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

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

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What You Need to Know:

- Revisions to the NAIC Consumer Participation Plan of Operation were adopted clarifying the experience required for NAIC consumer representatives and midyear changes for NAIC Consumer Representatives.
- An update was given by NAIC international team to the Market Regulation and Consumer Affairs (D) Committee on the workstreams of the International Association of Insurance Supervisors (“IAIS”). IAIS began a public consultation on its application paper on how to achieve fair treatment of diverse consumers. The paper focuses on customer facing aspects of how insurers and intermediaries are conducting the business of insurance. Also, the paper discusses why the fair treatment of diverse consumers is relevant and how the concepts of risk-based pricing can exist with DEI.
- The Statutory Accounting Principles (E) Working Group met and discussed a long list of pending clarifications to statutory accounting guidance. It also exposed a number of statutory accounting principles concepts and clarifications for public comment.
- The Life Actuarial (A) Task Force held a two-day meeting on August 11 and 12 where it adopted a number of subgroup reports and received updates on ongoing work including generator of economic scenarios (GOES) field testing. The Task Force also exposed the Generally Recognized Expense Tables (GRETs) for a 21-day public comment period ending September 2.

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Joint Meeting of the Executive (EX) Committee and Plenary

The Joint Meeting of the Executive (EX) Committee and Plenary met on August 15, 2024. The agenda can be found [here](#). The link to the meeting materials, including all attachments, are [here](#). Below is a summary of the meeting:

Receive the August 14 Report of the Executive (EX) Committee

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

Adoption by Consent the Committee, Subcommittee, and Task Force Minutes of the 2024 Spring National Meeting, March 15-18, except for items notes with (*) in the meeting materials

Commissioner Mais gave a brief overview of the minutes. The minutes were adopted as presented.

Receive the August 14 Report of the Life Insurance and Annuities (A) Committee

Commissioner Doug Ommen (NAIC) gave a brief overview of the report. The report was received as presented.

Consider Adoption of Amendments to the 2025 Valuation Manual

Commissioner Ommen (NAIC) briefly discussed the amendments. The amendments were adopted.

Receive the August 15 Report of the Health Insurance and Managed Care (B) Committee

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

Consider Adoption of Amendments to Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves (AG51)

Director Fox briefly discussed the amendments. The amendments were adopted.

Receive the August 15 Report of the Property and Casualty Insurance (C) Committee

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

Receive the August 15 Report of the Market Regulation and Consumer Affairs (D) Committee

Commissioner Trinidad Navarro (DE) gave a brief overview of the report. The report was received as presented.

Receive the August 15 Report of the Financial Condition (E) Committee

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

Consider Adoption of Risk-Based Capital (RBC) Disclosure on Climate

Commissioner Houdek briefly reviewed the proposal. The proposal was adopted.

Receive the August 13 Report of the Financial Regulation Standards and Accreditation (F) Committee

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

Receive the August 13 Report of the International Insurance Relations (G) Committee

Director Eric Dunning (NE) gave a brief overview of the report. The report was received as presented.

Receive the August 15 Report of the Innovation, Cybersecurity, and Technology (H) Committee

Commissioner Kevin Gaffney (VT) gave a brief overview of the report. The report was received as presented.

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

Commissioner Mais gave a brief overview of the report. The report was received as presented.

Executive (EX) Committee

The Executive Committee met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of August 13 Report of the Executive (EX) Committee and Internal Administration (EX1) Subcommittee

The August 13 Report of the Joint Executive (EX) Committee and Internal Administration (EX1) Subcommittee was adopted.

Adoption of its Interim Meeting Report

The Interim Meeting Report from June 25 and April 4 was adopted.

Adoption of its Task Force Reports

A. Climate and Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force will meet August 15. It anticipates: 1) adopting its Spring National Meeting minutes; 2) hearing a presentation on innovative flood insurance technology; 3) hearing a presentation on the *Global Risks Report 2024*; 4) hearing an update on deliverables from the *NAIC National Climate Resilience Strategy for Insurance* (Climate Resilience Strategy); 5) hearing an update from its Climate Risk Disclosure Workstream; and 6) hearing a federal update.

B. Government Relations (EX) Leadership Council

The Government Relations (EX) Leadership Council will not meet at the Summer National meeting. It meets weekly in regulator-to-regulator sessions to discuss federal legislative and regulatory developments affecting insurance regulation.

C. Special (EX) Committee on Race and Insurance

The Special (EX) Committee on Race and Insurance met on August 13 and took the following actions: 1) adopted its Spring National Meeting minutes; 2) received a status report from its workstreams; 3) received an update on the Member Diversity Leadership Forum; and 4) heard a presentation from the American Academy of Actuaries (Academy) on health equity.

All Task Force Reports were adopted without discussion.

Adoption of Revisions to the NAIC Consumer Participation Plan of Operation

Commissioner Grace Arnold (MN) presented the revisions to the NAIC Consumer Participation Plan of Operation. The revisions clarify the experience required for NAIC consumer representatives and midyear

changes for NAIC Consumer Representatives. The changes are aimed at keeping Consumer Representatives, without the need to resign as consumer liaisons and reapply.

The revisions to the NAIC Consumer Participation Plan of Operation were adopted as presented.

Receive a Status Report on Model Law Development Efforts

Amendments to the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171)* are required for consistency with the Affordable Care Act and the revisions to its companion model act, the *Supplementary and Short-Term Health Insurance Minimum Standards Model Act (#170)*. The Accident and Sickness Insurance Minimum Standards (B) Subgroup recently completed a review of comments on its initial draft of revisions and distributed a draft reflecting its discussions for final comment. It received additional comments on the draft and began discussion on those comments in June. A proposed draft of revisions to Model #171 will be forwarded to the Regulatory Framework (B) Task Force for its consideration.

Amendments to the *Public Adjuster Licensing Model Act (#228)* were requested to strengthen regulatory standards governing the conduct of public adjusters for the following four issues: 1) individuals acting as unlicensed public adjusters; 2) contractors who are also acting as public adjusters on the same claim; 3) inappropriate assignment of benefit rights; and 4) excessive fees charges by public adjusters. The Producer Licensing (D) Task Force received comments on the proposed amendments to Model #228 during its August 13 meeting.

Amendments to the *Privacy of Consumer Financial and Health Information Regulation (#672)* were requested to replace existing models and improve consumer protections and corresponding obligations of entities licensed by insurance departments to reflect the extensive innovations that have been made in communications and technology. Subject matter experts have been meeting to review comments, discuss concerns with individual companies, and develop wording that would address the needs of the industry to conduct business while providing important consumer protection. The Privacy Protections (H) Working Group met throughout the summer to hear comments and adopt a path forward to revise the existing NAIC Privacy model. Part of these meetings included requesting volunteers to serve on the drafting group, which will receive guidelines during the Working Group's August 14 meeting.

The Report on the Model Law Development efforts was adopted without discussion and as presented.

Oral Report from the National Insurance Producer Registry (NIPR)

Director Larry D. Deiter (SD) presented the report. NIPR has had a strong financial performance through the first half of the year. The Board of NIPR heard reports on two critical initiatives for 2024, including an enhanced approach to providing service and support to producer licensing regulators and improving the look and functionality of NIPR's website.

Oral Report from the Interstate Insurance Product Regulation

Director Eric Dunning (NE) presented the report. The Insurance Compact went through a transition in leadership recently, leading to Director Dunning stepping into the Chair position. The West Virginia Commissioner stepped into the Vice Chair role. Elections will be conducted in November.

A public hearing will be held to receive comments on amendments to the group term life and whole life standards. The amendments will allow compact group products to be issued to non-employer groups permitted under a compacting state's laws and procedures.

The Commission will also consider for final action, amendments to several annuity benefit feature standards to expand their scope for index-linked variable annuities.

Climate & Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force met on August 15, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Spring National Meeting Minutes

The Spring National Meeting Minutes were adopted.

Presentation from reThought Flood on its Innovative Flood

Derek Lynch (reThought) presented on the activity of reThought in the area of providing resiliency scoring to flood insurers. He noted that the company is actuarially vetted and since its founding in 2017 has managed a variety of events including 1,000-year rainfall floods. He also stressed that when discussing floods, rainfall is an often-overlooked factor but that more frequently flooding events are driven by heavy rainfall events.

In discussing reThought's approach, he shared that it is a combination of insurance and mitigation as the two factors emphasized to close the coverage gap. He discussed the five steps in a cycle that drives the insurance side: better coverage, terms, and premiums; increase take up; increase premium revenue; creates profitability; that then increases capacity. On the mitigation side, the steps are predicting flooding events; educate insureds on mitigation; mitigate; that then prevents casualties. These cycles then repeat with iterative improvements with each cycle.

Discussing admitted product education, he stressed that many homeowners do not understand that floods are not covered by their homeowner's policy. Likewise, he noted that agents are also not well educated on how to sell flood insurance to consumers. Addressing the historical flood insurance, he noted that traditionally flood insurance has often been a coin-flip in predicting floods. He also noted, that while models are the best approach they often fail to adequately address value of loss properties or have inadequate data to properly structure prediction. Regarding floods, he discussed that the data on floods is not the same as available for other losses like fire. As a result, the predictive ability of models is limited.

In order to address the holes that models leave, reThought uses an AI bottom-up approach paired with multiple predictive models. He believes this avoids the issue of mean regression in a plain multiple model approach by allowing the AI to weight the models to the specific insured property. The output is reThought's "Flood Resiliency Score" that predicts flood risk on individual property level. The goal of the score is to give something for insurers to compare against on how to use education to influence mitigation efforts. reThought envisions the score like a credit score that insurance customers can work to improve over time to reduce premiums.

reThought sees the insurance gap primarily arising due to the lack of education regarding floods at every level of the industry. It believes focusing on prevention is the key to closing the insurance gap instead of just providing more efficient protection of financial losses. In closing, Derek noted that reThought is currently working primarily with commercial customers but hopes to expand to residential in the future.

He also noted that competing with NFIP is just not possible in some markets like coastal condos, but that reThought has been successful in the interior parts of the U.S.

Presentation from Marsh McLennan on the *Global Risk Report*

Lorraine Stack (Marsh McLennan) provided a presentation on the Global Risk Report and background on its activities. She provided background on the report, and it is underpinned by two surveys: the Global Risk Perception survey and the Global Executive survey. The Global Risk Perception survey compiles the insight of 1,500 international experts. The Global Executive survey examines the views of 11,000 company executives on the risks of doing business in their country.

Based on this, she discussed how risks have evolved over time. Looking back to 2011, the primary risks were mostly associated with economic turbulence following the Great Recession. Most recent, technological risks like generative AI have gained a strong foothold. In the middle, environmental risk arose, and some, like infectious disease, dropped off shortly after they arose and fell out of public consciousness. However, when considering longer-term issues, environmental concerns dominate the concerns of respondents to the risk surveys. Building on this, she addressed how many of these risks are interconnected and can overlap or feed into each other like global warming leading to new novel viruses being released from permafrost.

Ms. Stack also discussed how generative AI has reshaped cyber issues. Stack sees education as the key to reducing this risk. But Stack believes that cyber-risk insurance is in a good position right now but will change over time.

Addressing supply chain risks, she sees this area as a sign that internationally there is pushback against globalization. With this comes greater vertical integration by manufacturers and a move away from just-in-time manufacturing techniques. For insurers, Stack sees insurance as a commercial driver that can push innovation by incentivizing good behavior by insureds. For example, insurers can push activities like decarbonization targets with individual clients as a means to achieve ESG goals by insureds.

In the future, Stack expects to see more work in the area of risk mutualization, parametric solutions, and captive insurance vehicles. Stack believes that taking a longer-term view of risk is necessary to build climate risk resiliency.

Update on Deliverable from the NAIC National Climate Resilience Strategy for Insurance

Commissioner Ricardo Lara (CA) shared that work has begun on the climate risk dashboard. NAIC staff has made some initial progress on gathering data for use by members. Tim Nauheimer (NAIC) shared that staff has been meeting every two weeks. The dashboard will contain three sections: Physical Risks, Coverages Trends, and Transitional Risks. The Coverage Risk section includes protection gap, affordability, and availability measurements. The NAIC collaborated on identifying risk indicators for each section. Each indicator also includes a trend and risk level assigned.

