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NAIC Spring 2023 National Meeting Update

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NAIC Spring 2023 National Meeting Update

The National Association of Insurance Commissioners (NAIC) recently held its Spring 2023 National Meeting (Spring Meeting). The following summarizes certain activities of the NAIC that took place during the Spring Meeting and on various WebEx Meetings leading up to the Spring Meeting.

Statutory Accounting Principles (E) Working Group

The following highlights items discussed as part of the Statutory Accounting Principles (E) Working Group's (SAPWG) Hearing and Maintenance agenda items.

Related Party Reporting - SAPWG adopted revisions to SSAP No. 25 "Affiliates and Other Related Parties" (SSAP No. 25) to clarify that any investment asset issued by an affiliated entity or that includes the obligations of an affiliated entity is considered an affiliated investment. Revisions are effective immediately.

Intercompany Pooling Arrangements - SAPWG re-exposed its intent to nullify Interpretation (INT) 03-02 "Modification to an Existing Intercompany Pooling Arrangement" (INT 03-02) as such guidance conflicts with SSAP No. 25 regarding transfers of assets and liabilities for purposes of settling economic and non-economic transactions with related parties. INT 03-02 allows the use of statutory book value which is contradictory to SSAP No. 25's requirement to utilize fair value and results in unrecognized gains or losses when using bonds to make payments to affiliates for modifications to existing intercompany reinsurance pooling arrangements. Interested Parties disagreed with INT 3-02's nullification citing several factors including that the intent of INT 03-02 is to focus on the accounting, reporting, operations and evaluation of a group versus the separate legal entity emphasized in SSAP No. 25. Interested Parties also expressed concerns that nullification may result in surplus gain recognition on certain intercompany transactions in an intercompany pooling arrangement which would be less conservative than requirements under U.S. GAAP. NAIC staff disagreed with some of these comments and continues to recommend nullifying INT 03-02 with an effective date of December 31, 2023. Discussions remain ongoing.

FASB ASU 2017-12 - SAPWG previously adopted revisions to SSAP No. 86 “Derivatives” incorporating certain guidance on portfolio layer method and partial-term hedges from FASB ASU 2017-12 Derivatives and Hedging (Topic 815): “Targeted Improvements to Accounting for Hedging Activities” and FASB ASU 2022-01 Derivatives and Hedging (Topic 815): “Fair Value Hedging - Portfolio Layer Method.” Adopted revisions are limited to hedged assets with planned discussions on hedged liabilities to take place in the future. Interested Parties supported these proposed changes. These revisions are effective January 1, 2023, with early adoption permitted. At the Spring Meeting, SAPWG adopted an additional issue paper that provides more detail on these revisions.

Proposed Bond Definition - SAPWG continued deliberation of its proposed definition of a bond captured within the scope of either SSAP No. 26R “Bonds” (SSAP No. 26R) or SSAP No. 43R “Loan-Backed and Structured Securities” (SSAP No. 43R) and reported on Schedule D-1 of the Annual Statement. Updated versions of SSAP No. 26R and SSAP No. 43R were exposed to reflect the principles-based bond definition. Exposed revisions also included changes to SSAP No. 2R “Cash, Cash Equivalents, Drafts and Short-Term Investments” to exclude asset backed securities from being reported as a cash equivalent or short-term investment and revisions to SSAP No. 21R “Other Admitted Assets” (SSAP No. 21) to detail the accounting and reporting guidance for debt securities that do not qualify as bonds. Interested Parties provided various comments on proposed revisions and continue to work with NAIC staff in finalizing guidance. Discussions remain ongoing.

As a result of the new proposed bond definition, the Blanks (E) Working Group continues to discuss revisions with Interested Parties to the Annual Statement and related instructions including updates to the general instructions and new schedule D-1-1 and D-1-2. These new schedules capture information specific to issuer credit obligations and asset-backed securities with revised reporting lines and instructions for investment classification. These revisions have a current effective date of January 1, 2025. Discussions reman ongoing.

