

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

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

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What You Need to Know:

- Elections were held for the 2024 Executive Officers. Congratulations to Commissioner Jon Godfread, President (ND); Commissioner Scott A. White, President-Elect (VA); Superintendent Elizabeth Kelleher Dwyer, Vice President (RI); and Commissioner Jon Pike, Secretary-Treasurer (UT).
- The Health Insurance and Managed Care (B) Committee adopted revisions to the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171). Model Act #171 was revised for consistency with the revised version of Model Act #170 and for short term coverage plans.
- The Privacy Protections (H) Working Group approved an extension to allow for more time to draft revisions to the Privacy of Consumer Financial and Health Information Regulation (#672). The extension was granted until the 2025 Fall National Meeting.
- The Innovation, Cybersecurity, and Technology (H) Committee introduced a proposal to establish a new Data Call Study Group to address ongoing challenges in data collection and standardization within the insurance industry.
- Various committees and subgroups heard presentations on the use of artificial intelligence and machine learning in the insurance industry.

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Joint Meeting of the Executive (EX) Committee and Plenary

The Joint Meeting of Executive (EX) Committee and Plenary met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Consider Adoption by Consent the Committee, Subcommittee, and Task Force Minutes of the Summer National Meeting, August 12-15, 2024, except for items noted with (*)

The 2024 Summer National Meeting Minutes were adopted.

Receive the Nov. 18 Report of the Life Insurance and Annuities (A) Committee

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

Adoption of the 2025 Generally Recognized Expense Table (GRET)

Commissioner Doug Ommen (IA) gave a brief overview. The 2025 Generally Recognized Expense Table was adopted as presented.

Nov. 19 Report of the Health and Managed Care (B) Committee

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

Nov. 19 Report of the Property and Casualty Insurance (C) Committee

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

Receive the Nov. 19 Report of the Market Regulation and Consumer Affairs (D) Committee

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

Receive the Nov. 19 Report of the Financial Condition (E) Committee

Director Michael Wise (SC) gave a brief overview. The report was adopted as received.

Adoption of the P&P Manual Amendment Authorizing Regulator Discretion Over NAIC Designations Assigned Through the Filing Exemption (FE) Process

The P&P Manual Amendment Authorizing Regulator Discretion Over NAIC Designations Assigned Through the Filing Exemption (FE) Process was adopted as presented.

Receive the Nov. 17 Report of the Financial Regulation Standards and Accreditation (F) Committee

Commissioner Sharon P. Clark (KY) gave a brief overview. The report was received as presented.

Receive the Nov. 17 Report of the International Insurance Relations (G) Committee

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

Receive the Nov. 19 Report of the Innovation, Cybersecurity, and Technology (H) Committee

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

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

The report was received as presented.

Results of the 2025 Officer Election

President: Commissioner Jon Godfread

President-Elect: Commissioner Scott White

Vice President: Superintendent Beth Dwyer

Secretary-Treasurer: Commissioner Jon Pike

Special (EX) Committee on Race and Insurance

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

Adoption of its Summer National Meeting Minutes

The 2024 Summer National Meeting minutes were adopted.

Status Report from its Workstreams A. Health Workstream—Acting Commissioner Marie Grant (MD) and Commissioner Grace Arnold (MN)

Commissioner Arnold gave a status report on the Workstreams progress since the Summer National Meeting. The workstream focused this year on collection of data on race and ethnicity in terms of health coverage. The workstream also focused on providing updates to its NAIC Connect page.

The Workstream heard from the Pennsylvania Department of Insurance and Independence Blue Cross on collection of data relating to prohibition of collecting race and ethnicity information, as well as identifying health equity issues. This allowed the workstream to have discussions about best practices that can be implemented across various states. Independence Blue Cross presented on its national health equity initiative. The initiative is focused on collecting fair data and improving health outcomes along with addressing any applicable barriers to providing and using the data. Discussion will continue regarding demographic data collection issues. The Workstream heard from the NCQA about their approach to building a foundation of equity for action, including using the health equity accreditation program.

The Workstream is planning to meet in regulator only meetings to consider completed work and potential year end deliverables. The Workstream will continue to work on updates to NAIC Connect.

B. Life Workstream—Commissioner Mark Fowler (AL) and Commissioner Michael Humphreys (PA) Consider Adoption of the Financial Literacy Course Endorsement

Commissioner Humphreys gave a status update on the Life Workstream. The Workstream has finalized its endorsement of state legislation to make it mandatory for high school students to complete a financial literacy course as a prerequisite to graduation. Commissioner Humphreys emphasized the importance of financial literacy and financial planning knowledge for high school students. There is significant support among state legislatures, over 25 states have adopted measures.

In addition, NAIC consumer reps and the National Association of Mutual Insurance Companies have publicly supported the endorsement. The Workstream continues to focus its work on the marketing, distribution, and access to life insurance products in minority communities. Specifically, access of life insurance products by persons with a criminal history.

The Workstream has circulated a draft of the survey to determine the use of criminal history in the life insurance industry. Based on the comments received, a revised chair draft was distributed and discussed. The survey questions are still being finalized. The Workstream is focused on targeting around 80% of the life insurance market. The survey will be coordinated with any other surveys that are being conducted.

The Special (EX) Committee on Race and Insurance voted to adopt the financial literacy endorsement. The endorsement was adopted as amended, the amendment did not change the meaning or goal of the endorsement.

C. Property/Casualty (P/C) Workstream —Commissioner Scott Kipper (NV) and Commissioner Kevin Gaffney (VT)

Commissioner Kevin Gaffney gave a status update on the Property/Casualty Workstream. The goal of the workstream was to hear from various jurisdictions regarding various learnings. The Workstream heard from the District of Columbia on a report studying intentional and unintentional bias in private passenger auto insurance. California gave a report on its low-cost auto program. The program provides low liability insurance for low-income individuals. The program has been in existence for 20 years but has seen recent growth. The goal of the program is to reduce the number of uninsured drivers.

The Workstream heard an update from the Casualty Actuarial Society (CAS). CAS has released 4 new reports. Specifically, one report focused on surveying state insurance departments perspectives on auto insurance rating and biased testing methodologies. Another report looked at telematics and how it can reduce reliance on more controversial rating variables.

The Workstream also heard from Verisk on tools it has created on evaluation bias in models. Verisk also touched on AI governance principles. The Workstream plans to discuss the results of the PCMI data. The Workstream aims to continue to follow the work and understanding the ways that homeowner's insurance data can be analyzed, including coverage gaps and the impact of changes in the market on different groups.

Update on the Member Diversity Leadership Forum —Eveyln Boswell (NAIC), Chandara Phanachone (CA), and Gary Jones (PA)

Eveyln Boswell (NAIC), Chandara Phanachone (CA), and Gary Jones (PA) gave a presentation on a status update of the Member Diversity Leadership Forum. The presenters gave an overview and update on the strategic plan of the Member Diversity Leadership Forum. The strategic plan consists of collaboration and sharing best practices, community engagement, and education and awareness. Presenters emphasized the importance of understanding the economic impact of diverse consumers and understanding the contribution of diverse consumers to the global economy.

Discuss Any Other Matters Brought Before the Special Committee

The Special (EX) Committee on Race and Insurance did not adopt 2025 charges. The work of the Committee will transition to the letter committees. The three remaining workstreams will be transitioned when appropriate.

Climate and Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of the Summer National Meeting Minutes

The Summer National Meeting Minutes were adopted.

Status Report on Deliverables

Commissioner Jeffrey Rude (WY) delivered a status report on deliverables from the *National Climate Resilience Strategy for Insurance*, including an update on the development of the Natural Catastrophe Risk Dashboard. Officials from the Minnesota Department of Commerce and the Louisiana Department of Insurance gave updates on their state's risk mitigation efforts.

Presentation on Wildfire Effects

Amy Bach (United Policyholders) gave a presentation on the lessons learned from recent wildfire disasters. Bach discussed the common challenges for consumers, both immediately after wildfires and over the long-term. Bach emphasized the importance of facilitating the flow of accurate information and insurance dollars to overwhelmed, traumatized people following catastrophic disasters. There has been an increase in consumer concerns following recent disasters related to evacuation costs, additional living expenses, and patterns of non-renewals following disasters.

Bach also discussed major wildfire rebuilding efforts that are occurring across many jurisdictions, such as Hawaii, Colorado, New Mexico, Oregon, and Idaho. Bach noted several actions taken by regulators that have helped consumers in the first three months following disasters. These actions included helping consumers locate current and complete copies of policies, assistance with getting lender signoffs, and scammer spotting. Bach highlighted several long-term insurance challenges after major wildfire disasters including devastating disaster costs, overwhelmed and understaffed permit offices, shortages of experienced adjusters, coverage and claim disputes, and an unexpected number of underinsured consumers.

Following Bach's presentation, New Mexico, Oregon and Colorado delivered reports detailing how their states responded to recent catastrophic wildfires and other disasters.

Update on Canadian Flood Insurance

Lucas Neufeld (British Columbia Financial Services Authority) delivered an update on Canadian flood insurance. Neufeld discussed the rapid increase in insured losses – this year, Canada received \$7 billion of insured losses in a forty-day period. The annual average over the last five years had been \$3 billion. Neufeld then discussed three impactful initiatives related to flood risk insurance in Canada. First, the Canadian federal government committed \$15 million towards the launch of a national flood insurance program aimed at providing affordable insurance in high-risk areas. Second, the Canadian federal government is

working on establishing a flood risk portal. Third, industry-led working groups have been established to enhance existing practices and to focus on improving training for brokers and consumer education.

Federal Update

Alexander Swindle (NAIC) provided the Task Force with an update on federal activities. In 2024, the U.S. experienced twenty weather-related disasters with losses exceeding \$1 billion. These losses were driven largely by severe convective storms. Due to the growing strain on insurance markets, Congress and FEMA have launched several initiatives to address these challenges. FEMA offers many grant programs, including the Hazard Mitigation Group Program, aimed at improving resiliency and rebuilding communities. The destruction brought about by recent hurricanes has exposed gaps in flood risk models creating the need for better data and risk assessments and the need to improve public awareness and insurance coverage. In response, Congress is considering the passage of several pieces of legislation that would impact resiliency: the Disaster Mitigation Tax Parity Act, the Disaster Resiliency and Coverage Act, the Fix Our Forest Act, and the Disaster Simplification Act. Swindle stated that the NAIC will continue to engage with members of Congress to get the language of the acts to a place that the NAIC can support.

Update on the NAIC Climate Resource Center

Following the August adoption of the new climate scenario interrogatories in the year-end 2024 property/casualty risk-based capital (“RBC”) filing, the NAIC has established a Climate Scenario Resource Center to assist filers and their advisors with the disclosure requirements. The Climate Scenario Resource Center has four main components: (1) the RBC Blanks, relating to catastrophe risk, (2) a climate scenario presentation giving background on the effort, and (3) a climate scenario FAQ document, (4) a “Contact Us” link that companies or advisors can use to ask the Center specific questions directly.

Life Insurance and Annuities (A) Committee

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

Adoption of October 21 Minutes

The Committee adopted its October 21 Meeting Minutes.

Federal Update on the Fiduciary Rule

Taylor Walker (NAIC) delivered a federal update on the fiduciary rule. Last November, the Department of Labor released its proposed retirement security rule, often referred to as the “fiduciary rule.” The final version of the fiduciary rule was adopted on April 23 and was to become effective in September 2024. However, federal courts have blocked implementation of the rule. It is widely anticipated that the fiduciary rule will not be enforced under the incoming Trump Administration based on the prior Trump Administration’s history of favoring a less stringent regulatory environment.

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

The Committee adopted the report of the Life Actuarial (A) Task Force, which met November 16, 2024. At that meeting, the Task Force had an informative discussion on the asset adequacy testing for reinsurance actuarial guideline draft. After that discussion, the task force exposed considerations for reinsurance asset adequacy testing. The Task Force has continued making progress towards implementing a replacement economic scenario generator, including discussion of alternate equity calibration and interest rate flooring options.

Adoption of the Report of the Annuity Suitability (A) Working Group

The Committee adopted the report of the Annuity Suitability (A) Working Group, which met November 17, 2024. At that meeting, the Working Group discussed the draft safe harbor guidance document and announced plans to reconvene the small drafting group that developed the initial draft guidance document to review the comments received and revise the draft accordingly. The Working Group will distribute the revised draft guidance document for public comment and hold a future meeting to discuss the comments received.

Update from the Special Committee on Race and Insurance Life Workstream

Commissioner Mark Fowler (AL) delivered an update from the Special Committee on Race and Insurance Life Workstream. The Life Workstream finalized an endorsement supporting state legislation requiring a financial literacy course as a prerequisite for high school graduation. The endorsement was adopted by the Special (EX) Committee on Race and Insurance during its November 17 meeting. The Life Workstream continues to focus on marketing, distribution, and access to life insurance products in minority communities, including a focus on criminal history. The Life Workstream also exposed a draft survey of life insurers’ use of criminal history in underwriting, received comments, and discussed a revised draft based on the comments received. The Life Workstream’s next steps will be finalizing the survey questions and the process for issuing the survey. States can choose to participate in the survey or not. The survey will

focus on getting participation from companies that make up a significant percentage of the life insurance market.

