NAIC Update
Summer 2015

TOP STORIES

- NAIC says group capital assessment is the logical next step in insurer regulation
- Trade groups tell regulators they support covered agreement
- PBR pilot is on tap
- Regulators stay focused on cybersecurity concerns
- FIO to handle TRIA data collection

ALSO IN THIS ISSUE

- NAIC accounting update
- NAIC health update

WHAT'S NEXT

- November 12-15: NCOIL National Meeting; San Antonio, TX
- November 19-22: NAIC Fall National Meeting; National Harbor, MD

Waiting for the break of day

MONICA LINDEEN, NAIC President and Montana Insurance Commissioner

Courtesy of the NAIC

CHICAGO, IL—Watching the proceedings at the National Association of Insurance Commissioners' (NAIC) summer 2015 national meeting in Chicago might well have similarities to watching the ducks that stop off on the mighty Chicago River during their spring migration.

On the surface, all is calm and smooth, but below the water the ducks paddle feverishly, fighting the current on the way to their destination. The NAIC meeting in the Windy City seemed calm. On the surface, not much seemed to happen, or at least not much of major impact.

There were no big fights over the direction of the NAIC, no acid words were hurled over the implementation of principle-based reserving (PBR) for life insurance companies, no major pronouncements echoed around the world after the meeting.

But, as has been the case with the NAIC recently, there was quiet progress. Perhaps the most notable indicator was the ongoing movement toward adoption of PBR for life insurers. The previously aloof big state of California was moving toward adoption, while New York's previously strident opposition went unrepeated, at least aloud.

There was reported movement toward adoption by the states of the corporate governance requirements, and of the changes to the model holding company legislation and regulation. Discussions continued on cyber security, highlighted by the reports from some affected insurers of the massive cost of recent breaches.

Potentially treacherous territory was finessed. Concerns about an exposure draft on price optimization—a big concern of regulators, consumer representatives, and some legislators—were expressed, but the draft was exposed unrevised.

If there was a moment of Zen, it involved two stark statements from opposite sides of the table during a meeting on international regulation. On the regulator's side, Florida's Insurance Commissioner Kevin McCarty wrote *finis* to any thought that the NAIC was still fighting the good fight against group capital standards by bluntly stating that the standards were needed.

If this reflected movement by the NAIC toward an international consensus, from the other side of the table came stark concerns about the speed of NAIC actions and the possible repercussions on US insurers as the Solvency II date loomed.

With Federal Insurance Office (FIO) Executive Director Michael McRaith standing in the room, representatives of at least two major trade associations bluntly told the assembled regulators that they supported the FIO's move towards a covered agreement in order to protect the interests of US insurers as January 1, 2016. This is the theoretical date at which Solvency II would go into effect, and the lack of a declaration of equivalency for the US regulatory system at that time might allow Solvency II regulators to take actions that could be detrimental to the interests of US insurers.

Still, in general, the middle meeting of the term of NAIC President and Montana Insurance Commissioner Monica Lindeen was a quiet one. However the red, white and blue badges of the many federal government attendees at this Second City meeting and the numerous comparisons between the openness of the NAIC process and that of the process usually undertaken by the International Association of Insurance Supervisors (IAIS) provided an continuing reminder of the backdrop of the meeting—an ongoing period of uncertainty and change for insurance regulation with a final resolution yet to be determined.

Regulators get ready for PBR, insurers lag

Only the most senior regulators are wanted for the Valuation Analysis (E) Working Group (VAWG), the PBR Review (EX) Working Group was told. VAWG is a central actor in the NAIC's support procedure for states during PBR implementation, and is "one of our key items," PBR Review Working Group Chair Mike Boerner of Texas said.

The stated purpose of VAWG is "to support the states in the review of PBR and uniformly address questions, issues, interpretation and application of the SVL (Standard Valuation Law) and VM (Valuation Manual)" according to the NAIC.

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In a further recognition of VAWG's importance, the NAIC Executive (EX) Committee will be required to ratify the Chair and Vice-Chair of VAWG. All this was contained in the recently drafted *Valuation Analysis (E) Working Group Process & Procedures Manual*, presented to this working group for approval. NAIC staff briefly summarized some key elements of the manual, including the unique procedure involving the Executive Committee, following which the working group discussed and adopted the Manual.

The group also adopted a report from the PBR Blanks Reporting (EX) Subgroup. The subgroup met via conference call in August to hear comments from the exposed changes to the PBR blanks and related instructions. In what may have been less likely than a Cubs World Series victory, the subgroup reported that industry wanted additional disclosure within the blanks. Other issues remain to be resolved.

A representative of the Society of Actuaries (SOA) presented a status update on the PBR Company Outreach. This consists of an outreach survey, durable education components and pilot study. The SOA has completed the company outreach survey and the first durable education component.

The SOA survey report findings revealed the current state of the industry's preparedness for implementing PBR, and the SOA representative provided a very brief status update on the Company Experience Reporting Framework.

With the caveat that the survey was conducted in mid-2014 and preparedness should have increased since then, the survey still had some startling findings. The SOA representative said 53 responses had been received to the survey. Fifteen of the respondents thought they would be exempt from PBR for various reasons, including because they no longer issued new business, their size, or the types of products they sold.

Not surprisingly, of those asked if they believe the level of reserves required under PBR would better match the level of risk for their company for the products listed, none thought the required reserve levels would be too low. For most products, there was a relatively high level of uncertainty as to whether the required reserves properly matched the risk level. There was relatively strong confidence in a few products. More than half of those selling term products thought the required reserve levels were correct, and about half those selling whole life thought the NAIC had made the right match.

Responses from the 38 companies that thought they would be affected showed little confidence in the adequacy of their current pricing and valuation systems for performing PBR calculations. Only two thought their pricing system adequate to the task, and only three felt the same about their valuation system.

SHARON P. CLARK, NAIC Vice President & Insurance Commissioner of Kentucky, and SENATOR BEN NELSON, NAIC CEO at the NAIC meeting in Chicago

Courtesy of the NAIC

Twenty-seven thought limited or substantial updates would be required for their pricing systems, and another four thought new systems would be required. For valuation systems, 28 companies expected to have to make limited or substantial updates, and another seven thought they would require new systems.

The lack of readiness at the time of the survey was further emphasized by the responses about training plans for employees in preparation for implementing PBR. Only 16% had devised training plans for actuarial staff, and none had developed training plans for non-actuarial staff.

Companies thought themselves unprepared to meet the reporting requirements required under VM-30 and VM-31, with 56% of respondents saying they were not prepared. None said they were very prepared.

The durable education component of the PBR company outreach continues, with an on-line education video running 15 minutes to be made available within a few weeks. Approximately 15 to 20 additional education decks are planned.

The pilot study was postponed until next year.

TAKEAWAY:

With the probability of PBR implementation in the near future higher than ever before, insurers need to begin to update their information systems and processes, including their pricing and valuation systems. Staff training should also become a priority as PBR implementation approaches.

Regulators endorse group capital measurement

Group capital took center stage at the heavily attended meeting of the ComFrame Development and Analysis (G) Working Group (CDAWG), with the NAIC making a clear commitment to the establishment of a US group capital measurement.

This group capital measurement is not intended to be a requirement, but a calculation and assessment tool, the working group Chair, Florida's Insurance Commissioner Kevin McCarty told the group. While the US was still in the early stages of formulating a group capital measurement and no decisions had been made, McCarty noted that it was challenging to talk about group capital at international forums because the US did not have such a measurement.

