

NAIC REGULATORY UPDATE

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NAIC Hot Topics

The Capital Adequacy Task Force heard a report on a trend test for the Health RBC formula.....see [page 1](#)

The Blanks Working Group adopted nineteen Blanks proposal as final for 2007 year-end and 2008 first quarter reporting.....see [page 2](#)

The Statutory Accounting Principles Working Group exposed for comment SSAP No. 97 – Investments in SCA, a replacement of SSAP No. 88.....see [page 3](#)

The Emerging Accounting Issues Working Group adopted three new Interpretations.....see [page 5](#)

The Valuation of Securities Task Force added language to the Purposes and Procedures Manual regarding defaulted securities.....see [page 6](#)

The NAIC/AICPA Working Group reported on its survey of states regarding the adoption of the Model Audit Rule by the states...see [page 7](#)

The Risk Assessment Working Group adopted a process to maintain and update the risk-focused examination process.....see [page 8](#)

The Financial Examiners Handbook Technical Group addressed a number of issues affecting the Examiners Handbook.....see [page 9](#)

This quarterly issue of the *NAIC Regulatory Update* summarizes the National Association of Insurance Commissioners' financial activities affecting health entities at the 2007 Summer National Meeting. The meeting took place June 2—5 in San Francisco.

Financial Regulation—Risk-Based Capital

The **Capital Adequacy Task** addressed the Risk-Based Capital (RBC) charge for “vision care products” in the various RBC formulas. The Life RBC formula incorporates Vision into the “Dental” line of business whereas the Health formula includes Vision as part of the “Other” line of business. The “Dental” line of business has a 12% factor with a managed care discount and the “Other” line of business has a higher factor of 13% without a managed care discount. The **Task Force** asked the **Health RBC Working Group** to address the inconsistency and determine which formula should be changed.

The **Task Force** exposed for a two week comment period a proposed revision to the Health RBC instruction on the premium stabilization reserve credit in the Underwriting Risk Section of the formula. The revision will specifically exclude the Medicare Part D risk corridor liability that is now reported in the Health statement on page 3, line 4 as part of Policy Reserves. Currently this amount is reported in the Premium Stabilization Reserve credit in the Underwriting Risk Section.

The **Task Force** also distributed the 2006 RBC results:

Annual Statement Year Ending As of December 2006 and 2005, Respectively						
	Health		Life		P&C	
	12/31/06	12/31/05	12/31/06	12/31/05	12/31/06	12/31/05
Companies that have an RBC loaded	789	747	926	964	2,590	2,547
Companies with action levels:	30	24	12	11	76	86
Percentage of total RBC's loaded	3.8%	3.2%	1.3%	1.1%	2.9%	3.48%
Trigger Trend Test	NA	NA	1	5	21*	23*
Company Action Level	8	10	4	4	24	28
Regulatory Action Level	9	5	3	2	15	17
Authorized Control Level	6	1	2	0	5	6
Mandatory Control Level	7	8	2	0	32	35

The **Health Risk-Based Capital Working Group** gave a report to the **Task Force** on a conference call it held on May 3. The Working Group discussed the ongoing development of a trend test for the Health RBC formula. The Working Group has directed the American Academy of Actuaries (AAA) to evaluate past trends where insurers demonstrated a decrease in their RBC ratio from one year to the next and also had a high combined ratio (medical plus administrative expense ratio). The Working Group also asked the AAA to include in the analysis companies that had a surplus or capital infusion to avoid an RBC action level.

Financial Regulation—Risk Based Capital, *Continued*

The **Working Group** also discussed Medicare Part D. The structure of Medicare Part D is changing for 2008 with higher risk corridor size which will increase the size of risk companies will assume. Since there is only one year of data on Medicare Part D, the Working Group decided to delay making any changes to the formula until further experience is captured.

The **Hybrid RBC Working Group** heard a presentation from the AAA on its tentative observations and recommendations regarding hybrid securities and their impact on the RBC formulas. The AAA believes that hybrids are similar to preferred equity, versus debt or common equity. They are recommending that the RBC risk factor for hybrids be based on the same factors as used for preferred stock. In addition the AAA recommends that the short-term RBC solution involving “notching” be reversed since they believe it is not needed. A final recommendation will be presented to the Working Group at the Fall 2007 National meeting.

