



## CROSS-PRACTICE ISSUES

Alert No. 2017-CP-27

December 8, 2017

### Academy Presents on Long-Term Care, PBR and Professionalism Activities at NAIC Fall National Meeting

The Academy presented on both public policy and professionalism matters at the National Association of Insurance Commissioners (NAIC) Fall 2017 National Meeting Dec. 2-4 in Honolulu, HI. A wide range of public policy topics across the Academy's practice areas were covered at the meeting, including: principle-based reserving for life insurance and other products, developments in health care reform, Long-Term Care Insurance (LTCI), and the qualified actuary initiative.

Academy representatives also made several professionalism presentations at the meeting. Past President Mary D. Miller and Actuarial Board for Counseling and Discipline (ABCD) member Janet Carstens presented professionalism updates to the Life and the Health Actuarial Task Forces (LATF and HATF) and the Casualty Actuarial and Statistical Task Force (CASTF). The presenters also updated regulators on recent developments in professionalism at a regulator-only professionalism breakfast sponsored by the Academy on Dec. 3 with Actuarial Standards Board (ASB) Chairperson Maryellen Coggins participating via conference call.

Presentations and reports made by Academy representatives at the meeting included:

#### Casualty

- Kevin Ryan, Academy senior property casualty fellow, presented an update on the activities of the Casualty Practice Council (CPC) and the Committee on Property and Liability Financial Reporting (COPLFR) to the CASTF, including a report on the sold-out opinion writers' seminar in December and a related webinar in January, as well as CPC near-term planned projects, such as a travel insurance monograph and a catastrophe modeling white paper.

#### Health

- John Schubert, member of the Health Practice Council, gave an update to HATF on the Academy's recent [public policy](#) work at the federal, state, and international levels.
- Warren Jones, chairperson of the LTC Valuations Work Group, gave an update on the Academy's recent long-term care activities to HATF, including continuing work on LTC issue briefs as well as updates on work group activities surrounding LTC Valuations and LTC Combo Valuations.

## Life

- Mary Bahna-Nolan, chairperson of the Academy's Life Experience Committee and the SOA Preferred Mortality Project Oversight Group gave a [presentation](#) to LATF on recommended changes related to guaranteed issue (GI) tables, and exposed simplified issue (SI) exposed tables and report. She also [presented](#) to LATF on developing accelerated underwriting techniques.
- Dave Neve, Chairperson of the Academy's Life Practice Council, presented to LATF a preliminary summary on the aggregation of mortality segments in VM-20.
- Arnold Dicke, Chairperson of the Role of the Actuary Subgroup, [presented](#) via teleconference an update to LATF on the development of the definition of “qualified actuary” in the valuation manual and standard valuation law to LATF.
- Donna Claire, Chairperson of the PBR Governance Subgroup, [presented](#) an update to LATF on the Academy's efforts on PBR implementation.

Other highlights from the NAIC meeting:

## Casualty

- CASTF:
  - heard reports on the status of the NAIC's Appointed Actuary Job Analysis Project and on the charge regarding development of an Appointed Actuary Attestation of Qualification.
  - adopted the report of the Actuarial Opinion (C) Working Group, including its adoption of the 2017 [Regulatory Guidance on Property and Casualty Statutory Statements of Opinion](#). (pp. 19-32)
- The Executive (EX) Committee and Plenary adopted the [Catastrophic Event/Emergency Measures Regulatory Guidelines](#). (p. 109)
- The Big Data (EX) Working Group decided to survey state insurance departments to collect information on whether states have specific prohibitions regarding the use of certain data elements used in underwriting and rating automobile and homeowners insurance. The working group will receive additional comments on regulatory issues tied to insurers' use of consumer data until Jan. 12, 2018.