He called the adoption of a group capital measurement a "continuation or evolution of the way we look at risk."

"The threshold question is why… Why are we doing this now?" McCarty asked. McCarty answered his own question by noting what he referred to as the financial crisis, after which tools had been created to help manage risk and there had been a progression of group awareness.

"This is an evolution," said Rhode Island Superintendent Joseph Torti, adding that enhanced legal entity supervision led logically to the creation of group capital standards. "The group capital standard that we come up with…will do the same thing (for groups as RBC)," said Torti.

"This is our solvency framework evolving the way it has over the past 30 years," said Torti.

Another regulator noted that insurance regulators needed tools and metrics for better understanding of the risk within groups containing insurers, especially noninsurance activities.

"The group capital standard that we come up with…will do the same thing (for groups as RBC)."

— Joseph Torti, Rhode Island Superintendent

KEVIN McCARTY, Insurance Commissioner of Florida

Courtesy of the NAIC

FIO Executive Director Michael McRaith acknowledged the importance of the leadership of CDAWG, saying it only helped the US as we participated globally.

"We're very eager to learn from the skills, the expertise of this group," McRaith said.

A lively dialogue ensued between regulators and the regulated or their representatives. Steve Broadie of the Property Casualty Insurers Association of America (PCI) called on the working group to set out the goals they wanted to accomplish. McCarty answered that its goal was to protect policyholders, but that was not its sole goal. The working group also needed to enhance financial stability.

"We're concerned when we see systemic risk leaching into insurance regulations as it seems to through financial stability goals," Broadie said.

Michelle Rogers of the National Association of Mutual Insurance Companies (NAMIC) also expressed concern, saying that even here—meaning at the meeting—she had heard reference to a group capital standard from regulators, and they needed to be clear as to whether this was a standard or an assessment tool.

Along with PCI and NAMIC, other trade groups and industry representatives made brief comments that appeared to support the NAIC approach towards a group capital calculation. The American Academy of Actuaries (AAA) requested that the cash flow modeling method be considered. McCarty said the approach was still being considered, but the focus would be on tools already available in the US system as opposed to creating a whole new methodology.

The working group said that the pros and cons of each approach would be discussed on its next call.

Ramon Calderon of the NAIC also gave an update on ComFrame. He told the working group qualitative field tests from supervisors related to ComFrame's corporate governance have been received and analyzed. The IAIS will focus its attention on responses to the ERM standards, which have been received, but not yet reviewed.

With regard to the Insurance Capital Standard (ICS), the second quantitative field test by volunteers began in April 2015 and consisted of two phases. The first phase was received in June 2015. The second phase is due during September 2015. Submissions are on track despite corrections to the spreadsheet. The GAAP Plus valuation approach will not begin until September this year. The IAIS plans to publish the 2015 field testing package during September 2015.

In addition, the working group heard an update on the IAIS capital developments. Peter Hartt of New Jersey reported that the FIO hosted a meeting with the Federal Reserve, NAIC and certain industry members to discuss the Higher Loss Absorbency (HLA) consultation.

The working group also heard a presentation from the AAA on 99.5% Value at Risk that highlighted some implications of using this approach within the ICS.

Covered agreement sparks disagreement in G Committee

There were moments during the meeting of the International Insurance Relations (G) Committee that seemed to be affected by the frustration of recent hard-fought battles between US regulators and international standard setters.

With the IAIS usually the subject of an unflattering comparison with the NAIC for recent changes in the way it conducted its standard-setting, IAIS Deputy Secretary-General George Brady sought to present his organization's changes in a positive light by describing it as moving from a process that he referred to as "pay to play."

That did not find favor with Florida Insurance Commissioner Kevin McCarty who called Brady out for that characterization. McCarty noted that an available option for the IAIS as it moved from industry support would have been to open its meetings wide to all, instead of closing them to all but regulators and possibly a few invited guests.

Brady reviewed the IAIS transparency process and invited interested parties to attend a dialogue at the NAIC meeting on IAIS procedures and developments. He said he took comments about the IAIS Macau stakeholder meeting to heart and the IAIS was attempting to get information sooner to stakeholders.

But the IAIS was not the only organization that crossed swords with McCarty and the regulators, however gingerly. The committee discussed the US-European Union (EU) Dialogue Project and progress on a covered agreement with the EU. There will be an open session on the US-EU Project in Washington, DC, on the afternoon of November 22. The NAIC reported that significant progress had been made on mutual understanding of the US and EU procedures for group supervision and information exchange. The NAIC was concerned that there was still no clarity as to the treatment of US companies under Solvency II.

The report described the progress made on the adoption of the *Credit for Reinsurance Model Act* within 36 states and other states considering adoption. The NAIC thought this progress removed the need for a covered agreement. Additionally, the F Committee would discuss making the *Credit for Reinsurance Model Law* an accreditation standard at the fall 2015 meeting.

The most recent IAIS general stakeholder meeting was held in Macau SAR, People's Republic of China in June 2015.

With FIO Executive Director Michael McRaith standing in the room, a representative of the Reinsurance Association of America (RAA) expressed strong support for a covered agreement for reinsurance, saying given current uncertainties a covered agreement was the apparent path to progress, especially given the time constraints imposed by the January 1, 2016 effective date of Solvency II.

A representative of the American Council of Life Insurers (ACLI) was also supportive of a covered agreement, saying regulatory certainty was needed and negotiations should begin soon. Both groups said a covered agreement appeared to be necessary to avoid new restrictions on third country companies from the Solvency II member states.

Any covered agreement would be negotiated by the FIO and the US Trade Representative (USTR) as authorized under Dodd Frank. State regulators have expressed strong concerns because of the possible preemption of state laws such an agreement might represent. Both trade organizations agreed that any potential preemption of state law must be undertaken very carefully.

McCarty told the audience he had heard that the sky would not fall on January 1, 2016, and that equivalence may be achieved short of a covered agreement.

The committee also heard an update on the IAIS, including ComFrame, the ICS, and the HLA proposal for Global Systemically Important Insurers (G-SIIs).

The IAIS Financial Stability Committee has completed its data call from 50 insurance groups to identify G-SIIs. The IAIS was also reviewing its process for identification of G-SIIs, and will better define non-traditional and non-insurance activities. The IAIS Resolution Working Group is also expected to complete is recommendations for consultation on changes to the Insurance Core Principles (ICP) this year.

The committee received the final report on the International Monetary Fund's (IMF) 2015 Financial Sector Assessment Program (FSAP), where the US was found to be observant or largely observant on 21 of the 26 ICPs. The NAIC will look at the areas in which it was seen to be less compliant and assign the issues to various NAIC committees for review. Some comments, however, may reflect a basic misunderstanding of the American system. For example, the IMF team criticized insurance regulators for being elected or appointed by elected officials. The US system embraces the concept of democracy with accountable elected or appointed officials.

There was an update on happenings at the Organization for Economic Cooperation and Development (OECD), including the upcoming conference in Asia on disaster risk financing and work on cyber security. The OECD continues to work on the management of annuity products, corporate governance, pensions, and long-term investments.

The International Regulatory Cooperation Working Group reported that it is in its 11th year and has sponsored 205 fellows in 37 countries. There are 18 applications for the next program so more states are being asked to participate.

