

Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.

National Association of Insurance Commissioners (NAIC) Fall 2023 Meeting Summary

The National Association of Insurance Commissioners (NAIC) recently held its Fall National Meeting virtually and in person in Orlando, Florida. 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. Attorneys Cara Butler, Bre Hendrix and Shadai Walker assisted with drafting this summary.

What You Need to Know:

- Elections were held for the 2024 Executive Officers. Congratulations to Commissioner Andrew N. Mais, President (CT); Commissioner Jon Godfread, President-Elect (ND); Commissioner Scott A. White, Vice President (VA); and Superintendent Elizabeth Kelleher Dwyer, Secretary-Treasurer (RI).
- The Executive Committee adopted the Model Bulletin on the Use of Algorithms, Predictive Models, and Artificial Intelligence (AI) Systems by Insurers.
- The Pet Insurance Market Conduct Annual Statement (MCAS) data call and definitions were adopted.
- 2024 proposed charges were presented and adopted by relevant Committees, Task Forces and Working Groups.
- The the NAIC National Climate Resilience Strategy for Insurance was adopted by the Climate & Resilience (EX) Task Force.

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Joint Meeting of the Executive (EX) Committee and Plenary

The Joint Meeting of Executive (EX) Committee and Plenary met on December 4, 2023. The link to the agenda is [here](#). The link to the meeting materials, including all Attachments, are [here](#). Below is a summary of the meeting:

Receive the Dec. 2 Report of the Executive (EX) Committee

The Executive Committee report was received as presented. The materials can be viewed in Attachment One.

Adoption by Consent the Committee, Subcommittee, and Task Force Minutes of the Summer National Meeting, Aug. 12–16

The Summer National Meeting minutes and action items were adopted as presented.

Adoption of the NAIC 2024 Proposed Budget

Commissioner Mais submitted the 2024 NAIC Proposed Budget and provided a brief overview of the budget. The 2024 NAIC Budget was adopted as presented by the Executive Committee. The materials can be viewed in Attachment Two.

Consider Adoption of the NAIC 2024 Proposed Committee Charges

Commissioner Mais submitted the 2024 Proposed Committee Charges, and the charges were adopted as presented. The materials can be viewed in Attachment Three.

Receive the Dec. 3 Report of the Life Insurance and Annuities (A) Committee

Director Judith L. French gave a brief overview of the meeting. The Executive Committee adopted the report as presented. The materials can be viewed in Attachment Four.

Consider Adoption of the 2024 Generally Recognized Expense Table (GRET)

The Committee adopted the 2024 Generally Recognized Expense Table. The materials can be viewed in Attachment Five.

Receive the Dec. 2 Report of the Health Insurance and Managed Care (B) Committee

Commissioner Anita G. Fox provided a brief overview of the meeting. The Executive Committee adopted the report as presented. The materials can be viewed in Attachment Six.

Receive the Dec. 3 Report of the Property and Casualty Insurance (C) Committee

Commissioner Alan McClain provided a brief overview of the meeting. The Executive Committee adopted the report as presented. The materials can be viewed in Attachment Seven.

Receive the Dec. 3 Report of the Market Regulation and Consumer Affairs (D) Committee

Commissioner Pike provided a brief overview of the report. The report was adopted as presented by the Executive Committee. The materials can be viewed in Attachment Eight.

Consider Adoption of the Voluntary Market Regulation Certification Program, Implementation Plan, and Certification Scoring Definitions

The Committee adopted the Voluntary Market Regulation Certification Program self-assessment guidelines and checklist tool, implementation plan, and certification scoring definitions. The materials can be viewed in Attachment Nine.

Consider Adoption of the Pet Insurance Market Conduct Annual Statement Data Call and Definitions—Commissioner Jon Pike (UT)

The Executive Committee adopted the Pet Insurance Market Conduct Annual Statement (MCAS) data call and definitions. The materials can be viewed in Attachment Ten.

Receive the Dec. 3 Report of the Financial Condition (E) Committee

Superintendent Elizabeth Kelleher Dwyer (RI) provided a brief overview of the meeting. The Executive Committee adopted the report as presented. The materials can be viewed in Attachment Eleven.

Consider Adoption of Amendments to the Property and Casualty Insurance Guaranty Association Model Act (#540)

The Executive Committee adopted amendments to the Property and Casualty Insurance Guaranty Association Model Act (#540). The materials can be viewed in Attachment Twelve.

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

Director Lori K. Wing-Heier gave a brief overview of the meeting. The Committee did not meet in open session for the Fall NAIC National Meeting. The Executive Committee adopted the report as presented.

Consider Revisions to the Part A Insurance Holding Company Systems Accreditation Standard

The Executive Committee adopted the revisions to the Part A Insurance Holding Company Systems Accreditation Standard. The materials can be viewed in Attachment Thirteen.

Receive the Dec. 1 Report of the International Insurance Relations (G) Committee

Commissioner Gary D. Anderson gave a brief overview of the meeting. The Executive Committee adopted the report as presented. The materials can be viewed in Attachment Fourteen.

Receive the Dec. 1 Report of the Innovation, Cybersecurity, and Technology (H) Committee

Commissioner Kathleen A. Birrane gave a brief overview of the meeting. The Executive Committee adopted the report as presented. The materials can be viewed in Attachment Fifteen.

Consider Adoption of the Model Bulletin on the Use of Algorithms, Predictive Models, and Artificial Intelligence (AI) Systems by Insurers

The Executive Committee adopted the Model Bulletin on the Use of Algorithms, Predictive Models, and Artificial Intelligence (AI) Systems by Insurers. The materials can be viewed in Attachment Fifteen-A.

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

The Executive Committee received the reported and it was adopted. The materials can be viewed in Attachment Sixteen.

Hear the Zone Election Results

The results are as follows for the 2024 zone officer elections: Midwest Zone: Director Anita G. Fox, Chair (MI); Commissioner Vicki Schmidt, Vice Chair (KS); and Director Eric Dunning, Secretary (NE). Northeast Zone: Commissioner Trinidad Navarro, Chair (DE); Commissioner Kevin Gaffney, Vice Chair (VT); and Commissioner Gary D. Anderson, Secretary (MA). Southeast Zone: Commissioner Carter Lawrence, Chair (TN); Commissioner Sharon P. Clark, Vice Chair (KY); and Commissioner Alan McClain, Secretary (AR). Western Zone: Commissioner Michael Conway, Chair (CO); Commissioner Andrew R. Stolfi, Vice Chair (OR); and Cassie Brown, Secretary (TX).

Elected 2024 NAIC officers

The results are as follows: Commissioner Andrew N. Mais, President (CT); Commissioner Jon Godfread, President-Elect (ND); Commissioner Scott A. White, Vice President (VA); and Superintendent Elizabeth Kelleher Dwyer, Secretary-Treasurer (RI).

Executive (EX) Committee

The Executive (EX) Committee met on December 2, 2023 at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

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

The Committee adopted the report of the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1). The following actions were taken:

- Adopted their Nov. 28, Oct. 26, Sept. 28, Aug. 24, and Summer National Meeting minutes.
- Adopted the Executive (EX) Committee's Oct. 13 and Summer National Meeting minutes, which approved the filing of an amicus brief in *Delaware Department of Insurance v. United States of America (IRS)*.
- Adopted the report of the Audit Committee, including its Nov. 21 minutes.
- Adopted the report of the Internal Administration (EX1) Subcommittee, including its Nov. 20 minutes.
- Adopted the fiscal for Variable Annuity and Life Insurance Model Office Testing.
- Approved the formation of a Center for Insurance Policy and Research (CIPR) Steering Committee.
- Received the Acting Chief Executive Officer (CEO) report.
- Heard a cybersecurity report.
- Received an update from the NAIC General Counsel.

Consider Adoption of its Interim Meeting Report

The Committee adopted the (EX) Committee's internal report, under which the committee approved the NAIC to file an amicus brief in *Delaware Department of Insurance v. United States of America (IRS)*.

Consider Adoption of its Task Force Reports

The Committee adopted the reports of the following task forces:

- The Climate and Resiliency (EX) Task Force
- The Government Relations (EX) Leadership Council
- The Long Term Care Insurance (EX) Task Force
- The Special (EX) Committee on Race and Insurance

Consider Adoption of its 2024 Proposed Charges

The Committee adopted its 2024 proposed charges.

Receive a Status Report on the Implementation of *State Connected*

There has been significant progress in the strategic plan, and the committee is actively advancing 24 initiatives directed at improving member support, advancing technology, and streamlining regulatory support efforts.

Receive a Status Report on Model Law Development Efforts

The report can be found under the meeting materials as Attachment Five. There were no comments or questions, and the report was adopted.

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

Dieter presented stating that the State of New York began processing resident and nonresident licensing and renewals for all major lines and core limited lines for individual applicants. NIPR is also working with Washington state for implementing resident and nonresident licensing and renewals for business entities.

Hear an Oral Report from the Interstate Insurance Product Regulation Commission

Birrance stated that the committee will be meeting the following day to discuss the following actions:

- Consider the adoption of a new product line of uniform standards for group whole life for employer groups.
- Act on an amendment to the group fixed contract annuity standard to expand its scope beyond pension risk transfer arrangements.
- Consider an amendment for incorporation by reference to its rulemaking rule that will provide a process for opening up the uniform standard whenever that underlying referenced model is unchanged so that its not an automatic change.
- Consider the approval of its 2024 annual budget package.

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

Climate & Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force meeting took place on Sunday, December 3, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its October 12 Meeting Minutes—Director Lori K. Wing-Heier (AK)

The Task Force adopted the October 12 meeting minutes without comment, which includes an update on the work of Canadian insurance regulators after the release of their position paper on flood risks and solutions in Canada and a presentation from the NAIC on the private flood insurance market. The Task Force also met in regulator-only session on November 17 to review the climate resilience strategy. The minutes can be found as Attachment One to the [meeting materials](#).

Hear a Presentation on Carbon Capture Technology—Edda Bjork Ragnarsdottir (CarbFix)

Carbon Capture storage is one potential option to prevent climate change. The Icelandic company CarbFix is doing great work in this area; it uses innovative technology to capture carbon and store it under ground in basalt, which turns to stone in two years. CarbFix will soon open an office in Washington. Edda presented on CarbFix's story. This is 100% natural. It simply speeds up the naturalization process. The mission is not to be the only solution. The goal is to contribute to climate recovery through worldwide scaling and requires just three ingredients: water, CO₂, and basaltic rock. This is very different from the old ways of storing in oil, where CO₂ can escape. This mixes CO₂ with water, so it will not be able to escape. EU has recognized that this technology works. The US has a lot of basaltic rocks, so they could store a significant amount (7,500 billion) of CO₂ in the US. Edda invited regulators and attendees to Iceland to see this technology. The biggest hurdle is the regulatory framework because this is such new technology.

North Dakota mentioned that it has the biggest current project of this in the US and mentioned that regulatory permits have been very challenging. Edda explained that insuring has gone better than expected due to lots of research and the permanency of this method. By the end of the year, CarbFix believes they will have a holistic insurance product.

The PowerPoint presentation can be found [here](#) as Attachment Two.

Hear a Presentation on Parametric Insurance —Katie Sabo (Aon)

Over the past five years, there has been an increase in interest in parametric products for corporations, producers, providers of renewable energy, etc. Parametric insurance is very useful for non-property disaster losses. Sometimes it provides insurance where there has previously been no coverage. This also can insure potential public areas. Typically, when shopping for

parametric insurance, we need to determine the why first—what is the objective we are attempting to solve for? When someone partners for parametric insurance, they would work to understand the need and think through things like location. They also work through a limit as a placeholder for previous losses. They use box structures to limit this to primary areas. One option is to get a layered pay out increasing to a full pay out. This is an incredible tool that should be in the risk management tool box. It can be structured in an infinite number of ways: it is important to remember the intent and how it works in overall risk management and budgeting strategy.

The PowerPoint presentation can be found [here](#) as Attachment Three.

Consider Adoption of the NAIC National Climate Resilience Strategy for Insurance —Director Lori K. Wing-Heier (AK)

This strategy represents how state legislators are coming together to work on resilience. This would take the existing work the task force has been doing and put it in a clear framework for NAIC to implement. This document highlights accomplishments, creates tools, focuses on authority and jurisdiction, and defends the state system. This has five major elements:

1. Identify and coordinate how they measure protection gaps to better understand reliability and empower commissioners to communicate on mitigation.
2. Create new blueprint for flooding insurance. There is a need for private flood insurance, and this will bring together examples of what states are doing to encourage flood insurance.
3. Understand how insurance is reacting to risk: is it retreating from risk or increasing deductibles?
4. Create and coordinate new resilience tools, such as grant programs or insurance pricing incentives.
5. Bring in Solvency Workstream work.

Indiana has concern about the lack of transparency with this document and the lack of opportunity for feedback. Director Wing-Heier said that there is no requirement for NAIC to put this out for comment and does not understand what this asks for insurers to do that is not being required somewhere else. Florida's concern is that data collection will not meet the goal to look at climate change. Director Wing-Heier explained that this document will be a living document. Commissioner Ommen questioned the process and the utilization of the document. This document will go to plenary for all members to vote on and they would use this document to communicate on resiliency strategies. There was significant conversation on whether this document should be commented on by industry. This is an internal document and an internal strategy. As the strategy moves forward, the task force will continue to have internal discussions.

Industry said this is not internal; it is a public document. There are specific concerns on protection gaps and concern that regulators and industry will be held to these standards and deserve time to review. Birny Birnbaum addressed criticisms of flood insurance and an absence of strategy to address failings of private insurance markets.

In the vote to adopt the strategy, Indiana voted no. Arkansas, Iowa, and Florida abstained. The motion carried. The task force requested ideas to be provided and emphasized that this is a living document. They will receive additional comments. The strategy is Attachment Four in the materials.

Receive an Update from the Solvency Workstream —Commissioner Kathleen Birrane (MD)

Commissioner Birrane deferred details, but she noted that the Workstream has developed a go forward strategy on a climate scenario analysis. This will be published and sent out because the Workstream plans to make a referral to the CAT Risk subgroup. There will be a public exposure and comment period. The Workstream will circulate the summary.

Special (EX) Committee on Race and Insurance

The Special (EX) Committee on Race and Insurance met on December 2, 2023. The agenda can be found [here](#) and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Summer National Meeting

Summer National Meeting minutes were adopted with no discussion. The meeting minutes can be found in Attachment One.