Collateral for Loans - SAPWG re-exposed revisions to SSAP No. 21R to clarify that invested assets pledged as collateral for admitted collateral loans must qualify as admitted invested assets. Interested Parties expressed concerns when the collateral is an equity investment in a joint venture, partnership or limited liability company. Discussions included thoughts on the most relevant valuation information that would be required for this type of collateral which was debated between the use of audited financial statements in line with SSAP No. 48 “Joint Ventures, Partnerships and Limited Liability Companies” or a fair value assessment in compliance with SSAP No. 100R “Fair Value” (SSAP No. 100R). SAPWG stated that it is imperative to maintain the use of a proportionate audited equity valuation to evaluate the adequacy of pledged collateral and if non-admission of any portion of the invested asset is required. Discussion of this matter remains ongoing.

U.S. GAAP Accounting Standards Update - SAPWG adopted for rejection FASB ASU 2022-04 Liabilities - Supplier Finance Programs (Subtopic 405-50) “Disclosure of Supplier Finance Program Obligations” as the subject matter of this standard is not considered relevant as insurance entities are not the obligors of supplier finance programs. SAPWG exposed for rejection FASB ASU 2021-10 Government Assistance (Topic 832) “Disclosures by Business Entities about Government Assistance”, FASB ASU 2019-07 Codification Updates to SEC Sections, FASB ASU 2020-09 Debt (Topic 470) “Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762” and FASB ASU 2022-05 Financial Services - (Topic 944) “Transition for Sold Contracts” as not being applicable to statutory accounting.

SAPWG also adopted with modification FASB ASU 2019-08 Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606) “Codification Improvements – Share Based Consideration Payable to a Customer” which incorporates guidance in the same manner as U.S. GAAP into SSAP No. 104R “Share Based Payments.” As a result, additional provisions were also proposed to SSAP No. 95 “Nonmonetary Transactions” and SSAP No. 47 “Uninsured Plans.”

SAPWG also discussed the impact of FASB ASU 2022-03 Fair Value Measurement (Topic 820): “Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions” (FASB ASU 2022-03) to statutory accounting. SAPWG adopted revisions to SSAP No. 100R to adopt with modification FASB ASU 2022-03. Adopted revisions focus on the capture of items restricted to sale as restricted assets in accordance with SSAP No. 1 “Accounting Policies, Risks & Uncertainties and Other Disclosures” and subject to admittance considerations in accordance with SSAP No. 4 “Assets and Nonadmitted Assets” (SSAP No. 4) New proposed U.S. GAAP disclosures on sales restrictions are rejected in the adoption. Revisions are effective immediately.

Conceptual Framework - During 2021, the FASB issued two new chapters of its conceptual framework, FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting: Chapter 4, Elements of Financial Statements and Chapter 7, Presentation (Statement No.8). In 2022, SAPWG incorporated the updated definition of an asset in Statement No. 8 into SSAP No. 4 and Issue Paper No. 166 “Updates to the Definition of an Asset.” During the Spring Meeting, further discussions took place regarding the updated definition of a liability in Statement No. 8 and its incorporation into SSAP No. 5R “Liabilities, Contingencies and Impairment of Assets” (SSAP No. 5R). Interested Parties previously suggested language that would clarify that the updated definition is applicable unless another authoritative SSAP provides more topic specific contradictory guidance regarding liabilities. SAPWG exposed revisions to SSAP No. 5R to incorporate Interested Parties changes. Discussions remain ongoing.

Interest Income - SAPWG adopted revisions to SSAP No. 34 “Investment Income Due and Accrued” to enhance reporting of interest income on Schedule D-1-1. Revisions require the data capture of the gross, nonadmitted and admitted amounts for interest income due and accrued and to add disclosure of the cumulative amount of paid-in-kind interest included in the current principal balance. Revisions are effective for year-end 2023 financial statements.