The project is ready to move to the next phase of forming a regulated development group to continue the dashboard development. The NAIC will call for state regulators to meet biweekly and will begin with the Physical Risks section. This group will also decide how to communicate updates publicly and anticipates using a method similar to what was used for the Macroprudential Group updates.

Update from Climate Risk Disclosure Workstreams

Commissioner Lara (CA) presented the update. Two meetings have been held. The first meeting addressed small- and medium-company disclosure best practices. The second meeting was a presentation from Ceres on its report on climate risk disclosure analysis from 516 insurance groups on progress and remain challenges to integrating climate risk into governance and processes. Recordings of both presentations are available on NAIC Climate Risk and Resiliency Center. The workstream will continue to look for ways to educate companies on the best practices and feedback sessions.

Federal Update

Shana Oppenheim (NAIC) provided the update. Summarizing legislation, she noted that a lot of legislation focuses on litigation that would guarantee debt issued under state catastrophe insurance programs, proposals for above the line deductions for flood insurance, to authorize NFIP payouts to structures condemned due to erosion or unusual flooding, to streamline process for forest management and wildfire mitigation, and grants for homeowners in disaster-prone regions.

Addressing congressional actions, she shared that Sen. Warren and Rep. Casten are urging federal banking regulators to address climate risk, accused regulators of hindering global climate risk standards, and asked for explanations from regulators that have been rebuked. The PCMI data call has been raised in sessions related to the progress and scope of the data collection. The Senate Budget Committee also held a hearing on June 5 on how climate is challenging insurance markets. The hearing was divided on party lines. Sen. Jacky Rosen sent a letter to FIO requesting action on the increasing cost and reduced availability of homeowners insurance.

Addressing federal agencies, HUD and FHFA have continue to express interest on affordability issues. They have held several symposiums on the issue in DC to address these concerns. FHFA is also engaging stakeholders to address property insurance requirements, including challenges related to replacement versus actual cost value. Treasury has also held meetings with stakeholders to address natural catastrophe risks in U.S. insurance markets and the PCMI data call. The SEC Climate Disclosure rule has been paused pending legal challenges. The White House has awarded \$120 million to tribal nations to address 146 climate resiliency projects. HUD has also released a new flood protection rule. FEMA has transferred NFIP risk to the reinsurance and capital markets, and is finalizing a rule that requires those using funds to consider climate-related flood risk.

Special (EX) Committee on Race and Insurance

The Special (EX) Committee on Race and Insurance met on August 13, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Spring National Meeting Minutes

The 2024 Spring National Meeting Minutes were adopted.

Receive a Status Report from its Workstreams

A. Health Workstream

Commissioner Grace Arnold (MN) gave an update on the health workstream. Arnold gave an overview of the discussions had in the regulator-only meeting. The group discussed potential deliverables that will be based on the work done by the workstream in prior years for other NAIC groups to explore. The workstream decided to restart the discussion on data collection efforts to help promote health equity issues. The workstream will continue discussions on NAIC Connect regarding historically disadvantaged communities and health equity. A blog has also been published on gender inequities. Meetings dates have been set for September and October.

B. Life Workstream

Commissioner Michael Humphreys (PA) gave an update on the life workstream. The workstream has met several times. Humphreys gave a brief highlight of the meetings that have occurred since the last national meeting. In March, the group continued the focus on barriers to accessing life insurance, specifically the barriers for formerly incarcerated individuals. The workstream heard several presentations on removing barriers to accessing insurance and aiding individuals in finding suitable life insurance products. Suggestions were also given to workstream on how to remove barriers to accessing healthcare. Another presentation was given on the use of criminal history data in insurance.

In April, the workstream heard from the ACLI on the use of criminal history data in life insurance underwriting. Two work products were finalized in that meeting: A financial wellness resource track, and a document that highlights financial literacy initiatives within several insurance departments. The workstream adopted endorsements for legislation promoting financial literacy courses in high school and is asking for the Special Committee to consider supporting and endorsing the legislation as well.

The workstream also heard presentations on clean slate initiatives. These initiatives allow for automatic expungement or sealing of criminal history records and prior incarceration records. The workstream has exposed a draft survey on life insurer's use of criminal history. It is focused on underwriting.

C. Property and Casualty Workstream

Commissioner Kevin Gaffney (VT) gave an update. The workstream heard a presentation in their last meeting regarding various definitions of discrimination in the industry. Also discussed the consumer, actuary, and industry perspective on discrimination as well as risk-based pricing aspects. In the meetings prior to the national meeting, the workstream heard presentations regarding messaging for homeowners' insurance to underserved communities and research related to the uninsured

homeowner's trend. Also, met in regulator-only meetings to hear a presentation and discuss the District of Columbia's initiatives on evaluating unintentional bias in private passenger auto insurance. The workstream is looking to hear an update from California on its Low-Cost Auto Insurance Program.

The workstream is also looking to make potential observations from the PCMI data call after completing its analysis.

Update on the Member Diversity Leadership Forum

Eveyn Boswell (NAIC), Chandara Phanachone (CA), and Gary Jones (PA) presented updates on the Member Diversity Leadership Forum. The presenters provided a brief overview of the mission of the forum and an update on the strategic plan. The strategic plan emphasizes collaboration and sharing best practices, community engagement, and education and awareness.

Also, shared a learning update based on initiatives from Rhode Island and Louisiana. Highlights were shared from the National Disability Pride Month celebration.

Presentation from the American Academy of Actuaries (Academy) on Health Equity

Annette V. James gave a presentation on Health Equity. James provided a brief overview of American Academy history and the Health Equity Committee. The purpose of the committee is to evaluate actuarial practices in the context of health equity, educate actuaries and other stakeholders on health equity issues, apply an equity lens when considering the impact of current or proposed health care policies, and publish issue briefs. The committee held a symposium in November 2023 on equity-enhancing benefits in the employer coverage space. As a result, one of the symposium issue briefs were released and four workshops were held. The key takeaway from the workshop series and symposium is that data is very significant regarding the decisions that impact health coverage.

James emphasized the limitations of claims data. It only reflects the claims of those using the health care system and understates historically marginalized groups. James explained the advantages of evaluating benefits from a cost-effectiveness analysis. Also discussed regulatory issues and explained that laws are not often designed with a health equity lens. The committee's focus for 2024 will be on behavioral health.

Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its July 15 Meeting Minutes

The 2024 Spring National Meeting Minutes were adopted at the committee's July 15 Meeting. The July 15 Meeting Minutes were adopted at this meeting.

Hear a Federal Update

Taylor Walker (NAIC) gave a federal update. Last November, the Department of Labor proposed its Retirement Security Rule (the "fiduciary rule") as well as amendments to the prohibited transactions exemptions. Stakeholders were given 60 days to comment. The NAIC submitted a comment letter expressing disappointment with the process. The final version was published in the federal register on April 25, 2024. The rule expands the definition of an "investment advice fiduciary." The new rule was set to take effect in September, but it is currently being held up in litigation.

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

Rachel Hemphill (TX) gave a brief overview of the report. Four key areas of activity include: work from the VM-22 Subgroup on the ongoing development of VM-22 and the field test; work from the IUL illustrations subgroup that have coordinated regulator reviews of illustration; work from the GOES (E/A) Subgroup that has ongoing development of appropriate economic scenario generator at both the LATF and subgroup level; and finally, the task force exposed a draft actuarial guideline on asset adequacy testing when there is reinsurance ceded. The Life Actuarial (A) Task Force report was adopted.

Update on the Accelerated Underwriting (A) Working Group

Commissioner Nathan Houdek (WI) gave an update. The group is making progress toward considering use of external data and data analytics in accelerated life underwriting including drafting guidance. Two documents were exposed: (1) draft regulatory guidance document and (2) referral to the market conduct examination guidelines working group. Revised drafts were reviewed by the working group at its June 13 meeting and adopted at the August 6 meeting. The Accelerated Underwriting (A) Working Group report was adopted. The working group also adopted the *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations* and *Market Regulation Handbook* referral documents.

Update on the Special (EX) Committee on Race and Insurance Life Workstream

A representative for the life workstream issued an update on the committee's work. The committee has met three times since the last national meeting, and it has focused on insurance barriers for individuals with a criminal history, the use of criminal history and life insurance underwriting, and the endorsement of state legislation requiring financial literacy courses as a prerequisite for high school graduation. The life workstream adopted the Financial Wellness Resource Guide and exposed a draft survey of life insurers' use of criminal history in underwriting for a 30-day public comment period.

Panel Presentation on Illustrations

Fred Andersen (MN) moderated a panel discussion on annuity and life insurance illustrations. Brian Rock of Securian Financial spoke on life insurance illustration laws. The Life Insurance Illustrations Model Regulation is NAIC Model 582. This rule aims to ensure that life insurance illustrations are clear, accurate, and not misleading. Model 582 was adopted by the NAIC in 1995. Due to the growing popularity of Indexed Universal Life insurance products, the NAIC developed Actuarial Guideline XLIX-A (AG49) in 2015, which was revised (AG49-A) in 2020. Rock also spoke about policies and procedures that individual carriers require their agents to follow when selling their products, as well as regulations affecting variable life insurance illustrations (FINRA 2210 – Communications with the Public; FINRA 2211 – Communications with the Public about Variable Life Insurance and Variable Annuities).

A presenter for Athene spoke on annuity illustration practices. The current regulatory model for illustrations focuses on adequate disclosure, consistency, and clearly showing minimum guarantees. Broader state adoption of the NAIC model with other measures will simplify the marketing challenges in this arena. The presenter discussed Model Regulation 245, the Annuity Model Disclosure Rule, and noted that it is very focused on index performance over the last two decades. He discussed differences between NAIC regulations and those put out by the SEC and FINRA.

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee met on August 15, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of July 26, June 13, and Spring National Meeting Minutes

The July 26, June 13, and Spring National Meeting Minutes were adopted.

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

- A. Consumer Information (B) Subgroup
- B. Health Innovations (B) Working Group
- C. Health Actuarial (B) Task Force
- D. Long-Term Care Insurance (B) Task Force
- E. Regulatory Framework (B) Task Force
- F. Senior Issues (B) Task Force

The Reports were adopted without discussion. The Reports can be found in the meeting materials.

Federal Update

Brian R. Webb (NAIC) gave the update. The House and the Senate have full funding this year for the Schiff programs. The NAIC sent a letter to Congress regarding the expanded APTC tax credits under the ACA, requesting that these credits be extended past 2025. NAIC urged Congress to make this decision soon to allow for rates to be discussed. Further, Medicare Advantage marketing is an issue. The NAIC continues to work with the Senate and House Committees to get language to allow any state to work with CMS to get a cooperative enforcement agreement to enforce the federal rules. This allows states to deal with complaints and enforce rules accordingly. He is expecting an end of year budget package after the election. There is a new FTC interim report that is critical of PBMs, their funding, and their impact on consumers. This could push for more federal activity regarding PBMs.

There is a new mental health parity final regulation coming out soon. NAIC had many comments on the proposed rule, which may be addressed. Additionally, there should be final word on the notice of benefit and payment parameters. NAIC is hoping for additional guidance on copay accumulators in this rule. The last time this was addressed, the courts overturned the rule, setting it back to the 2020 rules. The federal government is not enforcing the 2020 rules, and states need guidance on these rules. Finally, there has been much discussion about the nondiscrimination rule and its impact on MediGap.

Recent court decisions of note include the *Loper Bright* case, challenging the *Chevron* decision. This will have an impact on federal regulations. Additionally, NAIC is still waiting for the end of the *Braidwood* case. This matter challenged preventative services without cost-sharing

provisions. The case has been sent back to the lower court for decision, but at present, the current rules remain in place.