Adoption of 2024 Proposed Charges

The 2024 proposed charges were adopted with no discussion and can be found as Attachment Two.

Receive Status Report from Workstream

A. Property/Casualty Workstream

Commissioner Gaffney reported the workstream continues to focus on engaging in a collaborative manner on regulatory activities related to algorithmic bias, including engaging with other workstreams, and building on the foundational work of potential bias and marketing access to insurance underwriting. The group will continue to investigate the product life cycle further and look at recent studies and reports concerning the possibility of unfair bias in underwriting and rating.

The report was received by the Special Committee.

B. Life Workstream

Director French reported that in their last meeting, they heard 2 presentations. Colorado presented on the implementation of their algorithmic bias law and Oregon, Division of Financial Regulation, presented on its outreach sponsorship program, a collaboration with community partners to deliver financial education to consumers and underserved communities. A resource guide is expected soon that will be helpful to insurance departments looking to take action to improve access and understanding for underserved communities. The workstream hopes to leverage the regulator space currently being rolled out by the NAIC, NAIC Connect, as a place to connect and share information about the efforts to improve financial literacy and underserved communities.

The report was received by the Special Committee.

C. Health Workstream

Commissioner Arnold reported that they focused on mental health coverage in their most recent meetings. The group heard from consumer representatives regarding innovative approaches to engage communities of color on mental health topics. Also, they heard about the evolution of 332 waivers and continued to finalize collaboration space on NAIC connect. Documentation of past work will be uploaded on the platform, and it serve as place for discussion.

Commissioner Braine reported on the development of the Use of AI in Healthcare Survey. Looking to expose a draft to get feedback in early 2024.

The report was received by the Special Committee.

Receive Updates on the Member Diversity Leadership Forum

Evelyn Boswel provided an update that during the last quarter, they have been able to communicate with the DEI experts in each jurisdiction and share best practices with each other.

Veronica Murray presented the update for the Foundation of Diversity, Equity, and Inclusion for Regulators. In February 2023, a DEI training for regulators was launched. The goal was to: (1) understand diversity and inclusion, (2) cultural proficiency, and (3) diversity, equity, and inclusion in the workplace. Over 1,000 regulators registered for the training. During the quarterly meeting, the group heard a presentation about the education of the deaf and hard of hearing and a proposed pipeline program.

Chandara Phanachone spoke about the collaboration with the life insurance work stream on the resource guide created to foster financial literacy for underserved communities. The membership requested a focus on collaborating and sharing best practices. Another focus area is engagement and community building with the NAIC.

Presentation from the Insured Retirement Institute (IRI): “NAIC’s Recommended DEI Actions at Work in the Insured Retirement

Christina Brady and Shani Armon (Insured Retirement Institute) co-presented on the similarities between the IRI initiatives and the NAIC Work Stream recommendations. IRI shared how they have been able to develop and explore DEI initiatives in their programs.

IRI is active with the following groups: (1) Financial Alliance for Racial Equity and (2) Coalition for Equity in Wholesaling. These groups create connections with diverse student talent and employers.

Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee meeting took place on Sunday, December 3, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Nov. 21 Minutes —Director Judith L. French (OH)

The November 21 meeting minutes were adopted without discussion and can be found at Attachment One of the [meeting materials](#).

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

First, after discussion, the Task Force re-exposed an amendment proposal form to appropriately consider volatility of equity or equity-like assets. The Task Force also continued work to develop a replacement economic scenario generator and received an update on the economic scenario generator timeline. The report was adopted without comment and can be found in the [meeting materials](#).

Hear a Federal Update on the Proposed Retirement Security Rule: Definition of an Investment Advice Fiduciary—Taylor Walker (NAIC)

On December 31, the DOL released its Proposed Security Retirement Rule, updating the definition of an investment advice fiduciary under ERISA. This was published in the Federal Register on November 3, 2023, with a 60-day comment period. Comments are due January 2, 2024. In response, the NAIC did release a press statement, stating that it fundamentally disagrees with the White House’s characterization of state consumer protections for annuity products.

As to key changes, the proposed rule would expand the definition of an investment advice fiduciary and would remove the 5-part test for determination of a fiduciary status. PTE 84-24 would be tailored for use by independent insurance agents. An insurer would no longer be considered a fiduciary; instead, the independent producer would be required to act as a fiduciary, and the insurer would be responsible for exercising supervisory authority over the independent agent’s recommendation. The amendments would create a new requirement for investment professionals to provide a written statement of the best interest standard of care to the retirement investor.

The membership approved the suitability model clarifying that all recommendations must be in the best interest of the consumer. Iowa stated that the NAIC should comment on the rule proposal; the underlying premise of the newest effort is based on information that is just not correct. It misunderstands annuity suitability revisions. The DOL has not met with the NAIC.

Interested parties spoke. Marc Cadin explained that holistic plans are best for consumers. The DOL fiduciary rule will dramatically impede access to holistic financial advice. State guidance is adequate. The rule will reduce access and will make it harder to diversify the profession.

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee met on December 2, 2023. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Nov. 2 and Summer National Meeting Minutes

The Summer National Meeting and November 2, 2023 minutes were adopted with no discussion.

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

The Subgroup, Working Group, and Task Force Reports were adopted with no discussion.

Update from the Consumer Information (B) Subgroup on Work Regarding Consumer Education on Claim Appeal Rights

LeAnn Crow reported the group has continued its work on consumer guides. The group has revised and updated 4 brief guides. The titles of the guides are as follows: filing health insurance claims, exemption of benefits, understanding medical necessity, and how to appeal a denied claim. The guides are intended to be a resource for consumers. The documents are now available on the NAIC subgroup webpage.

The group plans to work on new guides in the coming year to help consumers navigate the denial of a prior authorization.

Discussion on State-Based Exchange (SBE) Activities:

Gregg Conley (Georgia Access Exchange) spoke on the challenges faced by residents of Georgia in obtaining health insurance. Marketplace enrollment significantly decreased from the 2016 peak. This led to fewer insurance companies that were willing to participate in the marketplace. The state made several efforts to increase healthcare enrollment. Several studies were conducted to understand and improve the market for consumers. This information was used to tailor marketing plans to encourage enrollment in the Georgia Access Exchange.

Kevin Patchett (Virginia Insurance Marketplace) spoke about the status of the Virginia Insurance Marketplace. The goal is to provide health plan shopping and enrollment services for individuals and families in Virginia. The state also offers a stand-alone dental plan coverage. The state recently transitioned from Healthcare.gov to the Virginia Insurance Marketplace. The state is expecting to maintain the growth in enrollment numbers and see an increase in enrollment as well.

Federal Update on Pharmacy Benefit Managers (PBMs), Medicare Advantage (MA) Marketing, Federal Regulations, and Federal Court Cases

Brian Webb spoke about congressional updates regarding PBM's and MA marketing. Six different committees in the House and Senate passed legislation that included PBM provisions. The NAIC does have a white paper on the topic. Medicare Advantage improper marketing issues have been discussed. The Senate Finance Committee has completed reports, but there has been no further progress. State regulators have discussed the topic. CMS has revised some of their regulations. There is legislation tracking for association health plans, ship funding, COBRA, and Medicare secondary payer issues.

Regulations and federal court cases are also being monitored and tracked that are in relation to the issues discussed above.

Update from the federal Centers for Medicare & Medicaid Services' (CMS') Center for Consumer Information and Insurance Oversight (CCIO) on its Recent Activities, including its Medicaid Redetermination Efforts

Dr. Monse provided a status update on the unwinding and redetermination processes as a result of the conclusion of the COVID-19 public health emergency. Also, provided updates regarding coverage transitions to the marketplace. It is noted that transitions are easier now because of affordability. Significant growth in enrollment has occurred, and it shows the impact of outreach and implementation of new policies. Concerns were expressed about the affordability of plans in the marketplace once subsidies are no longer available. Also, provided discussion on the Notice of Benefit and Payment Parameters 2025 proposed rule.

Discuss Committee Activities and Accomplishment Related to its Priorities for the Year

Director Anita G. Fox reviewed the work of the committee from the previous year including but not limited to the following topics: medical adequacy issues, Medicaid unwinding, PBM regulations, and claim denials.

Regulatory Framework (B) Task Force

The Regulatory Framework (B) Task Force met on December 1, 2023. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Sept. 29 and Summer National Meeting Minutes

The Task Force previously met at the NAIC Summer National Meeting and a Virtual Meeting on September 29, 2023. The minutes from the meeting were adopted with no discussion and can be found as Attachment One [here](#).

Consider Adoption of its Subgroup and Working Group Reports

The Subgroup and Working Group minutes were adopted.

Presentation on the Results and Impact of the Copay Accumulator Adjustment Programs

Carl Schmidt gave an update on the copay accumulator adjustment programs lawsuit. The case was brought against the U.S. Department of Health and Human Services by the HIV+Hepatitis Policy Institute, Diabetes Leadership Council, Diabetes Patient Advocacy Coalition, and three patients who depend on copay assistance. The suit was filed to end a policy that prohibits copay assistance from counting toward patients' out-of-pocket spending. The two claims made in the lawsuit were (1) ACA violations and (2) Arbitrary and Capricious. The requested relief was to set aside the 2021 provision. Both sides were supported with Amicus briefs. The final decision was favorable to the plaintiffs, and the rule is stricken. The rule was determined to be arbitrary and capricious. The court struck down the rule that allowed health insurers to not count drug manufacturer copay assistance towards a beneficiary's out-of-pocket costs. It is not seen as a complete victory because the ACA law is not clear. Next steps will include asking for state and federal enforcement of the decision and future congressional and state legislation on the matter. Copay assistance must count for brand-name drugs with no equivalent.

Presentation on "Cost: The Greatest Barrier to Access" – Jessica Brooks-Woods (National Association of Benefits and Insurance Professionals (NABIP))

Jessica Brooks-Woods' presentation focused on the cost of health care and its impact on access. 91.4% of the US population is insured, but about half of U.S. adults say they have difficulty affording health care costs. Healthcare debt is a burden for a large share of Americans. Just having insurance coverage is not enough; the question is can a person access healthcare? Cost trends show that the cost of premiums is the primary barrier to a person obtaining healthcare. Employer health insurance costs have increased, and this caused a shift to self-insured plans. It is important to note that the cost of insurance premiums is not the only cost to Americans; there is a real

opportunity cost to a person accessing healthcare. Also, the cost of health inequity burdens racial and ethnic minority groups. The next steps include: (1) identifying the true cost drivers, (2) giving attention to the plight of the underinsured, and (3) focusing on social determinants of health.

Mental Health Parity and Addiction Equity Act (B) Working Group

The Mental Health Parity and Addiction Equity Act (B) Working Group met on Saturday, December 2, 2023 at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Hear a Panel Discussion on the Tri-Departments' Proposed Rule on Mental Health Parity

The comment period with extension for the Mental Health Parity proposed rule has closed, and the working group is in the process of reviewing all comments.

First question to the panel: As proposed, the rule would require the non quantitative treatment limits comply with the predominant and substantially all tests meaning any limit for behavioral health could be no more restrictive than the predominant limit that applies to substantially all of the medical benefits in the same category. Did your organization recommend any changes to this approach?

- AHIP: Stringer stated that AHIP believes that the 2/3s requirement that is operationalized through the substantially all predominant test would benefit patients. In fact, AHIP agrees with NAIC's comment letter that applying these tests would add significant complexity and burden to compliance without proportional benefits and consumer access to care.
- AHIP: Berry echoed Stringer's concern and stated that overall AHIP is concerned about the ability to improve access affordability and availability of care.
- American Psychiatric Association: Clement stated that the Association recommends skipping the predominant piece of the test.
- Kennedy Forum: Finke stated that the Kennedy Forum has been supportive of applying the substantially all prominent test, even while recognizing it could take some time to be effective.

Second question: How could the final rule lower the burden while still protecting consumer access to care?

- AHIP: Stringer stated that addressing current design and application requirements would be more efficient and workable for plans as opposed to implementing a wholesale change that hinges the ability to apply. Overall, this would boil down to a math test rather than what is clinically appropriate.
- American Psychiatric Association: Clement countered that he still believes that there are ways to do most forms of utilization review and pass the substantially all test.

Third question: Do your organizations believe the proposed exceptions under the proposal are necessary and appropriate?

- American Psychiatric Association: Clement stated that his organization would like to see the departments finalizing the proposed rules to put more structure and narrowness into what qualifies fraud waste and abuse. Regardless, he believes, as they're currently worded, there's a lot of room for potentially anything to fit into the exceptions.
- Kennedy Forum: Finke stated her organization believes the independent professional medical and clinical standards for combating fraud waste and abuse should be embedded into the existing and proposed requirements within that framework. The departments can then put in place additional safeguards that allow plans to use those standards to fight fraud and waste abuse.
- AHIP: Stringer stated that the concern from the plan perspective is what sources would qualify as an index of fraud waste and abuse that has been reliably established as applied to the proposed rule.

Fourth question: The proposal would require plans and issuers to collect and analyze a range of outcome data and act when disparities are present between behavioral health. In medical and surgical services, what are your recommendations for the most important data elements for regulators to look at and what additional context should be included along with the outcomes data?

- The Kennedy Forum: Finke stated her organization is in support of the provisions to require plans to collect and evaluate relevant data to assess the impact on non health and substance use disorders, as well as tying the type, form and manner of collection evaluation of data to guidance that can be periodically updated so the collection of data using standardized definitions is important for assessing compliance.
- AHIP: From the health plan perspective, members need to know what data you're looking for, whether that's federal or state regulators, so the correct information can be given the first time around.
- American Psychiatric Association: Clement agreed with Stringer, but also stated that it would be interesting to see some matching between the substances providers and medical surgical providers where there are acute shortages and see what the out of network utilization rates look like across the two provider types, as well as reimbursement.

Fifth question: If the proposal is finalized, should regulators require standardized outcomes needed to be collected and reported or allow plans and issuers to develop their own data definition?

- The Kennedy Forum: Finke stated that yes, the standard definitions as outlined should be used.
- AHIP: Stringer stated that AHIP has submitted extensive comments to the department on the types of outcome data that would be most meaningful in evaluating parity. Additionally, if federal regulators require standardized outcomes data in the final rule, AHIP's view is that it would be most efficient for state regulator requirements to be consistent with those metrics or at least deem federal compliance as being compliant with each state's requirements.
- American Psychiatric Association: Clement agreed with AHIP's views.

