

National Association of Insurance Commissioners (NAIC) Spring 2024 Meeting Summary

The National Association of Insurance Commissioners (NAIC) recently held its Spring National Meeting virtually and in person in Phoenix, Arizona. This summary highlights issues that various NAIC groups addressed at the recent meeting.

For more information, please contact Attorney Zach Steadman: (501) 688-8892, zsteadman@mwlaw.com or Shadai Walker: (501) 688-8803, swalker@mwlaw.com. Attorneys Bre Hendrix and Grace Fletcher also assisted with drafting this summary.

What You Need to Know:

- Massachusetts Insurance Commissioner Gary Anderson has been named NAIC Chief Executive Officer. Commissioner Anderson will begin his new role by May 1, after completing his service as Massachusetts Insurance Commissioner.
- Amendments to the Unfair Trade Practices Act were adopted at the Joint Meeting of the Executive (EX) Committee and Plenary.
- The Third-Party Data and Models (H) Task Force met and discussed its charges moving forward. It will research the types of models currently implemented in order to propose a framework for regulatory oversight of third-party data and predictive models. It will also monitor and report on state, federal, and international activities related to governmental oversight and regulation of third-party data and model vendors and their products and services.
- Committees, Task Forces and Working Groups provided updates regarding ongoing projects and workstreams.

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Joint Meeting of the Executive (EX) Committee and Plenary

The Joint Meeting of the Executive (EX) Committee and Plenary met on March 18, 2024. The agenda can be found [here](#). The link to the meeting materials, including all attachments, are [here](#). Below is a summary of the meeting:

Receive the March 17 Report of the Executive (EX) Committee

Commissioner Andrew N. Mais (CT) gave a brief overview of the report. The report was received as presented.

Adoption by Consent the Committee, Subcommittee, and Task Force Minutes of the 2023 Fall National Meeting, Nov. 30 – Dec. 4, except for items notes with (*) in the meeting materials

Commissioner Andrew N. Mais (CT) gave a brief overview of the minutes. The minutes were adopted as presented.

Adoption of the NAIC National Climate Resilience Strategy for Insurance

A brief overview was given. The NAIC National Climate Resilience Strategy for Insurance was adopted as presented. TN abstained.

Receive the March 17 Report of the Life Insurance and Annuities (A) Committee

Director Judith L. French (OH) gave a brief overview of the report. The report was received as presented.

Receive the March 18 Report of the Health Insurance and Managed Care (B) Committee

Director Anita G. Fox (MI) gave a brief overview of the report. The report was received as presented.

Receive the March 18 Report of the Property and Casualty Insurance (C) Committee

Commissioner Alan McClain (AR) gave a brief overview of the report. The report was received as presented.

Receive the March 18 Report of the Market Regulation and Consumer Affairs (D) Committee

Commissioner Jon Pike (UT) gave a brief overview of the report. The report was received as presented.

Approval of the Model Law Development Request to Amend the Public Adjuster Licensing Model Act #228

Commissioner Jon Pike (UT) gave a brief overview of the Model Law Development Request to Amend the Public Adjuster Licensing Model Act #228. The request was approved.

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

Commissioner Jon Pike (UT) gave a brief overview of the amendments to the Unfair Trade Practices Act. The amendment was adopted. NY abstained.

Adoption of Amendments to Market Conduct Annual Statement Data (MCAS) Element Revision Process

Commissioner Jon Pike (UT) gave a brief overview of the amendments to the MCAS Element Revision Process. The amendment was adopted. NY abstained.

Receive the March 18 Report of the Financial Condition (E) Committee

Commissioner Nathan Houdek (WI) gave a brief overview of the report. The report was received as presented.

Receive the March 16 Report of the Financial Regulation Standards and Accreditation (F) Committee

Director Lori K. Wing-Heier (AK) gave a brief overview of the report. The report was received as presented.

Receive the March 16 Report of the International Insurance Relations (G) Committee

Commissioner Gary D. Anderson (MA) gave a brief overview of the report. The report was received as presented.

Receive the March 18 Report of the Innovation, Cybersecurity, and Technology (H) Committee

Commissioner Kathleen A. Birrane (MD) gave a brief overview of the report. The report was received as presented.

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

Commissioner Andrew N. Mais (CT) gave a brief overview of the report. The report was received as presented.

Executive (EX) Committee

The Executive (EX) Committee met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of March 16 Report of the Executive Committee and Internal Administration (EXI) Subcommittee & Adoption of its Interim Meeting Report

The March 16 Report and Interim Meeting Report of the Executive Committee and Internal Administration (EXI) Subcommittee were adopted.

Adoption of its Task Force Reports

- A. Climate and Resiliency (EX) Task Force
- B. Government Relations (EX) Leadership Council
- C. Special (EX) Committee on Race and Insurance

The Climate and Resiliency (EX) Task Force Report was adopted.
The Government Relations (EX) Leadership Council report was adopted.
The Special (EX) Committee on Race and Insurance report was adopted.

Receive the 2023 Annual Report of NAIC Designation Program Advisory Board Activities

Commissioner Sharon P. Clark gave a report on the 2023 Annual Report of NAIC Designation Program Advisory Board Activities. In 2023, there were 425 designations. The advisory board met quarterly to discuss policy recommendations, renewal credits, and program promotion. The addition of the Certified Fraud Examiner renewal designation was a notable accomplishment in 2023. New designations will be added in the future as a part of the modernization project.

Receive a Status Report on Model Law Development Efforts

The Status Report on Model Law Development Efforts was received.

Oral Report from the National Insurance Producer Registry Board of Directors

Director Larry D. Deiter gave an oral report from the National Insurance Producer Registry. At the March 15 meeting, the 2024 officers were elected. The 2023 Annual Report is published on the website. NIPR has a strong financial year in 2023 and has started 2024 with a strong revenue performance. All 50 states can now use NIPR for major product licensing types.

Oral Report from the Interstate Insurance Product Regulation

Commissioner Kathleen A. Birrane gave an oral report on the Interstate Insurance Product. 2023 annual report will be released at the meeting on March 18 which provides a detailed account of operations and accomplishments. Two additional states have become Compact members. The Commission now has 48 members, including 46 states. The Compact's revenue increased from 2022 to 2023. There have been changes to the consumer advisory committee. New uniform standards for index linked variable annuity contracts will be considered for adoption at the March 18 meeting.

Climate & Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Receive an Update from its Solvency Workstream

Commissioner Kathleen A. Birrane (MD) presented. Birrane reminded the task force that during the Fall 2023 NAIC meeting she reported that the workstream had requested that NAIC staff draft an RBC proposal to provide for the efficient reporting of the climate scenario analysis information resulting from the climate scenario analysis exercise developed by the workstream with the assistance of NAIC staff. Specifically, the proposal would require property insurers to utilize the climate conditioned catalog version of the CAT models to reflect adjusted frequency and severity for both 2040 and 2050 as a means to disclose the impact of climate change on hurricane and wildfire risks.

After submitting the RBC proposal, the CAT risk subgroup received no comments, and the task force then exposed a directional memo in December that gave interested parties an opportunity to engage with the task force. Comments were received, and the task force held a public virtual meeting on March 8 to receive further comments from the joint trades on the directional memo.

Birrane reiterated that the task force is welcome to dialogue about any suggestions on alternative approaches than those suggested under the RBC proposal within the construct that the workstream has identified.

During the CAT sub-group meeting on March 17, 2024, it was decided that industry comments will be received by the subgroup up until April 8, 2024 and such comments will be shared with the workstream.

Receive a Federal Update

Shana Oppenheim (NAIC) presented. Starting with the President's budget, Oppenheim stated the budget emphasizes integrating adaptation into policy thinking upfront in order to reduce climate vulnerabilities and enhance resilience. As an example, the budget includes investing twenty three billion dollars in climate adaptation and resilience across commerce, the Department of Homeland Security, the Army Corps of Engineers, EPA, and the DOD to address the increasing severity of extreme weather events. Of the twenty three billion, five hundred twenty two million will go to invest in wild land firefighters, four billion four hundred million for DHS, five hundred thirty one million for flood-hazard mapping and one billion six hundred million to the Department of Energy.

Regarding current legislation, Oppenheim presented on the following:

- The Prepare Act – Meant to boost emergency preparedness for extreme weather events.
- The Reforming Disaster Recovery Act – Aims to accelerate delivery of FEMA funds to impacted communities.
- The Wild Fire Resilient Communities Act – Aims to bolster community wildfire prevention efforts through the Bureau of Land Management.
- The Flood Insurance Rate Map Interagency Reform Act – Requires FEMA to consult with the DoD, the US Geological Survey, and NOAA when developing flood maps relevant to rate maps.
- The Wildfire Response Improvement Act – Directs FEMA and the FEMA Administrator to review the cost effectiveness of certain mitigation projects.
- The Flood Transparency for Home Buyers Act – Requires HUD to provide a disclosure notice to buyers that certain properties are located in a special flood hazard zone.

Finally, Oppenheim presented FEMA updates including the presentation of its National Preparedness Report and a newly proposed rule that would revise the NFIP by adding a new homeowner's flood form.

Special (EX) Committee on Race and Insurance

The Special (EX) Committee on Race and Insurance met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Status Report from Workstreams.

Commissioner Arnold provided an update from the Health Workstream. In 2023, the Health Workstream continued education on benefit design, focusing mainly on preventative care and mental health coverage. It focused on different level of reimbursement and how they can advance coverage in areas where there are disparities. Goal is to obtain deliverable in 2024, including an NAIC Connect website that is being built out. Commissioner Birrane reported that the health Workstream plans to continue and support the work of the Big Data AI Committee in its health survey. It also will take a deeper look into benefit designs and discriminatory benefit designs. Finally, the Workstream will reinvigorate the data discussion to explore the areas where health insurance is different and how it is different.

Commissioner Humphreys provided an update from the Life Workstream. It focused on three items at the February 2024 meeting. First, the group focused on the Financial Wellness Resource guide. This is intended to serve as a resource for insurance departments on what others are doing to advance financial literacy initiatives. The Workstream also focused on financial education. Including a report from John Pelletier to explore his national report card on state's efforts to improve financial literacy in high school. The Workstream exposed a draft endorsement to support state legislation to require financial literacy courses as a prerequisite to high school graduation. Comments on this exposure close on April 1. Finally, the Workstream discussed barriers to access to life insurance, focusing particularly on criminal history as a barrier to life insurance.

Commissioner Gaffney provided an update from the Property/Casualty Workstream. The group is targeting the latter part of the year to look at the results of the market intelligence data call and the impact on underserved communities. The focus in 2024 is to have a public Webex to hear from consumer groups and hear their perspective on the insurance marketplace. It will examine the trends in the residual insurance markets to evaluate market availability and affordability pressures in underserved communities of color.

Update on Member Diversity Leadership Forum

Evelyn Boswell provided an update on the NAIC Foundation. The Foundation is a scholarship providing money and internships to college students in underserved communities. The goal is to expand internships opportunities outside of the NAIC into state insurance programs.

June LeBlanc, DEI Manager at the NAIC, provided an update on NAIC Connect. This is a tool to streamline processes and communication at the NAIC. Members of NAIC Connect are able to identify if they are a subject matter expert and identify themselves as a representative of the Diversity Leadership Forum. NAIC Connect provides an opportunity for states to collaborate and share documents amongst jurisdictions.

Gary Jones, from the Member Diversity Leadership Forum, presented an update on the HR124 Course. Phase I of the Course has three goals: (1) develop an understanding of DEI concepts, (2) demonstrate cultural proficiency of DEI, and (3) understand how DEI applies to the workplace. The course now has 170 registrants for 2024.

Chandara Phanachone provided an update on the Member Diversity Leadership Forum. A membership poll revealed three pillars of impact for the Forum, including: (1) collaboration and sharing best practices for DEI in the insurance industry; (2) Community engagement project to build the pipeline for inclusive opportunities; and (3) provide thought leadership on the development of phase 2 of the DEI Regulator Coursework to increase and deepen education and awareness of diversity in the insurance industry.

Hear Presentation on Champlain College 2023 National High School Report Card

John Pelletier, Director of the Center for Financial Literacy at Champlain College, gave a presentation on state efforts to improve financial literacy in high schools. The report gives grades to states based on state policy on what coursework related to financial literacy is required from high school students before they can graduate. States can improve their grade for future years by implementing policies to include or increase the amount of financial literacy courses required by high school students. Through this report, four keys to high school financial literacy were discovered: (1) equitable access to a personal finance course, regardless of race, ethnicity or economic status, (2) educators with easy access to free tools and curriculum; (3) states with highly trained educators to teach a personal finance course; and (4) funding, mostly for training purposes.

Link to presentation is [here](#).

Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Hear a Federal Update

Taylor Walker (NAIC) gave a federal update. The Federal Living Donor Protection Act seeks to prohibit life, long term, and disability from being discriminated against based on their status. The bill prevents an insurer from refusing to issue or cancel a policy based on a person's organ donor status. Bill sponsors have reached out for feedback and support for the bill. The NAIC has not taken a position on the bill. Taylor will keep the committee updated on any further action.

