




Texas Insurance Industry Update

NAIC Update

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Learning Objectives

1. Recognize the functions of the different NAIC committees.
2. Determine implementation of the GCC.
3. Identify the 2022 NAIC primary regulatory priorities.

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AGENDA

- 2022 NAIC Priorities
- NAIC committee descriptions and activities
- 2023 NAIC budget



2022 NAIC Priorities



2022 Primary Regulatory Priorities

- Cybersecurity, consumer data, artificial intelligence
 - Are current state laws and regulatory tools sufficiently protecting consumers
- Race and insurance
 - Address practices that create barriers
- Long-term care insurance
 - Rate increase review and approval, reserve adequacy innovative products
- Climate/natural catastrophe risks and resiliency
 - Assist states in evaluating approaches to address climate risk, catastrophe modeling, mitigation and identify sustainable solutions

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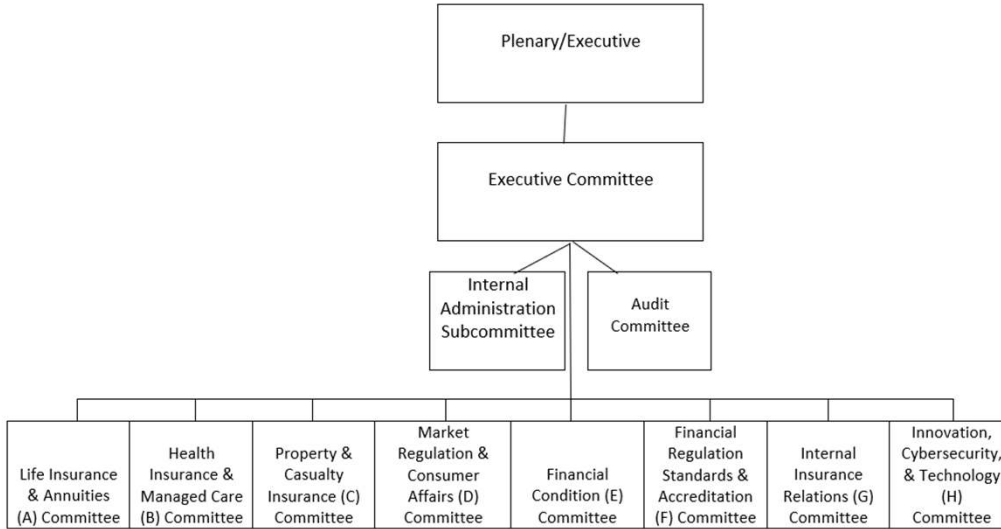
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NAIC Committees

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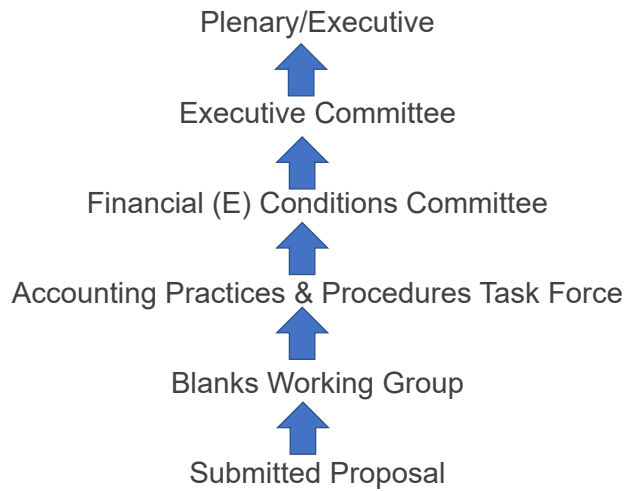
NAIC Committee Structure



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Typical Upstream Workflow



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Executive Committee



- Ongoing support of NAIC programs, products, services
- Oversee activities of most all other committees & NAIC offices
- Oversees “special projects”
 - Climate & Resiliency Task Force
 - Government Relations Leadership Council
 - Long-Term Care Insurance Task Force
 - Special Committee on Race & Insurance
- Coordinates with Federal Insurance Office (FIO) and other state, federal, local and international government organizations
- Approves model law and/or regulation requests

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Life Insurance & Annuities (A) Committee



- Life Actuarial Task Force, 3 working groups, 6 subgroups
- Responsible for the *Valuation Manual*
- Reviews new life insurance products
- Works with AAA and SOA
- Development and implementation of the new economic scenario generator (ESG)
- Experience reporting

