Working Group—Commissioner Doug Ommen (IA)
- Life Insurance Illustration Issues (A) Working Group—Richard Wicka (WI)
- Life Actuarial (A) Task Force—Mike Boerner (TX)

Update on the Special (EX) Committee on Race and Insurance Workstream Four—Commissioner Mark Afable (WI)

The committee met earlier in the day and received oral reports from all of its workstreams including Life Insurance and Annuity Workstream Four. There is an additional 30 day comment period—deadline May 14—for the charges. Workstream Four has just started to dive into diversity issues and recommended that research continue to identify steps to be taken to eliminate diversity barriers. It is examining several different areas such as unresolved issues of disparity life insurance. It also recommended that accelerated life underwriting include impact on minority populations.

Consider Modifications to its 2021 Charges

The 2021 charges did not change from 2020, but there are some issues that may need to be changed. Birny Birnbaum recommended that charges be conformed to actual work and stressed the importance of a thorough review. These products are pitched as retirement security but are very problematic. He presented a proposed charge related to the Life and Annuity Illustration Reengineering Working Group to relate to the limited scope of the work and review the NAIC Life Insurance Disclosure. He also recommended edits to rename another group Life Insurance Policy Overview Work Group.

The Annuity Suitability Charge would add a charge related to frequently asked questions in the working group. The working group is looking at several issues related to model bulletins. Charges usually do not include mid-year targets.

Commissioner Ommen stated that there is a recommendation that the Annuity Suitability Working group be disbanded. It has been unable to reach agreement for those illustrations in existence for less than 10 years. Only four states adopted a version of the model prohibiting illustration, and there has not been enough regulator support to Model 245 revisions. Given challenges, Iowa has decided to move forward with legislation that will allow for illustration for those indexes not in 10 years but to do so in a matter that protects consumers. The working group has worked for four years to develop consistent language but will plan to leave this to states to draft their own language. Commissioner Ommen strongly suggested that Birnbaum's considerations be separate. The working group did complete revisions to Model 245 regarding participating income annuities, so if A

Committee decides to disband working group, those revisions should be forwarded to the Executive Committee. There was a motion—upon final adoption of work with regard to income annuities—that the working group be disbanded. The motion was adopted.

The Life Insurance Illustration Group has met twice in last few months and is completing drafts for term life insurance. It also has developed alternative versions and is working to adopt a preliminary draft to the life insurance disclosure model and will present draft. It would suggest to wait to consider revisions until committee has time to review these drafts; it does not believe that any changes are needed for working group to complete its charge.

The committee discussed the charge that Retirements Security Working Group should explore ways to promote retirement with NAIC's initiative. This issue permeates everything the NAIC does including race. Given the work undertaken and new charges under race committee, it may conclude that the charge has been fulfilled. There was a motion to disband group as having fulfilled its charge to explore retirement security, and the motion passed.

Discuss Life Insurer Underwriting Practices Related to COVID-19—Commissioner Glen Mulready (OK) and Superintendent Elizabeth Kelleher Dwyer (RI)

Consumer Federation of America (CFA) Letter – The letter asks for more transparency of whether people are being denied life insurance for COVID-19 related circumstances. There needs to be guidelines for people to navigate the life insurance process and CFA has asked major insurance companies. CFA asks for a model rule requiring transparency as to what would trigger delay or denial in the COVID era and post-COVID era.

Vaccination Questions during Underwriting – A number of states did not allow questions on applications about COVID, but there is a significant percentage being written through the insurance compact. There are questions about whether a person has had COVID. The Interstate Compact has reported on these types of questions and the requirements of these types of questions. The Compact has a COVID-19 resource page. The uniform standards permit questions about foreign travel and residency if limited to two years. Exclusions of travel are only permitted if permitted by state law. Questions regarding self-diagnosis are prohibited. Medical questions must be in a prescribed format. Diagnostic questions must be specifically phrased. A life insurance policy is prohibited from excluding a death for certain condition (such as COVID). In addition, there are questions related to the COVID-19 vaccines. These questions are not allowed at this time under a fairness standard because it is not widely available.

Discuss Any Other Matters Brought Before the Task Force —Commissioner Glen Mulready (OK)

There were no additional matters discussed.

The meeting materials can be found [here](#).

Life Actuarial (A) Task Force

The Life Actuarial (A) Task Force (LATF) met on April 8, 2021 at the 2021 NAIC Spring National Meeting. The meeting began with adoption of minutes from prior LATF meetings in 2020 and 2021. LATF then received and adopted subgroup reports from:

1. The Experience Reporting (A) Subgroup;
2. The Guaranteed Issue (GI) Life Valuation (A) Subgroup;
3. The Indexed Universal Life (IUL) Illustration (A) Subgroup;
4. The Longevity Risk (E/A) Subgroup; and
5. The Variable Annuity Capital and Reserve (E/A) Subgroup

Consider Adoption of the Valuation Manual (VM)-22 (A) Subgroup Report

Bruce Sartain (IL) reported that the VM-22 (A) Subgroup has met seven times since the December NAIC meeting. The main effort of the Subgroup since December has been to focus on comment letters received when AAA Annuity Reserves & Capital Work Group put out its framework document. The goal is to make recommendations to LATF on most important topics in the deck and comment letters. If there are items that are best decided in field test or lower priority items, then those go on an issues list to be determined later. Specific discussions from the VM-22 (A) Subgroup can be found as Attachment Three in the meeting materials [here](#).

Consider Exposure of the Future *Mortality Improvement* Amendment Proposal

Marianne Purushotham (Society of Actuaries) and Rachel Hemphill (TX) gave a presentation on Future Mortality Improvement Recommendation (VM-20). It was explained that the goal is to allow a prudent level of future mortality improvement (FMI) for VM-20 products beginning with the 2022 valuation manual. They discussed current and future steps for development. Amendment Proposal 2020-10, allowing for the recognition of mortality improvement beyond the valuation date, can found in the [Supplemental Meeting Materials](#) and will be exposed for 45 days.

Discuss Comments on the Economic Scenario Generator (ESG)

NAIC representatives provided a presentation on common themes that were received from interested parties dealing with ESG Comments. That presentation is contained in the [Supplemental Meeting Materials](#) and the common themes fell into ten categories:

1. Level of Negative Treasury Yields
2. Corporate Model Complexity
3. Extreme Equity Returns
4. Inversion Frequencies
5. Equity Model Link to Treasuries
6. International Returns
7. Timeline h. Data Format
8. Projection Period
9. Documentation

In addition, the materials provided a chart that listed comments not otherwise covered in the common themes. The common themes and additional comments were discussed by LATF during the meeting.

Update on Society of Actuary (SOA) Research and Education

Dall Hall, Managing Director of Research at SOA, gave a research update. That presentation is included as Attachment Six in the materials found [here](#). Mr. Hall highlighted a number of research project conducted by SOA including:

- Group Life COVID-19 Mortality Survey
- Individual Life COVID-19 Claims Analysis
- US Population Mortality
- Additional SOA Life Research including SOA Experience Studies

Update from the American Academy of Actuaries (Academy) Life Practice Council

Laura Hanson from the Academy Life Practice Counsel gave a presentation on Life Practice Counsel Updates. The presentation can be found in the [Supplemental Meeting Materials](#). The presentation outlined recent, current and ongoing activities of the Life Practice Counsel including a 2020 year-in-review webinar, publication of the 2021 Life & Health Valuation Law Manual, updates to C-1 bond factors an a future COVID-19 webinar planned for May. Amendment Proposals

Amendment Proposals 2021-03 and 2021-04 were exposed for 21 days. Amendment Proposal 2020-13 was adopted and Amendment Proposal 2020-12 was re-exposed for another 21 days. These Amendment Proposals are collectively included in Attachment Eight in the meeting materials [here](#).

Mortality Data Collection

Pat Allison from NAIC gave an update on the mortality data collection project. That presentation is included as Attachment Nine in the materials [here](#). The presentation included a 2021 Experience Data Collection Timeline containing 2021 deadlines for data submission and corrections.

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee met on Monday, April 12, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Discussion from the Biden Administration on its Federal Legislative and Administrative Initiatives and Priorities—Jeff Wu (Center for Consumer Information & Insurance Oversight—CCIIO)

The main priority is a focus on coverage. The administration is hoping that the passage of the American Rescue Plan will lead to more people being insured this year. A big area of focus is health equity, and in 2019, most minority groups remained at persistently high rates of uninsured. Fortunately, COVID-19 did not result in as big of an uninsured group as expected. But, there is a continued need for more coverage due to many people being in transitional status. Marketplace enrollment has steadied and remains quite stable, but the administration hopes to push the enrollment number up. Issuer participation in the marketplace is improving. Cost remains a big challenge, and there is hope that American Rescue Plan can bring relief to this area. The American Rescue Plan is a huge milestone for better access and affordability. It also has new structural provisions in areas such as COBRA. Premiums after saving will decrease, on average, by \$50 per person per month or by \$85 per policy per month. Many consumers will be eligible for higher tax credits. The special enrollment period (SEP) has been extended to August 15, and the administration is doing major outreach. The SEP numbers so far are positive—through March 31, half a million Americans have signed up. The administration announced an increase in navigator funding. There will be years to implement provisions from the No Surprises Act, which is a tremendous help to consumers. Administration has also issued guidance regarding testing and coverage and will continue to update guidance on vaccines.