Regarding the Fiduciary Rule Proposal. The NAIC submitted a letter based on the impact on consumers, substance of the proposal, and concern for lack of coordination with the NAIC. So far, 45 states have adopted the NAIC's Best Interest Standard for Annuity Standards. The proposal was sent to the Office of Management and Budget for review. Once review is complete, the rule could become effective 60 days after the publication in the Federal Register

Adoption of the Report of the Life Actuarial (A) Task Force

Rachel Hemphill (TX) gave a brief overview of the report. Three key areas of activity include: work from the VM-22 Subgroup on the ongoing development of VM-22 and the field test, work from the IUL illustrations subgroup have coordinated regulator reviews of illustrations, and work from the GOES (E/A) Subgroup has ongoing development of appropriate economic scenario generator at both the LATF and subgroup level. Rachel expressed the importance of the use of economic scenario generator use and gave a review of the history of the project. Conning is currently recalibrating the model based on the updated equity criteria and creating updated scenario sets. Once, those are established they will be released and discussed. Active discussions are still ongoing regarding Corporate Model Documentation, interest rate and equity relationship.

The Life Actuarial Task Force report was adopted.

Update on the Accelerated Underwriting (A) Working Group

Commissioner Nathan Houdek (WI) gave an update. The group is making progress toward considering use of external data and data analytics in accelerated life underwriting including drafting guidance. Two documents were exposed: (1) draft regulatory guidance document and (2) referral to the market conduct examination guidelines working group. The survey on the use

of AI/ML in life insurance and the model AI bulletin were projects that would be impactful to the work of the working group. Therefore, the working group decide to pause its work until those projects were completed. The group intends to revisit the previous documents that were exposed, the documents were redistributed to help determine the impact of the model bulletin and the survey.

Update on the Annuity Suitability (A) Working Group

Commissioner Doug Ommen (IA) gave an update. The group is continuing to work on implementation of the Annuity Best Interest Rules. The group is preparing to begin work on potentially drafting guidance on the safe harbor provisions. Iowa and other states have been involved in the best interests' rules implementation review. This has been a broad review of the market. The group has found that the policy and procedures have been comprehensive and have covered the key requirements of the regulation, in general. The review did reveal some deficiencies, they were not systematic across the industry except for the safe harbor rules. The group will be pursuing work on applicable regulatory guidance.

Discuss Any Other Matters Brought Before the Committee

ACLI brought awareness of banking regulations that are likely to negatively impact the life insurance industry. The regulations are meant to implement international Basel III regulations in the US. The corporate exposure provisions will likely harm mutual insurance companies and other non-public insurers. The proposal would substantially disrupt the bank owned life insurance bully market and would drive banks away from working with life insurance companies in the bully market. The excessive bank capital requirements would disrupt hedging transactions. ACLI suggest that the portion of the regulation affecting the life insurance industry fails to recognize the highly regulated nature of life insurance in the US.

Life Actuarial (A) Task Force

The Life Actuarial (A) Task Force met on March 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Meeting Minutes and Written Subgroup Reports

The meeting minutes and written subgroup reports were adopted.

Adoption of the Report of the Valuation Manual (VM)-22 (A) Subgroup and Hear Updates on the VM-22 Field Test

Ben Slustker (MN) gave an update on the VM-22 Field Test. The SPA liability assumptions have focused on mortality and dynamic lapse assumptions. The group prepared a draft of the dynamic lapse assumption proposal for exposure. Also, plan to hear proposal from the drafting group on nonindexed fixed deferred annuity surrender assumptions. Once the remaining liability assumptions are discussed, then there will be exposure with the full set of assumptions. After exposure, they will be tested in the VM-22 field test. There was a public exposure of the VM-31 disclosures for VM-22 governance requirements and the supplement blank for the annual statement. The discussion of comments from the exposure is still ongoing. Another discussion on VM-31 is whether to have a separate section for non-variable annuities or as they are currently in the draft.

The VM-22 field is the next focus of the subgroup. It is tentatively scheduled for July. The field test specifications will be sent for a chair exposure and public comments. Companies are encouraged to participate. The target effective date is January 1, 2026. That will be accompanied by a 3-year implementation period. After that date, PBR will become mandatory for all non variable annuity contracts in the US on a prospective basis subject to any of the exemptions.

Representatives from Ernst and Young and The American Academy of Actuaries gave a presentation on the VM-22 Field Test. The field test specifications are being prepared for presentation to LATF and public exposure. A target VM-22 timeline was presented. The field test is scheduled to start mid-July. The key objectives of the field test include the following items: measurement of business impacts, uphold principles, and assess open design decisions. The group would like companies to give at least 10 years of actual in-force business. EY will be developing a Moody's AXIS-based model office to support the field test. As of now, reinsurance will not be modeled. Field test specifications will be released for public comment through April 15. The NAIC will be requesting company participation now through April 28.

The VM- 22 (A) Subgroup report and meeting minutes were adopted.

Discussion of Comments Received on Potential Group Annuity Mortality Experience Data Collection, and Adoption of the Experience Reporting (A) Subgroup Report

Fred Andersen (MN) led the discussion on comments received on Potential Group Annuity Mortality Experience Data Collection. The ACLI generally did not have any concerns regarding the mandatory data collection. Concerns were expressed with distinguishing between other types of business and availability of certain data elements. There was discussion about applying some of the things learned from the mortality data call to this data collection. LIMRA expressed that in the past there has been good success with collecting data on a voluntary basis. Overall, there was discussion about whether the data collection should be mandatory or voluntary. Most of the LATF members seemed to agree with a mandatory data collection.

The Experience Reporting (A) Subgroup Report was adopted.

Presentation of Updated VM-21, Requirements for Principle-Based Reserves for Variable Annuities, Standard Projection Amount Assumptions, and Adoption of the Variable Annuities Capital and Reserve (E/A) Subgroup Report

Pete Weber (OH) gave an oral report on the Variable Annuity Capital and Reserve (E/A) Subgroup Report. The group is considering work in a few areas. The group will be looking at updating the VA framework recommendation 14. The following SPA assumptions will be considered for an update: mortality, expense, and policyholder behavior. Next steps will include developing and exposing an APF.

The Variable Annuity Capital and Reserve (E/A) Subgroup report was adopted.

Joel Sklar (SOA) gave a presentation on proposal to update the VM-21: SPA Assumptions. It is proposed to update the mortality adjustment factors. An expansion of the factors is needed for a wider range of ages and other distinct factors. Also, there is a need for a distinction between enhanced death benefits and basic death benefits. One objective for the update will be to set a baseline mortality as of 12/31/2022 to serve as the new starting point. Historical Mortality Improvement is needed to bring mortality up from the 2013 mid-point of the industry study. Mortality adjustment factor development is important to the update as well.

Discussion of VM-20, Requirements for Principle-Based Reserves for Life Products, Historical and Future Mortality Improvement Factors

Marianne Purushotham (SOA) gave a presentation on an update on life insured mortality improvement recommendations from the mortality improvement life working group. An update was provided on the MILWG 2024 work plans. The MI recommendation for limited underwriting business is to gain new additional data sources to complete the work. The working group completed a lot of work on fully underwritten business. An analysis tool for predictive modeling was developed. The goal is to determine the primary factors impacting insured mortality. The

group has not reached final conclusions but normalized insured data appears reasonably consistent with population trends. Next steps include peer review of MI analysis tool & predictive models, continue investigation of patterns in insured versus general population experience generated by MI analysis tool, plan to provide updates throughout 2024.

Discussion of Comments Received on the Generator of Economic Scenarios (GOES) Acceptance Criteria and Consider Adoption of the GOES (E/A) Subgroup

Mike Yanacheak (IA) led the discussion on comments received on the GOES acceptance criteria. It was suggested that additional target criteria are added and a quadrant criteria was proposed. It was suggested that changes are made to the evaluation statistics. Support was expressed to continue to move forward to create scenarios for field testing. The Subgroup decided to take a comment back for consideration regarding new evaluation criteria around probability or percentage of time where credit losses are greater and the frequency of such.

A presentation was made detailing the decisions made by GOES to create a scenario set to be used in an unaggregated field test. Several calls were held, and regulators were working to reach key decisions necessary begin the field test. The Subgroup made the following decisions to move forward: an approach to include a positive correlation between Treasury and equity movements to achieve regulators desire for scenarios that were reflective of low rate/low equity returns and high rate/low equity returns, modification of the equity acceptance criteria developed by the Academy to use an average of the results of the reference models that were utilized in development of the criteria, use of the GEMS Corporate Model, use of the Conning scenario selection tool, approach recommended by Matt Kauffman for the UST SERT and DR scenarios. A decision has not been made on the flooring methodology. It is expected that the field test will be performed March 27 to June 30. After, the model office analysis will be performed and results will be shared at the public GOES subgroup call.

The GOES (E/A) Subgroup report and meeting minutes was adopted.

Discussion of Actuarial Guideline LIII- Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves (AG 53)

Fred Andersen (MN) and Jennifer Fraizer gave a presentation on the Updates on Actuarial Guideline 53. Fred gave a recap on progress that has been made. Particularly with net yield assumption, they have identified companies that need to be removed from the outlier list. Some companies remain on the outlier list due to various reasons such as being in progress of a financial exam and the recommended conservatism was not achieved. The task force will follow up with those companies remaining on the outlier list. Progress has been made with reinsurance collectability along with coordinating with potential reinsurance ceded asset adequacy analysis project. Also, working on investment expenses analyzing two aspects: (1) are investment expenses sufficiently modeled in asset adequacy analysis? and (2) is the amount of investment expenses leaving the insurer reasonable? Attribution analysis is in progress as well. The goal is to

have actuaries explain to regulators the assignment of excess spread to credit risk, illiquidity risk, and other risk.

Jennifer Fraizer gave a presentation on attribution analysis related to assumptions on projected high net yield assets. Companies need to look at the projected high net yield assets for non-equity like instruments, state guidelines for that spread that are attributable to the specified risks. Also need to provide commentary on the results. Jennifer walked through the template provided to complete the attribution analysis and the results. Across all asset types, less than 1/3 of companies attributed the excess spread to more than one risk type. For many asset types, 30% - 40% of companies are attributing all the Guideline Excess Spread, GES to the Other Risk category. The general expectation by regulators is that the higher the GES, more attention should be given by the company to the attribution analysis. There should also be commentary to explain those attributions.

Presentation on Asset-Intensive Reinsurance Ceded Offshore

Patricia Matson and Alan Routhenstein from the Academy gave a presentation on an issue brief speaking on asset-intensive reinsurance ceded offshore focused on Bermuda. Bermuda was chosen due to the significance of the volume there. Motivations for Offshore Reinsurance are as follows: reserving, hedging, capital, and accounting efficiencies; investment flexibility; localized expertise and innovation; tax efficiency; and strong regulatory framework specifically in Bermuda. Under current statutory rules, the cedant's appointed actuary must perform asset adequacy test for all direct business. Currently, there is no prescribed methodology. It is up to the best judgment of the actuary. Several approaches were discussed. The approaches are as follows: perform cash flow testing, leverage reinsurer SBA, and assess counterparty risk. The issue brief also details additional counterparty risk considerations, collateral provisions, aggregation provisions, recapture/termination considerations, and retrocession.

Discussion of a Proposal to Require Asset Adequacy Analysis for Certain Reinsurance

Fred Andersen (MN) discussed the proposal to require asset adequacy analysis for certain reinsurance. He began by highlighting the importance of the proposal. He stated that whether reserves are adequate using appropriate assumptions is important for the US regulators to know when the reserves and supporting assets are impacting US insurers. The goal of the proposal is: (1) to provide regulators with what is needed to review the reserves and solvency of US life insurers, avoid conflict with federal laws, and (3) prevent work required that is addressing immaterial risk. Some basic considerations that the group wants to consider is whether cash flow testing should be performed on ceded business. The group would like to focus on the assuming company not submitting a VM-30 actuarial memorandum to a regulator. They would like to consider a carveout when the reinsure submit a VM-30 in the US.

A list of specific considerations to aid with developing the proposal was discussed on the Life Actuarial (A) Task Force most recent call. These considerations were used to drive the discussion

to help determine how to move forward with the proposal. The considerations are as follows: terminology of “gross of reinsurance” testing, material determination, aggregation level/prior approval, retrospective or prospective application, asset assumption guardrails/lessen need to have knowledge of assets, other assumption guardrails, considerations for holding additional AAT reserves, and sensitivity testing versus baseline testing. An emphasis was placed on better defining the problem and finding alternatives to solving the problem. The proposal is still a work in progress and the task force is seeking formal comments to move forward.

The discussion among the task force regarding the specific considerations focused on include the wording regarding gross reinsurance AAT language that could be added to subsection 2.C.4 “Liabilities to be covered” in the VM-30 incorporated into actuarial guidance, aggregation, and materiality. There was also discussion about whether the proposed requirement should apply to all reinsurance transactions executed on or after a certain date. Whether it should be a retrospective or prospective application is to be determined.