Presentation from ACGA on Charitable Gift Annuities

Shane Lieb (American Council on Gift Annuities) delivered a presentation aimed at reacquainting regulators with charitable gift annuities. The presenters discussed how gift annuities are commonly used, state by state filing requirements, and the unique benefits and challenges presented by charitable gift annuities.

Presentation on the Profound Transformation of Insurance Fraud in Life and Annuity Markets

Michelle Rafeld (Coalition Against Insurance Fraud) delivered a presentation on the profound transformation of insurance fraud in the life and annuity markets. The presentation highlighted the changing landscape of fraud brought on by rapid advancements in technology. These advancements have left the life insurance and annuity industry exposed. The new challenges facing insurers and regulators demand immediate attention, increased resources, and innovative solutions. Rafeld discussed many different types of fraud that present challenges for insurers including intentional misstatements on applications, advance commission schemes, identity theft, malicious cyber-hackers affiliated with organized crime groups, the use of synthetic IDs, fraudulent and forged documents or information, and unauthorized surrenders. Rafeld also discussed insurer risk mitigation strategies, such as developing and implementing insurer antifraud plans.

Annuity Suitability (A) Working Group

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

Working Group Chair Draft Safe Harbor Guidance Document and Comments

Commissioner Doug Ommen (IA) led a discussion on the Working Group draft safe harbor guidance document and the comments received during the public comment period that ended on November 8, 2024.

Sarah Wood, from the Insured Retirement Institute (IRI), discussed a comment letter that IRI submitted regarding the safe harbor provisions of the draft guidance. IRI submitted the comment letter on behalf of ten trades. The goal of the comment letter was to provide suggestions that would align the language of the guidance document with the text of the model. Wood highlighted four suggestions the comment letter addressed:

- The guidance document should provide greater clarity as to the distinctions between the insurer's responsibilities under the safe harbor provision and the provision that permits Insurers to contract with third parties to perform their supervisory obligations.
- The draft guidance should make clear that insurers do not need to separately determine that compliance with the comparable standard matches the requirements of the model.
- The draft guidance should make clear that insurers reviewing recommendations falling under the safe harbor can rely on a screening system.
- The draft guidance should provide adequate flexibility for companies to develop compliance programs that meet their business models and circumstances.

After receiving additional comments, Commissioner Ommen discussed next steps. The Working Group will reconvene the small drafting group that drafted the guidance document to revise the Draft based on the comments received during the comment period.

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Summer National Meeting Minutes

The Summer National Meeting Minutes were adopted.

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

- A. Consumer Information (B) Subgroup—David Buono (PA)*
- B. Health Innovations (B) Working Group—Commissioner Nathan Houdek (WI)*
- C. Health Actuarial (B) Task Force—Director Anita G. Fox (MI) and Kevin Dyke (MI)*
- D. Long-Term Care Insurance (B) Task Force—Commissioner Andrew N. Mais (CT) and Paul Lombardo (CT)*
- E. Regulatory Framework (B) Task Force—Commissioner Glen Mulready (OK)*
- F. Senior Issues (B) Task Force—Commissioner Scott Kipper (NV)*

The Subgroup, Working Group, and Task Force Reports were adopted.

Adoption of its 2025 Proposed Charges and its Task Forces' 2025 Proposed Charges

The 2025 Proposed Charges were adopted for the Health Insurance and Managed Care (B) Committee and its Task Forces'.

Adoption of Revisions to the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171)

Glen Mulready (OK) presented the revisions. It was identified that Model Act #171 and the companion Model Act #170 warranted revision to be compliant with the ACA. Mulready gave a brief overview of the revisions. Model Act #171 was revised for consistency with the revised version of Model Act #170 and for short term coverage plans.

After the revisions were presented, B Committee members and other regulators voiced concerns regarding the limitations of coverage. Other members emphasized that the model law contains “minimum standards” and that ultimately it is up to the state to adopt standards they deem appropriate.

Model Act #171 was adopted as revised.

Presentation from NORC at the University of Chicago on Proposed Research to Assess the Use of Artificial Intelligence (AI) to Conduct Utilization Management—Lucy Culp (The Leukemia & Lymphoma Society [LLS]) and Lauren Seno (NORC at the University of Chicago)

Lucy Culp and Lauren Seno gave a presentation on the use of AI in utilization management. The research focused on natural language processing and machine learning. The key findings of the research are that AI is regularly used in utilization management and stakeholders are aware of immense opportunities for

positive impacts and the need for proper safeguards. Current state regulation is being outpaced by the use of AI.

The research focused on the three primary ways that health plans are using AI in utilization management. Health plans are using AI in various ways including for administrative use only (collecting data), decision making AI (using discrete parameters to make decisions and potentially make an automated decision), and the AI learning model (data is collected and parameters are used for decision making). The absence of a comprehensive regulatory framework raises concerns. So far, three states have adopted guidance specific to the use of AI in utilization management. Recommendations to the Committee include focusing on meaningful transparency and embedding human oversight into utilization management.

Presentation from the Center for Insurance Policy and Research (CIPR) on Small Group Market Trends— Kelly Edmiston (CIPR)

Kelly Edmiston gave a presentation on small group market trends. Edmiston gave an overview on insurance requirements for small group insurance/small employers. Edmiston emphasized that the key challenge for small groups obtaining health insurance coverage is cost. The cost of health insurance premiums is rising dramatically. Edmiston gave an overview of options for small businesses looking to provide health insurance. Those option include small group, level funded plans, health reimbursement arrangements, and the Small Business Health Options Program (SHOP).

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

Jeff Wu (CCIIO) provided an update on the recent activities. CMS made changes to the website ahead of open enrollment to increase accessibility for consumers. CMS published a rule allowing DACA recipients and a small subset of non-residents allowing them to be eligible for Marketplace and other related tax benefits. Wu addressed measures taken by CMS to address unauthorized broker activity. Wu also addressed the recent updates to MEPA.

Long-Term Care Actuarial (B) Working Group

The Long-Term Care Actuarial (B) Working Group met on November 16, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The October 9 and Summer National Meeting Minutes were adopted.

Discussion of Proposed Modifications to the Minnesota Approach for Use as the Single Long-Term Care Insurance (LTCI) Multistate Rate Review Approach and Adoption

In 2024, the Working Group was charged with adopting a single methodology within the MSA rate review approach. The Working Group was also tasked with responding to an overwhelming number of commissioners' concerns about rate increases at older attained ages. This problem has been coined the "85/25/400" issue. The Working Group discussed the proposed modifications to the Minnesota Approach for use as the single LTCI MSA rate review approach. The Working Group also considered modifications to the cost-sharing formula used in the single LTCI multistate rate review.

Several interested parties shared comments and concerns regarding the Minnesota Approach and the cost-sharing formula. Jan Graeber, on behalf of the ACLI, asked the Working Group to reject Missouri's proposed approach because it has a proposed cap on rate increases. Graeber also emphasized the need to clearly define the role of cost-sharing within the framework and the need for flexibility in framework that will allow actuaries to consider the unique characteristics of the long-term care blocs in their review. Matthew Deroza (GenWorth) expressed concerns with the Minnesota Approach and the need for additional clarity around the cost-sharing formula.

The Working Group adopted modifications to the cost-sharing formula used in the single LTCI multistate rate review. The Working Group considered two sets of proposed revisions to the cost-sharing formula to address the 85/25/400 issue. The Working Group adopted Proposal A. Proposal A establishes a 5% haircut for the first 100% of cumulative rate increase, a 20% haircut for the portion of cumulative rate increase between 100% and 400%, and an 80% haircut for the portion of the cumulative rate increase in excess of 400%.

Long-Term Care Insurance (B) Task Force

The Long-Term Care Insurance (B) Task Force met on November 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The October 2 and Summer National Meeting Minutes were adopted.

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

Fred Anderson (MN) delivered a report of the Long-Term Care Actuarial (B) Working Group. The Working Group has been working on a single actuarial method that is associated with the multi-state actuarial approach. The goal of the Working Group's effort is to increase uniformity between states and rate increase approval amounts. The Working Group received some directives, most notably on the "85/25/400" issue. After much discussion at Working Group meetings, the Group thought the best way to address the issue was with the cost-sharing factors of the Minnesota Method. On November 16, there was an adoption of cost-sharing factors that would be applied to the MN approach that differs from the current cost-sharing factors. The report was adopted.

Long-Term Care Insurance Multistate Actuarial Rate and Review Methodology

Paul Lombardo (CT) and Fred Anderson (MN) exposed revisions to the Long-Term Care Insurance Multistate Rate Review Framework and modifications to the cost-sharing formula, for a 25-day comment period ending December 13, 2024.

Update on Reduced Benefit Options and Consumer Notices Research

Brenda Rourke (NAIC Center for Insurance Policy and Research) delivered an update on the progress of CIPR's study of reduced benefit options (RBOs) letters to consumers and consumer choices. Rourke presented an overview of CIPR's study which found that the clarity of RBO letters has a significant impact on consumer choices. The study also found that consumers who received a prior rate increase, and had a greater perception of the risk of needing long-term care were more likely to keep their policy and pay a higher premium, regardless of age, income, or education. CIPR suggests revisiting the guidelines used to review rate increase letters to ensure the communication is accessible to the general population and uses plain language. CIPR plans to continue to review the data and report on results during future meetings.

Pharmaceutical Benefit Management Regulatory Issues (B) Working Group

The Pharmaceutical Benefit Management Regulatory Issues (B) Working Group met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Discussion on Pharmacy Benefit Managers and How They Function

The Pharmaceutical Care Management Association (PCMA), the Pharmaceutical Research and Manufacturers of America (PhRMA), the National Community Pharmacists Association (NCPA), and the National Association of Chain Drug Stores (NADCS) gave presentations on pharmacy benefit managers (PBMs) and how they function. Each presentation provided a different outlook on PBMs and how they function from the perspective of a PBM company, a prescription drug manufacturer, a community pharmacist and an independent pharmacy.

John Jones (PCMA) discussed PBMs from the perspective of a PBM company. According to Jones, PBMs help secure lower health care costs for patients. PBMs drive down costs for prescription drugs by pushing drug companies to compete, through rebates, to offer better prices. Jones argued that PBMs advance better patient health outcomes by reducing medication errors, helping patients understand how and when to take their medication, and by improving care coordination through offerings such as home delivery.

Scott Woods (PhRMA) discussed PBMs from the perspective of a prescription drug manufacturer. Woods argued that perverse incentives can allow PBMs to profit at the expense of patients, employers and the health care system. The Pharmaceutical Benefit Management Regulatory Issues (B) Working Group should focus its future work on addressing business practices employed by PBMs that challenge patient access to medicines. Additionally, Woods argued that PBM compensation should be limited to flat service fees and that patient cost sharing should be calculated based on net price, rather than the list price, of medicines. Woods concluded that PBMs and health plans should be held accountable for providing quality patient care and that oversight of utilization management should be increased.

Joel Kurzman (NCPA) and Sandra Guckian (NACDS) discussed PBMs from the perspective of a community pharmacist and independent pharmacies. Kurzman began by discussing the concerns community pharmacists have with PBMs, including a lack of transparency in reimbursement pricing, network exclusion, difficulty obtaining prior authorization, and unpredictable and untraceable retroactive feeds. Kurzman and Guckian argued that PBMs have a negative impact on patient access to affordable medications. Additionally, Kurzman highlighted the growing consensus on the need to reform PBMs and PBM practices. Kurzman argued that the NAIC should craft a uniform electronic state-level and PBM-specific complaint form for use across all states and maintain a database of complaints. Additionally, the NAIC should track insurance department resources dedicated to PBM oversight in its Insurance Department Resources Report.

PBM Licensure Best Practices and Uniform Standards in State Licensing Handbook

Ashley Scott (OK) led a discussion on providing potential assistance to the Producer Licensing Uniformity (D) Working Group to create a new section on PBM licensure best practices and uniform standards in the *State Licensing Handbook*. The Producer Licensing Uniformity (D) Working Group requested the Pharmaceutical Benefit Management Regulatory Issues (B) Working Group's collaboration in creating a

new section in the *State Licensing Handbook* on PBM licensure best practices and uniform standards. Those interested in participating in the process should reach out to the Working Group chair or the Working Group vice chair or NAIC staff.

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

The Mental Health Parity and Addiction Equity Act (B) Working Group met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Discussion on the Federal Mental Health Parity Final Rule

A. Beth Baum (U.S. Department of Labor—DOL)

Beth Baum gave remarks regarding the comparative analysis content requirements of the rule. MHPEA contains six different content elements for comparative analysis. Baum emphasized the importance of having a thorough understanding of the content elements for a plan issuer to explain how a NQTL is compliant with MHPEA. The rule also requires that plans and issuers provide a list of all NQTL's imposed under the plan or coverage. ERISA plans are required to complete a fiduciary certification and provide a written list of NQTL's to the named fiduciary.

Baum gave a detailed description of all the content elements as required in the rule and expectations from the U.S. Department of Labor. Content elements, as discussed, include: (1) describing the NQTL, (2) identifying factors or evidentiary standards that were considered or relied upon, (3) how the factors and evidentiary standards defined under *Step 2* are used in practice, (4) compliance with MHPEA as written, (5) in operation compliance of MHPEA evaluation, (6) findings and conclusions indicating compliance or non-compliance with MHPEA.