Consider Adoption of its Subgroup, Working Group and Task Force

The summaries are included in the meeting materials below. The reports were adopted.

- Consumer Information (B) Subgroup—Mary Kwei (MD)
- Health Innovations (B) Working Group—Commissioner Andrew R. Stolfi (OR)
- Health Actuarial (B) Task Force—Superintendent Eric A. Cioppa (ME) and Marti Hooper (ME)
- Senior Issues (B) Task Force—Commissioner Marlene Caride (NJ)

Consider Adoption of the Regulatory Framework (B) Task Force Report and the Proposed Pharmacy Benefit Manager (PBM) Model Act—Commissioner Michael Conway (CO)

The taskforce met March 25 and adopted meeting minutes. The taskforce heard updates on *Rutlege v. PCMA* and the No Surprises Act. The taskforce adopted proposal regulating PBMs. The taskforce discussed comments on the model at its March 1 meeting and adopted changes on March 25. The model is a PBM licensing model. The taskforce has decided to develop a new charge to develop a white paper on state options for regulators.

The committee adopted taskforce report without PBM Model. The committee then discussed next steps for PBM Model. There was good discussion at the last meeting about drafting, and Commissioner Conway recommended a different session to discuss model and drafting note. There will be another meeting to fully discuss these issues.

Receive an Update on the Special (EX) Committee on Race and Insurance Workstream Five's Work — Commissioner Jessica K. Altman (PA) and Commissioner Ricardo Lara (CA)

Workstream Five has been meeting in open and regulator sessions to work on charge to determine what barriers exist that disadvantage underrepresented groups and to make recommendations on action steps. Testimony from stakeholders confirmed thoughts that access to care is an ongoing issue. There are some other issues: availability and affordability.

There are proposed charges to the committee and two groups. They also direct Workstream Five to continue its charges and look at network adequacy and consumer education. Commissioner Altman also recommended to listen to Consumer Liaison Committee discussion.

Discussion on the 2021 Work of the Committee's Subgroup, Working Group and Task Forces

Included in the materials is a document that outlines all of the charges for working groups, task forces, etc. Some of these charges include:

- Consumer Information Subgroup – will be taking on additional resources and developing materials related to No Surprises Act.
- Health Innovations Working Group – continues to gather best practices data to support health innovation related to ACA and will focus on telehealth issues, with emphasis on health equity.
- Health Actuarial Task Force – submitted recommendations to CMS for definition of geographic regions in No Surprises Act
- Regulatory Framework Task Force – will be meeting soon to finalize new charge for PBM subgroup to begin work on white paper giving options for states to regulate PBMs.
- Senior Issues Task Force will be looking at long-term care models.

Discuss Any Other Matters Brought Before the Committee—Commissioner Jon Godfread (ND)

No other matters.

The meeting materials can be found [here](#).

Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee met on Tuesday, April 13, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Summer and Fall National Meetings, and the minutes from the prior meetings were adopted.

Adoption of its Task Force and Working Group Reports Attachment Two

All reports were adopted.

Casualty Actuarial and Statistical (C) Task Force—Commissioner Grace Arnold (MN)

CASTF is concerned about the Casualty Actuarial Society (CAS)'s rescission of ratemaking and sent a letter in opposition to this practice. The Consumer Federation of America sent a letter to all superintendents requesting that they make revisions to laws. Bob Hunter explained that this is a significant issue because there are no more principles, which was the bedrock of ratemaking. This will legitimize overt discriminatory pricing. CASTF will continue to address this issue in future meetings. Last year, NAIC added expert modeling actuary and is in process of considering two additional resources to help with increasing amount of requests. CAS responded that it understands concerns and plans to draft a new, short document for ratemaking.

Surplus Lines (C) Task Force—Commissioner James J. Donelon (LA)

The task force has not met in 2021 but has a number of initiatives. It will discuss strategy to update several documents.

Title Insurance (C) Task Force—Director Judith L. French (OH)

Task force held its first meeting February 23, 2021, and reviewed its charges and 2021 work plan. At the meeting, it heard a presentation from the American Land Title Association on the effects of the pandemic. The task force learned that new equipment and software has driven up the costs of closings and transaction fees. It also had to have more training for employees. The work plan includes exploring the effects of the pandemic, monitoring issues in industry including profitability, assisting the Antifraud (D) task force through joint calls, consulting with Consumer Financial Protection Bureau, and determining role of task force in exploring race and insurance implications. It also is going to revise the Title Insurance Consumer Shopping Tool Template. Discussions on this draft will continue.

Workers' Compensation (C) Task Force —Director Lori K. Wing-Heier (AK)

The task force met prior to the National Meeting and heard presentations from IAIABC and the NCCI regarding COVID-19. The calendar year is supposed to be favorable but it still does not know what impact of COVID-19 will be and will continue to monitor these issues.

Cannabis Insurance (C) Working Group—Commissioner Ricardo Lara (CA)

The working group held its first meeting of the year on March 11 and reviewed work from 2019. This work included the drafting of a white paper and reviewing its charges. The working group felt that issues of safety extend beyond cannabis issues and should extend to other groups. The work plan includes: consider drafting of memorandum to Government Relations Leadership Council, consider drafting memo to Producer Licensing Task Force to examine how cannabis-related convictions may prevent licensing approvals, and hold a hearing to hear from insurance company on barriers they experience in coverage in this area.

Catastrophe Insurance (C) Working Group —Commissioner Mike Chaney (MS)

Working group met March 10 to consider and hear updates from D.C. staff regarding National Flood Insurance Program and FEMA. It heard presentations from a product that runs storm surge and wind velocity models. Mississippi was able to take advantage of this product during hurricane season. It also heard reports from several states who had recent catastrophic events.

Pet Insurance (C) Working Group—Don Beatty (VA)

The working group is in its final stages of developing the Pet Insurance Model Act. The group is now in the final process. It has covered definitions, disclosures, pre-existing condition clauses, and waiting periods. There has been great participation. The group is asking committee to keep model open until summer meeting. There was a motion for this, and it passed.

Terrorism Insurance Implementation (C) Working Group —Martha Lees (NY)

Working group has not met this year, but there was a 2021 Regulator state data call. Worker's compensation terrorism data has been received and is being analyzed by NAIC. There will be a report. As for rest of state regulator data call, notifications were sent to ask insurers to file data by May 15. The filings will be made with state and treasury. There is a regulator-to-regulator call in April. There will be a notification of this meeting in May.

Transparency and Readability of Consumer Information (C) Working Group —George Bradner (CT)

The group is working on a best practices document for significant premium increase. First group will draft section regarding threshold of notification and communication standards for premium increase. Second group will draft general checklist. Third group will draft consumer education regarding premium increases.

Update Related to Workshops Concerning Disaster Preparation and Response—Aaron Brandenburg (NAIC)

A workshop was held in February between state regulators and FEMA. It sought to build upon existing relationships and identify new opportunities. In terms of next steps, the FEMA messaging team presented to state officers and has conducted planning on additional exercises. There may be formation of working group with regions 8, 9, and 10. The Pre-disaster Mitigation Work Stream worked with groups to co-host building codes and mitigation workshop.

There is a proto-type website on the NAIC website with links to these presentations and workshops. The resource center is a one-stop shop for disaster preparation for state regulators. There are also NAIC resources, such as response plans. It is working on building up state bulletin resources. NAIC is still hoping to add more resources.

States in FEMA Region 4 signed a memorandum of understanding to continue collaboration with FEMA. One of the keys is how to keep this conversation moving forward. There is a proposed group and charge for a Catastrophe Insurance (C) Working Group as a NAIC/FEMA Advisory Group to assist state regulators in engaging with FEMA. The motion for this group was adopted.

Hear a Presentation Related to Insurance Rating for Dog Breeds Attachment Three —Grace Lopes (Insurance Consumer Coalition for Pet Owners)

Insurers are using unreliable dog breed list to refuse to write an eligible homeowner or exclude animal coverage. The list was rejected by CDC 25 years ago but is still being used. The list also includes any mix of the breeds but there is no scientific evidence that breed determines behavior. Insurers do not distinguish between dog bites and other claims. These need to be separated. Underwriting makes exceptions for those with more money and coverage. Therefore, uneducated insurance consumers, low income consumers, and people of color are most likely impacted. The focus of the breed of dog can result in discrimination. COVID magnified the issue given the high adoption rates. The presentation asks the NAIC to ensure that underwriting guidelines are not arbitrary and that there be a country-wide data call and moratorium on dog breed list.