It was decided that an exposure will be conducted to clarify the terminology and concepts. The task force will be seeking comment letters on appropriate aggregation levels and how they either do or do not work for ceding companies. Would also like to narrow the scope and determine how it will fit comply with federal rules and determine possible alternatives to solving problems. All of the previously mentioned topics will be considered in the exposure. The exposure will be for 30 days.

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Opening Remarks

Director Anita Fox gave her opening remarks. In 2024, the Committee will focus on ten topics identified by committee members, including mental health, network adequacy, pharmacy benefit managers, claims denials, senior issues including long term care, cost transparency, the health of and challenges facing the small group market, barriers to access including prior authorization, plan design, and ground ambulance. Additionally, Director Fox spoke briefly on the cybersecurity incident at Change back in February. This had a major impact on healthcare operations nationwide. Change handles 50% of payments across the country and provides about 1200 different services on the Medicaid and private space levels. This cyber event has resulted in delay in care and prescription drugs, delays in claim processing, and delays in payment to providers. The delay in payment causes a particular issue at rural hospitals, to the point that some hospitals are not able to make payroll.

Adoption of its Subgroup, Working Group, and Task Force Reports

Reports from the Consumer Information (B) Subgroup, the Health Innovations (B) Working Group, the Health Actuarial (B) Task Force, the Long-Term Care Insurance (B) Task Force, the Regulatory Framework (B) Task Force, and the Senior Issues (B) Task Force were adopted.

Link to meeting summaries and minutes can be found [here](#).

Update on the Long-Term Care Insurance (B) Task Force's and Long-Term Care Actuarial (B) Working Groups' 2023 Work and Planned Work for 2024

Paul Lombardo (CT) gave an update on the Long-Term Care Insurance (B) Task Force and Actuarial Working Groups' 2023 work and planned 2024 work. The Working Group spent a significant amount of time in 2023 contemplating a single MSA methodology and approach. Two issues arose when developing this topic with members: (1) a single methodology with some adjustments to be made, and (2) figuring out the 80 to 85+ long duration, significant prior accumulated rate increase issue and limiting future rate increases for that group going forward. These issues were discussed by the Working Group on March 15, 2024, and there was a unanimous vote to expose the Minnesota model as a single approach to MSA with recognition that adjustments would be made to existing Minnesota approach. There was no vote on the 80 to 85+ issue, as everyone was supportive of working on this issue. This was moved to the Task Force which met for the first time under the B committee. The Group is also awaiting the results

of the Reduced Benefit Option Survey, which should be available in May. Finally, the Group emphasized to regulators the time it takes to review LTC rate increases.

Director Fox expressed concerns of state autonomy under a single MSA approach. Mr. Lombardo emphasized that this approach is not a model, and states won't have to adopt. The filings will come into the MSA review team and reports go out to everyone. The company will have to keep file with every state concurrently or once the MSA process is completed.

Presentation on Understanding the Basics of How Ground Ambulance Services Work in the U.S.

Jack Hoadley, Georgetown University's Health Policy Institute at the McCourt School of Public Policy, presented on the basics of ground ambulance services. The factors policy makers need to consider when stabilizing these costs include the applicability to public/private ground ambulance providers or both, applicability to non-emergency services, applicability to circumstances where the patient refuses medical attention or is treated but not transported, and applicability of negotiation/arbitration process. The Advisory Committee on Ground Ambulance and Patient Billing created recommendations including defining providers authorized to respond to requests for ground ambulance services, improve coverage for emergency medical services, implementing consumer protection such as a limit on cost sharing and a ban on balance billing, including ground ambulance emergency services under Essential Health Benefit requirements under the ACA, implementing a payment standard, and limiting or eliminating the use of independent dispute resolution.

Link to presentation can be found [here](#).

Presentation from the Consumer Perspective on the Affordable Care Act (ACA) Section 1557 Nondiscrimination Proposed Rule

Amy Killelea, Carl Schmid, and Kellan Baker presented on the Affordable Care Act Section 1557 Nondiscrimination Proposed Rule. The final rule is expected in Spring 2024. The proposed changes include clarification that § 1557 applies to all federal health programs and activities, providing or administering health insurance is a health program/activity, application of § 1557 to short term limited duration plans and limited benefit plans, and application to third party administrator and PBMs. The presentation calls on state regulators to ensure that insurers are aware of the new protections, review plans for discriminatory benefit design as part of the certification process, review and revise the state's EHB benchmark plan selection to ensure it does not have exclusions or other benefit design features that contravene § 1557's requirements, monitor and enforce compliance through complaint process, data calls, and market conduct exams, and make data and reports from market conduct and other investigations public.

Link to presentation can be found [here](#).

Update from the Federal Centers for Medicare & Medicaid Services' (CMS') Center for Consumer Information and Insurance Oversight (CCIIO) on its Recent Activities, including the Final Notice of Payment and Benefit Parameter for 2025 and the Prior Authorization Rule

Jeff Wu from Center from CCIIO gave an update on its recent activities and the cyber attack on Change Healthcare. The Payment Notice is not yet finalized, however it is on a very short timeline to completion. Mr. Wu also spoke on the federal government's response to the Change Healthcare cyber attack. The first concern was around patient's access to prescriptions. Currently, the focus is working with providers and payors trying to support providers, due to the disruption to the clearing claims process. Due to Change Healthcare's broad scope of services, there has been acute financial pressures on a subset of providers. CMS is working on loosening cash flow to open advance payments on the Part A and B side to relieve some of these pressures, particularly on rural hospitals. CMS has also provided flexibility with deadlines due to the cyber event in an effort to allow providers to get through the crisis.

Long-Term Care Insurance (B) Task Force

The Long-Term Care Insurance (B) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2023 Fall National Meeting Minutes

Fall National Meeting Minutes were adopted.

Update on Long-Term Care Insurance (LTCI) Industry Trends

Fred Anderson presented a report on LTCI industry trends. The report discussed how cost of care inflation on inflation-protected products heavily impacted companies' financial losses, which in turn led to rate and reserve increases. The report also discussed morbidity and incidents improvements which continue to impact the industry, especially on the reserve side. The report discussed rate increase approvals, a key area that impacts the industry and reserve adequacy for long-term care blocks. The report also discussed the performance of assets supporting long-term care blocks, including the new actuarial guideline on reserve adequacy and complex assets (AG 53).

Consumer Notices and Reduced Benefit

NAIC representative Brenda Rourke presented an overview of the Consumer Notices and Reduced Benefit Options (RBOs) Research Project that it is conducting. The Project is intended to better understand the driving force behind consumer RBO choice and intended to test certain aspects of the communication checklist and guidance.

The presentation can be found [here](#).

Adoption of Amendment to Actuarial Guideline LI

The Task Force considered the adoption of an Amendment to Actuarial Guideline LI—*The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves*. The Amendment seeks to clarify whether an entity moving from the life blank to the health blank still has to comply with the requirements for LTCI business under Actuarial Guideline LI (AG 51). The amendatory language would make it clear that AG 51 applies regardless of which Annual Statement blank a company files. The Amendment was adopted.

Working Group Report and Multistate Actuarial Rate Review Matters

Fred Andersen discussed the Long-Term Care Actuarial (B) Working Group Report. The Working Group has been developing concepts to underlie a single methodology for rate approvals between states. The primary goal of the Working Group is for the methodology to be in effect for

the review of multi-state actuarial filings. There was also discussion related to the timeliness of LTCI rate reviews. Slow reviews can lead to higher loss ratios and the need for larger increases in the future. The goals behind the single methodology proposed by the Working Group are to streamline the process, make rates easier to calculate, and increase transparency. The Group's Chair recommended that you consult with fellow regulatory actuaries if your company is having issues related to actuarial timeliness review or form reviews.

Long-Term Care Actuarial (B) Working Group

The Long-Term Care Actuarial (B) Working Group met on March 15, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of February 20 and 2023 Fall National Meeting Minutes

February 20th and 2023 Fall National Meeting Minutes were adopted.

Update on a Single Long-Term Care Insurance (LTCI) Multistate Rate Review Approach

After the February 20, 2024 meeting, recommendations were made based on an apparent consensus among regulators. Recommendations included: (1) lower rate increases for those at very advanced ages with high-duration policies that have had substantial rate increases in the past; (2) do not dismiss aspects of proposals labeled as “non-actuarial” by the ACLI; (3) balance between consumer protection and preventing further financial distress for insurers; (4) continue including a catch-up provision in a single actuarial approach for attaining a similar rate level between states; (5) continue to encourage buy-in from states on the MSA actuarial approach; and (6) pre-approve and phase in rate increases over reasonable periods of time as opposed to requiring annual re-flings. Two recommendations had split views amongst regulators: (7) if-knew weighting additional cost-sharing considerations, and (8) maintain the flexibility of having a solvency provision but continue having the application be very rare.

Michael Markham presented the Texas method as a recommendation on the single MSA actuarial approach. The difference between the Texas method and the recommendations is mainly with recommendation (5). While Texas stated it was not opposed to moving into a single method, it had concerns. First, rate increases are intended to strengthen contract reserves for future liabilities. Since the Texas method specifically addresses the deficiency in contract reserves, a rate increase above the Texas method would most likely result in an immediate profit to insurers through the release of contract reserves. According to Markham, there are times when a rate increase above the Texas Method is justified, such as when, even with the Texas Method rate increase, rates would be below the marginal (“if-knew”) rate. Texas has concerns that some assumptions used for lifetime loss ratio type approaches may result in significantly higher rate increases than under the Texas Method. These include the use of low discount rates, assuming rates below pricing and market yields would support larger rate increases, and assuming the initial pricing target loss ratio for future experience.

To achieve a fair balance in the review of rate increases by regulators, the Texas Method passes the contract reserve shortage (or deficiency) with the revised assumptions to the policyholder in future premiums. Premiums are adjusted so that the insurer bears no loss due to a contract reserve shortage and the policyholder bears the full brunt of the shortage. This enhances the ability to maintain the marginal premium as the life of the block progresses.

Link to the Texas presenting materials can be found [here](#).

Fred Andersen of Minnesota presented the Minnesota approach. Currently, the Minnesota approach is utilized for MSA filings. However, in order to adopt it as the single MSA approach, changes to specific areas would have to be made. To settle the “85/25” issue of achieving lower rate increases for those at very advanced ages with high duration policies, the MN approach would increase cost-sharing for high cumulative rate increases. It would prevent a cliff effect by perhaps grading in the impact between ages 85 and 90. Additionally, to address proposals labelled as non actuarial by ACLI, the MN approach would be further refined to achieve desirable concepts. As a way to balance consumer protection and prevent insurer financial distress, the MN approach would be adjusted to revise cost-sharing weights. This would lower cost sharing when smaller cumulative rate increases are reflective of the younger block. Additionally, it would increase cost sharing when higher cumulative rate increases, which is reflective of the older block. To encourage buy-in from states on the MSA actuarial approach, the MN method would be revised to increase cost sharing at higher cumulative rate increases. It would also facilitate a discussion with the states to try to attain consensus, leading to the consensus concepts document. The MN method was open to proposals for how to handle the remaining issues of if-knew weighting and additional cost-sharing considerations.

Link to the Minnesota presenting materials can be found [here](#).

The Working Group voted to expose the MN method for 45 days as the starting point. The goal is to have a singular method available for adoption by the November 2024 meeting.

Regulatory Framework (B) Task Force

The Regulatory Framework (B) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Adoption of its Subgroup and Working Group Reports

Reports by the Accident and Sickness Insurance Minimum Standards (B) Subgroup, the Employee Retirement Income Security Act (ERISA) (B) Working Group, and the Mental Health Parity and Addiction Equity Act (MHPAEA) (B) Working Group were adopted.

The Mental Health Parity and Addition Equity Act (B) Working Group met on December 2, 2023. It heard a panel discussion on the Tri-Departments' Proposed Rule on Mental Health Parity. The DOL received 9,500 comments on its proposed regulations related to mental health parity. Regulators' comments were focused on the application of the predominant and "substantially all" test to non-quantitative treatment limits, the exceptions for independent standards and fraud, waste, and abuse, and the collection of outcomes data.

During the panel, panelists were asked about applying the predominant and substantially all tests to non-quantitative treatment limits. Meghan Stringer, AHIP, states AHIP's priority is that patients can access the right care at the right time in the right setting. She further states AHIP believes the predominant and substantially all tests are not appropriate or workable and could prohibit all medical necessity reviews prior to or concurrent with care. The tests could add a substantial burden without proportional benefits in access to care. Time Clement with the American Psychiatric Association stated the predominant test may not be workable in the real world, however the substantially all test would not limit utilization review in the inpatient category. For outpatient benefits, the substantially all test would increase access and reduce utilization review. Plans and issuers could meet the substantially all test by designing benefits differently for medical services. According to Lauren Finke at The Kennedy Forum, the Forum is supportive of applying the tests to non-quantitative treatment limits because the statute is clear that benefits for mental health should not be more restrictive and the tests were successful for quantitative treatment limits.