The NAIC held a regulatory dialogue with the Bermuda Monetary Authority (BMA) during the meeting and completed its memorandum of understanding (MoU) with Bermuda, establishing an ongoing formal relationship. BMA CEO Jeremy Cox attended the committee meeting. A meeting with Japan's FSA occurred in April.

Did you miss our *2015 IAIS Update: Meeting in Macau SAE, People's Republic of China*?

Read it at:
www.deloitte.com/us/insurance

PBR pilot coming; more captive disclosure possible

There will be at least one PBR pilot, and possibly more disclosure surrounding XXX and AXXX captives that engage in certain transactions.

After adopting the report of the PBR Review (EX) Working Group, the Principle-Based Reserving Implementation (EX) Task Force assigned a new charge to the working group: to plan and conduct a PBR Pilot in 2016. It also agreed to consider the working group's proposed regulator-only *Valuation Analysis (E) Working Group Process & Procedures Manual* on a future conference call.

The task force discussed a XXX/AXXX letter from the Life Risk-Based Capital (E) Working Group. There two interested parties recommended public disclosure, in a ceding life insurer's annual statutory financial statements, of the total adjusted capital and risk-based capital of each of the insurer's XXX and AXXX captives that engage in certain transactions. The task force agreed to conduct further research on the topic before charging the Life RBC (E) Working Group to proceed.

Responding to a question on the impact of the suggested disclosure from task force Co-Chair Joseph Torti of Rhode Island, Paul Graham of the ACLI said disclosing individual pieces may result in misleading information. One possibility, he said, is a consolidated view of the captive and the ceding company, but individual captive disclosures would need all sorts of explanations. The ACLI will work to see if they can come up with any ideas, and the task force will set up a call to see what if anything can be done.

The task force also received a report on the development of the PBR Experience Reporting Framework and requested NAIC senior management study an additional option of whether and how the NAIC might establish an experience data collection system.

The task force discussed recent state legislative activity (e.g. 36 states representing 60% of premium have adopted changes to implement PBR into law) and substantially similar terms and provisions to determine the Valuation Manual operative date. As a result of the discussions, the task force agreed to expose draft plans for the determination of the Valuation Manual operative date for a 30-day period. The task force also received written updates on PBR implementation progress from the Life Actuarial (A) Task Force and on the XXX/AXXX Reinsurance Framework charges sent to other NAIC committee groups.

JIM DONELON, Louisiana Insurance Commissioner takes his seat at the NAIC summer meeting

Courtesy of the NAIC

FAWG asks E for stricter TPA oversight requirements

All insurers using third-party administrators (TPAs) may be faced with implementing stricter oversight requirements, if the Financial Condition (E) Committee eventually adopts a recommendation from the Financial Analysis Working Group (FAWG).

The committee received a referral from the FAWG recommending a review of *NAIC Model Guideline 1090* which addresses outsourcing of underwriting and claims processing using TPAs and managing general agents (MGA). For TPAs, only certain insurers using TPAs are currently required to conduct semiannual reviews. The FAWG referral asked the E committee to consider extending this requirement to all insurers.

Pennsylvania's Steve Johnson explained that FAWG was making these recommendations because companies were not necessarily verifying that TPAs were financially and operationally sound so as to reduce vendor risk.

"We saw this as an issue in an insolvency," Johnson said, adding that insurance departments were not able to intervene because they had no authority. The referral letter was exposed and next steps will be discussed. Possibilities include redoing the TPA model.

The committee agreed to hold a conference call in the near future to discuss common themes that resulted from its recent survey on ways to improve state financial regulation and the role of the NAIC.

The committee received a memo from the Accreditation Committee regarding the *State of Entry Model Act* that addresses recommended regulatory procedures for US branches of non-US insurers. The memorandum recommends reviewing the *State of Entry Model Act* to ensure its guidance is current and asks the committee to make recommendations on whether this guidance should be made an accreditation standard.

Also received by the committee was a report from California regarding receivers' concerns about the credit risk associated with uncollateralized large deductible insurance policies. The receivers may suggest new disclosures of the potential related credit risk.

IMF report gets thumbs down from industry

The IMF's recently released *FSAP US Insurance Sector Detailed Assessment Report* came in for bitter criticism at the meeting of the NAIC/Industry Liaison Committee.

Michelle Rogers of NAMIC said the FSAP reflected a failure to understand the basics of the US insurance regulatory system, and was not an outcomes-based report. "We felt like that was a major shortcoming of the report," she said.

Rogers said the report just focused on the shortcomings of the state-based system, and she wondered what the IMF meant by saying insurance contributes disproportionately to systemic risk. "It seems like these critiques are unwarranted," she said.

Dave Snyder of PCI found the report "offensive." Snyder noted that it was clear that the IMF did not like the way commissioners are selected. To the IMF's call for a national level insurance body, Snyder responded, "Thank you very much for intervening in a domestic issue."

The FSAP is supposed to measure the effectiveness of a regulatory regime by how closely it adheres to the ICPs. Phil Carson of the American Insurance Association (AIA) noted that the ICPs had been revised as recently as 2011, and are being revised again. He asked how reliable the ICPs were if they were constantly being revised, saying they should be flexible and broad-based enough to accommodate different value systems.

He noted that the US process of selecting commissioners reflected the bedrock democratic values of the United States, and if the ICPs could not accommodate those, "Perhaps those principles are not appropriate."

"It seems like these critiques are unwarranted."

— Michelle Rogers of NAMIC, in regards to the IMF's FSAP US Insurance Sector Detailed Assessment Report

NAIC asked to consider accepting new catastrophe models

Should the NAIC begin accepting catastrophe models beyond the five currently approved? A representative of a leading reinsurance intermediary asked the Catastrophe Risk (E) Subgroup to consider just that possibility.

The representative explained that his firm had a model that had previously been used in-house, but was now being licensed externally. He asked that the subgroup allow the results from his company's model to be used in approved filings, calling his company's model transparent and saying it focused on perils that may not be modeled by other vendors.

Florida regulator David Altmaier reviewed the history of expanding model use, and the concomitant regulator discomfort with black boxes. He suggested it might be time to take a step back and look at the subgroup's appetite to open up the approved model list and what the parameters should be, expressing concern with the current lack of a framework to evaluate models. The subgroup will apparently continue its discussion.

The subgroup also discussed the possible inclusion of additional catastrophe perils as either separate stand-alone components of the RBC formula, or perhaps utilizing an "all perils" approach. The perils mentioned included: fire following earthquake; tsunamis; extreme convective storms (including tornados); winter storms; wildfire; terrorism; cyber risk; and liability catastrophes.

Subgroup Chair Ron Dahlquist of California raised other factors to consider in expanding property & casualty (P&C) RBC, including the magnitude of any potential loss and whether it was a threat to solvency, the availability and robustness of models able to model these risks, and to what extent these would be covered perils. The question was also raised as to whether or not mass torts should belong in its own category.

One regulator noted that the subgroup had not yet finalized how they planned to deal with hurricanes and earthquakes.

"This probably should be a lengthy discussion…before we add anything to a formula," said Dahlquist.

The subgroup also discussed amendments to the definition of the New Madrid Zone in the small company exemption criteria to exclude the greater Chicago area within the state of Illinois. There appeared to be support for this change, but additional details must be resolved.