Discuss the Status of Potential Charges Related to Race and Insurance Issues —Commissioner Vicki Schmidt (KS)

There are proposed charges and will be a lot of overlap with this Committee. Committee will rely on interested parties for input.

Discuss Cyber Insurance Charge and Hear a Report on the New York Cyberinsurance Framework—Justin Herring/My Chi To (NY)

Committee is tasked on reporting on cyber insurance. There is huge growth in the cyber insurance market. Ransomware imposes all sorts of new costs because it can shut down businesses. The key challenges are silent risks, systemic risk (aggregation risk), and rapid change. New York put out a Ransomware Survey in 2020 and had several cyber insurance roundtables. The Cyber Insurance Risk Framework recommends that insurers (1) establish a formal cyber insurance risk strategy, (2) manage and eliminate exposure to silent cyber insurance risk, (3) evaluate systemic risk, (4) rigorously measure insured risk, (5) educate insureds and insurance producers, (6) obtain cybersecurity expertise, and (7) require notice to law enforcement.

Discuss Any Other Matters Brought Before the Committee —Commissioner Vicki Schmidt (KS)

No other items.

The meeting materials can be found [here](#).

Market Regulation and Consumer Affairs (D) Committee

The Market Regulation and Consumer Affairs (D) Committee met on Tuesday, April 13, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Presentation on Activity of Lead Generators in Health Insurance—Commissioner Trinidad Navarro (DE), Frank Pyle (DE), Martin Swanson (NE)

The regulators formed an adhoc group to bring B and D committees together to identify common practices and schemes. There is a need to create new models to address the aggressive and improper marketing of plans and the oversight of lead generators. Some states worried about jurisdiction of these entities, but all states agreed that there needs to be oversight. This is to raise awareness. The next steps will be to go back to the taskforce to discuss new charges and a new working group to continue to engage in discussion about marketing of improper plans and encompass regulators from all areas of expertise. The group would also look at creating a model to modernize lead generators. There were comments that lead generators must be held accountable.

Consider Adoption of its Task Force and Working Group Reports

The reports and the included additions for the groups were adopted.

Antifraud (D) Task Force—Commissioner Trinidad Navarro (DE)

The taskforce met on March 24 and received an update from the Antifraud Technology (D) Working Group, which will hold its next webinar on June 2. It also received an update from the Antifraud Technology (D) Working Group about Guideline #1690. The task force also discussed 2021 charges, including insurance fraud related to COVID-19. It also received an update on the NAIC Online Fraud Reporting System and will begin beta testing this month.

Market Information Systems (D) Task Force—Commissioner Mike Kreidler (WA)

This task force met on March 22, 2021, and reviewed its 2021 charges to develop recommendations for incorporation of artificial intelligence abilities in NAIC Market Information Systems for use in market analysis and delegated this charge to the Market Information Systems Research and Development (D) Working Group. It also adopted the Market Information Systems data analysis metrics and recommendations. Finally, it reviewed outstanding USER forms.

Producer Licensing (D) Task Force—Director Larry D. Deiter (SD)

The task force met March 26, 2020, and heard an update on the state implementation of online examinations. 32 states have implemented online examinations. It heard a briefing on National Association of Registered Agents and Brokers Reform Act, which is a federal law that sets nonresident producer license qualifications on a multi-state basis. It heard an update from Producer Licensing Uniformity (D) Working Group, which is focused on pet insurance, and a report from the Uniform Education (D) Working Group. The NIPR Board updated the group on its NIPR Strategic Plain. The task force will have a draft for procedures for amending NAIC Uniform Producer Licensing Applications.

Market Conduct Examination Guidelines (D) Working Group

This written report is in the materials.

Market Analysis Procedures (D) Working Group—John Haworth (WA)

The working group has met three times and adopted revisions to the Market Conduct Annual Statement Best Practices Guide. The revisions include additional best practices and a highlight of them in the appendix, extension limitations, and changes since 2014. It adopted revisions to the market analysis chapters of NAIC Market Regulation Handbook. It adopted a 14 day limitation on MCAS filing extension requests.

Market Conduct Annual Statement Blanks (D) Working Group—Rebecca Rebholz (WI)

The group last met on March 23, 2021, and has four subject matter expert groups on different definitions. The goal is to have the drafts considered by working group before June.

Privacy Protections (D) Working Group—Cynthia Amann (MO)

The group met March 29, 2021, and adopted meeting minutes which discussed the initial gap analysis of consumer issues. The group received a status report on privacy legislation, but there is contention as to what extent federal law should preempt state laws and whether there should be a private right of action. At least 30 states introduced privacy legislation, but few were enacted due to COVID-19 disruption. It also reviewed the 2021 NAIC member-adopted strategy for consumer privacy protections. The group is currently identifying consumer rights for data sharing notice requirements.

Market Actions (D) Working Group—Tracy Biehn (NC)

Not discussed.

Advisory Organization Examination Oversight (D) Working Group —Commissioner Doug Ommen (IA)

Not discussed.

Discuss Any Other Matters Brought Before the Committee

Birny Birnbaum from Center for Economic Justice discussed proposed charges for race and insurance committee. He explained that charges for practices will fall to D Committee to focus on insurance marketing, claims settlement, and anti-fraud. He encourage D Committee to help.

The meeting materials can be accessed [here](#).

Financial Condition (E) Committee

The Financial Condition (E) Committee met on Tuesday, April 13, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Consider Adoption of its Task Force and Working Group Reports

There were no oral reports. Members have 10 days to comment on any technical issues; otherwise, they will be adopted. The committee adopted the following reports:

- Accounting Practices and Procedures (E) Task Force
- Capital Adequacy (E) Task Force
- Examination Oversight (E) Task Force
- Financial Stability (E) Task Force
- Receivership and Insolvency (E) Task Force
- Reinsurance (E) Task Force
- Risk Retention Group (E) Task Force
- Valuation of Securities (E) Task Force
- Group Capital Calculation (E) Working Group
- Group Solvency Issues (E) Working Group
- Mortgage Guaranty Insurance (E) Working Group
- National Treatment and Coordination (E) Working Group

Consider Adoption of Guideline for Definition of Reciprocal State in Receivership Laws—James Kennedy (TX)

There is a draft guideline for a definition of reciprocal state in receivership laws. This typically allows for stay of action, but in many states, the definition is based on the receivership model from 1980s and is more restrictive. Therefore, sometimes courts will not stay litigation. The definition is consistent with accreditation standard. No comments were received when the guideline was posted. The model guideline was adopted.

Consider Adoption of New Receivership Subgroup & Related Charge —James Kennedy (TX)

It has been over ten years since the handbook has been updated, and in the process of making updates, it was realized that the handbook was severely outdated. Therefore, the group proposed a New Receivership Subgroup. This project should be completed by Fall 2022 National Meeting. The motion was adopted.

Consider Adoption of Revised SSAP No. 71-Policy Acquisition Costs and Commissions—Jamie Walker (TX)

On March 23, 2021, the Accounting Practices and Procedures Task Force adopted the revision as adopted by the Working Group. The accounting treatment is in line with SAP statements of concepts. The working group noted that it is not permissible to pass insurance risk to a non-insurance entity. SSAP No. 71 requires the full amount of the funding agreement liability be recognized upfront by the insurer. There are a small number of companies that will be negatively impacted, but given the unfairness of practices, no one is grandfathered in. There will be a phasing in of the financial impact because impacts may vary depending on scope of this practice. The effective

date for the reporting period is ending December 2021. There were concerns that this was too quick. Walker explained that given that the majority of the industry in compliance, the competitive advantage of those using the agreements is unfair and, thus, it should be effective sooner. Others stated that this will impact some companies to the hundreds of millions. Oklahoma and Louisiana voiced concerns especially of the implementation and impact of this practice. There were other concerns that more companies actually use this practice and that this will be significantly harmful to smaller carriers and could be a consumer protection issue. Oklahoma argued to push this back a year. Walker pointed out that December is actually a delay because usually accounting practices are immediately adopted. Walker explained that the amount might not have to be paid until a future date but must still recognize the expense.

Texas moved to adopt changes. The motion passed 11-3.

The meeting materials can be found [here](#).

Financial Regulation Standards and Accreditation (F) Committee

The Financial Regulation Standards and Accreditation (F) Committee met on Monday, April 12, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Discuss Revisions Adopted in 2020 to NAIC Publications Referenced in the Accreditation Standards

This includes several manuals and publications: Accounting Practices and Procedures Manual, Annual Statement Blanks and Instructions, Risk-Based Capital Report Including Overview and Instructions, 2021 Financial Condition Examiners Handbook, 2021 Accreditation Program Manual, 2021 Valuation Manual, etc. Each group has deemed changes as insignificant. There was a motion to adopt the revisions deemed insignificant.

