

CLIENT ALERT

Preview: NAIC 2023 Summer National Meeting

August 10, 2023

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The National Association of Insurance Commissioners (the “NAIC”) will hold its 2023 Summer National Meeting (the “Summer National Meeting”) from August 12-16, 2023. This meeting will be held in a hybrid format, with meetings taking place virtually and in-person in Seattle, Washington. A group of Willkie attorneys will attend the Summer National Meeting in person to follow the key topics listed below, among others. A link to the full agenda for this meeting is available [here](#). Please contact any of the attorneys listed below if you would like to discuss these or other topics before or after the Summer National Meeting.

1. **The Financial Condition (E) Committee** will receive updates from its task forces and working groups, including the following:
 - **The Statutory Accounting Principles (E) Working Group (SAPWG)** will hear comments on previously exposed items, notably including 2022-19: Negative IMR (INT 23-01T) regarding negative interest maintenance reserve (IMR). As we reported [here](#), INT 23-01T is intended as a short-term solution to the SAWPG’s ongoing efforts to establish statutory accounting guidance specific to net negative IMR. As currently drafted, INT 23-01T would expire automatically on January 1, 2026 and, if implemented, would be subject to future amendment or replacement by the SAPWG as the group continues to consider a permanent solution to the net negative IMR issue. Because INT 23-01T overrides existing statutory accounting guidance, it will require a two-thirds supermajority vote by the SAPWG to be implemented.

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The SAPWG will also hear comments on exposure draft 2019-21: Proposed Bond Definition, which relates to the NAIC's ongoing work on updating the bond definition and 2022-11: Collateral for Loans, which would clarify that invested assets pledged as collateral for admitted collateral loans must qualify as admitted invested assets.

- **Joint Meeting of the Financial Stability (E) Task Force & the Macroprudential (E) Working Group:** In a joint session, we expect the Financial Stability (E) Task Force and the Macroprudential (E) Working Group to hear updates related to the Financial Stability Oversight Council's (FSOC) proposed changes to how it designates non-bank financial companies as systemically important financial institutions, which were exposed for public comment until July 27, 2023; receive an update on the Macroprudential (E) Working Group, and hear an international update.
- **The Risk-Focused Surveillance (E) Working Group** will discuss further updates to proposed changes to the NAIC's Financial Analysis Handbook and the Financial Condition Examiners Handbook that provide guidance on transactions and service agreements with affiliates. The current draft of the revisions is available [here](#).
- **The Catastrophe Risk (E) Subgroup of the Capital Adequacy (E) Task Force** will discuss impact analysis on wildfire and discuss the flood insurance market.
- **The Receivership And Insolvency (E) Task Force** will discuss a draft overview of the U.S. receivership regime for use by lead states in resolution plans and will hear updates on federal and international resolution activities.
- **The Valuation Of Securities (E) Task Force** will discuss comments to and consider adoption of a proposed *Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual)* amendment to update the definition of an NAIC Designation, discuss comments and consider adoption of a P&P Manual amendment authorizing the procedures for the Securities Valuation Office's (SVO's) discretion over NAIC Designations assigned through the Filing Exemption (FE) Process, and will hear staff reports on the proposed collateralized loan obligation (CLO) modeling methodology and the CLO Ad Hoc Working Group.

The (E) Committee will also discuss potential updates to the regulatory framework for insurer investments that would modernize “the role and capabilities of the [Securities Valuation Office] in a way that correlates with the observed shift towards more complex and asset intensive insurer business strategies.” This initiative is responsive to the various NAIC workstreams that are addressing a “material, observable shift in insurer investment strategies.”

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2. **The Innovation, Cybersecurity, and Technology (H) Committee** will discuss committee-level projects, including the Model Bulletin. In addition:
 - **The Big Data and Artificial Intelligence (H) Working Group** will receive a report on the Homeowners AI/Machine Learning (ML) Survey; receive an update on the Life AI/ML Survey and receive updates on other projects.
 - **The Privacy Protections (H) Working Group** will receive comments on the revised exposure draft of the *Insurance Consumer Privacy Protection Model Law (#674)* with changes incorporated from private calls with interested parties, the two-day interim meeting, and open calls following the interim meeting, and discuss the next steps of its work plan for the Model Law project.
3. **The Financial Regulation Standards And Accreditation (F) Committee** will consider the adoption of revisions drafted in response to a referral from the Financial Condition (E) Committee recommending that the 2020 revisions to the *Insurance Holding Company System Regulatory Act (#440)* and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)*, which are related to the group capital calculation (GCC) and the liquidity stress test (LST), be included as an update to the accreditation standards.
4. **The Executive (EX) Committee** will receive progress reports regarding work on NAIC models currently under development. During a joint meeting of the Executive (EX) Committee and Plenary, progress reports will be provided on the states' implementation efforts on NAIC-adopted model laws, regulations, and/or amendments, and the committee will consider adoption of amendments to the Valuation Manual and revisions to the *Nonadmitted Insurance Model Act (#870)*. In addition:
 - **The Climate and Resiliency (EX) Task Force** will hear a presentation on inclusive insurance; receive an update from its Solvency Workstream; and hear a presentation on rising sea levels.
 - **The Special (EX) Committee on Race and Insurance** will hear reports on its current workstreams and an update on industry diversity efforts.
5. **The International Insurance Relations (G) Committee** will discuss the progress of initiatives underway at the International Association of Insurance Supervisors ("IAIS"), such as the IAIS' work related to the comparability of the global insurance capital standard (ICS) and the aggregation method (AM) and the management of emerging risks in the insurance sector. The (G) Committee will also hear updates on the work of other international organizations, such as the Sustainable Insurance Forum.

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6. **The Life Insurance And Annuities (A) Committee's** Actuarial Task Force will discuss findings from state insurance regulator reviews of company *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves (AG 53)*.
7. **The Property And Casualty Insurance (C) Committee** will hear a presentation on issues related to the use of telematics in auto insurance and consider adoption of revisions to the *Understanding the Market for Cannabis Insurance 2.0* white paper. In addition:
 - **The Catastrophe Insurance (C) Working Group** and the **NAIC/Federal Emergency Management Agency (FEMA) (C) Advisory Group** will meet in joint session to discuss progress made on updates to the *Catastrophe Modeling Primer*.

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If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

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