Update from the Consumer Perspective on Recent State Activity Related to the Prior Authorization Process

Carl Schmid (HIV+Hepatitis Policy Institute) and Stephani Becker (Shriver Center on Poverty Law) presented on state updates. One study required greater transparency of the prior authorization process, clinical review standards, and reasons for denying. Some states have implemented new laws, preventing companies from requiring prior authorization on all HIV treatment and prevention drugs. Prior authorization has become a barrier to the efforts to end HIV, and these laws help break that down. Additionally, there are new concerns related to the use of AI in prior authorizations, including discrimination embedded in the software. States are also instituting transparency measures such as requiring insurers to maintain and publish a complete list of services for which prior authorization is needed on a public facing website. Prior authorization can no longer be required for inpatient mental health treatment and some cancer care, outpatient mental health care, and preventative care in various states. Across the country, state lawmakers are responding to patient and provider obstacles for access to care.

Lucy Culp (The Leukemia & Lymphoma Society) presented on federal initiatives that may impact or influence states. A prior authorization interoperability proposed rule was released in January and, depending on the provision, takes effect in 2026 or 2027. Under the new rule, all impacted payers and plans must provide a specific reason for denying a prior authorization request and decisions are required no later than 72 hours for urgent requests and seven days for non-urgent. Further, plans must post program metrics to their websites to increase transparency about what requires prior authorization, the percentage of approvals, and how often timeframes had to be extended. Also in January 2024, the FTC issued a report on pharmacy benefit managers detailing how increasing vertical consolidation and market concentration has enabled those six largest PBMs to manage almost 95% of prescriptions throughout the US. The PBMs are imposing prior authorization policies that are being used to discourage use of generic medication. This was flagged as a crossover of work in the PBM sphere and the prior authorization sphere.

Presentation on Health Cost Transparency

Sabrina Corlette (Center on Health Insurance Reforms at Georgetown University) and Kelley Schultz (America's Health Insurance Plans) presented. Average family premiums and deductibles are rising rapidly. Price increases in services charged by hospitals and drug manufacturers, and not consumption, are driving up healthcare costs. These increases are caused by the horizontal and vertical consolidation happening in the healthcare market.

The Transparency in Coverage (TiC) rule requires group health plans and issuers to publish in-network rates and out-of-network amounts by provider on a machine-readable file for all covered items and services. This rule went into effect in July 2022. TiC data can help researchers, policymakers and regulators identify cost drivers and target solutions. However, there are multiple problems with the current TiC data. It is difficult to find, there is a lot of duplicative data, and a lack of standardization from carrier to carrier. State departments of insurance are the frontline of enforcement for TiC data, so states can take certain steps to improve the accessibility and content of TiC data, including requiring issuers to attest to the completeness and accuracy of their TiC files, require a data directory or index to identify what is included in the data, and forbid issuers from redacting information from their rate filings that could be acquired from the TiC data. Improving the TiC data could help lead to decreasing healthcare costs across the market.

Update from the Federal Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information and Insurance Oversight (CCIIO) on its Recent Activities

Dr. Ellen Montz (CCIIO) gave the update. The Center is focused on four main areas, including upcoming open enrollment and improving outcomes for consumers, focus on affordability, improving coverage options, and not losing the momentum gained and pivoting it to focus on long-term improvements. The Center has noticed two concerning trends. First, on average, enrollment outcomes for consumers through agent and broker pathways seem to be lower quality. For example, consumers through these channels generate greater data inaccuracies, requiring the consumer to come back to the marketplace to verify their information. Second, there has been an increase in consumer complaints. To combat these issues, the Center is providing more training to their agents and brokers and creating data specific for agents and brokers to track these outcomes. The Center has also launched a Consumer Fraud Education Campaign and is leveraging partnerships to increase communication amongst the states and insurers. It is also ramping up enforcement actions.

Review Addressed Priorities and Discuss Priorities for the Upcoming Committee Meeting

Director Anita Fox (MI) reviewed the priorities for the upcoming committee meeting. These include network adequacy, small group market, and PBMs. Other potential topics include mental health, claim denials, and plan design. Members were invited to suggest matters for the upcoming meeting in Denver.

Long-Term Care Insurance (B) Task Force

The Long-Term Care Insurance (B) Task Force met on August 13, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Spring National Meeting Minutes

The 2024 Spring National Meeting Minutes were adopted.

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

Fred Andersen (MN) gave the report on the LTCI industry trends. A key area of continued monitoring includes the cost of care inflation, especially the impact on inflation resistant products. This continues to be an issue with home health care. Another area of monitoring is morbidity and morbidity incidence improvement. There is still some uncertainty in this area, due to COVID-19. Data collection will continue in this area. Other areas of monitoring are future rate increase approvals, performance of assets, particularly in long-term care, and wellness initiatives and their impact.

Adoption of the Report of the Long-Term Care Actuarial (B) Working Group including Minutes

Fred Andersen (MN) gave the report. The focus of the Working Group meeting was on replacing the current actuarial methodologies and the multistate approach with a single methodology. The Working Group received comments from regulators and interested parties. Ultimately, the Working Group determined some action should be taken to address the 85-25-400 issue. Multiple proposals were presented, and the Working Group exposed a revised Minnesota approach to address leveling out cumulative rate increases once they reach the 400% cumulative level. The Working Group is working to expose a second alternative method as well.

Tomasz Serbinowski (UT) commented that the main gist of both proposals offered in the Working Group are about tweaking the least actuarial aspect of the method - explicit cost-sharing.

Paul Lombardo (CT) responded that this has been discussed at length with commissioners and have heard no objection. While this is not an actuarial decision in nature, the cost-sharing has been a part of the Minnesota method and part of the MSA framework. Whatever is proposed by the Working Group will have to go through multiple levels of review and approval. Both of the exposures are for 45 days, and there will be a call almost immediately after exposure to discuss the comments and work toward an approach.

William Leung (MO) requested more guidance from the Task Force regarding where the cumulative rate increase limit should be placed.

Update on Consumer Education on Reduced Benefit Options (RBOs)

Commissioner Trinidad Navarro (DE) presented on consumer education for reduced benefit options. Delaware employs trained staff to provide consumer assistance on RBOs. It has produced a list of FAQs about long-term care, RBOs, and long-term care companies. The program has been successful in the few weeks it has been live. There was very little start up cost, and it has generated a lot of positive press.

Presentation from the NAIC Center for Insurance Policy and Research (CIPR) on the Results of the RBO and Consumer Notices Research Survey

Brenda Rourke, Ph.D. (NAIC) presented. The results of the study indicated that the largest population chose to pay the increase, which is consistent for those with LTCI and those without. Generally, participants were more likely to accept a rate increase if it was placed in the context that stated they had a prior rate increase. Those who are confident and believe they have the knowledge and skills to make the decision were more likely to accept a premium increase.

Long-Term Care Actuarial (B) Working Group

The Long-Term Care Actuarial (B) Working Group met on Monday, August 12, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of July 2 and Spring National Meeting Minutes

The July 2 and Spring National Meeting Minutes were adopted.

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

Those who submitted comment letters were given an opportunity to add to or summarize their comments on the previously exposed approaches to a single methodology for LTCI multistate rate reviews.

The Washington Insurance Department submitted a comment but had no additional comments outside of its submission.

The American Academy of Actuaries submitted a comment but had no additional comments outside of its submission.

William Leung (MO) submitted a comment. While Missouri supports the development of a single Multi-State Actuarial approach, it suggests two changes to the exposed Minnesota approach. First, it suggests that the cumulative rate increase should be no more than 600% after all the adjustments and cost-sharing analysis is made. It proposes this be achieved by increasing the cost-sharing obligation when the cumulative rate is more than 500%. Additionally, Missouri suggests that each rate increase filing should not increase the cumulative rate increase by more than 100% from that of the current rate.

Genworth Life Insurance Company & Genworth Life Insurance Company of New York submitted a comment. They propose the Working Group clarify the Minnesota method to ensure uniform application of the approach.

ACLI and AHIP submitted a comment. They summarized their comment and emphasized concerns regarding transparency and uniform application of the selected approach. They also had concerns about the implicit and explicit cost-sharing methods contained in the Minnesota method. Specifically, the blending of cost-sharing methods made it difficult to quantify the actual level of cost-sharing that currently exists and it can mask the needed rate increases. ACLI and AHIP emphasized the importance of transparency in how much cost-sharing is actually taking place under the Minnesota approach. Their letter included a suggestion that could be applied to the Minnesota method to clarify the total cost-sharing.

Fred Andersen (MN) gave a report on adjustments to the Minnesota Approach. He began with an overview of the approach and explained that the approach contains both implicit and explicit cost-sharing. The implicit cost-sharing is present in the blending away from the makeup premium to ensure any rate increase will not lead to improved financial expectations for the company from original pricing. The Approach also contains an explicit cost-sharing formula to address very high rate increases over time that were very likely not presented to the consumer as a possibility at the time of sale. The formula increases the company burden as cumulative rate increases rise. So, the cumulative-since-issue, blended if-knew/makeup premium based increase would be reduced by a "haircut" percentage at the portion of the rates below.

Portion of Cumulative Rate Increase	Haircut Percentage per Portion
0-15%	None
15-50%	10%
100-150%	35%
150%	50%

The problem that has been identified, frequently called the 85/25/400 issue, is that after a policy length of about 25 years, there is a skyrocket of rate increases to over 400% cumulative rate increases and the rates continue to increase. This leads to an older population with a history of high cumulative rate increases that were not anticipated when they purchased the product.

The proposed revision of the Minnesota Approach is intended to flatten the increase of cumulative rate increases after that 25-year policy duration. The revision adjusts ranges and percentages in the explicit cost-sharing formula so that the higher the percentage, the higher the burden for the policyholder and the lower the percentage, the higher the burden for the company.

Portion of Cumulative Rate Increase	Haircut Percentage per Portion
0-100%	5%
100-400%	20%
>400%	80%

Working Group members were given an opportunity to comment on the proposed changes.

William Leung (MO) expressed two problems with the revised Minnesota Approach compared to the recommendation given in his comment letter. First, the proposal does not address the potential of extreme levels of rate increase, such as increases by 100,000%. Additionally, the proposal does not consider the level of cumulative prior rate increases.

In response, Fred Andersen (MN) pointed out that the blending addresses the infinite rate increases and even then, the 80% haircut would apply. Under the proposed Minnesota Approach, states would still have flexibility to apply reasonableness to decisions regarding the rate increases.

ACLI and AHIP spoke again and expressed the concern that, in the future, rate increases will be viewed as actuarial when in fact the cost-sharing is viewed as public policy. They requested if there is an actuarially justified rate increase, there be a policy on top of that.

Paul Lombardo (CT) explained that there were multiple discussions with various commissioners in various states regarding the proper place to make the decision of the MSA framework. Cost-sharing mechanisms were already present in the MSA framework. Now, the discussion is regarding an adjustment of the cost-sharing mechanism to reflect the population cohort.

The Minnesota Approach, with the specified adjustments to the cost-sharing formula, was exposed for a 45-day public comment period ending September 27.

Regulatory Framework (B) Task Force

The Regulatory Framework (B) Task Force met on August 13, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of July 1 and 2024 Spring National Meeting Minutes

The July 1 and 2024 Spring National Meeting Minutes were adopted.

Adoption of its Subgroup and Working Group Reports

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

Hear Presentation Facility Fees

Rachel Swindle, from the Center on Health Insurance Reforms (CHIR) at Georgetown University's McCourt School of Public Policy, spoke about outpatient facility fees in the commercial insurance market, state regulations of facility fees, and the role of facility fees reforms in the broader context of the most pressing healthcare challenges facing policy makers. A facility fee is a secondary fee that hospitals charge in addition to a healthcare professional's bill, which is likely used to cover hospital overhead. Such fees are often billed in an arbitrary and unpredictable fashion. Policy makers seeking facility fee reform options are motivated by consumer out-of-pocket exposure, rising spending, and lack of transparency in billing and ownership. Potential solutions include site-neutral payment, facility fee billing bans, billing transparency, public reporting, cost-sharing protections, and consumer notification requirements.