New Market Tax Credits - SAPWG continued to discuss a document for proposed revisions expanding SSAP No. 93 “Low Income Housing Tax Credit Property Investments” (SSAP No. 93). Proposed revisions expand SSAP No. 93 to include all tax equity investments that qualify under specified criteria and provide general federal business tax credits or state premium tax credits. Proposed revisions include requiring reporting entities to recognize income tax credits in the period they are allocated to the reporting entity for tax purposes. Immediate recognition of the entire benefit of the tax credits to be received during the term of the investment project that generates tax credits and other tax benefits would not be permitted and instead carried under the proportional amortized cost method. Tax credits would not be recognized in the financial statements before the year in which the credit arises. Interested Parties asked SAPWG to consider allowing for the reporting of both the amortization of the investments and use of the tax credits in the same income statement line item and allowing tax credit investments issued in debt form to be reported on Schedule D instead of Schedule BA. Discussions remain ongoing.

Corporate Alternative Minimum Tax - SAPWG previously adopted INT 22-02 “Third Quarter 2022 through First Quarter 2023 Reporting of the Inflation Reduction Act - Corporate Alternative Minimum Tax” (INT 22-02). INT 22-02 addresses the corporate alternative minimum tax (CAMT) imposed by the Inflation Reduction Act and provides guidance to reporting entities when the CAMT cannot be estimated for third quarter 2022, year-end 2022 and first quarter 2023 financial statements. SAPWG subsequently exposed revisions to INT 22-02 to extend INT 22-02 to the second quarter 2023 financial statements and discussed initiating a project of providing guidance regarding the CAMT for periods after the second quarter 2023. Interested Parties have submitted informal recommendations in regard to preparing guidance. Discussions remain ongoing.

Reference Rate Reform - SAPWG exposed updates to INT 20-01 “Reference Rate Reform” to revise the expiration date of this guidance to December 31, 2024.

Annual Statement Instructions - SAPWG exposed an agenda item to develop a project to review the Annual Statement Instructions to ensure that all necessary and relevant guidance within these instructions is properly captured within the Statements of Statutory Accounting Principles. This project is the result of utilization of the Annual Statement instructions for the purposes of identifying accounting guidance in lieu of the Statement of Statutory Accounting Principles which represents the most authoritative accounting guidance to utilize in statutory accounting with the Annual Statement instructions representing a secondary source of accounting guidance. Discussions remain ongoing.

Collateralized Loan Obligations - SAPWG exposed an agenda item to propose revisions to SSAP No. 43R to include collateralized loan obligations in the Securities Valuation Office modeling process in order to be consistent with previous practices adopted into the Purposes and Procedures Manual of the NAIC Investment Analysis Office. Discussions remain ongoing.

Interest Maintenance Reserve - SAPWG continued discussion highlighting the implications of the recording of a reporting entity’s interest maintenance reserve (IMR) in the current rising interest rate environment. This has created an increase in the likelihood of a reporting entity moving to a negative IMR position which is required to be nonadmitted in accordance with current statutory accounting guidance. Interested Parties expressed concerns that current statutory accounting guidance requiring negative IMR balances to be nonadmitted could have negative ramifications to insurers. This includes misperception that a rising interest rate environment is unfavorable to the financial health of an insurer, impacts to rating agency views of the industry and promotes incentive for reporting entities to avoid prudent investment transactions that are necessary to match assets and liabilities. Interested Parties also stated that conceptually disallowing a negative IMR is contrary to the IMR’s original intent as proceeds from investments sold at a loss would be reinvested at offsetting higher interest rates. SAPWG stated that as negative IMR represents a deferred loss on investments sold it will need to have future discussions on any possibility of allowing this type of asset to be admitted in statutory accounting. This may involve certain “guardrails” to be outlined in statutory accounting to allow for this type of treatment. SAPWG subsequently exposed INT 23-01T “2023 Net Negative (Disallowed) Interest Maintenance Reserve” which is a limited-time optional INT to allow admittance of net negative (disallowed) IMR in the general account up to 5% of adjusted capital and surplus. The INT restricts the recognition of negative IMR to losses incurred generated from the sale of bonds, or other qualifying fixed income investments, which were reported at amortized cost prior to the sale, and for which the proceeds of the sale were immediately used to acquire bonds, or other qualifying fixed income investments, which will be reported at amortized cost. (This provision intends to explicitly exclude derivative losses from derivatives reported at fair value that have been allocated to IMR from being admitted under this INT). The INT also specifies how negative IMR is to be classified on the balance sheet with the admitted amount allocated to special surplus and details specific disclosure requirements in the financial statements. Discussions on this topic remain ongoing.