## Cross-Practice

- The Executive (EX) Committee and Plenary adopted 2014 [revisions](#) to the *Annual Financial Reporting Model Regulation* (#205) as an addition to the Part A Accreditation Standards, to be effective Jan. 1, 2020.
- The Financial Regulation Standards and Accreditation (F) Committee:
  - adopted the [Corporate Governance Annual Disclosure Model Act \(#305\)](#) and the [Corporate Governance Annual Disclosure Model Regulation \(#306\)](#), effective Jan. 1, 2020. The models require insurers to provide annual confidential disclosures regarding corporate governance practices to lead state and/or domestic regulators.
  - discussed the 2014 revisions to the [Insurance Holding Company System Regulatory Act \(#440\)](#) as an update to the Part A: Holding Company Systems accreditation standard, and voted to defer action until a later time.

- The Financial Stability (EX) Task Force:
  - [exposed](#) the Liquidity Assessment (EX) Subgroup’s Baseline Blanks Proposal and Note Blanks Proposal for a 45-day comment period ending Jan. 16, 2018.
  - received a status report on the Liquidity Assessment (EX) Subgroup’s work to develop a liquidity stress testing framework for large life insurers
  - adopted a [referral letter](#) to the Receivership and Insolvency (E) Task Force “requesting consideration for aspects of the state insurance regulatory recovery and resolution regime that could be further enhanced.”
- The Reinsurance (E) Task Force discussed the NAIC process regarding the Bilateral Agreement between the U.S. and the European Union (known as the “Covered Agreement”). NAIC will hold a public hearing on February 20 (in New York City or Washington, DC) specifically focused on reinsurance matters related to the Covered Agreement. There will be a request for written comments on how states should approach the covered agreement and whether or not the NAIC should develop a modified jurisdiction process.
- The Financial Condition (E) Committee:
  - [approved](#) the regulatory objective of a technical project from the Valuation of Securities (E) Task Force. The project requires changes to NAIC systems as it relates to certain types of securities. (p. 51)
  - adopted [proposed changes](#) to the *Life and Health Insurance Guaranty Association Model Act* (#520). Among other things, the changes: a) expand the long-term care (LTC) assessment base; b) clarify that the “Moody’s Limitation” is not intended to apply to LTC benefits; c) clarify that the guaranty associations have the authority to file for premium rate increases. (pp. 55-108)

## **Health**

- HATF heard an update from the Federal Center for Consumer Information and Insurance Oversight (CCIIO) on the 2019 Notice and Benefit and Payment Parameters, as well as the 2019 Draft Letter to Issuers in the Federally-facilitated Exchanges.
- The Regulatory Framework (B) Task Force:
  - discussed a list of NAIC models affected by the Affordable Care Act (ACA) and requested comments from state insurance regulators and interested parties on the models that the task force should review.
  - [adopted](#) the revisions to the Health Carrier Prescription Drug Benefit Management Model Act (#22). (pp. 101-144)
  - adopted a motion to archive federal ACA model language templates, which were adopted in 2010 and reflected provisions of the ACA that were effective March 23, 2010:
    - Model Language for Choice of Health Care Professional (#930-A);
    - Model Language for Dependent Coverage for Individuals to Age of 26 (#930-B);
    - Model Language for Lifetime and Annual Limits (#930-C);
    - Model Language for Preventive Services (#930-D);
    - Model Language for Prohibition on Preexisting Condition Exclusions for Individuals Under the Age of 19 (#930-E); and
    - Model Language for Prohibition on Rescissions of Coverage (#930-F).