After the presentation, working group members had discussion with Beth Baum regarding applicability of MHPEA to ERISA plans.

B. Jennifer Jones (Blue Cross Blue Shield Association—BCBSA)

Jennifer Jones gave a presentation representing the industry perspective and concerns about MHPEA. Jones expressed concern that the new rule will prevent an insured's access to high-quality mental health benefits. Jones gave specific examples of how MHPEA could restrict access to high acuity providers and not have the intended goal as stated in the preamble. Jones expressed technical challenges with implementation such as timing of the new rule in relation to the effective date of the new requirements. The new requirements go into effect less than 4 months after finalization of the rule. Jones pointed out that the ambiguity of some provisions is likely to lead to differences in interpretation. Jones emphasized that the ambiguity will exacerbate existing confusion resulting in complexity around compliance.

After the presentation, working group members had discussion with Jennifer Jones regarding incentives to increase the number of mental health providers in network.

C. Deborah Steinberg (Legal Action Center—LAC)

Deborah Steinberg gave a presentation regarding the consumer representative prospective on MHPEA. Steinberg emphasized that the rule has the ability to improve lives and weed out discriminatory practices. Steinberg highlighted a few provisions that will directly impact consumers. Steinberg suggested the use of nationwide standardized standards and recommended that state insurance departments implement training for their frontline consumer assistance to properly handle mental parity complaints.

Regulatory Framework (B) Task Force

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

Adoption of Minutes

The Task Force adopted the Summer National Meeting and its November 4 Meeting Minutes.

Adoption of Subgroup and Working Group Reports

- A. *Accident and Sickness Insurance Minimum Standards (B) Subgroup*
- B. *Employee Retirement Income Security Act (ERISA) (B) Working Group*
- C. *Mental Health Parity and Addition Equity Act (MHPAEA)(B) Working Group*
- D. *Pharmaceutical Benefit Management Regulatory Issues (B) Working Group*

The reports of the Subgroup and Working Groups were adopted without discussion.

Overview of Pharmacy Benefit Management Transparency Initiatives

Rob Nolan (AffirmedRX) delivered a presentation on Pharmacy Benefit Management transparency initiatives. He began with a brief overview of Pharmacy Benefit Managers (PBMs) and the need for increased transparency in PBM operations. Nolan highlighted the importance of compliance and maintaining trust with stakeholders and the public and addressed related challenges and barriers. The presentation explored the concept of public benefit corporations (PBCs). A PBC is a type of for-profit corporation that includes a specific public benefit purpose in addition to profit-making. PBCs are legally required to consider the impact of their decision on society and the environment. Nolan then discussed how PBMs can adopt the PBC model to emphasize their commitment to public health and ethical practices. PBMs operating as PBCs focus on providing transparent and ethical drug pricing while ensuring access to medications for underserved populations. Nolan stated that this approach attracts socially conscious investors, improves public image and reputation, and enhances trust with stakeholders, partners, and the public.

Nolan discussed legislative efforts and industry-led initiatives aimed at increasing transparency in PBM operations. There has been an increase in state and federal laws aimed at increasing PBM transparency, such as California's SB 17 and the Federal Drug Pricing Transparency Act. Additionally, there are industry-led initiatives including voluntary measures taken by PBMs to disclose pricing and rebate information. Twenty-one states have enacted laws requiring more transparency in drug pricing and PBM practices. Some states, such as New Jersey, have implemented a PBM reverse auction process, which has significantly reduced prescription drug spending by creating a competitive marketplace where PBMs bid for contracts.

Nolan concluded by discussing the benefits of transparency in PBMs. According to Nolan, transparency (1) improves patient outcomes by increasing access to affordable medications; (2) results in fairer pricing and reduced costs as well as the elimination of hidden fees; and (3) enhances trust and empowers patients by increasing the accountability of PBMs.

Implementation of the Federal Affordable Care Act's Section 1557 Financial Regulation

Amy Killelea (Killelea Consulting LLC) and Jalisa Clark (Georgetown University Law Center on health Insurance Reforms) and Meghan Stringer (AHIP) gave a presentation and led a discussion on issues related to the implementation of the Federal Affordable Care Act's (ACA's) Section 1557 final regulation and the application of Section 1557's nondiscrimination provisions to Medicare supplemental insurance and other excepted benefit products such as disability income and long-term care insurance.

The presentation highlighted the importance of excepted benefit products and application of Section 1557's nondiscrimination provision to all health programs or activity, including any part of which is receiving federal assistance. Stringer stressed the need for federal guidance to provide clarity on how the final regulation should be implemented. Although the Section 1557 final regulation is still being debated, the presenters emphasized that state regulators can play a vital role in ensuring that its non-discrimination protections are applied and enforced through the complaint process and the review of plan benefit designs.

Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Summer National Meeting Minutes

The 2024 Summer National Meeting Minutes were adopted.

Adoption of Task Force and Working Group Reports and Minutes

- A. *Casualty Actuarial and Statistical (C) Task Force*
- B. *Surplus Lines (C) Task Force*
- C. *Title Insurance (C) Task Force*
- D. *Workers' Compensation (C) Task Force*
- E. *Cannabis Insurance (C) Working Group*
- F. *Catastrophe Insurance (C) Working Group*
- G. *Terrorism Insurance Implementation (C) Working Group*
- H. *Transparency and Readability of Consumer Information (C) Working Group*

The Task Force and Working Group reports were adopted as presented.

Adoption of Premium Increase Transparency Guidance

George Bradner (CT), chair of the Transparency and Readability of Consumer Information Working Group, presented on the Premium Rate Transparency Guidance Document, adopted on November 12. This guidance provides a framework for states considering disclosure notice processes to help insurers explain significant premium increases for personal auto, homeowners, and dwelling policies. It allows policyholders to better understand key risk factors driving rate changes, enabling them to address risk profiles or correct data inaccuracies.

The guidance uses a phased approach. Phase One requires insurers to notify policyholders of their right to request an explanation for premium increases. Phase Two, which applies to policies with annual premium increases of \$100 or more, mandates detailed notices for renewal increases exceeding 10% or upon policyholder request. Disclosure notices must provide reasonable explanations, highlight primary factors of the increase, and adhere to set deadlines for responses. Templates for notices are included to support clarity and consistency. States retain discretion over implementing the guidance, as it is not a model law.

Federal update on property/casualty (P/C) insurance issues

Alex Swindle from the NAIC provided a federal update. Swindle highlighted the expected shift in policy following the 2024 election results, with a new Republican majority in both chambers and a potential second Trump administration. Key changes are anticipated in regulatory approaches, with a focus on reducing federal oversight in insurance. Swindle discussed the uncertain future of the National Flood Insurance Program (NFIP) and bipartisan efforts to reform it, as well as ongoing initiatives for resilience and disaster relief funding. He also mentioned the upcoming Farm Bill, which may propose crop insurance

reforms, and the looming expiration of the Terrorism Risk Insurance Program in 2027, which will be monitored for potential renewal.

Presentation from QuantivRisk

John Pettit and Mike Nelson from QuantivRisk talked about how vehicle performance data is changing the way auto insurance claims are handled. Unlike traditional sources like event data recorders (EDRs) or telematics, this data includes real-time information such as videos and sensor readings from vehicles. It provides clearer details about accidents, which helps make claim decisions more accurate and fairer for both insurers and consumers. They shared an example of a Tesla accident where the data helped to show the true events of the accident, shifting liability to the correct party.

The presenters also pointed out challenges like educating claims adjusters, updating claims processes, and dealing with unclear rules about how this data should be used. The presenters emphasized the importance of getting consumer permission and protecting privacy while addressing gaps in how some automakers handle this information. Looking ahead, they believe clearer policies are needed to define this data, establish rules for consent, and determine fault when autonomous features are involved in accidents.

Presentation from FortressFire

Wayne Gibson and John Wall from Fortress Fire introduced an innovative approach to improving home resilience against wildfires. Their model uses advanced physics-based simulations and detailed structural assessments to predict how wildfires ignite homes. Using aerial imagery, machine learning, and structural data, they identify specific vulnerabilities and offer tailored mitigation strategies. The system aims to reduce the binary outcomes of wildfire damage—homes being either untouched or completely destroyed—by providing precise, actionable insights into risk factors such as vegetation, building materials, and ember accumulation.

The presentation highlighted the increasing threat of wildfires across the U.S., emphasizing the need for solutions that address rising losses and exposure. Fortress Fire's tools focus on structure-level risk analysis, offering solutions like vegetation management, material modifications, and ongoing monitoring to ensure long-term resilience. They underscored the importance of mitigating risks through early intervention and predictive analytics, helping homeowners, insurance companies, and local governments proactively reduce wildfire damage. By incorporating real-time data into their strategies, Fortress Fire is working to reshape wildfire response, emphasizing the value of preparedness and continuous risk assessment.

Market Regulation and Consumer Affairs (D) Committee

The Market Regulation and Consumer Affairs (D) Committee met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its August 15 Minutes

The August 15th meeting minutes were adopted.

Adoption of its 2025 Proposed Charges

Commissioner Jon Pike (UT) led the discussion on the proposed 2025 charges of the committee. The committee adopted the charges, including updates for various task forces. Key changes include disbanding the Market Information Systems Task Force, with its technical work transitioned to a new working group reporting to the D Committee to streamline operations. Additionally, the Producer Licensing Task Force will not reappoint the Public Adjuster Licensing Working Group, as it has completed its review and recommendations for amending the NAIC Public Adjuster Licensing Model Act. Charges for the Anti-Fraud Task Force were also adopted without noted changes.

Adoption of Revisions to the Market Regulation Handbook Chapter 23-Conducting the Life and Annuity Examination

Matthew Tarpley (TX) presented revisions to Chapter 23 of the Market Regulation Handbook regarding life and annuity examinations. The updates align with changes to Actuarial Guideline 49-A adopted in March 2023. These revisions impacted operations, management exam standard one, subsection two; techniques of Section C; marketing and sales examination standards one, four, and 14; and the supplemental checklist for marketing and sales examination standard four. Updates included conforming edits to reflect the guideline's revised title, removal of outdated references to the 2015 adoption date, and elimination of implementation testing examples no longer relevant.

Adoption of Proposed Amendments to the NAIC Uniform Producer Licensing Applications

Larry Dieter (SD) presented proposed amendments to the NAIC Uniform Producer Licensing Applications. The Producer Licensing Uniformity Working Group adopted changes to the individual uniform application in May and to the individual renewal, business entity, and business entity renewal applications in June. Following prioritization of strategic initiatives, NIPR plans to begin work on the amendments in October 2025, with development estimated for completion by February 2026 and implementation scheduled between March and May 2026.

Adoption of Continuing Education (CE) Audit Guidelines.

Larry Dieter (SD) provided a discussion of the Continuing Education (CE) Audit Guidelines, developed by the Uniform Education Working Group to standardize and streamline the auditing of courses provided by home state providers while reducing duplicative efforts across states. The guidelines outline detailed audit steps and were adopted by the working group on October 29 and by the Producer Licensing Task Force on November 17.

Adoption of its Task Force and Working Group Reports

A. Antifraud (D) Task Force—Commissioner John F. King (GA)

Commissioner John F. King (GA) provided a report on the Anti-Fraud Task Force's activities, which met on November 18. During the meeting, the task force adopted the minutes from prior meetings in October and August. They discussed the proposed 2025 charges, heard presentations from the American Academy of Actuaries on the impact of fraud on premiums, claims, and costs, and from Health Agents for America on federal fraud prevention efforts related to agents. Additionally, they adopted a report from the Improper Marketing of Health Insurance Working Group, which focused on unauthorized policy transfers and Medicare Advantage issues. The task force also received updates on the NAIC's web service for online fraud reporting and plans for future open calls in 2025 to discuss suggested enhancements.

B. Producer Licensing (D) Task Force

Larry Dieter (OH) provided a brief report on the Producer Licensing Task Force. He highlighted two key items: ongoing discussions about the development of a 1033 waiver template to assist states with reviewing waiver requests, and the announcement that NIPR will offer producer licensing zone training in collaboration with the NAIC in 2025. This training will focus on producer licensing practices, emerging issues, and fostering peer regulator dialogue, with expenses covered for two regulators from each zone to attend the in-person training.

C. Market Analysis Procedures (D) Working Group

Jo LeDuc (MO) provided the report on the Market Analysis Procedures Working Group. They received an update from the Market Analysis Prioritization Tool (MAPT) Recommendation Subgroup, which has been reviewing ways to enhance the tool, including eliminating unnecessary data elements, retaining useful context data, and adding new data from sources such as the Market Conduct Annual Statement. The group also discussed the progress of Level 1 reviews, highlighting that only 17 states are on track to meet the required number of reviews for 2024, with factors such as the pandemic and staff turnover contributing to this shortfall. Additionally, they discussed the relationship between Level 1 reviews and the Voluntary Market Regulation Certification Program and considered revising requirements to account for staffing variations across jurisdictions. The group also reviewed Ratio 7, which compares lawsuits to closed claims without payment, and will continue to evaluate whether the data is producing meaningful results.

