

CROSS-PRACTICE ISSUES

Alert No. 2019-CP-5

August 9, 2019

Academy Presents on Public Policy, Professionalism at NAIC Summer 2019 National Meeting

Academy volunteers presented on public policy and professionalism matters at the meetings of the National Association of Insurance Commissioners (NAIC) August 1-6 in New York, NY. Public policy issues addressed at the meeting included, among many others: predictive analytics, life principle-based reserving, long-term care insurance, and international insurance activities.

Academy President Shawna Ackerman, Actuarial Standards Board Chairperson Kathy Riley, and Actuarial Board for Counseling and Discipline member Godfrey Perrott provided updates on professionalism activities to the NAIC's Life Actuarial Task Force (LATF), Health Actuarial Task Force (HATF), and Casualty Actuarial and Statistical Task Force (CASTF). Additionally, the representatives presented at the Academy's regulator-only professionalism breakfast and discussion forum, joined by Tom Campbell, a member of the Academy's Committee on Qualifications, on August 3.

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

Casualty

- Lauren Cavanaugh, Academy board member and chairperson of the Property and Casualty Risk-Based Capital Committee, reviewed the scope letter that her group submitted to the Property and Casualty Risk-Based Capital (E) Working Group, outlining research they will be doing on underwriting risk.
- Kathy Odomirok, chairperson of the Committee on Property and Liability Financial Reporting, gave a presentation to the Statutory Accounting Principles (E) Working Group on the committee's recent comment letter regarding inconsistencies in how loss portfolio transfer is handled in financial reports.
- Senior casualty fellow Rich Gibson gave a presentation to CASTF on recent initiatives by several committees of the Casualty Practice Council, emphasizing the day-long seminar on predictive modeling that the Academy presented at the NAIC's Insurance Summit in June. He also provided a progress report on the Actuaries Climate Risk Index, which is expected to be made public later this year.

Health

- Barbara Klever, chairperson of the Individual and Small Group Markets Committee and a 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, including our recent meetings with various federal agencies and Congressional committees on the topics of long-term care (LTC), social determinants of health, Medigap, surprise billing, and health savings accounts.
- Warren Jones, chairperson of the LTC Combo Valuations Work Group, gave a [presentation](#) to the LTC Actuarial (B) Working Group on the recently exposed [LTC Combination Product Valuation Practice Note](#), which was published to invite comments on providing information to actuaries on current and emerging practices of which their peers are engaged with respect to the considerations in the statutory Generally Accepted Accounting Principles (GAAP) and tax valuation of long-term care combination products. The deadline for members to send comments is Sept. 2.
- Bob Yee, member of the LTC Valuations Work Group, presented an [update](#) to the LTC Actuarial (B) Working Group on the work group's activities, including the proposed factors for the tables, mortality and lapse rates, as well as next steps.

Life

- Chris Conrad, chairperson of the SVL Interest Rate Modernization Work Group, gave an [update](#) on the treatment of valuation interest rates for payout annuities with non-level payments and approaches for adjustment to valuation interest rates for payout annuities.
- Ben Slutsker and John Miller, chairperson and vice-chairperson of the Annuity Reserves Work Group, provided an [update](#) on the proposed timeline and approach for the development of a PBR framework for non-variable annuities.
- Mary Bahna-Nolan, chairperson of the Life Experience Committee, submitted an [amendment proposal form and supplemental comment letter](#), jointly with the Society of Actuaries' (SOA) Accelerated Underwriting Project Oversight Group, proposing a revision to data elements in VM-51 to accommodate and differentiate individual underwriting and allow more robust mortality data for development of Industry Mortality Tables.
- Jason Kehrberg, chairperson of the YRT Field Test Project Oversight Work Group gave an [update](#) on the proposed yearly renewable term field test.
- Donna Claire, chairperson of the PBR Governance Work Group, presented an [update](#) on Academy resources for PBR.
- Len Mangini, chairperson of the Life Reserves Work Group, provided an [update](#) on its projected timeline for deliverables, specifically an amendment proposal form intended for the 2021 Valuation Manual.
- Paul Navratil, chairperson of the Longevity Risk Task Force, provided an [update](#) and correlation recommendation to the Life Risk-Based Capital (E) Working Group.