Financial Reporting

The **Blanks Working Group** adopted 19 blank proposals affecting the 2007/2008 Life, Property/Casualty, and Health Blank forms and instructions. Ten of the changes have an implementation date of year-end 2007 and nine have a first quarter 2008 effective date. The Working Group also exposed 11 items for comment until August 30th.

The **Working Group** referred the proposal of premium allocation guidance in Schedule T back to the Schedule T Subgroup to address concerns of implementation costs. The Schedule T Subgroup had sponsored a proposal which would require that reporting in Schedule T be based on the residence of the policy owner or of the insured for life insurance, annuity considerations, deposit-type contract funds and other considerations. Another conclusion reached by the Subgroup is that reporting of group insurance on Schedule T should be based on the residence of the covered group member without allocation by dependants.

The **Working Group** adopted the following items affecting the Health statement:

Item	Effective Date
Changed the instructions for reporting Columns 6 and 9 of Schedule T from received to written for reporting consistency on the schedule.	Annual 2007
Deleted Lines 11.1 and 11.2 from the Quarterly General Interrogatories since the disclosure is required in the Notes to Financial Statement No. 13.	1 st Quarter 2008
Deleted the following sentence from Schedule D Part 1. “Amounts from ordinary income are to be reported as investment income and realized capital gains are to be reported as a capital gain or loss.” Modified language in Schedule D Part 4 and Part 5 so it is consistent with Part 1.	1 st Quarter 2008
Replaced the current Column 1 (Is Insurer Licensed) of Schedule T with a new column where the insurer indicates its status in each state or territory.	1 st Quarter 2008
Added the words “NET OF REINSURANCE” below the main heading of the Annual and Quarterly Medicare Part D Supplement and added the words “net of reinsurance” in the instructions.	Annual 2007
Added a new disclosure to Note 14 of the Notes to the Financial Statement for extra contractual obligations.	Annual 2007
Deleted Note 20 – September 11 Events and renumbered the remaining Notes.	Annual 2007
Added new Line 17 to the Accident and Health Policy Experience Exhibit under “B. GROUP BUSINESS” for Medicare and renumbered the remaining lines accordingly.	Annual 2007

Financial Reporting, Continued

Item	Effective Date
Revised columns and rows in Schedule A Verification and Schedule A, Parts 1, 2, and 3 to be consistent with the other investment schedules.	1 st Quarter 2008
Added instruction to Asset page for “Details of Write-ins Aggregate at Line 9 for Invested Assets” to include receivables resulting from the sale of invested assets other than securities.	1 st Quarter 2008
Added instruction to Investment Schedules General Instructions addressing reporting by lot.	1 st Quarter 2008
Moved “Government Affairs” and “Policyholders” Contact Person from the Jurat Page to capture them in electronic format only.	Annual 2007
Deleted the “XXX” in Column 2, Line 16, of Schedule S, Part 6. Added new Line 34 “Funds held under reinsurance treaties with unauthorized reinsurers”, and renumbered the remaining lines accordingly.	Annual 2007
Added opinions and certifications to the Supplemental Exhibits and Schedules Interrogatories. Made the necessary provisions for electronic signatures for these documents to be filed in both hard copy and electronic format.	1 st Quarter 2008

Financial Regulation—Accounting

The **Statutory Accounting Principles Working Group** adopted one new nonsubstantive change to the 2007 *Accounting Practices and Procedures Manual* during its public hearing.

I. Ref No. 2005-17: Move INT 03-17 Disclosure to SSAP No. 55

The item addresses additional disclosure for claims related extra contractual obligations and bad faith losses stemming from lawsuits. At the 2007 Spring Meeting the item was re-exposed revising the wording to require disclosure only on a direct basis. The disclosure was also moved to a separate paragraph of SSAP No. 55. A related Blanks Working Group proposal was also modified to be consistent with the changes in the disclosure requirement.