Senior Issues (B) Task Force

The Senior Issues (B) Task Force meeting took place on Friday, December, 1, 2023 at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Oct. 30 and Summer National Meeting Minutes— Cabinet Executive Officer Barbara D. Richardson (AZ)

The meeting minutes were adopted without discussion. The October 30 meeting minutes can be found [here](#), and the Summer National Meeting minutes can be found [here](#).

Questions for Representatives from the Centers for Medicare & Medicaid Services (CMS)— Megan Mason (CMS) and Johnathan Slade (CMS)

Ashley Hashem appeared for CMS. Ms. Hashem was asked if the guidance from August 27, 2002, is still being relied upon for innovative benefit designs for Medicare supplement plans. Hashem answered that this was the most recent, but there have been a few updates. Ms. Hashem also discussed the marketing regulations of CMS. Marketing ads are being reviewed by CMS. CMS is cleaning up advertisements, so the advertisements will not go away but they are more generic—for example, the ads are not targeting Part B buy back or flex cards. By reviewing prospectively, CMS has disapproved two thirds of all third party marketing organization submissions. CMS does not regulate frequency. They review regular mail on a retrospective review basis, but it has increased efforts to review more. Iowa commented about CMS oversight of Medicare Advantage.

Receive an Update from the Long-Term Care (EX) Task Force on its Work on Reduced Benefits Options (RBOs)—Shannen Logue (PA) and Jeff Czajkowski (Center for Insurance Policy and Research—CIPR)

In 2020, the Task Force drafted the RBO principles and concerns were voiced regarding how rate increase options were being communicated. As a result, the Task Force started working on RBO communication principles. The Task Force worked closely with a number of states to think through the different questions. There were over 100 comments on the checklist, and the checklist was narrowed down to 50 questions. Earlier this year, the Task Force heard there were opportunities to improve on the checklist. The LTC Wellness Issues were drafted as well to identify opportunities for compliance concerns. Regarding the checklist, the major change was clarity and providing clearer specifications and examples. The Task Force also adopted corrections to grammar. Finally, it added a customer experience consideration, added storing paper notice in safe places, and added a Third Party Notifier question. The PowerPoint can be found [here](#) as Agenda Item 3.

Jeff Czajkowski discussed new research. The CIPR conducted a survey to departments of insurance about RBO Principles, the RBO Communication Checklist, and future directions for LTCL research. Over half said they were using some of the RBO Principles. 14 states said they were using the checklist. For those using the checklist, states said that understanding policy options and communication touch and concern were the most helpful categories. States want more research on consumer choices and understanding of RBO options. CIPR plans to implement research to assess choices in LTCL and RBO Communication Principles. The PowerPoint can be found [here](#) as Agenda Item 3.

Hear an Update from FTI Consulting on Minnesota’s Own Your Future Initiative—Steve Schoonveld (FTI Consulting)

The goal of the study was to improve access to Long-Term Services and Supports (LTSS) for Minnesotans that do not qualify for Medicaid. Half of the population had family income under \$50,000. The study created three separate recommendations. The first is a recommendation of a state developed and centralized care navigation and support structure for older adults. This allows Minnesotans support to find providers or to learn how to provide care themselves. This is meant to help individuals to stay in their homes. Recommendation two is a Medicare companion product. There are eight providers that are helping 90% of Minnesotan dual eligibles. These provide acute and long term care. The Medicaid payor is replaced with private/public LTSS insurance options. Recommendation three is a catastrophic-lite state based program, which would be funded by a payroll tax. Recommendation one appears to be the biggest potential for improvement. There are task forces in the legislature to prepare for the increase in Medicare eligible individuals coming. This is a specific solution for Minnesota.

They have looked at all different options – hybrid, public, private, etc. By 2030, there will be a massive increase due to baby boomers. Schoonyeld also made it clear that there is no option to opt out of anything under these recommendations. This is a very important topic. The PowerPoint and other related items can be found here as [Agenda Item 4](#).

Discuss Any Other Matters Brought Before the Task Force—Cabinet Executive Officer Barbara D. Richardson (AZ)

North Dakota asked other states about changes with MACRA. North Dakota is hearing from agents that if a consumer loses their cost plan that obviously they qualify for guarantee issue open enrollment, but they are now being told that individuals cannot purchase a Plan G because they were eligible for C and F prior to January 1, 2020. Prior to this date, individuals that turned 65 could go into any plan, so North Dakota is curious about this issue.

A NAIC Consumer Representative discussed a change to the Medicare Part D program. For expensive drugs, many don't realize there will likely be a need for preauthorization. In addition, five million seniors have dementia, so many have issues with Medicare enrollment. Medicare advantage allows enrollees an additional period to switch plans. People enrolled in Medicare Part D should get the same option.

Health Innovations (B) Working Group

The Health Innovations (B) Working Group met on Friday, December 1, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Summer National Meeting Minutes

The Working Group voted to adopt the Summer National Meeting minutes as presented. The meeting minutes can be found [here](#).

Hear a Presentation on the State AHEAD Model

Emily Moore presented on the State AHEAD Model that is intended to collaborate with states to improve population growth, advance health equity by reducing disparities in health outcomes, and curb health care cost growth. The presentation can be found [here](#).

Hear an Update on Value-Based Care

Mollie Gelburd presented on value-based care. Overall, Gelburd suggested that states stop focusing on volume by having medical professionals see, on average, 18 patients a day, and instead focus on delivering the right type of care in order to reduce costs and improve quality. Gelburd also provided AHIP recommendations that included:

- Cross Sector Partnerships
- Quality Measure Alignment
- Enable VBC to Reduce Health Inequities
- Maintain Flexibility to Innovate
- Leverage VBC to Help Lower Costs and Increase Quality of Care.

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

Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance Committee met on Sunday, December 3, 2023. The agenda and meeting materials are [here](#). Below is a summary of the meeting:

Adoption of 2023 Summer National Meeting Minutes

The Summer National Meeting minutes were adopted with no discussion and can be found as Attachment One to the meeting materials.

Adoption of its Task Force and Working Group Reports and Minutes

The Task Force and Working Group reports and minutes were adopted with no discussion.

Adoption of its 2024 Charges

The 2024 Committee Charges were adopted without discussion.

Presentation on Use of Telematics in Auto Insurance

Tony Cotto (NAMIC), Dave Snyder (APCIA), and Ryan McMahon (Cambridge Mobile Telematics) presented on the use of telematics in the auto insurance market. Tony Cotto emphasized that NAMIC members strive for accuracy and that the primary objective is to match the rate to the risk as closely as possible. Usage based insurance programs are voluntary; the policyholder must opt in to participate. Not all insurance companies use the same data elements. The increased availability of usage-based insurance programs is due to the increased consumer demand for the programs. The group is optimistic about the positive impact of telematics and its ability to increase road safety.

Ryan McMahon spoke about the use of telematics and its ability to make the world's roads and drivers safer. The technology is used to reduce crash risk and assess risk. It also provides feedback to the driver on their driving skills. The information is primarily collected from smartphones and IoT sensors. The use of telematics has a positive rate impact for consumers.

Presentation related to Third-party Litigation Funding

Bob Sampson, Ginamarie Alvino, and John Bauer (Riverstone) presented on the impact of third-party litigation on the insurance industry and the civil litigation system. Third-party litigation funding is being used to finance mass tort cases nationwide. The group raised several concerns with the use of the third-party litigation funding such as: the lack of rules requiring disclosure and the lack of transparency with the plaintiffs and the law firms. Some federal courts and state legislators have made steps to address the issues relating to the use of third-party funding, but the group is urging that more steps should be taken.

Discuss Status of State Regulator Property Insurance Data Call

Alan McClain spoke about the progress of the drafting group and the data that would be needed to answer specific regulatory questions. The committee is focused on assisting regulators in better assessing their market and insurer underwriting practices developing property market data intelligence. The information will be used to understand how markets are performing and to identify potential coverage gaps. A data template was created and sought industry feedback. Once the interested states sign on to the data call, a letter will be sent to the requested insurers.

Market Regulation and Consumer Affairs (D) Committee Meeting

The Market Regulation and Consumer Affairs (D) Committee met on Sunday, December 3, 2023 at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Summer National Meeting Minutes Attachment One

The Committee voted to adopt its Summer National Meeting minutes as proposed.

Consider Adoption of its 2024 Proposed Charges

The Committee adopted its 2024 proposed charges.

Consider Adoption of Revisions to the Unfair Trade Practices Act 880

The Committee adopted revisions to the Unfair Trade Practices Act 880 in order to provide state insurance departments with the means to regulate lead generators and gain a new level of consumer protection. The model revisions include a new definition of health insurance lead generator and clarify that health insurance lead generators are prohibited from engaging in unfair trade practices set forth in the model.

Consider Adoption of the Market Conduct Annual Statement Revision Process

The Committee adopted updates to the Market Conduct Annual Statement (MCAS) revision process. To provide sufficient time for the Working Group to review, discuss, and consider MCAS reporting data calls and definitions for new lines of business, substantial additions, and/or changes to existing lines of business. Drafts will be provided to the Working Group on or before April 1st annually.

Consider Adoption of Revisions to the Market Regulation Handbook Attachment Five Chapter 23—Conducting the Life and Annuity Examination

The Committee adopted revisions to the Market Regulation Handbook Chapter 23—Conducting the Life and Annuity Examination to support state insurance regulators' assessment of compliance with the standards of the revised Suitability in Annuity Transactions Model Regulation 275.

Consider Adoption of New Travel Insurance Standardized Data Requests

The Committee adopted a new travel insurance in-force standardized data request (SDR) and travel insurance claims SDR revisions. The SDRs will become incorporated into the NAIC Market Regulation Handbook for states to voluntarily use during market conduct examinations.

Consider Adoption of its Task Force and Working Group Reports

The Committee adopted the reports of its task forces and working groups:

- the Antifraud (D) Task Force;
- the Market Information Systems (D) Task Force;
- the Producer Licensing (D) Task Force;
- the Market Analysis Procedures (D) Working Group;
- the Market Conduct Annual Statement Blanks (D) Working Group;
- the Market Conduct Examination Guidelines (D) Working Group;
- and the Speed to Market (D) Working Group.

Hear a Presentation on Public Access to MCAS Data and Improving Data Collection and Related Tools for Market Analysis

Birny Birnbaum presented on public access to MCAS data and improving data collection. Birnbaum's overall recommendation was to modernize the statistical agent reporting infrastructure to capture the needed data and provide regulators with improved analytical tools.

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

Antifraud (D) Task Force

The Antifraud (D) Task Force met on Saturday, December 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Oct. 20 Meeting Minutes

The Task Force voted to adopt its October 20 minutes as presented. The minutes can be found [here](#).

Discuss the Unfair Trade Practices Model Act (Model #880)

The Improper Marketing of Health Insurance Working Group began working on amendments to Model 880 for the purpose of reviewing existing models and guidelines to address the use of lead generators for sales of health insurance products and identifying models and guidelines that needed updating. The following amendments to Model 880 were proposed and adopted by the Task Force:

- Revisions to Section 2:
 - Definitions: (E) “Health Insurance Lead Generator.” The term “entity” will be replaced with “person,” which is defined in Section 2.
- Revisions to Section 4:
 - Unfair Trade Practices Defined (C) will be included, which states, “Failure to Maintain Marketing and Performance Records. Failure of a health insurance lead generator to maintain its books, records, documents, and other business records in such an order that data regarding complaints and marketing are accessible and retrievable for examination by the insurance commissioner. Data for at least the current calendar year and the two (2) preceding years shall be maintained. Failure to do so shall constitute a violation of (INSERT STATE STATUTE).”

The draft model can be found [here](#).

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

The Improper Marketing of Health Insurance Working Group met on December 2nd and adopted the Summer NAIC minutes and heard a presentation from the Federal Centers for CMS on the 2025 Medicare Advantage and Part D proposed rule and decided to open a comment period until January 5, 2024. The Working Group also heard a presentation from Insurance Care Direct on an agent transfer issue that all jurisdictions are currently experiencing. The report can be found [here](#).

Update from the Antifraud Technology (D) Working Group — Armand Glick (UT) 2

Armand Glick provided several reports for the Antifraud Technology (D) Working Group. First, Glick had the opportunity to attend the Global Insurance Fraud Summit in Scotland this past October and sat on a panel that was moderated by Matthew Smith from the Coalition against Insurance Fraud and represented the NAIC in discussing transactional insurance fraud. There were several recommendations given from the panel including:

- A presentation emphasizing the need to collaborate and exchange information on a national level; and
- A presentation regarding the idea of starting a fraud work stream with the Global Federation of Insurance Association.

Next, Glick hosted the National Fraud Directors Conference in October, and the following topics were discussed:

- Training on new and developing technologies and fraud schemes;
- The importance of attending the Spring meetings by fraud directors; and
- The need for fraud directors to create an investigator certification program.

Finally, Glick reported that the Working Group's completion of the Antifraud Plan Repository is currently in queue with the NAIC information systems staff.

Hear Reports from Interested Parties—Commissioner Trinidad Navarro (DE) A. Coalition Against Insurance Fraud (CAIF)

Eric DeCampos from NICB provided an overview of auto glass fraud and the impact of no-deductibles from a Florida case study. The NICB formed a "Fix the Cracks" coalition which is a public education campaign to warn consumers about fraudulent business practices by glass shops as well as an advocacy campaign to eliminate assignments of benefits, prohibit inducements, and require glass shop notification requirements for ADAS repairs.

Matthew Smith from CAIF gave a report from the Global Insurance Fraud Summit, including the adoption of a worldwide definition of insurance fraud: "The intentional wrongful attempts to obtain or withhold benefits involving insurance transactions." CAIF has also released three new infographics: 1) on what insurance fraud is 2) specifically on life insurance fraud and 3) specifically on disability. Finally, CAIF has released a new study on worker's compensation fraud in the US.

Improper Marketing of Health Insurance (D) Working Group

The Improper Marketing of Health Insurance (D) Working Group met on December 2, 2023. The agenda can be found [here](#). Below is a summary of the meeting:

Adoption of its Summer National Meeting Minutes

The Summer National Meeting minutes were adopted with no discussion.