Consider Exposure of Revisions to the Part A Preamble to Account for Inclusion of the Term and Universal Life Insurance Reserve Financing Model Regulation (#787) as a New Accreditation Standard

The preamble is updated to reflect Model 787. There are no changes to applicability of long-term care. There was a note to follow up with e-committee on some issues. There was a motion to expose proposed revisions to Part A preamble for 30 days.

Discuss and Consider Exposure of the 2020 Revisions to the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450) as an Update to the Accreditation Standards

The Financial Committee adopted revisions to Act and regulation to implement group capital calculation and liquidity stress test. The revisions are independent of each other and followed two work streams. However, they impact similar areas of model and can be considered together.

These are two top priorities for NAIC and, thus, the committee proposed that models be adopted as soon as possible. The committee asked that the F committee waive normal time requirements. The deadline is very important due to a state of emergency. As to liquidity stress force, it also believes timely adoption is important. Under normal procedure, the draft is exposed for preliminary comment for 30 days, then it moves on for a period of one year. However, this procedure could be waived. Superintendent Dwyer noted that regardless of how the committee chooses to proceed, both initiatives are important regulatory tools. The NAIC needs to use this tool as soon as possible.

Regarding the group capital calculation (GCC), Texas did not agree with broad application of GCC and favored more limited application. It would only expose this to groups with international operations. Several states supported this.

Connecticut supported the revisions given that the tool is very helpful and a logical next step to the work of the committee. Further, this was not to appease international business – the GCC working group made conscious decisions that such an important tool needed to be added because there is not a lot of quantitative data.

There was a motion to expose March 8 referral from E Committee as additions to Accreditation standards for 30 days (GCC & LST). The motion passed. The committee also noted that it is necessary for 22 states to implement these changes by 2022.

Discuss Any Other Matters Brought Before the Committee

No additional matters discussed.

The meeting materials can be accessed [here](#).

International Insurance Relations (G) Committee

The International Insurance Relations (G) Committee met on Wednesday, April 7, 2021 at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting and held interim meetings on January 6, 2021, February 3, 2021 and March 25, 2021. Minutes from those prior meetings were adopted.

Key 2021 Projects and Priorities of the International Association of Insurance Supervisors (IAIS)

IAIS is working on implementation activities for systemic risks and targeted jurisdictional assessment. Developing criteria in this area will be an important exercise this year with consultation from outside sources. IAIS is also working on initial strategic discussion on issues such as global impact of COVID-19. The next round of meetings will be conducted mid-June. A baseline assessment on the Holistic Framework for the assessment and mitigation of systemic risk in the global insurance sector is being conducted and IAIS hopes to publish the report within the next month. IAIS is also finalizing a report on climate risk.

Materials related to IAIS news and supervisory material on these issues and others can be found on its website: [The Website of the International Association of Insurance Supervisors \(IAIS\)](#).

Presentation on Scalar Methodologies from the American Academy of Actuaries

There has been a year-long effort on scalar methodologies. An executive summary was published this week and is included in the materials for this meeting (link below). The full paper will be available by the end of week. If different jurisdictions set their required capital to different risk or safety levels, then some adjustment of the individual required capital is needed to bring them to a common level of safety. Scalars are designed to translate available and required capital.

They used four criteria (validity, reliability, ease of implementation, and stability) and examined four families of methodologies (no scalar, capital ratios, equivalence of two points, and probability of negative outcome).

The conclusion was that there are challenges to all of the methods and there are steps regulators might want to seriously consider. However, the research does not make a recommendation as to which scalar should be used. This could also be a lifetime project and does not complete all of the analyses. This only looks at scalar issue but not other issues for capital group metrics.

It is impossible to summarize adequately the contents of paper, which drills down five methods and their variants. However, among the five, there is an inverse relationship between validity and simplicity.

All methods have some issues: dependence of the anchors on regulatory actions and company responses creates problems, application of methodologies to entities in different industries produces challenges

Steps to move forward: (1) Regulators may wish to consider whether Probability of Negative Outcomes is advisable especially given that it is based on imperfect data. (2) Advisable for periodic recalculation of scalar as part of decision as what scalar methodology to use given regulatory regime changes. (3) Sensitivity testing is advised.

Updates on International Activities

Director Bruce Range provided an update on current international activities including regional supervisory cooperation, the [Organisation for Economic Co-operation and Development \(OECD\)](#) and the [Sustainable Insurance Forum \(SIF\)](#).

Materials for the International Insurance Relations (G) Committee meeting can be found [here](#).

Joint Meeting of the Executive (EX) Committee and Plenary

The Joint Meeting of the Executive (EX) Committee and Plenary was held on April 14, 2021, at the NAIC Spring National Meeting. Below is summary of the meeting and the materials can be found [here](#):

The oral report of the Executive (EX) Committee was adopted which included appointment of Commissioner Sharon Clark (KY) to serve on the NIPR Board of Directors; adoption of task force reports including appointment of the Long-Term Care Insurance Restructuring (E) Subgroup of the Restructuring Mechanisms (E) Working Group and its proposed charge; and adoption of a Request for NAIC Model Law Development of amendments to the Nonadmitted Insurance Model Act (#870).

Subcommittee and Task Force Minutes of the 2020 Fall National Meeting were adopted in whole without discussion except for those items noted below that were specifically discussed at this Joint Meeting.

Adoption of Amendments to the Unfair Trade Practices Act (#880)

This item is included as Attachment One to the materials for the Joint Meeting. Commissioner Jon Godfread (ND), Chair of the Innovation and Technology Task Force, presented the proposed amendments and background for the revision. Commissioner Godfread noted that inconsistency in the interpretation of the Model language necessitated revisions to clarify the intent and ensure necessary consumer protections remain in place in light of technologies being deployed to add value to existing insurance products and services.

New York stated that it had issues with the revisions, specifically the revisions include language that it believes is unclear and ambiguous leaving room for consumer discrimination. Nevada stated that it had the same concerns as New York and that there were concerns about an unlevel playing field for consumers and independent brokers.

A motion to adopt the amendments passed and the following states voted no: Nevada, New York, Louisiana, Washington, Kentucky and Mississippi. California abstained from the vote.

Reports from the following Committees were received and summaries of the reports can be found in the [materials](#):

- Life Insurance and Annuities (A) Committee
- Health Insurance and Managed Care (B) Committee
- Property and Casualty Insurance (C) Committee
- Market Regulation and Consumer Affairs (D) Committee
- Financial Condition (E) Committee
- Financial Regulation Standards and Accreditation (F) Committee
- International Insurance Relations (G) Committee

Adoption of the Real Property Lender-Placed Insurance Model Act

Commissioner Vicki Schmidt (KS) presented the adoption of the Model Act. Commissioner Schmidt explained that the Creditor-Placed Insurance Model Act Review (C) Working Group discussed revisions to the Creditor Placed Insurance Model Act (#375) which focuses on creditor-placed insurance placed on personal property and auto loans. The Working Group determined two separate laws should exist, one for personal property and one for real property. The Working Group developed a new model concerning lender-placed insurance placed on real property mortgage loans. The draft model was first exposed in 2018 with final exposure in 2020. The Model was unanimously adopted with California abstaining from the vote.

Adoption of the Regulatory Review of Predictive Models White Paper

Commissioner Doug Ommen (IA) presented the White Paper and applauded the efforts of CASTF for its development. This is a foundational document for much work to be done in the future. The White paper was unanimously adopted.

Adoption of Amendments to the Antifraud Plan Guideline (#1690)

Commissioner Trinidad Navarro (DE) provided an overview of the Guideline which was previously adopted by the Antifraud Task Force and the Market Regulation and Consumer Affairs (D) Committee. The Joint Committee unanimously adopted the Amendments.

Adoption of the Guideline for Administration of Large Deductible Policies in Receivership

Commissioner Scott White (VA) presented the Guideline for adoption. It was unanimously adopted.

Status Report of the State Implementation of NAIC-Adopted Model Laws and Regulations

Commissioner David Altmaier (FL) provided a brief status report of state implementation of NAIC-Adopted Model Laws and Regulations. An overview of that status report is found in the materials. There were no questions or discussion on the report.

Executive (EX) Committee

The Executive (EX) Committee met on Wednesday, April 14, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting.

The Executive (EX) Committee and the Internal Administration (EX1) Subcommittee held a joint meeting on Wednesday, April 7, 2021. In addition, the Executive (EX) Committee held interim meetings on February 21, 2021 and March 16, 2021. Summary reports of the joint meeting and the interim meetings are included as Attachment One and Attachment Two in the meeting materials link at the end of this summary.