At this meeting the **Working Group** took on the issue of whether the reporting requirements will apply to health entities. Interested Parties recommended that the disclosure either be removed from the scope of the proposed change, or develop a definition of “extra-contractual” that would identify the specific types of claims and awards that are to be included under the reporting proposal of these coverages for health entities.

The Working Group adopted Ref No. 2005-17 with the amendment to modify the blanks proposal to be consistent with the revised conclusions.

The **Working Group** rejected items 2007-01 and 2007-02 as not applicable to statutory accounting.

During the regular meeting the **Working Group** exposed for comment a number of items. In particular impact to health entities the following items were exposed for comment as nonsubstantive changes. The comment deadline is August 7, 2007 except for SSAP No. 97 where comments are due July 27, 2007.

I. SSAP No. 97: Investments in SCA, A Replacement of SSAP No. 88

The **Working Group** decided to discontinue work on “Ref No. 2006-17 SSAP No.88 Implementation Guide” and replace SSAP No. 88 with a new SSAP. SSAP No. 97 is expected to be adopted on or before the 2007 NAIC Winter National Meeting, with an effective date of December 31, 2007.

Financial Regulation—Accounting, Continued

The changes to SSAP No. 88 included in SSAP No. 97 are summarized as:

- Paragraph 8 adds new language for the audit requirement for non-U.S. insurance companies. An insurer will be able to comply with the requirement for audited US GAAP by obtaining a "foreign GAAP basis audit" that includes a footnote reconciliation to US GAAP.
- Paragraph 17 adds new language for the valuation of a downstream holding company.
- Paragraph 18 was completely revised to allow consolidated or combined audits, require audits of all downstream companies unless the SCA meets certain exceptions, and addresses the admissibility of investments in SCA entities.

A "limited exception to the audit requirement for downstream noninsurance holding companies" has been added which would allow the downstream holding companies not to be audited separately when three requirements are met. Immaterial assets of downstream holding company would be nonadmitted.

2. Ref No. 2004-11: Clarification of Treatment of Cash Flows When Valuing Impairments per SSAP No. 43

Item 2004 -11 proposes to amend paragraphs 14 and 16 of SSAP No. 43 - *Loan-Backed and Structured Securities* and require that other-than temporarily impaired loan-backed securities be written down to the discounted (compared to the current guidance of undiscounted) estimated future cash flows.

3. Ref No. 2006-30 FAS 158: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)

Item 2006-30 addresses a number of differences between SAP and GAAP in the accounting for pensions and other postretirement benefits. The primary issue addresses how FAS 158 requires full recognition of pension liabilities on the balance sheet and whether that change to GAAP should be addressed for SAP. Currently statutory accounting does not follow GAAP accounting guidance for FAS 158 and many believe that the statutory accounting guidance that excludes "nonvested employees" when accounting for pensions and other postretirement benefits should be eliminated.

In addition, several regulators believe that SAP for pensions should not be less conservative than GAAP. NAIC Staff was directed to draft an Issue Paper to address FAS 158 with the intent to review at the Fall National Meeting.

4. Ref No. 2007-06: Quarterly Disclosure of Note No. 25

SSAP No. 55 - *Unpaid Claims, Losses and Loss Adjustment Expenses*, paragraphs 14 and 14.d. currently require the annual disclosure of the reasons for favorable or unfavorable loss and loss adjustment expense development for prior year claims. This disclosure is included in Note 25 of the Annual Statement. The proposal recommends that SSAP No. 25 be modified as well as the Notes to the Financial Statement to:

- Require quarterly disclosure of this reserve information in the event that there is a material change in the amounts reported in the annual filing, and
- Modify the existing illustration to clarify the disclosure.

5. Ref No. 2007-07: Additional Dividend Disclosure Information for SSAP No. 72

Item 2007-07 proposes adding a new disclosure requirement to paragraph 19 of SSAP No. 72 - *Surplus and Quasi-reorganizations*. The additional disclosure would provide the dates and amounts of dividends paid, whether each payment was ordinary or extraordinary, and if timely notice was given or approval obtained, as required by the respective state of domicile.

