NAIC Report
2016 Spring National Meeting
April 1-6, 2016
New Orleans, Louisiana

Highlights:


- Group Capital Standard Calculation (E) Working Group Meets to Develop Approach Based on Risk-Based Capital Aggregation

- Work Begins on the Health Carrier Prescription Drug Benefit Model Act in Model #22 (B) Subgroup

- Inaugural Meeting of the Big Data (D) Working Group Holds Public Hearing

- NAIC Takes Steps to be Reporting Agent to Collect Data from Life Insurers for the PBR Calculation

Contact AHIP State Policy Department at 202-778-8487 if documents mentioned in this report are not available via hyperlinks or the NAIC.org website.


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Highlights of the Meeting

Plenary Agrees Work Can Move Forward on the New Insurance Data and Security Model Law

The Executive Committee and Plenary adopted the request from the Cybersecurity (EX) Task Force for the new model to establish standards for data security, investigation and notification of a breach of data security that will apply to insurance companies, producers and other persons licensed or required to be licensed under state law.

At the Cybersecurity (EX) Task Force meeting multiple stakeholders commented on the preliminary Draft Insurance Data Security Model Law released by the Task Force. The stakeholders generally supported moving forward, but asked for a more workable and collaborative process to discuss the model on a section-by-section basis. Such assurance was not given.

Group Capital Standard Calculation (E) Working Group Notes Approach Based on Risk-Based Capital (RBC) Aggregation

The Group Capital Standard Calculation discussions began in the new (E) Working Group at this National Meeting. Superintendent Cioppa (ME) indicated that the NAIC’s preferred approach is RBC aggregation. The Working Group heard a presentation on key concerns from the insurance industry representatives who were thanked but advised it was possible that not all of those concerns would be addressed.

Work Begins on the Health Carrier Prescription Drug Benefit Model Act in Model #22 (B) Subgroup

The Model # 22 (B) Subgroup of the Regulatory Framework (B) Task Force held its first meeting on its work on the charge from the (B) Committee to review the Health Carrier Prescription Drug Benefit Model Act (#22) for any revisions as a result of the Affordable Care Act (ACA), with a focus on consumer disclosures, transparency, formularies, and access to prescription drug benefits.

Big Data (D) Working Group Holds Public Hearing

The inaugural meeting of the Big Data (D) Working Group took the form of a public hearing to address insurers’ use of big data for claims, marketing, underwriting and pricing. The format for the hearing consisted of four panels designed to provide academic, industry, consumer and state insurance regulator perspectives to the use of big data.

NAIC Takes Steps to be Reporting Agent to Collect Data from Life Insurers for the PBR Calculation

The Executive (EX) Committed approved a motion expressing support for the NAIC to serve as the reporting agent to collect experience data from life insurers on behalf of the states, and pursuant to states adoption of the updated Standard Valuation Law and Valuation Manual to support principle-based reserving (PBR). At the PBR Implementation (EX) Task Force the American Council of Life Insurers (ACLI) asked whether the NAIC intended to be its own statistical agent, and the chair indicated the NAIC intends to appoint statistical agents.

NEXT NATIONAL MEETING

The NAIC 2016 Summer National Meeting will be held August 25-29, 2016 in San Diego, California. Contact the NAIC Meetings Department, at (816) 783-8100 for information, or to register on-line.
SUMMARY OF KEY NAIC ISSUES

1. HEALTH INSURANCE AND MANAGED CARE ISSUES

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care Committee, Chaired by Commissioner Katie Wade (CT) met and discussed the reports of its task forces and subgroups, and received a series of presentations.

The Committee first heard from Robert Darin of CVS Health on the Rising Costs of Prescription Drugs. Mr. Darin did not release his PowerPoint presentation, but included other background materials on rising prescription drug costs in the presentation packet (pages 2-14). Mr. Darin noted that there is a significant number of biosimilars in the FDA approval pipeline, and once released are going to have impressive competitive impact on prescription drug costs, but also noted that they will still be costly drugs. He noted management of drugs can be more effective and helpful to consumers. He referred to examples of published research that demonstrated that the higher the cost of prescription drugs the lower the patient adherence, with less positive health outcomes. CVS Health has found that the "generics first" strategy helps improve medication adherence and care, which should be a key consideration. He received questions from the Committee on other programs to improve medication adherence and care costs.

The Committee then heard an update on work related to the ACA from the Center for Health Insurance Reforms (CHIR) at the Georgetown Health Policy Institute. CHIR manages a Commonwealth Fund project, tracking implementation of health insurance reforms in the states, and Exchange operations in State Based Marketplace (SBM) states. They highlighted their recent blogs on state definitions of “small group” after the Protecting Affordable Coverage for Employees (PACE) Act, State Innovation Waivers (§1332 waivers) and continuity of care requirements.

CHIR also noted that reports are under development on SBMs use of consumer decision support tools, the ACA impact on safety net hospitals in Columbus (OH), Richmond (VA) and Tampa Bay (FL).

The Committee approved their minutes from the Fall National Meeting, and turned to business, starting with the discussion of adoption of the CO-OP Solvency and Receivership (B) Subgroup’s charges which state:

Provide a forum for state regulators to discuss and share information on the status of the Consumer Oriented and Operated Plans (CO-OPs) created under the federal Affordable Care Act (ACA) via conference calls and in-person meetings.

Commissioner Nick Gerhart (IA) chairs that Subgroup. Commissioner Wade gave some brief background, indicating that the discussions have been, by necessity, closed regulator-only discussions, and would continue in closed-sessions, given the company-specific nature of the topic. She asked if there were any questions from the Committee, and hearing none the charges were adopted without comment.

They also adopted the revisions to the Senior Issues Task Force's charges, to include the new Long Term Care Innovations Subgroup chaired by Commissioner Teresa Miller (PA). That Subgroup has been actively meeting, and now has approved charges to move forward on.

The Committee also approved a request from the Health Actuarial (B) Task Force (HATF) for an extension on the Model development for Health Insurance Reserves Model Regulation (#10). Steve Ostlund (AL) explained that this is a procedural process to keep the Model open so the Committee doesn't have to go back through the model review process while HATF continues their work on individual LTC for inclusion in Model #10.

The Committee then adopted and commented on Task Force, Subgroups and Working Group reports.

The Consumer Information (B) Subgroup did not meet at the National Meeting, but reported on the 45 calls they have held and referred to the 154 pages of minutes presented to the Committee. The Subgroup chair, Angela Nelson (MO), thanked the NAIC staff for their extensive work with the Subgroup as they worked on consumer information in SBCs, the Uniform Glossary, and now continue forward by looking at other consumer information.
The Medical Loss Ratio Quality Improvement Activities (B) Subgroup did not meet at the National Meeting but reported on interim comment letters and calls held. Co-Chair Director Dean Cameron (ID) presented the report, noting that the Subgroup has requested insurers provide more details on the costs of health care fraud prevention and detection.

The report of the Health Care Reform Regulatory Alternatives (B) Working Group was made by Jennifer Stegall (WI) on behalf of Commissioner Ted Nickel (WI). She recapped the presentations heard at the Working Group's meeting (see following reports), and the discussion of the Working Group. A consumer representative from Families USA commented on their interest in states moving forward with consumer protections on network adequacy and balance billing. With no other comments, the report was adopted.

The report of the Health Actuarial (B) Task Force was adopted. Steve Ostlund noted the Task Force's appreciation of Center for Consumer Information and Insurance Oversight (CCIIO) representatives attending their meetings, both public one and regulator-only session. They discussed the risk adjustment white paper and the Unified Rate Review Template and rate filing processes. (See more detailed reporting in the Task Force's report on page 10.)

The report of the Regulatory Framework (B) Task Force was adopted. The Task Force chair, J.P. Wieske (WI) reported on its continued work on possible 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), and noted a series of calls scheduled through April with the Accident and Sickness Insurance Minimum Standards Subgroup to work on them in more detail.

The Task Force also reported on the meeting of the Model #22 (B) Subgroup, where presentations were made by stakeholders recommending revisions to the Health Carrier Prescription Drug Benefit Management Model Act (#22). J.P. Wieske also reported on the ERISA (B) Working Group's progress in revising and updating the Health and Welfare Plans under the Employee Retirement Income Security Act: Guide to State and Federal Regulation (ERISA Handbook).

The report of the Senior Issues (B) Task Force and those of its subgroups was adopted. During the consideration of the Senior Issues (B) Task Force report by Rich Robleto (FL) on behalf of Commissioner McCarty, the request was made again by Christina Goe (MT) for a drafting note to be included in the revised Model Act #651, referencing the need for states to insert a special enrollment period (SEP) or a trigger for an open enrollment period for those consumers who have purchased Plan F and would want to purchase a different policy for January 1, 2020. There was no additional support for this change. By separate vote, the revisions to the Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (Model #651) were adopted by the Committee.

Finally, under the "any other items" agenda item, an unscheduled but not unexpected speaker went to the microphone. Dr Martin Hickey, CEO of New Mexico Health Connections, an ACA funded CO-OP, asked for state regulators' assistance in seeking an alternative approach - what they are calling the "reduced volatility approach" to risk adjustment. He brought with him Sean Mullin, a senior director from Leavitt Partners, and indicated that they were also working with attorney Ken Choe, previously a Deputy General Counsel at HHS, who is writing an opinion in support of states' authority under ACA §1334 to allow states to make the determination of risk adjustment transfers. This approach presumes that CMS is acting on behalf of states by performing the risk adjustment calculations, and that states as regulators of their markets could act to adjust the transfers up and down as needed to reduce the volatility in their markets. They received only one question on how they thought this would work. Ms. Wade thanked them for their comments and concluded the meeting.

The New Mexico Health Connections CO-OP also asked for support of this approach at the regulatory-only (and invited guests) Commissioners' Roundtable.

Regulatory Framework Task Force

The Regulatory Framework (B) Task Force, chaired by J.P. Wieske (WI) met and considered and approved the reports of the Task Force's working groups and subgroups. of the ERISA Working Group, the Model #22 Subgroup and the Accident and Sickness Insurance Minimum Standards Subgroup, which did not meet at the National Meeting.
The Task Force spent a few minutes highlighting the schedule of calls held to address the detailed comments received on 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 commenced the week immediately following the Spring National Meeting.

**Model # 22 (B) Subgroup**

The Model #22 (B) Subgroup, chaired by J.P. Wieske (WI) heard presentations by panels of stakeholder groups on their positions regarding recommendations for changes in the Health Carrier Prescription Drug Benefit Management Model Act (#22). AHIP and Pharmaceutical Care Management Association (PCMA) presented first, and expressed similar views that the current Model is very robust and includes the necessary framework for streamlined limited changes. AHIP recommended the review for changes should be based on elements in recent federal regulation or the NAIC Network Adequacy Model adopted last fall. AHIP noted Model #22 includes requirements for Pharmacy and Therapeutics (P&T) Committees formulary oversight, formulary disclosures, and exceptions, and that a nuanced approach is recommended. AHIP and PCMA both emphasized that there is no need to recreate the standards in existing NAIC models that already set forth standards on grievance procedures (#72), utilization review (#73), consumer information and access (#74), external review (#76), and cancer clinical trials in models (#36 and #106). AHIP emphasized that the changes in the 2016 Notice of Benefit and Payment Parameters apply to essential health benefit (EHB) coverage, and not the full market of coverage - and cautioned about extensive or expensive changes that could disrupt insurance coverage in large groups that utilize pharmacy benefit management (PBM) programs.