Other highlights from the NAIC meeting:

Casualty

- The Executive (EX) Committee and Plenary adopted the Market Conduct Annual Statement (MCAS) [Private Flood Data Call & Definitions](#). (Attachment 17)
- CASTF:
 - [adopted](#) a response to the Casualty Actuarial Society (CAS) /SOA Task Force about its proposed Appointed Actuary continuing education Verification Process. (Attachment Four)
 - adopted the [report](#) of the Actuarial Opinion (C) Working Group, which will be completing its annual Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion (Regulatory Guidance) after the actuarial opinion instructions are adopted. (Attachment Two)
 - [exposed](#) two new sections of its white paper on best practices for regulatory review of predictive analytics, with comments due Sept. 16. The volunteer drafters will continue discussion of previously submitted comments to propose changes to the white paper for future public exposure. (Attachment Three)
- The Property and Casualty Insurance (C) Committee:
 - adopted a [white paper](#) titled “Regulatory Guide: Understanding the Market for Cannabis Insurance” intended to provide information to state insurance regulators, insurers, and the public about the cannabis business supply chain, types of insurance needed by the cannabis industry, the availability of cannabis business insurance in state insurance markets, and best practices to encourage insurers to write insurance for the cannabis industry. (Attachment Three)
 - adopted the [“Post-Disaster Claims Guide,”](#) which is intended to be a state insurance regulator resource to provide consumers with information on navigating the claims process following a natural disaster. (Attachment Four)
 - adopted the [Alien Insurers Private Flood Data Collection Form](#). (Attachment Five)
 - adopted an extension for revisions to the proposed Real Property Lender-Placed Insurance Model Act.

Cross-Practice

- The Catastrophe Risk (E) Subgroup heard [presentations](#) from AIR Worldwide and Risk Management Solutions on issues related to aggregate exceedance probability and occurrence exceedance probability curves.
- The Group Capital Calculation (E) Working Group discussed [concerns](#) related to confidentiality protections for the Group Capital Calculation after implementation.
- The Group Solvency Issues (E) Working Group:
 - discussed the International Association of Insurance Supervisors (IAIS) consultation on proposed revisions to Insurance Core Principles (ICP) including revisions to ICP 16 – Enterprise Risk Management for Solvency Purposes.
 - heard an update on recent activities of the IAIS including the status of the Insurance Groups Working Group.
- The Risk Retention Group (E) Task Force:

- exposed [proposed revisions](#) to the NAIC Uniform Risk Retention Group – Notice and Registration form for a 30-day public comment period ending Sept. 6.
- exposed [Frequently Asked Questions](#) (FAQ) and [Best Practices](#) documents for risk retention groups for a 30-day public comment period ending Sept. 6. These are new documents to assist the states with the registration of risk retention groups.
- The International Insurance Relations (G) Committee discussed the IAIS’ 2019 plans, focusing on the holistic framework on systemic risk, the insurance capital standards (ICS) and monitoring period, and the new IAIS strategic plan for 2020-2024.
- The Reinsurance (E) Task Force discussed issues related to implementation of the Covered Agreement and possible preemption issues.
- The Capital Adequacy (E) Task Force:
 - exposed its [2020 proposed charges](#) for a 30-day public comment period ending Sept. 4. (Attachment Six)
 - re-exposed the Risk-based Capital (RBC) [Preamble](#) for a 30-day comment period ending Sept. 4. (Attachment Seven)

Health

- The Executive (Ex) Committee and Plenary adopted:
 - [Amendments](#) to the *Health Maintenance Organization Model Act*. (#430) (Attachment Four)
 - [New Model: Pharmacy Benefit Manager \(PBM\) Model Law](#). (Attachment Five)
 - The [Mental Health Parity Guidance and Data Collection Tool](#) for Mental Health Parity Analysis. (Attachment 18)
- The ERISA (B) Working Group discussed association health plans (AHPs), including state legislative and regulatory activity addressing multiple employer welfare arrangements (MEWAs).
- The Senior Issues (B) Task Force discussed the [letter received](#) by the NAIC from the U.S. House Ways and Means Committee Chairman Richard Neal on possibly expanding long-term services and supports (LTSS) availability in Medicare supplemental insurance (Medigap). The task force then reviewed the draft [response letter](#) to Chairman Neal before forwarding it to the Government Relations Leadership Council.
- The Health Innovations (B) Working Group held a number of discussions, focusing on:
 - prices paid to hospitals by private health plans provided in a study by the RAND Corporation. The research shows that commercial plans pay hospitals more than twice the amount Medicare pays the same hospitals for the same services.
 - state cost-containment initiatives from Manatt Health and the Robert Wood Johnson Foundation (RWJF). Representatives from Manatt Health and the RWJF discussed the rising importance of health care costs and affordability relative to access and the importance of the availability of claims data in assessing costs. Additionally, Manatt Health described cost containment measures in four states, including Washington’s Cascade Care program, New Mexico’s Medicaid buy-in, Rhode Island’s cost growth target and Maryland’s initiative on prescription drug pricing.