FIO taking reins of terror data collection

MICHAEL McRAITH, Executive Director of the Federal Insurance Office

Courtesy of the NAIC

Beginning in 2016, the FIO will collect its own information on terrorism and insurance as referenced in the *Terrorism Risk Insurance Program Reauthorization Act of 2015*, NAIC staff told the TRIA (C) Implementation Task Force. This will supplant previous NAIC efforts to collect TRIA information.

NAIC staffers met with FIO staffers to discuss data collection recently, the task force was told. The FIO did not specifically indicate what would be covered under the "other information" to be collected, but discussions will continue. Premium collection information may be an issue because some policies are zero cost policies.

The FIO will issue proposed rules later this year.

"We look forward to working with this committee and others to make sure we're risk coordinated as we can be," said FIO Executive Director Michael McRaith. "We do have a desire not to duplicate or impose unnecessary inefficiencies."

Reinsurance model law adoption pace continues; more securities eligible as reinsurance collateral

More than 28 reinsurers have been approved for passporting and 32 states have adopted the revised *Model Credit for Reinsurance Regulation and Law*, the Reinsurance (E) Task Force meeting was told. The task force adopted the Qualified Jurisdiction Working Group report, and also adopted the Reinsurance Financial Analysis Working Group Task Force (ReFAWG) report.

In addition, the task force exposed revisions to the *Uniform Application Checklist for Certified Reinsurers* and the passporting public memorandum for a 30-day public comment period. The revised checklist contains new language regarding how overdue reinsurance recoverables would be treated.

The task force adopted a recommendation from the Valuation of Securities (E) Task Force on amendments to the meaning and intent of the phrase "Securities Listed by the Securities Valuation Office" in the model. Revisions further identified populations of securities that were deemed appropriate for use as reinsurance collateral.

The task force received a status report from the XXX/AXXX Captive Reinsurance Regulation Drafting Group, which included a discussion and exposure of the key discussion topics memorandum, the *XXX/AXXX Credit for Reinsurance Model Regulation Draft* and related revisions to the *Credit for Reinsurance Model Law* for a 45-day public comment period. There was discussion about whether the revised changes are inconsistent with AG 48 and how non-qualifying assets posted for reinsurance should be treated for credit for reinsurance purposes.

Accreditation requirements added, more on the way

The Financial Regulation Standards and Accreditation (F) Committee voted to expose for a one-year comment period beginning January 1, 2016 the recommendation from the Corporate Governance (E) Working Group that the *Corporate Governance Annual Disclosure Model Act* (#305) and the *Corporate Governance Annual Disclosure Model Regulation* (#306) be considered for inclusion as a new Part A accreditation standard.

The committee voted to expose for a one-year comment period beginning January 1, 2016, the 2014 revisions to the *Insurance Holding Company System Regulatory Act* (#440) as an update to the Part A: Holding Company Systems accreditation standard, which provides authority for a US state regulator to act as a group-wide supervisor of an internationally active insurance group. However, it is possible that the group-wide supervisor provisions need only be adopted in states with an internationally active insurance group, rather than as a full Part A nationwide accreditation requirement.

The *Risk Management and Own Risk Solvency Assessment Model Act* (ORSA) was adopted as a new Part A accreditation standard, effective January 1, 2018.

The committee also adopted a revised Accreditation Preamble with respect to captive insurers that assume business written in accordance with the V*aluation of Life Insurance Policies Model Regulation* (#830) (Regulation XXX) and *Actuarial Guidelines XXXVIII—Application of the Valuation of Life Insurance Policies Model Regulation* (AG 38 or Regulation AXXX).

Discussion of the accreditation status of the certified reinsurer provisions of the *NAIC Model Credit for Reinsurance Law* (#785) was deferred to the fall meeting, but the committee stressed its importance and assured there would be adequate time in November to address the issue.

IAIS, FSOC issues still center stage

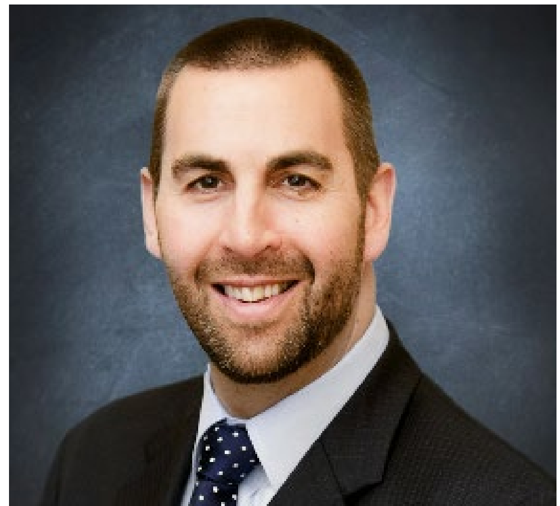
The Financial Stability (EX) Task Force heard opening remarks by Peter Hartt of New Jersey on IAIS-related initiatives. His report disclosed that 15 US firms out of 50 worldwide would be considered in the third annual assessment of G-SIIs with recommendations to the Financial Stability Board (FSB) in November 2015.

Additionally, the IAIS is assessing the G-SII methodology with possible changes to be implemented in different phases after 2015, such as: implementation of HLA; cut-off of quantitative ranking; incorporating supervisory judgment; rules for entry and exit; relevance of including reinsurance activities; and clarifications to non-traditional, non-insurance (NTNI) activities.

The report also disclosed there had been four regulator-only IAIS-related calls. These focused on: Total Loss Absorbing Capacity (TLAC); resolution issues; protection schemes; and creditor hierarchy.

Hartt briefly discussed each topic, and noted that the IAIS is expected to release a consultation on resolution this year. The report also touched on the FSB's public consultation on proposed Assessment Methodologies for Identifying Non-Bank Non-Insurer G-SIFIs, noting that any potential revised methodologies for asset management would require more review. Lastly, Hartt reported that both the Federal Reserve and state regulators support the financial system and he desired to overcome any remaining obstacles with coordination by using the task force to act as a forum.

Commissioner Adam Hamm of South Dakota provided the task force an update on the US Financial Stability Oversight Council (FSOC) developments. FSOC released its annual report in May 2015 and discusses potential emerging threats and vulnerabilities, including cybersecurity, increased risk-taking in a low-yield environment, and captive reinsurance activity. Additionally, the non-bank financial company designation process that discussed methodologies relating to Stage 1 Thresholds (metrics) was posted on www.FSOC.gov. Lastly, FSOC recently decided not to rescind the designations of two SIFIs, but were waiting to act on two others.



ADAM HAMM, Insurance Commissioner of North Dakota

Courtesy of the NAIC

The task force received an update on captives from Superintendent Joe Torti of Rhode Island. This included discussions on NAIC priorities such as reviewing captive reinsurance transactions, including XXX/AXXX transactions, variable annuities, long-term care and other business types. Torti said that FSOC believes utilization of captive reinsurers can potentially increase concerns for a SIFI, however, the NAIC replied that risks must be assessed for each transaction as captive reinsurance is not always a stability issue.

Larry Bruning of the NAIC updated the task force on the impact of interest rate environment on the insurance industry. This included discussions on reinvestment risk and spread risk.