The consumer panel included the American Cancer Society Cancer Action Network (CAN) and Manatt Health. CAN recommended a robust update to the Model, to create a new "higher standard for all" insured individuals. They want full details on all standards by dose/ pill/ capsule/ copayments/cost-sharing at a dose level, information on number of refills available, and full consumer disclosure. They recommend a limited use of step therapy, a stronger appeals and exceptions process, more clinical trials clarifications, and that there can be no impediment to routine costs associated with the trials. Manatt Health (Joel Ario) and Kathy Hempstead from the Robert Wood Johnson Foundation repeated the "Liberating Data to Enable Healthcare Market Transparency" presentation that they made at the (D) Committee's Big Data hearing, and again at the Consumer Liaison (EX) Committee meeting.

The agents/broker panel included the National Association of Health Underwriters (NAHU), and echoed many of the comments AHIP had made in our January 22 comment letter.

The last panel included the National Community Pharmacists Association (NCPA). Their representative (Matt DeLoretto) argued for stronger state oversight of PBMs. He asserted that PBMs take advantage of their role with no direct oversight or monitoring by states, and no transparency into their actual costs, true rebates and discounts. He stated the community pharmacists believe this is profiteering that must be addressed, and that they are lobbying against in the states.

The Subgroup ran past their allotted time, so no further discussion occurred. NAIC staff reminded the Subgroup the there are four scheduled calls to address Model #22, commencing April 21. The chair adjourned the meeting, which was immediately followed by the Regulatory Framework Task Force meeting.

**ERISA Working Group**

The ERISA Working Group, chaired by Christina Goe (MT), met Sunday morning. The Working Group had exposed the first draft of updates to the Health and Welfare Plans Under the Employee Retirement Income Security Act: Guide to State and Federal Regulation (ERISA Handbook) just before the National Meeting. Ms. Goe reported that work will continue in three phases, the first phase being the update to case laws, which was the set of changes released for comment. The second phase will be new elements that focus on ACA changes to the ERISA section of statute, regulation, and U.S. Department of Labor (DOL) updates. This phase will include a focus on association health plans group health plans, discretionary clause issues, and the case law updates on those that have gone to the appellate courts. The third phase will update the ERISA Handbook section on scams, fraud, and illegal entities. The Working Group anticipates exposing each portion at a time, in order to streamline and simplify the process of review. The Working Group expects to have the second phase draft out by no later than June, and may...
set up a conference call to discuss those at that time.

The only comments received by the Working Group were from consumer representative Tim Jost, who said the legal case summaries looked good, but asked for other considerations. He suggested the Working Group focus on identifying which products are regulated by ERISA and which are not, noting that it should be "thoroughly explored", so that those that aren't covered under ERISA should be clearly regulated by state law. He referred to group voluntary benefits as an area for consideration to be included in the ERISA Handbook, and noted this as a logical extension of the work underway in the Accident and Health Insurance Minimum Standards Subgroup. Ms. Goe did not seem to warm to the idea, but noted the Working Group is open to all comments, and would like to receive interested parties' comments on the first draft of updates by the end of April 2016.

The Working Group concluded their open meeting and went into a closed regulator-only session to discuss specific cases or state issues.

**Health Care Reform (HCR) Regulatory Alternatives (B) Working Group**

The Health Care Reform Regulatory Alternatives (B) Working Group, (HCRRAWG) led by Dan Schwartz (WI) opened with a brief update from J.P. Wieske (WI) on the provisions in the Health Benefit Plan Network Access and Adequacy Model Act (#74) as it relates to surprise billing. The NAIC Model attempts to hold consumers harmless if they have done their due diligence of utilizing their provider network to seek medical care, and establishes notice requirements on providers.

Sean Dugan (NAIC staff) reported on the provision in the finalized U.S. Department of Health and Human Services’ (HHS) Notice of Benefit and Payment Parameters for 2017 as it relates to surprise billing that go into effect in 2018. In that final rule health plans would be responsible of notifying the individual of out-of-network services being provided by providers of services at in-network hospitals, or would have to limit the individual's cost sharing for such surprise billing at the in-network cost sharing level.

AHP presented an update on state actions and the status of current legislative efforts to enact provisions to address surprise billing by out-of-network providers at an in-network facility. AHIP discussed the strategies that various states are utilizing to protect consumers from surprise billing. AHIP's comments were supported by Families USA, who also commended the states taking actions, but also asked the states for more focus on network adequacy updates.

The Working Group heard a presentation from on SEPs from the Blue Cross and Blue Shield Association (BCBSA). BCBSA discussed the importance of utilizing verification mechanisms to confirm eligibility for SEPs to prevent fraudulent enrollments and adverse selection, which can increase the costs of premiums for all consumers. The consumer representative from the Center for Budget Policies and Priorities spoke against SEP eligibility verifications, suggesting instead that SEPs are underutilized, and the uninsured should not be prevented from obtaining coverage. Regulators pushed back on some of those comments, indicating that health insurers have been permitted to verify eligibility for SEPs for years, since HIPAA's market reforms when into effect.

The Working Group briefly discussed a GAO report on ACA enrollment application fraud, and at the recommendation of a consumer representative will consider inviting the GAO to come present on their findings at the next NAIC meeting. With that, the working group concluded the meeting.

**Medical Loss Ratio Quality Improvement (B) Subgroup**

The Medical Loss Ratio Quality Improvement (B) Subgroup did not meet at the Spring National Meeting.

**Health Actuarial (B) Task Force**

The Health Actuarial Task Force (HATF) meeting chaired by Steve Ostlund (AL) was preceded by the Long-Term Care Actuarial Working Group (LTCAWG) chaired by Perry Kupferman (CA).

The LTCAWG heard from Claude Thau (Thau Inc) who presented his concerns with assumptions and erroneous conclusions in the Boston College Center for Retirement Research long-term care (LTC) insurance article published in October 2015. He stated that he had conversations with the authors and that they now believe that some of their assumptions were in fact faulty and may rework the article.
The Working Group then heard a report from the Society of Actuaries (SOA) regarding potential uses of the LTC Experience Basic Tables and feedback from people trying to use the tables. Mr. Kupferman noted that responses to his questions to several companies to analyze their asset adequacy testing of their LTC business using the LTC Experience Tables (in addition to their own assumptions) were that companies were generally unable to directly use the Experience Tables in the requested manner.

American Academy of Actuaries ("Academy") groups reported that their work was done with the Academy LTC Principles-Based working group, and nearly done with the LTC Credibility Monograph working group.

Jan Graeber (TX) reported for the LTC Pricing Subgroup that based on the survey results, the Subgroup would continue to address the “Small Remaining Blocks” issue focusing on the Texas and Minnesota approaches. The LTC Valuation Subgroup noted the valuable data provided by SOA/LIMRA work on LTC mortality and lapse experience and the Working Group agreed to send a letter to ask for specific tables of tabular mortality based on “select and ultimate” adjustments to the 2012 Individual Annuity Mortality Tables, with potential adjustments for mortality improvement. This would serve as the basis for a new mortality table for minimum reserves.

HATF received reports from the LTC Actuarial Working Group and Academy Working Groups addressing a new morbidity table for cancer reserves (expected prior to the Summer meeting), professionalism, and other Academy projects. The chair announced that there would be a conference call in April (scheduled for the 14th) for the Individual Disability Valuation Table Implementation Working Group and HATF to adopt changes to the Health Insurance Reserves Model Regulation with new morbidity standards for contract reserves and claim reserves for individual disability income. These would be required for policies issued after December 31, 2019 but companies could use them as early as 2017. They adopted the suggested changes to Medicare Supplement Refunds as proposed by the Academy. This “adoption” was to be noted to the (B) Committee with an indication that it be referred to the Senior Issues Task Force for further review and possible inclusion in model regulation changes at some time in the future.

The majority of the HATF time was spent in discussions by the Health Care Reform Actuarial Working Group, chaired by Kevin Dyke (MI). This group generally meets in regulator-only calls to address questions raised in the review of ACA rate filings. The Working Group heard a report from the Academy Risk Sharing Committee based on public information from 2014. They noted risk concerns with the results impacting smaller companies much more than larger companies likely due to a combination of a wider risk profile and less sophisticated coding. The Working Group also heard from the SOA about papers in process dealing with the ACA – one on potential sources of bias in risk adjustment and another on the differing experience of Exchange enrollees with prior insurance versus enrollees who were previously uninsured. Finally, the Working Group heard presentations on risk adjustment and rate review from several CMS staff:

**Risk Adjustment Discussions:**
- Jeff Grant, Director of the Payment Policy and Financial Management Group in CCIIO
- Kelly Drury, of the Division of Policy and Analysis
- Michael Cohen, Senior Advisor on Data to Kevin Counihan - Director of CCIIO, and CEO of the Federal Health Insurance Exchange

**Rate Review Discussions:**
- Al Bingham, Actuary in the CCIIO Policy Office
- Brent Plemons, Actuary in the Rate Review Group in CCIIO
- Kim Cones, Acting Director of the Rate Review Group

The public discussions covered these broad issues in the Draft Risk Adjustment Methodology White Paper:
- Results from the 2014 experience of the Reinsurance Program and the anticipated impacts on 2015 (will use up the unused balance from 2014 but not provide 100% coinsurance) and 2016 (smaller impact since less money coming in and large enrollment) and the impact of the Reinsurance Program and metal level differences on the Risk Adjustment Program.
- Modeling analysis of alternative risk adjustment mechanisms including the increased use of drug data and possible pooling of high claims enrollees.
- Potential improvements in the use of edge-server data for recalibration.
- Ways to better deal with data that can’t be accepted through the edge server.
Several regulators commented that they were concerned that the risk adjustment in 2014 was inadequate to address anti-selection based on metal level. They highlighted one result appears to be less availability and gave the example of a reduction in options, including (none in one state) of Platinum coverage in the individual market.

The CMS/CCIIO staff made a brief presentation on the changes proposed to the Unified Rate Review Template (URRT) and URRT Instructions to address the changes in the 2016 and 2017 final Notices of Benefit and Payment Parameters. They was also noted that with the change to the 2017 URRT format for filings, this format would need to be used for third quarter and fourth quarter small group rate increase filings and that tests of the rate increase for meeting the threshold for review (10% or greater) for reasonability would be done at the plan level.

When HATF adjourned the public meeting, the regulators went into a regulator - only session with state regulators and CMS/CCIIO attendees.

**LTC Actuarial Working Group**

The Long-Term Care Actuarial Working Group (LTCAWG) chaired by Perry Kupferman (CA) heard reports from several Academy groups on voluntary termination experience, the use of a LTC Principle-Based Reserves (PBR) Model to analyze stresses on base assumptions, and a credibility monograph specific to LTC. They also heard reports from the SOA on a joint study with LIMRA on LTC termination experience and some detailed analysis of the SOA LTC Intercompany Experience Study Table.