Adoption of its Task Force Reports

Attachment Three in the meeting materials contains a compilation of the following task force reports:

- Climate and Resiliency (EX) Task Force
- Government Relations (EX) Leadership Council
- Innovation and Technology (EX) Task Force
- The Big Data and Artificial Intelligence (EX) Working Group
- The Speed to Market (EX) Working Group
- Long-Term Care Insurance (EX) Task Force
- Special (EX) Committee on Race and Insurance

The only comment on the reports concerned the Long-Term Care Insurance (EX) Task Force and future work of the Long-Term Care Insurance Reduced Benefits Options (EX) Subgroup. The Subgroup will evaluate and/or recommend options to help consumers manage the impact of rate increases and Support and provide expertise to the Long-Term Care Insurance Multistate Rate Review (EX) Subgroup regarding the evaluation of reduced benefit options.

Consider Adoption of a Request for NAIC Model Law Development - Amendments to the Nonadmitted Insurance Model Act (#870)

Commissioner Vickie Schmidt (KS) presented a Request for NAIC Model Law Development regarding the existing Nonadmitted Insurance Model Act (#870). As noted in the Request, the Surplus Lines (C) Task Force directed NAIC staff to form an informal regulator Drafting Group to produce a summary document that outlines the significant updates to modernize Model #870 and present a recommendation to the Task Force at a future national meeting. The revised Model #870 contains the Drafting Group's recommendations with respect to modification of Model #870 to both bring it into compliance with the *Nonadmitted and Reinsurance Reform Act* (NRRRA) as well as other amendments to modernize the model.

The Request is included as Attachment Four in the materials and was adopted without comment.

2020 Annual Report of NAIC Designation Program Advisory Board Activities

The 2020 Annual Report of NAIC Designation Program Advisory Board Activities was presented by Commissioner Sharon Clark (KY) and is included as Attachment Five in the materials. The report outlined increased enrollment in the NAIC Designation Program and continued work with the Designation Mentoring Network. In addition, the Report outlined 2020 accomplishments and a chart that summarized increased state participation.

The Report was received without comment.

Status Report on NAIC State Ahead Implementation

Commissioner David Altmaier (FL) provided a status report on NAIC State Ahead implementation. Commissioner Altmaier noted that the annual report was released on April 13, 2021. State Ahead 2.0 efforts were paused in 2020 to focus on COVID-19 but NAIC leadership is now continuing the effort. A chart indicating State Ahead progress is included as Attachment Six in the materials.

Status Report on Model Law Development Efforts

Attachment Seven in the materials indicated a list of the following model laws currently under development:

- Amendments to the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171)
- Amendments to the Annuity Disclosure Model Regulation (#245)
- Amendments to the Life Insurance Disclosure Model Regulation (#580)—
- Amendments to the Unfair Trade Practices Act (#880)
- Amendments to the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)
- New Model: Real Property Lender-Placed Insurance Model Act
- New Model: Pet Insurance Model Law
- New Model: Pharmacy Benefit Manager (PBM) Model Law

The status report was received without comment.

Report from the National Insurance Producer Registry (NIPR) Board of Directors

Director Larry Dieter (SD) is the current President of Board of Directors of NIPR. Director Dieter gave a presentation on NIPR reporting and credentialing transactions in the past year. NIPR has seen increased year over year growth in reporting and credentialing transactions. More detailed information can be found in the [NIPR 2020 Annual Report](#) and the [NIPR Strategic Plan 2021–2023](#).

Report from the Interstate Insurance Product Regulation Commission (Compact)

Superintendent Elizabeth Kelleher Dwyer (RI) is the Chair of the Commission and provided a report on current activities of the Interstate Compact. The Commission has held two meetings this year and continues work on strategic items that can be found in the [Strategic Plan: 2020-2022](#). Additional information can also be found in the [2020 Annual Report](#).

Materials for the NAIC Executive (EX) Committee can be found [here](#).

Special (EX) Committee on Race and Insurance

The Special (EX) Committee on Race and Insurance met on Monday April 12, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

Status Report on the Special Committee Activities—Commissioner David Altmaier (FL) and Director Dean L. Cameron (ID)

The Special Committee has established five work streams to develop initial recommendations and has met in regulator-only session to determine where to place work in committee structure. It explained that when proposed charges are released, additional comments will be necessary.

Receive a Status Report on Workstream One—Superintendent Eric A. Cioppa (ME) and Executive Deputy Superintendent of Insurance My Chi To (NY)

Workstream One was charged with researching and analyzing diversity and inclusion in the insurance industry and making recommendations. In late February, it submitted findings to the special committee. Based on initial research, the workstream's conclusion is that the industry can and should do more to include diversity and inclusion at all levels (C-suites, entry level, middle management) based on information gathered from public data and comments from industry workers. Specifically, the general message coming from sources is that diversity is good for business. Regulators ensure financial stability, and there is good correlation between financial stability and diversity. Also, the workstream concluded that more work is required to develop specific action steps for regulators and companies. It recommended additional engagement with stakeholders and the industry to learn more about how to measure progress in this area and plans to conduct at least two additional open meetings this year. As to process, the workstream recommends that it continue in its present form for this time, and in the next phase, it will determine how to proceed moving forward.

Receive a Status Report on Workstream Two—Commissioner Sharon P. Clark (KY) and Commissioner Andrew R. Stolfi (OR)

Workstream Two had two major components: diversity inclusion within the NAIC and within state insurance departments. It has made progress on both fronts. As to the state level, it created a zone-based insurance gathering tool to capture state diversity and inclusion. The plan is to start gathering information shortly after the meeting to share more about its progress in July. The workstream will continue best practices in state insurance and plans to use a method and forum to share information among states. It requested that states respond when the workstream reaches out to them. As to the NAIC, the workstream sent questions to NAIC about diversity efforts based on industry questions developed by workstream one. NAIC submitted its written report, and the February meeting was dedicated to this.

Receive a Status Report on Workstream Three—Commissioner Vicki Schmidt (KS) and Commissioner Andrew N. Mais (CT)

Workstream Three was tasked with dealing with property and casualty insurance. It held three regulatory only and one open conference call in late 2020 to examine barriers that disadvantage minority groups. The workstream streamlined its issues list, came up with specific charges, and turned these charges over to committee. It recommends a focus on affordability, availability, and access and recommends that NAIC provide data of studies considering affordability and a gap analysis of what is not studied. There is also a focus on education and outreach to improve access to underrepresented groups. There is also the need for development

of analytical tools to assist regulators in identifying unfair discrimination: socioeconomic variables, proxy variables, correlation v. causation, third party data, disparate impact, data such as criminal history, etc. This workstream will work closely with the Big Data and Artificial Intelligence Working Group.

Receive a Status Report on Workstream Four—*Commissioner Marlene Caride (NJ) and Commissioner Mark Afable (WI)*

Workstream Four adopted its commission report on February 5, 2021. It met on October 30 and November 30 in regulator-only session and December 5 and January 10 in open session. It heard from several associations, consumers, and the industry. The workstream concluded that it has just only gotten into practices and barriers in life insurance. As to next steps, it recommends that there be additional research and discussion to determine more barriers and identify steps to eliminate those barriers. It is willing to continue to research to address issues involving race and life insurance in areas such as marketing, distribution, access to life insurance, financial literacy, impact of underwriting on minorities, disparities in cancellations, and rescissions. It also urges that the accelerating underwriting group include an assessment of the impact of accelerated underwriting on minority populations.

Receive a Status Report on Workstream Five—*Commissioner Jessica K. Altman (PA) and Commissioner Ricardo Lara (CA)*

The workstream met February 18, March 2, and March 3 in regulator-only sessions. It finalized and adopted recommendations on March 23. It believes that access, network adequacy and affordability are ongoing issues and will continue work charges that reflect these issues. It made the following recommendations: conduct further research on measures to advance equity with emphasis on marginalized groups; focus to remedy disparate impacts and provider directory; consider fundamental changes on data reporting; coordinate with Workstreams 1, 3, and 4 to look at model data call for products in specific zip codes; evaluate mechanisms to improve access to care (telehealth); evaluate the use of advance payment models and the impact on disparities; monitor opportunities for consumer education to address equity; and develop educational materials.

Discuss Draft Charges and Hear Comments from Interested Parties—*Commissioner David Altmaier (FL) and Director Dean L. Cameron (ID)*

The committee has taken these recommendations and distilled them into draft charges—these charges have been posted on the website, and comments received to date have been posted as well. These proposed charges can be found [here](#). The committee is aware that this was a short period, so there will be opportunity in the future for more comments. Several stakeholders made comments during the meeting.

American Academy of Actuaries – The AAA has made multiple presentations and will offer ongoing assistance. It stated a commitment to work with NAIC to address diversity and inclusion concerns. It has multiple initiatives over several practice areas and is looking at practices that create barriers to inclusion in products (ex. health equity workgroups discussion brief published a week ago). The written comments can be found [here](#).

AHIP – AHIP did not speak, but its written comments can be found [here](#).

American Property Casualty Insurance Association – The APCIA explained that CEOs are doing a lot of thinking on this issue and identified two important areas where there are omissions in the draft: (1) no research of underlying loss cost drivers and (2) little reference to economic empowerment. APCIA would like to see these

topics mentioned and supports a research-based approach. It also argued that the fundamentals of cost-based insurance should be maintained.

