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NAIC REGULATORY UPDATE

This quarterly issue of the *NAIC Regulatory Update* summarizes the National Association of Insurance Commissioners' financial activities affecting health entities at the 2007 March National Meeting. The meeting took place March 10-13, 2007 in New York.

NAIC Hot Topics

The Capital Adequacy Task Force adopted a new 1% risk charge in the HO Section for non-controlled assets for any securities reported in Schedule D, Part 3.....see [page 1](#)

The Blanks Working Group modified the instructions for Schedule D Part 1 to clarify rate to be used for U.S. Treasury Inflation Indexed Securities (TIPs).....see [page 2](#)

The Statutory Accounting Principles Working Group exposed for comment a proposal to address the reporting of premium receivables with credit balances on group contracts...see [page 3](#)

The Emerging Accounting Issues Working Group exposed for comment a proposal to address the reporting of premium receivables with credit balances on group contracts.....see [page 6](#)

The Valuation of Securities Task Force exposed for comment a proposal addressing the impact of FAS 150 which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity.....see [page 6](#)

The NAIC/AICPA Working Group stated that the Model Audit Rule "Implementation Guide" will be included in the *2007 Accounting Practices and Procedures Manual*.....see [page 6](#)

The Risk Assessment Working Group adopted revisions to the 2007 Health, Life, and Property *Financial Analysis Handbook* incorporating concepts regarding the risk-focused surveillance process.....see [page 8](#)

The Financial Examiners Handbook Technical Group referred a memo recommending the *Financial Conditions Examiners Handbook* be revised to allow Federal Home Loan Banks to qualify as an authorized custodian.....see [page 8](#)

The Financial Condition (E) Committee received a report from the Disaster Reporting Working Group regarding comments made on the "Disaster Reporting Framework" but failed to take action regarding its applicability to health insurers.....[Page 8](#)

Financial Regulation—Risk-Based Capital

The **Capital Adequacy Task Force** heard a presentation on securities lending. Securities lending transactions are currently assessed a 1% RBC charge in the H0 component of the Health RBC formula. Industry believes this risk charge does appropriately reflect the low risk profile of the securities lending program. Securities loaned remain under the exclusive control of the reporting entity and statutory accounting requires collateral of 102% of the market value of the loaned securities. Industry asked that the Task Force form a subgroup to develop a recommendation to replace the current RBC charge.

The Task Force also received a recommendation from the Property and Casualty Working Group to evaluate the RBC charge on "special deposits held by the state" as reported in Schedule E, Part 3. The Blanks Working Group adopted two disclosure requirements in 2006 applicable to the General Interrogatories and Schedule D regarding deposits made by insurers with state insurance departments.

- General Interrogatory (G.I.) 21 was modified to disclose the statement value of investments that are not under the exclusive control of the reporting entity, and
- A new code "SD" was added to the investment schedules for securities placed on deposit with the domiciliary state or other regulatory body. The reporting entity must identify such deposits in General Interrogatory No. 21.29 - *On Deposit with State or Other Regulatory Body*.

Reporting entities, including health companies, will be assessed a 1% risk charge in the HO Section for non-controlled assets for any securities reported in Schedule D, Part 3. The dollar amount is reported in G.I No. 21 and is pulled automatically into the H0 component for non-controlled assets. The formula change goes into effect with the 2007 RBC filing.

The issue is whether the 1% RBC charge is intended for these types of assets. The Task Force will continue its discussion on the issue at the next NAIC meeting.

The Task Force also adopted its 2007 working agenda for potential changes to the Health RBC formula. The agenda items include:

- Review and adjust the treatment for Medicare Prescription Drug coverage.
- Review the individual risk factors for each health care receivable line in the Credit Risk H3 component of the formula.
- Review the applicability of the 20% surcharge on individual (non- group) health business in the Life RBC formula.
- Evaluate the effects on the RBC formula for active life reserves for certain health insurance products under the combined direction of the LRBC and HRBC Working Groups. The American Academy of Actuaries (AAA) Health Task Force has agreed to provide a recommendation.
- Establish a Trend Test for the Health RBC formula.
- Establish an appropriate risk charge for deferred tax assets.
- Review the business risk and covariance differences from other RBC formulas.