The LTC Pricing Subgroup chaired by Jan Graeber (TX) was tasked to begin work to address rate increases on small and closed blocks of LTC business as well as experience-rated and vanishing premium products. Perry Kupferman, actuary with the California Department of Insurance, noted that he was sending a “holiday letter” relating to valuation practices that would include requests for LTC premium deficiency reserve assumptions and, if possible, a comparison of the company’s morbidity assumptions with the SOA Experience Morbidity Table. HATF member Fred Anderson (MN) was given the opportunity to discuss two documents that he developed to address rate increases in Minnesota. His basis for needing additional support for rate increases was that current Minnesota regulations provide for the maximum premium only. It was clarified that this was not to be addressed by the LTCAWG, although there are several states that are working with Minnesota. The Working Group heard a report suggesting that they have specific charges with respect to LTC reserve requirement changes for their work in 2016. The proposed wording of the charges was not distributed.

**Health Risk Based Capital (RBC) Working Group**

The Health Risk-Based Capital Working Group meeting was chaired by Patrick McNaughton (WA). They adopted several minor changes to the Health Risk-Based Capital (HRBC) formula for 2016 or 2017 where the substantive issues had been resolved in prior conference calls. They exposed a new change to include a definition of “Health Entity” in the instructions (see Attachment C on pages 17-18 of the Working Group’s Materials). They exposed an alternative to the previously exposed footnote in 2016-01-H to show Individual market premiums and claims split by “in-Exchange” versus “non-Exchange,” where the new footnote would require the percentage (rather than exact dollar amounts) and ask for a description of any allocation done for portions of premiums and claims that involved accruals. Based on the report of a drafting group, they approved a letter to the parent Capital Adequacy Task Force on asset risks (see Attachment B on pages 15-16 of the Working Group’s Materials).

**Life Actuarial Task Force**

The Life Actuarial Task Force (LATF) meeting was chaired by Mike Boerner (TX). This group now focuses on Life and Annuity issues. They continue work to complete the initial Valuation Manual which will describe the minimum reserves for policies issued after January 1, 2017. They heard a report on possible changes to the basis for determining the valuation interest rate for Premium Immediate Annuities. It was noted that this rate is also the basis for the interest rate used to discount GLTD claim reserves so such proposed changes will need to be monitored by HATF. All other aspects of their work were in areas unlikely to have any impact on health insurance.
The **Life Risk-Based Capital Working Group** meeting was chaired by Philip Barlow (DC). They received reports from various subgroups. They agreed to establish a joint working group with LATF to address longevity risk in either reserves or capital, or both. The paper discussing the risks to be considered includes LTC as a longevity risk.

**2. FINANCIAL ISSUES**

**Financial Condition (E) Committee**

The **Financial Condition (E) Committee** meeting was chaired by Superintendent Cioppa (ME). The Committee adopted all the Task Forces' and Working Groups' reports. In addition, the Committee adopted a new charge related to reinsurance collateral as a result of the announced intention of the U.S. Department of Treasury and the U.S. Trade Representative to begin negotiating a covered agreement with the European Union (EU). The EU is interested in eliminating collateral for agreements placed with EU based reinsurers.

The Committee also discussed the assignments to various NAIC Task Forces and Working Groups to address the recommendations from the Financial Sector Assessment Program (FSAP). Industry cautioned that just because FSAP made a recommendation does not mean it has to be implemented and the NAIC should evaluate whether the recommendations are necessary. Finally, the Committee discussed a letter from the Property Casualty Insurers Association of America (PCIAA) concerning a recommendation from the Financial Analysis (E) Working Group to require all insurers using a third party administrator (TPA) to conduct an annual in-person audit of the TPA. PCIAA felt that insurers who currently receive annual SSAE (Statement on Standards for Attestation Agreements) SOC 1 (Service Organization Controls) reports or SOC 2 reports on their TPA should be exempt from the annual audit requirement. The Committee was open to this proposal and asked PCIAA to draft language for the Committee to consider.

**Accounting Practices & Procedures Task Force**

The **Accounting Practices and Procedures (E) Task Force** meeting was chaired by Kim Hudson (CA). The only action taken at the meeting was to adopt the minutes of its meetings and the reports of the working groups.

### Statutory Accounting Principles Working Group

The **Statutory Accounting Principles (E) Working Group** (SAPWG), chaired by Dale Bruggeman (OH), held a meeting and took the actions noted below.

- **Adopted: INT 16-01 - ACA Section 9010 Assessment 2017 Moratorium** – This is an interpretation of SSAP No. 106 – Affordable Care Act 9010 Assessment to clarify that there is no need to accrue the assessment for 2017 since the law was changed to eliminate the payment of the fee for 2017.

- **Adopted: Ref# 2015-19 – Quarterly Reporting of Restricted Assets** – Revision requires the full restricted asset disclosure in the quarterly statements if significant changes have occurred since the annual statement.

- **Exposed: SSAP No. 22 – Leases (Ref#2016-02)** – The Working Group exposed for comment three possible options for NAIC to consider in terms of the new GAAP pronouncement on lease accounting (ASU 2016-02) which recognizes all leases (both operating and financing leases) on the balance sheet.

- **Exposed: Ref # 2015-27 – Quarterly Reporting of Investment Schedules** – The Working Group exposed alternatives from interested parties: 1) hire a consultant to aggregate the information already provided to develop the desired data; 2) expand the current quarterly reporting deadline by 15 to 30 days to accommodate the preparation of the additional information; and 3) replace the quarterly acquisition and disposition schedule with a schedule of holdings at the end of the quarter.

- **Exposed: Ref#2015-52 –Clarification of Permitted Practice Disclosure** – Currently, disclosure of a permitted practice is only required in those instances that impact statutory surplus or RBC. The revisions to the disclosure would include any difference to statutory accounting to be disclosed even if there was no bottom line impact. Regulators want any
variance from statutory accounting principles to be highlighted in this disclosure.

- **Exposed: SSAP No. 3 – Accounting Changes and Corrections of Errors (Ref#2015-46)** - The proposal is the result of confusion as to whether reporting errors identified by the NAIC Quality Assurance Function (usually related to investment schedules) are subject to SSAP No. 3 guidance. The proposed revisions would clarify that SSAP No. 3 is intended to cover accounting errors not reporting errors.

- **Exposed: Ref#2016-08 - Method for Applying Discount Rates to Measure Net Periodic Benefit Cost** – This proposal would amend SSAP No. 92 - Postretirement Benefits Other than Pensions and SSAP No. 102 Pensions to incorporate recent GAAP changes to provide an alternative approach (also referred to as the “Spot Rate”) for using discount rates to measure the service cost and interest cost components of net periodic cost for a defined benefit retirement plan obligation (both pensions and other postretirement obligations).

- **Directed staff to draft revisions to SSAP No. 26 (Bonds)** for bond exchange-traded funds (ETF’s) and bond mutual funds. The default valuation option would be fair value with an option to use amortized cost provided there is sufficient documentation to support that approach.

The comment deadline on the items exposed for comments is May 20, 2016.

**Group Capital Calculation (E) Working Group**

The inaugural meeting of the new Group Capital Calculation (E) Working Group, chaired by David Altmaier of Florida, met Sunday morning. During a previous Financial Regulation (E) Committee, that group’s chair, Commissioner Eric Cioppa (ME) asked industry to prepare a presentation of any recommendations made by industry to the Treasury Department. In response, Bruce Ferguson (ACLI) presented a concept paper, "An Aggregation & Calibration Approach to Insurer Group Capital", prepared by ACLI and AIA. It can be found [here](#).

Mr. Ferguson moved quickly through the presentation and noted there were multiple threshold issues to be discussed before substantial progress could be made, including the necessity and appropriateness of a GCC for all insurance groups, how states would implement such a calculation and the extent of an insurance commissioner’s authority to adopt and act on the calculation. The Chair indicated the Working Group’s charge was to develop a calculation based on the RBC Aggregation approach but might not include the various questions raised by Mr. Ferguson. Several interested parties voiced their approval for the general RBC Aggregation approach.

**Capital Adequacy (E) Task Force**

The Capital Adequacy Task Force meeting was chaired by David Altmaier (FL). They adopted reports from the various Working Groups, reported separately in this document.

**Group Solvency Issues (E) Working Group**

The Group Solvency Issues (E) Working Group, chaired by Christie Neighbors (NE), met on Sunday afternoon and quickly adopted the minutes of its February 10 conference call. It also heard an update on activities of the International Association of Insurance Supervisors (IAIS) from the Chair including plans to update Insurance Core Principles #3 and #23. The Working Group also reviewed comments on the proposed Form F Survey Draft, intending to survey regulators’ views on the usefulness of the Form F, including any overlapping information found in an ORSA report. Kathy Belfi (CT) also announced the formation of a new ORSA Implementation Subgroup, and reported it was to be made up of 10 participating states.

**Examination Oversight (E) Task Force**

The Examination Oversight (E) Task Force meeting was chaired by Dwight Radel (OH). Aside from approving the minutes and Working Group reports, the Task Force took no other significant actions.

**Risk-Focused Surveillance (E) Working Group**

The Risk-Focused Surveillance (E) Working Group co-chaired by Justin Schrader (NE) and Leslie Nehring (MO) discussed the proposed Enhanced Risk-Focused Analysis Process which had previously been exposed. The document provides a framework to move the analysis function to a more risk-focused
approach. Interested parties’ comment letter on the framework document was discussed in detail. Justin Schrader indicated that there are many details to be worked out but those will be handled by the Financial Analysis Handbook (FAHBWG) including recommendations on accreditation requirements for financial analysis.

The project timeline was modified to include open conferences between June and December to discuss changes to the Financial Analysis Handbook. A training schedule to help the financial analysis staff transition to a more risk-focused approach was also discussed. The training plan appears to be reasonable and has a number of detailed elements. The use of the peer review process for financial analysis files will also help to improve the overall quality of the work and assist in the transition to the new approach.

The Working Group agreed to refer the framework document to the FAHBWG to make changes in the Financial Analysis Handbook to implement this new approach. Industry will need to follow this process closely to assure that an effective risk-focused analysis approach is developed.

The Working Group then exposed for a 60-day comment period a document which discusses current information available to help an analyst better understand the company in a risk-focused approach. The Working Group did not have time to discuss this document but agreed that it should be discussed during an open conference call before the comment period expires. The call is scheduled for April 20, 2016.

NAIC/AICPA Working Group

The NAIC/AICPA (E) Working Group, chaired by Doug Stolte (VA), did not meet during the 2016 Spring National Meeting.

Principles-Based Reserving Implementation (EX) Task Force

The Principle-Based Reserving (EX) Task Force meeting was opened by Co-Chair Commissioner Julie McPeak (TN) and closed by Co-Chair Superintendent Eric Cioppa (ME).

The Task Force adopted minutes, the report of the PBR Review (EX) Working Group, and received an update on the Life Actuarial (A) Task Force’s PBR-related work from Mike Boerner (TX). They received a report from Kay Noonan (NAIC Counsel) on next steps with the Valuation Manual operative date, based on the preliminary determination that they've met the threshold trigger of 42 states and 75.03% of premium that will activate PBR requirements. Ms. Noonan indicated that Commissioners must issue a regulation, order, or bulletin, consistent with their state standards, on the required use of the Valuation Manual. The Task Force determined to schedule a call to discuss the operative date timeframe, which will depend on the determination of the NAIC legal staff and states' counsels participating in a Legal Review Subgroup (made up of ME, TN, TX, CT and ND) of the "substantially similar" standard.