Financial Regulation—Accounting, Continued**6. Ref No. 2007-09: Revision of SSAP No. 26 Investment Categories**

Item 2007-09 proposes to revise SSAP No. 26 – *Bonds, Excluding Loan-Backed and Structured Securities* and SSAP No. 43 - *Loan-Backed and Structured Securities* to conform to a proposed revision of the investment category in the annual statement. The categories of Public Utilities, and Banks, Trusts and Insurance Companies” would be deleted and those securities would be included in the “Industrial and Miscellaneous” category.

7. Ref No. 2007-13: SSAP No. 55, Paragraph 13, Subsequent Events

Item 2007-13 proposes revising paragraph 13 of SSAP 55 - *Unpaid Losses*, to clarify that additional information obtained subsequent to the filing of the annual statement, which is not the result of an error in the estimation process, should not require an adjustment to the audited financial statements. If material, the loss reserve development would be disclosed in a note to the audited financial statements.

8. Ref No. 2007-14: Accounting for Debt Securities Subsequent to an Other Than Temporary Impairment

During the 2006 Winter National Meeting the Emerging Accounting Issues Working Group reached a final consensus position incorporating portions of FAS 115-1 and 124-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (the FSP) paragraphs 6, 7, and 11. The Working Group rejected other concepts found in paragraphs 1-5, 9-10, 12-15, and 19.

The Interpretation did not address paragraph 16 which provides guidance which provides guidance as to whether a reporting entity should consider amortizing/accreting a previous premium/discount once impairment occurs. Consequently the SAP Working Group concluded that statutory guidance should be the same as GAAP and directed NAIC staff to draft an Issue Paper to adopt paragraph 16 with modifications to be consistent with statutory terminology.

The Working Group deferred action on the following agenda items:

1. Ref No. 2006-09: Accounting for the Gain or Loss on Sale of Real Estate included in a Leaseback Transaction

The Working Group deferred action on this issue which would allow gain recognition when cash is received in a sale/leaseback transaction and the gain is segregated in surplus. Interested parties asked that other admitted assets in addition to cash be allowed to be used, but the Working Group opposed any additional revisions to the current draft.

2. Ref No. 2006-18: FIN No. 48 Accounting for Uncertainty in Income Taxes

The Working Group deferred action on this issue to allow time to review an alternative proposal by the industry that requests that the accounting required by FIN 48 be rejected but that certain disclosures are adopted.

3. Ref No. 2006-29: FAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

The Working Group deferred action on this issue until a recommendation is received from the Valuation of Securities Task Force, which has received no comments that insurance entities are issuing these securities. A response from VOS Task Force is expected at the Fall National Meeting.

The *Emerging Accounting Issues Working Group* adopted as final three tentative consensus positions as final Interpretation, those being:

1. **INT 06-14: Reporting of Litigation Costs Incurred for Lines of Business in which Legal Expenses are the Only Insured Peril** that provides guidance that legal defense costs incurred under such policies are classified as losses, not loss adjustment expenses.

Financial Regulation—Accounting, *Continued*

2. **Update of INT 01-32: EITF 01-10** - Ends the requirement for the September 11 disclosure in the Notes to the Financial Statement.
3. **INT 07-01: Application of the Scientific Method in Situations of Reverse Amortization** - This came as a referral from the Investment Schedules Subgroup of the Blanks Working Group questioning the correct method of accounting on how to apply the effective yield method to securities that have variability in their cash flows.

There were three fundamental accounting questions on the INT that were resolved:

- Issue 1: When applying the constant yield method to loan-backed or structured securities, can amortized value be interpreted to represent the discounted cash flows?

The Working Group adopted a recommendation that the “unamortized balance of an issue at any point in time will represent the present value of all future cash flows discounted to the present using the constant yield.”

- Issue 2: If yes, should a security purchased at a premium be allowed to change to a discount, or should a discount be allowed to change to a premium, if this change occurs as a result of applying the scientific (constant yield) interest method?”
- Issue 3: On the subject of parity is it appropriate under statutory accounting guidelines to “assume away” day delay and subsequently eliminate amortizing to a value less than par? If yes, should a payment date assumption or a record date assumption be used?

The Working Group adopted a proposal to allow a reporting entity to utilize either method of accounting since the resulting value was immaterial.