Life Risk-Based Capital (E) Working Group

The Life Risk-Based Capital (E) Working Group (Life RBC) discussed with the American Academy of Actuaries (the Academy) the instruction supplement for applying the C-2 Mortality Factors in the risk-based capital (RBC) calculation and any related revisions to the instruction supplement. Updates for 2023 were discussed which includes the potential to develop a new financial statement footnote that would include information that would make it easier to complete the C-2 schedule in RBC and the potential to assign different factors for group permanent life. As a result, both SAPWG and Blanks have exposed agenda items to statutory accounting guidance and the Annual Statement to include this footnote disclosure with a year-end 2023 effective date. Discussions remain ongoing regarding these matters.

Life RBC discussed its working agenda including priority projects in process with the Academy. Discussion included potential formula enhancements to the C-3 factors and the impacts to the interest rate risk in the C-3 formula as a result of the current interest rate environment. The Academy also discussed with Life RBC the need to make changes to the co-variance adjustment reflecting correlation risk in the Life RBC formula. Finally, the last issue raised by the Academy was the aggregate effectiveness of the Life RBC formula in total as the formula itself hasn't been reviewed in several years in totality. Questions were raised regarding the effectiveness of the Life RBC formula and if updates need to be made to eliminate inconsistencies in the formula and correct ways where the formula may not be working as intended. Discussions remain ongoing.

Life RBC discussed the need for any consideration for the RBC treatment of companies currently in runoff and if any changes to the RBC calculation needed to be made for life runoff companies. Life RBC decided that no significant analysis would need to be made on this matter and determined that no changes to the RBC calculation would need to be made for runoff companies.

Health Risk-Based Capital (E) Working Group

The Health Risk-Based Capital (E) Working Group (Health RBC)) exposed clarifications to the instructions for reporting stop loss premiums in the Underwriting Risk - Experience Fluctuation Risk, Other Underwriting Risk and Stop Loss Interrogatories including the reporting of stop loss premiums on a net basis on line 25 of page XR015 and requiring calendar year reporting on the stop loss Electronic Table 1 if the contract year does not follow the calendar year. Additionally, Health RBC also discussed reevaluating the stop loss factors in the Health Risk Based Capital Formula (Health RBC Formula). Data collection efforts to assist with the process have taken place over the last five years through filing stop loss interrogatories on an electronic only basis. Discussions of this topic remain ongoing.

Health RBC exposed revisions to the Health Test Language and General Interrogatories to clarify that the associated premium and reserve ratios should be calculated on a net basis. Discussions also included whether the 95% ratio benchmark should be lowered but concluded that no changes to the ratio are necessary at this time and will be re-evaluated in a few years. Discussions remain ongoing.

Health RBC discussed the effect of the COVID-19 pandemic on the Health RBC Formula. Discussions included how to handle pandemic risks going forward in the Health RBC Formula. No conclusions were reached and will be included as a future agenda item.

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

The Property and Casualty Risk-Based Capital (E) Working Group (P&C RBC) discussed an Annual Statement Blanks (E) Working Group (Blanks) proposal to add a separate line insurance for pet insurance in various exhibits throughout the Annual Statement. It also adds a new Schedule P Part 1 to 4 specific to pet insurance for the 2024 reporting period. The intent of this proposal is to provide more transparency on pet insurance as it is a product that has grown significantly in the market over the last few years. As a result, P&C RBC discussed the need to modify the risk-based capital formula for inclusion of this line of business and the necessity to include any associated risk-based capital charges. Discussions remain ongoing.