Andy Beal (NAIC Acting CEO and Chief Legal Officer) provided a report regarding the potential development and implementation of an NAIC experience data collection system. There was lengthy discussion on key elements, such as the states’ authority to collect such data (KS and NY will use their state examination authority). Discussion on the safeguarding of the confidentiality of data ensued, with Mr. Beal asserting that states confidentiality of examination data would be protected. They discussed whether the collection of experience data should fall under Standard Valuation Law (SVL), or state examination law, with the majority of the Task Force supporting the SVL.

Mr. Beal also indicated that the NAIC intends to use in-house staff to do the data validation checks on PBR experience data, noting that KS has volunteered to be the project's pilot state data tester. This led to discussion on whether the NAIC intends to act as its own statistical agent for PBR experience. Paul Brown (ACLI) asked if the NAIC is considering an RFP for other statistical agents, noting that this is different data than the NAIC has collected in the past. The data is far more granular than Blanks-level data. And this is data to be used to create experience tables for issues like lapsed rates. Thus clean accurate data is needed to assure the experience tables are also accurate. Mr Beal agreed that data elements are different. Commissioner McPeak then stated emphatically that the NAIC will be appointing a statistical agent.

The Task Force also received a status report on the XXX/AXXX Reinsurance Framework of the PBR work being undertaken by other (E) Task Forces.

Principle-Based Reserving Review (EX) Working Group
The **Principle-Based Reserving (PBR) (EX) Working Group** meeting was chaired by Mike Boerner (TX). They noted that the threshold had just been reached where enough states that have adopted the changes to the Standard Valuation Law that 2017 would be the effective date for PBR unless it is determined that some of these states' adoption is not "substantially similar" to the Model. The Working Group has established a subgroup of state legal counsel to work with Kay Noonan (NAIC Counsel) to review the states' laws to determine if the language is "substantially similar" to the Model, to be counted toward the 42 states and 75% of premiums threshold.

The Working Group received reports on on-going efforts to address key aspects of PBR implementation (Blanks changes, Exam and Analysis changes, NAIC staff ability to assist states in review of PBR calculations, etc.) as well as on-going preparations by companies and the actuarial profession to be prepared. They reported that the two actuaries were hired by the NAIC in 2014, and they plan to hire two more actuaries in 2016 to support the states in analysis and examination of PBR valuations. The NAIC actuaries will also work with the Valuation Analysis (E) Working Group to help ensure the states uniformly and consistently apply the PBR requirements.

The **Financial Stability (EX) Task Force** met at the National Meeting, led by Director Pete Hartt (NJ), who provided an update on the Financial Stability Board (FSB)'s Nonbank Non-insurer (NBNI) Working Group. He noted that although neither states nor the NAIC are represented on the FSB, the IAIS has James Kennedy (TX) attending. Mr. Kennedy reports that the IAIS is looking at revisions to ICP6 and ICP12 for consultation in June 2016.

John Finston (CA) reported on the FSB Consultation on Resolution of Insurers - for Systemically Important Insurers (SIIs). Finston notes the NAIC sees a key difference in the approaches of the international approach to the U.S. approach, where the international approach's primary focus is finding a mechanism for solvency protection for the SII, and the U.S. approach is policyholder financial protection first, then solvency protection for the insurer.

Prudential reported that they are one of two SIIs who have filled out these FSB "Resolution Plans" in December 2014 and December 2015. Those plans require them to model out a "Failure" at one of their major corporate entities, and map out the impact on the enterprise and the corporate enterprise response. The presentation by Ann Kappler, Deputy General Counsel at Prudential, outlined just what a major undertaking those plans are.

Larry Bruning (NAIC Life Actuary) provided an update on the risks and impact of low interest rates in the life insurance industry and stress testing. The task force adjourned with no further business.

The **Blanks (E) Working Group**, chaired by Jake Garn (UT), held a meeting and took the following actions:

- **Adopted:** Two proposals (2015-25BWG and 2015-26BWG) were adopted and they do not have a significant impact on health insurers.
- **Exposed:** 22 new proposals were exposed for public comment. There is one proposal (2016-20BWG) which requires additional disclosures for the ACA risk corridor program. However, these disclosures are already required for first quarter 2016 since they were adopted by the Statutory Accounting Principles Working Group on a February 22, 2016 conference call. This Blanks exposure is to formalize in the Blanks instructions what was previously adopted by the SAPWG.

The comment deadline for the items exposed is May 16, 2016.

The Summary of Changes in Blanks is found on pages 35 - 40 of the Working Group's Materials, and the Editorial Changes can be found on Page 282.

The **Valuation of Securities (E) Task Force** was chaired by Kevin Fry (IL). The Task Force adopted a proposal to accept Italian GAAP as an acceptable accounting standard for investments submitted to the Securities Valuation Office (SVO) for rating. The SVO has also started to study the applicability of Belgium GAAP. The SVO staff provided an update on the efforts to modernize the SVO rules and systems that are used to file securities with the SVO for purposes of determining a rating. The current system is very paper intensive. SVO staff and industry representatives have agreed upon guiding
principles and objectives which will be used in the design of the new system. Finally, SVO presented a report on the causes for a large population of securities being considered filing exempt but not on the Credit Rating Data (CRP) feeds. Industry expressed skepticism of the results. The Task Force agreed to form a working group to study this issue further and to include industry representatives in that process.

### Investment Risk-Based Capital Working Group

The Investment Risk-Based Capital Working Group meeting was chaired by Kevin Fry (IL). They exposed the paper “A Way Forward” for 45 days. The clear focus of the paper is to set out dates when the RBC formulas would incorporate new factors for invested asset risk. The "Way Forward" document is found in the Working Group's Materials, Attachment D, on pages 7-8.

### Reinsurance Task Force

The Reinsurance (E) Task Force was chaired by John Finston (CA). Most of the meeting was spent discussing comment letters received on the Credit for Reinsurance Model Law (#785) to address captive reinsurance for XXX/AXXX business. The Task Force directed NAIC staff and consultants to work with the XXX/AXXX Captive Reinsurance Regulation Drafting Group to draft revisions to the Model Regulation taking into consideration the comments received and the discussions from the meeting.

The Task Force exposed revisions to the Uniform Application for Certified Reinsurers which were recommended by the Reinsurance Financial Analysis (E) Working Group.

Finally, the Task Force received an update on the implementation of the 2011 revisions to Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786). Twenty-two states have adopted both models and 10 states have adopted Model #785.

### Risk Retention Group (E) Task Force

The Risk Retention Group (E) Task Force did not meet at the Spring National Meeting.

### Financial Regulation Standards and Accreditation (F) Committee

The Financial Regulation Standards and Accreditation (F) Committee was chaired Commissioner Mattax (TX). The Committee exposed revisions to the Review Team Guidelines and the Accreditation Review Process and Procedures for a 60-day comment period. The revisions are intended to enhance and modernization the accreditation process. Some of the changes to the Review Team Guidelines include senior department oversight, review of the work of contractors, and holding company considerations.

The Committee also adopted changes to make the Credit for Reinsurance Model Act (#785) and Credit for Reinsurance Model Regulation (#786) accreditation standards effective January 2019. Previously, they were considered optional accreditation standards.

### Receivership and Insolvency (E) Task Force

The Receivership & Insolvency Task Force meeting was chaired by John Finston (CA). The Task Force adopted its revisions to the Receivers Handbook for Insurance Company Insolvencies which was exposed after the Fall National Meeting. They also re-exposed it for a 60-day comment period ending June 3, a draft revision to the Life and Health Insurance Guaranty Association Model Act (#520), which is intended to clarify the inapplicability of guaranty association coverage to factored structured settlement annuity benefits.

They adopted the report of the Receivership Financial Analysis (E) Working Group, which met April 4 in a closed regulator-to-regulator session to discuss the status of individual receiverships and related issues including issues involving CO-OPs and proof of claim forms for international reinsurance.

They adopted the report of the Receivership Model Law (E) Working Group, which included comments received on the state survey of receivership laws. The Working Group agreed on topics for continued discussion as follows: Guideline for Implementation of State Orderly Liquidation Authority/Dodd Frank Title II (#1700), the issue of non-regulated entities, reciprocity, full faith and credit given to stays and order, and interstate relations. They also want to
continue review of Qualified Financial Contracts including Insurer Receivership Model Act (#555) section 711 and Guideline for Stay on Termination of Netting Agreements and Qualified Financial Contracts (#1556), guidance for pre-planning and early consultation with guaranty systems, and handling large deductible provisions.

NAIC staff reported on the passage of the Policyholder Protection Act of 2015. Staff noted that it is in contact with the Federal Deposit Insurance Corporation (FDIC) and other Federal agencies regarding federal rules that define qualifying master netting agreements, which do not recognize a states’ insurance receivership law allowing a stay on termination of netting agreements and qualified financial contracts. The Task Force suggested that until the NAIC resolves the issue with the federal rules, states should not consider adoption of the Guideline for Stay on Termination of Netting Agreements and Qualified Financial Contracts (#1556).

3. INTERNATIONAL INSURANCE RELATIONS

The International Insurance Relations (G) Committee was chaired by Commissioner Kevin McCarty (FL), and began its meeting on Sunday afternoon by adopting the minutes of four previous meetings and conference calls. It adopted the reports of the ComFrame Development and Analysis (G) Working Group and the International Regulatory Cooperation (G) Working Group. The Committee heard updates on the IAIS, including reports on Standard Setting, Financial Stability, Implementation, and Stakeholder Engagement. On this last topic, interested parties were invited to attend an IAIS Q&A session later that day and to offer suggestions for improving stakeholder involvement and input. After hearing an update on the Organization for Economic Co-operation and Development (OECD), which noted that the OECD is looking into cybersecurity insurance issues, the Committee adjourned.

ComFrame Development and Analysis (G) Workgroup

The ComFrame Development and Analysis (G) Working Group, chaired by Commissioner Kevin McCarty (FL) heard updates on the Working Group activity and on the field testing that is occurring. Phase one field testing data is due in July and phase two data is scheduled for submission in September. Josh Windsor (NAIC staff) presented an overview of issues related to discounting and Margin Over Current Estimates (MOCE). Mr Windsor also highlighted issues that IAIS should consider in relation to discounting that included the approach to liability bucketing, the approach to portfolio selection (for spreads), and method for spread adjustment for default risk. Mr Windsor pointed out issues for IAIS to consider in regards to MOCE that included asking what is the future with both approaches (Own Fulfillment/Prudence approach, or Transfer Value method) being tested in 2016, should margins and capital requirements be in concert or computed independently, and is the 2015 field testing cost of capital (CoC) method still appropriate.

4. EXECUTIVE COMMITTEE, PLENARY, (EX) COMMITTEES AND INDUSTRY LIAISON

Executive Committee

The Executive Committee, Chaired by Director and NAIC President John Huff (MO), adopted the April 3 report from the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee, which included these notable items:

- Adopting a motion expressing a preference for the NAIC to serve as the reporting agent to collect experience data from life insurers on behalf of the states and pursuant to the Valuation Manual in order to support implementation of principle-based reserving (PBR),
- Directing NAIC management to conduct further research and to participate in the PBR pilot project in order to complete a proposed implementation plan to be presented to the Executive (EX) Committee, and.
- Ratifying the appointments of Commissioner Ted Nickel (WI) and Commissioner David Mattax (TX) to the IAIS Executive Committee, with further discussions to be had concerning the timing of the transition.