Discuss *Loper Bright Enterprises v. Raimondo*, *Relentless v. Department of Commerce*, and Potential Implications on Health Insurance-Related Regulations

William G. Schiffbauer, of Schiffbauer Law Office, gave a brief overview of *Loper Bright Enterprises v. Raimondo* ("*Loper Bright*"), which overruled the Chevron doctrine and fully restored judicial review under the federal Administrative Procedure Act (APA). The court in *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.* (1984) held that federal courts were required to defer to an agency's reasonable interpretation where a statutory text is ambiguous or silent. The Chevron doctrine established a two-step analysis for judicial review for challenges to agency rules under the APA and adopted a presumption of an implied delegation of interpretive authority to the agency without reference to any provision of the APA. The first step required the court to look at whether Congressional intent was clear, and if not, the second step required the court to defer to the agency if the agency offered a permissible statutory construction.

The majority opinion in *Loper Bright* determined that the APA requires courts to exercise their independent judgment in deciding whether an agency has acted within its statutory authority, and courts may not defer to an agency interpretation of the law simply because a statute is ambiguous because Article III of the Constitution assigns the federal Judiciary final interpretation of the laws as the peculiar province of the courts.

Moving forward, agency rules upheld in prior court decisions under *Chevron* may still be challenged under the APA and *de novo* review by a federal court. As a result, Congress must now legislate more explicitly. State agencies may examine the judicial review provisions and deference case law under their state administrative procedure acts and consider the lessons of *Loper Bright*.

Hear Presentation on New Collaborative Multi-Stakeholder Initiative “Promoting Health Through Prevention (PHtP)”

Kate Berry, from America’s Health Insurance Plans (AHIP), and Anand Parekh, from the Bipartisan Policy Center, presented on a new initiative to promote health through prevention. The U.S. Preventive Services Task Force is an independent commission of experts around the country that studies scientific breakthroughs on promoting health through prevention. AHIP has determined that lack of patient education is one of the most important factors on this issue, so AHIP launched the Promoting Health Through Prevention initiative with a coalition of preeminent public and private health organizations to encourage patients to get the recommended preventive services available with no out-of-pocket expenses under the Affordable Care Act. The Office of Disease Prevention and Health Promotion of the Department of Health and Human Services, has developed a tool called MyHealthfinder Tool to allow patients to find out what preventive services are available to them.

Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee met on August 15, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Spring National Meeting Minutes

The 2024 Spring National Meeting Minutes were adopted.

Adoption of Task Force and Working Group Reports and Minutes

Christian Citarella (NH) presented a report on the Casualty Actuarial and Statistical (C) Task Force. Data from the (C) committee's private flood insurance supplement is not being reported consistently from one company to another, and international data does not match domestic data. The task force is addressing this problem to ensure that data is consistent in these areas. Also, the NAIC rate model review team is booked for the next nine months, well beyond their 30-day target, and they cannot accept any new rate submissions for the next six months. The task force requested that the (C) committee communicate the needs and importance of this team to state regulators.

Director Larry Deiter (SD) presented a report on the Surplus Lines (C) Task Force. The task force discussed the feasibility of developing a service of process form specifically for the surplus lines industry. The form would address an issue related to the party's potential lawsuits and the location of those lawsuits. The task force adopted amendments to the IID plan of operation that guide non-U.S. insurers currently on or seeking admission to the quarterly listing. Additionally, the task force and working group 2025 charges were adopted, and the exempt commercial purchaser criteria to be effective in January 2025 were discussed.

Commissioner Kevin Gaffney (VT) presented a report on the Title Insurance (C) Task Force. The task force anticipates adopting the survey of state insurance laws regarding title insurance. Results will be compiled when filings are complete. The industry is experiencing increased cases of wire fraud from advances in artificial intelligence combined with a fast-paced real estate market and use of mobile phone transactions. The president announced at the State of the Union address that his administration would eliminate title insurance fees for federal-backed mortgages. A bipartisan bill, Protecting Americans' Property Rights Act, was introduced into the House to require title insurance on all loans purchased by Freddie Mac and Fannie Mae.

Chairman Alan McClain presented a report on the Workers' Compensation (C) Task Force. The task force received an update on the worker's compensation market from the National Council on Compensation Insurance (NCCI).

Ken Allen reported for the Cannabis Insurance (C) Working Group. Most financial services continue to be reluctant to work with cannabis industry businesses due to the federal

classification of marijuana as a schedule 1 controlled substance under the Controlled Substances Act. The Secure and Fair Enforcement Regulation (SAFER) Banking Act has had the most momentum in addressing this issue and passed the Senate Banking Committee with bipartisan support, but faces challenges in reaching a consensus with all members. In May 2024, the Department of Justice formally moved to reclassify marijuana as a schedule 3 substance, alongside drugs like ketamine, by sending a proposed rule to the federal register. The approval process is expected to be lengthy. Cannabis use for medical purposes is also expected to decline as more states allow for recreational use. As to cannabis insurance availability, D&O and cyber coverage are becoming more affordable with better coverage; reinsurance capacity has increased; and key person coverage, product contamination, and cannabis-focused specialty solution programs with language specific to cannabis are becoming available. Admitted general liability and product liability coverages are available in 10-15 states. Outdoor crop coverage still remains unavailable outside of parametric coverage, however, parametric coverage is now available in more states. Auto insurance coverage for cannabis risks is still problematic and expensive. Property coverage is limited and commonly self-insured. Life insurance remains difficult to find.

Cindy Amann presented a report from the Catastrophe Insurance (C) Working Group. At the last meeting for the working group, FEMA presented their Community Rating System (CRS) and provided information on its new Directed Consumer product (D2C). Brian Powell gave a presentation on the work of the Center of Excellence (COE). The working group will begin meeting with the COE and the Climate Task Force once a month to collaborate. The working group also received a presentation from Dave Snyder of American Property Casualty Insurance Association (APCIA) on mitigation discounts. Finally, the working group has almost finished its work updating the Catastrophe Insurance Modeling Primer.

The Terrorism Insurance Implementation (C) Working Group did not meet.

George Bradner gave an update on the Transparency and Readability of Consumer Information (C) Working Group. The working group exposed its premium increase transparency guidance document for states that are interested in implementing rate increase transparency measures. The guidance document uses a phased approach that allows insurers time to implement the needed processes. The working group made revisions based on the comments it received. The most substantial change was the decision to combine the capping and non-capping guidance documents into one document that applies to both. The working group exposed the revised document at the August 8 meeting and comments are due August 30, 2024.

All reports were adopted.

Hear federal update on property/casualty (P/C) insurance issues

Shana Oppenheim (NAIC) gave an update on various P/C insurance issues. As to natural disasters and housing affordability, several bills introduced in the House and Senate are providing funding, tax incentives, and research for state mitigation and resilience programs to address property insurance market challenges arising from natural disasters. Also, a bill was introduced to require the Office of Terrorism and Financial Intelligence within the U.S. Department of Treasury, to issue rules about unverified registrants in insurance contracts in an effort to regulate oil shipments through insurance. The NAIC is engaged in an ongoing dialogue with Congress on this issue.

Hear update on Property & Casualty Market Intelligence (PCMI) data call

Commissioner Alan McClain (AR) gave an update on the PCMI data call issued on March 8, 2024. The regulator steering committee is meeting regularly to provide input and analysis of the data. States will have access to the raw data to conduct their own analysis, and NAIC plans to issue a summary analysis later this year.

Presentation on Homeowners Insurance Markets

Robert Gordon of American Property Casualty Insurance Association (APCIA) and Cate Paolino of the National Association of Mutual Insurance Companies (NAMIC) gave a presentation on homeowners insurance markets. Gordon discussed how exaggerated climate change alarmism has fueled the increasingly ubiquitous false media narrative that extreme weather patterns caused by climate change have led insurers to stop writing coverages. Nonetheless, climate change issues are causing some foreseeable future problems. Property casualty insurance markets have been deteriorating rapidly in a number of states. Insurers cannot provide coverage for increasing weather risks unless they are profitable enough to either grow their own capital or attract additional investment capital. NAIC reports and analyses confirm these profit losses. The four causes of increased losses in property casualty insurance markets are a rise in exposure values and replacement costs, the natural variability that comes from selecting any five-year sample of natural catastrophe experience, the effects of climate change on different atmospheric perils, and the impacts of man-made loss drivers, such as social inflation and legal and regulatory factors. The cost to repair and replace properties in the United States has more than doubled over the last decade. The cost of premiums for homeowner's insurance has not kept pace with the inflated costs of homeownership. More expensive properties in high climate risk areas are going to get more expensive to insure over time. Climate change is exacerbating losses from wildfires. Losses from convective storms has increased 8% annually since 2008. The frequency of homeowner's insurance claims also has not increased as much as the severity of the claims since 2019. Housing affordability is at its worst levels since 1980. Insurers are trying to innovate to make coverage more affordable. Government rate suppression measures, while providing a short-term solution, can undermine private markets over the long-term. Weather risks are very insurable but the primary impediment to coverage is government restrictions that undermine the

markets and reduce climate change cost signals. Governments are encouraged to support stronger mitigation and resiliency efforts.

Paolino discussed a new era of risk under the convergence of market dynamics largely beyond insurer control that impact businesses and homeowners. Those dynamics include extreme weather, inflation, litigation abuses, and other factors. Paolino showed several charts showing increases in extreme weather, and she also discussed population density and increases/decreases since 1980, indicating that more people are moving into extreme weather areas. She noted that inflation is causing increased costs to repair and replace homes after a natural catastrophe, and she briefly addressed how abuses in the legal system are causing issues in the insurance field.

Market Regulation and Consumer Affairs (D) Committee Meeting

The Market Regulation and Consumer Affairs (D) Committee met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its July 29 Minutes

The July 29 meeting minutes were adopted.

Presentation from the Automotive Education & Policy Institute (AEPI) on Automobile Claim Settlements

Erica Eversman gave a presentation highlighting the harm to consumers by auto insurers regarding automobile claim settlements. Emphasized that consumers fail to understand the relationship between the insured and third-party claimants, as well as total loss issues. Eversman spoke about issues with third party valuation software providers. Eversman described valuation issues for consumers and how it is leading to the consumers filing suit against the insurer. Also, gave an overview for lawsuits over ACV valuations. Highlighted the issues prevailing among garage carriers and auto insurance companies regarding coverage for repairs. Eversman provided recommendations to the NAIC regarding insurer use of loss software and various consumer notifications.

Adoption of its Task Force and Working Group Reports

A. Antifraud (D) Task Force

Commissioner Navarro gave a report. The task force took the following actions: adopted meeting minutes, adopted its 2024 charges in preparation to review and adopt its proposed 2025 charges, adopted a report from the Improper Marketing Health Insurance working group, and received an update from the Anti-Fraud Technology working group.

B. Market Information Systems (D) Task Force

Director Chlora Lindley-Myers gave a report. The task force took the following actions in its August 2 meeting: heard a report from the Market Information Systems Research and Development (D) Working Group, received a report from the Market Analysis Procedures (D) Working Group, received a status update on Uniform System Enhancement Request (USER) form projects and State Connected strategic plan projects affecting the MIS.

C. Producer Licensing (D) Task Force

Director Larry D. Deiter gave a report. The task force took the following actions in its Spring National Meeting: adopted meeting minutes from prior meeting, received comments on proposed amendments to the Public Adjuster Licensing Model Act #228, received comments on the draft 1033 waiver template, received comments on proposed amendments to the NAIC uniform producer licensing application and the proposed cost and timeline for implementing the amendments, adopted the report of the Adjuster Licensing (D) working group, adopted the report of the Producer Licensing Uniformity (D) working group, adopted the report of the Public Adjuster Licensing (D) working group, adopted the report of the Uniform Education (D) working group, and received a report from the NIPR board of directors. The Public Adjuster Licensing Model Act is being amended to strengthen regulatory standards governing the conduct of public adjusters for the following issues: (1) individuals acting as unlicensed public adjusters, (2) contractors who are also acting as public adjusters on the same claim, (3) inappropriate assignment of benefit rights, and (4) excessive fees charged by public adjusters. The most contentious issue is the amendments to section 14 regarding fees.

D. Market Analysis Procedures (D) Working Group

Jo LeDuc gave a report. The working group has taken the following actions since the spring national meeting: adopted meeting minutes, adopted pet insurance Market Conduct Annual Statement (MCAS) standard ratio, adopted the requirement for fraternal organizations to annually report MCAS, and received a summary report of the results of the interviews of 26 states regarding their use of the Market Analysis Prioritization Tool (MAPT). A subgroup was also formed to help improve the MAPT and will be starting with private passenger automobile insurance. The working group discussed plans for the Working Group's next lunch and learn discussing the Market Analysis Review System (MARS) Level 1 analyses.