The **Emerging Accounting Issues Working Group** also addressed a number of outstanding issues and took the following actions:

1. **EITF 06-01** – Rejected as not applicable to statutory accounting.
2. **EITF 06-02** – Deferred action on this issue until the Statutory Accounting Principles Working Group addresses pension costs.
3. **EITF 06-03** – Adopted as a tentative consensus position.
4. **Form B – Goodwill of a Merged Subsidiary** – Working Group deferred this issue until the September meeting and directed NAIC Staff and Interested Parties to research a prior transaction by Swiss Re that encompassed this issue.

The comment deadline for the outstanding issues is July 7, 2006.

Financial Regulation—Investments

The **Valuation of Securities Task Force** adopted a proposal adding language to the *SVO Purposes and Procedures Manual* Part 4(b) to require an insurer with a defaulted security that has not been liquidated to either apply for a fair value from the SVO or provide SVO staff with documentation showing how it calculated the loss and remaining fair value for purposes of SSAP No. 36. In return the SVO will use the information to provide a post-default credit quality designation for the issuer’s securities.

The Task Force also adopted a blanks proposal that adds a column to Schedule D, Part I to capture how the fair value is determined by the reporting company. The blanks proposal will be forwarded to the Blanks Working Group at the 2007 NAIC Fall National meeting.

Financial Regulation—Investment, *Continued*

The **Invested Asset Working Group** made a report to the **Task Force** which was adopted as guidance for reporting Constant Proportion Debt Obligations (CPDOs) as bonds in Schedule D, Part I. CPDOs are fixed income derivative structures where the underlying asset is an index (CDX) of Credit Default Swaps (CDS). CPDOs have been structured to receive high (AAA) credit ratings by Accepted Rating Organizations for principal and coupon payments while still managing to promise a BB to B floating yield. The Task Force also directed the SVO staff to monitor these instruments going forward and to report any concerns back to the **Working Group**.

The **SVO Filing Procedures Working Group** was given the task in 2004 to evaluate the scope of the SVO activity in its security-by-security assessment of private placement securities. Due to other issues the Working Group ceased work on this project but reconvened during the Spring 2007 National Meeting and asked to report on what alternatives exist to the current SVO process for analyzing these securities.

At the Summer National Meeting the **Working Group** reported that it was unable to identify any alternatives that would address the regulatory needs more efficiently than the current SVO process. However, the Working Group concluded that regulatory needs of the SVO process will likely change as the NAIC changes from a rules-based to a risk-based regulatory model.

As a result, the **Working Group** recommended the following:

- That the NAIC Internal Administration Subcommittee form a subgroup to conduct a review of the regulatory needs under the risk-based regulatory model and the most efficient way to meet those needs; and
- That the **Task Force** disband the current **Working Group** and establish another working group to assist the NAIC subgroup in analyzing the SVO process.

The **Task Force** agreed to expose the recommendation for a 30 day public comment period.

The **Derivatives Market Study Working Group** agreed to refer a recommendation to the Capital Adequacy Task Force that considers allowing credit for hedging activities using derivatives. Currently insurers do not get credit for effective hedging (reduces insurer's risk) transaction in their RBC calculation.

Other Financial Regulatory Issues

The **NAIC/AICPA Working Group** reported that its survey of the states regarding the progress of adopting the revised Model Audit Rule (MAR) shows at least 15 states plan to adopt the revised MAR by year end 2007. The survey results also indicated a similar number of states to seek adoption in 2008, with the remainder in 2009 or unsure at the time of the survey. In three other related matters the **Working Group** reported that:

1. Its annual review of the premium threshold amounts in the MAR found that, as of December 31, 2006, approximately 91% of all direct premiums would be subject to the provisions of the revised MAR. Per the revised MAR management must report on internal control over financial reporting. Subsection 16A imposes this requirement on any insurer whose direct written and assumed premiums meets or exceeds \$500 million. This threshold is supposed to capture 90% of life and property/casualty companies.
2. The Financial Regulation Standards and Accreditation (F) Committee voted in its meeting to expose the 2006 revisions to the Model Audit Rule for a one-year exposure period from Jan. 1, 2008, through Dec. 31, 2008.
3. It had received a referral from SAP Working Group to consider whether the provisions of proposed SSAP 97, a replacement of SSAP 88, would be in compliance with the revised MAR related to combined and consolidated audits.