The Executive Committee adopted its interim meeting report, which included the following notable items:

- Appointing the Internal Administration (EX1) Subcommittee as a search committee for the CEO transition and directing NAIC staff to prepare a request for proposal (RFP) for the retention of a search firm,
• Increasing the size of the Life Actuarial (A) Task Force, the Financial Stability (EX) Task Force and the Producer Licensing (EX) Task Force from 13 to 15 members,
• Approving the purchase of commercial actuarial modeling software to support the implementation and surveillance of PBR, and
• Approving the appointment of Andrew J. Beal (NAIC) as acting CEO effective February 1, 2016.

They then adopted the reports of the Committee's Task Forces and moved on to other business. Commissioner Hamm (ND) introduced the model law development request for the new Insurance Data Security Model Law. After a number of commissioners asked about the steps that would be taken in the process of this model law development, asking for calls to be held to discuss the model, the request was approved. The Committee received NIPR and IIPRC report updates.

Then, under the "any other business" Commissioner Donelon (LA) suggested the Committee consider a recommendation that he proposed with regard to selection of a new CEO, which was to insert a "cooling off period", or separation period to prevent a sitting commissioner from being selected to be the next CEO of the NAIC. Commissioner Huff asked whether Donelon would consider taking this recommendation to the Governance Review Task Force, the group with jurisdiction over governance changes, which Donelon agreed to. (At the Governance Review Task Force the next day Donelon made the motion which failed by lack of a second.)

Joint Executive (EX)/ Plenary

The Joint Executive and Plenary meeting was called to order and chaired by Director John Huff (MO). The meeting was uneventful and proceeded smoothly through its agenda, including adoption of the minutes of the 2015 Fall NAIC Meeting, receiving reports from all the “letter” committees, A-G, and receiving a status report on the states’ implementation of NAIC-adopted Model laws and regulations. Under “other matters”, the Director advised those present of future NAIC events, including a Fourth Annual Asia/Pacific Forum in late August.

Cybersecurity (EX) Task Force

Chaired by Commissioner Adam Hamm (ND), the Cybersecurity (EX) Task Force convened on Monday afternoon. After adopting its previous meeting minutes, the Chair opened the meeting for comments on the preliminary Draft Insurance Data Security Model Law they had exposed for comments. The Chair announced the oral comments from Interested Parties, would be limited to three minutes each, and speakers would be stopped when their time expired.

Speakers included representatives from the Independent Insurance Agents and Brokers Association (IIABA), Reprivata, ACLI, ALTA, National Association of Mutual Insurance Companies (NAMIC), Professional Insurance Agents (PIA), the Center for Economic Justice, American Insurance Association (AIA), PCIA, RAA, AHIP/BCBSA, and American Bankers Insurance Association. Speakers generally expressed support for working on a model which could be supported in the states, and would establish uniform standards nationwide. Most speakers addressed the need for a dialogue to develop a workable model in a section-by-section discussion.

The process allowed time for fewer than four questions from Task Force members. The Chair gave no indication of future actions at this meeting, but had told the Executive Committee in a meeting the previous day, after questioning by other commissioners, that he expects to release a revised draft, conduct at least one conference call to discuss it, and is hoping to have the Model adopted by the full membership in August, but no later than the end of the year.

NAIC Governance Review (EX) Task Force

The Governance Review (EX) Task Force met on Tuesday morning, chaired by Alabama Commissioner Jim Ridling, and began with a brief discussion among Task Force members noting the desirability of maintaining long-time members on various committees and working groups in order to retain the knowledge and institutional memory they’d gained over the years of their service. Other discussion topics included a survey to assess the function and effectiveness of the various committees, task forces and working groups, as well as concerns about administrative due process when NAIC produces changes to Exam Handbooks and similar
documents which take on force of law without any specific state action.

Under other matters, several regulators voiced their strong support for the “onboarding” process provided to new commissioners. That process includes commissioners being visited by Andy Beal or other high-level NAIC staff and given a summary of the NAIC, its organization and function, as well as how their specific duties in their states can be helped by the NAIC. Supportive comments were made by Commissioner Larry Dieter (SD), Brian Maynard (KY) and Todd Kiser (UT).

Last on the agenda was an item first raised by Commissioner Jim Donelon (LA) in an earlier Executive Committee meeting, in which he proposed an amendment to NAIC by-laws providing that NAIC Members (meaning head regulators, such as commissioners) could not be employed by the NAIC following their departure from their regulator positions for at least two years. In the Governance Review (EX) Task Force, he moved for a resolution to develop such a "cooling off period" change to the by-laws. Although David Mattax (TX) voiced his support for Donelon’s proposal, he left the meeting to attend another.

Opposition to the proposal was raised by Commissioners David Jones (CA), Susan Donegan (VT), Roger Sevigny (NH), Brian Maynard (KY), and Ted Nickel (WI), who indicated they didn’t want to limit the pool of possible candidates for any NAIC position. Although Donelon indicated he had received expressions of support for his proposal from other commissioners, the motion died for lack of a second.

**NAIC State Government Liaison Committee**

The NAIC/State Government Liaison Committee, did not meet at the 2016 Spring National Meeting.

**Producer Licensing (EX) Task Force**

The Producer Licensing Task Force chaired by Commissioner Roger Sevigny (NH) accepted the report of the Producer Licensing Working Group. While the meeting was basically a report-up session, an update was given by NAIC staff on the CLAIM Act (HR 2998), which currently has 10 co-sponsors in the U.S. House of Representatives, but is not anticipated to move. The primary sponsor is not running for re-election, so there will likely be a new key sponsor, but still no anticipated movement in 2016.

**Producer Licensing Working Group**

The Producer Licensing (EX) Working Group, chaired by Keith Kuzmich (CA) met and held a robust discussion. They adopted the Working Group's 2016 charges noting that even though they are awaiting the full appointments NARAB Board, it makes sense to move forward in the interim.

**Uniform Licensing Standards Update.** The Working Group agreed to have NAIC staff send out a survey to state licensing directors (around April 20, 2016) looking for updates from the states regarding the Uniform Licensing Standards. They will be asked:

1. Has your state adopted/updated standards to bring you into compliance with the Uniform Standards in the past year?
2. Are there any areas where you are not compliant? If yes, why not? What is the obstacle to bringing your state into compliance?

**State Licensing Handbook Update.** The State Licensing Handbook is being presented to the Executive Committee at the Spring National Meeting and will be ready for print by the end of April. There could be later changes to Chapter 1, which would be done by the Summer Meeting in San Diego.

The question was asked of the Working Group if they foresaw any major issues with the Uniform Application forms. It was suggested by the chair that a delay to open the biannual review of the forms until 2018 makes sense. This suggestion was agreed to and the Working Group unanimously voted to delay the review until 2018.

**Adjuster Subgroup Disbanded.** The Working Group agreed to disband the Adjuster Subgroup.

**Education Update.** The Uniform Education Subgroup reported that the CE Course Conduct guidelines and survey were adopted and will be available online during the week of April 11. The drafted CE classroom course recommendations (which are dated 11/13/15 and were presented at the Fall National Meeting) will be considered by the Task Force during the May 16 meeting to finalize and consider for adoption. The Subgroup will continue to review the Continuing Education Reciprocity Forms.

**Federal Update.** During the federal update, NAIC staff briefed the Working Group on the federal
adjuster bill (Claim Act). It was also reported that the fifth member of the NARAB Board had just been named, out of Hartford. With this, the Board will need an addition two to three members before it is fully staffed and able to move forward.

**Electronic Updates.** During the NAIC Electronic Updates, it was reported that New Gateway web services were released in the fall of 2015 to strengthen potential security risk with the exchange of data. The new services are being implemented with the SBS 2016 project. The implementation process will be spread over the next 16 months. There are currently 15 states that need to make that transition and NAIC staff will work with each state to schedule that process.

**NIPR Update.** The National Insurance Producer (NIPR) Registry provided an update on their 2016 operational priorities. They are focused on three issues:

1. Improving the way to move money (in 2015, approximately $500,000 was transferred to the states)
2. myNIPR project, which looks to combine licensing software products to be consistent across the board and allow the systems to work together and streamline the process
3. Customer service/data capture. NIPR is looking to set up accounts with passwords, which will enable some additional customer service/tailored experiences to be offered to users. Presently, everyone logs in as a guest. This may also help offer some additional security to the system.

NIPR also shared that Guam is now onboard and they hope to have them up and running in time for renewals in May.

There was a request to review the 1033 guidelines. NAIC staff will circle back to get more information on this and determine what the concern is. The chair gave a reminder that the NIPR Summit is scheduled for May 16-20. On May 16, a half-day producer summit is scheduled where all are invited to attend.

**Market Regulation and Consumer Affairs (D) Committee**

The Market Regulation and Consumer Affairs (D) Committee meeting was called to order by vice chair, Commissioner Laura N. Cali who stepped in for Commissioner Robertson (IN). The meeting's Agenda and Materials called for consideration of revised health reform examination standards regarding guaranteed availability of coverage, and for the possible adoption of new privacy notices as permitted under the federal Fixing America's Surface Transportation (FAST) Act, along with ratifying NAIC Executive Committee action on life and annuity claims settlement practices, and working group reports. The agenda also called for consideration of issues related to financial exploitation of seniors.

Under “other matters,” Wes Bissett (Independent Insurance Agents & Brokers of America) noted for the record that agents are currently watching the investigation of a large, well-funded broker entity that has been accused of flouting regulations and laws. This is a serious issue of concern for all and will continue to have some impact on the community until the case is resolved (and possibly beyond).
regulators, consumer representatives and from industry to the end of providing state insurance department market conduct examiners with a checklist of critical matters to help guide examinations. On a voice vote the D Committee approved the report to include the new examination standards as prepared by the Working Group.

**Committee also receives the report of the Privacy Disclosures Working Group and its proposed model bulletin.** Commissioner Mike Kreidler (WA) informed the D Committee that his Working Group has been working on the revisions to the privacy documents in light of recent changes in federal law and regulations. Of particular concern to the Working Group is its desire that state regulators recognize that the FAST Act, which was passed on December 4th, 2015, amended federal law to immediately eliminate the requirement for financial institutions to provide Gramm Leach Bliley Act (GLBA) annual notices, provided certain conditions are met. The Working Group prepared a model bulletin for state insurance departments which clarifies that carriers are not required to provide the annual privacy notice required under state law provided the carrier only provides covered information to non-affiliated third parties in compliance with sections 15, 16, and 17 of the NAIC’s Model #672, and the carrier has not changed its policies and practices with regard to disclosing non-public personal information since its most recent notice provided to consumers. On a voice vote the D Committee approved the report to include the new model bulletin as prepared by the Working Group.

**Working Group reports accepted.** The chair next addressed the Working Group reports. In each instance the respective chair provided a brief synopsis of their most recent meeting. As there were no controversial issues offered within the reports, and no specific work products were presented for consideration, the D Committee accepted all the reports by single voice vote. More detailed information on the most recent meetings of the respective Working Group can be found following this Committee's report.

**D Committee ratifies NAIC Executive Committee's decision to disband the Investigations of Life Insurance and Annuity Claims Settlement Practices (D) Task Force.** Commissioner Cali, on behalf of the absent chair, obtained a motion to disband this Task Force in light of the ongoing multi-state market conduct examination called under the auspices of the Market Actions (D) Working Group and of the new related charge having been issued to the Life Insurance and Annuities (A) Committee. The D Committee approved the motion without further discussion.