- The Health Insurance and Managed Care (B) Committee:
  - discussed the Trump administration’s Executive Order on short-term health plans and association health plans (AHPs), as well as its potential impact on individual market stability, including a conversation on the effectiveness of the individual mandate and possible ways to address the lack of a mandate (i.e., continuous coverage).
  - adopted the [revisions](#) to the Health Carrier Prescription Drug Benefit Management Model Act (#22). (pp. 101-144)
- The Senior Issues (B) Task Force:
  - adopted the actuarial analysis [report](#) of the Long-Term Care Actuarial (B) Working Group and the Long-Term Care Pricing (B) Subgroup on the Interstate Insurance Product Regulation Commission (IIPRC) referral: whether Model #641 may need revisions to facilitate a uniform interpretation and/or to clarify the scope and intent of Section 6B(6), a provision for a limitation or exclusion for “expenses for services or items available or paid under another long-term care insurance or health insurance policy.” (pp. 23-24)
  - adopted a motion to refer to the Long-Term Care Innovation (B) Subgroup the recommended response to the IIPRC referral contained in the actuarial analysis report: that the sale of any additional policies containing non-duplication of benefit provision (NDBP) language should never result in the total amount of coverage under all policies issued to the individual to exceed the highest level of coverage (daily, monthly, lifetime) approved for sale on currently approved policy forms, since such rates and benefit levels never received approval.

## **Life**

- The Executive (EX) Committee and Plenary adopted the [2018 Generally Recognized Expense Tables](#) (GRET). (pp. 97-104)
- LATF:
  - adopted:
    - amendment proposal form (APF) [2017-57](#), which would improve the VM-20 language defining the permitted values of starting assets.
    - the Longevity Risk (A/E) Subgroup [report](#), including its discussion of the work of the Academy’s Longevity Risk Task Force. (pp. 127-129)
    - the report of the C-3 Phase II/AG 43 (E/A) Subgroup, which is awaiting the results of the Oliver Wyman variable annuity Quantitative Impact Study.
  - agreed to accept APF [2017-80](#), which proposes to replace the acronym “UCS” with references to the “relative risk tool.”
  - re-exposed amendment proposal form (APF) [2017-70](#), which would clarify the treatment of riders for the model reserve and the treatment of term riders when valued separately from the base policy, with a comment deadline of Jan. 15, 2018.
  - exposed:
    - APF [2017-47](#), which would clarify the definitions of “deterministic reserve” and “stochastic reserve,” with a comment deadline of Jan. 15, 2018.

- APF [2017-78](#), which replaces the references to “states” with references to “jurisdictions,” for a 45-day public comment period ending Jan. 15, 2018.
- APF [2017-73](#), which would clarify a requirement for the grouping of assets, with a comment deadline of Jan. 15, 2018.
- APF [2017-76](#), which would clarify various references in VM-51, Experience Reporting Formats, with a comment deadline of Jan. 15, 2018.
- APF [2017-85](#), which would add a guidance note to Section 3.D.11.c of VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Reserve Valuation with respect to implicit margins, with a comment deadline of Jan. 15, 2018.
- APF [2017-77](#), which would smooth the grading from company experience to an industry table, with a comment deadline of Jan. 30, 2018.
- The Principle-Based Reserving Implementation (EX) Task Force adopted:
  - the report of the PBR Review (EX) Working Group, which identified future considerations for financial analysis, financial examination and the annual financial statement blanks.
  - a proposal to disband, along with the PBR Review (EX) Working Group and the PBR Review Procedures (EX) Subgroup. The Life Actuarial (A) Task Force and the Financial Condition (E) Committee will take on and complete any new tasks relating to PBR going forward.
- The Variable Annuities (E) Working Group heard a presentation from the NAIC’s consultant, and exposed until March 2, 2018: a) proposed recommendations from the NAICs consultant; b) proposed changes to Actuarial Guideline XLIII—CARVM for Variable Annuities (AG43); and c) proposed changes to life risk-based capital (RBC). The Academy has registered concerns with the process that the working group is following.
- The Financial Regulation Standards and Accreditation (F) Committee discussed [Model #787](#), *Term and Universal Life Insurance Reserve Financing Model Regulation*, for possible inclusion into the Part A: Laws and Regulations accreditation standard, and voted to defer action until the 2018 Spring National Meeting.

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If you have any questions regarding this ***Academy Alert***, please contact Bill Rapp, assistant director of public policy ([rapp@actuary.org](mailto:rapp@actuary.org); 202-785-6929).

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