When questioned about exceptions included in the proposed rule, Time Clement (APA) stated the exception for independent treatment standards or fraud, waste, and abuse are ways to get around the substantially all test. The exceptions moderate the test, however, Clements also emphasized the phrasing of the exceptions could allow almost anything through since almost any limit could be deemed an effort to reduce waste. He urged state insurance departments to narrow the exceptions with more structure on what qualifies as fraud, waste, and abuse. Meghan

Stringer (AHIP) stated plans are concerned the exceptions may be too narrow. She said standards of care and combatting fraud, waste, and abuse improve patient care. Because the proposed rule does not fully explain the exceptions, plans remain concerned. AHIP recommends federal departments adopt Georgia's definition of generally accepted standards of care.

Panelists were asked about the proposed rule's requirements to collect outcome data. According to Lauren Finke, the Forum is supportive of collecting data to assess the impact of treatment limits. State insurance departments should clarify that mental health and substance use disorder data should be collected and analyzed separately. Meghan Stringer stated health plans need to know what data regulators are looking for and develop a definitive list of data to be collected so they can provide it the first time. She specifically requested consistency across states, with federal regulators and product lines.

When Panelists were asked whether regulators should require plans to submit standardized data, Lauren Finke said plans and issuers should be required to submit standardized data and regulators should not rely on only process-related measures but instead require outcomes data that directly address disparities. According to Meghan Stringer, state regulators should use metrics consistent with those in the final federal rule or deem compliance with state standards when federal standards are met. Time Clement said regulators should decide how the data is reported. Organizations are not trying to hide information, but categories can mean different things to different plans. So, more precision is needed in the definition of terms.

A link to these reports can be found [here](#).

Update on the Accident and Sickness Insurance Minimum Standards (B) Subgroup

Chairman Schallhorn spoke about the Accident and Sickness Insurance Minimum Standards (B) Subgroup. The subgroup was established in 2016 to revise the Accident Sickness Insurance Minimum Standards Model Act, Model 170, and its companion model, model regulation to Implement the Accident and Sickness Insurance Minimum Standards Model 171. Completed revisions to Model 170 in late 2018 and model was renamed the Supplementary and Short-Term Health Insurance Minimum Standards Model Act. The revised model was adopted in February of 2019. Began to revise Model 171 in 2019. Reviewed comments on Model 171 in Fall of 2023 and released draft of proposed revisions for public comment, ending December 1, 2023. Review of comments will be completed within next few months, then forward revised model to the Regulatory Framework Task Force for its consideration.

Discuss Embedded Insurance Code Provisions Regarding Health Savings Accounts (HSAs)

Jeff Klein, from the American Bankers Association HSA Council, spoke about embedded provisions in the insurance code regarding HSAs. He explained their role is to make sure states are aware of the interaction of federal and state law on contributions to HSAs. Specifically, they want to avoid state benefit mandate bills that unintentionally cause Americans to lose the ability to contribute to their HSA. Work on state-by-state basis to address these concerns by tracking

bills that could affect HSAs. In 2024, the group will focus on HIV v. HHS copay accumulator decision, bankruptcy reform, and embedded Insurance Code expansion. Six states have provisions in their insurance codes to protect from any state benefit mandate bills or co-pay accumulator laws.

Link to presentation can be found [here](#).

Discuss Draft Revised 2024 Charges for the Pharmacy Benefit Manager Regulatory Issues (B) Subgroup's Successor Group

Jolie Matthes gave a brief overview of the charges. Thought that this group would evolve into more of an educational resources group for regulators and stakeholders. Review NAIC models to see if they need updating, potentially Model 22 the Health Care Prescription Drug Benefit Management Model Act, maintain existing list of PBM laws and regulations, disseminate materials to state insurance regulators and stakeholders, and monitor activity in states and federal agencies. These charges will go out for a thirty-day comment period and return to the subgroup for a vote.

Commissioner Andrew Mais from Connecticut pointed out that no states have adopted Model Act 22, and inquired how this Model Act was identified for potential revision. Ms. Matthews stated states have adopted provisions, but not the entire Model Act. Krystal from North Dakota questioned whether the charge related to Model 22 would lock the group into opening the Model or looking at updates. Ms. Matthews stated the working group would have the option of reviewing Model 22 if it so chose, but it does not lock the group into a review. Martin stated his opposition to reopening any model in the charges for 2024. Carl Schmidt on behalf of Consumer Representatives submitted a letter of strong support of moving forward with the new subgroup. He emphasized the impact and importance of these issues on people accessing and affording their prescription drugs. Chris Peterson representing the Pharmaceutical Care Management Association did not want to include a review of Model 22 on the 2024 charges. He stated it was premature and Model 22 is the inappropriate model. He believes this Model takes an approach of regulating the insurance company that uses a PBM, while almost every state that has decided to regulate PBMs has taken the approach of regulating them directly either as a PBM or as a third party administrator.

Link to charges can be found [here](#).

Hear Information on World Hypertension Day

JP Wieske, representing Jazz Pharmaceuticals, presented information on World Hypertension Day. He pointed out that there are a growing number of medications that are high in sodium. A reduction of sodium reduced blood pressure in 70% of people. World Hypertension Day is May 17, 2024.

Link to information sheet and materials can be found [here](#).

Senior Issues (B) Task Force

The Senior Issues (B) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Hear a Presentation on the WA Cares Fund

Ben Veghte, Director of the WA Cares Fund, presented. The WA Cares Fund is a universal long term care program that started in 2014. The program is portable, solely self-funded by worker contributions, and will begin paying benefits to workers in 2026. The goal of the program is to provide more affordable long term care insurance to a broad segment of middle class consumers.

In 2022, the WA Cares Fund formed a work group called the LTC Trust Commission to develop recommendations on how to design the Supplemental Private LTC Insurance (SPLITCI) market, organized into six areas: Consumer protection, venue for filing policies, benefit trigger and elimination period, transition issues for near-retiree cohorts, continuity of covered care settings and providers, and coordination of benefits between WA Cares and SPLITCI policies. Veghte spoke on the challenges the work group addressed such as: ensuring consumers are aware of cost and benefit tradeoffs involved in choices around policy design features, how issues regarding filing venue could potentially create barrier to market entry by private LTC insurance carriers, and potential gaps in coverage related to benefit trigger and elimination periods.

Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Adoption of Task Force and Working Group Reports and Minutes

Christian Citarella (NH) presented a report on the Casualty Actuarial and Statistical (C) Task Force. Its main discussion topics centered around rate making practice of risk classification. This is where companies implemented their complex internal models, and use third parties for data and models. The Task Force has two related areas of concern. First, companies are no longer using actuaries to make the rate filings, so the quality of actuarial and technical support in rate filings has diminished. Regulators need to decide if there is an ideal mechanism to provide guidelines for anyone submitting rate filings.

Director Deiter presented a report on the Surplus Lines (C) Task Force. During its meeting, the Task Force discussed the feasibility of developing a service of process form specifically for the surplus lines industry. The form would address an issue related to the party's potential lawsuits and the location of those lawsuits. During the next meeting, it will hear amendments to the IID plan of operation that guides non-US insurers currently on or seeking admission to the quarterly listing.

Director Dunning presented a report on the Title Insurance (C) Task Force. The Task Force is in the process of updating the survey of state insurance laws regarding title insurance. Results will be compiled when filings are complete. In its most recent meeting, the Task Force heard a presentation on findings of 2024 State of Title Industry Special Report. The findings indicate that states are increasing initiatives and findings related to escrow, affiliated business arrangements, joint ventures, and affordable housing. It also heard a presentation from the American Land Title Association on a proposed rule from the Treasury's Financial Crimes Enforcement Network on money laundering and residual real estate. The proposed rule would require certain professionals involved in real estate closings and settlements to report information to FinCEN about non-financed transfers of residential real estate to legal entities or trust. Regulatory considerations include its impact on expenses and the title insurance industry, and how those additional expenses will flow into data calls, and how examinations on this rule will work.

Chairman Alan McClain presented a report on the Workers' Compensation (C) Task Force. It has a call on April 11, 2024 to hear about impact of mental health on the workers' comp market.

The Cannabis Insurance (C) Working Group has not met yet, but is seeking feedback on its workplan for 2024. Prospective workplan items include adding a white paper addendum on emerging issues, meeting with cannabis insurance regulators, exploring unique structures created to address coverage needs, and keeping abreast of related movements at the federal level.

Cindy Amann presented a report from the Catastrophe Insurance (C) Working Group. It had a presentation from the Center of Excellence, which will provide a training on resilience in April. Maryland providing link to their catastrophe response materials and California spoke about the problems it has experienced following recent flooding. The Group will continue looking into risk mitigation plans, building on the work from the climate task force, and the flashback retrofitting playbook. Drafts of the updated Cat Modeling Primer are forthcoming. FEMA is coordinating with insurers and state insurance regulators to make sure that their process for insureds needing documents to get individual assistance are uniform. The Earthquake Summit will be held in early October 2024.

The Terrorism Insurance Implementation (C) Working Group has not met yet.

George Bradner gave an update on the Transparency and Readability of Consumer Information (C) Working Group. It exposed its premium increase transparency guidance, that ended on February 1, 2024. Guidance documents are intended to be best practices for states that are interested in implementing rate increase transparency measures to consider. The exposed guidance includes several revisions to better align with the Washington state's premium change rule. Revisions included the addition of a scope of applicability section and administrative notification section. Additionally, use of a two phased approach was incorporated in a new notification threshold section. The phased approach allows insurers time to update systems for more detailed reporting later on.

All reports were adopted.

Presentation related to Consumer Issues in Homeowners Insurance

Amy Bach of United Policyholders gave a presentation related to Consumer Issues in Homeowners Insurance. The main issues facing consumers include affordability and availability challenges.

Link to presentation is [here](#).

Presentation related to Parametric Products

Roberto Guidotti, Elaine Sabino, and Guy Carpenter presented related to Parametric Products. Parametric solutions pays a pre-established amount based on the occurrence of a physical event with certain characteristics. Very few states have adopted provisions related to parametric insurance. Related key legal issues include analyzing applicable legal requirements from state

insurance laws, conducting due diligence to address basis risk for both the insurer and insured, the use of language of insurance, and true up provisions. Contract language should reflect that the principal object and purpose of the transaction is indemnity.

Link to presentation is [here](#).

Update on Property Insurance Market Intelligence Data Call

Chairman Alan McClain provided an update on the Property Insurance Market Intelligence Data Call. On March 8 a press release was issued, stating that state insurance regulators issued a data call to collect homeowner's insurance data at a zip code level from several hundred companies representing over 80% of the homeowners' insurance market. That data is due June 6th. States worked to produce an anonymous data set for filing to avoid duplication. In the coming months, there will be work with companies to receive a quality data set so regulators can better understand changes in their homeowners' markets, particularly as they relate to availability and coverage issues. A regulator steering committee was established to work on technical issues, including the task of finalizing the data set and setting up a framework for analysis of data.

Casualty Actuarial and Statistical (C) Task Force

The Casualty Actuarial and Statistical (C) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Fall National Meeting Minutes

The Fall National Meeting Minutes were adopted. At the meeting, the Task Force adopted a motion allowing the NAIC rate model review team to modify its workload process to consider special circumstances and adopted the 2020/2021 Auton Insurance Database Report.

Adoption of Working Group Reports

The Task Force discussed and adopted two Working Group Reports: the Statistical Data (C) Working Group Report and the Actuarial Opinion (C) Working Group Report.

Sandra Darby presented the Statistical Data (C) Working Group Report which made two modifications to the Report on Profitability by Line by State: the inclusion of information for stock companies that are separate from mutual companies in the report's introduction and the addition of countrywide mutual, reciprocal, and stocks pages to the report.

Miriam Fisk presented the Actuarial Opinion (C) Working Group Report which adopted a proposal to the Blanks (E) Working Group. This proposal would change 2024 Title Opinion instructions and the 2024 Property/Casualty Opinion. Most notably, the P/C Opinion would change the annual reporting of qualification documentation to require reporting only upon first assignment as the Appointed Actuary.

Schedule P Proposal to the Blanks (E) Working Group

Christian Citarella presented a report and discussed comments received on the Schedule P Proposal to the Blanks (E) Working Group. The Blanks (E) Working Group adopted the Schedule P Proposal to report ten years of data for all lines of business. In response to comments submitted to the Working Group, the Task Force decided to begin working on Schedule P instruction improvements.

Adoption of Comments to ASOP

The Task Force considered the adoption of comments to send to the Actuarial Standards Board on the Exposed Actuarial Standard of Practice (ASOP) No. 12, Risk Classification. The three most notable concerns adopted were (1) the importance of homogeneity and credibility is being reduced by ASOP, (2) ASOP no longer states the purpose of risk classification, and (3) ASOP no longer ties risk classification to expected costs or outcomes.

Other Agenda Items

The Task Force discussed the NAIC Rate Review Team's generalized linear model (GLM) information needs. Following the discussion, it was decided that the Task Force would meet with NAIC representatives to discuss the issue further.

Representatives from the Actuarial Standards Board, the Actuarial Board for Counseling and Discipline, the American Academy of Actuaries, and the Society of Actuaries presented activity and research reports to the Task Force.