P&C RBC discussed a proposal adopted by Blanks regarding the removal of the 5% of premium filing exemption on Schedule H part 5 on the P&C Annual Statement. P&C RBC discussed the removal of the 5% rule in the P&C risk-based capital formula to be consistent with the proposal adopted by Blanks. Discussions remain ongoing.

P&C RBC heard an update regarding the Academy's current project which included to recalibrate portion of the reserve and premium risk components of the P&C Risk Based Capital Formula (P&C RBC Formula) (i.e.R4 and R5). The Academy asked the P&C RBC for feedback at future meetings regarding present value methodology, adjustments to match loss runoff horizon to risk horizon, statistical safety levels and minimum risk charge and year-over-year capping approaches. Discussions regarding this matter remain ongoing.

P&C RBC discussed the effectiveness of the current P&C RBC Formula and if updates need to be made to eliminate inconsistencies in the formula, evaluate if risks should be added and correct ways where the formula may not be working as intended or need to be modified. Discussions remain ongoing.

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

The Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group (Investment RBC) discussed the need to adjust the current factors on an interim basis related to residual tranches of collateralized loan obligations to 45% as the current factor is outdated and therefore not considered appropriate in the present day. Interested Parties commented that a more detailed quantitative analysis should be performed before an interim factor is determined. Discussions remain ongoing.

Reinsurance (E) Task Force

The Reinsurance (E) Task Force continued its discussion of the Uniform Checklist for Reciprocal Jurisdiction Reinsurers, completed its reviews of certified reinsurers and reciprocal jurisdiction reinsurers and received an update on the states' implementation of the 2019 revisions to the Credit for Reinsurance Model Law (#785), the Credit for Reinsurance Model Regulation (#786), and the implementation of the Term and Universal Life Insurance Reserve Financing Model Regulation (#787).

Valuation of Securities (E) Task Force

The Valuation of Securities (E) Task Force (VOS) re-exposed changes to the P&P Manual to add instructions for investments with and notes issued by trusts, limited liability partnerships, limited liability companies and special purpose vehicles that operate as feeder funds and defined as structured equity and funds by the NAIC. The Securities Valuation Office (SVO) is concerned about structured equity and funds as these types of investments have the ability to circumvent some of the regulatory guidance issued by VOS. These investments have been able to qualify as bonds under current regulatory definitions due to some of these investments legal form while ignoring the actual substance of the investment. It is possible that many of these types of investments will not qualify for Schedule D-1 reporting as bonds under the new principles-based bond definition. VOS proposed modifying the P&P Manual instructions to exclude these types of investments from filing exempt eligibility. Discussions remain ongoing.

VOS discussed the goals for the collateralized loan obligation modeling project with the ultimate goal of resolving any technical and modeling issues for collateralized loan obligations with Interested Parties. Discussions remain ongoing.

VOS discussed the List of Qualified U.S. Financial Institutions (the List) that is a list of financial institutions eligible to issue letters of credit under the Credit for Reinsurance Model Law (#785). As a result of recent U.S. bank failures in the first quarter of 2023, VOS proposed an amendment to the List that if a financial institution on the List is closed by and/or placed in receivership or conservatorship, or notice is given of such action, by its primary regulator, the SVO will remove the name of the financial institution from the List. This may result in the SVO being unable to provide Notice of Credit Deterioration. Discussions remain ongoing.

Financial Conditions (E) Committee

The Financial Conditions (E) Committee adopted the SVO's modeling of collateralized loan obligations for NAIC designations. The Structured Securities Group (SSG) is assigned the of financially modeling collateralized loan obligations. The intent is to have the new modeling effective January 1, 2024, with the first reporting model effective within the fiscal year end 2024 financial statements. Discussions remain ongoing.