In brief:

Cybersecurity focus continues

The Cybersecurity (EX) Task Force continued its efforts to keep the NAIC apace of technological change, as it discussed comments received on its proposed and exposed *Cybersecurity Bill of Rights*. Asked by NAIC consumer representative Birny Birnbaum what was the intended purpose of the document, Task Force Chair North Dakota Insurance Commissioner Adam Hamm said the document was to be distributed to the states who may then choose to distribute it to consumers. Portions of the document, he said, may be included in model laws or regulations. The task force also heard a report from Patrick MacNaughton of Washington, who informed attendees that everything now included in the Federal Financial Institutions Examination Council (FFIEC) Cyber Assessment Tool is included in current insurance examinations.

Industry, actuaries cross pencils over proposed bond factor changes

The Valuation of Securities (E) Task Force received status update reports from staff on an Investment RBC Factor Proposal from the AAA, the selection of a modeling firm for CMBS/RMBS, Derivative Project status, the status of national financial presentation standards status in the *Accounting Practices and Procedures (AP&P) Manual* and the status of referrals to the Reinsurance Task Force related to the Bank List and Securities Listed Projects for reinsurance collateral. The Investment RBC Proposal recommends changes to the bond factors based on updated default rates and loss severity using 20 years of data. The AAA recommended an increase in the number of NAIC designations from the current six classifications to 14. The AAA believes this will have the effect of smoothing the curve and eliminating the "cliff effect" from one designation to the next. Both the Life and P&C industries appeared to be opposed to this change.

Vermont's Donegan to IAIS

The Executive (EX) Committee approved the appointment of Vermont Commissioner Susan Donegan to the IAIS Executive Committee. The committee adopted model law development requests for amendments to the NAIC *Insurance Information and Privacy Protection Model Act* (#670) and the *Privacy of Consumer Financial and Health Information Regulation* (#672). The model law development requests were derived from the work of the Cybersecurity Task Force and are designed to determine if the models need to be revised to cover the latest cybersecurity expectations (e.g. National Institute of Standards and Technology Cybersecurity Framework, etc.).

Title insurance guaranty fund working group disbanded

The Receivership and Insolvency (E) Task Force heard an update from NAIC staff on federal legislative initiatives related to receivership and voted to disband the Title Insurance Guaranty Fund Working Group. The task force made a change to its charges related to the Receivership Model Law (E) Working Group, which will focus on the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions and Assessment Methodology*. The task force also discussed possible revisions to the *Life and Health Insurance Guaranty Association Model Act* related to guaranty association coverage of structured settlements and voted to prepare a model law development form to initiate the amendment process.

Receivership Model Law Working Group shifts focus

The Receivership Model Law (E) Working Group's focus has shifted after NAIC staff's participation in the IMF FSAP. There, the US resolution regime was measured against the FSB's October 2014 *Key Attributes of Effective Resolution Regimes for Financial Institutions*. After going through the FSAP process, the working group decided to change its focus to look at how individual states' receivership laws comport with the key attributes, rather than comparing state laws to the *Insurer Receivership Model Act*. The working group finalized a state survey designed to seek input from state receivership and legal professionals on the review of receivership laws to consider the key attributes for purposes of 1) identifying potential areas to improve the US receivership process; and 2) developing comments and recommendations to the FSB for proposed improvements to the Key Attributes as they relates to insurance.

Health care update

The mission of the Health Insurance and Managed Care (B) Committee is to consider issues relating to all aspects of health insurance, including developing and maintaining its NAIC model laws considering the significant changes from the Affordable Care Act (ACA) and its related rules and regulations. In discussing potential 2016 charges, the committee noted that in particular balance billing, pharmacy benefit managers, prescription drug formularies, and health care costs would be areas to evaluate further. The 2016 charges will be a topic to monitor in future meetings.

The committee received an update from The Center on Health Insurance Reforms on its work related to the ACA and its findings related to a newly published issue brief, *Balance Billing: How Are States Protecting Consumers from Unexpected Charges* which addresses surprise billings. Surprise billings referenced in the brief include when a consumer goes to an in-network hospital but may be seen by an out-of-network physician and the physician charges the consumer for the shortfall between the billing and the coverage provided through insurance.

The federal Center for Consumer Information and Insurance Oversight (CCIIO) provided the committee an update on ACA implementation activities, including improving communications with the states, in particular about federal announcements impacting insurers and funding. The CCIIO representative briefly discussed the risk corridor premium stabilization program, noting that funding would be sufficient but did not provided additional information about the timing of the funding, which is something that regulators are monitoring given the impact to insurers in their states.

The subgroups and task forces within the committee continued their work on the development of model laws, which is requiring significant time and effort from these groups and interested parties. The Regulatory Framework Task Force meeting addressed proposed revisions to the *Accident and Sickness Insurance Minimum Standards Model Act* (#170) and the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act* (#171), which requires modifications to assure compliance with the Affordable Care Act and subsequent rules and guidance enacted. The purpose of this Act is to standardize and simplify the terms and coverages of health insurance coverage and eliminate misleading or unreasonably confusing policy provisions.

The 2015 charge of the Network Adequacy Review (B) Subgroup is the development of the *Managed Care Plan Network Adequacy Model Act* (#74). The subgroup released a working discussion draft from comments received during numerous conference calls since the spring meeting. More conference calls are planned for the fall and plan to address issues raised primarily surrounding the definitions used and the applicability of Model #74 to pharmacy, dental and vision services.

The health update was prepared by Lynn Friedrichs. For your comments and suggestions please contact the author: lfriedrichs@deloitte.com

NAIC accounting update

This section of the NAIC Update focuses on accounting and reporting changes discussed, adopted and exposed by the Statutory Accounting Principles (E) Working Group, The Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee during the 2015 summer meeting and interim conference calls. All changes finalized during these meetings were considered nonsubstantive and are effective upon adoption unless otherwise noted.

Statutory Accounting Principles Working Group

Interim Developments: The Statutory Accounting Principles Working Group (SAPWG) adopted the following nonsubstantive amendments as final during the June 17, 2015 Interim Conference Call:

Reference number	Title	Sector	Amendments adopted as final	Financial statement impact	Disclosure	Effective date
2015–06	**SSAP No. 24—Discontinued Operations and Extraordinary Items**	P&C Life Health	Revisions adopt *ASU 2015–01, Income Statement—Extraordinary and Unusual Items—Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, with modification prohibiting separate reporting of extraordinary items but requires disclosure of unusual or infrequently occurring items.	N	Y	2015
2015–07	**SSAP No. 24—Discontinued Operations and Extraordinary Items, and SSAP No. 90—Accounting for the Impairment or Disposal of Real Estate Investments**	P&C Life Health	Revisions adopt *ASU 2014–08, Presentation of Financial Statements and Property, Plant and Equipment—Reporting Discontinued Operations and Disclosures of Disposal of Components of an Entity*, with modification requiring discontinued operations to be reported with continuing operations (no separate reporting), to defer gain recognition until the transaction is completed, and to modify disclosure requirements.	Y	Y	2015
2015–11	**SSAP No. 40R—Real Estate Investments**	P&C Life Health	Revisions clarify that a normal encumbrance (e.g., mortgage loan) on wholly owned real estate held in an LLC does not disallow treatment as a direct real estate investment reported on Schedule A. However, this item clarifies that participating mortgage loans and loans or other encumbrances from related parties impact the conclusion that all risks and rewards of ownership are solely and distinctly possessed by the reporting entity.	Y	N	2015
2014–27	**SSAP No. 54—Individual and Group Accident and Health Contracts**	P&C Life Health	Revisions specify the asset and liability lines for contracts subject to redetermination for each type of annual statement filed by the entity. Entities may need to assess comparability if prior year was presented differently. Corresponding annual statement instructions will also be evaluated for updating.	Y	N	2015
2015–01	**SSAP No. 54—Individual and Group Accident and Health Contracts**	P&C Life Health	Revisions adopt the *ASU 2010-23, Health Care Entities—Measuring Charity Care for Disclosure—a consensus of the FASB Emerging Issues Task Force*, definition of charity care and related disclosure, with modification.	Y	Y	2015
2014–31	**SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance**	Life Health	Revisions incorporate disclosure related to compliance with XXX/AXXX Reinsurance Model Regulations, Actuarial Guideline 48 or a state's variation.	N	Y	2015
2014–24	**SSAP No. 93—Accounting for Low Income Housing Tax Credit Property Investments**	P&C Life Health	Revisions adopt *ASU 2014–01, Investments—Equity Method and Joint Ventures—Accounting for Investments in Qualified Affordable Housing Projects—a consensus of the FASB Emerging Issues Task Force*, with modification to prohibit the proportional amortization method, require gross income statement reporting and incorporate terminology changes.	Y	Y	2015