Other Financial Regulatory Issues, *Continued*

In other matters, the **Working Group** received a report from the American Institute of Certified Public Accountants (AICPA) regarding projects that affect state insurance regulators and the insurance industry. The AICPA staff expects to issue Statement of Position (SOP) 07-1, *Clarification of the Scope of the Audit and Accounting Guide for Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investment in Investment Companies*. SOP 07-1 will provide guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide, Investment Companies (“the Guide”) and when the specialized industry accounting principles in the Guide should be retained by the parent company in consolidation or by an equity method investor that exercises significant influence over the investment company. SOP 07-1 will be effective for fiscal years beginning on or after December 15, 2007.

Also the AICPA NAIC Task Force revised the document: *Statutory Framework for Reporting Significant Deficiencies and Material Weaknesses in Internal Control to Insurance Regulators*, to include information relating to paragraph 30 of SAS No. 112, *Communicating Internal Control Related matters Identified in an Audit*.

The revision states that if an auditor is associated with management's written response to the auditor's communication regarding significant deficiencies or material weaknesses identified in the audit, the following paragraph should be included in the auditor's report for communicating significant deficiencies and material weaknesses in internal control:

ABC Company's written response to the significant deficiencies [and material weaknesses] identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The **Working Group** also noted that the PCAOB adopted Auditing Standard No. 5 (AS 5), *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financials Statements*. The Board also adopted the related Rule 3525, *Audit Committee Pre-Approval of Non-Audit Services Related to Internal Control Over Financial Reporting*. AS 5 is designed to be a principles-based standard that directs the auditor to conduct a top-down, risk-based integrated audit designed to increase the likelihood that material weaknesses in internal control will be found before it results in material misstatement of a company's financials statement. In addition, AS 5 is intended to achieve the following four objectives:

1. Focus the internal control audit on the most important matters;
2. Eliminate procedures that are unnecessary to achieve the intended benefits;
3. Make the audit clearly scalable to fit the size and complexity of any company; and
4. Simplify the text of the standard.

The SEC must also approve this standard for it to become effective, which is expected to occur in late June/July 2007. Once approved by the SEC, AS 5 will be effective for fiscal years ending on or after November 15, 2007.

The **Risk Assessment Working Group** adopted the “Maintenance Agenda Process for Industry” to maintain and update the risk-focused examination process. At the Spring National Meeting, the **Working Group** exposed the Maintenance Agenda Process for Industry for comment. Under the proposed process, the Risk Assessment Implementation Subgroup would be designated as the repository for all risk-focused examination comments and inquiries. Comments or inquiries can either be formally communicated by completing a Risk-Focused Examination Maintenance Agenda Submission Form (Form A) or informally communicated to NAIC staff through open meetings. All formal requests and their status will be tracked by the NAIC and the current Maintenance Agenda – Industry will be posted to the NAIC website.

The **Working Group** also received a report from its Implementation Subgroup, which reported that it held two interim conference calls in March and April. During the conference calls, the Subgroup discussed the process to deal with feedback received relating to the revised risk-focused examination approach, and possible additional trainings relating to the revised risk-focused examination approach. The **Working Group** directed the NAIC staff to research the feasibility of holding roundtable discussions with interested parties concerning items noted during risk focused examinations (as requested by interested parties).

Other Financial Regulatory Issues, *Continued*

The Subgroup announced that since the Spring National Meeting, the subgroup has more than 220 examiners and analysts have been trained on the risk-focused examination approach. The Subgroup is planning to hold an additional nine training sessions throughout the country during the remainder of 2007. The Subgroup is also working with the Casualty Actuary Task Force and the Life and Health Actuary Task Force to develop advanced training related to pricing, underwriting and reserving risks.