- state approaches to health care cost targets. State insurance regulators from Delaware, Massachusetts, Oregon and Rhode Island shared information about cost growth targets their states have established.
 - innovative initiatives from working group member states. Regulators from the State of Washington provided further details on Cascade Care, describing the roles of the state Health Care Authority and Office of the Insurance Commissioner.
- The NAIC/Consumer Liaison Committee heard presentations:
 - on direct enrollment in marketplace coverage that lacks protections for consumers from the Center on Budget and Policy Priorities.
 - on how state insurance regulators can protect consumers shopping for short-term health and other limited benefit products from Dialysis Patient Citizens (DPC).
- The Regulatory Framework (B) Task Force heard a presentation on Montana's work to address the issue of high prescription drug costs. The presentation focused on Montana's Senate Bill 71 and included a discussion of its purpose, provisions and history.
- The Long-Term Care Insurance (EX) Task Force received a progress report on its activities. The task force is charged with developing a consistent national approach for reviewing long-term care insurance rates that result in actuarially appropriate increases being granted by the states in a timely manner, and in ensuring that consumers are offered meaningful options to reduce their benefits when premiums are no longer affordable. The task force identified six workstreams that should be explored further:
 - Multi-State Rate Review Practices, focused on evaluating actuarial rate review methodologies based on those used by Minnesota and Texas, and developing a consistent national approach focused on: expanding the scope of the Interstate Compact, and developing a multi-state examination model.
 - Restructuring Techniques, focused on exploring alternatives for protecting policyholders from guaranty fund caps and the impact of potential inequities resulting from variations in states' rate increase decisions.
 - Reduced Benefit Options and Consumer Notices, focused on how insurance departments review and approve reduced benefit options and associated consumer notices.
 - Valuation of Long-Term Care Insurance Reserves, focused on work performed at the NAIC on actuarial review of insurers' Actuarial Guideline 51 filings.
 - Non-Actuarial Variance among States, focused on understanding the rationale behind factors affecting rate approvals which are not of an actuarial basis, and developing a model set of non-actuarial practices.
 - Data Call Design and Oversight, focused on exploring whether the task force needs additional data to support its work and/or to refine its understanding of the financial impact of different state practices.
- The Health Insurance and Managed Care (B) Committee:
 - Heard an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on recent regulatory activities. The CCIIO discussed the current individual market landscape and steps the administration has taken to continue to improve the individual market by encouraging more competition, state flexibility, new options, and innovation.

- Received a briefing from the NAIC Center for Insurance Policy and Research (CIPR) on its “Rising Health Care Costs: Drivers, Challenges and Solutions” research study. CIPR will be releasing three more installments of the study prior to the Fall National Meeting, which will include topics on the use of big data to reduce health care costs and value-based reimbursement. CIPR officials also discussed potential future projects that might be of interest to the committee, such as reference-pricing.

Life

- The Executive (EX) Committee and Plenary adopted [amendments](#) to the life insurance *Valuation Manual*. (Attachment 11)
- LATF:
 - adopted the [minutes](#) of the IUL Illustration (A) Subgroup, and the subgroup report, which included the discussion of considerations related to further development of *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG 49) to address indexed universal life (IUL) policies with interest rate multipliers. The Subgroup exposed two questions related to the treatment of interest rate multipliers for a 30-day public comment period. (Attachment Nine)
 - adopted [Actuarial Guideline LII—Variable Annuity Early Adoption](#) (AG 52) for early adoption of the VA Framework for year-end 2019. (p. 174)
 - exposed the [SOA recommendation](#) for the 2020 Generally Recognized Expense Tables (GRET) for a 30-day public comment period ending Sept. 1.
 - exposed amendment proposal 2019-56, which provides further revisions to VM-51 data elements, for a 60-day public comment period ending Oct. 1.
 - discussed the “top down” and “bottom up” approaches for the aggregation of mortality segments, and reviewed examples illustrating general principles of acceptable methods. Exposed the examples for a 45-day public comment period.
- The Annuity Suitability (A) Working Group discussed its next steps, which include forming a technical drafting group to develop an initial draft of proposed revisions to Model #275. The Working Group’s goal is to present a draft to the Life Insurance and Annuities (A) Committee for its consideration prior to or at the Fall National Meeting.
- The Life Risk-Based Capital (E) Group adopted the [report](#) of the Variable Annuities Capital and Reserve (E/A) Subgroup, highlighting the adoption of the recommended RBC instruction changes. (Attachment H)

The NAIC will hold its Fall 2019 National Meeting Dec. 7-10 in Austin, TX.

If you have any questions regarding this ***Academy Alert***, please contact Devin Boerm, deputy director of public policy (boerm@actuary.org; 202-785-6929).

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