Reference number	Title	Sector	Amendments adopted as final	Financial statement impact	Disclosure	Effective date
2015–05	**Various SSAPs**	P&C Life Health	Revisions reduce SSAP titles to high-level summaries of the guidance.	N/A	N/A	2015
2015–09	**Various SSAPs**	P&C Life Health	Revisions include language updates, Interpretations of Emerging Accounting Issues Working Group (INT) references, and various formatting changes for consistency.	N/A	N/A	2015
2015–12	**Appendix A-821**	Life	Revisions incorporate the 2012 Individual Annuity Mortality Table into A–821—Annuity Mortality Table for Use in Determining Reserve Liabilities for Annuities.	Y	N	2015

Current Developments: The SAPWG adopted the following nonsubstantive amendments as final during the 2015 summer meeting:

Reference number	Title	Sector	Amendments adopted as final	Financial statement impact	Disclosure	Effective date
2014–36	**SSAP No. 25—Accounting for and Disclosures about Affiliates and Other Related Parties**	P&C Life Health	Revisions reject *ASU 2013–06, Not-For-Profit Entities—Services Received from Personnel of an Affiliate—a consensus of the FASB Emerging Issues Task Force*. However, the Working Group requests information from interested parties about whether services between affiliates received at no cost are included in holding company or Form B/D filings. The Working Group may consider including related information in a disclosure in the future.	N/A	N/A	N/A
2015–14	**SSAP No. 68—Business Combinations and Goodwill**	P&C Life Health	Revisions clarify that the goodwill limitation test is completed at the individual reporting company level.	N/A	N/A	N/A
2015–16	**Appendix D—GAAP Cross Reference to SAP**	P&C Life Health	Revisions reject *ASU 2015–06, Earnings Per Share—Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions—a consensus of the FASB Emerging Issues Task Force*, as not applicable.	N/A	N/A	N/A
2015–20	**Accounting Practices and Procedures Manual**	P&C Life Health	Revisions remove issue papers from the printed version of the Accounting Practices and Procedures Manual (the Manual) and provide access to electronic versions of this material on the NAIC website. In addition, nonapplicable GAAP list in Issue Paper No. 99—Nonapplicable GAAP Pronouncements, will be incorporated into Appendix D of the Manual.	N/A	N/A	N/A

The SAPWG exposed the following items for written comments (due by October 2, 2015, except Ref #2014–28 and #2013–36, which have a shortened comment deadline of September 11, 2015) by interested parties:

Reference number	Title	Sector	Amendments adopted as final	Financial statement impact	Disclosure	Effective date
2014–25	**SSAP No. 41—Surplus Notes**	P&C Life Health	***Substantive***—Exposed Issue Paper No. 151—Valuation for Holders of Surplus Notes, proposing revisions to the measurement method for holders of non-rated surplus notes and surplus notes with a designation below NAIC 1. Proposed revisions and discussion items are as follows: • Clarifies and continues valuation of NAIC 1 surplus notes at amortized cost • Consider and discuss valuation of NAIC 2 surplus notes at amortized cost • Consider valuation of non-rated surplus notes and surplus notes rated anything other than NAIC 1 at the lower of amortized cost or fair value • Consider including explicit impairment guidance • Consider and discuss whether duplicative guidance of the Purposes and Procedures Manual should be removed	Y	N	TBD
2015–31	**Various SSAPs**	P&C Life Health	***Substantive***—Referral from the Valuation of Securities (E) Task Force related to non-recourse charitable loans and notes. Exposed agenda item requesting comments on investment structures, current and recommended clarification of statutory accounting and reporting.	TBD	TBD	TBD
2015–28	**Preamble**	P&C Life Health	***Nonsubstantive***—Exposed revisions to update and clarify the preamble to the Accounting Practices and Procedures Manual. Proposed updates include the following: • Restructure the information to clarify and identify historical guidance • Assign the preamble to level 4 of the NAIC hierarchy, consistent with the Statement of Concepts • Add reference to materiality guidance to INT 00–20: Application of SEC SAB No. 99, Materiality to the Preamble of the AP&P Manual	N/A	N/A	N/A
2015–27	**SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures**	P&C Life Health	***Nonsubstantive***—Exposed the agenda item that proposes full investment schedule reporting on a quarterly basis. Noting industry concerns, the Working Group requested recommendations for specific investment schedule items and the format of submission of the interim information.	Y	TBD	TBD
2015–34	**SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures**	P&C Life Health	***Nonsubstantive***—Exposed revisions to require disclosure for insurance-linked securities for both insurers and reinsurers. The Working Group requests information from insurers and reinsurers regarding these investments.	N	Y	TBD
2015–10	**SSAP No. 15—Debt and Holding Company Obligations**	P&C Life Health	***Nonsubstantive***—Exposed revisions to reject *ASU 2015–03, Interest – Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs*, and maintain the statutory requirement to charge operations for these costs.	N/A	N/A	N/A
2015–24	**SSAP No. 23—Foreign Currency Transactions and Translations**	P&C Life Health	***Nonsubstantive***—Exposed revisions clarifying that optional accounting treatment for translation of Canadian Insurance Operations exists under the guidance in paragraphs 5 and 6.	N	N	TBD
2015–04	**SSAP No. 26—Bonds, Excluding Loan-Backed and Structured Securities**	P&C Life Health	***Nonsubstantive***—Exposed revisions to clarify the yield-to-worst valuation requirement for callable bonds.	N	N	TBD

