



Meeting Summary NAIC Fall 2019 National Meeting

The National Association of Insurance Commissioners' (NAIC) Fall 2019 National Meeting was held in Austin, TX from December 5-10. The event included numerous committee, task force, and working group meetings. Here is a summary of meetings that may be of interest to your company.

Privacy Protections (D) Working Group – 12/8/19

The Privacy Protections (D) Working Group convened for its first in-person meeting to determine how best to update the NAIC's data privacy policies. NAIC staff gave the working group an overview of the NAIC's existing data privacy models (# 670 and # 672), as well as state data privacy laws like the California Consumer Protection Act (CCPA). The panel spent the remainder of its time reviewing and receiving comments on its draft workplan. In general, the working group seems inclined to modernize its existing data privacy models. The working plan calls on the panel to adopt amendments to existing models by July 2020 and present them to the Market Regulation & Consumer Affairs (D) Committee by the Summer 2020 National Meeting. Industry representatives agreed that existing models should be used as a foundation for the NAIC's future data privacy endeavors. Industry urged the working group to adopt workable data privacy policies that are not duplicative or contradictory to existing state data privacy laws and regulations, and that also allow adequate time for policy implementation. In contrast, consumer representatives urged the panel to seek input from organizations that focus on consumer digital rights and to also subject data vendors to updated data privacy policies. The working group stated that it would start holding calls every six weeks in the new year and work to recruit additional members.

Innovation and Technology (EX) Task Force – 12/9/19

The Innovation and Technology (EX) Task Force received updates on the NAIC's cybersecurity and data privacy initiatives. South Carolina Director Raymond G. Farmer briefed the panel on the NAIC's effort to implement the *Insurance Data Security Model Law* (#668) and its recent and upcoming cybersecurity tabletop exercises. Staff from the Missouri Insurance Department also summarized the activities of the Privacy Protections (D) Working Group. In addition, the task force received an update on recent activities of the Innovation and Technology State Contacts group, and then proceeded to discuss how it would proceed to amend the NAIC's Unfair Trade Practices Model Act (#880) to address anti-rebating issues. The task force went on to consider a request from consumer advocates to create a document that would outline the difference between insurance, banking, and other consumer products for the benefit of startups and other companies that are new to the insurance sector. The task force recommended that the NAIC address this educational endeavor through the Center for Insurance Policy & Research (CIPR) and the NAIC's professional designation program. Finally, the task force received an

update on the National Conference of Insurance Legislators' (NCOIL) efforts to modernize certain practices in the insurance industry through technology.

Casualty Actuarial and Statistical(C) Task Force – 12/7/19

The Casualty Actuarial and Statistical (C) Task Force adopted the NAIC's 2019 Regulatory Guidance. The panel also exposed the proposed 2020 Statement of Actuarial Opinion instructions related to the Casualty Actuarial Society/Society of Actuaries Task Force's Appointed Actuary Continuing Education Verification Project for a 30-day public comment period ending on January 7, 2020. The task force received an academic presentation on the Financial Conduct Authority's Interim Report on Insurance Pricing Practices in the United Kingdom. The report found that pricing practices in the UK insurance market are less consumer-friendly than pricing practices utilized in the United States. The report identified unfair pricing practices used in the UK market, including price optimization and price walking. Finally, the task force discussed a request from the Actuarial Standard Board (ASB) for input on its proposed Property and Casualty (P/C) Rate Filing Actuarial Standard of Practice (ASOP). Existing ASOPs provide guidance to P/C actuaries on various ratemaking issues like determining estimated future costs for P/C insurance. The proposed ASOP, in contrast, would be the first time that the ASB would provide guidance on actuarial aspects of the *selection* of final rates and P/C rate filings. The panel moved to ask state departments to provide responses to the ASB's questions relating to the proposed ASOP by January 7, 2020. The deadline for all interested parties to submit their comments on the proposed ASOPs to the ASB is February 28, 2020.