**D Committee begins discussion on financial exploitation of seniors.** The chair noted that various federal regulators are beginning to establish safe harbors for individuals such as securities sales personal and dealers to encourage them to identify and to raise appropriate enforcement agencies instances of suspected elder abuse. These safe harbors can include protections from performing on financial contracts in instances where a licensee is acting in good faith out of a concern about elder abuse. These instances can include not issuing an annuity contract or paying out on a financial services contract to someone suspected of elder financial abuse.

**Calls for Big Data to address financial exploitation of seniors.** Complaining that competition will never protect vulnerable seniors, Mr. Birny Birnbaum again renewed his call for state regulators to undertake much more robust market analysis by obtaining transactional information from carriers so that state regulators can review individual annuity sales to discover such abuse. In addition, he called for banning the sale of high cost financial products to seniors.

**D Committee to address issue on next call.** Commissioner Cali noted that the D Committee will be conducting a call in 30 days to consider adoption of the health Market Conduct Annual State proposed by the Market Analysis Procedures (D) Working Group (more about that matter follows) and she suggested that the members of the Committee may wish to consider this issue in advance of that call, and she will ensure it becomes part of the call's agenda. This appeared to meet the will of the D Committee members.

With the absence of NAIC staff member Tony Cotto, and of Commissioner Susan L. Donegan, the D Committee did not receive the NAIC report on federal activities, and a report on the activities of the IAIS. These reports will be held over until the next scheduled call of the Market Regulation Working Group.

**Accreditation (D) Working Group**

Director Bruce Ramge (NE), the Chair of the Market Regulation Accreditation Working Group,
presented an agenda focused on the implementation plan for the First Tier Requirements adopted on the Working Group’s November 5 conference call. The Agenda and meeting Materials can be found on the Working Group’s Website.

In particular, this language in the implementation plan created comments:
"Upon adoption/approval of the first tier accreditation standards by the NAIC Membership, each participating jurisdiction will begin implementation. No later than two weeks prior to the 2016 and 2017 NAIC Fall National Meetings, each participating jurisdiction will submit a self-assessment that outlines the progress achieved towards implementation of the first tier market regulation accreditation standards. The self-assessment will follow a formatted checklist to be designed by and finalized by the Market Regulation Accreditation (D) Working Group no later than March 31, 2016."

Concerns raised with accreditation timeline. A number of Working Group members expressed concerns with the proposed implementation timeline. California (not a member of the Working Group) expressed overall concerns with the implementation plan, without offering specific recommendations. Florida also raised concerns with the implementation plan noting differences with the financial accreditation program and suggested the possibility of overlapping the two accreditation programs. Kansas noted the lack of measures for determining state compliance. Finally, MD recognizing the importance “to get this right”, raised concerns about the lack of specific measures for determining compliance.

Chair looking for additional guidance from (D) Committee. Director Ramge acknowledged these concerns, but noted he was hoping to obtain additional guidance from the (D) Committee upon the presentation of the First Tier document before developing a detailed implementation plan. From this additional guidance he suggested that the Subgroup could determine if the implementation plan looks reasonable.

NAIC consumer representatives offer comments. Birnny Birnbaum (Center for Economic Justice), a funded representative, expressed support for a 2016 implementation of the compliance checklist, although he is concerned how long it could take to agree upon a checklist. As a result he suggested 2018 implementation of the program may be realistic.

Consumers call for independent review of DOI compliance. Mr. Birnbaum also called for the NAIC to employ independent reviewers of department compliance so that there is no “horse-trading” in conducting the reviews and in the granting of accreditation status. This suggestion was rejected by the Chair, as he noted this program is for regulators, by regulators. In response, Mr. Birnbaum stated could not support this provision.

Committee discussion. Commissioner Robertson (IN) recognized the current implementation timeline is too tight, and that he hoped the (D) Committee would permit the Subgroup six or more months to continue its work. While others suggested linking adoption of the requirements to implementation, this idea did not gain traction. A suggestion was made to develop the timeline with the checklist over the summer of 2016 with the goal of presenting a proposal at the 2016 Fall National Meeting. No decision was made by the Subgroup on how to proceed in advance of the (D) Committee meeting.

Big Data (D) Working Group

Commissioner Laura N. Cali (OR) chaired the inaugural meeting of the Big Data (D) Working Group which took the form of a public hearing to address insurers’ use of big data for claims, marketing, underwriting and pricing. The Working Group’s Hearing Agenda and Materials can be found on its Website.

The format for the hearing consisted of four panels designed to provide academic, industry, consumer and state insurance regulator perspectives to the use of big data.

From the presentations it became clear that while each presenter spoke at length on the topic, and readily used the phrase "big data", there was no agreement on what constitutes big data in the insurance context, and each presenter focused on issues of particular interest or importance to the individual presenter and did not necessarily link them back to insurance regulation. For example, Professor Weston, Clinical Associate Professor at Georgia State University, on the expert panel focused much of his presentation on trying to define big data, and more importantly on the ethical implications of big data, without addressing how the use of any information, including big data, is constrained by rating laws,
marketing laws and claims practices laws to name a few.

The industry panel addressed the explosion of information in the modern age, and the fact that insurers have handled very large data sets for generations if not actually for centuries, but did not focus on the issue of the use of non-traditional information in their business decision making. This panel did conclude with the statement that there is currently an appropriate balance on the use of big data that has helped to stabilize the industry, with active regulatory oversight as to how that data can be used. Not to be forgotten is the changing paradigm of consumer expectations in the age of the Amazon shopping and service experience.

The consumer panel offered numerous perspectives from those who called for more insurer data to populate on line product and pricing disclosure systems such as those being created by the federal government for health care shopping and consumer education, to those raising concerns that without educated consumers, no amount of data can be useful to the average consumer who cannot make use of the data and any related information it may show. Within that spectrum, others called for expanding all payer claims data bases (APCDs) without too much detail as to why or for what purpose to those raising concerns that some data mining techniques have led to illegal industry practices such as price optimization. Over arching the consumer presentations were the concerns that privacy disclosures and free market forces of competition will not adequately police the uses of big data, and that active and informed regulation will be a key driver to ensure consumer protection. Consumers barely understand the disclosures, but the disclosures give no indication how the information will be used. Today the merchant has all of the information and power, and individual consumers have to purchase insurance.

Finally, the regulator panel outlined some of the steps departments are undertaking to advance market analysis, but this panel suggested more questions than provided answers.

Working Group to hold call to set work plan.
Following the presentation, the chair announced that the Working Group would leave the record open for further comments, and that she would schedule a Working Group call to discuss how the members wish to proceed. Commission Cali indicated that on this call it would be her intention to have the Working Group prioritize big data issues for further review during 2016. The chair also reaffirmed the fact that the Working Group will hold an informational meeting during the Insurance Summit meetings to be held in Kansas City on May 19, 2016.

Market Analysis and Procedures Working Group

The Market Analysis Procedures Working Group was chaired by John Hayworth (WA) at his first MAP Working Group session at a NAIC national meeting since assuming the chair upon the retirement of Chuck Vanasalan (NH). The meeting was held pursuant to an Agenda and updated Materials which can be found on the Working Group’s NAIC Website.

Working Group addresses the Working Group's March 17th call on the proposed health Market Conduct Annual Statement (MCAS) blank. Mr. Haworth reviewed the Working Group's decisions taken on its March 17th conference call which included striking a number of Policy Administration items; moving the due dates back to June 30th, 2018, May 30th, 2019, and April 30th, for 2020 and all subsequent years; and, revising the claims and denials duration stratifications. Upon concluding his review, the chair asked members and those in the audience if they had any comments on the March 17th decisions; the chair received no further comments.

Revised draft addressed for further comments.
While noting that the revised draft has been posted for two weeks, Mr. Hayworth asked Working Group members if they had any final comments on the final draft. He began the discussion by raising the issue of requiring the portrayal of pharmacy claims by metal level. Noting that industry continues to raise significant concerns with its capability to report pharmacy claims in this manner, he asked his members if a revision should be made to the MCAS blank. Mark Hooker (WV) then moved that the blank be amended to aggregate pharmacy claims; this was seconded by North Carolina. In response to a question from Birney Birnbaum, an NAIC supported consumer representative, Mr. Hayworth assured Mr. Birnbaum that this amendment to the blank was for the first year only, and that commencing with the 2019 submissions, pharmacy claims would be submitted by metal level. Noting that industry continues to raise significant concerns with its capability to report pharmacy claims in this manner, he asked his members if a revision should be made to the MCAS blank. Mark Hooker (WV) then moved that the blank be amended to aggregate pharmacy claims; this was seconded by North Carolina.

In response to a question from Birney Birnbaum, an NAIC supported consumer representative, Mr. Hayworth assured Mr. Birnbaum that this amendment to the blank was for the first year only, and that commencing with the 2019 submissions, pharmacy claims would be submitted by metal levels. No revision to the motion was offered or made by Mr. Hooker. Another representative, Tim Jost, noted he
understood only so much could be done in the first year of a health MCAS, but he wanted to remind the chair that consumer representatives have "lots of concerns with drugs", and he recommended that the Working Group needed to start discussions right away to ensure they obtain useful pharmacy data.

**Health MCAS adopted.** As there were no further comments offered on the revised health MCAS blank, the chair requested and obtained a motion to adopt the blank; the motion carried without opposition.

**Working Group addresses life MCAS.** As evidence that MAP MCAS blanks evolve over time, the Working Group next addressed possible revisions to the life MCAS blank related to reporting information related to the Social Security Administration's Death Master File, and changes related to the reporting of unclaimed property. While the Working Group discussed these issues in some depth, it took no action at this meeting.

**Antifraud (D) Task Force**

The Anti-Fraud Task Force was led by Shane Guyant (NC) on behalf of its chair, Commissioner Wayne Goodwin (NC), addressing an agenda primarily focused on receiving reports from its Working Groups and from Interested Parties. The Task Force's updated Agenda and Materials can be found on its Website.

**Task Force continues investigator safety activities.** In the continuation of activities begun after the tragic killings of two unarmed Louisiana state insurance department fraud investigators in 2011, the Education and Training and Seminar (D) Working Group reported on its recent safety training program for private sector employees. This seminar is a follow up to similar seminars held last year for state insurance department personnel.

**AHIP provided update on activities of the federal Healthcare Fraud Prevention Partnership.** During time provided to Interested Parties to present information and issues before the Task Force, AHIP took the opportunity to update members and the audience on the growth of the Partnership. We briefed the Task Force on analysis the Partnership has conducted related to health fraud such as misused billing codes, established fraud schemes, non-operational providers (false store fronts) top billing and high risk pharmacies, and psycho-therapy impossible days (billing more than 24 hours of therapy in one day or same hour therapy from two locations). Please contact mmitchell@ahip.org if you would like to receive a copy of our talking points for this presentation.

**Privacy Disclosures Working Group**

The Working Group, chaired by Commissioner Kreidler (WA), convened with an Agenda and Materials which can be found on the Working Group's Website which addressed federal and state consumer privacy notices.