Big Data and Artificial Intelligence (H) Working Group

Home Artificial Intelligence (AI)/Machine Learning (ML) Survey
An update was provided relating to the Home Artificial Intelligence (AI)/Machine Learning (ML) Survey that was conducted in 2022, with the survey due on December 15, 2022. The survey closed on March 24, 2023. The objective of the survey was to gain a better understanding of the use of AI and ML and the governance around the tools and data for homeowners insurance line of business. The information gathered may inform the development of guidance or potential regulatory framework to support the industry in use of AI and ML. Survey was conducted in 10 states with carriers of $50 million in national home insurance premium for 2020. Total of 194 companies were surveyed. The survey results will be shared at the summer meeting.

Life Insurance Artificial Intelligence (AI)/Machine Learning (ML) Survey
An update was provided relating to the status of the Life Insurance Artificial Intelligence (AI)/Machine Learning (ML) Survey. Similar to the PPA and the Home surveys, the objective of the survey is to gain a better understanding of the use of AI and ML and the governance around the tools and data for homeowners insurance line of business. The information gathered may inform the development of guidance or potential regulatory framework to support the industry in use of AI and ML. The survey will focus on the following operational areas, pricing and underwriting, marketing, and loss prevention. Survey will be conducted in 14 states with carriers of $250 million of premium on all individual insurance policies for 2021, a term writer that issued on more than 10,000 lives or specifically selected Insurtech companies. A formal call letter will go out to 192 companies. The draft survey was circulated on November 10, 2022, for a 30-day public comment period. Comments were received from American Council of Life Insurers (ACLI) and the Center of Economic Justice (CEJ). The 14 states sending the survey reviewed the comments for possible revisions to the survey. An informational letter regarding the survey is scheduled to be distributed by the end of March. A formal examination call letter will be issued at the end of April and survey responses will be due end of May.

Proposed Model and Data Regulatory Questions
The draft of the Model and Data Regulatory Questions and related public comments received was discussed. The draft is a document that is proposed to assist regulators with asking the correct questions as it relates to data and models being utilized within a carrier. The proposed draft breaks down the questions dependent on who creates the models and further breaks down between Main General Questions and Detailed and Technical Questions. The examiner does not have to use this guide, but it will assist in gaining a better understanding when models are being used. The draft was exposed with a 62-day comment period, ending in January. The Working Group provided a high-level summary of the comments that were received. Interested parties took some time to discuss comments they provided to the Working Group. The Working Group is going re-visit the initial draft of the Model and Data Regulatory Questions with considerations of the comments received. A revised draft will be circulated to the Working Group by the end of May.

Health and Innovations (B) Working Group

The Working Group had several presenters that presented on the Essential Health Benefits (EHB) and states benchmark plans. Kate Harris, Colorado Division of Insurance, shared the experience that Colorado had as they recently updated their benchmark plan. The process started in Fall of 2020 with several town halls in which all of the communities were invited. The updated benchmark plan went live in January 2023. The last update to the previous plan was in 2017. The collaboration of all stakeholders was inclusive of community, payers and insurers was very effective in making necessary change to the plan. Extensive, complex actuarial studies were completed to effectively determine the increase required per member per month. The plan is effective and well received in the state of Colorado. Other interested parties also shared their thoughts and reasoning for additional states to consider updating their EHB plans. As of date, only 7 states have updated their benchmark plans. There is a need in all communities for this review and potential change in all states.

Additional topics were shared for opportunity for discussion at future meetings, such as adjustments to the premium load attributable to cost sharing reductions and increase in telehealth services.

Anti-Fraud Technology (D) Working Group

The Improper Marketing of Health Insurance Group provided an update. This group will continue to meet once a month and is focused on reviewing the existing NAIC models and guidelines that address the use of lead generators of sales of health insurance products and identify models and guidelines that need to be updated or developed. Theta so will continue to work to finalize the review of the Unfair Trade Practice Act (#880).