Market Regulation and Consumer Affairs (D) Committee Meeting

The Market Regulation and Consumer Affairs (D) Committee met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting minutes were adopted.

Adoption of the Model Law Development Request for the Public Adjuster Licensing Model Act #228

Commissioner Jon Pike presented. Pike stated the Public Adjuster Licensing working group intends to amend the model as necessary to strengthen regulatory standards governing the conduct of the following four issues:

- Individuals acting as unlicensed public adjusters;
- Contractors acting as public adjusters on the same claim;
- Inappropriate assignment of benefit rights;
- Excessive fees charged by public adjusters.

The Committee adopted the model law development request.

Adoption of Revisions to the Product Filing Handbook

Rebecca Nichols (VA) presented. Nichols stated that after a series of drafting meetings beginning in April of 2022, the Speed to Market working group adopted revisions to the 2016 edition of the product filing review handbook on February 22, 2024. The revisions included the removal of references to working group and speed to market tools that are no longer in existence, corrected outdated information, updated broken URLs, removed redundant information, and made changes to the format, punctuation, and style of the handbook to be more consistent with the currently published NAIC style guide. In addition, the perspective of the handbook was updated in relation to SERF.

The Committee adopted the revisions to the Product Filing Handbook.

Presentation on Readability Standards in State Insurance Laws

Dr. Brenda J. Cude (University of Georgia) presented on the necessity for clearly written state insurance laws that the average person can readily understand. Dr. Cude requested the following during her presentation: 1) For the NAIC to evaluate the readability standards of NAIC model laws upon each revision, as well as the use of a minimum of an eighth grade Flesch Reading Ease Score

as the uniform standard 2) For the NAIC to ask states with plain language laws how each state is enforcing such standards and share best practices.

Presentation on Shipping Insurance

Corinne Carr (Route Insurance) presented. Carr spoke on the rising “post-delivery” gap in liability coverage in the United States. Specifically, how shipping insurance and other post-purchase types of product offerings are prevalent to unlicensed entities offering protection for packages after they leave the custody of the merchant and transportation carriers.

In light of the issue, both merchants and consumers have been looking to fill the gap, primarily with the following three methods: 1) Package protection backed by a shipping insurance policy offered by/through a licensed provider; 2) Package protection offered by/through unlicensed 3rd party providers and apps; or 3) Package protection offerings made directly by unlicensed merchants. However, the second and third options fail to comply with state insurance regulations.

Carr ended the presentation by requesting regulatory guidance that clarifies that shipping insurance is subject to the same licensing requirements that are applicable to other forms of insurance.

Adoption of its Task Force and Working Group Reports

The following working group and task force reports were adopted by the Committee:

- Antifraud (D) Task Force
- Market Information Systems (D) Task Force
- Producer Licensing (D) Task Force
- Market Analysis Procedures (D) Working Group
- Market Conduct Annual Statement Blanks (D) Working Group
- Market Conduct Examination Guidelines (D) Working Group
- Market Regulation Certification (D) Working Group
- Speed to Market (D) Working Group
- Market Actions (D) Working Group

Antifraud (D) Task Force

The Antifraud (D) Task Force met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Review 2024 Charges

Commissioner King reviewed the 2024 Task Force Charges. The Task Force will focus on efforts to build upon the current communication between state fraud departments, federal partners, and antifraud organizations, the finalization of NAIC Producer Portal to allow consumers to find licensing information on insurance producers, continued work with the implementation of the redesign of the online fraud reporting system and assist in review of the 1022 waiver guidelines. Finally, the Task Force will continue its efforts in providing training and education required by the NAIC leadership. The Producer Portal has an anticipated completion date of May 31, 2024.

Report from the Improper Marketing of Health Insurance (D) Working Group

The Improper Marketing of Health Insurance (D) Working Group met the morning of March 17, 2024. It adopted its Fall national Meeting Minutes. The Group also had a discussion about agent transfer issues and Medicare Advantage. It heard from CMS concerning the ongoing efforts surrounding Medicare Advantage and the focus on collaboration enforcement in the marketing of those products with state regulators with an emphasis on the transfer of information back and forth. Finally, the Group evaluated the Federal Trade Commission's judgment on civil health insurance. The Report was adopted.

Update from the Antifraud Technology (D) Working Group

Armand Glick presented an update from the Antifraud Technology (D) Working Group. The Working Group had not met since the past meeting. However, the Group rewrote and updated the Antifraud Plan Guidelines and submitted them.

Hear Reports from Interested Parties

Michelle Rafeld reported on the Coalition Against Insurance Fraud. The Coalition's new Medical Fraud Task Force will focus on identifying issues in the health care provider and medical provider fraud arena, while the new Property and Casualty Task Force will focus on collaborative efforts to address stage auto accidents, inflated claims, complex fraud rings, and new fraud schemes being seen in the property and casualty area. The Coalition is dedicating resources to research. First, it began its SIU Benchmarking Study. This allows members to see how they compare to competitors and justify the need for added resources. The results will be rolled out at the June

Member Meeting. The Coalition is also conducting its Coalition State of Technology Study. It focuses on the insurer use of anti-fraud technology, insurer strategies in today's technology age and plans for expanding technology resources and capabilities. Finally, the Coalition's research committee is looking into the industry's use of AI. Brent Walker spoke about the 2024 legislative priorities of the Coalition. It will focus on strengthening antifraud laws, consumer data privacy and insurer use of data, and the litigation financing piece of legislation. Additionally, the Coalition plans to introduce new initiatives centered around the following topics: AI, agent misconduct and changing consumer attitudes towards insurance fraud.

Ed Tobin gave the National Insurance Crime Bureau report. Monitoring New York and their onboarding into the fraud bureau reporting program. Also leading a public affairs campaign involving contractor fraud particularly related to that after natural disasters

Other Matters Brought Before the Working Group

Insurance Summit will be September 16th through 19th.

Effective April 1, the producer portal will require multi-factor authentication.

Improper Marketing of Health Insurance (D) Working Group

The Improper Marketing of Health Insurance (D) Working Group met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2023 Fall National Meeting Minutes

The Fall National Meeting Minutes were adopted.

Round Table Discussion

Representatives of CMS led a discussion regarding agent transfer issues and improper marketing of Medicare Advantage plans. CMS is taking a major initiative to push agents and brokers to improve. The focus of the new initiative is the quality of interactions between consumers and agents and brokers. CMS noted that some agents engage in misleading activities that will require additional enforcement and regulation. CMS also advocated for technological changes aimed at curbing misleading activities by agents and improper marketing leading to agent transfers and unauthorized plan switches. Overall, CMS said it was important to provide education and technical assistance to agents but also important to expand its enforcement efforts.

CMS representatives also discussed how the new marketing rules imposed this past year had impacted consumer complaints on marketing misrepresentation issues. There has been a slight decrease in the number of marketing misrepresentation complaints received by CMS compared to last year. CMS has also seen a number of telemarketing complaints, but CMS has actively been working to highlight this issue and heighten its level of oversight. CMS encouraged collaboration with state regulators in sharing information and identifying rouge agents.

The Working Group noted that it hoped to discuss collaborative enforcement actions with representatives from the FEC or the Department of Justice at future NAIC meetings.

Financial Condition (E) Committee

The Financial Condition (E) Committee met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Adoption of its Task Force and Working Group Reports

- A. Accounting Practices and Procedures (E) Task Force
- B. Capital Adequacy (E) Task Force
- C. Financial Stability (E) Task Force
- D. Receivership and Insolvency (E) Task Force
- E. Reinsurance (E) Task Force
- F. Valuation of Securities (E) Task Force
- G. Group Capital Calculation (E) Working Group
- H. Risk-Focused Surveillance (E) Working Group
- I. National Treatment and Coordination (E) Working Group

The Task Force and Working Group reports were adopted.

Status Report from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Philip Barlow (DC) gave a status report. The group received an update from the Academy on their methodology on addressing collateral loan obligations. The Academy is looking at a list of attributes that may be used to categorize the CLO's and determine a methodology that can be used to establish an appropriate risk-based charge. An update will be given at the summer national meeting. The goal is to determine an appropriate methodology for risk-based charge CLO's.

Another big project taken on by the working group is residual tranches. A proposal was received from Oliver Wyman with the Alternative Credit Council. The report leads to support for the 45% charge that has already been established. But the group decided to move forward with work on the proposal to determine if there is support for a charge other than the 45% charge. It has been identified that a 45% charge may be too high for some of the residual tranches that were identified in the report. But this is only a small portion of the assets. The proposal will be exposed for 21 days.

The NAIC staff will be putting together a report based on the residual tranche reporting on the annual statement. The report will look at the amount of residual tranche and the impact of the

45% charge on individual companies. The next project for the working group will be looking at the different types of funds and the treatment of funds.

Status Report from the Valuation of Securities (E) Task Force

Carrie Mears (IA) gave a status report. The task force has been working on the discretion proposal. Comments and staff recommendations will be included in the next revision. It was reiterated that insurers will receive full transparency with the process if they have an investment that does come under review. Another issue that will ultimately impact the task force is the E Committee's request to the Executive Committee to draft an RFP regarding due diligence processes. The final draft will be exposed in advance of summer meeting. An update was also received on the CLO modeling process. A P&P manual amendment proposal will be put forth in advance of summer meeting.

Status Report from the Statutory Accounting Principles (E) Working Group on the Principles-Based Bond Project

Dale Bruggeman (OH) gave a status report. All planned SAP provisions to incorporate a principals-based bond definition have been adopted. All revisions will be effective 1/1/25. SAP 26 includes the revised bond definition and core principles. Also, includes the accounting reporting guidelines for bond investments that qualify as issue credit obligations. SAP 43 asset backed securities includes accounting reporting guidance for investments that qualify as asset backed securities pursuant to the bond definition and these investments will be reported separately on the new schedule D1-2. SAP 21 includes the accounting reporting guidance for debt securities that do not qualify as bonds. New reporting provisions has also been adopted. The NAIC staff is working to provide training on the new changes.

Status Report on the Request to the Executive (EX) Committee

Commissioner Nathan Houdek (WI) gave a status report. A letter was directed from E Committee to the Executive Committee regarding the NAIC implementing a strong due diligence framework in retention and ongoing utilization of credit rating providers. The goal is to develop some quantitative and qualitative standards for CRP. Also, would like to develop an RFP. There is no specific timeframe currently.

Oral Comments on the Framework for Regulation of Insurer Investments and Related Document

A. Carrie Haughawout (American Council of Life Insurers—ACLI)

Expressed concerned about coordination within the working groups, conducting a cost-benefit analysis, and the cumulative impact of the work across all the workstreams.

B. Mike Consedine (Athene)

Expressed concerned about appropriate language for capital parity and risk. Also, asked for consideration on replacing the use of CRPs in designations.

C. Christopher Anderson (Anderson Insights)

Expressed concern about the evaluation of rating agencies by the Valuation of Securities Task Force.

D. Edward Toy (Risk & Regulatory Consulting—RRC)

Expressed concern about forward looking needs of regulators and tools that they rely on to determine and understand insurance companies' liquidity policies and liquidity stress test.

E. Francisco Paez (Met Life)

Expressed support with the decision to not delay the work of other workstreams. As well as the repeated reference to tail risk as the key equalizer of capital.

The comment period for the framework ends April 1 and next steps will be determined at that time.

Risk-Focused Surveillance (E) Working Group

The Risk-Focused Surveillance (E) Working Group met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Affiliated Investment Management Agreement Drafting Efforts

NAIC representatives discussed the recent progress of the Affiliated Investment Management Agreement Drafting Group. The Group met in 2023 and 2024 and discussed the solvency monitoring guidance for affiliated investment management agreements and capital maintenance plans and also discussed concerns related to ownership structures of surplus note issuance and structures of insurers. After making its findings, the Group developed a blanks proposal to adjust Annual Statement General Interrogatory 29.05, developed proposed edits to the Financial Condition Examiners Handbook and the Financial Analysis Handbook, and referred issues of surplus note issuance and capital maintenance agreements to the Financial Analysis Solvency Tools (E) Working Group.

2024 Peer Review Sessions

Representatives also discussed plans for 2024 Peer Review Program sessions. There will be a financial examination session in August and a financial analysis session in October.

The presentation can be found [here](#).

Accounting Practices and Procedures (E) Task Force

The Accounting Principles and Procedures (E) Task Force met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted by the task force.

Adoption of Working Group Reports

Commissioner Dale Bruggeman presented.