The written comments can be found [here](#).

Blue Cross – Blue Cross did not speak, but its written comments can be found [here](#).

Center for Economic Justice – The CEJ explained that the charges seemed more like a wish list than a systematic approach. The charges failed to specify deliverable timelines and did not include key components of an approach. Therefore, the CEJ produced a chart with specific revised changes. These can be accessed [here](#).

CFA and Demos submitted the following comment [letter](#).

NAMIC – NAMIC expressed disappointment with a lack of transparency and explained that it was ready to meet in person for in-depth discussions. It also stated that the lengthy charges have several presumptions and problems are assumed; instead, the committee should first determine whether there is proof to address a problem. It also suggested that enhanced data is likely to run afoul with some state laws.

The written comments can be found [here](#).

NCOIL submitted the following written [letter](#).

Sonja Larkin-Thorne – Larkin-Thorne discussed structural barriers that impact minority groups different explained how the CDC has identified this issue as a major threat to public health. The insurance industry must look at what it has changed over the last 40 years. It no longer attracts diverse talent.

Members of the committee stated that the committee has every intention of being transparent with process and will continue to do so—this is reflected in the exposure of draft charges. Commissioner Lara expressed frustration from some of the industry concepts; industry has a role to play in this issue, and these groups will not be able to have transparent conversations if industry cannot acknowledge this. Several other commissioners echoed this frustration.

The committee announced it is opening up a 30-day comment period on the charges and then will hold another open meeting of the committee on Friday May 14. It is looking forward to continued engagement on this issue.

Discuss Any Other Matters Brought Before the Committee—*Commissioner David Altmaier (FL) and Director Dean L. Cameron (ID)*

The committee again stated that it will work with industry but asked industry to step up just as NAIC is stepping up. There was also a suggestion for specific comments and language in any comments on the draft.

Innovation & Technology (EX) Task Force Committee

The Innovation & Technology (EX) Task Force Committee met on Friday, April 9, 2021 at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Adoption of Working Group Reports

Big Data and Artificial Intelligence (EX) Working Group

Commissioner Doug Ommen (IA) reported on the status of the Big Data and Artificial Intelligence (EX) Working Group. The working group held its first meeting March 29, 2021, and during the meeting, the working group reviewed key accomplishments of the two working groups and the merging of the two working groups. Specifically, a few important task items were noted: the development on guidance of best practices for review of predictive models; research of where the industry is applying big data, algorithms and artificial intelligence (AI); and assistance in identifying NAIC implementation of state models. The working group had an in depth discussion about developing an industry survey that focuses on how the industry is using big data and algorithms. Currently, it has agreed to limit the scope and focus on private automobile insurance. The working group directed a small group of subject matter experts to draft the industry survey for further review by the working group. Finally, the working group heard a presentation to introduce components of a model governance framework based on other models (ex. catastrophe) and the benefits of the models, including minimizing risk.

Speed to Market (EX) Working Group

Rebecca Nichols (VA) reported that this group met on March 10, 2021. At the meeting, the group discussed the results of the Product Requirements Locator (PRL) survey—a survey sent out to at all of the states related to the PRL tool. Currently there are three categories: states have PRL information removed, states are using the PRL tool, and states are undecided. The working group discussed that the PRL tool will likely be unavailable after completion of the System for Electronic Rate and Form Filing (SERFF) modernization project. Currently, the timeline for this transition is unknown but likely a couple of years away. The working group also discussed the annual review of the product coding matrix and uniform transmittal document. The deadline for submitting comments or proposed revisions is May 31, 2021.

Update on the Innovation and Technology State Contacts Activity

Denise Matthews (NAIC) reported that this working group met on April 1, 2021, and its discussion centered on improving regulator access to data and welcomed guests from the industry. There was a problem statement that regulators need access to timely accurate information. At the meeting, there were two representatives from Travelers and The Hartford, and they were asked about any resistance in this project. The representatives explained that this is brand new and is a major time development. Regulators feel like the industry will need to generate more participation and do not plan to mandate or require. There will be opportunity for participation for insurers in the future.

Requests for Information (RFI) Related to Continuing Specific “Regulatory Relief” or “Regulatory Accommodations” Offered by States Related to the COVID-19 Pandemic

Commissioner Jon Godfread (ND) discussed comments received from interested parties following a request for information sent prior to the NAIC Fall National Meeting. Nine responses were received, and the summary grouped responses into four areas: electronic commerce, regulatory capabilities, claims facilitation, and specific to surplus lines. The responses suggested to send bulletins with e-signature guidelines and to overcome obstacles to moving to e-commerce in the future. The task force determined that more information is needed, so it asked for more responses. Overall, respondents prioritized e-commerce (e-signatures, e-delivery, e-notary, and changing to opt out for electronic notifications). The regulatory responses discussed online educational options and online filing/payment options. The task force did not receive feedback on claims facilitation, so it will need to hear more about this area. Finally, a couple of respondents noted that the Surplus Lines Task Force is amending model law pertaining to the surplus lines issue, so it could be referred to them.

Approach to Drafting a Guidance Document/Bulletin

Respondents provided comments about some states that prohibit some digital use, so there may be a need for a model bulletin. If interested in working on this, reach out to Denise—it is an important issue to maintain discussion on moving forward so that the task force does not lose some of the momentum gained during the pandemic toward more e-commerce.

The working group will examine e-commerce laws and regulations and survey states regarding UETA exceptions and work toward meaningful, unified recommendations. The working group will also examine whether a model bulletin would be appropriate and will draft a proposed bulletin if determined appropriate.

InsurTech Presentations

The committee next heard several presentations:

State Farm/United Services Automobile Association (USAA) Auto Subrogation Blockchain Solution—Beth Carter, Property and Casualty Claims Manager (State Farm) Luke Harris, Assistant Vice President/Senior Experience Owner (USAA)

Blockchain technology provides a highly effective and secure method of transmitting information. It takes a large amount of claims and transmits them into one sum that is satisfactory. This eliminates the manual aspect of operation to issue, receive, and recover drafts in regard to subrogation and better serves customers. These cost savings can be passed to the customer in the form of lower premiums. Further, this process allows for potentially the customer to get a deductible back quicker.

What’s next? State Farm and USAA are working on this development together, but it is for the benefit of the entire industry. They are also on a quest to bring more carriers to the platform – any carriers interested can reach out. As to what the NAIC can do, discussions like this are great to give a forum. Blockchain is an emerging technology but still unknown so the more opportunities that NAIC can provide the better to help educate others and promote the technology. In addition, NAIC can encourage companies to reach out to USAA or State Farm.

Trellis Connect—Daniel Demetri, Founder and Chief Executive Officer (CEO) (Trellis)

Insurance data sharing is not a new subject. Insurance has always been difficult and has often been focused on using agents or seeking personal advice, but now people are moving online. Trellis allows consumers to share personal information. It has an unblemished security record and prioritizes data privacy and security. It does not change any requirements to producer licensing. Regulators should figure out what the parameters are in which consumers should have the right to access insurance numbers online—specifically, who owns data? How can consumers access data? Regulators should consider what the data access rights are in each state.

Vero—Ali Safavi, Co-Founder and CEO (Vero)

Risk management is known but not for personal lines. A survey found that people want optimum amount of protection not bare minimum, and people are willing to receive advice. From an agent, people want accessibility (offline and online) and many want checkups. Therefore, the right approach appears to be a hybrid approach with an integration of human interaction and direct channels. Vero provides a protection score that calculates risk of individuals and explains how protected they are. Vero has a producer license and might expand to commercial lines in the future. However, gathering policy information is one of the most difficult parts.

There are some questions for regulators to consider: could licensing requirements for agents in this situation be different? What role is regulatory body?

Discuss Consumer Data Ownership Issues and Potential Guidance

Moving this agenda item to next meeting.

Updates from the Special (EX) Committee on Race and Insurance, the Accelerated Underwriting (A) Working Group, the Property and Casualty Insurance (C) Committee, and the Privacy Protections (D) Working Group

Special (EX) Committee on Race and Insurance

Commissioner Andrew N. Mais (CT) gave an update on this committee. Five work streams have been set up to look at a few issues. The first few focus on diversity in industry and regulatory, and the other three focus on unfair treatment in healthcare, property, and casualty insurance. The committee has exposed a summary report to be discussed at the August 12 meetings—the charges should be on NAIC website. This calls for more research and analysis of regulatory approaches, specifically proxy discrimination and disparate impact. The committee is also working on the development of analytical tools to assist regulators.

There were calls for enhanced data reporting and recordkeeping requirements to identify race factors, and there was encouragement for continued work in predictive modeling and how race is affected.