The Task Force provided an update on the Online Fraud Reporting System (OFRS) redesign. The redesign is completed, and the implementation process will include collaboration with the National Insurance Crime Bureau (NICB) and the National Care Anti-Fraud Association (NHCAA), and state vendors.

Climate and Resiliency (EX) Task Force

The Task Force continues to research and educate on Climate Scenario Analysis. There is a need to continue to be educated to gain full understanding of the tools utilized in analysis, the data utilized in the analysis and the impact to insurers and insureds. The complexity and the impact of climate scenario analysis creates an environment of required understanding that the Task Force recognizes and intends to further seek. Areas of focus include potential survey to insureds to gain an understanding if this is currently being utilized and how, a public meeting to provide education to regulators and others from international jurisdictions and other industry experts on how climate stress testing and used and the related approach, and other opportunities.

The Task Force heard from Canadian Representatives related to Flood Risk.
Public Safety Canada (PSC) presented its report as it related to Canadian flood risk and proposed insurance solutions. The PSC provided the Task Force with their paper “Adapting to Rising Flood Risk: An analysis of Insurance Solutions for Canada.” Included within this paper were four market obstacles including, uncertainty, market penetration, affordability and moral hazard and recommendations to combat those obstacles.

The Canadian Council of Insurance Regulators (CCIR) provided a presentation on consumer protection gaps, specifically as it relates to flood risk in Canada. The presentation provided the need for better education to the consumer specifically as it relates to flood risk in their homeowner’s policy.

International Update
The Task Force received an international update. The international Association of Insurance Supervisors (IAIS) held public consultations on an approach to address climate risk. They have a paper coming out that would some additional supporting materials as it relates to the core principles including, corporate governance, risk management, scenario analysis and modeling.

The Global Insurance Market Report will collect annual data on climate risk and insurance.

There is a focus on the affordability on the transition to net-zero carbon with a focus on how to close the gap.

Federal Update
The National Flood Insurance Program (NFIP) expires September 30, 2023. The US Congress held a hearing on encouraging greater flood insurance coverage in America.

The SEC climate risk disclosure rule is expected to be finalized in the next few months.

The executive's branch budget proposal contains funding for investment in clean energy and community resilience to natural disasters.

The NAIC continues to support the Disaster Mitigation and Tax Parity Act.

Other Items
There was an update provided on the US Data Call on Flood Insurance. The data is due on April 1, 2023, for 2022 data. There is an expected overall increase in flood coverage, but there is a still a long way to go.

Special (EX) Committee on Race and Insurance

The Task Force received an update from all the Workstreams as follows:

Property and Casualty Workstream – As of date of the meeting, there have not been any public meetings held in 2023. The Workstream is going to continue to collaborate with other Workstreams and Task Force with a focus on unfair discrimination, potential bias, marketing, access to coverage, underwriting, marketing and advertising to minority communities. There will be a continued engagement with the industry around these topics as they continue collaboration in the future.

Life Workstream – The focus for this Workstream is how to continue expand coverage with education to diverse communities. The Workstream recognizes the lack of coverage and related education to diverse communities as it relates to life insurance and will work towards making this change.