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

Rebecca Rebholz (WI) provided a report on the Market Conduct Annual Statement Blank Working Group. The Group discussed the removal of duplicative data element number 51 from the Other Health MCAS statement. They also considered draft definitions related to artificial intelligence and machine learning, as well as partial payments and cancellations for the pet insurance MCAS. The group reviewed next steps for the MCAS Other Health Interrogatory Question #5 and additional comments received on the blank. Additionally, an update was provided on the formation of a subject matter expert group for reviewing and updating the Private Passenger Auto MCAS blank.

E. Market Conduct Examination Guidelines (D) Working Group

Matt Tarpley (TX) provided a report for the Market Conduct Examination Guidelines Working Group, which met on November 7. The group adopted revisions to Chapter 23 of the Market Regulation Handbook, which had been discussed earlier. They also received updates on the progress of the regulator-only subject matter experts working on the development of new chapters and standardized data requests for pet insurance and travel insurance examinations. These drafts will be publicly exposed for comments once completed. Additionally, the working group discussed the NAIC Connect platform, which was launched on October 29, as a tool for regulators to share resources like exam templates and reports. They also explored the platform's potential for coordinating with the Innovation, Cybersecurity, and Technology Committee on guidance for artificial intelligence oversight. Finally, the group received a formal referral from the Accelerated Underwriting Working Group, which has developed a framework to help state regulators evaluate life insurance use of accelerated underwriting programs. The chairs of this group plan to collaborate with the Market Conduct Examination Guidelines Working Group in 2025 to draft further market conduct guidance based on this framework.

F. Market Regulation Certification (D) Working Group

John Haworth (WA) provided a report on the Market Regulation Certification Working Group, which met on September 23. The group discussed the implementation plan for the peer review process in the certification program, focusing on both self-certifying and fully certifying jurisdictions. They emphasized the need for national consistency while considering a peer review group with representation from each NAIC zone. The group also received requests to make the Scoring Matrix more user-friendly and streamlined the process, with updates to include a fillable format for more detailed self-certification.

G. Speed to Market (D) Working Group

Rebecca Nichols (VA) provided a report on the Speed to Market Working Group, summarizing the group's activities during the October 31 meeting. She mentioned the adoption of the minutes from the July 30 meeting, a presentation on the SERFF modernization project, and the adoption of an updated Product Filing Review Handbook. Additionally, she highlighted updates on the 2025 Product Coding Matrices and the work of the Interstate Insurance Product Regulation Commissions for 2024.

Adoption of Proposed Amendments to the Public Adjuster Licensing Model Act (#228)

Commissioner Trinidad Navarro presented proposed amendments to the Public Adjuster Licensing Model Act to strengthen regulations on public adjusters. These amendments address issues such as unlicensed adjusters, contractors acting as adjusters, inappropriate assignment of benefits, and excessive fees. Key changes include stricter licensing requirements, a cap on fees (10% for catastrophic claims and 15% for others), and new rules on the assignment of benefits and financial interests in repairs. The model was adopted by the Public Adjuster Licensing Task Force after reviewing industry concerns and public comments.

Update on Federal Activities

Alex Swindle provided an update on federal activities in light of the 2024 elections, noting a shift towards a second Trump administration with a Republican-controlled Senate and potentially the House. The

administration is expected to prioritize aggressive regulatory cuts, aiming to eliminate multiple rules for each new one implemented, and appoint pro-business leaders to key positions like the Federal Trade Commission. There may be efforts to roll back rules from the Consumer Financial Protection Bureau using the Congressional Review Act, especially those related to consumer reporting and non-bank enforcement.

Swindle also highlighted ongoing federal efforts against post-storm fraud, with resources like FEMA's disaster fraud hotline likely to remain in place. While the regulatory environment is expected to be lighter, encouraging innovation, there will likely be increased scrutiny of the FinTech sector's stability and impact. Lastly, the administration is anticipated to continue its efforts to regulate big tech and address monopolistic practices, with state regulators playing a key role in guiding these transitions.

Improper Marketing for Health Insurance (D) Working Group

The Improper Marketing of Health Insurance (D) Working Group met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Summer National Meeting Minutes

The 2024 Summer National Meeting Minutes were adopted.

Update on Actions to Prevent Unauthorized Agent and Broker Marketplace Activity — Gina Zdanowicz and Lisa J. Wilson – (Federal Centers for Medicare & Medicaid Services)

Gina Stenovich from CMS discussed ongoing efforts to address unauthorized agent activity and misleading marketing during the Marketplace open enrollment period. CMS has implemented several measures, including blocking unauthorized agent activity, duplicate applications, and requiring validated SSNs to enhance oversight. Consumer complaints about unauthorized plan switches have decreased, but CMS acknowledges feedback regarding friction in processes like three-way calls involving agents, consumers, and call center representatives. To address concerns, CMS has provided tips for agents and released consumer education materials, such as infographics and blogs, in collaboration with the FTC to help consumers avoid scams. CMS also continues to suspend and review marketplace agreements for non-compliant agents and brokers, encouraging issuers to share information on terminations for enhanced monitoring.

Update on Special Enrollment Period and other Medicare Advantage Open Enrollment Issues — Molly Turco (Federal Centers for Medicare & Medicaid Services—CMS)

Molly Turco, a senior advisor on Medicare Advantage and Part D at CMS, provided an update on efforts to address misleading marketing and improve oversight of agents and brokers. She discussed the implementation of new rules in 2024 aimed at reducing beneficiary confusion, such as prohibiting vague advertisements and introducing cooling-off periods after agent outreach. However, certain finalized rules for 2025 are subject to litigation, with a preliminary injunction issued by the Northern District of Texas reverting some regulations to earlier versions. To enhance oversight, CMS is exploring new data collection initiatives, including the use of National Producer Numbers to track agents and brokers and identify problematic behavior.

Additionally, CMS is working on improving communication and resources for stakeholders. This includes releasing FAQs related to special enrollment periods and Medigap guaranteed issue rights, updating the CMS website to serve as a centralized information hub, and enhancing model notices to standardize plan communications with beneficiaries. CMS also plans to create a dedicated contact point for NAIC commissioners to streamline inquiries and track emerging issues.

Hear a Presentation from Health Agents of America, Inc. — B. Ronnell Nolan (HAFA) and James R Napoli (Diceris Law)

Ronnell Nolan, President and CEO of Health Agents for America, discussed the significant challenges insurance agents face due to systemic fraud and unfair practices by CMS. She explained that lax security measures, such as the absence of two-factor authentication, allowed fraudulent entities to exploit

consumer information, often resulting in consumers unknowingly having their plans changed. Efforts to address these issues, including fraud reporting tools and collaboration with CMS, have yielded limited success. Nolan highlighted how CMS-mandated processes, like three-way calls for verification, are inefficient and ineffective, further complicating agents' roles.

Attorney James Napoli emphasized the legal and procedural failures of CMS, describing its actions as lacking transparency and violating its own regulations. He criticized CMS for suspending agents based on vague criteria without sufficient evidence, often leading to significant financial and professional harm. Napoli noted that CMS's weak security systems enabled fraud but instead of addressing internal vulnerabilities, the agency scapegoated agents to boost enrollment numbers. He warned states against blindly accepting CMS's claims, as flawed processes disproportionately harm minority communities and erode trust in the system.

Antifraud (D) Task Force

The Antifraud (D) Task Force met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Summer National Meeting and October 31st Minutes

The October 31 and Summer National Meeting Minutes were adopted.

Discussion of 2025 Proposed Charges

The Task Force discussed several suggested amendments regarding its 2025 proposed charges. The Task Force will review and expose the suggested amendments for comment. The Task Force will look to adopt the amendments and get them in front of commissioners during the Commissioners Conference in February.

Presentation on Impacts on Premium, Claim Costs, and the Public

Rich Gibson (American Academy of Actuaries) delivered a presentation on the impact of insurance fraud on premiums, claim costs, and the public. Gibson's research examined whether increased awareness among actuaries can benefit the fight against insurance fraud. Gibson discussed the different types of insurance fraud, how fraud impacts different groups, and the role actuaries can play in solving problems presented by insurance fraud.

Presentation from Health Agents for America, Inc.

Ronnell Nolan (Health Agents for America) and James Napoli (Diceris Law) delivered a presentation entitled "An Authentic Voice: Association CEO Exposing the Truth About Fraud." Nolan and Napoli discussed the widespread and severe nature of fraud and how better access controls and security measures on Healthcare.gov and other ACA platforms could significantly curb the current waive of insurance fraud impacting the industry. Much of the presentation focused on CMS's unsuccessful fraud prevention efforts as well as the legal concerns presented by CMS's fraud audit program.

Improper Marketing of Health Insurance (D) Working Group Report

Martin Swanson (NE) gave a report from the Improper Marketing of Health Insurance (D) Working Group. During the Working Group's last meeting, the Working Group adopted its Summer National Meeting Minutes and heard a presentation from the Federal Centers for Medicare and Medicaid Services (CMS) on current issues consumers are experiencing. The Working Group also heard an update from CMS on special enrollment period issues, problems with Medicare Advantage open enrollment, and potential ACA marketing schemes. The Working Group also heard a presentation from Health Agents for America on federal fraud prevention efforts for agents. The report was adopted.

Reports from Interested Parties

Brent Walker, from the Coalition Against Insurance Fraud (CAIF), gave the Task Force an update on CAIF's recent and ongoing efforts to address insurance fraud. The CAIF Executive Committee approved the

creation of a task force centered around state and industry fraud director collaboration. The task force is still being developed and formed. If interested in serving on the task force, please contact Brent Walker at the CAIF. Walker also discussed several research studies that CAIF will be undertaking in 2025. These efforts include a study on the use of AI by insurers and by fraudsters as well as the creation of a pilot program aimed at raising the awareness of college students regarding insurance fraud. Additionally, CAIF's Government Affairs Committee will be working to identify and establish legislative priorities for 2025.

Craig Sepich and Marian Smith, from the National Insurance Crime Bureau (NICB), gave a presentation on the impact of towing abuse, which has caused auto insurance costs to increase and presents public safety risks. During the presentation, Sepich and Smith also discussed how fraudsters employ synthetic identity theft to file fraudulent insurance claims. Sepich and Smith concluded their remarks with a discussion centered around the NICB's response to Hurricanes Helene and Milton. NICB intel was used to assist life-saving rescue efforts.

Financial Condition (E) Committee

The Financial Condition (E) Committee met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Oct. 24, Aug. 29, and Summer National Meeting Minutes

The October 24th, August 29th, and Summer National Meeting Minutes were adopted.

Adoption of its Task Force and Working Group Reports —Commissioner Nathan Houdek (WI)

- 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. Valuation of Securities (E) Task Force*
- H. NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group*
- I. National Treatment and Coordination (E) Working Group*
- J. Restructuring Mechanisms (E) Working Group*
- K. Risk-Focused Surveillance (E) Working Group*

All Working Group and Task Force reports were adopted.

Adoption of Qualified Jurisdictions and Reciprocal Jurisdiction

Bob Wake (ME) provided a brief overview of the work completed by the Mutual Recognition of Jurisdictions (E) Working Group. The Working Group performed its yearly review of Qualified Jurisdictions to determine if any significant changes affecting their status. The Working Group also performed a yearly review of Non-Covered Agreement Reciprocal Jurisdictions. The Working Group released a report finding that the Canada Office of the Superintendent of Financial Institutions (OSFI) should be approved as a Recognize and Accept Jurisdiction. The comment deadline on the report remains open.

The Financial Condition (E) Committee adopted the annual listing of Qualified Jurisdictions and Reciprocal Jurisdictions.

Receive a Status Report on the Draft Reinsurance Asset Adequacy Actuarial Guideline

Fred Andersen (MN) gave a status report. Andersen gave a brief overview of the project and its origin. Andersen explained that progress has been made with the draft. The Life Actuarial Task Force has incorporated numerous written comments and feedback into the current draft guidelines and associated concepts. The regulatory focus is to gain insight into reserve adequacy when business is ceded. The increased use of reinsurance raised concerns for the Task Force.

The Task Force has established goals for the guideline, including: (1) provide U.S. State regulators with the necessary tools, (2) prevent conflict with reciprocal jurisdictions and covered agreement issues, and (3)

prevent work from U.S. ceding companies where there is immaterial risk. Decisions have been made on key topics such as the scope, aggregation, alignment of risk, and details of cash-flow testing. Another key decision that was made include the expected adoption in 2025 and the proposed effective date would be year-end in 2025. The guideline will be disclosure only. The guideline will not impact regulator authority to require additional reserves.

Status Report from the Valuation of Securities (E) Task Force —Kenneth Cotrone (CT)

Ken Cotrone (CT) gave a status update. Three amendments were adopted by the Valuation of Securities (E) Task Force: (1) amendment to the P&P Manual to require regulatory review of regulatory transactions, (2) amendment to the P&P Manual to update the list of NAIC CRPs and the NAIC Use of CRP Credit Ratings, and (3) amendment to the P&P Manual to remove references to Subscript-S and update references to investment risk. The Task Force heard reports from numerous Working Groups and Workstreams. Also, heard updates from the NAIC Security Valuation Office (SVO) on privately rated securities that require a supporting rating rationale report. The SVO is working with the industry on deactivating securities that are missing a supporting rating rational report. The Task Force also received a report on the proposed collateralized loan obligation (CLO) modeling methodology.