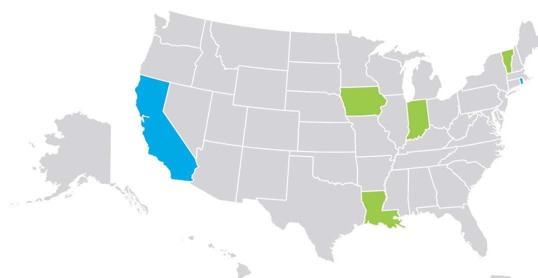
Reference number	Title	Sector	Amendments adopted as final	Financial statement impact	Disclosure	Effective date
2015–23	**SSAP No. 26—Bonds, Excluding Loan-Backed and Structured Securities**	P&C Life Health	***Nonsubstantive***—Exposed three alternative revisions for accounting and reporting of prepayment penalties for bonds, as follows: 1. Maintain current requirement of reporting as investment income 2. Revision to report as a realized capital gain, subject to IMR, or 3. Revision to report as a realized capital gain, but excluded from the IMR calculation. In addition, the item requests additional discussion regarding whether the schedule instructions and detail are sufficient or should be increased and whether the Working Group believes that specific disclosure pertaining to callable bonds (including make-whole call provisions) would be beneficial.	Y	Y	TBD
2013–36	**SSAP No. 26—Bonds, Excluding Loan-Backed and Structured Securities**	P&C Life Health	***Nonsubstantive***—Investment Classification Project—exposed the Blackrock comment letter that proposed a calculated amortized cost valuation method for Exchange Traded Funds.	Y	TBD	TBD
2015–17	**SSAP No. 26—Bonds, Excluding Loan-Backed and Structured Securities** **SSAP No. 43R—Loan-Backed and Structured Securities**	P&C Life Health	***Nonsubstantive***—Exposed revisions to require reporting entities subject to AVR/IMR to value NAIC 5 designated investments at lower of amortized cost or fair value.	Y	TBD	TBD
2015–21	**SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses**	P&C Life Health	***Nonsubstantive***—Exposed revisions to clarify that fees incurred for salvage and subrogation recoveries are reported gross, regardless of whether the fees are paid to third parties or processed internally.	N	N	TBD
2015–29	**SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses**	P&C Life Health	***Nonsubstantive***—Exposed revisions to clarify quarterly disclosure requirements for title insurers related to reserves and loss adjustment expense liabilities.	N	TBD	TBD
2015–37	**SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses**	P&C Health	***Nonsubstantive***—Exposed *ASU 2015-09, Financial Services—Insurance—Disclosures about Short-Duration Contract*s, requesting comments from regulators and industry representatives on the US-GAAP disclosure and whether existing SAP disclosure should be modified.	N	TBD	TBD
2015–36	**SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance**	Life Health	***Nonsubstantive***—Exposed revisions for new disclosures to obtain information related to reinsurance of variable annuity contracts with an affiliated captive reinsurer and reinsurance agreements with an affiliated captive reinsurer.	N	Y	TBD
2014–28	**SSAP No. 62R—Property Casualty Reinsurance**	P&C	***Nonsubstantive***—Exposed revisions to decrease the provision for reinsurance liability related to certain asbestos and environmental reinsurance with retroactive counterparties and to provide consistency with the proposed annual statement reporting.	Y	Y	TBD
2015–35	**SSAP No. 65—Property and Casualty Contracts**	P&C	***Nonsubstantive***—Exposed revisions for new disclosures related to recoverables from policyholders under high-deductible policies.	N	Y	TBD
2015–33	**SSAP No. 78—Multiple Peril Crop Insurance**	P&C	***Nonsubstantive***—Exposed a request for information from regulators, industry, and the U.S. Department of Agriculture Risk Management Agency regarding any needed updates and the intent to develop clarifying language regarding: 1. The use of the billing date of application of the 90-day rule; 2. Defining the processing date or updating the term; 3. Providing more specificity regarding the period of risk for purposes of earning revenue; and 4. Developing a glossary of terms including dates that are specific to the federal crop programs.	TBD	TBD	TBD

Reference number	Title	Sector	Amendments adopted as final	Financial statement impact	Disclosure	Effective date
2015–13	**SSAP No. 92—Postretirement Benefits Other than Pensions** **SSAP No. 102—Pensions**	P&C Life Health	***Nonsubstantive***—Exposed revisions to adopt *ASU 2015–04, Compensation—Retirement Benefits—Practical Expedient for the Measurement Date of An Employer's Defined Benefit Obligation and Plan Assets*, with modification regarding interim re-measurement of plan assets and benefit obligations due to a significant event.	Y	N	TBD
2015–08	**SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities (SCAs)**	P&C Life Health	***Nonsubstantive***—Relating to non-admitted assets and application of SAP guidance, the Working Group exposed revisions to SSAP No. 97, as follows: 1. Clarify accounting for non-insurance SCAs by referencing paragraph 16d of SSAP No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties, noting that events and transactions designed to circumvent statutory accounting principles are included in adjustments to "audited GAAP", negating its impact; 2. Add disclosure of permitted or prescribed practices for insurance SCAs; and 3. Clarify adjustments for non-insurance SCAs meeting the revenue and activity test.	Y	Y	TBD
2015–25	**SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities (SCAs)**	P&C Life Health	***Nonsubstantive***—Exposed revisions proposing the inclusion of the filing process guidance in the SSAP for SCA investments. The filing process guidance is currently included in the Purposes and Procedures Manual of the NAIC Investment Analysis Office.	N/A	N/A	N/A
2015–26	**SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities (SCAs)**	P&C Life Health	***Nonsubstantive***—Exposed revisions to reject *ASU 2011-10, Property, Plant, and Equipment—Derecognition of in Substance Real Estate – a Scope Clarification—a consensus of the FASB Emerging Issues Task Force*.	N/A	N/A	N/A
2015–32	**SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities (SCAs)**	P&C Life Health	***Nonsubstantive***—Exposed revisions to clarify application of the equity method guidance in paragraphs 10-12.	N	N	TBD
2015–30	**SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act**	P&C Life Health	***Nonsubstantive***—Exposed revisions to include the recently revised guidance from SSAP No. 54—Individual and Group Accident and Health Contracts (see Ref # 2014–27) related to contracts subject to redetermination.	Y	N	TBD
2007–25	**Appendix D—GAAP Cross-Reference to SAP**	P&C Life Health	***Nonsubstantive***—Exposed revisions to reject the US-GAAP guidance related to the Fair Value Option ASC 825-10—Financial Instruments—Overall—Fair Value Option.	N/A	N/A	N/A
2015–18	**Appendix F—Policy Statements**	P&C Life Health	***Nonsubstantive***—Exposed revisions to the Policy Statements disbanding the Emerging Accounting Issues (E) Working Group and transfer the process and requirements to the Statutory Accounting Principles (E) Working Group.	N	N	TBD

This summary was prepared by Amy Alves, John Tittle, Lynn Friedrichs, and Ed Wilkins. For your comments and suggestions please contact the authors: amalves@deloitte.com, johntittle@deloitte.com, lfriedrichs@deloitte.com, or ewilkins@deloitte.com

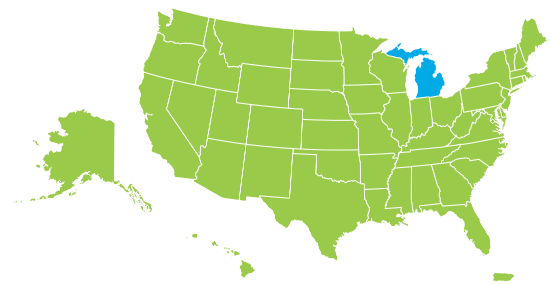
State progress on adoption of model acts and regulations

Implementation of Model Act #305 Corporate Governance Annual Disclosure Model Act*
[status as of July 20, 2015]