Presentation on 2025 Medicare Advantage (MA) & Part D Proposed Rule

Ashley Hashem gave a presentation on the 2025 Medicare Advantage and Part D proposed rule. 22 provisions were made to the 2024 rule for marketing and advertising for Medicare Advantage and Part D. The ads are more streamlined. Medicare is now requesting to review third party advertisements before airing on television. This change has made a big difference. The 2025 proposed rule is centered around agent and broker compensation. It is believed that some of the added extras to agent and broker compensation are incentivizing agents to enroll beneficiaries in larger plans. The goal is for people to be enrolled in plans that best fit their needs. The new proposed rule will broaden the definition of compensation and set a standard rate for compensation.

Presentation on Agent Transfer Issues

John Doak (Insurance Care Direct) spoke on agent of record transfers for ACA plan issues. Consumers who purchase ACA plans have been transferred numerous times to various insurance companies. Policies are being transferred to different insurance companies without the policyholder's knowledge. To showcase the severity of the issue, the speaker gave an example of a policyholder whose policy has been transferred 17 different times. State regulators and commissioners are urged to determine how many of their constituents are being affected by these transfers. It was emphasized that this is a carrier issue, and it needs to be addressed by the insurance carriers. The issue has been brought to the attention of CMS, but John Doak urged the involvement of the NAIC to help address the issue. The lack of suitability of the insurance policies that are being constantly transferred to other carriers is a cause of concern.

The Working Group discussed the issues presented by Insurance Care Direct with industry representatives and CMS. The group discussed the importance of regulator meetings with CMS concerning the issue along with a discussion in a public forum with industry representatives and leaders to ensure consumer protection.

Financial Condition (E) Committee

The Financial Condition (E) Committee met on Sunday, December 3, 2023. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of October 25 and Summer National Meeting

The October 25th meeting minutes were adopted with no discussion.

Adoption of Task Force and Working Group Reports

The Task Force and Working Group Reports were adopted with no discussion.

Consider Adoption of Qualified Jurisdictions and Reciprocal Jurisdictions

Superintendent Elizabeth Dywer stated the process for evaluating qualified and reciprocal jurisdictions was updated in 2019, and the working group moved from doing a full review of the jurisdictions every 5 years to now performing a due diligence review every year. The working group reapproved the status of the 7 existing qualified jurisdictions and 3 reciprocal jurisdictions that are not subject to an in-force bilateral agreement between the United Kingdom on credential measures regarding insurance and reinsurance, referred to as the UK covered agreement.

The listing of qualified jurisdiction and reciprocal jurisdictions was adopted by the Committee.

Receive Oral Comments on the Framework for Insurer Investment

The Committee heard general comments stemming from previously submitted written comments on the draft Framework for Insurer Investments regulation from the following:

- A. Aaron Sarfatti—Equitable
- B. Carrie Haughawout—American Council of Life Insurers (ACLI)
- C. Christopher Anderson—Anderson Insights
- D. Daren Moreira—American Investment Council (AIC)
- E. Joe Engelhard—Alternative Credit Council (ACC)
- F. John Golden—Athene
- G. Amnon Levy—Bridgeway Analytics
- H. John Garrison—Lease-Backed Securities Working Group
- I. Francisco Paez—MetLife
- J. Fred Andersen—Minnesota Department of Commerce
- K. Richard Cantor—Moody’s Investor Services
- L. Colleen Scheele—National Association of Mutual Insurance Companies (NAMIC)
- M. Lindsay Crawford—Nebraska Department of Insurance (DOI)

- N. Jennifer Webb—Pacific Life Insurance Company (Pac Life)
- O. Edward Toy—Risk & Regulatory Consulting (RRC)
- P. Douglas C. Stolte—Commonwealth of Virginia

Accounting Practices and Procedures (E) Task Force

The Accounting Practices and Procedures (E) Task Force meeting took place on Saturday, December 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Summer National Meeting Minutes—Jamie Walker (TX)

The Summer National Meeting Minutes were adopted without comment. A copy of the minutes can be found [here](#) as Attachment One.

Consider Adoption of its Working Group Reports

A. Statutory Accounting Principles (E) Working Group—Dale Bruggeman (OH)

The Working Group met on December 1, 2023, and adopted its previous meeting minutes. It also adopted revisions to clarify that investments that are in substance residual interests should be reported on Schedule BA on the dedicated reporting lines for residuals effective year-end 2023. There are multiple residual agenda items in this period—all aimed at improving accounting and reporting. The Group adopted annual statement instructions to update and remove guidance that has permitted allocation of non-interest-related losses to the IMR with an effective date of January 1, 2024.

The Group exposed several statutory accounting principle concepts, which are in the materials. Bruggeman highlighted revisions to expand the transparency of reporting for collateral loans on Schedule BA to enable state regulators to identify the type of collateral that supports admittance of collateral loans and exposed revisions for proposed guidance for investments in tax credits. It exposed revisions to further define for consistency purposes the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests be reported based on the underlying characteristics of assets. The Group exposed revisions to reject CECL within INT 06-07 and 15 applicable SSAPs. The Group exposed INT 23-04 to provide accounting and reporting guidance for ceding entities with the life insurance counterparty, Scottish Re, in liquidation. This requires following existing life reinsurance guidance and non-admission of unpaid claims and other amounts that are in dispute or not collateralized by an A-785 compliant trust. It allows admission of any undisputed claims occurring before contract cancellation, and paid before the reporting period, and undisputed amounts that are secured by an A-785 compliant trust. The Group moved two items to the disposed listing and established a long-term project to incorporate accounting guidance for AVR and IMR. The Group received updates on US GAAP exposures, the Life Actuarial Task Force coordination memorandum, and NAIC staff monitoring of several activities.

Bruggeman also highlighted a few items in the interim activity meeting minutes. The Group adopted revisions that clarify that pledged collateral must qualify as an admitted invested asset for a collateral loan to be admitted. The revisions require audits and the use of fair value for valuation assessments when the pledged collateral is in the form of partnerships, limited liability companies, or joint ventures. The Group also adopted INT 23-02 for a corporate alternative minimum tax and INT 23-03, which provides guidance effective beginning year-end 2023 for the reporting of the corporate alternative minimum tax.

The report was adopted without further discussion. The full report can be found at Attachment Two of the [meeting materials](#).

B. Blanks (E) Working Group—Pat Gosselin (NH)

The Group met on November 7, 2023. During the meeting, the Group adopted its July 27 minutes. It also re-exposed two proposals for an additional public comment period. The first was on the cybersecurity supplement and the second was on Schedule BA reporting categories. It also adopted two proposals: one on the Schedule D bonds reporting updates and the other on the legal entity identifier. It exposed three new items for a 75-day public comment period ending January 22, 2024. It received memorandums from the SAPWG: (1) SAPWG INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve (IMR) and (2) Statutory Accounting Principles (E) Working Group Year-end updates, including Payment in Kind (PIK) Interest Disclosure Clarification, Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax (effective the third quarter of 2023 only), Inflation Reduction Act – Corporate Alternative Minimum Tax (effective year-end 2023 reporting and thereafter), Residuals in SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies investments, and Removal of transition guidance from SSAP No. 92—Postretirement Benefits Other Than Pensions and SSAP No. 102—Pensions. The Group also adopted editorial listings and approved the state filing checklist templates.

The report was adopted without further discussion. The full report can be found at Attachment Three of the [meeting materials](#).

Discuss Any Other Matters Brought Before the Task Force—Jamie Walker (TX)

There were no other matters.

Statutory Accounting Principals (E) Working Group

The Statutory Accounting Principles (E) Working Group meeting took place on Friday, December, 1, 2023 at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

SAPWG Hearing – Adoption of Minutes—Dale Bruggeman (OH)

SAPWG adopted the following meeting minutes without comment: Summer National Meeting (Attachment 1), Sept. 21, 2023 (Attachment 2), Oct. 23, 2023 (Attachment 3), Oct. 24, 2023, E-Vote (Attachment 4), and Oct. 31, 2023, E-Vote (Attachment 5). The meeting minutes can be found in the [hearing materials](#).

SAPWG Hearing – Review of Comments on Exposed Items—Dale Bruggeman (OH)

• **Ref #2019-21: Principles-Based Bond Definition**

At the Summer National Meeting, the principles-based bond definition was adopted. All of these materials, SSAP 26R, and SSAP 43R are publicly posted. In the interim, the Blanks Working Group adopted the reporting to split schedule D1 into two schedules as well as the other revisions to the investment schedule that spurred from this project. All documents are now publicly posted, and the goal is to roll out training in January.

In addition, during the 2023 Summer National Meeting, the Working Group exposed revisions to SSAP No. 21R—which details guidance for debt securities that do not qualify as bonds as well as the accounting for residual tranches. Interested parties noted a disconnect between guidance for residuals and the measurement method because there are different effective dates. Once the bond definition is effective, staff will refer to guidance. There were no comments on guidance for debt securities that do not qualify as bonds, but parties did provide comments on the measurement method of residuals. What was exposed was a cost recovery method; interested parties wanted to propose two other options: (1) using servicer reports to determine what portion was interest and what was return of principal and (2) the effective yield with cap method. NAIC has proposed a revised SSAP No. 21R document, which incorporates the effective yield with cap method that is slightly revised from the original comment as well as a practical expedient to allow the cost recovery method. Industry also made comments on impairment guidance, and this has been revised. The staff recommended exposure of revised SSAP No. 21R with a shortened comment period of January 22, 2024, because Schedule BA reporting revisions are currently exposed by Blanks Working Group, and staff would like to adopt this before that is considered.

Global Atlantic thanked staff for collaboration. The new exposure appears to show alignment with the big concepts. Global Atlantic is looking forward to reviewing the exposed draft.

The summary can be found at Page 2 and Attachments 6 and 7 of the [hearing minutes](#).

- **Ref #2022-12: Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement**

The Working Group exposed this to allow for additional comments and examples from industry at the last meeting. Industry provided useful examples, and NAIC staff recommends that the Working Group defer action and direct NAIC staff to continue to work with interested parties on a proposal for discussion at the Spring National Meeting. Additional items need to be worked out before there will be a proposal for the Working Group discussion. The summary can be found at Page 6 and Attachments 8 and 9 of the [hearing materials](#).

- **Ref #2022-14: New Market Tax Credits**

Ref #2022-14 was drafted in response to the Inflation Reduction Act and subsequent issuance of ASU 2023-02, which admitted gap guidance on the application of the proportional amortization method for income tax equity investments. Since the additional discussion circulated in 2022, the project has been expanded by broadening the exposure of SSAP No. 93 to include any qualifying tax credit investment regardless of the structure or the type of state or federal tax program. On September 29, staff received comments from parties.

NAIC staff recommend that the Working Group expose additional revisions described in Form A to SSAP No. 93 and SSAP No. 94R. Staff also recommends that the Working Group expose changes to SSAP No. 34— Investment Income Due and Accrued and SSAP No. 48— Joint Ventures, Partnerships and Limited Liability Companies, which detail miscellaneous changes which update the scope of each statement for the proposed updates to SSAP No. 93 and SSAP No. 94R. There are several key revisions to SSAP No. 93R and 94R proposed for exposure. For SSAP No 93R, staff has created a glossary of key terms and made editorial changes to the paragraph 18 admittance test. The effective date is proposed to January 1, 2025, without the option to early adopt. Staff also added a paragraph to the Impairment of Tax Credit Investments section and added additional disclosures for unused tax credits. For 94R, the effective date is now January 1, 2025, with early adoption allowed. Staff added language to clarify that awarded tax credits are not within the scope of SSAP No. 94R and added guidance to the Accounting and Disclosure sections.

NAIC staff is requesting comments on the annual statement reporting categories for tax credit investment RBC. The summary can be found at Page 9 and Attachments 10 through 13 of the [hearing materials](#). Staff requested that these changes be exposed.

Lauren Tonetti from Nationwide made comments about admittance tests. Specifically, Nationwide is suggesting broadening the language and looks forward to working with staff. This was exposed with the modifications.

- **Ref #2023-14: SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve**

This is a formality to incorporate a long-term project to pull in the IMR and AVR guidance that currently is in annual statement instructions in SSAP No. 7. This previously pointed to the annual statement instructions, but this accounting guidance should reside in the statutory accounting principles. ACLI was supportive of this project. NAIC Staff recommend that the Working Group establish a long-term project to capture accounting guidance for AVR and IMR in SSAP No. 7. NAIC staff noted that revisions will be impacted by the IMR Ad Hoc Group discussions and timeframe. The summary can be found on page 14 and Attachment 14 of the [hearing materials](#). There was no action.

- **Ref #2023-15: IMR and AVR Specific Allocations**

Ref #2023-15 was drafted and exposed at the Summer National Meeting to do revisions to annual statement instructions to remove guidance that permits the allocation of non-interest related losses to IMR. Staff proposed to adopt with revisions, effective January 1, 2024. Mike Reiss with Northwestern Mutual supported the proposed changes. This was adopted with changes. The summary can be found on page 15 and Attachment 15 of the [hearing materials](#).

- **Ref #2023-16: Schedule BA Reporting Categories**

Ref #2023-16 was exposed at the Summer National Meeting with request for assistance on how to better define sub-categories of reporting. The categories are fairly generic, so staff is asking for additional comments on whether more specificity is needed to make sure this is consistent across industry. Industry is opposed to the collapsing of non-registered private equity funding with other SSAP No. 48 items. NAIC staff has the initial impression that these warehouse loans are collateral loans and should be accounted for and reported in accordance with SSAP No. 21R—Other Admitted Assets with reporting in the collateral loan reporting lines. As there has been a desire for more granular reporting of collateral loans, for ease of identification of the type of collateral that secures the loan, a new agenda item has been proposed to report collateral loans by type of collateral. NAIC staff believes that this approach, especially if there is subsequent mapping to RBC, will address the concern of not having a dedicated line for these investments on Schedule

BA. Staff recommended exposure of interested parties' proposed edits, noting that NAIC is currently not supportive of the collapse of reporting lines. There is a shortened comment period to January 22, 2024. The motion to expose was granted. The summary can be found on page 20 and Attachment 16 of the [hearing materials](#).