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

Philip Barlow (DC) gave a status update. The primary focus of the Working Group is looking at asset backed securities with an intial focus on collateralized loan obligations. The Academy work is ongoing, they experienced a delay in work. They are working to determine methodology for Life RBC. There is a focus on comparable attributes that can be used to assign ratings. The Academy is hoping to have an update in 2025.

Another focus for the Working Group will be looking at bond funds. After discussion with industry, the Working Group will be looking at three types of bonds that currently receive different treatment. The bond funds are exchange traded funds, U.S. Securities and Exchange Commission registered mutual funds, and private funds. The Working Group will be looking at the risk profiles of the bond funds to determine if they warrant different treatment. The work will focus on identifying treatment that can be expanded to different types of funds.

Any Other Matters Brought Before the Committee

An update was given by the CIPR regarding Climate Scenario Research. Climate Scenario interrogatories and year end 2024 property and casualty RBC filing were adopted. The NAIC has developed a CSR resource center to assist in filings and help with disclosure requirements on the Catastrophe Modeling Center of Excellence website. The features of the CSR resource center include RBC blanks, a presentation on climate scenarios interrogatories, and a FAQ section.

Statutory Accounting Principles (E) Working Group

The Statutory Accounting Principles (E) Working Group met on November 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a 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 #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures - SSAP No. 101—Income Taxes: Adopted revisions reject, with modification, Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures. The adoption also removes an existing SSAP disclosure. (Ref #2024-11)
2. Ref #2024-17: Clearly Defined Hedging Strategy - SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees: Adopted revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01, Definitions for Terms in Requirements. (Ref #2024-17)
3. Ref #2024-18: Clarification to NMTC Project - SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies, SSAP No. 93— Investments in Tax Credit Structures, and SSAP No. 94—State and Federal Tax Credits: Adopted clarifications expand and update guidance on tax credit investments effective Jan. 1, 2025. (Ref #2024-18)
4. Ref #2024-19: ASU 2024-02, Codification Improvements, Amendments to Remove References to the Concepts Statements - Appendix D—Nonapplicable U.S. Generally Accepted Accounting Principles (GAAP) Pronouncements: Rejected ASU 2024-02, Codification Improvements as not applicable to statutory accounting. (Ref #2024-19)
5. Ref #2019-21: INT 24-01 - Principles-Based Bond Definition Implementation Questions & Answers - Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions & Answers (Q&A): Adopted the exposed Q&A, updated for interested parties' comments, in a new interpretation. (Ref #2019-21)

Maintenance Agenda - Pending List

1. Ref #2024-20: Restricted Asset Clarification - SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures: Exposed revisions to the SSAP and the existing Annual Statement Instructions/Illustrations for the restricted asset disclosure in Note 5L specify how modified coinsurance (modco) and funds withheld assets reported within a ceding company's financial statements shall be captured. This exposure also includes a reconciliation of items reported as restricted between Note 5L and the general interrogatories. (Ref #2024-20)
2. Ref #2024-21: Investment Subsidiary Classification - SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities: Exposed concept agenda item with requests for comments on

the options offered to include: 1) clarifying statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries; 2) sponsoring a blanks proposal to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held by an investment subsidiary; or 3) referrals to the Capital Adequacy (E) Task Force and related risk-based capital working groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets within an investment subsidiary. (Ref #2024-21)

3. Ref #2024-22: ASU 2024-01, Scope Application of Profits Interest and Similar Awards - SSAP No. 104—Share-Based Payments: Exposed revisions to adopt with modification ASU 2024- 01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards, which provides clarifications on the application of the guidance to profit interests and similar awards. (Ref #2024-22)
4. Ref #2024-23: Derivative Premium Clarifications - SSAP No. 86—Derivatives: Exposed revisions ensure consistent terminology for financing derivatives and clarify that derivative premium shall not be captured as a realized gain or loss and shall not be included in the interest maintenance reserve (IMR). (Ref #2024-23)
5. Ref #2024-24: Medicare Part D – Prescription Payment Plan - INT 24-02: Medicare Part D Prescription Payment Plans and INT 05-05: Accounting for Revenues Under Medicare Part D Coverage: Exposed INT 24-02 and minor edits to INT 05-05 to provide accounting and reporting for the Medicare Part D prescription payment plan. Notification of the exposure will be provided to the Health Insurance and Managed Care (B) Committee and Health Risk-Based Capital (E) Working Group, and an annual statement blanks proposal and disclosures will be developed for future discussion. (Ref #2024-24)
6. Ref #2024-25: SSAP No. 16 ASU Clarification - SSAP No. 16—Electronic Data Processing Equipment and Software: Exposed revisions clarify references to accounting standards codification (ASC) by including the relevant ASUs. (Ref #2024- 25)
7. Ref #2024-26EP: Fall 2024 Editorial Revisions - SSAP No. 26: Exposed editorial revisions clarify the scope of the annual audited disclosure. The disclosure shall include investments receiving bond treatment by reporting categories. (Ref #2024-26EP)
8. Ref #2023-28: Collateral Loan Reporting - Annual Statement Blanks: Re-exposed revisions to provide more granular reporting lines on Schedule BA Other Invested Assets for Collateral Loans. This action allows concurrent exposure with the Blanks (E) Working Group on its corresponding blanks proposal. (Ref #2023-28)

Directed NAIC staff on the following items

1. Directed NAIC staff to prepare an agenda item to classify issue papers in level 5 of the statutory hierarchy.
2. Ref #2024-16: Repack and Derivative Investments - SSAP No. 86: Directed NAIC staff to modify the agenda item proposing to bifurcate embedded derivatives and capture limited revisions to clarify

reporting when a bond is sold and reacquired from a special purpose vehicle (SPV) with derivative wrappers (or other components). (Ref #2024- 16)

Any Other Matters Brought Before the Working Group

1. Review of U.S. GAAP Exposures - Items will be addressed during the normal maintenance process.
2. Update IMR Ad Hoc Group - Discussions have focused on IMR from reinsurance transactions and has directed a reassessment of existing guidance.
3. The Bond Project Implementation Small Group, which has concluded its regular meetings. The Small Group addressed the items presented and referred the Q&A guide to the Working Group. The Small Group may resume future discussions if necessary.
4. Use of third-party vendors and checklists to determine bond definition compliance and classification.
5. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the application paper on climate risk.
6. Reinsurance exposures. The comment deadline for three reinsurance-related agenda items (2024-05, 2024-06, 2024-07) exposed at the Summer National Meeting was delayed at the request of the American Council of Life Insurers (ACLI) to Dec. 9 and Dec 16. The ACLI provided short verbal comments.
7. Lloyd's has submitted requests that resulted in the removal of several inactive syndicates from the NAIC Listing of Companies. NAIC staff is coordinating with Lloyd's to determine if a guidance memorandum needs to be sent to the Blanks (E) Working Group regarding year-end reporting instructions.

Financial Stability (E) Task Force

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

Adoption of its Spring National Meeting Minutes

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

Received an Update on the FSOC

Beth Dwyer (RI) provided an update on the Financial Stability Oversight Council's (FSOC) ongoing efforts. The Council is monitoring various factors impacting economic conditions and financial stability, including credit risk, commercial real estate, and insurance rates. Discussions have also addressed the resilience of the Treasury market and the role of non-bank mortgage servicers in the housing market.

In the insurance sector, FSOC has focused on property and casualty insurance markets, particularly through its Climate-Related Financial Risk Advisory Committee and related discussions at the principal level. The NAIC's work on the Property/Casualty Market Initiative (PCMI) data call has also been a topic. To enhance its climate expertise, FSOC voted to expand the advisory committee with members specializing in insurance and catastrophe modeling. Work on FSOC's annual report is nearing completion, with publication expected in early December.

Macroprudential (E) Working Group Update

Bob Kasinow (NY) provided an update on the Liquidity Stress Testing (LST) submissions for 2024, which were due by June 30. Using data as of December 31, 2023, the submissions provided insights into potential asset sales by life insurance groups under stress scenarios. The NAIC reviewed 25 submissions, aggregating quantitative results and key observations. The analysis revealed that investment-grade corporate bonds and U.S. Treasury and agency bonds accounted for the largest potential asset sales, similar to prior years. Importantly, the potential sales of these asset classes were found unlikely to materially impact capital markets. State regulators are encouraged to use these results in financial analysis and supervision.

In October 2024, the Macroprudential Working Group discussed heightened regulatory monitoring of cross-border reinsurance activity. NAIC staff conducted an analysis of transactions, examining types of products ceded, assuming reinsurers' jurisdictions, and affiliated transactions. Proposed initiatives included educational sessions on reinsurer concentrations, development of macro and micro reinsurance dashboards, and analysis of risks associated with aging life policies. These topics will shape the 2025 work plan, which will be reviewed and shared with stakeholders.

Exposure of the Proposed 2024 Liquidity Stress Testing Framework

Bob Kasinow (NY), Chair of the Macroprudential Working Group, introduced the 2024 Liquidity Stress Testing (LST) Framework for a 30-day public comment period, ending December 17. The framework includes no significant updates from previous years, with minor clarifications confirming that separate account liquidity concerns (excluding guaranteed portions within the general account) remain excluded.

A recent data call and follow-ups with insurers verified that the current framework adequately captures necessary cash flow activity, and no additional reporting requirements are needed.

The finalized 2024 LST Framework will be released in February 2025, along with lead state guidance. Updates will include prescribed assumptions for adverse scenarios that insurers must use for their submissions, which are due by June 30, 2025. This approach ensures the framework remains robust and aligned with regulatory goals.

Valuation Analysis (E) Working Group Update

Fred Anderson (MN) provided an update on the evaluation of Actuarial Guideline 53, highlighting its role in ensuring claims-paying ability through improved disclosures on complex assets. The Valuation Analysis Working Group (VAWG) completed its second year of reviewing submissions, with a focus on addressing net yield assumptions for high-risk assets and ensuring reinsurance collectability. Concerns were raised about companies relying on overly optimistic assumptions to demonstrate reserve adequacy. In collaboration with state regulators, companies adjusted their models to include more conservatism and rigor. VAWG also worked with the industry to improve data collection, including tranche-level allocations for structured assets, enabling regulators to better identify and mitigate risks.

Additionally, Anderson detailed ongoing work by the Life Actuarial Task Force on reinsurance asset adequacy testing. This initiative seeks greater transparency, particularly in cases where reserves decrease significantly due to reinsurance transactions. Disclosures for year-end 2025 will focus on gathering more detailed projections rather than imposing immediate actions. These will be analyzed to identify any systemic issues that may warrant further rulemaking. If reserve reductions are deemed reasonable, the process will prioritize ongoing transparency and disclosure enhancements without additional regulatory measures.

Receive an International Update

Tim Nauheimer provided an update on international macroprudential activities led by the International Association of Insurance Supervisors (IAIS). He reported on the completion of the 2024 Global Monitoring Exercise (GME), culminating in the upcoming Global Insurance Market Report (GMAR), set for publication next month. The report builds on the mid-year GMAR, offering expanded analysis of macroeconomic risks, such as commercial real estate exposure, geopolitical tensions, and digitalization, including artificial intelligence. It also highlights structural shifts in the life insurance sector, focusing on alternative asset allocations and cross-border asset-intensive reinsurance. Additional sections address climate risks related to natural catastrophe exposures and transition risks in insurance portfolios, as well as insights on global reinsurance and AI advancements. The IAIS has already begun preparing for the 2025 GME, including a review of the Individual Insurer Monitoring (IIM) methodology.

The Macroprudential Supervision Working Group (MSWG) is concentrating on structural shifts in the life insurance sector, forming workstreams on alternative investments and cross-border reinsurance. This research, supported by member surveys, will culminate in a joint issues paper for public consultation in early 2025. Nauheimer also provided updates from the IAIS Climate Risk Steering Group, which finalized its draft climate risk application paper, addressing governance, disclosure limitations, and proportionality in supervision. The finalized paper is expected to be released in April 2025.

Accounting Practices and Procedures (E) Task Force

The Accounting Practices and Procedures (E) Task Force met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Summer National Meeting Minutes

The 2024 Summer National Meeting Minutes were adopted.