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Health Insurance & Managed Care (B) Committee



- Health Actuarial Task Force, 2 other task forces, 4 working groups, 5 subgroups
- Respond to inquiries from federal organizations regarding policy implications, ERISA, federal legislation, etc.
- Serves as official liaison between NAIC and the Joint Commission on Accreditation of Healthcare Organizations, the NCQA and URAC
- Provide assistance to states
- Consumer education to help consumers better understand health insurance

Property & Casualty Insurance (C) Committee



- Casualty Actuarial & Statistical Task Force, 3 other task forces, 9 working group, & the NAIC/FEMA Advisory Group
- Oversees P&C issues, Surplus Lines, Title Insurance, Workers' Compensation, Pet Insurance, Risk Retention groups (RRGs), Terrorism Insurance
- Monitors activities of Federal Crop Insurance Corporation



Property & Casualty Insurance (C) Committee

- Current key issues
 - Cannabis
 - Cyber insurance market (including data from supplement)
 - Autonomous vehicles
 - Parametric insurance
 - Catastrophes, catastrophe insurance, and modeling
 - Includes flood insurance

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Market Regulation & Consumer Affairs (D) Committee

- 3 task forces, 13 working groups
- Monitors all aspects of the market regulatory process
- Oversees market conduct activities, antifraud, producer licensing, national & multistate advisory organizations, market conduct examination guidelines
- Attempts to address consumer concerns regarding personal insurance
- Coordinates with B Committee regarding uniform state enforcement of ACA
- Market Conduct Annual Statement
- Direction to NAIC staff regarding SERFF

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Financial Condition (E) Committee

- 8 task forces, 24 working groups, 6 subgroups, 1 technical group
- Oversees accounting, statements, RBC, state financial examinations, group capital, group solvency, mortgage guaranty insurance, reinsurance, receiverships and insolvencies, restructuring, valuation of investments, ORSA, liquidity stress test
- Address financial issues that may compromise the consistency and uniformity of the U.S. solvency framework



Blanks Working Group

- Now working on 2023 and beyond statement reporting
- Next meeting schedule November 18
- 2 proposals for adoption on the agenda
 - Major change to the Life/Fraternal state page
 - Phased in implementation for 2023 and 2024



Group Capital Calculation (GCC)

- ✓ Holding company models revised to accommodate GCC
- Implementation requires state adoption of revised holding company model
 - Then stated implementation date that was adopted
- Insurance holding company groups need to be aware of what is happening in their lead state
 - GCC filed with lead state regulator
- GCC already appearing on some state checklists for 2022

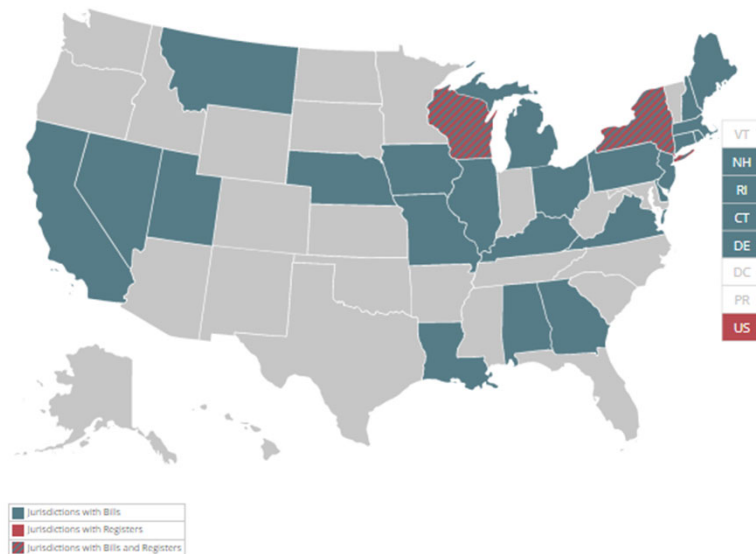
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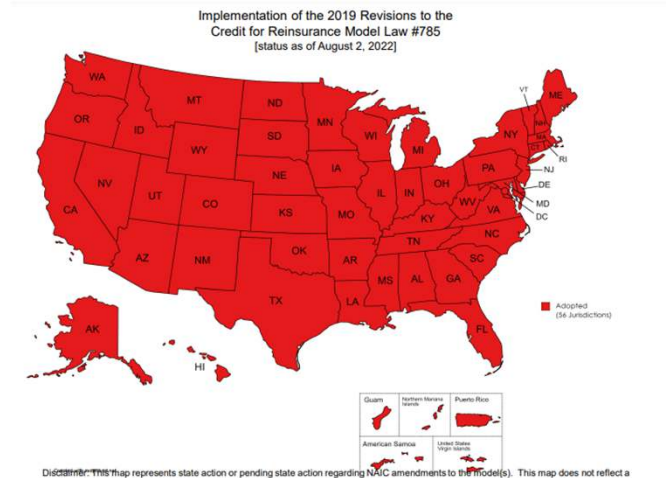
Are You Ready for GCC?