Financial Regulation—Risk Based Capital, *Continued*

The **Hybrid RBC Working Group** received an update from the AAA in regards to their work on hybrid securities. The AAA reported that their observation is that most hybrid instruments generally act like debt, but some of which may also have some interest rate risk as well. The AAA noted that the current RBC formulas' approach is fixed-factor based and may not capture all the relevant risks associated with hybrids. The AAA has not come to any final conclusions on whether there needs to be any changes within the RBC formulas. AAA will continue its work and follow-up with the Working Group before the June NAIC National meeting.

The Working Group also heard presentations from various organizations such as Merrill Lynch, Standard and Poor's and Fitch on types of hybrid securities, their characteristics, how the rating agencies determine ratings and various other aspects of hybrids.

Financial Reporting

The **Blanks Working Group** adopted 13 blank proposals affecting the 2007/2008 Life, Property/Casualty (P&C) and Health Blank forms and instructions. The Working Group exposed 23 items for comment including a proposal for allocating group A&H premiums to different states in Schedule T.

The Working Group adopted the following items affecting the Health and other statements:

| Item | Effective Date |
|--|------------------------------|
| Added the word "confidential" in front of the words "Risk-based Capital Report" in the Supplemental Interrogatories. | Annual 2007 |
| Added a definition of foreign investment to the Supplemental Investment Risks Interrogatories and the Summary by Country. | Annual 2007 |
| Modified instructions for Column 8 of Schedule D Part 1 to clarify rate to be used for U.S. Treasury Inflation Indexed Securities. This should be VOS rate (published in the Valuation of Securities) multiplied by the inflation ratio. | Annual 2007 |
| Added Note 12F to incorporate the adoption of INT 04-17 – Impact of Medicare Modernization Act on Postretirement Benefits. | Annual 2007 |
| Added Note 21f to incorporate the adoption of SSAP 94 – Accounting for Transferable State Tax Credits. | Annual 2007 |
| Added instructions to Schedule D, Part 1 and Schedule D, Part 4 on what to report as the maturity date for perpetual bonds. Revise Schedule D, Part 1A Section 2 instructions wording for mortgage-backed/asset backed securities. The maturity date for the perpetual bonds will be 01/01/9999 in Schedule D. | 1 st Quarter 2008 |
| Added a definition of non-collateral loans for purposes of reporting such items on Schedule BA Parts 1 and 2. | 1 st Quarter 2008 |
| Changed the numbering of annual investment schedules B, Part 2, and quarterly investment schedules B, Parts 1 and 2 and added an acquired schedule and various changes to Schedule B Verification. | 1 st Quarter 2008 |
| Changed numbering of annual investment schedules BA, Part 2 and added an acquired schedule. Changed numbering of quarterly investment schedules BA, Parts 1 and 2 and added columns, and numerous changes to Schedule BA Verification. | 1 st Quarter 2008 |
| Moved Schedule D Verification to same page as Schedule BA Verification and adjusted rows and columns to be consistent with other verification schedules. | 1 st Quarter 2008 |
| Made various changes to Schedule DA Verification for consistency with other verification schedules and added a new Schedule E Verification schedule. | 1 st Quarter 2008 |
| Created a new footnote for the Quarterly Schedule D, Part 1B and the Annual Schedule D, Part 1A, Section 1 to allow companies to include non-rated short-term investments and cash equivalents in those schedules. | 1 st Quarter 2008 |

Financial Regulation—Accounting

The **Statutory Accounting Principles Working Group** adopted five new nonsubstantive changes to the 2007 *Accounting Practices and Procedures Manual*, two of which have direct impact on health entities.

1. Adopted **Ref No. 2006-24 – SSAP No. 61 Ceding Commission**. The nonsubstantive amendment to SSAP No. 61 clarifies that entities reporting on the Health Annual Statement must report commissions and expense allowances on reinsurance ceded as an “offset to administrative expenses.” The amendment supports the current Health Annual Statement Instructions that require health reporting entities to report ceded commissions in the Underwriting and Investment Exhibit, Part 3, Line 4 as an inset amount.
2. Adopted **Ref No. 2006-31 – Disclosure amendment to SSAP No. 10 for Protective Tax Deposits**. The non-substantive amendment to SSAP No. 10 adds a disclosure requirement to paragraph 22 requiring a reporting entity to disclose “the aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service (IRS) Code.

The American Jobs Creation Act of 2004 added a new section (6603) to the IRS Code to permit a taxpayer to make a deposit with the IRS to suspend the running of interest under section 6601 on a potential underpayment of tax.