The Statutory Accounting Principles (E) Working Group met on March 16, 2024, and adopted the following:

- 2023 Fall National Meeting minutes as well as interim minutes from meetings in January and February of 2024.
- Revisions to SSAP No. 93 (Low Income Housing Tax Credit Property Investments)
- Revisions to SSAP No. 94 (Transferable and Non-Transferable State Tax Credits)
- Revisions to SSAP No. 34 (Investment Income Due and Accrued)
- Revisions to SSAP No. 48 (Joint Ventures, Partnerships, and LLCs)
- Revisions to SSAP No. 21 (Other Admitted Assets)
- Revisions to SSAP No. 97 (Investments in Subsidiary, Controlled and Affiliated Entities)

Additionally, the working group exposed the following SAP concepts and clarifications for a seventy-six (76) day comment period ending on May 31, 2024

- Revisions to SSAP No. 2 (Cash, Cash Equivalent, Drafts and Short Term Investments)
- Revisions to adopt, with certain modifications, disclosures from ASU 2023-06 Disclosure Improvements.
- Revisions to adopt, with certain modifications, the leasehold improvement guidance from ASU 2023-01 Leases, Common Control Arrangements.
- Revisions that clarify ASU 2023-08 Intangibles, Goodwill, and Other Crypto Assets, Accounting for and Disclosure of Crypto Assets.
- Revisions to SSAP No. 63 (Underwriting Pools)
- Revisions to SSAP No. 25 (Affiliates and Other Related Parties)
- Revisions to incorporate FAS 105 guidance directly into SSAP No. 27 (Off Balance Sheet and Credit Risk Disclosures)
- Revisions to incorporate guidance to SSAP No. 61 (Life, Deposit-Type, and Accident and Health Reinsurance)
- Revisions to adopt, with certain modifications, ASU 2023-09 Improvements to Income Tax Disclosures

Additionally, the working group directed the NAIC to develop certain updated to SSAP No. 58 to incorporate the 2023 revisions to the Mortgage Guaranty Insurance Model Act.

The Blanks (E) Working Group met on February 21, 2024, and adopted the following:

- The November 2023 minutes
- 2023-05BWG Modified
- 2023-13BWG Modified
- 2023-14BWG Modified
- 2023-15BWG Modified
- 2023-16BWG Modified
- Exposed six (6) new items for a sixty (60) day comment period to end on April 23, 2024.
- Re-exposed 2023-12BWG Modified.
- Adopted the group's editorial listing.

Statutory Accounting Principals (E) Working Group

The Statutory Accounting Principles (E) Working Group met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

SAPWG – Adoption of Minutes

The minutes from February 20, 2024, January 29, 2024, January 10, 2024 and 2023 Fall National Meeting were adopted.

SAPWG Hearing – Review of Comments on Exposed Items

The Working Group reviewed the following items:

1. Ref #2022-14: New Market Tax Credits: Exposed revisions to *SSAP No. 34—Investment Income Due and Accrued*, *SSAP NO. 48—Joint Ventures, Partnerships and Limited Liability Companies*, *SSAP No. 93—Low-Income Housing Tax Credit Property Investments*, and *SSAP No. 94R—Transferable and Non-Transferable State Tax Credits*. NAIC staff recommends that the Working Group adopt the exposed revisions, updated for the corrections to example 2 in *SSAP No. 93*, and the revisions, which are as exposed, to *SSAP No. 34*, *SSAP No. 48*, and *SSAP No. 94R*. The effective date of the revisions is January 1, 2025.

2. Ref #2023-25: ASU 2023-03 – SEC Updates: Exposed revisions to *Appendix D—Nonapplicable GAAP pronouncements which reject ASU 2023-03, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the march 24, 2022, EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X; Income or Loss Applicable to Common Stock*, which amends SEC paragraphs to update various aspects of SEC guidance on stock compensation and equity-based payments. NAIC staff recommended the Working Group adopt revisions to *Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2023-03 as not applicable to statutory accounting*.

3. Ref #2023-27: ASU 2023-04 – SEC Updates – Crypto: Exposed revisions to *Appendix D—Nonapplicable GAAP pronouncements which reject ASU 2023-04, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121, which amends SEC paragraphs from Accounting Standards Codification for the issuance of SEC Staff Accounting Bulletin (SAB) 121* which provides guidance on accounting for obligations to safeguard Crypto-Assets an entity holds for its platform users. NAIC staff recommended the Working Group adopt revisions to *Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2023-04, Amendments to SEC Paragraphs as not applicable to statutory accounting*.

4. Ref #2023-29: IMR / AVR Preferred Stock: Exposed revisions to the annual statement instructions to remove the guidance that directs all preferred stock to be allocated between IMR/AVR based on NAIC designation, and clarify that perpetual preferred stock, which includes the SVO-Identified Preferred Stock ETFs, shall be reported as equities through AVR. This

exposure proposed revisions to the annual statement instructions only but is in line with the intent to clarify IMR/AVR reporting guidance. Pursuant to the long-term project, it is anticipated that guidance will ultimately be reflected in *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. NAIC staff recommended that the Working Group adopt the exposed revisions to the annual statement instructions with modification to also reference mandatory convertible preferred stock (regardless of perpetual or redeemable status) as noted by interested parties' comments. These revisions will exclude all mandatory convertible preferred stock regardless of if redeemable or perpetual from the interest maintenance reserve and require reporting through asset valuation reserve. The guidance in *SSAP No. 32R—Preferred Stock* requires a fair value measurement for all mandatory convertible preferred stock investments. The proposed revisions to reference mandatory convertible are minimal.

5. Ref #2023-30: Admissibility Requirements of Investment in Downstream Holding Companies: Exposed revisions to the existing guidance in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraph 24, to update the language in paragraph 24 on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. This agenda item is the result of regulator comments. NAIC staff recommended the working Group adopt the exposed revisions to *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*, paragraph 24, with the edit proposed by interested parties. The edit deletes the sentence “for the downstream noninsurance holding company and its SCA and non-SCA investments.” NAIC staff further agrees with interested parties that the exposed addition of the phrase “or individual SCAs” is not necessary.

6. Ref #2023-31: Model 630 Mortgage Guaranty Insurance: Exposed the project to address updates to the *Mortgage Guaranty Insurance Model Act* (Model #630). This Model is excerpted in *Appendix A-630 Mortgage Guaranty Insurance* which is referenced in *SSAP No. 58—Mortgage Guaranty Insurance*. The project will review the updated model for potential updates to *SSAP No. 58* and *Appendix A-630*, with a focus on accounting and reporting issues. NAIC staff recommended the Working Group direct NAIC staff to develop updates to *SSAP No. 58* and *Appendix A-630* for future Working Group discussion. Because there are less than ten mortgage guaranty insurers, and they are concentrated in the states of North Carolina, Pennsylvania and Wisconsin, NAIC staff will work with the affected states on the proposed effective date of the AP&P updates.

7. Ref #2024-01: Bond Definition – Debt Securities Issued by Funds: Exposed revisions to both *SSAP No. 26R—Bonds* and the draft issue paper for the principles-based bond project, to clarify the guidance for debt securities issued by funds. The revisions intended to eliminate the rules-based provision, in which SEC registration for a fund is required, and instead permit debt securities issued by funds to be classified as issuer credit obligations if the fund represents an operating entity. The revisions included guidance to assist in determining whether a fund represents an operating entity, and the issue paper guidance continued to identify that collateralized fund obligations (CFOs) and other similar structures would be required to be assessed as asset-backed securities to determine if they qualify for bond reporting. NAIC staff

recommend that the Working Group re-expose this item with a distinct request for regulators and industry to provide comments that address: (1) Proposed language that assists with clarifying the scope of guidance and to the types of debt securities issued by funds that should be considered as operating entities; and (2) Proposed language to better define the extent of debt that may be issued to fund operations.

Link to hearing materials can be found [here](#).

SAPWG Hearing – Packet 2

1. Ref # 2019-21: SSAP No. 21R Principles Based Bond Project: Exposed updated SSAP No. 21R to allow for adoption consideration during the Spring national Meeting. The Group considered interested party comments and incorporated the guidance edits and the ability for companies to apply the residual guidance early. The effective date is January 2025, but reporting entities could adopt the residual guidance as early as December 31, 2024. NAIC staff recommends adopting the exposed SSAP No. 21R with the editorial change to correct paragraph numbering to remove the double “a” in paragraph 27.

2. Ref #2022-12: Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement: Proposed to nullify *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*. NAIC staff recommends Working Group discussion on the options of: (1) recommend against maintaining an exception to allow the transfer of assets at book value for amendments to intercompany pooling agreements; (2) if maintaining the exception, make it narrow and specific; and (3) interest in adding a FORM D requirement for transfers of non-cash contributions or distributions, like done in Connecticut.

3. Red #2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts: Intended to address a referral by the Valuation Analysis (E) Working Group regarding insurance risk transfer and reserve credit for a particular form of reinsurance being observed by regulators in the life industry. NAIC staff recommends the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

Link to Packet 2 is included [here](#).

SAPWG Meeting – Maintenance Agenda – Pending List

1. Ref #2024-02: ASU 2023-01, Leases (Topic 842), Common Control Arrangements: Financial Accounting Standards Board (FAB) issued *Accounting standard Update (ASU) 2023-01, Leases (Topic 842), Common Control Arrangements*. It focuses on two issues related to private company stakeholders’ concerns about applying Topic 842 to related party arrangements between entities under common control. The first issue provides a practice expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists, and if so, the classification of and accounting for that lease. If no written terms exist, the entity is

prohibited from applying the practical expedient and must evaluate the enforceable terms and conditions to apply Topic 842. The second issue involves the accounting for leasehold improvement associated with a lease between entities under common control. NAIC staff recommend the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions to adopt, with modification, ASU 2023-01 in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*,

2. Ref #2024-03: ASU 2023-08, Accounting for and Disclosure of Crypto Assets: FAB issued this matter to establish the accounting and reporting for crypto assets. It further clarifies the disclosure of crypto assets in the financial statements. NAIC staff recommends the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions to adopt, with modification ASU 2023-08 for statutory accounting.

3. Ref #2024-04: Conforming Repurchase Agreements: Developed in response to January 2024 referral received from the Life risk-Based Capitol (E) Working Group pursuant to the ACLI request to modify the treatment of repurchase agreements in the life risk-based capital formula to converge with treatment for securities lending programs. This agenda item identifies initial statutory differences between securities lending and repurchase agreements as well as other items that should be reviewed for potential clarification on the conforming agreement securities lending concept. NAIC staff recommends the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and direct staff to work with industry in determining current application/interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral.

4. Ref #2024-05: A-791 Paragraph 2c: The Valuation Analysis (E) Working Group sent a referral to the Statutory Accounting Principles (E) Working Group which recommended a clarifying edit to this section. The edit would remove the first sentence under Life and Health reinsurance Agreements, Section 2.c's, Question and Answer. NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

5. Ref #2024-07: Reporting of Funds Withheld and Modco Assets: In 2023, the Working Group addressed the issue of net negative interest maintenance reserve for statutory accounting. A group was formed to find a more permanent solution to address IMR for statutory accounting. The intent of this item is to make it easier to identify assets that are subject to funds withheld or modco arrangement through updated reporting in the financials. NAIC staff recommend that the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

6. Ref #2024-08: Consistency Revisions for Residuals: Item was developed to incorporate consistency revisions for residual tranches and residual security interest. This

included revisions to clarify the reporting on Schedule BA along with the residual definition and guidance within each investment SSAP to highlight that residuals shall now be captured on Schedule BA. NAIC staff recommends the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

7. Ref #2024-09: SSAP No. 2R – Clarification: developed to update the guidance in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* to remove a lingering reference to items that have been removed from scope pursuant to the bond project or from agenda item 2023-17. NAIC staff recommend that the Working Group move this agenda item to the active listing of maintenance agenda and expose revisions.

8. Ref #2024-10: SSAP No. 56R – Book Value Separate Accounts: Develop to expand the guidance in *SSAP No. 56—Separate Accounts* to further address situations and provide consistent accounting guidelines for when assets are reported at a measurement method other than fair value. Guidance focuses on separate account products in which the policyholder bears the investment risk. NAIC staff recommend that the Working Group move this agenda item to the active listing of the maintenance agenda.

9. Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures: FAB issued this item in December of 2023 to enhance the transparency and decision usefulness of income tax disclosures. This Asu amends and expands the disclosures for rate reconciliation between income tax expense and tax rate expectations for both public and private entities. NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

10. Ref #2024-12: Updates to SSAP No. 27: Amendment to list financial instruments excluded from the SSAP rather than referring FAS 105, which is significantly out of date. The annual statement instructions also need to be updated to add an “Other” derivatives category and disclosure examples and instructions for non-derivative financial instruments with off-balance sheet credit risks. NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

11. Ref #2024-13: Update SSAP No. 107 Disclosures: Agenda item sponsored by United health Group and recommends updates to disclosure requirements in SSAP 107 to remove disclosures related to transitional reinsurance and for the risk corridors programs which have expired. NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda and expose revisions.

12. Ref #2024-14EP: Accounting Practices and Procedures Manual Editorial: Editorial revisions to remove the “Revised” and “R” previously intended to identify a substantively revised SSAP from its title and references within the Manual. NAIC staff recommend that the Working Group move this agenda item to the active listing of the maintenance agenda and expose editorial revisions.