- As of 11/1/2022

• <https://track.govhawk.com/reports/2Ge66/public>



Credit for Reinsurance Models



- Needed to be adopted by all U.S. jurisdiction by Sept 1, 2022, to keep federal government from assuming regulatory control of reinsurance
- Federal Insurance Office now in the process of reviewing what was adopted by each state

Financial Regulation Standards & Accreditation (F) Committee



- Stand alone committee; currently no task forces or working groups
- Administration and enforcement of the NAIC Financial Regulations Standards and Accreditation Program
 - Sets standards
 - Interpret standards
 - Evaluation of state laws, regulations, practices, procedures for compliance to standards
 - Determining accredited states



Financial Regulation Standards & Accreditation (F) Committee

- Group Capital Calculation and Liquidity Stress Test (revisions to Holding Company Models #440 & #450
 - 1-year exposure period ending 12/31/2022 for parts to become accreditation standard
 - Proposed effective date for accreditation January 1, 2026



International Insurance Relations (G) Committee

- Stand alone committee; currently no task forces or working groups
- Coordinates NAIC participation in international discussions
- Coordinates international insurance matters with U.S. government
- Provides forum for communication regarding international insurance matters

Innovation, Cybersecurity, & Technology (H) Committee



- Formation approved in 2021, became active in 2022
- Consists of 5 working groups, but has been growing this year
- Provide forum for state insurance regulators to learn and discuss
- Maintain understanding of evolving practices and uses of technology
- Coordinate NAIC efforts across committees
 - Includes examination standards related to innovation, cybersecurity, data privacy, use of big data, artificial intelligence (AI), machine learning (ML) and technology
- Discuss cybersecurity emerging issues

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Groups Reporting to H Committee



- Big Data & Artificial Intelligence Working Group
- Cybersecurity Working Group
- E-Commerce Working Group
- Innovation in Technology & Regulation Working Group
- Privacy Protections Working Group

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H Committee Areas of Current Activity

- AI/machine learning
- Bias detection methods and tools
- Coordination of cybersecurity work between different NAIC committees
- What are the feds doing toward regulation?
- Combine NAIC Insurance Information and Privacy Protection Model Act (#670) and Privacy of Consumer Financial and Health Information Regulation (#672) into a new model
- ICT Hub

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2023 NAIC Budget

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2023 NAIC Budget

- SERFF Modernization
 - 2nd year of 3-year project
 - Transition to new platform for insurance compact, life and property/casualty.
 - Health and plan management in 2023
- Financial Data Repository (FDR) Modernization
 - 20-year old platform – financial data repository
 - Phase 1 - funding for a third-party assessment and consulting to develop new access paths



2023 NAIC Budget

- Regulatory Information Retrieval System (RIRS) Coding Project
 - Regulatory actions against insurance producers, companies and other related parties
 - Requesting coding revisions to enhance system reporting
- **2023 revenue enhancements**
 - Group cap factor for database filing fees to increase from 2 times individual company to 5 times
 - New fee to cover ongoing costs of compiling, reviewing, and analyzing life insurance mortality experience data as required by VM-50 and VM-51



2023 NAIC Budget

- 2023 staffing requests
 - Increase of NAIC staff by 6.5 full-time employees, plus 2 additional for SERFF
- Budget exposed for comment until November 18, 2022, followed by public hearing (as of yet unscheduled)
- Can be found at https://content.naic.org/sites/default/files/inline-files/about-budget-proposed-2023-naic-budget_1.pdf

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Questions?

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