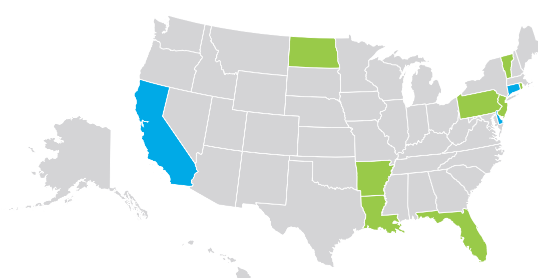
Adopted Model #305 (4: IN, IA, LA, VT)
Action under consideration (2: CA, RI)
No action to date
Courtesy of the NAIC

Implementation of 2010 Revisions to Model #440 Insurance Holding Company System Regulatory Act*
[status as of July 20, 2015]



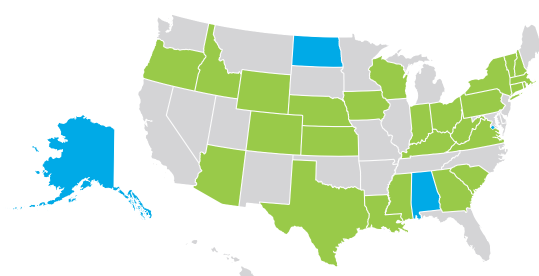
Adopted Model #440 (51: AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, ME, MD, MN, MO, MS, MT, NE, NC, ND, NJ, NM, NV, NH, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VT, VA, WA, WI, WV, WY)
Action under consideration (1: MI)
Courtesy of the NAIC

Implementation of 2014 Revisions to Model #440 (Internationally Active Insurance Groups) Insurance Holding Company System Regulatory Act*
[status as of July 20, 2015]



Adopted Model #440 (8: AR, FL, LA, NJ, ND, PA, RI, VT)
Action under consideration (3: CA, CT, DE)
No action to date
Courtesy of the NAIC

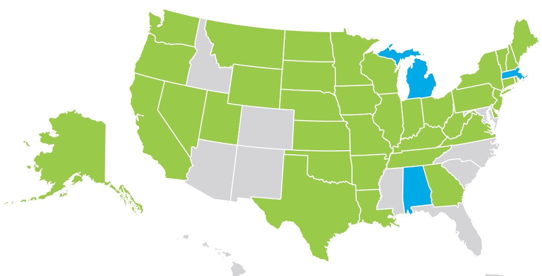
Implementation of 2010 Revisions to Model #450 Insurance Holding Company System Model Regulation*
[status as of July 29, 2015]



Adopted Model #450 (26: AZ, CO, CT, GA, IA, ID, IN, KS, KY, LA, MA, MS, NE, NH, NY, OH, OR, PA, RI, SC, TX, VA, VT, WV, WI, WY)
Action under consideration (4: AL, AK, DC, ND)
No action to date
Courtesy of the NAIC

* These maps represent state action or pending state action regarding NAIC amendments to the model(s). These maps do not reflect a determination as to whether the pending or enacted legislation contains all elements of NAIC amendments to the model(s) or whether a state meets any applicable accreditation standards.

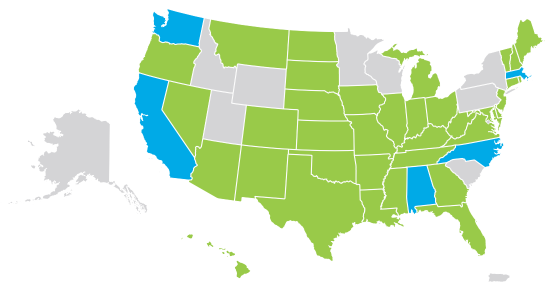
Implementation of Model Act #505 Risk Management and Own Risk and Solvency Assessment Model Act*
[status as of July 20, 2015]



- **Adopted Model #505** (35: AK, AR, CA, CT, DE, GA, IA, IL, IN, KS, KY, LA, ME, MN, MO, MT, ND, NE, NH, NJ, NY, NV, OH, OK, OR, PA, RI, TN, TX, UT, VA, VT, WA, WI, WY)
- **Action under consideration** (3: AL, MA, MI)
- **No action to date**

Courtesy of the NAIC

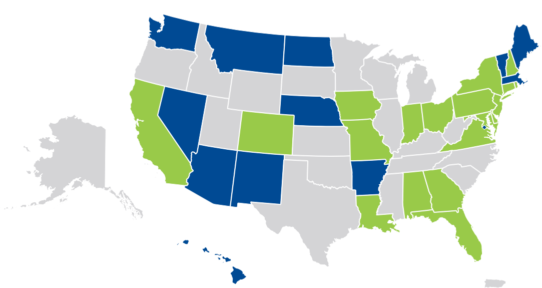
Implementation of Principle-Based Reserving Revised Standard Nonforfeiture Law for Life Insurance (Model #808) Revised Standard Valuation Law (Model #820)*
[status as of August 4, 2015]



- **Adopted Model #808 and #820** (36: AR, AZ, CO, CT, DE, FL, GA, HI, IL, IN, IA, KS, KY, LA, MD, ME, MI, MO, MS, MT, ND, NE, NH, NJ, NM, NV, OH, OK, OR, RI, SD, TN, TX, VA, VT, WV)
- **Action under consideration** (5: AL, CA, MA, NC, WA)
- **No action to date**

Courtesy of the NAIC

Implementation of 2011 Revisions to Credit for Reinsurance Models Model Law #785 and Model Regulation #786*
[status as of July 20, 2015]



- **Adopted Both Model #785 and #786** (19: AL, CA, CO, CT, DE, FL, GA, IA, IN, LA, MD, MO, NH, NJ, NY, OH, PA, RI, VA)
- **Adopted Model #785 only** (13: AR, AZ, DC, HI, MA, ME, MT, ND NE, NM, NV, VT, WA)
- **No action to date**

Courtesy of the NAIC

Acronyms

AAA	American Academy of Actuaries
ACA	Affordable Care Act
ACLI	American Council of Life Insurers
AIA	American Insurance Association
AP&P	Accounting Practices and Procedures
BMA	Bermuda Monetary Authority
CCIIO	Center for Consumer Consumer Information and Insurance Oversight
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
CDAWG	ComFrame Development and Analysis (G) Working Group
ERM	Enterprise Risk Management
FAWG	Financial Analysis Working Group
FFIEC	Federal Financial Institutions Examination Council
FIO	Federal Insurance Office
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSOC	US Financial Stability Oversight Council
GAAP	Generally Accepted Accounting Principles
G-SII	Global Systemically Important Insurer
HLA	Higher Loss Absorbency
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles
ICS	Insurance Capital Standard
IMF	International Monetary Fund
MGA	Managing General Agent
MoU	Memorandum of Understanding
NAIC	National Association of Insurance Commissioners
NAMIC	National Association of Mutual Insurance Companies
NTNI	Non-Traditional, Non-Insurance
OECD	Organization for Economic Cooperation and Development
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty
PBR	Principle-Based Reserving
PCI	Property Casualty Insurers Association of America
RAA	Reinsurance Association of America
RBC	Risk-Based Capital
ReFAWG	Reinsurance Financial Analysis Working Group Task Force
SOA	Society of Actuaries
SVL	Standard Valuation Law
TLAC	Total Loss Absorbing Capacity
TPA	Third-Party Administrators
TRIA	Terrorism Risk Insurance Act
USTR	US Trade Representative
VAWG	Valuation Analysis (E) Working Group
VM	Valuation Manual

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