Accelerated Underwriting (A) Working Group Update

Commissioner Mark Afable (WI) explained that the working group met in March 2021 and has agreed to adopt an educational report to offer guidance to regulators, consumer advocates, etc. They are currently working on the first draft. The draft outline has been circulated and includes three major issues: input data, algorithms and machine learning, and transparency and privacy. The group continues to meet to draft language and will be shared with interested parties in future. The group hopes to have a work product by the 2021 summer meeting.

Property and Casualty Insurance (C) Committee

Commissioner Vicki Schmidt (KS) discussed the development of a report that focuses on social economic variables, proxy variables, correlation v. causation, disparate impact, use of third party data, and appropriateness of data in criminal history. The expertise of this task force will be relied upon and the next step will be to get groups together to get a group plan and to identify relevant terms.

Privacy Protections (D) Working Group

Cynthia Amann (MO) explained that this group met March 29, 2021, and adopted the fall national meeting minutes. It discussed the initial draft of gap analysis of consumer issues, the overlap of cyber security and data protection (trying to keep both in the forefront), and the ownership of data—there is concern about data privacy and opting in and opting out. NAIC legal discussed federal and state privacy legislation, and there is new legislation in both areas. Congress believes there is a need for it to do something but not clear what is needed. The group opposes preemptive legislative proposals and thinks it is important to let Congress know of various NAIC work groups looking into privacy protection. The group continues to underscore importance of not messing with state, where at least 30 states have data privacy legislation. The working group announced that it will have consumer privacy protection panel in June and welcomed everyone to join that session.

NAIC Report on the Model Review Process

Moved agenda item to next meeting.

Discuss Any Other Matters Brought Before the Task Force

There was an event held on March 3, 2021, which was a screen of Coded Bias. It is an important film and is now on Netflix.

Long-Term Care Insurance (EX) Task Force Committee

The Long-Term Care Insurance (EX) Task Force Committee met on Friday, April 9, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting and on March 1, 2021, and the minutes from the prior meetings were adopted.

Receive the Reports of its Subgroups

Long-Term Care Insurance Multistate Rate Review (EX) Subgroup —Commissioner Michael Conway (CO)

The first draft of the framework for multistate rate reviews is compiled and will be released after the meeting today. The second draft will address any remaining parts. Following the meeting, the NAIC will post the draft for a period of 45 days which sets the comment deadline for May 24. The second draft will be released prior to June 1.

The MSA-framework is a venue for a company to propose a rate increase but not officially file a rate increase to have multi-state review. If states are interested in participating, the document explains how to do so. It also addresses the ideas of individual states who were concerned about how bound they would be to the suggestion of multi-state rate review. NAIC staff will help to complete reviews. A section details how an insurance company uses the MSA Review. Finally, there is a guideline of how the rate proposal will be reviewed—this is not a filing but is a review. The MSA team will have a framework timeline for review and distribution of the MSA Advisory Report.

There are some pilot projects. These will be a gradual transition to make improvements, such as providing documents to insurance companies to ensure more complete submissions. This framework gives a mechanism for more robust discussion between states and members. Right now, the focus is on the framework. In the future, there may be potential for changes to the Compact. There is no specific discussion for third-party contractors (where states do not have resources in-house); however, this would be a good comment to add during the 45-day period.

Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup—Commissioner Jessica K. Altman (PA)

This subgroup met on March 11 and 24 and addressed plans for how to proceed with addressing charges. There are new charges for the 2021 year: further evaluate and recommend options to help consumers manage the impact of rate increases, explore more uniformity in consumer notices for RBOs (ex. checklist), and support LTC Insurance Multistate Rate Review regarding the evaluation of RBOs.

There was a question about the issue of policyholders getting more than one notice of options. The RBO subgroup has not discussed this but would welcome thoughts about this.

Long-Term Care Insurance Financial Solvency (EX) Subgroup —Fred Andersen (MN)

The subgroup has not met recently. However, there have been consistent observable factors impacting reserve levels: lower lapses, lower mortality, and falling market interest rates. Other factors include future benefit utilization, morbidity incidence improvement, and interest rates.

Discuss Any Other Matters Brought Before the Task Force

First, with regard to the fiscal restructuring, the Committee made the decision to refer to the restructuring group. The working group will report back to the executive committee in the fall and make decisions for next steps.

With regard to the report from the consultant to quantify different rates among states (subsidy study), regulators continue to work with them to get a report ready for public viewing.

There was a question as to why subgroups only include regulators. The commissioner responded that there are challenges with LTC and the feeling is that regulator-only sessions are needed to have candid discussions to be able to move forward and work out some issues. There was a plea to recognize consumer-stakeholders and their desires to weigh in on some of the issues. Commissioner stated that the industry expresses similar frustrations.

Materials for the Long-Term Care Insurance (EX) Task Force meeting can be found [here](#).

Climate & Resiliency (EX) Task Force Committee

The Climate & Resiliency (EX) Task Force Committee met on Friday, April 9, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

The Committee previously met at the 2020 Fall National Meeting, and the minutes from the prior meeting were adopted.

Receive Reports from its Workstreams

Solvency

Commissioner Kathleen A. Birrane (MD) explained that the workstream is focused on financial risks associated with climate risks. It coordinated a completed survey to IAIS on the Global Insurance Market Report (GIMAR), which focuses on insurers' investment exposure to climate risks and sought quantitative and qualitative data. The survey was completed in February 2021 and submitted to IAIS on March 1, 2021. The workstream will be involved in the survey results. The climate risk subgroup began consideration of additional perils and current criteria of what is an allowable commercial model. A proposed referral was sent to taskforce for approval.

There were also deep dives into separate sessions for underwriting risk and asset risks and discussion of enhancement of current tools. The workstream will implement recommendations to the task force.

Innovation

Commissioner Colin M. Hayashida (HI) discussed how the innovation workstream is exploring parametric insurance as a way to insure coverage gaps in catastrophe. It is similar to a defined benefit plan where there is a predetermined payout; the amount is not based on an estimate of incurred loss and is triggered by a defined event in contract (ex. lack of rain during certain time). There are faster payouts, fewer claim expenses, and flexibility to use funds as needed. There are potential concerns regarding product design and the regulatory framework.

There are concerns about consumers understanding the product and how the trigger works and concerns that people will purchase in lieu of standard coverage and unknowingly become underinsured. The workstream will explore these issues and use cases for catastrophic insurance; it seeks to look at products in the market and how they fit into the regulatory framework. Currently, Puerto Rico is the only place to have a regulatory scheme for micro-insurance products; specifying that payouts must be made within 10 days. The workstream has had two presentations regarding these types of insurance and is considering dates in late April/early May to have additional presentations regarding this type of insurance.

Technology

Commissioner James J. Donelon (LA) explained that this workstream met on March 24, 2021, and heard about a wildfire study conducted by NAIC and Risk Management Solutions, which demonstrates that mitigation can reduce risk of wildfire by up to 75%, insurance could discount for risk-reduced homes creating an incentive to reduce risk, and identification of location is complex and insurers will have to invest in models to further study this. CIPR and RMS developed a summary of wildfire science and catastrophe modeling, which details how information is validated and discusses the application within regulatory functions. Finally, the workstream discussed the need for revisions to the catastrophe computer modeling handbook.

Receive a Recommendation from the Climate Risk Disclosure Workstream

Commissioner Andrew R. Stolfi (OR) discussed the need for revisions to the climate survey. The workstream has been very active and began meeting weekly in mid-January, with a broad array of stakeholders participating, and invited several presenters. They have gained understanding of what is recorded in current survey disclosure results and have received feedback on additional disclosure recommendations and feedback from regulators.

The workstream noted the increased federal and international interest in climate change related disclosure. The workstream plans to maintain the present reporting structure for the 2021 year. It also developed a list of who/what/when/why questions for purposes of climate disclosures and will solicit to get input on answers to questions. Further, it recommended additional states participate by getting insurers to report climate risk disclosure.

Interested parties encouraged task members to incorporate some principles and urged the workstream to continue work by establishing agreed sets of principles before making conclusions or creating new procedures. Parties stated that regulation should not supplant underwriting/risk management; insurers have appropriate risk management. Parties also expressed disappointment in the delay with how this has been addressed because the next few years are critical and disclosure is a critical step and needs to happen soon. Parties asked that consideration be given to expectations such as the size of insurer and the effective date.

Presentation Regarding the Building Code and Mitigation Workshop

The NAIC hosted a conference over three days and with over 100 attendees (including 17 state departments and FEMA) with a charge to consider pre-disaster mitigation and resiliency. It formed a foundational workshop to better understand the science behind risk reduction and to explore insurer incentives. States have certain codes but enforcement is a local effort. The International Code Council continues to update codes to create safe codes for buildings and has launched global initiative. Building codes reduce losses, and the insurance industry does provide risk reduction incentives for building codes. The Insurance Institute for Building and Home Safety (IBHS) joined on day two to discuss certain damages and mitigation tactics for wildfire. The workshop also discussed state programs. For example, Alabama has a program related to building codes, and over three thousand homes have been through the program. FEMA has a goal to have an alliance strategy for integrating building codes consistently. The workshop also focused on funding resources such as pre-disaster and post-disaster grants and explained that regulators should look at state disaster standards.