- **Ref #2023-17: Short-Term Investments**

This agenda item was exposed at the Summer National Meeting to further restrict the type of investments that are permitted to be reported as cash equivalents or short-term investments. Interested parties had no comments. Staff recommended a blanks change so that lines can be updated accordingly. NAIC staff recommended that the Working Group adopt the revisions exposed to SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments to further restrict the investments that are permitted for cash equivalent and short-term reporting with an effective date of January 1, 2025. The motion to adopt carried. The summary can be found on page 23 and Attachment 17 of the [hearing materials](#).

- **Ref #2023-22: Actuarial Guideline 51 and Appendix A-010 Interaction**

The Working Group exposed revisions to SSAP No. 54R—Individual and Group Accident and Health Contracts to address a referral received from an actuarial working group and to clarify that gross premium valuation (under Appendix A-010) and cash flow testing (under AG 51) are both required, if indicated. In addition, the Working Group directed staff to provide formal notice of the exposure to the Long-Term Care Actuarial (B) Working Group and the Valuation Analysis (E) Working Group. The interested parties had no comments. The Working Groups do not intend to provide formal comments. The recommendation was to adopt as exposed, and this was adopted. The summary can be found on page 24 and Attachment 19 of the [hearing materials](#).

SAPWG Hearing 2 – Review of Comments on Exposed Items—Dale Bruggeman (OH)

- **INT 23-04: Life Reinsurance Liquidation Questions**

This item was exposed in October and had a later comment deadline. It addresses five questions for life reinsurance, such as insurance recoverables and what is expected to be received. Comments indicated support while providing extra emphasis on admissibility. The initial recommendation is that the Working Group provide input on the following issues: reporting, admissibility, and disclosure. This has illustrated proposed language and the attachment includes language with tracked changes in place for discussion. INT 23-04 was written generically to apply to reinsurance. Generally, the Working Group tries to avoid developing company specific guidance. However, because a particular company has been in run-off, the Working Group is more comfortable providing guidance specific to

this Scottish Re liquidation. The next recommendation was deleting paragraph 1F, which notes that some insurers have amounts held in trust and the liquidation order prevents enforcing default. Staff recommends deleting the second paragraph. The next section is commutation or recapture; there were no staff recommended changes. The next was impairment; again no changes were recommended.

The primary issue for discussion is whether to narrow the scope and then reporting and admissibility. The report was exposed to put insurance repayables separate from assets, and in this case, contracts were cancelled September 30 This would leave assets reinsurance recoverables on 16.1 (amounts recoverable on paid claims – initial input is to not change) and 16.3 (other amounts recoverable). Working Group input is requested regarding other amounts receivable.

The Working Group is supportive of narrowing down to Scottish Re. 16.1 and 16.3 follow what is happening from Schedule S Part 2. The proposal is to move write-in line 25. It makes sense to put all Scottish Re on the asset side. Part of this recommendation is to have a very common name – Scottish Re Something. Changes would add to paragraph 14 that 16.1 should be for claims unpaid prior to reinsurance cancellation. Write in lines are variable so you can add more than one thing.

Admissibility of recoverables was exposed to non-admit after impairment. Recommendation is to admit those to extent secured by adequate collateral. This is restrictive language, but ACLI also allowed amounts secured by collateral to be admitted. The amounts in trust also should not be in dispute. Alternatives to paragraph 18 – (1) admit what is in a compliant trust or (2) admit 16.1 for paid claims incurred prior to reinsurance contract cancellation after impairment review even if not collateralized if this is Scottish Re specific. Interested parties said blanket non-admission seems overly punitive.

The staff also proposed a revised paragraph 19 discussing other amounts recoverable. The working group recommended an exposure period for all parties to discuss changes. The group narrowed down to one liquidation item with option 2 and will wait to hear from industry on proposed language. The exposure period will last until December 29, and comments will be due then. There will be a call on this the second week of January. A summary can be found on Page 4 of the [hearing 2 materials](#).

- **Ref #2023-23: Residuals in Preferred Stock and Common Stock**

This agenda item was exposed via SAPWG e-vote on October 31. This incorporates minor clarifications that makes sure structures are properly classified so a full picture of residuals is reported. Interested parties requested proposed placement changes. This makes clear that anything that is in-substance residual should be reported on the

Schedule BA reporting line. Staff recommended for this to be adopted immediately, not next year. Interested parties were thankful for considering changes. They are not sure whether all changes can be adopted by year end. This was adopted with minor placement revisions emphasizing year-end 2023 reporting and directing staff for blanks memo. A summary can be found on Page 1 of the [hearing 2 materials](#).

SAPWG Meeting – Maintenance Agenda – Pending List—Dale Bruggeman (OH)

All staff presented and then all seven were exposed on one motion. These were adopted without discussion.

- **Ref #2023-24: ASU 2016-13, Measurement of Credit Losses on Financial Instruments**

This item was developed in response to ASU 2016-13 (CECL) and other subsequently issued ASUs. Staff performed an analysis regarding whether CECL would be a good fit with SAP concepts. Statutory accounting already has concepts about credit risk. RBC has its own methodology for counting. This would reduce the benefit of CECL. NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to reject ASU 2016-13 and five other ASUs. Additionally, a previous agenda item, Ref #2016-20, was started on this topic and last exposed for comment on August 4, 2018. That agenda item was reviewed by NAIC staff, and staff recommended it be formally disposed of and replaced by agenda item 2023-24. A summary can be on page 1 of the [meeting agenda](#) and Attachment A – Form A.

- **Ref #2023-25: ASU 2023-03, Amendments to SEC Paragraphs**

In July 2023, FASB issued ASU 2023-03, which amends SEC paragraphs from the Accounting Standards Codification based on the issuance of SEC Staff Accounting Bulletin (SAB) 120, the March 24, 2022 EITF meeting SEC staff announcement, and SAB Topic 6.B “Accounting Series Release No. 280 — General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. This ASU updates various aspects of SEC guidance on stock compensation and equity-based payments. Only SEC paragraphs were revised.

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2023- 03 as not applicable to statutory accounting. This item is proposed to be rejected as not applicable as the ASU is specific to amendment of SEC paragraphs, which are not applicable for statutory accounting purposes. A summary can be found on page 3 of the [meeting agenda](#) and Attachment B – Form A.

- **Ref #2023-26: ASU 2023-06, Codification Amendments in Response to the SEC’s Disclosure Update**

Action was deferred on this item.

- **Ref #2023-27: ASU 2023-04, Amendments to SEC Paragraphs—Cryptocurrency**

In August 2023, FASB issued ASU 2023-04, which amends SEC paragraphs from the 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. Staff considered whether this would have an effect on INT 2021-01. No update is necessary.

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2023-04, Amendments to SEC Paragraphs as not applicable to statutory accounting. This item is proposed to be rejected as not applicable as the ASU is specific to amendment of SEC paragraphs, which are generally not applicable for statutory accounting purposes. A summary can be found on page 4 of the [meeting agenda](#) and Attachment D – Form A.

- **Ref #2023-28: Collateral Loan Reporting**

This item proposed significant expansion of collateral reporting lines. This is a lot of reporting lines, so the staff is asking for feedback on whether reporting lines can be collapsed and put together. This goes together with Schedule BA reporting.

NAIC staff recommend that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose this agenda item with proposed revisions to incorporate a new disclosure to SSAP No. 21R, for initial reporting as of year-end 2024, and to sponsor a blanks proposal for a new data-captured disclosure and to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. NAIC staff recommends that the Working Group direct a corresponding blanks proposal to allow for concurrent exposure. (NAIC staff requests comments from industry on whether any of the proposed reporting lines can be combined). A summary can be found on page 4 of the [meeting agenda](#) and Attachment E – Form A.

- **Ref #2023-29: IMR / AVR Preferred Stock**

This proposes revisions to annual statement instructions to perpetual preferred stock to clarify it should always be at fair value. There is a disconnect between IMR and AVR guidance, so this simply corrects the disconnect.

NAIC staff recommend that the Working Group move this item to the active listing, categorized as a SAP clarification and expose proposed 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. This agenda item proposes new guidance that corresponds to the accounting and reporting differences for redeemable and perpetual preferred stock, with all perpetual preferred stock being treated as an equity instrument similar to common stock. With this approach, all unrealized gains or losses on perpetual preferred stock will reverse to realized gains or losses in the AVR formula. The revisions also clarify that SVO-Identified Preferred Stock ETFs shall be treated as perpetual preferred stock (equities) as that is consistent with the guidance in SSAP No. 32R—Preferred Stock. A summary can be found on page 5 of the [meeting agenda](#) and Attachment F – Form A.

- **Ref #2023-30: Admissibility Requirements of Investments in Downstream Holding Companies**

This item updates language in paragraph 24 to better align with guidance in other paragraphs. It is better to reference the other paragraph than summarize it. NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to SSAP No. 97—Subsidiary, Controlled and Affiliated Entities to revise paragraph 24 language to better align it with the existing guidance provided in paragraph 27, as illustrated in the agenda item. This is just a cleaner drafting. A summary can be found on page 6 of the [meeting agenda](#) and Attachment G – Form A.

- **Ref #2023-31: Model 630 Mortgage Guaranty Insurance 6 H 5. Consideration of Items on the Active Maintenance Agenda**

This is to put a project on the agenda and expose intent to review Model 630. There are only 10 mortgage insurers, so want comments on proposed effective date, which will probably 2025 or later. Staff will begin drafting this. A summary can be found on page 6 of the [meeting agenda](#) and Attachment H – Form A.

- **Ref #2023-03: New C-2 Mortality Risk Note**

This was addressed separately. This was moved to a disposed item. NAIC staff recommend moving this agenda item to the disposed listing without statutory revisions. Industry worked with the American Academy of Actuaries, NAIC staff from this Working Group, the Blanks (E) Working Group and the Life Risk-Based Capital (E) Working Group to develop a replacement proposal (2023-15BWG) which does not have any SSAP revisions. A summary can be found on page 7 of the [meeting agenda](#) and Attachment I – Form A.

- **Review of U.S. GAAP Exposures**

The attachment details the items currently exposed by the FASB. Comments are not recommended at this time. NAIC staff recommended review of the final issued ASU under the SAP Maintenance Process. A summary can be found on page 7 of the [meeting agenda](#) and Attachment J.

- **Life Actuarial (A) Task Force Coordination Memo**

No action required. The memo from the Life Actuarial (A) Task Force includes a detailed listing of the amendments made to the Valuation Manual by the Life Actuarial (A) Task Force since the August 2022 NAIC Summer National Meeting as part of the coordination process. The amendments were adopted by the Life Insurance and Annuities (A) Committee on August 15, 2023, and by Executive Plenary. No items were identified that require Working Group action. A summary can be found on page 7 of the [meeting agenda](#) and Attachment K.

- **IAIS Audit and Accounting Working Group**

NAIC staff are monitoring many workstreams related to climate disclosures, including application papers to Insurance Core Principles (ICP) 14 (Valuation), 15 (Investments) and 16 (Enterprise Risk Management) as well as monitoring the Climate Risk Subgroup (CRSG). NAIC staff (Julie Gann) is drafting an initial segment of a discussion paper for the CRSG focusing on climate disclosure constraints, including litigation risk and safe harbors. Broad topics planned include: 1) availability of data, 2) data quality, 3) volume/scale of disclosures, 4) public disclosure, group disclosure and individual reporting level – local perils, and 5) litigation risk and the US SEC Safe Harbor. Input from regulators and industry on themes to address can be submitted to Julie Gann by December 5, 2023, and she expressed comments would be very appreciated. A summary can be found on page 8 of the [meeting agenda](#).

Reminder: The comment deadline is February 9, 2024, for all exposures except agenda item 2019-21 (SSAP No. 21R for revisions addressing non-bond debt securities and guidance for residual interests), which has a comment deadline of January 22, 2024.

There were no other matters discussed.

Capital Adequacy (E) Task Force

The Capital Adequacy (E) Task Force meeting took place on Saturday, December, 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Oct. 11 and Sept. 18 Minutes—Tom Botsko (OH)

The Task Force met on October 11 (Attachment One) and adopted its proposed charges. On September 18 (Attachment Two), the Task Force received a status report and exposed 2023-09-CA. The minutes were adopted without comment and can be found [here](#).

Consider Adoption of its Working Group Reports

The following reports were adopted without comments or questions:

A. Health Risk-Based Capital (E) Working Group—Steve Drutz (WA)

The Health Risk-Based Capital (E) Working Group met November 8, 2023. During this meeting, the Working Group adopted its July 25 minutes and noted the Working Group met October 2 in regulator-to-regulator session. During its July 25 meeting, the Working Group adopted its May 17 and April 17 minutes, adopted its 2023 health risk-based capital (RBC) newsletter, adopted its 2022 health RBC statistics, exposed proposal 2023-11-H, referred the health test proposal to the Blanks (E) Working Group, received an update from the American Academy of Actuaries (Academy) on the health care receivables and H2-underwriting risk review projects, adopted its updated working agenda, received an update on the Excessive Growth Charge Ad Hoc Group, and discussed pandemic risk. The full report can be found as Attachment Three to the [meeting materials](#).

B. Risk-Based Capital Investment Risk and Evaluation (E) Working Group—Philip Barlow (DC)

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met December 2, 2023. During this meeting, the Working Group adopted its Summer National Meeting minutes and its October 17 minutes. It also received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group and discussed changes made to the presentation from the Academy on its candidate principles for structured securities RBC. The Working Group agreed for the Academy to use these principles for the development of an RBC methodology for collateralized loan obligations (CLOs) and discussed the process for revisions to the residual tranches factor. The full report can be found as Attachment Four to the [meeting materials](#).

C. Life Risk-Based Capital (E) Working Group—Philip Barlow (DC)

The Life Risk-Based Capital (E) Working Group met December 2, 2023. During this meeting, the Working Group adopted its Summer National Meeting minutes and its October 4 minutes. It also discussed repurchase agreements and agreed to schedule a call in January to further discuss. The Group exposed a C-2 mortality risk memorandum for a 10-day public comment period ending December 15. Finally, the Group discussed its subgroups, working agenda, and priorities for 2024. The full report can be found as Attachment Five to the [meeting materials](#).