**Working Group continues to consider changes to the Model Privacy of Consumer Financial and Health Information Regulation (#672).** The Working Group received a new round of comments addressing recent federal regulatory changes adopted by the federal Consumer Financial Protection Bureau (CFPB), along with comments that would permit the elimination of the requirement to distribute annual privacy notices. This elimination would be permitted as long as no changes had been made to the notice given to consumers previously as permitted under the federal Fixing America’s Surface Transportation (FAST) Act, which became effective December 4, 2015. This alternative is seen by insurers as a helpful reduction in unnecessary expenses while at the same time helpful to consumers because it reduces the receipt of repetitive and annoying privacy notices while promoting online notice availability, which is increasing the preferred choice of document access for consumers.

**Working Group considers Model Bulletin to support ability of insurers to implement provisions of the FAST act applying to annual privacy notices.** The Working Group discussed the efficacy of proposing a model bulletin for use by state regulators to support insurers’ use of FAST act authority to no longer require the issuance of annual privacy notices provided the insurers otherwise comply with the requirements of the NAIC's Privacy of Consumer Financial and Health Information Regulation, and provided the insurer has not changed its policies and practices with regard to disclosing nonpublic personal information from the policies and practices that were disclosed in the most recent disclosure sent to consumers pursuant to the Model. The Working Group adopted the proposed bulletin, which can be found at page 52 of the Materials. Commissioner Kreidler noted that the D Committee would be adopting the proposed bulletin at its meeting, which it did.
Market Information Systems (D) Task Force

Commissioner Kreidler (WA) chaired the Market Information Systems (D) Task Force addressing an agenda focused on improving NAIC market regulation systems. The updated Agenda and Materials can be found on the Task Force's website.

Task Force adopts report and recommendations of the Market Information Systems Research and Development (D) Working Group. The Task Force briefly discussed the report of the Working Group including a request that the NAIC develop redesigned I-Site reports using interactive data visualization and add data analytics. This request can be found at attachment 2 of the Materials.

Task Force continues to address Market Information Systems Data Analysis. Mark Hooker (WV) reported that the Task Force is continuing to look at NAIC and insurance department data accuracy and reporting timeline standards and issues within the NAIC Market Regulation Systems. The Task Force is considering calling for an interim meeting to pursue these issues and concerns. Commissioner Kreidler indicated that he is looking for results from this initiative by the Summer National Meeting in San Diego.

Task Force to pursue its 2016 Charge to make publically available NAIC market data more meaningful to consumers. Commissioner Kreidler noted that the Task Force had conducted a survey several years ago on what state market regulatory information states regularly made available to the public. The survey indicated states generally made final examination reports and final sanctions available. In response to his question whether the Task Force should conduct a new survey, there did not appear to be support for that initiative. The chair then suggested that members should conduct a review of their state's law on public availability of market regulatory information in advance of the Summer National Meeting in San Diego so that the Task Force can continue this discussion. Commissioner Kreidler noted that the D Committee has a charge on the larger issue of looking at what NAIC available information should be made public that is currently held as business confidential.

In closing, Mark Hooker (WV) suggested that the Task Force consider calling for the aggregation of consumer complaints at the insurance group level for public disclosure.

Market Conduct Examination Standards Working Group

The Market Conduct Examination Standards Working Group did not meet during the NAIC 2016 Spring National Meeting.

6. SENIOR ISSUES

Senior Issues Task Force

The Senior Issues Task Force chaired by Commissioner Mike Rothman (MN) met to hear updates on activities on Medicare Supplement coverage, long term care (LTC) coverage, and other senior issues.

Medigap (B) Subgroup. Mary Mealer (MO), chair of the Medigap (B) Subgroup, offered the report and moved adoption of the changes to Section 9.1 E and Section 9.2 of the Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act (Model #651), a new Medicare Supplement Plan G/High G Benefit Chart, a new Medicare Supplement Plan F/High F Benefit Chart, and associated benefit chart of Medicare Supplement plans sold on or after January 1, 2020. Having met over several months, the Subgroup adopted the proposed revisions on February 22 via conference call, and had a following comment period through March 18.

Christina Goe (MT) asked if there was any need for a model regulation in addition to the model act that was revised. Ms. Mealer responded that a separate regulation was not necessary. Ms. Goe also voiced concern about the need for a SEP or a trigger for an open enrollment period for those consumers who will have purchased a Plan F Medigap policy and would find themselves in a closed block come January 1, 2020. She offered that a Drafting Note may be an appropriate decision, particularly for those regulators who were not involved in the Subgroup's work and would be adopting the revised Model Act without benefit of the discussions. Ms. Mealer noted that states may often find the need to make adjustments to Model Acts, to more appropriately comport with existing state statute. J.P. Wieske (WI) also noted that it might be helpful to address the need to potentially modify the language with the Legislative Liaison Committee.
Mr. Rothman then asked if there were any comments from interested parties. He called upon the American Occupational Therapy Association to speak to their written comments; however, there were no representatives present at the meeting. Ms. Mealer noted that their comments had been made during the Subgroup's work on the revisions and she did not believe that the addition of "occupational therapy" was within the authority of the Subgroup. AHIP, represented by Geralyn Trujillo, then offered their thanks to the Subgroup for all of their hard work and urged the Task Force to approve the revisions expeditiously.

Bonnie Burns (California Health Advocates) reminded the Task Force that she had previously shared a drafted notice for consumers regarding the changes to Plan F during the Fall 2015 National Meeting. She believes there continue to be some marketing and sales issues and offered to once again share the drafted notice with regulators. Her concern is to reinforce that the changes won't happen until 2020 and making sure that agents and brokers are aware of the timing.

The Task Force approved the report and voted, with Montana abstaining, to adopt the revisions to the Model Act - found on pages 25-44 of the Task Force's Materials.

The Task Force then heard an update from Steve Ostlund (AL) regarding the completion of the Health Actuarial (B) Task Force's review of the Medicare Supplement Refund Formula. Mr. Ostlund shared that it was the intention of the Task Force to request that the Health Insurance and Managed Care (B) Committee refer a charge to the Senior Issues (B) Task Force, asking that they review the policy side of the Medicare Supplement Refund Formula.

Mr. Rothman then encouraged Task Force members to look at the North American Securities Administrators Association (NASAA) Model Act, the An Act to Protect Vulnerable Adults from Financial Exploitation, and the federal legislation, S 2216, the SeniorSafe Act of 2015—which are posted on the Senior Issues (B) Task Force Web page. Mr. Rothman is President-Elect of NASAA and shared that he believes that the Model Act might come up in the Market Regulation and Consumer Affairs (D) Committee discussions. However, he believes that the issues are of interest to the Task Force and urged his fellow members to review the materials and get involved. He noted that both Maine and Minnesota were already looking at the training modules for financial institutions that are included in the SeniorSafe Act.

**Report of LTC Consumer Disclosure Subgroup**

Tyler McKinney (CA) reported that the LTC Consumer Disclosure Subgroup is charged with reviewing the “disclosures” in the NAIC Long-Term Care Insurance Model Act and Regulation and recommending whatever updates/changes are needed. The first phase of the review focused on the NAIC Long-Term Care Insurance Model Act, Section 6 and the NAIC Long-Term Care Insurance Model Regulation, Sections 8, 9, and 20 and Appendix B and F. Industry and consumer supported changes to the Appendix B (Personal Worksheet) and Appendix F (Long-Term Care Insurance Potential Premium Increase Disclosure Form) were adopted by the subgroup.

The second phase of the review is to focus on the draft sample rate increase disclosure letter and completing Section IX of the Guidance Manual for Rating Aspects of the Long-Term Care Insurance Model Regulation. The language in Section IX addresses policyholder rate increase notification elements at time of a rate increase. AHIP and ACLI submitted a drafting note to include in the sample letter clarifying that this is a sample rate increase disclosure letter only.

The next scheduled call of the subgroup is scheduled for April 27.

**Report from the LTC Guidance Manual (B) Subgroup.** Jan Graeber (TX) reported that the Long-Term Care Guidance Manual (B) Subgroup has completed draft changes to the Guidance Manual for Rating Aspects of the Long-Term Care Insurance Model Regulation (Guidance Manual). The draft incorporates suggested changes to address the 2014 changes to the NAIC LTC Model Regulation (NAIC Model). AHIP supports the draft changes and anticipates supporting its adoption by the Health Insurance and Managed Care (B) Committee.

The Subgroup is now focusing on proposals addressing issues relating to rate increases on existing business, specifically small remaining blocks of business (SRBs). AHIP responded to the subgroup’s recent survey on the proposals. Our response expressed that we do not believe that special additional requirements are needed to address SRBs given that the adoption of the NAIC LTC Insurance Model Regulation, as well issuance of the NAIC LTC Insurance Rate Increase Model Bulletin on Alternative Filing Requirements for LTC Premium
Rate Increases will increase the value to policyholders of every dollar of increased premium while the changes to CBL will increase the value of this benefit to long duration policyholders who lapse their policies (see prior HATF’s LTC Actuarial Working Group Meeting Report).

Report from the LTC Actuarial (B) Working Group of the Health Actuarial (B) Task Force. Perry Kupferman (CA) provided a report of the LTC Actuarial Working Group (see prior LTC Actuarial Working Group Meeting Report).

7. INTERSTATE COMPACT AND SPEED TO MARKET ISSUES

Interstate Insurance Product Regulation Commission

Establishment of product filing process focus group. The Communication Committee reported on the creation of a Focus Group to provide feedback to the IIPRC staff on the product filing process operations from the company filer and state regulator perspectives. The Focus Group will provide suggestions on how to effectively communicate to existing and potential IIPRC users and insurance consumers about the benefits and usefulness of the IIPRC’s central point-of-filing system. Focus Group will be made up of state regulators who are current members of the IIPRC and companies who have paid their current IIPRC annual registration fee. The Focus Group will meet via conference call and if necessary, webinar. Monthly reports on the findings will be posted on the IIPRC website.

Five year review of individual LTC Insurance Uniform Standards. The IIPRC is currently conducting a 5 year review of the uniform standards for individual LTC standards. The following items are potential revisions to the uniform standards for individual LTC insurance products based upon the amendments to the NAIC Long-Term Care Insurance Model Regulation or the Model Bulletin:

- Right to Reduce Coverage and Lower Premium
- Nonforfeiture Benefits – Contingent Benefit on Lapse
- Due Date for Annual Submission Requirements Subsequent to Initial Rate Filings
- Phased in Rate Schedule Increase
- Actuarial Memorandum Requirements Subsequent to Initial Rate Filings
- Rate Schedule Increases – Requirements for Portion of Business to which the Increase Applies
- Personal Worksheet and Rate Increase Disclosure
- Actuarial Certification Requirements – Composite Margins and Reserves
- Actuarial Memorandum Requirements

In coordination with the IIPRC’s Industry Advisory Committee (IAC), industry submitted written comments on the individual LTC insurance uniform standards currently under five-year review process. Industry comments advocate updates to include non-duplication standards (coordination of benefits), adding rate enhancements contained in NAIC LTCI Model Regulation, adding life waiver of premium standards to allow a company to waive policy premium if the insured under the LTC rider is ADL deficient, cognitively impaired or is receiving benefits. In addition to IAC comments, two additional written comments were submitted from the Oregon Division of Insurance and the Kentucky Department of Insurance.

The IIPRC’s Product Standards Committee has a conference call scheduled on April 12 to discuss submitted comments on the individual LTC insurance uniform standards.