Adoption of Statutory Accounting Principles (E) Working Group Report

- A. Adopted revisions to Statement of Statutory Accounting Principles (SSAP) No. 26—Bonds and Issue Paper No. 169 to incorporate guidance for debt securities issued by funds that represent operating entities with a Jan. 1, 2025, effective date. (Ref #2024-01)
- B. Adopted its Oct. 4 minutes. During this meeting, the Working Group exposed, via e-vote, the updated Principles-Based Bond Definition Implementation Questions & Answers(Q&A) for a public comment period ending Oct. 28. (Ref #2019-21)
- C. Adopted the following clarifications to statutory accounting guidance:
 - 1. Adopted clarifications expand and update guidance on tax credit investments effective Jan. 1, 2025. (Ref #2024-18)
 - 2. Adopted revisions reject, with modification, Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures. The adoption also removes an existing SSAP No. 101—Income Taxes disclosure. (Ref #2024-11)
 - 3. Adopted revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01, Definitions for Terms in Requirements. (Ref #2024-17)
 - 4. Adopted the exposed Q&A, updated with interested parties’ comments, in a new Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions & Answers (Q&A). (Ref #2019-21)
 - 5. Rejected ASU 2024-02, Codification Improvements as not applicable to statutory accounting. (Ref #2024-19)
- D. Exposed the following statutory accounting principle (SAP) concepts and clarifications for a public comment period ending Jan. 31, 2025, except for agenda item 2024-26EP, which is exposed for a public comment period ending Dec. 9. 2024.
 - 1. Exposed revisions to SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures and the existing Annual Statement Instructions/Illustrations for the restricted asset disclosure in Note 5L specify how modified coinsurance and funds withheld assets reported within a ceding company’s financial statements shall be captured. This exposure

also includes a reconciliation of items reported as restricted between Note 5L and the general interrogatories. (Ref #2024-20)

2. Exposed revisions clarify SSAP No. 16—Electronic Data Processing Equipment and Software references to accounting standards codification (ASC) by including the relevant ASUs. (Ref #2024-25)
 3. Exposed editorial revisions clarify the scope of the annual audited disclosure for investments receiving bond treatment by reporting categories. (Ref #2024-26EP)
 4. Exposed revisions for consistent terminology for financing derivatives and clarify that derivative premium shall not be captured as a realized gain or loss and shall not be included in the interest maintenance reserve (IMR). (Ref #2024-23)
 5. Exposed concept agenda item with requests for comments on the options offered to include: 1) clarifying statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries; 2) sponsoring a blanks proposal to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held by an investment subsidiary; or 3) referrals to the Capital Adequacy (E) Task Force and related risk-based capital (RBC) working groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets within an investment subsidiary. (Ref #2024-21)
 6. Exposed revisions to adopt with modification ASU 2024-01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards, which provides clarifications on the application of the guidance to profit interests and similar awards. (Ref #2024-22)
 7. Exposed INT 24-02: Medicare Part D Prescription Payment Plans and INT 05-05: Accounting for Revenues Under Medicare Part D Coverage to provide accounting and reporting for the Medicare Part D prescription payment plans. Directed notice of the exposure to the Health Insurance and Managed Care (B) Committee and the Health Risk-Based Capital (E) Working Group, and directed an annual statement blanks proposal and disclosures to be developed for future discussion. (Ref #2024-24)
 8. Re-exposed annual statement revisions to provide more granular reporting lines on Schedule BA Other Invested Assets for Collateral Loans to allow for concurrent exposure with the corresponding blanks proposal. (Ref #2023-28)
- E. Directed NAIC staff on the following items
1. Directed NAIC staff to prepare an agenda item to classify issue papers in level 5 of the statutory hierarchy.
 2. Ref #2024-16: Repack and Derivative Investments - SSAP No. 86: Directed NAIC staff to modify the agenda item proposing to bifurcate embedded derivatives and capture limited revisions to clarify reporting when a bond is sold and reacquired from a special purpose vehicle (SPV) with derivative wrappers (or other components). (Ref #2024- 16)

- F. Any Other Matters Brought Before the Working Group
1. Review of U.S. GAAP Exposures - Items will be addressed during the normal maintenance process.
 2. Update IMR Ad Hoc Group - Discussions have focused on IMR from reinsurance transactions and has directed a reassessment of existing guidance.
 3. The Bond Project Implementation Small Group, which has concluded its regular meetings. The Small Group addressed the items presented and referred the Q&A guide to the Working Group. The Small Group may resume future discussions if necessary.
 4. Use of third-party vendors and checklists to determine bond definition compliance and classification.
 5. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the application paper on climate risk.
 6. Reinsurance exposures. The comment deadline for three reinsurance-related agenda items (2024- 05, 2024-06, 2024-07) exposed at the Summer National Meeting was delayed at the request of the American Council of Life Insurers (ACLI) to Dec. 9 and Dec 16. The ACLI provided short verbal comments.
 7. Lloyd's has submitted requests that resulted in the removal of several inactive syndicates from the NAIC Listing of Companies. NAIC staff is coordinating with Lloyd's to determine if a guidance memorandum needs to be sent to the Blanks (E) Working Group regarding year-end reporting instructions

Adopted Blanks (E) Working Group Report

- A. Adopted the following proposals:
1. 2024-11BWG—Update the annual and quarterly statement instructions and blanks for the new market tax credit changes. Changes that will be made to the annual include Assets; Notes to Financial Statements 5K, 14A, and 21E; Asset Valuation Reserve (AVR); Schedule BA, Parts 1 and 3; and Verification Between Years. Quarterly changes include Assets; Schedule BA, Part 3; and Verification Between Years.
 2. 2024-12BWG—Update the quarterly investment schedules for editorial items to the bond project. (Schedule D Verification; Schedule D, Part 1B; Schedule D, Parts 3 and 4; Schedule DL, Parts 1 and 2; and Schedule E, Parts 1 and 2). Update the Quarterly Investment Schedule General Instructions for the changes that were adopted in the Annual Investment Schedule General Instructions. (Reference adopted proposal 2023-06BWG.)
- B. Received a Statutory Accounting Principles (E) Working Group memorandum regarding instructional changes to the AVR to allow collateral loans backed by mortgage loans to flow through AVR as an “Other Invested Asset with Underlying Characteristics of Mortgage Loans.”
- C. Adopted its editorial listing.

- D. Exposed eight new proposals for a 90-day public comment period ending Feb. 6, 2025.
- E. Adopted its editorial listing.
- F. Received a Statutory Accounting Principles (E) Working Group memorandum regarding the reporting of debt securities issued by funds representing operating entities.

Capital Adequacy (E) Task Force

The Capital Adequacy (E) Task Force met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its September 26 and Summer National Meeting Minutes

The September 26 and Summer National Meeting Minutes were adopted.

Adoption of its Working Group Reports

All Working Group reports were adopted.

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

Thomas Reedy (CA) gave a report on the Risk-Based Capital Investment Risk and Evaluation Working Group. The RBC Investment Risk and Evaluation Working Group met on October 22, 2024, adopting its Summer National Meeting minutes and revisions to its 2024 working agenda. Updates were received from the Valuation of Securities Task Force, the Statutory Accounting Principles Working Group, and the American Academy of Actuaries regarding the structured securities RBC project. The group discussed referrals concerning funds, directing NAIC staff to collaborate with industry representatives to narrow the project scope and achieve RBC treatment alignment for ETFs, SEC-registered mutual funds, and private funds primarily invested in bonds with SVO-assigned designations.

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

Thomas Reedy (CA) gave a report on the Life Risk-Based Capital Working Group, which met on October 23, 2024. During the meeting, the group adopted its Summer National Meeting minutes and received updates from its subgroups: the Generator of Economic Scenarios (GOES) Subgroup, the Longevity Risk Subgroup, and the Variable Annuities Capital and Reserve Subgroup. The group exposed two proposals for a 75-day public comment period, both ending on January 6, 2025: Proposal 24-21-11, which addresses tax credit investments, and Proposal 2024-24-0, concerning the principle-based bond project. Additionally, the group received updates from the American Academy of Actuaries on covariance and C3 risk.

C. Property and Casualty Risk-Based Capital (E) Working Group

Tom Botsko (OH) gave a report on the updates from the Property and Casualty Risk-Based Capital Working Group and Catastrophe Risk Subgroup. Botsko noted the Group adopted the Summer National Meeting minutes and approved Proposal 2024-22-CR, which includes the severe convective storm event list for 2015 through 2023, now part of the separate catastrophe list for convective storms. Additionally, they adopted Proposal 2024-23-CR, which incorporates catastrophe events from January through October 2024 into

the event list. The group also received an update on the CoreLogic wildfire model review, discussed their working agenda, and held a panel discussion on the state of the flood insurance market, addressing trends, challenges, and opportunities.

Health Risk-Based Capital (E) Working Group Update

Steve Drutz (WA) provided an update on the Health Risk-Based Capital Working Group's activities. He highlighted that a complete review of the H2 underwriting risk component in the health risk-based capital formula has not been conducted since its inception in 1998. As a result, the Health RBC Working Group has requested the American Academy of Actuaries to perform a comprehensive review, which is currently underway. The Academy is finalizing a report that will propose changes to the underwriting risk structure, including adjustments to risk factors, managed care credits, and health underwriting risks in the life and property and casualty formulas. The report is expected to be presented to the Health Risk Based Capital Working Group in the first half of 2025.

Adoption of Proposal 2024-22-CR (2015-2023 Severe Convective Storm Event Lists)

Tom Botsko (OH) led the discussion on the adoption of Proposal 2024-22-CR, which outlines the severe convective storm event list. The proposal, covering both U.S. and non-U.S. storm events, was exposed for a 30-day public comment period that ended on November 6, 2024. During this period, the working group and subgroup received a comment from the National Association of Mutual Insurance Companies (NAMIC). NAMIC raised concerns about the difficulty of matching certain storms on the list with their system's catastrophe data due to the absence of impacted state information for several events. Botsko encouraged interested parties to review the list and submit any updated information to NAIC staff by January 7, 2025. The working group and subgroup will then consider modifying the proposal based on the received feedback. The proposal was adopted.

Adoption of Proposal 2024-23-CR (Jan – Oct 2024 Cat Event Lists)

Tom Botsko (OH) led the discussion on Proposal 2024-23-CR, which provides an update to the catastrophe event list for events occurring from January through October 2024. This proposal includes both U.S. and non-U.S. catastrophe events and serves as the routine update to the catastrophe risk event list. The working group and subgroup will re-expose this proposal to cover events that occur between November 1 and December 31, 2024, with a re-exposure set for January 2025. Tom Botsko encouraged interested parties, regulators, and members of the task force to review the list and submit any updated information to NAIC staff by January 7, 2025. Once the information is received, the working group will review and update the list as necessary. The proposal was adopted.

Consider Exposure of Proposal 2024-25-CA (Principle-Based Bond Project For P/C and Health)

Tom Botsko (OH) led the discussion on the proposal for the Principal-Based Bond Project for Property and Casualty and Health insurance. This proposal aligns with the adoption of the

Principal-Based Bond definition by the Statutory Accounting Principles Working Group, effective for 2025 reporting. To ensure consistency with the updated annual statement, the Risk-Based Capital proposal includes revisions to P&C and Health RBC blanks and instructions. Additionally, the proposal updates provisions for non-admitted collateral loans, reflecting changes from recent blanks proposals. A similar proposal for Life insurance was exposed in October 2023, and the Property and Casualty and Health proposal will be exposed for a 75-day comment period, ending February 1, 2025.

Consider Exposure of Proposal 2024-26-CA (Tax Credit Investments for P/C and Health)

Tom Botsko (OH) led the discussion on Proposal 2024-26-CA, which focuses on tax credit investments for Property/Casualty and Health insurance. This proposal follows a referral from the Statutory Accounting Principles Working Group, received on October 7, 2024, to update the Risk-Based Capital formula and instructions for tax credit investments. The referral aims to address changes adopted in the annual statement instructions and to either remove or update the Low-Income Housing Tax Credit investment blanks and instructions, as the current ones are no longer relevant. The Life RBC Working Group exposed a similar proposal during its October 23 meeting for a 75-day public comment period, ending January 6, 2025. A corresponding proposal for P&C and Health RBC was also developed by NAIC staff, focusing on structural and instructional updates. The proposal does not address potential factor changes but includes updates to align health and P&C treatments for collateral loans. The Task Force encouraged interested parties to review the proposal and provide feedback during the exposure period.

Adoption of its Working Agenda

Tom Botsko (OH) led the discussion on the adoption of the 2025 Working Agenda, highlighting several updates and changes. The Risk-Based Capital Investment Risk and Evaluation Working Group prioritized items IR5 through IR8 as priority one and added a new item to evaluate asset concentration risks and potential changes to the risk-based capital formula. In the Property and Casualty section, expected completion dates were updated for multiple items, and five items were removed, while one was moved to the carryover list. During the task force session, item CA2 was updated, and four items were removed, with three new items added. Additionally, the creation of a new working group was reconsidered, with the decision to address several goals directly within the task force, eliminating the need for a separate group.

Update on Collateral Loans from the Statutory Accounting Principles (E) Working Group

Dale Bruggeman (OH) provided updates from the Statutory Accounting Principles Working Group on discussions regarding collateral loans, which are loans backed by various types of collateral. The current proposal aims to expand the reporting of collateral loans in the annual statement, specifically within Schedule BA. The goal is to break down the reporting further based on the type of collateral backing the loans, allowing for more detailed consideration of whether the risk-based capital factors should be adjusted to reflect the risks associated with the underlying collateral. This proposal seeks to address requests for more granular details about these types of

investments. The SAP Working Group plans to continue exposure of the item until February 6, 2025, in parallel with the blanks exposure.

Innovation, Cybersecurity, and Technology (H) Committee

The Innovation, Cybersecurity, and Technology (H) Committee met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is summary of the meeting:

Adoption of its Summer National Meeting Minutes

The 2024 Summer National Meeting Minutes were adopted.

Adoption of its Task Force and Working Group Reports

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

A. Data Call Study Group

Jon Godfread (ND) introduced the proposal to establish a new Data Call Study Group under the NAIC H Committee to address ongoing challenges in data collection and standardization within the insurance industry. He emphasized the critical role of accurate, detailed, and high-quality data in informing public policy, aiding supervisory capabilities, and managing risks during events like natural disasters. Godfrey noted the industry's longstanding issues with inconsistent data definitions, duplicative filings, and unpredictable requests, all of which delay processes and increase burdens on insurers. The study group aims to streamline data collection by introducing standardized definitions, coordinating data filing deadlines, and minimizing ad hoc data calls, ensuring NAIC technology solutions support these objectives.