D. Property and Casualty Risk-Based Capital (E) Working Group—Tom Botsko (OH)

The Working Group adopted their November 16 minutes, which exposed proposal 2023-16-CR for a seven-day public comment period that ended November 23 and included a presentation from the American Academy of Actuaries (Academy) on the report Update to Property and Casualty Risk-Based Capital Underwriting Factors and Investment Income Adjustment Factors. The Group adopted the Property and Casualty Risk-Based Capital (E) Working Group's July 27 minutes, which discussed 2022 RBC statistics and the possibility of reviewing and analyzing the P/C RBC charges that have not been reviewed since developed, and heard updates on current P/C RBC projects from the Academy. It adopted the Catastrophe Risk (E) Subgroup's July 18 minutes, which adopted its Spring National Meeting minutes, discussed its working agenda, received an update from its Catastrophe Model Technical Review Ad Hoc Group, discussed wildfire peril impact analysis, heard a presentation from Verisk on a severe convective storms model update and technical review, and discussed the flood insurance market. The Group adopted proposal 2023-16-CR (2023 Cat Event List) and adopted the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup's working agenda. The Group exposed proposal 2023-14-P (Pet Insurance) for a 60-day public comment period ending January 30, and exposed proposal 2023-15-CR (Convective Storm for Informational Purposes Only Structure) for a 60-day public comment period ending January 30. The Group discussed the wildfire peril impact analysis and exposed proposal 2023-13-CR (Disclosure for Catastrophe Reinsurance Program) for a 60-day public comment period ending January 30. The Group received updates from the Convective Storm Model Review Ad Hoc Group on the convective storm technical review. It discussed the report from the Academy on an Update to Property and Casualty Risk-Based Capital Underwriting Factors and Investment Income Adjustment Factors and discussed the Florida Commission on Hurricane Loss Projection Methodology. The full report can be found as Attachment Six to the [meeting materials](#).

Receive Updates from its Risk Evaluation Ad Hoc Subgroup

A. RBC Purposes & Guidelines Ad Hoc Subgroup—Rachel Hemphill (TX)

The Subgroup focused on clarifying edits to the preamble to reinforce the intent and scope of RBC. They will be having another meeting in December to look to finalize these edits and continue discussions more broadly.

B. Asset Concentration Ad Hoc Subgroup—Kevin Clark (IA) and Ed Toy (Risk & Regulatory Consulting—RRC)

At the last update, the Subgroup was developing a decision tree. At one meeting, the Subgroup invited the Academy to give an overview of the portfolio adjustment factor and what is included in the development of this. Moving forward, the Subgroup will develop inventory of concentration elements that want to look at and use decision tree.

C. Geographic Concentration Ad Hoc Subgroup—Wanchin Chou (CT)

The subgroup has had several meetings and conference calls with Florida to understand how to monitor and manage geographic risk in states. The group will have further discussions with state regulators to provide early warning signals to state regulators. The subgroup is scheduled to meet again on December 13 and plans to discuss with a couple of rating agencies to see how they put geographic risk into rating.

Consider Adoption of Proposal 2023-11-H (Line 4 & 10 XR014 Medicare & Medicaid)—Steve Drutz (WA)

The proposal was developed to include Medicare and Medicaid for service. This creates consistency across column one since premiums and claims are already included. The Working Group adopted the proposal on November 8 call. It applies only to health RBC formula. This was adopted without comment. The full proposal can be found as Attachment Seven to the [meeting materials](#).

Consider Adoption of Proposal 2023-12-CA (Market Value Excess Affiliated Stock)—Tom Botsko (OH)

The purpose of this proposal is to clarify that both common and preferred stock options are included in the calculation of Market Value in Excess of Stocks for the affiliated investments in Column (13). The proposal was exposed for a 33-day public comment period ending November 13, and no comments were received. This was adopted without comment. The full proposal can be found as Attachment Eight to the [meeting materials](#).

Consider Adoption of Proposal 2023-16-CR (2023 Cat Event List) —Wanchin Chou (CT)

Proposal 2023-16-CR was discussed this morning at the Joint Committee Meeting. This updates two times each year. This was exposed for a seven-day comment period ending November 23. There were no comments received. This was re-exposed for event happening between November 23 to December 31, so the Group will update again. There was a motion to accept with edits of two typos. This was adopted. The full proposal can be found as Attachment Nine to the [meeting materials](#).

Consider Adoption of its Working Agenda—Tom Botsko (OH)

For health RBC and life RBC and investment risk and evaluation, the Group had no changes. P&C changed expected completion dates of P1 through P4 and updated comments column. This was adopted. The Agenda can be found as Attachment Ten to the [meeting materials](#).

Discuss a Referral from the Statutory Accounting Principles (E) Working Group Regarding Schedule BA Proposal for Non-Bond Debt Securities —Tom Botsko (OH), Mike Monahan and Brian Bayerle (American Council of Life Insurers—ACLI)

The Task Force exposed the referral for a 33-day comment day period. The task force received one comment letter from ACLI. It was supportive but there is concern without RBC addressing this concurrently. The Task Force plans to forward the referral and comment letter to RBC Working Group. The Referral can be found as Attachment Eleven to the [meeting materials](#).

Discuss the Possible Structure Changes in the Bond Page to Reflect the Split of the Annual Statement Schedule D, Part 1 into Two Sections —Tom Botsko (OH)

NAIC will update RBC bond page for discussion in the next meeting. This will be sent to the IRE Group.

Discuss the Risk-Based Capital (RBC) Charge for Blank Affiliates Reported in the Details for Affiliated Stock Page—Tom Botsko (OH)

The blank affiliate should not be allowed if companies report any amount in numerical column. The group will send to NAIC staff to develop a cross check. Botsko encouraged RBC software vendors to spend time brainstorming on this issue.

Discuss the “Framework for Regulation of Insurer Investments—A Holistic Review” Document—
Tom Botsko (OH)

Botsko is in support of the letter and this Group has been doing what the letter states and suggests. Botsko is in full support of framework and intent. There were no comments. This is Attachment Twelve.

Discuss a Referral from the Statutory Accounting Principles (E) Working Group Regarding
Negative Interest Maintenance Reserve (IMR) —Dale Bruggeman (OH)

Everyone is on the same page about how this is proceeding. They have a goal of the end of 2025 for a longer term solution. This has not been sent to life RBC yet. The referral is Attachment Thirteen.

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

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group meeting took place on Saturday, December, 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Oct. 17 and Summer National Meeting Minutes—Philip Barlow (DC)

The Working Group adopted the October 17 (Attachment A) and Summer National Meeting Minutes (Attachment B) without comment. The minutes can be found [here](#).

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

Valuation of Securities (E) Task Force –There is a proposal that allows some discretion if the Task Force finds issues with targeted securities that the RBO reviews. The Task Force reviewed comment letters in the summer. The Task Force engineered the proposal to incorporate feedback, and it will be exposed during the meeting. The Task Force is also doing a history of FE, which is the filing exemption, for regulators.

Statutory Account Principles (E) Working Group – The bond project is basically done. There were some add-on features but SAP and reporting revisions for blanks have been updated and adopted with a January 21, 2025 effective date. This project was undertaken to better define what is permitted to be reported as a bond on Schedule B1 to improve accounting and reporting.

There is a current exposure on 21R, which is other admitted assets, and a current exposure with the Blanks Working Group. These revisions should be up for adoption in February 2024.

The Accounting for Non-Bond Debt Securities Detail in 21R is cost of acquisition with subsequent measurement at lower amortized cost repair value. The exposed reporting revisions group the investments by categories. They propose to incorporate the existing practice where certain Schedule BA investments held by life companies can be filed with the SVO for NAIC designation that impacts RBC. So, the reporting separates the securities based on whether they have a designation from those securities that have a CRP rating or no designation. As Capital Adequacy exposed the notice, it received a comment letter from ACLI suggesting that CRP ratings be permitted to influence RBC for those non-bond debt securities. The comment letter suggested that Capital Adequacy provide a referral to this Working Group, so this issue will likely be coming soon.

The Group is picking up interest maintenance reserve (negative IMR) and has added this as a long term project for SAP 7. The Group has formed an IMR ad hoc group, and preliminary discussions have focused on the purpose of IMR and the use of derivatives.

The Group has also picked up the topic of investment in tax credits. This is for low income housing tax credits. This will require changes to Schedule BA reporting lines. The Group exposed the revised SAP 93 and is requesting revisions on reporting lines for subsequent considerations.

Another topic is collateral loans. It was discussed that reporting on Schedule BA is not enough to identify the underlying collateral securing a loan, so the Group has exposed revisions to expand reporting based on the type of collateral.

There was also a topic that was adopted regarding cash equivalents in short-term investments to restrict the type of investments that can be reported as cash equivalent or short term with an effective date of January 1, 2025.

Hear a Presentation from the American Academy of Actuaries (Academy)—Philip Barlow (DC)

The Working Group had a previous discussion of the Academy's first stab at some principles for structured securities. The Academy has revised the principles to incorporate feedback. The only part that has changed is the page showing the candidate principles. The last version had seven candidate principles; the new version has six.

Candidate Principle 1 is that the RBC formula is a blunt filtering tool and the purpose is to identify weakly capitalized insurers. Risks that have a small impact on ratios may not justify a change to the RBC formula. However, Principle 2 says that emerging risks require regulatory scrutiny. This means that RBC needs to consider material solvency issues. There were no questions on these two principles.

Principle 3 is that RBC is based on statutory accounting. Capital is downstream from accounting. Thus, changes in accounting will impact RBC. Someone mentioned that once an asset is impaired, it becomes marked to market. So, this has been carved out from structured securities principles. The Academy narrowed the scope to just discuss how structured securities differ from other bonds. Illinois asked about C-1 requirements and the meaning of the impact of risk of statutory surplus. The Academy explained this doesn't increase or decrease surplus. However, when they calculate the C-1 charge, they are calculating potential impact. In addition, this really is focused on debt tranches and residual tranches. One regulator suggested minor changes to add the word "should" to make it clear this is an action item.

Principle 4 is that C-1 aligns with risk. The purpose is to get at concept of having a hard constraint of adding up RBC of the underlying pool of collateral vs. the RBC of tranches. If there are unrated assets in the pool, that doesn't automatically mean that an ABS should have a higher C-1 rating. One regulator was uncomfortable with line that unrated would have no bearing on risk. The Academy explained that this is not related to a lack of information; the unrated is simply small. Regulators suggested tweaking language. The goal is to not throw away actual information on risk.

Principle 5 is that C-1 requirements reflect likely future trading activity. This does not mean that C-1 requirements should be reduced by some assumption of credit alpha. One regulator was concerned that numbers could be too far off so he recommended a quantifiable gap. The Academy explained that in practice, if there is an enormous difference between underlying and tranches, this is a sign to bring those in. But they don't want to quantify what that specific gap should be and don't want to set up a requirement that the C-1 of the structure and C-1 of the snapshot of a collateral pool exactly equal. Regulator was hoping this gap would be defined. One regulator suggested tweak to add "reasonable relationship." Bill Carmello stated that he was confused on how to incorporate trading activities. The Academy explained that allowing for future trading activity creates the ability to calculate the risk for longer.

Principle 6 is related to appropriate measures. One small change is to remove a specific CTE level to be careful to leave this decision up to regulators. There should be equal conservatism on all assets.

There will be a few tweaks to language. The Academy will make tweaks, but the Working Group approved the Academy to go ahead with the work. These principles will be posted on the Working Group website. The PowerPoint can be found in Attachment C of the [meeting materials](#).

Discuss Next Steps—Philip Barlow (DC)

There have been discussions about the other part of the project for this Working Group, which is to set the factor for residual tranches at 30 percent for this year and 45 percent for 2024. There have been discussions regarding a suggestion of something more complicated than a single factor. This would require a structural change to the formula. This will not happen in 2024 because there is no time for a structural change. This is currently an interim step until the Working Group comes up with a more fully developed process to handle residual tranches. This will require a diligent review. Outside groups are encouraged to loop in the work of the Academies to make sure it is consistent with their work. A list of working agenda items can be found as Attachment D to the [meeting materials](#).

Discuss Any Other Matters Brought Before the Working Group —Philip Barlow (DC)

There were no additional matters.

Life Risk-Based Capital (E) Working Group

The Life Risk-Based Capital (E) Working Group meeting took place on Saturday, December, 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Oct. 4 and Summer National Meeting Minutes—Philip Barlow (DC)

The minutes from the October 4 (Attachment A) and Summer National Meeting (Attachment B) were adopted without discussion. The minutes can be found [here](#).

Discuss Repurchase Agreements—Philip Barlow (DC)

The purpose of the proposal is to align the repo transaction charge with the current securities lending charge. There are disclosures in the proposal that will give regulators the ability to understand how the transactions are being used by companies. NAIC has discussed the proposal and believes there is a need to refer the proposal to SAP Working Group and Blanks Working Group for input on accounting and reporting of repurchase transactions. The Working Group will schedule a call sometime early next year when working groups are reconstituted to have a more formal discussion on this proposal. The comment letter discussing this proposal can be found in Attachment C of the [meeting materials](#).

Discuss C-2 Mortality Risk—Philip Barlow (DC)

There is a memorandum from Philip Barlow about the implementation of the 2023 mortality risk charges, which is more of an explanation than guidance. This was part of the Academy's proposal to provide an annual statement source for the RBC calculation. However, the proposal is not contingent upon it as the instructions provide the details for categorization. The data is now proposed to be captured for 2024, which is currently exposed by the Blanks Working Group. For 2023, this will be company records. The Group needs to expose the memorandum for a 10-day comment period to get this in place for companies when they are doing 2023 RBC reporting. This was exposed for 10 days. The Group will then adopt via email vote after any comments. The full memorandum can be found at Attachment D to the [meeting materials](#).

Discuss its Working Agenda and 2024 Priorities—Philip Barlow (DC)

There are no changes to the working agenda, so there doesn't need to be a vote. But, this is a good time to get an update on some of the items related to subgroups. The working agenda items can be found in Attachment E of the [meeting materials](#).

Mike Yanacheak from the Generator of Economic Scenarios (GOES) (E/A) Subgroup discussed the economic scenario generator at the LATIF session. If anyone has interest in the GOES project, they should listen to the recording of the LATIF meeting. In the meeting, they covered comments on an exposure seeking feedback on whether to utilize the counting developed corporate model or another model from the Academy. There is a preference for the model from the Academy due to the simplicity. Comments were received on a new set of acceptance criteria. These noted that equity treasury linkage should be removed. Others noted support for inclusion of additional acceptance criteria. NAIC presented the results of a new calibration of treasury and equity models. The treasury scenarios had less extreme high interest rates and less severe negative interest rates. Last, an update was given on the GOES project timeline. There is still a goal to expose a new set of scenarios to the industry in an unaggregated field test in March of 2024.