E. Market Conduct Annual Statement Blanks (D) Working Group

Rebecca Rebholz gave a report. The working group has taken the following actions: identified and approved some non-substantive MCAS items that did not require approval according to the guidelines, changes were made to several data elements, adopted an edit to the definition of lawsuit in the AMCAS private passenger and homeowners document, adopted proposed edits to the definition of external replacement of affiliated company policies in the MCAS life and annuity blanks, formed a SME group to address new federal rules for short-term limited duration medical plans, and continues to review current blanks and data call definitions of health, private passenger auto, and short-term limited duration medical plans MCAS lines of business. Updated definitions for the accelerated underwriting reporting within the life MCAS blank is also being considered by the working group.

F. Market Conduct Examination Guidelines (D) Working Group

Matthew Tarpley gave the report. The working group has taken the following actions: adopted meeting minutes, heard updates from pet insurance SME's on progress of the new pet insurance examination chapter in the market regulation handbook and development of new standardized pet insurance data requests, heard an update on the progress made by travel insurance SME's on updating the travel insurance examination chapter, discussed updates to the life and annuity examination chapter, continuing to monitor the innovation, cybersecurity, and technology working groups and workstreams' initiatives that relate to regulator guidance in the handbook, and discussed using NAIC connect for shared regulator-only content.

G. Market Regulation Certification (D) Working Group

John Haworth gave the report. The working group has taken the following actions: adopted meeting minutes, discussed market regulation certification programs, and conducted self-certifications of two fictional states. Also, discussed the structure of peer review groups and planning for additional training opportunities at the NAIC Insurance Summit. The working group will begin using NAIC Connect to store documents.

H. Speed to Market (D) Working Group

Rebecca Nichols gave a report. The working group took the following actions: considered suggestions for the product coding matrix and the uniform transmittal document. The compact submitted a suggestion to add an additional type of insurance for annuity products. The suggestion was adopted by the working group. Heard an update on the SERFF modernization update. Heard a presentation on machine learning for property/casualty form review. Heard an update on the 2025 product coding matrix. The 2024 product filing review handbook has been made available on the NAIC website.

I. Market Actions (D) Working Group

No report was given due to confidentiality.

All working groups reports were adopted.

Any Other Matters Before the Committee

An update was given by NAIC international team. An update was provided on the workstreams of the IAIS. IAIS began a public consultation on its application paper on how to achieve fair treatment of diverse consumers. The paper focuses on customer facing aspects of how insurers and intermediaries are conducting the business of insurance. Also, discusses why the fair

treatment of diverse consumers is relevant and how the concepts of risk-based pricing can exist with DEI. The paper also provides recommendations.

The NAIC staff is preparing comments and those will be provided to the D committee along with the application paper. The comments will then be considered by the G committee.

Antifraud (D) Task Force

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

Adoption of its 2024 Spring National Meeting Minutes

The 2024 Spring National Meeting Minutes were adopted.

Discuss Review of 2025 Charges

The task force is reviewing its current charges in order to evaluate the goals for 2025, and will email those charges following the national meeting for review and comments by Friday, September 20. A conference call will be held in October to decide upon next year's charges.

Hear Presentation on Insurance Fraud and Artificial Intelligence

Nathan Strebeck, Deputy Commissioner for the Office of Insurance Fraud for the Louisiana Department of Insurance, spoke on insurance fraud and artificial intelligence. Reports of insurance fraud are growing in Louisiana and there are not enough human resources to investigate every case. The Coalition Against Insurance Fraud produced data showing that approximately 16% of people (53 million U.S. residents) believe insurance fraud is not a crime, and their rationale is that insurance fraud is fair because insurers "rip people off." The insurance industry is being attacked by artificial intelligence today. Artificial intelligence is enabling insurance fraud through voice replication and SEO lead generation technologies. The best way to address these issues is to leverage data for generative AI use on the national level if NAIC has a willingness to pursue this challenge.

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

The Improper Marketing of Health Insurance (D) Working Group met the morning of August 14, 2024. It adopted its Spring National Meeting Minutes. The group also heard from the federal Centers for Medicare & Medicaid Services (CMS) and American Health Plans (AHIP) on issues related to unauthorized agent transfers and ways to address these issues. The group then heard updates from CMS concerning marketing issues with the Affordable Care Act (ACA). The report from the Improper Marketing of Health Insurance (D) Working Group was adopted.

Update from the Antifraud Technology (D) Working Group

Armand Glick presented an update from the Antifraud Technology (D) Working Group. Glick nominated Nathan Strebeck to join the working group. The working group last met in May and discussed the online antifraud plan submission portal and the online fraud reporting system. NAIC is currently working on these projects.

Hear Reports from Coalition Against Insurance Fraud (CAIF) and the National Insurance Crime Bureau (NICB) on antifraud activity

Brent Walker reported on behalf of the Coalition Against Insurance Fraud. CAIF is implementing a strategic plan and agent fraud is an area of interest. Also, CAIF has created a property and casualty task force and a medical fraud task force, and they will meet later in August. CAIF is tracking over 200 bills related to its legislative priorities.

Ed Tobin gave the National Insurance Crime Bureau report. NICB is working with a new fraud unit in the Wisconsin Office of the Commissioner of Insurance. Minnesota has doubled its fraud fund assessments allowing them to divert layoffs. In Michigan, the legislature produced a seven-bill package with strong bipartisan support including mandatory fraud reporting and more tools for fraud units and prosecutors. NICB is making progress working with NAIC on fraud reporting and making the process more efficient and effective.

Improper Marketing of Health Insurance (D) Working Group

The Improper Marketing of Health Insurance (D) Working Group met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Spring National Meeting Minutes

The 2024 Spring National Meeting Minutes were adopted.

Discuss Unauthorized Agent Transfer Issues

Kelley Schutz of American Health Insurance Plans (AHIP) spoke about how unauthorized plan switching enrollments are affecting consumers in the federal marketplace. Representatives started a hearing on this issue in Fall 2023 and it hit a fever pitch in Spring 2024. In May, CMS reported there were around 90,000 cases of people being switched from one plan to another or being enrolled without their knowledge. This is exclusively happening in healthcare.gov states and not in state-based marketplaces. AHIP members have taken a number of steps to address these issues and are looking at cases and patterns to detect and investigate agents suspected to engage in this type of activity. Plans to address the issue include limiting the number of times an agent of record can be switched, incorporating additional consumer protections and controls like two-step verifications, and adjusting low-income special enrollment periods.

Jeff Grant of Center for Medicare and Medicaid Services (CMS) spoke about coordinating across CMS on issues with agent and brokers and unauthorized plan switching. He stated that this is a significant problem, and CMS is doing a lot of monitoring and is working cooperatively with the Center for Program Integrity. Gina Stenovich, of CMS, also discussed efforts to improve data sharing between CMS and the states, as well as the carrier community, and how technical improvements are allowing CMS to better monitor the issue.

Regulator Roundtable Discussion

A regulator asked CMS representatives about the two-step process (suspension letter and termination) for handling fraudulent agent transfer activity and the process and timeline for states to obtain investigative evidence pursuant to ensuring due process for the agents of the alleged fraudulent activity. A CMS representative spoke about a process for making requests for investigation information.

Update on Affordable Care Act (ACA) Marketing Issues

Brian Webb, NAIC, gave an update on ACA marketing issues. NAIC is working with Congress on Medicare Advantage and is creating a greater role for states to enforce federal rules, especially with regards to marketing. NAIC has also been working with the Senate Financial Committee on a bill that would greatly enhance penalties under ACA and give CMS authority over field marketing organizations and third-party marketing organizations.

Financial Condition (E) Committee

The Financial Condition (E) Committee met on August 15, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of August 2, June 12, and Spring National Meeting Minutes

Minutes from August 2, June 12, and the Spring National Meeting were adopted without discussion.

Adoption of its Task Force and Working Group Reports

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

The reports of its Task Forces and Working Groups were adopted without discussion. The reports contained items considered to be technical, non-controversial, and/or of a routine nature in maintaining the insurance financial solvency framework. The Committee does not typically receive oral reports from these groups.

However, the Valuation of Securities (E) report containing the Securities Valuation Office (SVO) discretion proposal was removed and will be discussed on a separate call in the next few weeks.

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

The update given was related to the CLO project. The Working Group asked the American Academy of Actuaries for assistance in creating an RBC framework for asset-backed securities. The Academy presented a set of six principles to guide their work. Now, the Academy is working to identify a set of attributes to separate CLOs into risk buckets. It is expected to present its findings in early 2025.

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

Carrie Mears (IA) gave the report. The Task Force adopted the ability to use discretion when reviewing designations at its recent meeting. The Task Force expects to have an ad hoc meeting on the CLO modeling process in the next month to discuss feedback received from interested parties on an informal basis.

Expose a Draft Request for Proposal for Assistance with the Due Diligence Process of Rating Agencies

Commissioner Nathan Houdek (WI) requested exposure of the RFP for sixty days for comments and feedback to improve the language of the RFP. Documents related to exposure can be found in Attachment 12 of the meeting materials.

The RFP was exposed for 60 days.

Expose Revised Investment Framework and Related Document

Carrie Mears (IA) requested exposure of the Revised Investment Framework and related documents. These documents can be found in Attachment 13 of the meeting materials. Most of the updates made were minor. Factors leading to the creation of the framework were removed and principles discussed in prior drafts were added. The framework is not in final form and more updates are expected. Additionally, the work plan only had a few minor changes. First, the plan was updated to recognize the status of the RFP. Further, the language was updated to reflect the discussions on RBCs.

The framework and documents were exposed for 60 days.

Federal Update from NAIC Staff Basel III

Tyler Dunne (NAIC) and Shana Oppenheim (NAIC) presented. The recent Basel III endgame proposal presented some implications from the insurance industry. U.S. federal regulators issued a proposed rule in July 2023 to revise large bank capital requirements, targeting banks with \$100 billion or more in assets. Banks will be required to hold more capital for owning life insurance policies from non-publicly traded insurers. This impacts the bank-owned life insurance market and threatens banks' abilities to provide vital employee benefits. Additionally, the increased costs associated with hedging may require life insurers to tie up more capital in the future and derivatives markets. Capitol Hill has raised several concerns about the proposal, particularly its lack of economic analysis, transparency, and the potential for U.S. institutions to be disadvantaged compared to their European counterparts.

Presentation from BlackRock on Commercial Mortgages

Dan Harnick (BlackRock) and Alex Symes (BlackRock) gave an update on the commercial real estate market. Overall, inflation has decelerated, although not sharply. There are strong structural trends to support multifamily and industrial spaces, but less so for office spaces. However, transaction volumes and pricing are moving to a bottom. Overall, despite the headwinds currently facing the CMBS market, the overall level of losses should be reasonable and manageable, especially from an investment-grade investor standpoint. That said, performance can vary significantly on a deal-by-deal basis.

Statutory Accounting Principals (E) Working Group

The Statutory Accounting Principles Working Group met on August 13, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is summary of the meeting:

Adoption of Minutes

The minutes from prior sessions were adopted by motion without further discussion.