SAPWG Meeting – Maintenance Agenda – Active List

Ref #2023-26: ASU 2023-06 Disclosure Improvements: Working Group deferred action on this item to allow further time to consider whether certain aspects of ASU 2023-06 were applicable to statutory accounting. Two of the more significant items from the SEC referral is the requirement for companies to disclose their the weighted-average interest rate of debt and provide repurchase agreement (repo) counterparty risk disclosures. FASB elected to only require the weighted-average interest rate disclosure for publicly traded companies due to concerns regarding the complexity of the calculation for private companies. NAIC staff recommends the Working Group expose revisions to adopt with modification, certain disclosures from this item. It also requests regulator and interest party input on whether the accounting policy disclosure for cash flows associated with derivatives should also be adopted for statutory accounting purposes. The item was exposed for public comment ending May 31,

SAPWG Meeting –Any Other Matters brought Before the Working Group

A review of US GAAP exposures was presented. Comments were not recommended at this time. Instead NAIC staff recommend review of the final issues ASU under the SAP Maintenance Process.

An update on the IMR Ad Hoc Subgroup was presented. This group has met regularly since their first meeting in October 2023. Discussions focused on information of how IMR impacts actuarial calculations, the definition and purpose of IMR, the impact of derivatives on IMR, and how reinsurance impacts IMR. Future discussions will focus on more detail on the derivatives impacting IMR.

An update on the IAIS Audit and Accounting Working Group was presented. The Climate Risk Disclosure Subgroup has had many meetings and discussions towards the development of an IAIS paper to provide guidance for supervision of climate-related risks and disclosure. The Accounting and Auditing Working Group met in February. It discussed the International Accounting Standards Board exposure on proposed amendment *Financial Instruments with Characteristics of Equity*, information on the Climate Risk Disclosure Subgroup, and discussion on the International Auditing and Assurance Standards Board exposure draft *ISA 240, The Auditor's Responsibilities Related to fraud in an Audit of Financial Statements*.

Comment deadline for exposures with blanks impact is April 19. All other items have a deadline of May 31.

Capital Adequacy (E) Task Force

The Capital Adequacy (E) Task Force met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Jan. 31, 2024, and 2023 Fall National Meeting Minutes

The January 31, 2024 and 2023 Fall National Meeting Minutes were adopted.

Consider Adoption of its Working Group Reports

- A. Health Risk-Based Capital (E) Working Group—Steve Drutz (WA)
- B. Risk-Based Capital Investment Risk and Evaluation (E) Working Group
- C. Life Risk-Based Capital (E) Working Group
- D. Property and Casualty Risk-Based Capital (E) Working Group

All working group reports were adopted.

Updates from its Risk Evaluation Ad Hoc Subgroups

A. Risk-Based Capital (RBC) Purposes & Guidelines Ad Hoc Subgroup

The discussions of the Subgroup have been focused on considering edits to the RBC preamble and removal of the TAC and ACL from the public 5-year historical trend in the annual statement. The primary change to the preamble will be to Section E and it will reiterate the limited use of RBC. Making it very clear that the intended use is to identify companies with potentially weak capital and not to be used for rankings or determining financial strength. RBC was developed specifically for use by regulators. The model law clearly outlines the confidentiality of RBC.

B. Asset Concentration Ad Hoc Subgroup

The Subgroup has been working on refining a decision tree/flow chart to help evaluate when an asset concentration element may warrant an RBC solution. Also, worked through an example of using sector concentration to test the decision process. It worked well but further refinement is needed.

C. Geographic Concentration Ad Hoc Subgroup

The Subgroup has heard several presentations from various rating agencies, as well as the Florida and Louisiana Department of Insurance on geographic concentration issues. Additional meetings were held to follow up and determine how to use the monitoring information and rating agency measures.

Moving forward, the Ad Hoc subgroups will be disbanded and moved to various task forces and working groups to facilitate a more formal discussion.

Adoption of Proposal 2023-13-CR (Cat Risk Insurance Program Interrogatory)

Wanchin Chou (CT) gave a brief overview. The purpose is to collect information on insurer catastrophic reinsurance programs on an annual confidential manner. The proposal was adopted.

Adoption of Proposal 2023-14-P (Pet Insurance)

Tom Botsko (OH) gave a brief overview. The proposal will remove pet insurance from in marine line of business and add a new line of business. This will be consistent with the change in the annual statement. The proposal was adopted.

Adoption of Proposal 2023-15-CR (Convective Storm for Informational Purposes Only Structure)

Wanchin Chou (CT) gave a brief overview. The proposed change may add severe connective storms as one on the catastrophic perils for informational purposes only. The proposal was adopted.

Adoption of Proposal 2024-01-P (Schedule P Short Tails)

Tom Botsko (OH) gave a brief overview. The proposal will change all short tail lines to show 10 years of data beginning in the 2024 reporting. The RBC schedule P formulas will need to be updated to the reflect the changes in the annual statement. The proposal was adopted.

Adoption of its Working Agenda

Tom Botsko (OH) gave a brief overview. Technical and editorial changes were made to the Working Agenda. The new working agenda was adopted.

Exposure of Proposal 2024-08-CA (Col 12 Affiliated Investments)

Tom Botsko (OH) gave a brief overview. The purpose of the proposal is to make technical edits. The proposal will be exposed for 30 days.

Update from the Health Risk-Based Capital (E) Working Group on the H2 Component Project

Steve Drutz (WA) gave an update on the H2 Component Project. The group is working with the Academy to perform a comprehensive underwriting risk component. Primarily, the group will be looking at comprehensive medical individual and group. The changes are expected to impact the Health and Life RBC formula.

Discuss the Collateral Loan Memorandum from the Statutory Accounting Principles (E) Working Group

The memo discusses collateral loan reporting. The group is looking to provide more granular reporting on the type of collateral loans on Schedule B. Also, seeking comments on whether they should map through AVR and if so, what would be the appropriate reporting lines for RBC. The memo will be exposed for 45 days.

Discuss Proposal 2024-02-CA (Residual Structure PC & Health)

Tom Botsko (OH) gave a brief overview. The task force discussed a proposal to adopt the structure but keep continue working on the charge. Some members proposed to keep charge at 45% which is analogous to the life charge. The proposal to keep the charge at 45% and change the structure will be exposed for 30 days.

Discuss Proposal 2024-06-CA (Repurchase Agreement PC & Health)

Tom Botsko (OH) gave a brief overview. The task force received a referral from the Life Risk Based Capital working group. A review is underway with the Academy to look at the treatment of repurchase agreements. The Life RBC working group is asking for the task force to consider possible application to other RBC formulas.

Risk-Based Capital Investment Risk and Evaluation (E) Working Group

The Risk Based Capital Investment Risk and Evaluation (E) Working Group met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Receive Updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group

An update from the Valuation of Securities (E) Task Force was received. The proposal by the task force that describes the process the SVO should utilize when identifying potential issues with individual ratings on securities it reviews. This has been referred to as the “discretion proposal”. Comments were received and will be incorporated into the amendment. Responses to comments and recommendations from staff will be incorporated into the revisions. Regulators and staff will be working together to expose a final draft in advance of the summer meeting. The task force also supports the current request from E Committee to the Executive Committee requesting to draft an RFP as the 1st step in establishing a broader due diligence process.

An update was also received on CLO modeling process from the structured security group. The timeline will be extended to year end 2025.

An update from the Statutory Accounting Principles (E) Working Group. The low-income housing credits were amended to incorporate all tax credits. There will likely be changes made to Life RBC and a referral will be made. The adjustments to SAP 21 were adopted. The amendment is the other admitted assets to incorporate the new measurements method for residual interest. SAP 97 was also updated. After the adjustment to SAP 21, the bond project is completed from the accounting perspective. One blanks proposal approval is upcoming in May. Some of the transparency items for collateral loans will be exposed. Also, had general exposures for referrals that were made to other working groups.

Receive an Update from the American Academy of Actuaries (Academy)

Steve Smith (Academy) gave a presentation on the status update of 3 workstreams that are ongoing at the Academy. There are no results to present. The Academy will continue their work on the following workstreams: Comparable Attributes for Collateral Loan Obligations (CLO), Review of CRP rating methodologies, and Review of Oliver Wyman residual tranche study. The CLO workstream is a long-term project and an interim status update will be provided by the Summer National Meeting and completion is expected by Fall National Meeting. Review of CRP rating methodologies is a medium-term project and is expected to be completed by the Summer

National Meeting. Review of the Oliver Wyman residual tranche study is expected to be completed in April.

Discuss Residual Tranches

Phillip Barlow (DC) led the discussion on residual tranches. The group is aiming to set an interim charge for asset classes until a formal charge is set. The goal is to get a reasonable conservative factor. Phillip believes that the Oliver Wyman report supports the 45% charge. The group would like to adopt something for this year.

A presentation was given on the Oliver Wyman study. The highlights of the report were given. Analysis was done through a variety of different stress scenarios that show that these particular asset classes in the stress scenarios; in comparison to other asset classes that were part of the study perform in some cases better than those other asset classes. The existing 30% RBC charge could be considered as reasonably conservative while continuing to work with the Academy with the formal charge.

ACLI requested a deferral for one year for the 45% factor for further breakout of factors. It was discussed and the group stated that they probably will not consider another deferral.

The Working Group decided to expose the Oliver Wyman report for 21 days.

Discuss Next Steps

A memo from staff included in meeting materials with projects that will be completed in the next year. A call will be conducted in April and feedback will be requested on addressing that work.

Discuss Any Other Matters Brought Before the Working Group

NAIC staff has put together statistics from the 2023 annual statements related to residual tranches. The report will be made available and there will be two versions. One version will be just for regulators.

Life Risk-Based Capital (E) Working Group

The Life Risk-Based Capital (E) Working Group met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Jan. 25 and Fall National Meeting Minutes

The January 25 and 2023 Fall National Meeting minutes were adopted.

Updates from its Subgroups

A. Generator of Economic Scenarios (GOES) (E/A) Subgroup

The GOES Subgroup made decisions to allow for scenario sets based on the first 4 sets as recommended by ACLI. These will be ran through the target criteria and evaluation statistics. The 5th scenario set is just a variation of one of the other first four sets. After the model office testing is complete, then broader scenario sets will be created. The Subgroup plans to have further conversation around scenario sets and feedback from industry in the next call in April.

B. Longevity Risk (E/A) Subgroup

The Subgroup is waiting until VM 22 to makes progress and once the draft is ready to be implemented, then work will be resumed.

C. Variable Annuities Capital and Reserve (E/A) Subgroup

The Subgroup will begin work regarding variable annuities reserves. The group will be looking at the assumptions that go into the components of variable annuities reserves.

Discuss Repurchase Agreements

Comments were received from ACLI during the exposure period. The Statutory Accounting Principles Working Group requested a deferral until they have to assess the aspects needed for their response. This topic will be addressed by year end, but it will continue to be on the agenda. There will be a new exposure with the suggested changes from ACLI for 30 days.

4. Discuss Covariance—Philip Barlow (DC)

Paul Navrtail (Academy) gave an update on Covariance. Recommendation for a regular maintenance schedule for items within the RBC formula. It is recommended that Covariance should be reviewed as it has not been reviewed in awhile. It is possible that more refined and more useful approach is possible. Changes and impact on the company level could be material

and this would make covariance a useful tool for regulators. It was determined that a call will be scheduled to discuss further.

Discuss Any Other Matters Brought Before the Working Group

Link Richardson gave an update on Academy work regarding VM 22 update and C3 Methodology. Feedback is requested from regulators, specifically this working group's members on the C3 methodology and considerations. Phase 1 and 2 were implemented at different times and it would good to eliminate those differences. It is recommended to move to the Phase 2 framework. There are 9 key differences between the C3 Phase 1 and Phase 2 framework. Interim reserves will need further testing and will need further work. It is recommended to use the discount approach in Phase 2. Floors is still developing an approach.

It was determined that a call will be scheduled to discuss in further detail.

Referral from the Statutory Accounting Principles Working Group on Collateral Loans

The referral addresses collateral loans, and it is asking for input from the working group. The goal is to determine whether it is appropriate for certain collateral loans to map through AVR and feedback on the correct RBC charges.

Financial Stability (E) Task Force

The Financial Stability (E) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The 2023 Fall National Meeting Minutes were adopted.

Receive a Macroprudential (E) Working Group Update—Bob Kasinow (NY)

Bob Kasinow (NY) gave an update. Attachment 2 is an update on the 13 considerations for the regulation of PE and other insurers. A tracking sheet has been published. Some of the considerations were assigned to other working groups. 3 of 13 considerations have been completed and 3 of 13 considerations are in progress. The visual tracking sheet will be improved going forward.

In regard to consideration #13, reinsurance, the macro working group met jointly with the reinsurance task force in a regulator only session to discuss experiences and implementation of reinsurance. Several suggested enhancements were suggested and incorporated into the worksheet. The updated version is now available. This is a regulator tool to be used in assessing cross border reinsurance transactions.