The **Financial Examiners Handbook Technical** did not meet in San Francisco but did report on a conference call held on May 8. The Working Group addressed a number of issues on the conference call including:

- Discussed progress in working with the U.S. Treasury Department's Office of Foreign Asset Control (OFAC) to create a proposed exhibit regarding terrorism financing activities for inclusion in the NAIC *Financial Condition Examiners Handbook* (Handbook). The new exhibit will be combined with current OFAC information on anti-money laundering guidance already in the fraud exhibit of the Handbook. The consolidated guidance will be titled "Federal Compliance." The Technical Group exposed the proposed exhibit for a 45-day public comment period.
- The Technical Group received a report from the Financial Examiners Report Revisions Subgroup regarding its progress revising the examination report section of the Handbook. The revisions are to incorporate guidance on examination report requirements and findings to reflect the risk-focused approach of examinations.
- The Technical Group discussed a sampling survey that had been distributed to chief examiners to obtain their opinions regarding the sampling guidance contained in the Handbook. As a result of this discussion, the Technical Group created the Financial Examiners Sampling Revisions Subgroup to work on revising the sampling guidance in the Handbook.
- The Technical Group discussed its charge to review and consider the recommendations set forth in the U.S. General Accounting Office's Insurance Sector Preparedness report pertaining to the review of insurer's business continuity capabilities, including the placement of business continuity within the examination guidelines and the minimum recovery time objectives for certain insurance services, along with the review of insurer's outsourcing of critical functions.
- At the Spring National Meeting the Technical Group discussed a letter from the Federal Home Loan Bank (FHLB) requesting that Handbook guidance be amended to allow the FHLB to qualify as an authorized custodian. The Technical Group referred the letter to the Financial Condition (E) Committee for review, as the request would require changing a model regulation. At this meeting the E Committee formally charged the Examination Oversight Task Force to address this issue. The Task Force discussed formed a Subgroup to work on the issue.

2007 NAIC Meeting Schedule

Spring National Meeting	March 10 -12, New York, NY
Summer National Meeting	June 2 - 5, San Francisco, CA
Fall National Meeting.....	Sept 29 - Oct 2, Washington, DC
Winter National Meeting.....	December 1 - 4, Houston, TX

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2007 Millennium Consulting Group Seminars

Seminar	Seminar Date	Seminar Site
Investment Accounting and Reporting Workshop	June 25 – 26	San Antonio, TX
Introduction to Health Statutory Accounting and Reporting Seminar	July 23 – 25	San Diego, CA
2007 Health Annual Statement Preparation Seminar	August 27 – 30	Chicago, IL
Claims Accounting and Reporting Workshop	September 10 – 11	Dallas, TX
Regulatory Update for Health Organizations Workshop - Midwest	September 25	Detroit, MI
Regulatory Update for Health Organizations Workshop - Southwest	September 26	Dallas, TX
Regulatory Update for Health Organizations Workshop - East Coast	September 27	Orlando, FL
Introduction to Health Statutory Accounting and Reporting Seminar	November 26 – 28	Las Vegas, NV
2007 Health Annual Statement Preparation Seminar	December 10 – 13	Orlando, FL
2007 Risk-Based Capital Preparation Workshop	December 13 – 14	Orlando, FL

Questions or additional information regarding items discussed in this publication should be directed to Bruce A. Cromartie at 919.522.9678 or by email at bcromartie@nc.rr.com or Colleen Gingrich at 913.961.0619 or by email at cging@everestkc.net.

Disclaimer

Since a variety of viewpoints and issues are discussed at task force and committee meetings taking place at the NAIC meetings, and because not all task forces and committees provide copies of agenda material to industry observers at the meetings, it is often difficult to characterize all of the conclusions reached. The items included in this Newsletter may differ from the formal task force or committee meeting minutes. In addition, the NAIC operates through a hierarchy of subcommittees, task forces and committees. Decisions of a task force may be modified or overturned at a later meeting of the appropriate higher-level committee. Although we make every effort to accurately report the results of meetings we observe and to follow issues through to their conclusion at senior committee level, no assurance can be given that the items reported on in this Newsletter represent the ultimate decisions of the NAIC. Final actions of the NAIC are taken only by the entire membership of the NAIC meeting in Plenary session.

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