The initiative will proceed in phases. Phase 1A involves NAIC staff and regulators conducting an inventory of current data definitions and identifying gaps to propose initial standardized data sets, while Phase 1B will incorporate feedback from industry stakeholders. Subsequent steps include refining NAIC's data collection systems, developing pilot programs, and providing training for a full system rollout. Godfrey highlighted the importance of collaboration between regulators and industry to finalize definitions and ensure efficient, consistent, and timely data collection. This effort is expected to enhance regulatory oversight, reduce costs, and improve efficiency for insurers and regulators, ultimately benefiting consumers and the insurance market overall.

B. Privacy Protections (H) Working Group

Elizabeth Dwyer (RI) provided an update on the Privacy Protections Working Group. A formal report was presented during the meeting to request an extension of the model's approval timeline. The group is working on a model regulation, exposing and reviewing it section by section. The process involves sharing a chair draft, collecting comments from interested parties during open calls, and then holding regulator-only calls to make decisions on the suggestions. While some sections, like the third-party section, have been reviewed and finalized without further requests for comments, the current focus is on Article Three, consisting of four sections. Comments on this section are due by November 25, with shortened timelines for feedback to prevent delays in the overall process.

The group plans to complete all sections individually before compiling them into a full model for exposure at the working group level, where broader comments will be solicited. The streamlined approach includes providing approximately 15 days for comments on each section and following a consistent process of open calls, regulator discussions, and language selection. The request to extend the deadline for the completion of its model law until Dec. 31, 2025, was adopted.

C. Cybersecurity (H) Working Group

The Cybersecurity Working Group has been discussing the potential creation of a cybersecurity event response notice portal, aimed at centralizing the submission of cyber event responses by regulated entities. The portal would be maintained within the NAIC's secure environment and has received positive engagement from regulators and the public.

At their recent meeting, the group adopted a motion to collaborate with NAIC staff to explore the portal's feasibility. It is in the exploratory phase, but the project was highlighted for its potential regulatory and industry benefits.

Adoption of its 2025 Proposed Charges

The Committee reviewed and adopted the 2025 charges, with a few adjustments highlighted. A duplicate data call study group charge under the Big Data AI Working Group was removed, and the SupTech Roundtable was renamed as a subgroup for consistency. Key efforts include advancing AI discussions while managing regulatory and NAIC staff capacity.

Presentation from FireBreak Risk on the Use of Artificial Intelligence AI to Help Mitigate Wildfire Risk

The presentation by Kate Stillwell focused on wildfire risk mitigation, emphasizing the importance of home hardening in preventing home losses caused by ember cast, a primary driver of wildfire damage. Scientific evidence supports home hardening as an effective measure, with studies showing a 40% increased likelihood of survival for fire-hardened homes. Regulatory initiatives in California and Nevada have already recognized the link between risk reduction through home hardening and insurance affordability, encouraging homeowners to adopt these measures.

A key challenge highlighted is the collection of detailed data on home hardening, often requiring on-the-ground inspections. To address this, the company developed a self-inspection app powered by AI that enables policyholders to document property attributes and identify actionable mitigation steps. This data, processed into standardized property ratings, is licensed to insurers to help facilitate better underwriting, risk selection, and compliance with mitigation reporting requirements. While currently focused on wildfire risks, the framework has broader applications, and the company is actively engaging with insurers and regulators to support resilience-building and maintain insurance availability.

Presentation from InsurTech Coalition Members on Responsible Use of AI

The InsurTech Coalition, represented by Scott Fischer from Lemonade and Jennifer Crutchfield from Clearcover, presented on the responsible use of AI in the insurance industry. Clearcover, a technology-driven auto insurer, highlighted its AI tools, including "Terry," an AI co-pilot for claims adjusters, and "Disco Bot," which streamlines the claims process by collecting additional data points efficiently. Both tools aim

to improve efficiency and customer experience while ensuring responsible AI use through robust monitoring and safeguards against bias or harmful outputs.

Fischer discussed Lemonade’s governance framework for AI, developed in collaboration with experts and rooted in the NIST framework. Lemonade’s approach focuses on transparency, equal opportunity, regulatory trust, and aligning closely with the NAIC’s model bulletin on AI. The governance structure includes senior leadership oversight, defined responsibilities, and a tiered risk assessment for data and models based on their potential impact. Both companies emphasized the importance of balancing innovation with consumer protection and regulatory compliance, demonstrating a commitment to advancing AI responsibly in the insurance sector.

Big Data and Artificial Intelligence (H) Working Group

The Big Data and Artificial Intelligence (H) Working Group met on November 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of November 12 Minutes

The November 12 Meeting Minutes were adopted.

Update on the Health Artificial Intelligence – Machine Learning Survey

Commissioner Michael Humphreys (PA) and Deputy Commissioner Shannen Logue (PA) delivered an update on the AI/machine learning (ML) survey. The survey was launched on November 11 and responses from surveyed companies are due on January 22, 2025. The responses will be compiled and analyzed by March 17, 2025, and a written report of the findings is expected to be published March 24, 2025. This survey focuses on AI/ML in health insurance as AI/ML surveys on personal auto, homeowners, and life insurance have already been conducted. Logue emphasized the differences in the types of questions on the health survey versus the prior surveys: (1) a focus on the use of AI on pre-identified product lines and operational functions of health insurers; (2) survey questions that address areas of data usage; (3) arrangements with third parties; and (4) coordination of governance with existing health provider governance standards. The health survey focused on specific product lines—comprehensive individual major medical plans, comprehensive small employer major medical plans, comprehensive other employer major medical plans, and individual and group student health plans. The goals of the AI/ML survey are to gain a better understanding of the insurance industry’s use and governance of AI, to seek information that could aid in the development of guidance or potential regulatory frameworks to support the insurance industry’s use of AI, and to inform regulators as to the current and planned business practices of companies.

Update on the Follow Up to the Private Passenger Auto Survey

Commissioner Michael Humphreys and Shannen Logue updated the Working Group on the follow-up to the private passenger auto (“PPA”) AI/ML survey. The PPA AI/ML survey was completed in 2021. In 2024, interested state insurance regulators met with a subset of personal auto carriers who originally responded to the PPA AI/ML survey in 2021. Regulators focused on getting updates from carriers in five areas: (1) changes in the carrier’s use of AI/ML; (2) the value of the *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers* (AI Model Bulletin); (3) the development of and issues in establishing an effective governance program; (4) whether testing procedures have been developed; and (5) the challenges presented by the carrier’s use of data and AI systems provided by third parties. Regulators will continue meeting with insurers individually through the end of the first quarter of 2025 to discuss responses.

Presentation on Health Insurance Companies’ Use of AI to Conduct Utilization Management

Lucy Culp (Leukemia & Lymphoma Society) and Lauren Seno (NORC at the University of Chicago) presented a summary of their report on health insurance companies’ use of AI to conduct utilization management. According to the report, AI is regularly used by health insurance plans to conduct utilization management (such as prior authorization). Additionally, stakeholders believe utilizing AI can provide immense benefits, such as reducing clerical burdens and expediting approvals for patients; however, stakeholders warn that

proper safeguards are missing today and need to be put in place to protect consumers. The report noted that some states have begun to regulate the development and use of AI in health insurance. However, most legislative efforts have not kept up with the proliferation of the use of AI. The report also noted problems arising from AI systems based on historically biased data.

Based on their finding that insurer use of AI is outpacing effective regulation, Culp and Seno made several recommendations: (1) transparency to state insurance regulators and consumers should be provided as a crucial component of oversight; (2) human involvement should be embedded into AI processes; (3) health insurance plans should be held accountable; and (4) an appeals process as a right for consumers should be established.

Culp and Seno stressed the need for meaningful transparency. Insurers should make it clear to both regulators and consumers when AI is being used by health insurance plans for the purposes of utilization management and what role AI plays in making determinations about coverage for care. Transparency must extend to disclosures about the data used to develop, train, and test the AI tools and the extent to which any AI tool can begin to train itself. Additionally, existing laws used to regulate data should be assessed for their applicability to AI in utilization management.

Presentation on Use Case Applications of AI in Insurance Underwriting and Claims

Frank Quan (University of Illinois) delivered a presentation on case applications use of AI in insurance underwriting and claims. The presentation highlighted how the use of generative AI can streamline the underwriting process by reducing the number of questions that need to be asked of policyholders. However, Quan also noted that data collection and synthesis of input data into AI systems could suffer from algorithmic bias and a lack of transparency that could present data privacy issues and produce unfair underwriting outcomes. Quan also highlighted the benefits of generative AI in claims management, such as expedited claims processing and the detection of fraudulent claims. These benefits also present the possibility of model accuracy and fairness issues. Quan concluded his presentation discussing how AI and machine learning algorithms have been used to detect patterns indicative of fraud by analyzing claim histories, behavior patterns and third-party data.

Discussion of 2025 Proposed Changes

The Working Group discussed its 2025 proposed changes. Commissioner Michael Humphreys stated that the Working Group will be pursuing a discussion on AI systems evaluations and shifting its focus to consumer outcomes. The Commissioner noted that these discussions could lead to a gap analysis of how well the current regulatory framework holds up against the potential harms created from the use of AI, whether certain AI practices may be required or prohibited, and whether additional regulatory filings and disclosures to consumers or regulators are needed.

Privacy Protections (H) Working Group

The Privacy Protection (H) Working Group met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Summer National Meeting Minutes

The 2024 Summer National Meeting Minutes were adopted.

Approval of an Extension of Time to Draft Revisions to the Privacy of Consumer Financial and Health Information Regulation (#672)

The extension was approved to allow for more time to draft revisions to the Privacy of Consumer Financial and Health Information Regulation (#672). The extension was granted until the 2025 Fall National Meeting.

Update on Federal Privacy Legislation —Shana Oppenheim (NAIC)

Shanna Oppenheim gave an update on the current rulemaking of the Consumer Financial Protection Bureau (CFPB). In October, a landmark legislation (Rule 10-033) was introduced to set guidelines for banks and FinTech on data access. The rule requires companies to consider consumer request for financial data and consumer requests to share data with competing companies. Oppenheim explained that the rule is relevant to the insurance industry because in the future the CFPB expressed interest in looking at opportunities to include retirement plans and other investment vehicles. However, the change in administration will impact this rulemaking activity and it is not expected to move forward.

Shana Oppenheim also gave an update on the American Privacy Rights Act (APRA). The legislation aims to establish national consumer data privacy rights and set standards for data security. Enforcement would be handled under the FTC, a state's Attorney General office, and a consumer via private right of action. A new version of the legislation faced pushed back from the GOP leadership and tech lobbyists. This resulted in a canceled markup and currently there is no rescheduled timeline. The authors of the bill are retiring, and the new leadership is opposed to the legislation. New leadership has expressed concerned about the bill's ability to harm innovation. At this time, the legislation is not expected to move forward. Other federal bill drafts related to privacy protections are in progress.

Presentation on Privacy Principles Proposed by NAIC Consumer Representatives—Harry Ting, PhD, Healthcare Consumer Advocate Eric Ellsworth, Consumers' Checkbook/Center for the Study of Services Kenneth Klein, California Western School of Law

Harry Ting and Eric Ellsworth gave a presentation on privacy principles proposed by NAIC Consumer Representatives. The presentation highlighted the eight privacy principles. Ting and Ellsworth explained that the privacy principles should be incorporated into any privacy protection model law. The principles are centered around placing the obligation of compliance and protecting consumer data on the licensee. Ting and Ellsworth would like to see an industry-wide standard with a primary focus on licensees protecting non-public information with the same regard as their own confidential information.

Following the presentation, members of the working group and interested regulators had a discussion concerning the applicability of the principles to the current model law draft. Working group members gave

comments regarding positive outcomes involving data retention. Suggestions were made to increase security for data retention in the event that data becomes useful in the future.

The link to the presentation is [here](#).

Discuss Next Steps for Drafting Amendments to Model #672 —Director Elizabeth Kelleher Dwyer (RI)

Director Dwyer led the discussion on the next steps for drafting amendments to Model #672. The working group requested comments on Article 3 of the chair draft, due late November. An open call will be held in December to discuss comments.

The Working Group released the revised version of Section 5, third party service provider arrangements. The revised version is the result of prior drafting calls and working group calls. Comments are not being requested on Section 5. However, comments will be requested when the entire draft is exposed. The Working Group will continue to work through sections of the chair draft until the group completes the draft of the Model Law #672.

Cybersecurity (H) Working Group

The Cybersecurity (H) Working Group met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Oct. 30th Minutes

The October 30th meeting minutes were adopted after a brief overview of the minutes.

Comments on the Confidential Cybersecurity Event Repository & Portal (CERP)

A brief overview of the status and background of the CERP was given. The CERP is ready for proof of concept and the Working Group is open to receiving comments as they continue to move forward.