Review of Comments on Exposed Items

1. Ref #2024-02: ASU 2023-01, *Leases* – Addresses previously adopted FASB language that FASB modified. Adopted, with modification, the leasehold improvement guidance from ASU 2023-01, *Leases (Topic 842), Common Control Arrangements*, modified to align with existing guidance, and to reject the practical expedient for private companies and not-for-profit entities. (Ref #2024-02)
2. Ref #2024-03: ASU 2023-08, *Crypto Assets* – Adopted revisions clarify that directly-held crypto assets are non-admitted assets and adopt the definition of crypto assets from ASU 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*.
3. Ref #2024-05: A-791 Paragraph 2c – Introductory sentence was being mistreated as creating a safe harbor. Re-exposed revisions to remove the first sentence of the A-791, paragraph 2c’s Question and Answer. Mike Monahan (ACLI) noted that comments in interested party letter under Ref #2024-06 were intended to be under this item also, because he believes that Ref #2024-05 and Ref #2025-06 should be considered together. Comment deadline is Friday, September 27, 2024.
4. Ref #2024-08: *Constituency Revisions for Residuals* – SSAP Nos. 26R, 21R, 30R, 32R, 43R, and 48: Adopted revisions refer to SSAP No. 21R for the residual definition and accounting and reporting guidance.
5. Ref #2024-09: SSAP No.2R – *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: Adopted revisions to eliminate lingering references that imply that asset-backed securities (ABS), mortgage loans, or other Schedule BA: Other Long-Term Invested Assets items are permitted to be reported as cash equivalents or short-term investments.
6. Ref #2024-14EP: *Spring Editorial Items* – Adopted revisions remove the “Revised” and “R,” previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the AP&P Manual.
7. Ref #2023-26: ASU 2023-06, *Disclosure Improvements* – Adopted, with modification, disclosures from ASU 2023-06, *Disclosure Improvements* for unused commitments and lines of credit, disaggregated by short-term and long-term, and disclosure of cash flows from derivatives. The remaining disclosures related to repurchase and reverse repurchase agreements were added to agenda item 2024-04 for further consideration as part of that project.

8. Ref #2019-21: *Principles-Based Bond Project, Issue Paper* – Adopted issue paper No. 169, which details the discussions and decisions underlying the principles-based bond project. Ref #2024-01 Bond Definition will modify issue paper but will modify later when definition is adopted. Exposed the Question-and-Answer Implementation Guide (Q&A), which addresses topics in applying the principles-based bond definition. Comment deadline is Friday, September 27, 2024.
9. Ref #2024-01: *Bond Definition – Debt Securities Issued by Funds* – Exposure clarifies the guidance for debt securities issued by funds with language added to clarify U.S. Securities and Exchange Commission (SEC) registration is a practical safe harbor and should not be utilized as a proxy for other debt securities issued by funds. Debt securities issued by funds must be classified in accordance with the issuer’s primary purpose. Was developed with industry but not exposed, therefore, has an **accelerated comment deadline** that closes on Friday, September 6, 2024.
10. Ref #2024-04: *Conforming Repurchase Agreements* – Exposed memo which details an overview and discussion of securities lending and repurchase/reverse repurchase agreements. Group will continue working with ACLI to develop a chart that compiles memo information in a visual format. Comment deadline is Friday, September 27, 2024.
11. Ref #2024-06: *Risk Transfer Analysis on Combination Reinsurance Contracts* – Re-exposed revisions to incorporate guidance consistent with SSAP No. 62R—*Property and Casualty Reinsurance*, Exhibit A Implementation Questions and Answers, question 10. This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contract features, such as experience rating refunds. Also exposed reference to A-791, paragraph 6, guidance for yearly renewable term contracts regarding the entirety of the contract. Mike Monahan (ACLI) noted that the issues are complex and that ACLI is preparing examples demonstrating the issues that it plans to share. Comment deadline is Friday, September 27, 2024.
12. Ref #2024-07: *Reporting of Funds Withheld and Modified Co-Insurance Assets* – Exposed a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the property/casualty (P/C) and title annual statement blanks to capture information on modified coinsurance (modco) and funds withheld. Comment deadline is Friday, September 27, 2024.
13. Ref #2024-10: SSAP No. 56 – *Book Value Separate Accounts* – Exposure expands the measurement method guidance and specifies the process to transfer assets for cash between the general account and book-value separate accounts. Comment deadline is Friday, November 8, 2024.
14. Ref #2024-11: ASU 2023-09, *Improvements to Income Tax Disclosures* – Exposed revisions to reject, with modification, ASU 2023-09, *Improvements to Income Tax Disclosures*. The exposure also proposes to remove one of the existing disclosures detailed within the ASU. Comment deadline is Friday, September 27, 2024.
15. Ref #2024-12: *Updates to SSAP No. 27* – Deferred action to allow NAIC staff additional time to confer with interested parties.

16. Ref #2022-12: *Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement* – Adopted revisions addressing transfers of assets when modifying intercompany pooling agreements and nullify INT 03-02.

Maintenance Agenda – Pending List

1. Ref #2022-14: *NMTC Project Paper* – Exposed the issue paper detailing the discussions and decisions underlying the new market tax credit project. Comment deadline is Friday, September 27, 2024.
2. Ref #2024-18: *Clarification to NMTC Project* – Exposure includes clarifications to the accounting guidance and various clean-up items. Comment deadline is Friday, September 27, 2024.
3. Ref #2023-24: *CECL Issue Paper* – Exposed the issue paper drafted to document pre-CECL generally accepted accounting principles (U.S. GAAP) impairment guidance for historical purposes. Comment deadline is Friday, September 27, 2024.
4. Ref #2024-15: *ALM Derivatives* – Exposed concept agenda item to consider new guidance for interest rate hedging derivatives that do not qualify as accounting effective hedges under SSAP No. 86 but are used for asset-liability management (ALM). Comment deadline is Friday, November 8, 2024.
5. Ref #2024-16: *Repacks and Derivative Wrapper Investments* – Exposed revisions to address debt security investments with derivative components that do not qualify as structured notes. When considered together, the investments cannot meet the bond definition. The proposed guidance would require separation of the derivatives from the debt security and be applicable to “credit repack” investments and any type of debt security with derivative wrappers or components. Comment deadline is Friday, September 27, 2024.
6. Ref #2024-17: SSAP No. 108 – VM-01 – Exposed revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01. Comment deadline is Friday, September 27, 2024.
7. Ref #2024-19: ASU 2024-02, *Codification Improvements* – Exposed agenda item to reject ASU 2024-02, *Codification Improvements* as not applicable to statutory accounting. Comment deadline is Friday, September 27, 2024.

Consideration of Items on the Active Maintenance Agenda

1. Ref #2023-28: *Collateral Loan Reporting* – Exposed revisions to provide more granular reporting lines for Collateral Loans. Comment deadline is Friday, September 27, 2024.

Any Other Matters Brought Before the Working Group

1. Review of U.S. GAAP Exposures – Two items will be reviewed as part of regular process.
2. Update to Valuation Manual (Attachment J) – No items were identified that require working group coordination.

3. Update IMR Ad Hoc Subgroup – Preliminary assessments of how admitted negative IMR is treated in cash-flow testing. Many companies have misreported this item - either not reported, only a portion reported, or put in as inverse of what was admitted. Templates exist that can help regulators review if done correctly that might be shared with industry.
4. Update of the Bond Project – More items will be exposed in the future. Key item here is that there is a free NAIC self-study training on Bond Project that is posted on the NAIC SSAP Working Group and educational websites. In 2025, it is expected that this will convert to a paid course for non-regulators. It takes approximately three hours to complete the course. Must register at least the Wednesday before planning to taking course.
5. IAIS Audit and Accounting Working Group – Agenda includes a summary of meetings monitored since Spring meeting. Climate Risk subgroup has exposed a draft application paper on supervisory reporting on climate risk. Comment deadline was September 30, 2024, but might be longer.

Capital Adequacy (E) Task Force

The Capital Adequacy (E) Task Force met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its June 28, April 30, and Spring National Meeting Minutes

The June 28, April 30, and Spring National Meeting Minutes were adopted.

Adoption of its Working Group Reports

A. Health Risk-Based Capital (E) Working Group

Steve Drutz gave the update on the Health Risk-Based Capital Working Group. Drutz highlighted the actions that the group has taken since its July 25th meeting. Since the last meeting, the working group has adopted meeting minutes, adopted several proposals, heard an update from the American Academy of Actuaries on several projects, exposed a referral letter on pandemic risk to the Financial Analysis Solvency Tools (E) Working Group and Financial Examiners Handbook (E) Technical Group, discussed the excessive growth charge, exposed several proposals, adopted the 2024 health risk-based capital (RBC) newsletter, adopted the 2023 health RBC statistics, received updates from the Academy on the H2-Underwriting Risk review project, and adopted its 2024 working agenda.

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

Tom Botsko gave a report on the Risk-Based Capital Investment Risk and Evaluations Working Group. It is important to note that in the meetings prior to August 14th, the working group voted to retain the original adoption of the 45% charge to be applied to all residuals. Botsko highlighted the actions that the group took in its August 14th meeting. The working group took the following actions: adopted meeting minutes, received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group, heard an update from the Academy on a structured securities RBC project, discussed referrals related to funds and discussed moving forward in considering RBC formula and instruction changes to reflect Securities Valuation Office (SVO) assigned designations in the U.S. Securities and Exchange Commission (SEC)-registered funds as well as to review and consider convergence with exposure aggregations for funds consistent with the Supplemental Investment Risk Interrogatory (SIRI), and adopted its 2024 working agenda.

C. Life Risk-Based Capital (E) Working Group

Tom Botsko gave a report on the Life Risk-Based Capital Working Group. Botsko highlighted the actions that the group took in its August 14th meeting. The group took the following actions: adopted several proposals, adopted meeting minutes, received updates from its subgroups,

adopted the 2024 RBC newsletter and the 2023 life RBC statistics, received a referral from the Statutory Accounting Principles (E) Working Group on investments in tax credit structures, discussed the Schedule BA proposal for non-bond debt securities, and adopted its 2024 working agenda.

D. Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup

Tom Botsko gave a report on the updates from the Property and Casualty Risk-Based Capital Working Group and Catastrophe Risk (E) Subgroup joint meeting. Botsko highlighted the actions that the group took in its August 14th meeting. The working group took the following actions in its August 14th meeting: adopted the working group and subgroup meeting minutes, adopted the 2024 property and casualty (P/C) RBC newsletter, discussed the 2023 P/C RBC statistics, discussed their working agenda, discussed the geographic concentration issue, heard updates on the severe convective storm peril, discussed the wildfire impact analysis, discussed the CoreLogic wildfire model review, discussed the possibility of adding flood peril to the Rcat component, discussed how to handle flood peril with the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM), and heard an update from the Academy on current and future research topics.

Adoption of its Working Agenda

Tom Botsko led the discussion on the adoption of its working agenda. The working agenda consists of all four working groups. Revisions to the working agenda were presented based on technical edits presented by each working group. The 2024 working agenda was adopted.

Consider Exposure of its Revised Procedure Document

Tom Botsko led the discussion on the exposure of the revised procedure document. The document allows the structure proposal exposure deadline to be extended to March 31st instead of January 31. This allows for more time to review the data once it becomes available on March 1. This aligns with the procedure of the SAAP working group. The adoption date will also be extended to May 15. The working group exposed the documents for a 30-day comment period.

Consider Exposure of its 2025 Proposed Charges

The date was updated to May 15 to be consistent with the revised procedure document. The working group exposed the documents for a 30-day comment period.

Discuss and Consider Exposure of the Charges of the New Working Group

The task force drafted a letter to the Financial Condition (E) Committee to request a new working group/subgroup to review non-investment related factors that affect the RBC formula, primarily based on the changes made to the RBC preamble. One of the purposes of the group would be to review non-investment related factors that were not in place in the 1990s and the inception of the RBC formula. The task force voted to expose the letter for 30 days.

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

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met on August 14, 2024. The agenda and materials can be found [here](#). Below is a summary of the meeting:

Adoption of its April 12, May 22, June 21, and Spring National Meeting Minutes

The April 12, May 22, and June 21 meeting minutes were adopted.

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

A. Valuation of Securities (E) Task Force Update

An update on meeting was provided by a group member. The group adopted an updated definition of NAIC Designation, which added a regulatory objective to the definition as part of the adoption. Changes also reflect that NAIC Designations are not the same as credit ratings, but that credit risk is the primary risk carried. The adoption attempts to recognize that the NAIC Designations have other uses. The task force also adopted a process to permitted discretion over designations. Also, it was shared that the CLO modeling process is still in progress. There are plans for an ad hoc call in September.

B. Statutory Accounting Principles (E) Working Group Update

Dale Bruggeman (OH) provided an update. He shared that bond project is adopted for SSAPS and blanks reporting starting January 1, 2025. He noted that bond detail schedule D1 and assets backed securities will be broken out into two separate reports and line groupings. He expects that this will require updated instructions from the working group or Cap Ex group. He also noted the adopted revisions for Schedule BA for when a debt security does not meet the principle-based bond definition.