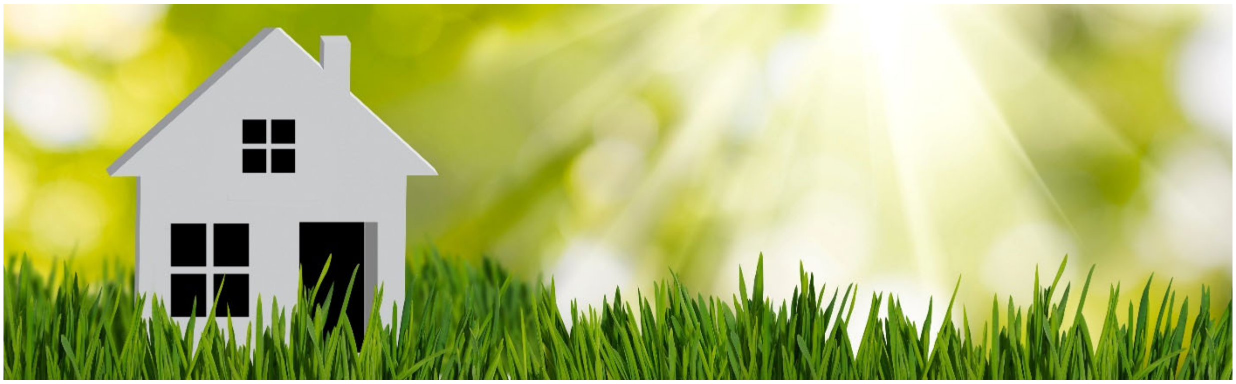
Health Workstream – The goal of Workstream is to identify barriers to access health insurance for disadvantaged or diverse consumers. The Workstream will focus on the following:

- More inclusive networks - provide better care and relative cost consideration
- Provide tools to regulators to gain better understanding of barriers of care
- Identify underserved communicates – who is not insured and why?
- Establish SharePoint site to provide support for regulators
- Provide education to consumers on benefit design
- Explore benchmark plans and those states that are making changes
- Work with other committees to begin to work on a survey on AI use for Health Insurance

NAIC had the opportunity to express their work that has been done and continuing to be done around DEI. They have created a DEI regulator course. The course was piloted in February 2023 and is available for use to all regulators. The course will take 30 days to complete with a focus on three units as follows:

- Understanding DEI
- Cultural Proficiency
- DEI in the workplace

Life Insurance and Annuities (A) Committee



The Task Force adopted the February 24, 2023, meeting minutes, which included the adoption of:

- Revisions to Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold on or After December 14, 2020 (AG 49A).
- Actuarial Guideline LIV—Nonforfeiture Requirements for Index-Linked Variable Annuity products (AG 54).

The Task Force adopted the Accelerated Underwriting (A) Working Group, including its February 22, 2023, minutes, which included the action on the following:

- Exposed the draft regulatory guidance for accelerated underwriting (AU) in life insurance for a 45-day public comment period ending April 15.
- Exposed the draft referral to the Market Conduct Examination Guidelines (D) Working Group for a 30-day public comment period ending March 24.

The American Council of Life Insurers (ACLI) shared a presentation on the current state of life insurance. The focus of the presentation was history of life insurance as it relates to benefits paid out and observations of consumers with coverage. The message of presentation was supporting that there are several families still uninsured, the % of covered is increasing.

The Society of Actuaries (SOA) provided a presentation on morbidity rates and trends. The analysis was supporting the past three years compared to previous trends, noting that there is and continues to be an increase in mortality with a focus on cause of death relative to chronic illnesses. The lack of awareness of chronic illness as a result in delay of medical treatment during 2020 and partially 2021 has a resulted in increase in mortality.

Property and Casualty Insurance (C) Committee

An update was provided from all Task Force, with adoptions of reports.

The Surplus Lines Task Force provided an update on Nonadmitted Insurance Model Act #870. The revisions to the Nonadmitted Insurance Model Act #870 were adopted. The amendment included a drafting note within Section 5D. Model #870 was modernized to align with the federal Nonadmitted and Reinsurance Reform Act (NRRA) of 2010.

The Committee heard from interested parties, National Association of Mutual Insurers (NAMIC) and Nonprofits Insurance Alliance (NIA), on availability and affordability of insurance coverage for nonprofit organizations. Both parties provided opposing thoughts and considerations on the topic.

The committee discussed its charge as it related to developing marketing intelligence data so state insurance regulators can better assess their markets. Representatives from Florida, Missouri and the NAIC spoke to their experience in data calls and uses of the data collected and how it helped the state regulators to meet regulatory goals.

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