The Insurance Data Security Model Law (ML #668) includes a notification requirement and provides confidentiality protections for insurers. The CERP will centralize the reporting of cybersecurity events. A test portal will be built. The Working Group will be working to make sure that the test portal meets the confidentiality requirements in Model Law #668. The test portal will be minimally functional and only reflect the requirements of Model Law #668. The main goal of building the test portal is to showcase the confidentiality and security protocols of the portal and gain confidence from the industry.

A representative from the APCIA gave comments. APCIA is very supportive of the portal and is happy to be a resource as the project moves forward.

A representative from NAMIC gave comments. NAMIC agrees that the interest of the industry and insurance regulators can be aligned. NAMIC emphasized that streamlining the process is beneficial for both sides. NAMIC voiced concerns regarding an increased risk of cyber criminal attacks and potential attraction to cyber criminals due to the concentration of the information detailing cybersecurity events and responses from the insurance industry. NAMIC is concerned that the portal could create a systemic risk to the industry. NAMIC suggested that the portal should be used as a procedural mechanism but allow more sensitive information to be dispersed as necessary among state departments. NAMIC asked the Working Group to consider the risk and fully vet alternatives to a suppository of information in a portal.

The Working Group argued that the information requested in the portal is not sensitive and recommended reviewing the test portal, once built, to determine accessibility. The Working Group stated it would like to hear specifics concerns from companies regarding potential risks.

The Working Group stated that they will be working on releasing a memo to summarize the progress and next steps of the CERP.

The Working Group passed a motion to authorize the Working Group to work with the NAIC to explore the creation of a cybersecurity event notice portal.

Presentation from Alvarez & Marsal on Incident Response Management and Lifecycle—Scott Harrison (Alvarez & Marsal) and Rocco Grillo (Alvarez & Marsal) Attachment C

Scott Harrison and Roco Grillo gave a presentation on Incident Response Management and Lifecycle, “How to survive a Cyber Security attack”. The presenters gave a brief overview of current 2024 Cyber Threat Landscape and Trends. The presenters explained that mid-size companies can be a larger target for cyber -attacks than a larger company. Cyber criminals are aware that mid-size companies do not have unlimited budgets to thwart cyber-attacks, therefore they can be a bigger target. Also, gave an overview of key considerations to consider regarding Ransomware. Grillo spoke about the link between business/executive teams and incident response plans for cyber-attacks. Grillo concluded by giving suggestions on addressing risks in various enterprises and businesses.

Receive Updates on its Workstreams

A. Data Calls and Definitions—Colton Shultz (ND)

Colton Shultz (ND) gave an update. The workstream will be shifting towards a data call study group. The group will work on inventorying and indexing data definitions in the industry. The goal is for all definitions in all NAIC data calls to be consistent.

B. Information Technology (IT) Examination (E) Working Group/ Exhibit C Drafting Group Progress—Shane Mead (KS)

Shane Mead (KS) gave an update. The working group formed a drafting group for Exhibit C, and they performed a gap analysis to determine critical gaps between the current Exhibit C and CSF 2.0. Next, the drafting group will focus on separating procedures needed to establish the reliability of IT general controls and those needed to examine cybersecurity.

C. Coordination with the American Academy of Actuaries (Academy) and Other Related Efforts—Wanchin Chou (CT)

Wanchin Chou (CT) gave an update. The cyber tool kit will be revisited. The workstream is focused on cyber data management and activity updates.

Summary of its 2024 Activities and a Preview of its 2025 Work Plan

The Cybersecurity Working Group charges for 2025 will look similar to 2024 and they are listed on the NAIC Connect page.

Third-Party Data and Models (H) Task Force

The Third-Party Data and Models (H) Task Force met on November 18, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Sept. 11 and Summer National Meeting Minutes

The September 11th and Summer National Meeting Minutes were adopted.

Current State Solutions to Regulatory Issues with Third Parties

A representative from the Texas Department of Insurance gave a presentation. Texas issued a commissioner bulletin in September 2020 addressing insurer responsibilities for ensuring the accuracy of the data used to make consumer decisions. Additionally, advisory organizations are expected to submit any information on third party data and models that they are using for supplemental rating information. The Texas Department has amended property and casualty rate filing requirements and underwriting guidelines to address the increased use of third-party data and model by insurers. The changes help to improve the Department's understanding of what insurers are using and ensure that they are complying with laws and being properly regulated.

A representative from the Maine Department of Insurance gave a presentation. The representative stated that they have taken a similar approach to the regulation efforts of Texas and Connecticut. Rating organizations are allowed to file separately from the insurer and the Department uses the information to ensure models are in compliance with state laws and appropriate regulatory checklist.

A representative from the Pennsylvania Department of Insurance gave a presentation on a draft regulation of unknown/missing risk classifications and advisory organizations. The draft regulation seeks to require the insurer to ask the applicant/policyholder/ insured for missing information when there is a no-hit from the third-party data vendor. The presenter emphasized that rates should not be provided on risk characteristics that cannot be provided. If the applicant/policyholder/ insured does not respond, then an unknown or missing risk classification can be used. This is not intended to be applied to credit, where the lack of credit history is deemed to be a risk classification. The presenter emphasized the impact of unreturned risk classifications on premium pricing. The presenter also distinguished between the responsibilities of rating organizations and advisory organizations in Pennsylvania.

A representative from the APCA gave comments on the Pennsylvania draft regulation. APCA has expressed concern regarding the draft regulation specifically: unintended consequences to consumers, definitions used in the draft rule, and the practicality of other elements in the draft rule. APCA is looking forward to future conversations with the Pennsylvania Department of Insurance.

A representative from the New York Department of Insurance gave a presentation. Circular #97 addresses the use of artificial intelligence and external data by insurers in the underwriting and pricing processes. The Circular letter explains the New York's expectation for appropriate risk management around artificial intelligence and external data. The presenter gave an overview of the responsibilities of the insurer and explained the similarities between the Circular Letter and the NAIC Model Bulletin. The presenter emphasized the importance of fairness and the appropriate way for insurers to use AI without unfair

discrimination. The New York Department believes that proper vendor management can mitigate some risks, however some risks can only be mitigated through granular regulatory testing.

Presentation from the National Association of Mutual Insurance Companies (NAMIC)

Lindsey Klarkowski (NAMIC) gave a presentation regarding concerns of the regulatory framework being set forth by the Task Force. NAMIC emphasized the importance of the Task Force properly defining the scope and definition of third-party data and models vendor. NAMIC explained that failing to define the scope of third-party data and model vendors would result in not being able to identify a consistent issue that the Task Force is aiming to correct and choosing a regulatory framework that creates solutions disjointed from the needs of the market. NAMIC presented the task force with a few questions to consider the spectrum of third-party data and model vendors. NAMIC suggested that the Task Force start with existing definitions to begin the process of creating their definition and scope. It was also suggested that the Task Force remain aware of other NAIC groups to prevent overlap and to promote consistency when addressing enforcement mechanisms.

Discuss its Next Steps

The Task Force will be proposing a survey to its members to determine third-party data and models that are entering into their respective markets that may be causing issues. The Task Force is looking to develop a two-step approach to third party data and model regulation. First, identify the inherent risks that are concerning to regulators. Secondly, the Task Force will look at how regulators should regulate third-party data and models. This approach is not concrete, and it will continue to evolve. The Task Force will likely meet again in December.

NAIC/Consumer Liaison Committee

The NAIC/Consumer Liaison Committee met on November 19, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Awards Presentation

The NAIC presented Commissioner Michael Humphreys (PA) and Commissioner Mike Kreidler (WA) with the Excellence in Consumer Advocacy Awards.

Adoption of Summer National Meeting Minutes

The Committee adopted its Summer National Meeting Minutes.

Presentation on How Regulators Can Help Consumer Reduce Risk and Reverse a Non-Renewal

Amy Bach (United Policyholders) delivered a presentation discussing how regulators can help consumers reduce risk and reverse non-renewals. The presentation was geared towards providing regulators guidance on setting fair ground rules for property insurers' use of aerial images and risk scores. Bach urged regulators and lawmakers to put regulations in place requiring insurers to provide an appeal process so that consumers may correct errors, giving consumers a reasonable time period to cure the defects/conditions underlying a non-renewal or rejection, and offering a new or renewal policy to consumers who submit proof that they have cured the defects/conditions.

Presentation on the "Election to Repair" Remedy

Erica Eversman (Automotive Education and Policy Institute) delivered a presentation on the "election to repair" remedy". The policy loss remedies in property/casualty insurance are typically either (1) pay the loss in money or (2) self-repair or replace the damaged property. Eversman discussed the pros and cons of electing to self-repair, the steps for electing to repair, and "anti-steering laws" that limit the self-repair remedy in several states. Eversman made several recommendations: (1) state officials should establish a requirement that insurers notify insureds in writing of the remedy provision chosen under their policy, (2) state officials should notify insurers that they cannot combine "pay loss in money" and "elect to repair" remedies, and (3) state officials should require insurers to select the self-repair remedy if they intend to require use of specific providers or inject themselves into the repair process.

Presentation on the Use of Criminal History Data

Peter Kochenburger (Southern University Law Center) delivered a presentation on insurers' use of criminal history information in underwriting and claim evaluation. Kochenburger stressed the importance of an awareness of the potential misuse of private personal information. Kochenburger emphasized three issues: (1) the lack of information about how criminal justice records and criminal background reports are being collected and used in underwriting, fraud evaluation, and claim handling; (2) criminal history data, particularly arrest records not associated with a subsequent conviction, has been a notoriously inaccurate predictor for evaluating fraud; and (3) the criminal justice system disproportionately impacts communities of color, particularly the black community. Based on his findings, Kochenburger urged state legislators and regulators to increase transparency and accountability around how criminal history data is collected,

modeled, and used in underwriting. Kochenburger also encouraged regulators to determine what specific uses should be prohibited, restricted, or left to market forces. Kochenburger also recommended requiring modelers to certify their compliance with the Fair Credit Reporting Act.

NAIC Consumer Representative Artificial Intelligence and Health Insurance Report

Adam Fox (Colorado Consumer Health Initiative), Wayne Turner (National Health Law Program), and Silvia Yee (Disability Rights Education and Defense Fund) delivered a summary report on the NAIC consumer representative artificial intelligence (AI) and health insurance report, *Artificial Intelligence in Health Insurance: The Use and Regulation of AI in Utilization Management*.

The report examined how health insurers in utilization management (such as prior authorization) are using AI. NORC at the University of Chicago conducted a series of in-depth interviews with representatives of health plans, state regulatory bodies, academia, consumer advocacy organizations, provider groups, and technical experts. NORC found that while AI presents opportunities for plan efficiency, it also poses potential risks for consumers, including the likelihood of exacerbating existing bias and discrimination. The speed of technological advances in AI is far outpacing the changes in state and federal health insurance regulation, and oversight is needed to protect consumers. The report illustrated the lack of regulatory and legislative guardrails for the use of AI in health insurance and outlined specific actions state insurance regulators should take to protect patients from inappropriate or discriminatory denials of medically necessary care.

Consumer Challenges Accessing Medicare Advantage and Medicare Supplemental Plans

Bonnie Burns and Amy Killelea delivered a presentation on consumer challenges in accessing Medicare Advantage (“MA”) and Medicare Supplemental plans. The presentation emphasized the negative effects on consumers caused by MA plan providers when they leave the market. Often, when a MA plan provider leaves the market, it creates a gap situation for unsuspecting consumers as well as other problems for Medicare Advantage members, such as the loss of established health care providers, rescheduled services and medical procedures, network adequacy issues, and long delays for appointments with remaining network providers.

To address these issues, the presenters recommended that state regulators create special enrollment periods, monitor industry practices, and address kickbacks to agents, brokers, and producers as well as agent churning based on commissions. The presenters also recommended requiring more in-depth Medicare training for agents, tailored specifically towards understanding Medicare, Medigap, Medicare Advantage and Part D plans.

Update on Upcoming Federal Actions Impact on State Regulation of Health Insurance Market

Anna Howard (American Cancer Society Cancer Action Network), Jennifer Snow (National Alliance on Mental Illness), and Deborah Steinberg (the Legal Action Center), updated the Committee on how recent and upcoming federal actions will impact state regulation on the health insurance market. The presenters provided a brief overview of five topics: (1) the new Mental Health Parity and Addiction Equity Act (MHPAEA) final rule; (2) enhanced ACA tax credits; (3) an update on [Braidwood v. Becerra](#), (4) benefit and payment parameters for plan year 2026; and (5) the impact of the federal election on state regulators.

The new MHPAEA final rule establishes a new purpose and amends the definitions of mental health, substance use disorder, and medical/surgical benefits to align with generally recognized independent standards of current medical practice and the ICD/DSM. The final rule considers eating disorders, autism spectrum disorders, and gender dysphoria to be mental health conditions for the purposes of MHPAEA and comparative analyses. Additionally, the presenters pointed out that, absent congressional action, the enhanced ACA tax credits will expire on December 31, 2025, and that all Marketplace enrollees will see significant premium increases for plan year 2026 and beyond, unless Congress acts swiftly. The presenters also discussed Braidwood v. Becerra, a case appealed to the Supreme Court of the United States, that threatens the provision of the Affordable Care Act that requires most insurance plans to cover preventive services recommended by the US Preventive Services Task Force, Advisory Committee on Immunization Practices, and Health Resources and Service Administration without cost-sharing.