The Longevity (E/A) Subgroup explained that once the draft is more settled on the goals, the group will begin working.

The Variable Annuities Capital and Reserve (E/A) Subgroup explained that the SOA is working on annuity mortality updates for VA products, and the group is waiting to monitor that work. The subgroup hopes to have something by early next year.

Finally, the Working Group discussed the VM 22 and Field Test. Chris Conrad of the American Academy of Actuaries explained that the field test for non-variable annuities is expected to commence in July 2024, depending on the GOES field test. This is a three-party field test, so like other tests, parties plan to engage a consultant. They have selected a consultant, who will finalize the project plan and will start engaging with industry soon. As part of the field test, they plan to perform tests relevant to capital such as C-3 updates. They would like to collaborate with this Working Group closer to time. These comments are to engage this Group and get the ball rolling.

Discuss Any Other Matters Brought Before the Working Group —Philip Barlow (DC)

There were no other matters. The Working Group will plan to schedule a call in January to discuss repurchase agreements and other items as warranted before the next national meeting.

Joint Meeting of the Financial Stability (E) Task Force and the Macroprudential (E) Working Group

The Joint Meeting of the Financial Stability (E) Task Force & Macroprudential (E) Working Group met on Friday, December 1, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of the Task Force’s Summer National Meeting Minutes

The Task Force voted to adopt the Summer National Meeting minutes as presented. The meeting minutes can be found as Attachment One to the [meeting materials](#).

Financial Stability Oversight Council (FSOC) Developments Presentation on Interpretive Guidance Regarding Nonbank Financial Company Designations

Beth Dwyer first gave background on the Dodd Frank Act. On April 21, 2023, FSOC released for public comment a new analytic framework for financial stability risk, as well as a revised guidance for non-bank designations. Both documents were adopted on November 3, 2023. The presentation is Attachment Two to the [meeting materials](#).

Consider Adoption of the Proposed 2023 Liquidity Stress Testing Framework (LST Framework)

The Task Force and Working Group voted to adopt the proposed 2023 Liquidity Stress Testing Framework as presented. The proposal is Attachment Three to the [meeting materials](#).

Receive a Macroprudential (E) Working Group Update—Bob Kasinow (NY) – 2022 LST Results Summary

Bob Kasinow stated the primary macroprudential objective was to assess the amount of potential asset sales the life industry would generate in various stress scenarios. The summary is Attachment Four to the [meeting materials](#).

Receive a Valuation Analysis (E) Working Group Update

Fred Anderson first gave an overview of Actuarial Guideline 53 that was adopted in 2022 that was meant to help ensure claims paying ability even if complex assets do not perform as expected. Fred also gave a review of companies with Net Yield assumptions. The summary is Attachment Five to the [meeting materials](#).

Hear an International Update—Tim Nauheimer (NAIC)

Tim Nauheimer gave an international update that included:

- An update on the International Association of Insurance Supervisors Global Monitoring Exercise.
- The GME includes the individual insurers monitoring both exercise and the sector wide monitoring exercise with three additional topics: credit risk, interest rate risk and structural changes in life insurance.

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

Receivership and Insolvency (E) Task Force

The Receivership and Insolvency (E) Task Force met on Saturday , December 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Oct. 2 Minutes

The Task Force voted to adopt the October 2 Meeting minutes that included: the Summer National Meeting minutes, the adoption of its 2024 proposed charges, and the adoption of a U.S. Resolution Template into the Receiver's Handbook for Insurance Company Insolvencies.

Consider Adoption of its Working Group and Subgroup Reports A. Receivership Financial Analysis (E) Working Group

The Task Force adopted the report of the Receivership Financial Analysis (E) Working Group. The Working Group intends to meet December 2nd to discuss companies in receivership and related topics.

Consider Adoption of Revisions to the Receiver's Handbook for Insurance Company Insolvencies

The Task Force adopted the report of the Receiver's Handbook (E) Subgroup. The following actions were taken:

- Exposed revisions to Chapter 6 and Chapter 9 of the Receiver's Handbook for a 30-day comment period that ended on September 18, 2023.
- Exposed revisions to Chapter 9, Chapter 10, Chapter 11, and certain exhibits of the Receiver's Handbook for a 30-day comment that ended November 6, 2023.
- Discussed edits to the exposed chapters and adopted revisions to Chapters 6–11 and certain exhibits of the Receiver's Handbook.

Hear an Update on International Resolution Activities

An update on international resolution activities was provided. The International Association of Insurance Supervisors (IAIS) Resolution Working Group has almost completed edits to the application paper on policyholder protection schemes. Additionally, the Resolution Working Group is also beginning a review of Insurance Core Principles (ICPs) related to recovery and resolution.

Hear an Update on the Uniform Data Standards (UDS) Project

Laura Lyon Slaymaker announced that a new 3.0 version of the UDS is expected to be available at the support group's upcoming meeting on December 12, 2023.

Hear Feedback on the Receivership Tabletop Exercise

Donelon stated the tabletop was invaluable training, particularly for the junior and state regulators. A key takeaway from the tabletop is that everyone was in agreement that guarantee funds should be involved earlier in the insolvency process at the right place and right time.

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

Valuation of Securities (E) Task Force

The Valuation of Securities (E) Task Force meeting took place on Saturday, December, 2, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Discuss and Consider for Adoption:

Consider Adoption of its Summer National Meeting—Carrie Mears (IA)

The Task Force adopted the Summer National Meeting minutes without comment. The minutes can found in Attachment One to the [meeting materials](#).

Hear a Staff Report:

The History of Filing Exemption—Marc Perlman (NAIC)

This presentation is meant to be informational as the Task Force moves forward with its review of reliance on rating agencies. The presentation focuses on the evolution of the use of third-party rating agencies, the SVO (Valuation of Securities Office), and filing exemption in the assessment of insured investments. With a significant debate around introducing the form of SVO discretion over ratings, the chair thought it might be helpful to provide context to how this recommendation is a return to the normal.

In 1907, a committee was convened on the valuation of securities to create uniform valuation procedures, and soon, this task was outsourced. In the 1930s, the committee began discussions that not all bonds should be reported at market value, and bonds that were amply secured should be valued on an amortized, long-term basis. In the 1940s, the change was implemented to differentiate between bonds. In 1945, the SVO was established and was intended to be an independent and impartial source of investment values and amortization determinations. In 1953, the committee adopted an analytic approach, which remained relatively unchanged until 1989. Investments were given association values. The SVO had discretion in determining the qualitative and reserve categories for bonds not susceptible to measurement by certain measures. By the mid-1980s, there was a move to revamp the valuation procedures. In 1990, the NAIC designation stated that SVO staff would have discretionary authority to downgrade ratings of other organizations but not to upgrade. In 1992, the SVO retained absolute discretion to apply a lower designation. Until this point, almost all securities had to be filed with the SVO.

However, in the 2000s, the move to provisional filing exemptions began to arise due to efficiency and resource problems. But even with provisional FE, P&P cautioned that SVO would not be able to monitor any market innovation or regulatory risk and it maintained SVO discretion. It did not limit the SVO's authority to require a filing that would otherwise be provisionally

exempt. It made clear that insurers had no irrevocable right to exemption from the filing of securities. In 2003, the group adopted a full FE for 2004 implementation. It has been trimmed back since with several asset classes being expressly scoped out.

The Task Force understands that FE has been here for 20 years. However, there has never been an absolute right to use rating agency ratings. The Task Force and its predecessors have always retained the right to use ratings as they thought appropriate. For most of SVO's existence, the Office was considered an independent and impartial expert. The full PowerPoint can be found as Attachment Two in the [meeting materials](#).

There were comments that it is important to distinguish between when the SVO valued securities and when it valued risk. The SVO is now credit focused and not the valuation office it used to be.

Receive, Discuss and Consider for Exposure or Referral:

Referral from SAPWG Schedule BA Proposal for Non-Bond Debt Securities—Carrie Mears (IA), Charles A. Therriault (NAIC), and Marc Perlman (NAIC)

A key component of the notice was to highlight that the proposal uses existing Schedule BA reporting provisions for SVO-assigned NAIC designations for determining RBC. This referral was sent to this Task Force as well as the Capital Adequacy Task Force, and the NAIC staff has prepared a recommendation.

The Task Force has existing policy in the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) in Part One, paragraphs 40 and 99, and instructions to Securities Valuation Office (SVO) in Part Two, paragraphs 209-212, that permit the SVO to assign NAIC Designations to Schedule BA assets.

The SVO staff strongly recommends to this Task Force and the Capital Adequacy (E) Task Force the continuation of the existing policy of only allowing the bond risk-based capital factors associated with NAIC Designations assigned by the SVO to investments appropriately reported by insurers on Schedule BA. The nature of the investments on this schedule can vary widely and are often highly bespoke, which demands a higher level of regulatory scrutiny before being granted this favorable treatment. The adopted revisions to the definition of the bond following the principles-based bond project likely means that more unusual investments will be moving to Schedule BA. Keeping the process as-is will also align with the Task Force's efforts to reduce blind reliance on rating agency ratings. Staff would also recommend the recognition and treatment of NAIC designations to be made consistent and uniform over all statement types. There were no concerns with this recommendation. The full recommendation can be found as Attachments 3 and 3-A in the [meeting materials](#).

Revised Proposed P&P Manual Amendment to Update the Definition of an NAIC Designation—Carrie Mears (IA), Charles A. Therriault (NAIC), and Marc Perlman (NAIC)

After the Summer National Meeting, the SVO was directed to consider the actionable comments from industry and to work with industry on further updating and simplifying the definition. NAIC Designations are currently explained and defined in both Parts One and Two of the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual). The SVO has proposed consolidating the explanations and definitions in Part One because what constitutes an NAIC designation is a fundamental policy of the Task Force. In the amendment, staff tried to clarify the meaning of NAIC designations including their use purpose and the risks addressed. The revised proposal recommended today incorporates several comments received. First, the staff created a more concise definition of an NAIC designation which reflects credit quality and inconsistencies with the existing regulatory assumption that a fixed income instrument requires payments of interest and full repayment of a principal on a date certain and reflects tail risk. Additionally, staff removed all references Subscript S and its application to securities for other non-payment risks. The definition will be exposed for a comment period until Friday, January 6, 2024. The full explanation can be found in Attachment Four and Appendix Four of the [meeting materials](#).

Revised Proposed P&P Manual Amendment Authorizing the Procedures for the SVO's Discretion Over NAIC Designations Assigned Through the Filing Exemption Process—Carrie Mears (IA), Charles A. Therriault (NAIC), and Marc Perlman (NAIC)

This has been going on all year. At the Summer National Meeting, the Task Force noted that the proposal stems from the Financial Condition Committee's charge to establish criteria to permit staff discretion of the assignment of NAIC designation for security subjects in the FE process, which would ensure greater consistency, uniformity, and appropriateness to achieve many financial solvency objectives. The Task Force has received many comments. Overall, this was a very deliberative process that most regulators feel is very fair and reasonable. It is important to remember that NAIC designations fall under the purview of regulators and are solely within the insurance regulatory framework itself. The proposal is specific to how NAIC regulators are responsible consumers of rating agency ratings for regulatory processes and choose to use them in the regulatory process.

As a summary, the revised amendment incorporates the following process statements. First, the process starts when an analyst or regulator identifies a filing exempt security that appears to be an unreasonable assessment of risk. The SVO would then convene the Senior Credit Committee to meet with the analysts to determine whether it agrees that the rating is unreasonable. If the Committee votes to put the security under SVO review, the next step would be to submit an information request through NAIC systems that the SVO needs more information about the security. The SVO would then perform a full analysis of the security, coordinating its analysis with any interested insurers. When the analysis is complete, the Senior Credit Committee

would convene and determine whether the FE NAIC designation is three (3) or more notches different than the SCC's opinion. If the opinion differs, the rating will be identified for removal from FE and the Committee will present its analysis to the Task Force. If this is a recurring pattern, there will be a decision regarding whether an issue paper or referral amendment is needed. There will also be an insurer appeal. The SVO will identify through SVO Administrative Symbols when a CRP rating(s) has been removed from the Filing Exemption process for a security. At the Spring National Meeting, the SVO Director will summarize FE discretion actions taken for the preceding year. This proposal focuses on the material differences of opinion.

Chris Anderson asked how the SVO can determine that something is three notches off where it should be. There does not appear to be any tested method by this. He does not see the kind of interaction and information that will be available to insurers who are called into question. Regarding the appeal process, he appreciates this being added; however, as written, it has many problems. One issue is that the appeal can only occur to question the procedure. The Task Force explained that they can appeal or they can go to a third party for analytical assessment. Anderson said that this is a confidentiality issue, and there will be access issues for the third party because it would be a rating from scratch. He proposed that the third party could evaluate the work of the rating agency, compare that work to the SVO, and make a determination.

John Garrison explained that the one thing missing is the requirement for the SVO to produce a report explaining the analytical process to the investor. He will prepare a comment letter. The Task Force believes it is incredibly problematic to have a written report being shared among insurers, and the Task Force cannot demand confidentiality. However, the process will be very transparent.

The updated amendment will be exposed through Friday, January 26, 2024. The full explanation can be found in Attachment Five and Appendix Five of the [meeting materials](#).

Proposed P&P Manual Amendment to Add Practical Expedient to Determine the Issue Date for PLR filings (Doc. ID: 2023-014.01) —Carrie Mears (IA), Charles A. Therriault (NAIC), and Marc Perlman (NAIC)

The SVO has been unable to independently source the date attribute Issue Date (e.g. date of legal closing), a necessary input to determine the requirement to provide a private letter rating (PLR) rationale report. The SVO proposes permitting it to apply a practical expedient by assuming that any security subject to the private letter rating guidance that was acquired after January 1, 2022, was issued on or after January 1, 2022, unless documentation showing an earlier issue date is provided. This is to fill in the gap that exists in the current data.

Mike Reiss of Northwestern Mutual commented that there have been some concerns that have recently arisen, so they would like to meet with Carrie Mears and Charles Therriault regarding these concerns. Carrie and Charles were open to meeting and posting something on the website regarding operational concerns.

This will be exposed until January 26, 2024 for comments. The report can be found in Attachment Six of the [meeting materials](#).