Also, he discussed changes to tax credit reporting adopted and beginning on January 1, 2025. He noted modifications and revisions to SSAP Nos. 93 and 94. They remove specific guidance to low-income housing tax credits and instead established guidance for all qualifying investments in state and federal tax credits. Addressed the credit reporting rules and industry comments on those issues. The group will continue discussion if additional work is needed.

He also discussed Modco and reinsurance reporting. A new exposure occurred as part of the summer meeting regarding reinsurance schedules. The goal is to gain more detail on the assets involved in Modco arrangements. Exposure ends on September 27 so that it can be discussed at the fall meeting.

Finally, he discussed collateral loans. After providing background, he shared that the working group exposed a project that has more granular reporting requirements on collateral loans based on the underlying collateral.

Update from the American Academy of Actuaries (Academy)

A proposal for identifying comparable attributed CLO risk bucketing was expected to be complete at the fall national meeting. Unfortunately, it will likely be complete by early 2025. The Academy is working

through issues with receiving data for project. Software permissions and licensing are presenting difficulties with receiving data. But the Academy believes they are close and once they start getting data then hopefully the proposal will be complete in 2025. The Academy will update on status again at fall national meeting.

Discussion of Referrals Related to Funds

Philip Barlow (DC) provided the update. He noted that several items on the working agenda are related to funds. Rather than addressing piecemeal, this update addresses RBC treatment of funds as a category holistically to improve consistent treatment. NAIC staff is working on a memo related to funds that will be shared in the future to help guide continued work. However, he requested that interested parties can contribute by helping develop a comprehensive list of securities that fall into the general category of “funds” so that work can identify everything that should be included and create basis to attack in a holistic manner. He noted that what is similar and different about the funds at an operational level would be helpful for the working group to understand.

Adoption of Working Agenda

Philip Barlow (DC) noted that only one new item is on the list. Also, addressing a question, he noted that the Asset Concentration Ad Hoc Group will be added to working agenda in the future, just did not happen this time. Agenda was adopted without further discussion.

Discussion of Next Steps

Philip Barlow (DC) is hoping that the Academy’s work regarding CLOs will create the template for future work on other asset-backed securities. He will continue to look at referrals related to funds and anything that comes through from Valuation of Securities Task Force or Statutory Accounting Principles Working Group.

Life Risk-Based Capital (E) Working Group

The Life Risk-Based Capital (E) Working Group met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its June 18, April 19, and Spring National Meeting Minutes

Thomas Reedy (CA) gave an overview of the changes that will be incorporated in the meeting minutes. The June 18, April 19, and Spring National Meeting minutes were adopted.

Updates from its Subgroups

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

Mike Yanacheak (IA) gave an update. The GOES subgroup conducted a field test of revised calibrations from April to July and is currently having regulator-only discussions with participants regarding the results. The field test had 24 insurer groups participate, and the subgroup has heard the results of seven participants so far. The Variable Life, Annuity, and Life Insurance model office testing was held at the same time. The results were shared in the subgroup meetings and at the Summer National Meeting. Model office testing allows for public disclosures of the potential impact of the new scenarios discovered in testing.

The Subgroup's next steps include continuing regulator-only sessions before sharing with the public, sharing the lifelong model office data, and evaluating request for additional model office testing needs. A series of GOES calls will be scheduled to discuss implementation. The meetings will be focused on building out the GOES model governance, improving documentation, finalizing search scenarios, and adjusting calibration criteria based on feedback. The Subgroup will then make recommendations to LATF and Life RBC working group to move forward with adoption. Adoption is expected to take place in 2026. Based on feedback received, there may be an option for early adoption by companies.

B. Longevity Risk (E/A) Subgroup

An update was given on behalf of the subgroup. The Longevity Risk (E/A) Subgroup is currently on pause and waiting on the VM 20 draft. The subgroup is also waiting for the completion of field test of VM 20 and 21. The subgroup plans to resume activities once receiving the results.

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

An update was given on behalf of the subgroup. The Variable Annuities Capital and Reserve (E/A) Subgroup has met twice since the last national meeting. The Subgroup has updated and adopted a portion of the VM 21 reserve calculations and standard projection amount assumptions. The updates were made to expenses, mortality, and policyholder behavior for certain products. The updates are expected to go in effect next year.

Adoption of the 2024 Life Risk-Based Capital (RBC) Newsletter

The adopted version of the 2024 Life Risk-Based Capital (RBC) Newsletter will be posted in September.

Wanchin Chou (CT) made a comment about underwriting risk factors and requested a follow-up study.

The newsletter was adopted subject to updates requested by Wanchin Chou.

Adoption of the 2023 Life RBC Statistics

The 2023 Life RBC statistics were run in June. 735 filings were loaded into the system. Two companies were in company-action level; one company was in regulatory action level; three companies were in mandatory control level; and only one company triggered the trend test. Net basic operational risk was added in 2023 statistics upon request.

The 2023 Life RBC Statistics were adopted and will be posted on the working group webpage.

A comment was made regarding the aggregate and median RBC. Commentor gave a tip for regulators when reviewing companies' RBC. Also, suggested that the group rethink rebalancing the RBC averages and medians.

Receive a Referral from the Statutory Accounting Principles (E) Working Group for Investments in Tax Credit Structures

The referral was received.

Discuss the Schedule BA Proposal for Non-Bond Debt Securities

Julie Gann gave an update on the bond project and the referrals that have been distributed. In the Schedule BA, there are three new reporting lines for non-bond debt securities. Gann explained the reasons why a debt security would not qualify as a bond. Also, explained that the proposal incorporates revisions that currently exists in Schedule BA relating to filing securities with SVO. Referrals were sent to highlight the process and increase awareness.

A new RBC proposal is expected to come in the fall. It will primarily divide Schedule D into various sections to ensure that the RBC formulas and instructions properly refer to the new reporting schedules. The Schedule BA proposal for non-bond debt securities will be effective 1/1/25.

Adoption of its Working Agenda

Thomas Ready discussed the edits and additions to the working agenda. The working agenda was adopted subject to discussed edits.

Financial Stability (E) Task Force

The Financial Stability (E) Task Force met on August 13, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Opening Remarks & Consider Adoption of its Spring National Meeting Minutes

Commissioner Justin Zimmerman (NJ) opened the session with roll call. The minutes from the prior meeting were adopted.

Macroprudential (E) Working Group Update

Bob Kasinow (NY) provided an update on the work of the group. In the meeting materials, Attachment 2 provides an update to thirteen items under consideration by the working group. He noted that many of the items had been referred to other working groups. The right-hand column of the attachment provides an update on the work. It is color coded to provide indications on the progress of the working group. He hopes that links to referrals maybe available in the future. Blue indicates that the items are closed and completed with no future work planned. Orange indicates that the working group has agreed on a course of action and significant progress but that a few items remain outstanding. Green indicates that progress has been made but work continues. Some may involve blanks changes or regulatory changes. Summaries of the progress are available in the tracking sheet.

On consideration 13, the Macro Working Group met on July 8 in a regulator-only session. The session addressed high-level trends in cross border transactions. Regulators requested that NAIC staff provided additional analysis. A follow up call is scheduled where additional data requirements and analysis will be discussed. He noted that a limited number of reassured accounts for a large number of transactions.

He shared that all required filers were received by state by the June 30 deadline. The NAIC staff is working on analysis and will update in September. Addressing separate account work of LST, no additional reporting is required following past data calls and the current framework is sufficient.

He shared that early last year NAIC staff began working on a project to aggregate counter party exposure. As a result, he noted that counter party data is now live on StateNet and can more quickly identify those risks as a result of the project. Initial steps have been taken to identify credit risk related issues.

Also, while the Macroprudential Working Group was originally charged with the climate risk dashboard project, it believes that the Climate and Resiliency Task Force is better suited.

Details will be outlined at that meeting but the Macroprudential Working Group will continue to monitor development.

Valuation Analysis (E) Working Group Update

Fred Andersen (MN) presented on Actuarial Guideline 53 that was adopted in 2022 and intended to help insurers paying claims of life insurance. It allows companies to tell a story regarding complex assets. He believes that this has had a positive outcome between actuaries and investment persons. Common themes between review are net yield assumption and reinsurance collectability. Areas of concern are that some companies become too reliant on high yield asset returns from risky assets that jeopardizes ability to pay claims. The group recognized last year that some areas needed additional explanation for regulators to properly review these risks. The group created a guidance document to address this issue. He noted that where equity like instruments escalate over time net yield risk increases. He noted that the majority of companies assume very low allocation of equity assets. As a result, escalation of equities over time presents a risk that regulators should seek to work with the company to reduce. He noted that a majority of CLOs are upper tier tranches of investment with fewer than 20% in BB or below. Also, he noted payment-in-kind features can create liquidity issues. He also discussed asset adequacy testing of reinsurance ceded and noted exposed guideline.

Update on Financial Stability Oversight Council (FSOC) Developments

Director Elizabeth Dwyer (RI) presented the update from the group. She shared that NAIC staff continued to follow the work of the Systemic Risk Committee of FSOC. The committee was revamped in 2024 to focus on risk identification sector monitor. The non-bank designation guidance issued last year addresses the committee's role in monitoring and risk identification. The analytic framework used contains definitions of threats and transmission channels that might be a risk.

Receive an International Update

Tim Nauheimer (NAIC) presented the international update. Since the last meeting, the Macroprudential Monitoring Working Group and Macroprudential Supervision Working Group met in April, and the committee met in June where global monitoring activities of groups were largely approved. The April meeting focused on analysis of insurance monitoring submissions, and that analysis helped to identify insurance groups to include in the annual collective discussion occurring in September.

Also, the 2024 sector-wide monitoring data collection exercise is completed. After the NAIC completed a first analysis, the information was shared with the working group. The analysis is still in progress.

In July, IAIS published the midyear update of GMAR. The report focuses on interest rate, liquidity, and credit risks, structural shifts in life insurance sector, allocation to alternative assets, cross border reinsurance, cyber risk, and climate risk. A link is provided in the document section of the Financial Stability Working Group page. The full year will be published in December. It will elaborate on the systemic risks in insurance section, provide a comparative analysis to the banking sector, and detail solvency, profitability, and liquidity positions. Progress is also underway on an issue paper on structural shifts in the life insurance sector.

He also addressed macroprudential related climate risk, noting that IAIS released its fourth public consultation, including a paper on climate risk in the sector related to stress testing and scenario analysis. The G committee process will be used to receive comments. Also, additional info will be given at the G committee meeting.

Innovation, Cybersecurity and Tech (H) Committee

The Innovation, Cybersecurity, and Technology (H) Committee met on August 15, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is summary of the meeting:

Adoption of its June 28 Minutes

A motion was introduced to adopt the minutes of the prior meeting and was carried.

Adoption of its Task Force and Working Group Reports

Each of the working groups in turn presented updates on the status of their work.

A. Big Data and Artificial Intelligence (H) Work Group

The group met virtually on July 29, 2024 where the minutes of the prior meeting were adopted. The group Health Insurance AI Survey work continues and entered a pilot stage as of August 9, 2024, with a select group of companies but is expected to go live later this year. The survey will be posted publicly no later than October with anticipated completion by Spring 2025. Questions will include those related to data usage, arrangements with third-parties, and coordination of existing governance tailored to use of AI by health insurers.

The group has also conducted follow-ups on the auto carrier surveys in the PPA market that were completed in 2021. The group sought information on if the carriers have begun to use generative AI or changed a prior use since the completion of the survey.

The group also received a presentation on the research regarding inference methods conducted by Dorothy Andrews (NAIC). This covered several aspects of the paper and provided examples of the methods.

B. Cybersecurity (H) Working Group

The group met on August 14, 2024, and on July 9, 2024. At the July meeting, the group received a presentation from the FBI and 10-8 LLC on their approach to cyber security incidents. At the August meeting, the group heard a panel discussion that included industry experts from Aon, Arch Insurance, and Coalition. They provided insight on the dynamic nature of cyber coverage and how it differs as an insurance product. Collectively, they described the misalignment between the education curve and pace of change creating difficulties in adaption due to lack of awareness.