Property and Casualty (P/C) Risk-Based Capital (E) Working Group – 12/8/19

The Property and Casualty (P/C) Risk-Based Capital (E) Working Group exposed proposal 2018-19-P (Vulnerable 6 or Unrated Risk Charge) for a 45-day public comment period ending on January 21, 2020. This proposal aims to modify the P/C risk-based capital (RBC) instruction to reflect the factors for all uncollateralized reinsurance recoverables from unrated reinsurers to be the same for authorized, unauthorized, certified and reciprocal reinsurance. The panel also discussed its 2020 P/C RBC working agenda, the possibility of using the NAIC as a centralized location for reinsurer designations, and the possible treatment of R3 related to runoff and captive companies. R3 is the risk charge that applies primarily to reinsurance recoverable in company annual statements to reflect the risk of reinsurer non-performance. Finally, the working group discussed ongoing efforts at the NAIC to develop a risk-based mortgage guaranty capital model and recommend changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff.

Surplus Lines (C) Task Force – 12/7/19

The Surplus Lines (C) Task Force discussed comments that it received on a 2020 annual blanks proposal regarding the modification of Schedule T to include a new Part 3 that would add details on "Home State" direct premiums written. Then, the panel received an update on the referral to the Producer Licensing (D) Task Force that includes proposed revisions to Standard 37 and Standard 38 of the *State Licensing Handbook*. Finally, the task force heard details of adjustments to exempt commercial purchaser minimum qualifications that are required every five years.

Terrorism Insurance Implementation (C) Working Group – 12/8/19

The Terrorism Insurance Implementation (C) Working Group received an update from NAIC staff on congressional efforts to reauthorize the federal Terrorism Risk Insurance Act, which expires on December 31, 2020. The U.S. House of Representatives approved a 7-year TRIA reauthorization bill that does not make substantial changes to the program but requires the Government Accountability Office (GAO) to conduct a study on cyber terrorism and calls for reporting on the affordability and availability of terrorism risk insurance for places of worship. Next, the panel received an update on the 2020 joint state insurance regulator/U.S. Treasury Department terrorism risk insurance data call. Insurers have until May 15, 2020 to submit data to both entities and until September 30, 2020 to submit ZIP code-level state supplement data. Finally, NAIC staff gave the working group an update on preliminary results from the state supplement portion of the 2019 terrorism risk insurance data call.

Property and Casualty Insurance (C) Committee – 12/9/19

The Property and Casualty Insurance (C) Committee did not consider any action items that apply to the MPL community. The panel approved its 2020 proposed charges, adopted a few documents related to the flood insurance market, received industry presentations related to disaster mitigation/resiliency and underinsurance issues, received an update related to crop insurance from federal regulators, and announced its upcoming plan to release a private passenger auto report.

Risk Retention Group (E) Task Force – 12/7/19

The Risk Retention Group (E) Task Force unanimously adopted FAQ and Best Practices documents which provide additional guidance to both state insurance regulators and industry regarding the registration process for risk retention groups (RRGs) in non-domiciliary states. The panel also adopted a referral to the P/C Insurance (C) Committee to consider proposed revisions to the *NAIC Uniform RRG – Notice and Registration Form*. The revisions are intended to clarify expectations for RRGs registering in non-domiciliary states and facilitate compliance with the federal Liability Risk Retention Act (LRRRA). Specifically, these initiatives aim to address challenges facing both industry and state regulators related to the registration of non-domiciliary RRGs (i.e., rising registration fees, delays in review of registration forms, incomplete registration forms, potentially non-compliant RRGs). Finally, the task force discussed its future activities. These activities include developing educational and training programs related to the approved RRG documents and updated form, and considering revisions to the *Risk Retention and Purchasing Group Handbook* and/or the *Company Licensing Best Practices Handbook*.

Reinsurance (E) Task Force – 12/8/19

The Reinsurance (E) Task Force adopted the re-evaluation of Bermuda, Japan, and Switzerland as qualified jurisdictions and their evaluations as reciprocal jurisdictions. The task force then exposed a Blanks Proposal that incorporates the 2019 revisions from the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786) into the Annual Reporting Blanks and Instructions. Finally, the committee received news that the Financial Regulation Standards and

Accreditation (F) Committee recently approved the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787) as an accreditation standard.

International Insurance Relations (G) Committee – 12/7/19

The International Insurance Relations (G) Committee adopted its 2020 proposed charges, and then received an update on ongoing activities of the International Association of Insurance Supervisors (IAIS). The IAIS adopted a revised set of its Insurance Core Principles (ICPs) and the Common Framework for the Supervision of Internationally Active Insurance Groups (COMFrame). The IAIS also adopted a holistic framework for the assessment and mitigation of systemic risk in the insurance sector, which recognizes that systemic risks can arise from both sector-wide and insurer-specific activities and exposures. Finally, the IAIS recently agreed on Version 2.0 of the international capital standard (ICS) for a five-year monitoring period starting in January 2020.