Hear Staff Reports:

Updates on the Proposed CLO Modeling Methodology and Ad-hoc Working Group —Eric Kolchinsky (NAIC)

The CLO project is proceeding at pace. Recently, the Group proposed ten scenarios and have posted the detailed default rate and recoveries for each scenario on the website. The next step is to set probabilities for each of the ten scenarios based on these cashflows, and the Group is looking for feedback. Kolchinsky also explained that based on the work of the RBC group, staff believes they are consistent with the Academy Principles.

Kolchinsky also addressed two operational issues. First, the starting date of the project is 2024, but the first impact will occur year-end 2024. Second, there is an option to extend the effective date to 2025. If the extension is required, the Group will inform the task force at the Spring National Meeting and will amend the P&P to replace 2024 with 2025 at the Summer National Meeting.

Receive a Report on the Projects of the Statutory Accounting Principles (E) Working Group — Carrie Mears (IA) and Julie Gann (NAIC)

As a high level subset, Julie Gann explained the three items that were adopted. First, with regard to residual interests, the Group adopted revisions to make it clear that all in substance residual investments should be reported on Schedule BA. Next, the Group adopted revisions to further restrict the investments that can be reported as short-term, which will be effective January 1, 2025. It also adopted revisions to the annual statement instructions to address specific elements related to IMR that were allowing non-interest-related impacts to go to IMR rather than AVR, effective January 1, 2024. For exposures, there were six: (1) exposed SSAP 21R to incorporate new measurement method for residuals; (2) exposed revisions to the collateral loan reporting; (3) exposed reporting revisions to Schedule BA to further expand descriptions for underlying components for SSAP 48 items; (4) exposed proposal to reject CECL through the SAP; (5) exposed revisions for IMR related to perpetual preferred stock that is reported at fair value; and (6) exposed significant revisions to SSAP 93 and 94 pertaining to investments that generate tax credits and acquired tax credits.

Other Matters

It is taking NAIC longer than expected to update the ability to associate private letter ratings with private letter rationale reports. Additional testing is still need and will be deferring to private letter ratings that do not have required rationale reports until year-end 2024. If the SVO has received a private letter in 2023, it will be reflected in the AVS plus application for year-end. The initial assessment is that private ratings have increased for 2023.

Innovation, Cybersecurity and Tech (H) Committee

The Innovation, Cybersecurity, and Technology Committee met on December 1, 2023. The agenda can be found [here](#).

Adoption of November 16 Minutes

The November 16 minutes were adopted with no discussion.

Commissioner Kathleen Birrane introduced the new H Committee Charges and new workstreams in 2024:

1. Developing a new working group/task force that is focused on third-party regulation
2. Adjustments to workstreams for Big Data and AI
3. Addition of two additional collaboration forums
4. Enforcement of AI regulations

A link to the meeting minutes can be found [here](#).

Adoption of Working Group Minutes

Working Group reports were received and adopted. The reports can be found [here](#).

Adoption of Model Bulletin on the Use of Algorithms, Predictive Models, and Artificial Intelligence (AI) Systems by Insurers

Commissioner Birrane recalled the steps that led to the development of the bulletin regarding the use of AI for insurers. The bulletin was created to develop statutory standards to the methodology used by insurers and to lay out the expectations from regulators for their licensees. The bulletin was created to be principles based and not prescriptive. In the use of third party data and models, insurers will be responsible for compliance.

Several changes have been made to the original draft of the bulletin. The major change made to the bulletin was the removal of the definition of bias. A technical clarification of the language in Section 4.3 was suggested and adopted by the committee. The committee passed a motion to adopt the model bulletin, which can be found [here](#).

Presentation on Generative AI

Victor Winter gave a presentation on generative AI. AI has grown tremendously in the past year and many tech companies are creating their own AI program. The impact of AI adoption could be greater than the inventions of the internet, mobile broadband, and the smartphone combined. The presentation also included a demonstration on how Chat GPT AI could be used as

insurance industry expert. There are several concerns with using AI such as integrity of data, privacy concerns, and intellectual property. In response to some of these concerns the White House has released an Executive Order concerning the safe, secure, and trustworthy development and use of artificial intelligence. Also, a Bletchley Declaration, an international group, signed an agreement regarding generative AI.

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

Big Data and Artificial Intelligence (H) Working Group

The Big Data and Artificial Intelligence (H) Working Group met on December 1, 2023, at the Fall National Meeting. The agenda can be found [here](#). Below is a summary of the meeting:

Adoption of Summer National Meeting Minutes

The Summer National Meeting Minutes were adopted, which can be found as Attachment One [here](#).

Report on the Life Artificial Intelligence (AI/Machine Learning)

Commissioner Gaffney spoke about the Life Insurance AI/ML Survey. They researched the use of big data and artificial intelligence (AI) in the business of insurance and evaluated existing regulatory frameworks for overseeing and monitoring their use. They presented findings and recommended next steps to the Innovation and Technology (EX) Task Force, which may include model governance for the use of big data and AI for the insurance industry. A report was issued in December 2023. The goal was to gain better understanding of insurance industry use and governance of AI, to seek information that could aid in the regulatory framework of AI, and to inform regulators of the current and planned business practices of companies. This was conducted under the market examination of 14 states.

Life insurers report significant less usage of AI/ML than Auto and Home insurers. Life insurers that do not plan to use AI/ML adoption stated the following reasons: no compelling business reason, lack of resources, or expertise, or reliance on legacy system. The main use of AI/ML models in Life Insurance is used in marketing and underwriting. It was determined that third parties developed over half of AI/ML models used by life insurers. Demographics was the most common type of data used in marketing, and medical data is most used for pricing and underwriting. Insights from Survey responses are used to supplement regulators' knowledge of Life insurer usage of AI/L, level of decision-making, governance, data elements, and reliance on third parties to assess risks to consumers and evaluate whether any changes should be made to the regulatory framework. Commissioner encourages more work to be done to further explore the use of AI at the product level.

The link to the presentation can be found in Attachment Two [here](#).

Updates on Federal and International Insurance Regulation of AI

Shana Oppenheim presented on federal updates regarding the regulation of AI. Shana provided updates regarding various federal actions.

NIST released their AI risk management framework 1.0 along with companion resources. It is intended for voluntary use and to improve the ability to incorporate trustworthiness considerations into the design development and use as well as valuation of AI. In March of this year, NIST launched the trustworthy and responsible AI resource center to facilitate the implementation of internal alignment. The House and Senate have conducted a variety of hearings on AI and big data focusing on gathering information. Additionally, Congress conducted outreach to Meta and X expressing concerns about the emergence of AI generated political ads on their platforms. There is also a variety of legislation that is being proposed. The White House released an Executive Order on the safe, secure, and trustworthy development and use of AI. The White House released another Executive Order that is expected to leverage governmental purchasing power to shape standards.

Ryan Workman presented about international insurance regulation of AI. He provided updates regarding several international groups. IAS provides a forum for insurance supervisors around the globe to exchange insights and practices relative to new and emerging fin tech developments and digital innovation. Also, it also created a webinar with the European Insurance and Occupational Pensions Authority for members-only discussing AI potential and insurance. There are also USEU insurance dialogue projects discussing technology and innovation.

NAIC Representative Miguel Romero commented that the White House's Executive Order has been studied but thinks it will be helpful to do a comparison and analysis with the NAIC Model Bulletin on AI.

Privacy Protections (H) Working Group

The Privacy Protection (H) Working Group met on Friday, December 1, 2023, at the NAIC Fall National Meeting, and the agenda can be found [here](#). Below is a summary of the meeting:

Consider Adoption of its Summer National Meeting Minutes

The Working Group voted to adopt the Summer National Meeting minutes as presented, but with one clarification from an interested party regarding the gap that results when federal flooding coverage is inadequate.

Discuss Next Steps in the Working Group's Process for Moving Forward with Drafting the New Insurance Consumer Privacy Protection Model Law (#674)

Katie Johnson presented the Working Group's process regarding the drafting of the new Insurance Consumer Privacy Protections Model Law.

Discuss a Referral from the Risk Retention Group (E) Task Force

Katie Johnson presented a referral from the Risk Retention Group (E) Task Force regarding risk retention groups and privacy requirements.

Hear a Presentation on Access to Data, Costs, and Inherent Privacy Risks in Legacy Systems vs. Non-Legacy Systems

Eric Ellsworth's presentation described the costs and inherent privacy risks involved with legacy systems versus non-legacy systems.

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

NAIC/Consumer Liaison Committee

The Consumer Liaison Committee met on Thursday, November 30, 2023 at the NAIC Fall National Meeting, and the agenda can be found [here](#). Meeting materials can be found [here](#). Below is a summary of the meeting:

Observe a Presentation of Consumer Representatives' Excellence in Consumer Advocacy Award

Commissioner Andrew Stolfi was presented with the Consumer Representatives' Excellence in Consumer Advocacy Award.

Consider Adoption of its Summer National Meeting Minutes

The Consumer Liaison Committee voted to adopt the Summer National Meeting minutes as presented.

Receive a Summary of the Consumer Board of Trustees Meeting

The Board of Trustees met to discuss applications for appointments to consumer representatives, and the regulators met to discuss the consumer representatives to appoint as board members for 2024. The decisions will be announced in January or February.

Receive the E-Vote Results for the Reaffirmation of its 2023 Mission Statement for 2024

The Consumer Liaison Committee voted to reaffirm the 2023 Mission Statement for 2024 as presented.

Hear a Presentation on How Recent and Upcoming Federal Actions Impact State Regulation of the Health Insurance Market

Lucy Culp announced the Association Health Plans (AHP) Proposed Rule will likely be announced in the coming week and gave a brief history of the 2018 Rule and associated NY lawsuit. Lucy Culp discussed the Notice of Benefit and Payment Parameters for 2025 (NBPP Proposed Rule), that will include:

- New steps to the process of moving from the federal platform to a state-based marketplace;
- A centralized eligibility and enrollment platform;
- National standards for web brokers as well as direct enrollment, standard open enrollment periods for all states (November 1-January 15th), and
- Network adequacy minimum standards that must be *at least* as stringent as the federal marketplace, while also allowing states to determine when exemptions are necessary.

Wayne Turner discussed changes to the essential health benefits under the NBPP Proposed Rule, including:

- Removes the regulatory provision that prohibits non-pediatric health services, specifically adult dental, as a EHB (§156.115(d));
- Simplifies and streamlines options for state benchmarks;
- Removes the “Generosity Standard” and revises the “Typicality Standard”;
- Clarifies the applicability of the EHB as applied to Basic Health Plans and Medicaid Alternative Benefit Plans; and
- Explains that states will be able to update benchmark plans to remove mandates that are subject to defrayment.

Carl Schmid discussed other changes under the NBPP Proposed Rule, including:

- Limit states to two (2) non standardized plans for each standard plan, with an exemption process.
- All covered prescription drugs in excess of the state benchmark are to be considered EHB.
- Require patient representatives to P&T committees starting 2026.
- Letter to issuers warning against discriminatory plan designs.

Carl Schmid also gave a review of the Transparency Coverage Rule. Finally, Carl Schmid gave a brief overview of upcoming Pharmacy Benefit Managers updates in the US Congress.

Hear a Presentation on the Drivers of Medical Debt, Current State Protections, and Recent Federal Actions—Ashley Blackburn (HCFA), Janay Johnson (AHA)

Janay Johnson summarized that the presentation was aimed to provide context around the scope and drivers of medical debt and related consumer consequences. Ashley Blackburn presented existing efforts to address this issue at the state and federal levels including:

- No Surprise Act effective 1/2022
- Several Executive Orders to federal agencies
- CFPB announced intended rulemaking including the removal of medical debt from credit reports in 9/2023. States are also beginning to take this action.

Hear a Presentation on Ways to Continue Expanding Access to Maternal Health Care Through Health Plan Networks and Essential Health Benefits (EHBs)

Dorianne Mason gave a presentation discussing disparities in maternal and infant health, ways to provide better access for mental health impacting weathering, and how commissioners can use provider networks to increase access to culturally congruent care. Recommendations for state benchmark plans include:

- Coverage for midwives and doulas;

- Monitor disenrollment;
- Implicit bias training;
- Coverage for robust prenatal and postnatal services;
- Coverage for birth centers and home births;
- Ensure to meet ACA requirements.

Hear a Presentation on Addressing Property Insurance Market Failures with a Federal Catastrophe Reinsurance Program

Amy Bach gave a brief overview of the presentation on national strategies and concepts around property insurance market failures. Birny Birnbaum then presented the causes of property insurance failure and a strategy to protect consumers and businesses from mega-catastrophe and ensure public-private partnership. This includes:

- Federal public catastrophe reinsurance program modeled after TRIA.
- Property insurance oversight should remain with the states.
- Improved data collection on property insurances exposures and claims to assist the federal Nat Cat Re Fund with payout thresholds.
- Nat Cat Re Fund should have some discretion in designing the program but be somewhat based on calendar accident year cat loses.
- Means-tested financial assistance for low income consumers.
- Rethink state strategies permitting the business model of thinly capitalized insurers over-relying on reinsurance.

Hear a Presentation on the Rapid Growth of Pet Insurance, Consumer Issues, and Concerns

Brendan Bridgeland from the Center of Insurance Research presented the rapid growth in the pet insurance marketplace and how insurers can prepare. Bridgeland provided pet insurance statistics over the past decade, pet insurance policy basics, and the availability of pet insurance as an employee benefit. Bridgeland gave an overview of the NAIC Model 633 – Pet Insurance Model Act that requires insurers to differentiate pet wellness program from insurance policies and sets training standards for insurance producers. Three states have enacted a similar version of Model 633 thus far. Recommendations to regulators included:

- Adopt the NAIC Pet Insurance Act (or a similar model) in your jurisdiction.
- Prepare consumer assistance staff to deal with an increase in pet insurance related complaints.
- Develop a classification system for pet insurance complaints.

Hear a Presentation on How Much of the Life Insurance Purchased in the U.S. Winds Up as a Death Claim

Richard Weber provided statistics regarding how and why most consumers are not keeping their life insurance policies until death largely due to policy lapse or the consumer's surrender prior to a death claim being paid. Questions/Proposals to the NAIC:

- How to present policy illustrations in the current market?
- Urge the NAIC to evaluate the experience of the NY Department's Insurance Regulation 187.