Since the spring national meeting there have been several presentations on data calls, active risk monitoring, the potential for a federal backstop, active risk monitoring and resilience, and how insurance is becoming a market-based tool to drive innovation in cybersecurity.

C. E-Commerce (H) Working Group

The group met on April 4 to discuss its 2024 work plan and adopted the E-Commerce Modernization Guide; and met again on July 18 to hear a presentation from T Canopy Connect regarding open insurance. Discussion during that meeting concerned adding language to protect a consumer's right to control the usage of their information. In the future, the group will hold another open meeting to hear a presentation from Pennsylvania on its Key Smart Launch Program.

D. Privacy Protections (H) Working Group

The working group met on June 12 in an open session to hear comments on whether to revise model 672 or continue with model 674. After the discussion, the group voted to move forward with revising model 672. The group wants to emphasize that there will be ample opportunity to discuss the protection and core principles to be included in the revised model. On July 9, the leadership met with 20 NAIC consumer representatives. The call provided insight to the issues most important to consumers. On the July 10 open call, the group emphasized the importance of transparency throughout the process. On August 14, the group received a presentation on the legacy systems, federal privacy legislation, and next steps including a new chair draft to revise model 672. The model draft will be exposed to 30-day comment period on August 19.

E. Technology, Innovation, and Insurtech (H) Working Group

The group met on August 13, 2024, and received a presentation from Jason Ralph of McKinsey & Co. The presentation covered the challenges that Insurtech can assist consumers with, the state of the U.S. insurance market, and how it can assist policyholders with streamlining of the value chain. The Insurtech Coalition led by Jennifer Crutchfield of Clearcover, Scott Fischer of Lemonade, and Rachel Jade-Rice of NEXT Insurance, presented on the work that the coalition does. Finally, the group concluded by noting that Insurtech on the Silicon Prairie is occurring on October 28-29, in Omaha, NE.

F. Third-Party Data and Models (H) Task Force

Established this year to address growing concerns about use of third-party data in models. The task force begins by adopting an initial work plan to achieve its goals. The plan is bifurcated into two phases. The first phase involves researching the existing regulatory framework, applicability to regulation of third-party data in models, and establishing objectives for a future regulatory framework. The second phase will focus on constructing a regulatory framework based on the findings of the first phase.

In July, the task force heard presentations about nation and state centric U.S. risk-based regulatory approaches, insight into regulatory decision making and the role of experts. Next steps included engaging with the European Union on its approaches and identifying additional speakers that can provide insight to task force.

G. Other Efforts

Commissioner Ommen shared that following the adoption of the AI bulletin, a small group met to discuss AI. Ommen anticipates that a public discussion will occur after this meeting. Anticipates that the Life Accelerated Work Group's tool will serve as a basis for the group's AI work, with more to follow later.

Colton Shultz of North Dakota shared an update on Data Call Collaboration Forum. Shultz started with a regulator-only discussion regarding data and data infrastructure, and anticipates further discussions when considering charges in the future.

Cory Boon of the Suptech Group shared that its purpose is to review technology for use in the industry for streamlining manual processes. Microsoft, Slack, and Salesforce gave presentations on the uses of their technology products. Google will be presenting later in August. There are plans to engage other software companies in the future and potential for use of AI.

Presentation on Federal Regulatory Actions Related to Use of Artificial Intelligence

Paige Waters of Locke Lord LLP presented a cross-comparative analysis of the tools used by federal agencies compared with those utilized by state regulators. Additionally, her analysis attempted to identify any other tools that regulators may find beneficial.

On balance, Ms. Waters' findings were that state regulators and the federal agencies largely utilized the same tools and methods for addressing AI. She stressed, however, that regulators would benefit from continuing to monitor federal agencies given the rapid nature of AI development. Additionally, Ms. Waters discussed that there are currently no federal laws addressing AI in a comprehensive manner. As a result, federal agencies are utilizing existing law, and states are following suit in this regard to enforce regulatory frameworks upon AI usage. But the approach taken is generally principled rather than prescriptive, balancing innovation against the need for regulation.

She further noted that of the tools utilized, written guidance and corporate governance tools are the starting framework with testing and auditing in place to ensure compliance. She noted only a few agencies, the CFPB and FTC, has pursued fines at this time. Her work included breaking down at an agency level which tools are used by which agencies. She additionally noted that the more heavily tied into the financial services sector, the more robust the tools set of the agency, with the U.S. Patent and Trademark Office and Department of Labor having the least robust tool set.

When questioned on the key differences between federal and state regulators at this time, she noted that no significant differences are present since everyone is simply trying their best to stay ahead of the curve. But overall, she felt that regulators at both levels have been successful in this regard.

Presentation on the NIST AI Safety Institute Consortium

R. Dale Hall, Managing Director of Research for the Society of Actuaries (SOA) presented on the NIST AI Safety Institute Consortium (AISIC) that SOA joined in conjunction with 200 leading stakeholders from across research, academia, and private industry. The key initiatives of the consortium are addressing the risk management of generative AI, synthetic content detection and authentication, evaluation of safe AI testing and auditing practices, and Red-teaming guidelines for safe AI deployment. As part of the

consortium, SOA has produced comment letters that hope to appraise stakeholders on the unique nature of the insurance and financial services sector in terms of generative AI use and impacts.

Presentation on the International Actuarial Association

Dorothy Andrews, Ph.D., introduced the work of the governance workstream within the International Actuarial Association that she is a member of and is composed of an international group of actuaries. The group is tasked in part with examining the international frameworks of AI governance. Based on their findings they separated the AI governance enacted into a comparative analysis of six governance elements. Comparing the United States to the European Union, Singapore, and China, the United States only falls behind in the Risk Model elements. Dr. Andrews noted, however, that not all models were equal and explored the strengths of the European Union model. The European Union model is based on four stages of risk based on the functional usage of the AI system, ranging from No Risk to Unacceptable Risk. Unacceptable risks included use in social screening of individuals and real-time remote biometric identification in public places. The lowest risk is mere predictive maintenance without human interaction. Dr. Andrews provided a report on her experiences at the AI for Good summit and discussed the NIST's ARIA initiative. The ARIA program emphasizes a qualitative, in addition to quantitative, approach to evaluating AI risks and social impacts. Finally, Dr. Andrews concluded with a discussion of the Treasury RFI regarding the use of AI in the financial services sector. She noted that the Treasury twice referenced the NAIC model bulletin, and that her workgroup had responded to the RFI directing Treasury to review the AIML surveys. Dr. Andrews concluded by highlighting current legislation that would create an AI sandbox to allow the financial services sector the ability to test products that would otherwise violate current regulations.

Third-Party Data and Models (H) Task Force

The Third-Party Data and Models (H) Task Force met on August 13, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its July 30, July 19, July 10, and Spring National Meeting Minutes

The July 30, July 19, July 10, and Spring National Meeting Minutes were adopted.

Presentations about Regulatory Decision-Making and the Use of Experts

A. Financial: Multistate Exams, Group Exams, and Audits

Amy Malm gave a presentation about regulatory examinations and audit requirements. Malm provided a brief overview of the types of regulatory examinations completed by regulators. Discussed the frequency, scope, focus, and state coordination for financial condition exams and market conduct exams.

The Annual Financial Reporting Model Regulation sets out the audit/assurance requirements for each state. The audit requirements are based on statutory accounting rules promulgated by the NAIC. The CPA firms that conduct the external audits are required to submit its workpapers in financial examinations.

B. Property/Casualty (P/C) Risk-Based Capital (RBC) Catastrophe Approvals

Tom Botsko (OH) and Wanchin Chou (CT) gave a presentation on how regulators evaluate catastrophe risk. Updates were provided on CAT models by peril based on maturity. Hurricane Andrew in 1992 was the beginning of the CAT model industry. Work has been done on the Wildfire model for the RBC Informational only. The group is looking to complete the severe connective storm and flood insurance market RBC informational only in 2024 and 2026, respectively. An update was provided on the development of the RBC and financial solvency models. These will be largely based on ASOP 38. An update was also given on rate filings and CAT loads. Chou gave an overview of the CAT model considerations. The work on ASOP 39 is ongoing and it will be the treatment of catastrophe property and casualty laws for rate making. The first exposure is expected to be out by the end of the year.

Chou gave an overview of the CAT versus GLM challenges. Also, provided instruction on the proper use of each model. Discussed the underwriting challenges and the Independent Model Review. Chou explained that the Independent Model Review should be used by companies to evaluate reasonability and maturity. Companies are encouraged to work closely with their domestic state regulators.

The members of the task force engage in discussion after the presentation. A comment was made to inform the group that the CAT working group voted to advance the CAT model primer. The primer is intended to discuss the development and use of the CAT model.

C. Actuarial Statements of Actuarial Opinion

Christian Citarella (NH), Rachel Hemphill (TX), and Miriam Fisk (TX) gave a presentation on the appointed actuary and statement of actuarial opinion. The presenters defined statement of actuarial opinion. Actuarial opinions must be provided to the state of domicile each year. The presenters also gave a definition for appointed actuary and qualified actuary. An overview was given of the required disclosures for an actuary opinion memorandum and the actuarial professional standards. Discussed certain ASOPS that provide further information for the actuary disclosures. Also, noted that a commissioner may specify methods of analysis and assumptions if deemed necessary for an acceptable opinion. A commissioner can also engage a new actuary if a memorandum provided by a company is unacceptable.

D. Market Conduct: Advisory Organization vs. Multistate Examinations

Erica Weyhenmeyer (IL) gave a presentation on advisory organizations examinations. The advisory organization working group purpose is to examine licensed national advisory organizations. Examinations are on a 5-year schedule and follow the Market Regulation Handbook. CAA forms are used to keep state insurance regulators informed of significant changes made in the operation of business over the past 12 months. Weyhenmeyer provided an overview of the exam structure used by the working group and explained the process of distributing the finalized exam to all participating states. The working group is currently considering 11 advisory/rating/statistical organizations for examination.

Privacy Protections (H) Working Group

The Privacy Protections (H) Working Group met on August 14, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its July 10 Minutes

The July 10 meeting minutes were adopted. There was discussion about updating model law #672. It is more feasible and most likely to be adopted nationwide.

Update on Federal Privacy Legislation

Shana Oppenheim gave an update and overview on APRA. It is a proposed federal law that would provide a national consumer privacy data right. The intent is to protect covered data and require companies to provide access to their covered data. It gives consumers more rights, the ability to opt-out, and the ability to modify collected data. Also, prohibits transfer of the sensitive data to third parties without consent. Compliance requirements may become more stringent for some companies. The preemption section has received the most interest from interested parties. The House and Congress energy committee adopted the bill, and the most recent markup has been rescheduled.

Presentation from Consumers' Checkbook on Legacy Systems and the Protection of Consumer Privacy

Eric Ellsworth gave a presentation from the Consumer Checkbook on legacy systems and the protection of consumer privacy. Ellsworth gave a brief overview of the purpose of the non-profit and his own background. Explained that insurers are high value targets for data breaches. Discussed the potential losses and disruptions that would impact the insurance industry in the event of a data breach. Defined legacy systems and legacy data in relation to the consumer privacy laws. Also explained the use of legacy systems for data storage and the impact on the potential for a data security breach. Emphasized the use of legacy systems and the potential for a data security breach. Also, gave recommendations to the working group on the insurer's use of data and a third party contracting with an insurer's use of data.

Discuss Next Steps for the Working Group

Commissioner Amy Beard led the discussion regarding the next steps for the working group. A chair draft revising Model Law #672 was distributed to working group members prior to the Summer National Meeting. It was distributed to serve as a starting point and includes pertinent information from various materials. Following the summer national meeting, the chair draft will be exposed for 30 days starting with the section titled "third-party arrangements".

Any Other Matters Before the Working Group

A comment was made on behalf of the NAIC Consumer Representatives. The commentator discussed a position statement that outlines key provisions that they hope to see included in the model draft. The group would like to help the working group overcome barriers of implementation of certain provisions in Model Law #674 that would be cumbersome in certain states.