IIPRC approves group Disability Income Uniform Standards. IIPRC reported the Group Disability Income Uniform Standards were adopted. The standards will be become effective in 90 days, which will enable insurers to submit group disability income product filings to the IIPRC beginning in June 2016. The Group Disability Income Standards have been under development for several years and have undergone multiple rounds of public comment and public hearings. AHIP, through its membership on the IIPRC’s Industry Advisory Committee, has played an influential role in the development of these uniform standards. Adoption of these standards will enable insurers to submit a single group disability product filing – under a set of uniform standards and subject to a single review – for approval in 60 days or less for use in 44 jurisdictions.

The IIPRC approved Montana and Wyoming’s request for a stay of the effectiveness of the Group
Disability Insurance Uniform Standards while each pursues their respective regulation to opt-out of the Uniform Standards. The procedures for opting out of a Uniform Standard are located in Article VII of the Interstate Insurance Product Regulation Compact, Article VII of the IIPRC Bylaws and the Operating Procedure for Providing Notice of Opt Out of Uniform Standard by Regulation and for Submission and Consideration of Petitions for Stay of Uniform Standards.

Speed to Market (EX) Task Force

The Speed to Market Task Force, chaired by Commissioner John Franchini (NM) received reports on the SERFF Advisory Board, IIPRC and SERFF filing access.

ACA plan management chapter to produce Product Filing Review Handbook. Tom Botsko (OH) reported the Working Group is working on additional chapter on plan management to the Product Filing Review Handbook (Handbook). Because the federal guidelines were released after the writing of the chapter, those guidelines will be incorporated into the chapter and then released for additional comments. Joy Morrison (SERFF staff) indicated that when the chapter is modified to address the newly released federal guidelines, the Working Group intends this chapter to be a high level overview of the plan management review process and, thus, may not include all of the federal guidelines for this year. Although the working group doesn’t want there to be inconsistencies between what’s in the Product Filing Review Handbook and the issuer letter, the chapter is not going to contain all the detail from the issuer letter.

SERFF developments. Bridget Kieras (SERFF staff) reported on several major SERFF developments. SERFF filing access (SFA) is now in production for 35 states and the IIPRC. SERFF integration expansion project to expand SERFF’s web services to allow industry customers to integrate with SERFF has nearly completed its first phase. SERFF v7.7 released in March 2016 includes the coding changes necessary to support the changes to the U.S. Centers for Medicare & Medicaid Services 2017 Plan Management templates.

Report of the SERFF Advisory Board – Angela Nelson (MO) reported on the discussions of the SERFF Advisory Board meeting (see above SERFF Advisory Board Meeting Report).

Report of IIPRC Activity - Karen Shutter, Executive Director of the IIPRC reported on the discussions at the IIPRC meeting (see above IIPRC Meeting Report).

System for Electronic Rate and Form Filings (SERFF) Advisory Board

SERFF budget and transaction update. Bridget Kieras (SERFF staff) reported SERFF ended 2015 over budget by approximately 6%. Overage is due to the federal government’s extension of the Terrorism Risk Insurance Act. SERFF revenue is down 6% - likely because companies are waiting to file until after the adoption of revised model laws for principle-based reserving. SERFF is expected to receive approximately 653,526 filing transactions in 2016.

SERFF redesign evaluation project. Bridget Kieras (SERFF staff) reported that the SERFF redesign evaluation project began on time. Two consultants were brought on board to assist with the redesign project. Focus groups have been conducted to solicit feedback on key redesign request areas. Next step is for the consultants to perform usability assessment. The SERFF application is functioning on 10-year-old technology and leads the SERFF management team to recommend the rewrite of the application. The project expense is projected at $298,235. (See Speed to Market Task Force Meeting Report for more details.).

8. CONSUMER ISSUES

Consumer Liaison Committee

Commissioner Monica J. Lindeen (MT) chaired the meeting addressing an agenda primarily focused on receiving reports from its Consumer Representatives. The Committee's updated Agenda, Materials and Additional Materials can be found on its Website.

The first presentation addressed the Impact of Pending Health Insurance Company Mergers on Premiums, Provider Access and Plan Choice which was delivered by Ms. Clare McAndrew of Families USA, and by Ms. Elizabeth Imholz of Consumers Union. After briefly reviewing the Aetna - Prudential merger of 1999, and the UnitedHealth - Sierra merger of 2008, the results of which they indicated were 7% rate increases for Aetna - Prudential large groups and 13.7% rate increases for United - Sierra small groups,
the presenters opined that all too often only the state and federal anti-trust reviews are the only reviews that are important in the approval process, while suggesting that insurance department business reviews should also play a main role. In their view, too often antitrust remedies address market share and pricing power and do not address other significant issues faced by consumers and users of health insurance products. Ms. McAndrew and Ms. Imholz suggested health insurance company mergers should be subject to broader reviews, calling for public hearings and the imposition of more targeted remedies to achieve premium stability and rate controls, guarantees for adequate networks, requiring the continued sale of differentiated products and strong continuing monitoring of performance and compliance with any enforcement provisions.

The next presentation addressed Insurance Companies that Refuse Third-Party Payments from Charitable Organizations or Refuse to Cover Individuals Who Receive Charitable Assistance which was delivered by Ms. Deborah Darcy of the American Kidney Foundation and by Mr. Jackson Williams of Dialysis Patient Citizens. Presenter materials can be found at page 11 of the Materials. The presenters argued that the 2014 Interim Final Rule on Marketplaces which gave QHPs the discretion to deny third-party premium assistance except in instances where the payments are made by state and federal health programs, tribal programs, or by the Ryan White HIV/AIDS program, has caused confusion in the market and has "fostered discriminatory practices by insurers that discourage or prevent consumers from accepting charitable assistance from non-profit organizations like the American Kidney Fund (AKF) — putting patients’ health at risk." Ms. Darcy went on to suggest that such company activities constitute redlining, and are in violation of HIPAA and the ADA's antidiscrimination provisions along with the NAIC's standards on restrictive riders.

While the chair noted that this is a "very, very important issue", the only question or comment from the regulator members of the Committee was a question from J.P. Wieske (WI) in which he asked reassurance that the presenters were only discussing independent third party payments, and not instances where providers were making premium payments, to which he received assurance he was correct.

Near the conclusion of this item, Bonnie Burns, (CA Health Advocates), a consumer representative, raised somewhat related issues of the Medicare and ACA overlap, citing for example Medicare as secondary payer within employer coverage for the working elderly. There was no further discussion on this topic or on the larger topic of third party payments.

Next, Sara Lueck (Center on Budget and Policy Priorities) offered comments on ACA SEPs from a blog post written by Ms. Lueck addressing SEPs, found at page 13 of the Materials. Ms. Lueck's presentation focused on the need for SEPs, and the fact that she believes too few consumers are aware the standard open enrollment window closed in January and that too few consumers know of their right to obtain coverage through an SEP in appropriate circumstances. She referred to the Urban Institute finding that an estimate of only 15% of eligible candidates opted for an SEP enrollment.

She called on states to: 1) collect more and better data on SEPs and their use; 2) reinstate certificates of creditable coverage or similar documents; 3) increase DOI outreach to educate consumers; and 4) be vigilant in protecting consumers.

Peter Kochenburger (University of Connecticut School of Law) next addressed the Committee on Issues Related to the Use of Mandatory Arbitration, Choice of Law and Forum Selection Clauses in Insurance Policies. The central theme of this presentation is that today mandatory arbitration provisions too often benefit only the insurer. He suggested that while once seen as an effective and efficient alternative to costly and time consuming litigation that favored insurance companies, arbitration today has become an effective tool to make complaints go away.

And while federal law appears to be controlling, Professor Kochenburger argued that the McCarran-Ferguson Act gives to the states authority to control the use of arbitration provisions within insurance contracts and to pre-empt the federal arbitration act. Believing he is correct, he called for the prohibition of mandatory arbitration provisions in insurance contracts.

The final presentation addressed the Reauthorization of the National Flood Insurance Program can be found on page 38 of the Materials.

American Indian and Alaskan Native Liaison Committee

The NAIC/American Indian and Alaska Native Liaison Committee, chaired by Commissioner John
Doak (OK) The NAIC American Indian and Alaska Native Liaison Committee met briefly to discuss various events occurring in the coming months related to American Indian and Alaska Native communities. Attendees were encouraged to attend the Native Youth Empowerment Symposium in Albuquerque, New Mexico on April 26, 2016. Additionally, the NAIC has approved funding for two commissioners (CO) and (OK) and one staff member to the annual conference of the National Congress of American Indians this coming year.

The Committee adopted their prior meeting minutes, then asked if there were any other matters.

Jim Marshall of the Oklahoma Department of Insurance, is doing outreach department relations to the tribes in Oklahoma. They have reached out to all 39 tribes and the effort has been positively received. Lessons learned will be shared with this committee in future.

Commissioner Nickel (WI) suggested that the commissioners attending the New Mexico meeting referred to earlier also try to meet with the tribes and set up a meeting then. Superintendent Franchini (NM) noted he has invited the tribes to meet.

Consumer representative Sonya Larkin-Thorn introduced Roy Mitchell, a new consumer representative from the Fort Sill Apache Tribe of Oklahoma.

9. OTHER TRACKED ISSUES

Climate Change and Global Warming (C) Working Group

The Climate Change and Global Warming Working Group, chaired by Commissioner Mike Kriedler (WA), considered the Agenda and Materials linked here. The Working Group adopted its 2015 Fall National Meeting minutes and then went on to hear presentations. A presentation from the Fair Insurance Rates in Monroe (FIRM) of Florida highlighted action being taken in that state to identify new Climate Resiliency Adaptation Action Areas (AAAs) to reduce financial and physical losses in areas vulnerable to the related impacts of rising sea levels.

A presentation from the National Oceanic and Atmospheric Administration (NOAA) Southern Regional Climate Center, (based at Louisiana State University) showed the impacts of sea level rise along the northern Gulf Coast, and showed the impact over years of the current loss one football field sized portion of coastal land per day. The NOAA presentation highlighted other impacts of global warming/climate change that are not always referred to, but are a critical component of coastal erosion globally. Those are 1) increases in the number and severity of tropical storms and related coastal erosion and infrastructure/barrier losses, 2) higher and more severe tidal storm surges as a result of sea level rise, 3) an increase in sea temperature that can increase the number of and intensity of hurricanes, 4) mid-latitude winter storms with higher tides, higher winds, and more damaging storms, 5) increased salt water incursion that affects water supplies and ecosystems, 6) in the Louisiana and Mississippi zones port terminals, impact on oil industry, fishing industry, coastal support and transportation infrastructure adversely affected, and 7) diminished effectiveness and increased cost of engineered options to manage the damage, especially if the Mississippi river flow changes as a result of the coastal change. The Director of the NOAA southern regional climate center noted that these issues, replicated on global basis, represent significant impact on consumers and industry (and as a result, impact on insurers).

The Working Group then discussed their proposed 2016 Work Plan (found on page 35 of the Attachments), which focused primarily on P&C insurers, but also had some broad considerations, including this one: "Review ORSA Guidance and discuss what level an insurer should be expected to disclose climate related issues within its ORSA".

Under "other items" Commissioner Dave Jones (CA) spoke about California's Climate Risk Carbon Initiative, wand noted he is conducting an annual data call that will be initiated this month requiring insurers licensed in California and writing more than $100 million in national premium to disclose all of their investments in entities that derive more than 50% or more of their revenue from fossil fuels. Insurance companies subject to the data call will have 60 days from its initiation to submit their data.