Next, the committee received reports on the NAIC's recent meetings with insurance regulatory counterparts in the Asia-Pacific region, Europe, Latin America, and Africa on a wide range of topics, including cybersecurity, cyberinsurance, artificial intelligence, and Big Data/Insurtech. A representative from the Organisation for Economic Cooperation and Development (OECD) gave the panel an update on the OECD's activities, including a recent meeting of its Insurance and Private Pensions Committee (IPPC) in Paris that examined topics related to market conduct, big data and artificial intelligence, the structure of insurance regulation, long-term care insurance, and health insurance.

Finally, the committee received a report on the International Monetary Fund's (IMF) upcoming financial sector stability assessment (FSAP) of the U.S. financial regulatory system. The IMF will publish a technical note related to the assessment by Summer 2020.

Health Insurance Updates from Austin – Multiple Dates

The NAIC examined critical issues in the health insurance space in Austin. Key panels discussed several challenges relating to surprise medical billing, prior authorization policies, long-term care insurance, healthcare cost containment/utilization management, the *Affordable Care Act* (ACA), and pharmacy benefit managers. In 2020, the NAIC will continue its ongoing efforts to promote a stable health insurance market amidst administrative barriers and legal challenges to the ACA. The Association is expected to approve a model law that would bring government oversight over pharmacy benefit managers if approved by state legislatures.

Executive Committee (EX) – 12/8/19

The NAIC's Executive Committee (EX) adopted its 2020 proposed charges. The committee will continue to work on a variety of topics, including long-term care insurance, financial stability, and innovation and technology. Next, the panel adopted requests to develop amendments to the *Insurance Holding Company System Regulatory Act* (#440), the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450), and the *Unfair Trade Practices Act* (#880). Thereafter, the committee received reports on the NAIC's implementation of its *State Ahead* Strategic Plan and its

model law development initiatives. The strategic plan aims to pursue safe, solvent, and stable markets, consumer protection and education, and superior member services and resources. Finally, the Executive Committee received an update on the activities of the National Insurance Product Registry (NIPR) and the Interstate Insurance Product Regulation Commission.

NAIC Joint Meeting of Executive Committee (EX) and Plenary – 12/10/19

The NAIC's Executive Committee (EX) and Plenary formally approved the NAIC's 2020 budget and proposed committee charges. The joint panel also adopted the following:

- *2020 Generally Recognized Expense Table (GRET);*
- *Actuarial Guideline LII – Variable Annuity Early Adoption (AG 52);*
- *White Paper, titled *Regulatory Guide – Understanding the Market for Cannabis Insurance*;*
- *Post-Disaster Claims Guide;*
- *Amendments to the *Guideline for Stay on Termination and Netting Agreements and Qualified Financial Contracts* (#1556);*
- *Revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions*;*
- *Re-Evaluation of Qualified Jurisdictions and Summary of Findings and Determinations for Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom for the NAIC List of Qualified Jurisdictions;*
- *Evaluation of Reciprocal Jurisdiction and Summary of Findings and Determinations for Bermuda, Japan, and Switzerland for the NAIC List of Reciprocal Jurisdictions;*
- *Revisions to Part D: Primary Licensing, Re-Domestications and Change of Control of the Accreditation Standards.*

Finally, the results of the 2020 NAIC Zone Officer Election were announced and the NAIC membership elected the following 2020 NAIC officers:

- **President** - South Carolina Director Raymond G. Farmer
- **President-Elect** – Florida Commissioner David Altmaier
- **Vice President** – Idaho Director Dean L. Cameron
- **Secretary-Treasurer** – Missouri Director Chlora Lindley-Myers

NAIC Spring 2020 National Meeting – March 21-24, 2020

The NAIC will convene for its Spring 2020 National Meeting on **March 21-24** in **Phoenix, Arizona**. Staff from the MPL Association will be at the conference to cover relevant meetings and meet with MPL Association members, industry colleagues, state insurance regulators, and NAIC staff. The MPL Association will also host a breakfast for MPL Association members during the conference. Stay tuned for additional information.