The working group met in another regulator only call to have discussions with the NAIC staff to walk through the IAIS global insurance market report. It contains significant data analysis on the global insurance market and cross border asset intensive reinsurance. The paper outlines key risk identified by supervisors, supervisory measures taken in response to those risks, and challenges faced by supervisors. In relation to the cross-border reinsurance initiative, there is ongoing dialogue with the monetary authority (BMA). The working group coordinated a call with other NAIC working group to discuss with the BMA, an overview of their supervision and regulation of PE insurers in Bermuda paper. Increased communication between the US and Bermuda has become paramount as a valuable regulatory practice due to the increased volume and complexity of reinsurance transactions.

In 2024, the group will continue its efforts to review cross border reinsurance by assessing ceding business by product and jurisdictional exposures. There will be a focus on large block asset intensive reinsurance.

The 2023 liquidity stress testing framework is now available. Stress test assumptions have also been updated. Separate account liquidity concerns other than the guaranteed portion including the general account are currently excluded from the current LSD framework. The LSD study group is in the process of considering how to address potential separate account assets sales in a stress scenario. The study group also conducted a data call. The MWG had a joint call to discuss the

results of the data call and it was decided that additional clarification was needed. Once, the MWG has analyzed the results of the additional clarification, then the group will decide how to move forward.

The NAIC staff began work on a project to enhance the ability to aggregate counterparty exposure from NAIC internal databases. As a result of the project, exposures can now be determined quicker and provide states with the breakdown of exposures for their regulated companies. Initial steps have been taken to quantify credit risk. Also, the NAIC staff has prepared a preliminary climate risk dashboard. The group will continue work on the macro credential risk assessment dashboard, including incorporating additional climate risk metrics.

Receive a Valuation Analysis (E) Working Group Update

Fred Andersen (MN) gave an update on AG 53. AG 53 requires disclosures and asset-related information for most life insurers over a size threshold. The first submissions were received in 2023. Developed a review group to review the filings. The review started with a prioritization of companies that are reliant on assets earning high net yields in the reserve adequacy modeling. The goal is to have conservatism added to those assumptions, so that companies will have less reliance on assets earning very high net yields in order to support reserves. Most companies agreed to the recommended conservatism and some companies increased their conservatism but not to the recommended level. Other companies were categorized as outliers, and they are still in the group's radar because their conservatism was not addressed. The group will be following up with those companies. The group is also looking at projects concerning investment expense assumptions and attribution analysis related to assumed excess net yield assumptions.

Hear an International Update—Tim Nauheimer (NAIC)

Tim Nauheimer gave an international update. IAIS has launched the data collection of the annual global monitoring exercise, including individual and sector wide monitoring. The market report topic for 2025 is national catastrophic protection gaps. MSWG is focused on alternative assets and asset intensive reinsurance. Within the MSWG, the IIM process ancillary indicators for reinsurance, derivatives, and credit risk are being contemplated for incorporation in the IIM process. During the ISS parent committee meetings, progress was made on plans to consult on supervisory materials relating to recovery, resolution, and ERM for solvency purposes. The ISS is in the process of reviewing public consultation comments for its paper focused on considering climate related scenario analysis.

Valuation of Securities (E) Task Force

The Valuation of Securities (E) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Receive Updates on the Proposed CLO Modeling Methodology and Ad-hoc Working Group

Eric Kolchinsky (NAIC) presented. Kolchinsky stated the working group has published detailed cash flows on the six representative deals for each of the ten scenarios presented to the working group and has received excellent feedback from several parties on all sides of the relevant issue. The working group intends to run a number of stress runs based on the tests. Additionally, the working group has been working closely with the Academy C1 working group and plans to provide it with data and stress runs based on its specific projects.

As he previously stated at the 2023 Fall NAIC meeting, the working group intends to exercise its option to extend the effective date of the methodology to 2025 year end. Kolchinsky stated that because such an extension will require an amendment to the purposes and procedures manual, the working group plans to expose an amendment for approval at the 2024 NAIC Summer National Conference. The working group hopes this extension will give it the appropriate time to perfect the CLO modeling methodology and will allow it time to better align its approach with other relevant work streams – especially a holistic framework.

Kolchinsky ended the presentation by noting his hope that the working group will have another Ad-hoc meeting 3-4 weeks after the conclusion of the 2024 Spring NAIC Conference.

Innovation, Cybersecurity and Tech (H) Committee

The Innovation, Cybersecurity, and Technology (H) Committee met on March 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2023 Fall National Meeting Minutes

The Fall National Meeting Minutes were adopted.

Adoption of Task Force and Working Group Reports

The Committee adopted the following Task Force and Working Groups Reports:

- Third Party Data and Models (H) Task Force
- Big Data and Artificial Intelligence (H) Working Group
- Cybersecurity (H) Working Group
- E-Commerce Modernization (H) Guide
- Technology, Innovation, and InsurTech (H) Working Group
- Privacy Protections (H) Working Group

A summary of the Working Group Reports can be found [here](#).

Working with Artificial Intelligence and Machine Learning

Frank Chang from Uber delivered a presentation on working with Artificial Intelligence (AI) and machine learning. The presentation covered machine learning models and language models. The presentation focused on how modeling can be employed to address adverse consumer outcomes and how the accuracy of models can be improved. Chang discussed advanced modeling as well as several findings and strategies Uber employs, such as the use of telematics from mobile phones. Chang also discussed the importance of addressing fairness and accuracy in complex models. Chang ended the presentation with a discussion of language models often employed by insurers. Most notably, Chang discussed FAQ-bots and friendly form-fillers, two types of chatbots that insurers often use to retrieve data. The presentation detailed how these chatbots work as well as the security problems they present.

The presentation can be found [here](#).

Federal Activities Related to AI

Assistant Director of Financial Policy at the NAIC, Shana Oppenheim gave an update on federal legislative developments aimed to address various aspects of AI including financial risk, transparency, governance, and environmental impacts. The Foundational Model Transparency Act would require companies creating AI tools to share data on how models are trained and how

data is collected with consumers and regulators. The AI Foundation Model Transparency Act directs the Federal Trade Commission in conjunction with the National Institute of Standards and Technology and the White House Office of Science and Technology to create standards for transparency in training data algorithms used in AI tools. The Federal AI Governance and Transparency Act encourages the responsible use of AI in agencies and offers guidance on implementation of accountability mechanisms. The last piece of federal legislation discussed was the AI Impacts Act of 2024 which aims to measure and report environmental impacts through inter-agency study and creates a voluntary framework for developers to report environmental impacts.

International Activities Related to AI

Danny Tobey gave a presentation on international and state government activities related to AI. AI is being regulated outside the insurance sector and internationally. 2023-24 was a watershed year in AI governance. AI, machine learning, and algorithmic predictive models create large risk exposure, especially in terms of processing decisions, bias, and products liability. Insurance and other areas of industry, including employment, healthcare, education, and financial services, are ramping up enforcement efforts. This is due, in part, to the rise in copyright claims, fair use claims, and class action bias claims related to companies' use of AI, machine learning, and algorithmic predictive models. Tobey stated that accuracy is one of the major risks associated with AI and predictive models and predicted that products liability claims will become more common as the technology's use becomes more widespread.

Federal agencies and state governments have also been stepping up enforcement efforts. The FTC has become very interested in regulating the AI value chain. The SEC and the FTC have imposed multi-million-dollar fines for manipulation of trading algorithms. FTC is imposing algorithmic disgorgement penalties if an algorithm is the "fruit of the poisonous tree," meaning the algorithm was based on improperly obtained data or used in violation of a privacy policy or terms of use. If a company's model is unfair or deceptive, the FTC potentially has the authority to order the model's destruction. In recent months, several states, including Wisconsin, Kentucky, New Jersey, and Louisiana have proposed bills that target consumer disclosures, likeness rights, and hiring tools. These bills generally focus on transparency, disclosure of AI bots as nonhumans, the collection of personal and biometric data, and the use of AI tools in employment.

Third-Party Data and Models (H) Task Force

The Third-Party Data and Models (H) Task Force met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Report on the Formation of the Task Force and Relative Charges.

Commissioner Michael Conway (CO) presented. He stated there are two basic charges from the H Committee 1) To research what types of models are being implemented around the states in order to propose a framework for the regulatory oversight of third-party data and predictive models, and 2) To both monitor and report on state, federal, and international activities related to governmental oversight and regulation of third-party data and model vendors and their products and services. However, the task force plans to focus primarily on the first charge over the next year. During the second year, the intent is to begin drafting a model to propose to the H Committee.

Conway explained that leadership requested this report after state driven conversations regarding whether there should be regulation of third party modeling firms and if so, how, due to a number of states going in different directions in terms of approach.

Discuss and Expose the Working Group 2024 Work Plan

Commissioner Michael Conway (CO) presented. Regarding the work plan, Conway stated the task force has held one regulator to regulator meeting and has received feedback from the states. There will be at least one more regulator meeting. After which, the task force plans to expose the work plan to comments.

Big Data and AI (H) Working Group

The Big Data and Artificial Intelligence (H) Working Group met on March 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2023 Fall National Meeting Minutes

The meeting minutes for the 2023 Fall National Meeting were adopted.

Discuss its Project Plans for 2024

Commissioner Kevin Gaffney (VT) discussed the working group's project plans for 2024 detailed in Attachment B. The group plans to continue the development of the Health AI/ML survey, continue collaboration with CIPR on additional analysis of survey results, and continue efforts to track the Model AI bulletin. 6 states have adopted the bulletin so far. The group is also tracking laws or guidance issued in relation to AI either prior or after the model bulletin was published. A grid will be published providing a deep dive into the details of exactly how states have chosen to adopt the bulletin. Only regulators will have access at this time, but it will be made public at a later date. It will be updated monthly.

Presentation on a Survey of Research Activities Conducted by the American Academy of Actuaries (Academy) and the Society of Actuaries (SOA) Related to Big Data, Artificial Intelligence (AI), Fairness, Bias, and Governance

Dorothy Andrew (NAIC) gave a presentation on Hot Research Topics in Data Science. The purpose is to give a survey of research activities related to Big Data, AI, Fairness, Bias and Bias Detection, and AI governance of regulatory importance. The Academy has been developing a series of technical paper series in Big Data and AI. The topic of bias has become a big issue for concern. The Academy has received a lot of question from companies seeking guidance on how to deal with data bias. There are several tests that can be conducted to help eliminate bias. The class imbalance test, conditional demographic disparity, and difference in proportions of labels. Additionally, the Society of Actuaries has published a variety of articles on AI and Big Data.

Receive an update on International Developments on AI/ML in Insurance

Ryan Workman gave an update on International Developments on AI/ML in Insurance. The International Association of Insurance Supervisors (IAIS) last year conducted a review of existing guidance on AI/ML and model risk management. This involved 12 supervisory authorities including the NAIC. This review facilitated an exchange of supervisory practices and experiences particularly addressing new or heightened risk with AI/ML. Key findings are on the website.

Related work is ongoing this year, an application paper is being prepared on AI/ML which is aimed at fostering global consistency with the application of insurance core principles looking at things

in the context of AI. The goal is to provide good supervisory practices and discuss challenges that may be encountered by supervisory entities.

The OACD has a workstream on AI and they are developing several papers. Bilateral and Multilateral engagements among other international counterparts have been working on the US Insurance Dialogue Project. A big data working group was created and the working group has evolved into looking at the relationship between innovation, technology, and insurance. Past group work can be found on their website. The group will also be continuing work on presentations and exchanges between members on the NAIC model bulletin, EU AI Act, and discussing the use of AI in insurance among the participating members.

Cybersecurity (H) Working Group

The Cybersecurity (H) Working Group met on March 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Cybersecurity Event Response Plan (CERP)

Chair Cynthia Amann (MO) presented. She stated the CERP is a guidance document – not a bulletin or model law – based on Model 668 that provides direction for those states learning how to handle a cyber breach. The group also believes the CERP will be instrumental for someone new to understanding what his or her responsibilities are during a cyber breach. Additionally, the response plan includes topics such as communicating amongst various stakeholders, understanding and receiving notifications, lists of required information that must be provided after, and the process that must be used to respond to a “*Cybersecurity Event*” as defined under Model 668.

The working group worked closely with interested parties during the drafting process in order to incorporate their suggestions. CERP was subsequently exposed to comments twice, and changes were made after both meetings.

David Buono then reiterated the CERP is simply a guidance – thus, states are still free to change the contents individually. In addition, Buono welcomed any comments, questions, or changes to the CERP as time goes on.

The working group subsequently voted to adopt the CERP.

Link to the CERP tracked changes is [here](#).

Discuss Work Plan for the Working Group’s Discussion on Cybersecurity and Cyber Insurance in 2024

Chair Cynthia Amann (MO) presented the 2024 work plan for the group’s ongoing discussion concerning cybersecurity and cyber insurance. The following topics will be evaluated:

- The impact on both hardware and software legacy systems;
- The extent that the EU’s newly implemented AI Act will have on US cybersecurity;
- Data modernization and standardization;
- Third party vendor oversight;
- Provide ongoing educational opportunities via Webex for state insurance regulators;
- Speaking engagements and panels at the 2024 Summit
- Receive updates from the Information Technology Examination Working Group regarding its updates to its ‘examination standards’ related to the working group’s referral.
- Track which states implement Model 668 and what changes that are made to fit the state’s regulatory framework.