There are next steps: create contact list for regulators and ICC, post material, work with FEMA, facilitate grant application process, work with industry about ISO BCEGS credits, facilitate networking between state DOI and hazard mitigation officers, develop tools to engage on building code adoption process, etc.

Interested parties stated that this will not do much to reduce affordability of individual properties or at-risk communities; survey indicates that 40% of properties have insurance for 10+ years so need endorsement in policy for building codes. Parties also stated that regulators must promote mitigation strategy so that when events happen, they do not cause as much damage.

Update on NAIC Communications Department Activities

NAIC staff detailed an interesting consumer survey. According to the survey, 75% of people believe that climate change is causing dramatic events, but only 41% believe that events will impact them. Therefore, NAIC has launched some campaigns such as, #KnowYourRisks (ex. 1 in 4 chance of flooding during 30-year mortgage/56% believe flood is covered by homeowner's insurance), #CoverYourRisks (71% would fortify home for reduction in premium), and #ReduceYourRisk (elevate electrical system). There is also an update on the NAIC Home Inventory App to create record of belongings; also provides tips around disaster mitigation and filing an insurance claim.

Update on Federal Activities

There is a flurry of activity at the federal level. The SEC put out solicitation seeking feedback for public climate change disclosures. In addition, SEC 2010 Guidance disclosures are being revised, and the SEC is stepping up climate risk in its exams. The Federal Reserve has a new financial stability climate committee that will complement the other committee called the supervision climate committee. The Treasury is considering that climate stress tests might be helpful for insurers and banks.

In Congress, several senators have written letters to insurance companies asking how climate will affect rates, etc. The requested response date is April 16. The Senate Banking Committee held its first hearing on climate financial risk. Senator Feinstein along with a few others have re-entered the Addressing Climate Financial Risk Act.

Update on International Activities

There was recently a sustainable insurance forum that met for the first time and discussed completion of the IAIS supervision of climate-related risks. It also discussed three work streams (impacts of client related risks, broader sustainability, climate risk and actuarial cost). The UN Environment program principles sustainability insurance. There is a report with guidance for the industry to identify and disclose environmental impacts. The environment directorate will have a workshop on reducing lost risk on April 15. The financial stability board is building a report assessing data and gaps and will work with other groups. The NAIC Forum will be virtual with a panel discussion on international risk related issues.

Discuss Any Other Matters Brought Before the Task Force

None.

Materials from the meeting may be accessed [here](#).

NAIC Consumer Liaison Committee

The NAIC Consumer Liaison Committee met on Thursday, April 8, 2021, at the NAIC Spring National Meeting. Below is a summary of the meeting:

Presentation on Federal Health Care Reform Developments and the Impact on States—Lucy Culp (Leukemia & Lymphoma Society) and Katie Keith (Out2Enroll)

The presenters discussed the positive impacts of the American Rescue Plan. Now, 3.7 million uninsured people are newly eligible for marketplace subsidies, and the average savings will be \$70 million per month for 9 million current marketplace enrollees. Going forward, regulators need to make sure that everyone understands coverage options (half of uninsured people are eligible for free coverage). The presentation also discussed that there are many reasons for states to expand Medicaid, but it is worth particularly noting that Medicaid expansion is associated with a decrease in individual market premiums. The presentation made recommendations for state regulators, such as increasing marketing, outreach, and support. Regulators should emphasize that many people newly qualify and encourage insurance companies to do the same (ex. communicating with unemployment agencies). In addition, the DOI should be partnering with communities that serve underserved communities.

The presentation next discussed that 30 Patient Organizations released a new report exploring the significant risk patients face when enrolling in non-ACA compliant coverage. It identified several concerning coverages: healthcare sharing ministry, employer plans that are minimum essential, short term, single employer self-insured group plan, etc. These plans turn back the clock before the ACA. Currently, there is a Fifth Circuit case regarding the prevention of single employer self-insured group plans, which could potentially set a dangerous precedent. Finally, there are several items insurance companies and regulators should be monitoring: *California v. Texas* in the Supreme Court and several federal rules: 2022 Payment Notice, No Surprises Act, and additional pandemic guidance

Now is the time for lawmakers to act at the state level to create limits on the above-discussed plans and to regulate them in the future. Future steps include urging Congress to make the American Rescue Plan changes permanent, protecting patients from subpar plans, and urging Congress and the Biden administration to fix the family glitch.

Presentation on Enforcement Needed to Ensure Health Plan Compliance with HIV Preventive Drug Requirement—Carl Schmid (HIV+Hepatitis Policy Institute) and Wayne Turner (National Health Law Program)

This presentation focused on a discussion of a preventative medication called Pre-Exposure Prophylaxis (PrEP), which reduces risk of contracting HIV by 99%. By January 2021, essential health benefits, including preventative services must cover PrEP without cost-sharing for certain at-risk populations, but it is still not on healthcare.gov and there is resistance from health plans to cover ancillary services related to PrEP. In a 2021 plan review spot check, several insurance companies were not complying, and there were some with transparency issues. In addition, there is a lack of consistency in putting PrEP in certain tiers: Tier O, Tier 1, Tier 5, Tier 7, Tier P, \$0, ACA.

Future steps include reviewing plans to ensure there is at least 1 PrEP drug at \$0 cost-sharing, ensuring coverage of ancillary services without cost-sharing, responding and tracking beneficiary complaints, and preparing for new PrEP drugs in the future.

Presentation on How Commissioners Can Help Improve Maternal Health Outcomes—Jamille Fields Allsbrook (Center for American Progress) and Dorianne Mason (National Women’s Law Center)

In the United States, there is a black, indigenous, and Latina health crisis. In a recent study, black women died at three times the rate of white women and indigenous women died at two times the rate. However, more than two-thirds of the deaths are preventable. Currently, there is an introduced law at the federal level: 2021 Black Maternal Health Momnibus (12-month postpartum Medicaid expansion).

The presentation made the following recommendations: ensure access to quality providers, provide coverage for midwives and doulas (certified professional midwives), provide culturally competent care (encourage implicit bias and anti-racism training), name OBGYNs, and provide language access services. The presenters also discussed ideal EHB benchmark selection: provide coverage for birth centers and home births, meet ACA requirements, provide robust prenatal and postnatal services.

The presenters plan to follow up with a list of model regulations in certain states.

Presentation Addressing Coverage Losses Among Kids—Steven T. Lopez (Unidos US-formerly the National Council of La Raza); Courtney Bullard (Utah Health Policy Project); and Erin Miller (Colorado Children’s Campaign)

Insured children are less likely to postpone care, resulting in fewer preventable hospitalizations. In addition, insured children are more likely to complete high school and college. The national child uninsured rate rose to 5.7% in 2019, and the Latino child uninsured rate rose to 9.2%. Relevant to states, Utah has one of the highest rates of uninsured children in the nation (85) and the highest rate of uninsured Latino children (19%). Medicaid expansion in Utah has impacted children as well because increased access for adults often affects the child rate. There are other policy steps to cover more children: Kids Coverage Amendment in Utah, community collaboration, expanding pregnancy Medicaid, fixing the family glitch (removed from American Rescue Plan). Moving forward, regulators can help by improving policy through Medicaid, CHIP and private coverage; improving outreach; and using welcoming rhetoric and language at the state level.

Presentation on a Comprehensive Approach to Addressing Systemic Racism in Insurance—Birny Birnbaum (Center for Economic Justice)

In some instances, the data or characteristics used in insurance are used as proxy discrimination for race. It is important to distinguish between proxy discrimination and disparate impact, but there is a common methodology to test for both. Insurers should test for disparate impact and proxy discrimination. Then, insurers should eliminate proxy discrimination and minimize disparate impact and report test results to regulators and the public. Insurers should reject NCOIL’s definition of proxy discrimination. NAIC should prioritize events and include stakeholders in communities of color.

Presentation on the Short-Term and Long-Term Recovery of Texas in the Aftermath of Catastrophic Disaster—Amy Bach (United Policyholders)

Insurance and Banking Regulatory Agencies should issue commissioner notices and bulletins, negotiate with industry regarding deadline extensions and claim handling to get money into hands more quickly, use town halls/recovery events, facilitate lender releases on insurance checks, and prevent fraud/scams. The United Policyholders Roadmap to Recovery Program is a great partner. There is a trend to sit down with industries to see what concessions can be made to help during natural disasters. In addition, United Policyholders help promote events and help those in need reach the right people.

Discuss Any Other Matters Brought Before the Liaison Committee —Commissioner Michael Conway (CO)

No matters raised.

Materials for the NAIC Consumer Liaison Committee can be found [here](#).