Section 6603 provides the following with regard to these special protective tax deposits:

- It is a deposit not a tax payment.
- The deposit prevents the IRS from charging the taxpayer underpayment interest on amounts determined to be owed up to the amount of the deposit (thus providing a savings to the insurer and its policyholders).
- The deposit will be refunded to the taxpayer upon request in writing.
- The IRS will pay interest on the deposit if it is refunded to the taxpayer.

Consequently the Working Group concluded that these deposits meet the definition of an income tax recoverable included in SSAP No. 10 - *Income Taxes* and shall be admitted. As a result, to ensure adequate disclosure, the amendment was adopted to the current disclosure requirements included in SSAP No. 10, paragraph 22 to require reporting entities to disclose the aggregate amount of deposit it has admitted.

NAIC staff was also directed to draft a change to the 2007 annual statement instructions to reflect the amendment. The change to the instructions will affect Page 2, Line 16.1 of the Health Blank.

3. Adopted **Ref No. 2006-11 – Multi-cedent Reinsurance Agreements**. The Working Group adopted a nonsubstantive amendment to SSAP No. 62 by adding a new paragraph 9 labeled “Reinsurance Agreements with Multiple Cedents.” The new paragraph requires that reinsurance agreements with multiple cedents must be:
 - In writing, and
 - The terms of the allocation agreement must be fair and equitable.
4. The Working Group also adopted the following nonsubstantive changes:
 - **Ref No. 2006-27 – Clarify SSAP No. 56 – Separate Accounts, paragraph 20;** and
 - **Ref No. 2006-28 – Inclusion of Model Regulation 815 – Permitting the Recognition of Preferred Mortality Tables.**

Financial Regulation—Accounting, Continued

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:

1. Ref No. 2007-03 Reporting of Premium Receivables with Credit Balances on Group Contracts.

The issue addressed in this item is “where should premium receivable accounts with credit balances for group insurance contracts be reported?” These credit balances can result from the ongoing reconciliation process between insured groups and the insurance companies. In some cases, the groups have changes to their employee population on a monthly basis. As a result, there may be a credit balance in the premium receivable account for group amounts paid in excess of what was owed to the insurance company. The subject premium discussed in this issue is on group contracts which are not retrospectively rated and are therefore not in the scope of SSAP No. 66—*Retrospectively Rated Contracts*.

The Working Group exposed the position that the credit balance should be reported on the liability page as an aggregate write-in item. The Working Group will receive comments on this issue until May 4, 2007 and hold discussions at the June NAIC meeting .

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

An Issue Paper has been drafted to address the accounting for uncertainty in tax positions and the inconsistencies that could exist among annual statement filings based on FIN 48: *Accounting for Uncertainty in Income Taxes*.

The Issue Paper addresses the position where an insurer’s financial statements may reflect accounting for income taxes based on positions that have not been sustained by IRS or other taxing entity examination. A FIN 48 subgroup including Working Group members, independent accountants and industry experts was formed to address this issue.

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)

The issue addressed in this item is whether statutory accounting should follow GAAP accounting guidance for FAS 158 and eliminate the statutory accounting guidance that excludes “nonvested employees” when accounting for pensions and other postretirement benefits. The item will be addressed further at upcoming NAIC meetings.

4. 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 NAIC 2006 Winter Meeting this item was moved to the Nonsubstantive Active listing to address three additional issues:

- The first issue reflects the placement of an amendment to SSAP No. 55 - *Unpaid Claims, Losses and Loss Adjustment Expenses* adopted at the 2006 Winter Meeting requiring reporting entities to disclose “the dollar amount of any claims/loss related to extra contractual obligation lawsuits or bad faith lawsuits paid during the reporting period on a direct and assumed, ceded and net basis. The number of such claims paid shall be disclosed in a note.”

The disclosure was intended to apply to all company types therefore, the disclosure should be moved from paragraph 14h to paragraph 15 as the lead in to paragraph 14 limits the disclosure.

- The second issue addresses a proposed blank change that has been submitted for possible inclusion in the 2007 annual statement. The blank change will add a new disclosure to Note 14 for extra contractual obligations. The change will affect health entities as well as other reporting entities.
- The third issue seeks to remove the disclosure wording from INT 03-17 and to utilize the disclosure requirements pursuant to SSAP No. 55.

This item was re-exposed for additional comments.

Financial Regulation—Accounting, *Continued***5. Ref No. 2006-17 SSAP No.88 Implementation Guide**

The Working Group adopted Ref. No. 2006-32 - Issue: SSAP No. 88 Transition Guidance at the NAIC 2006 Winter Meeting. The Interested Parties Group has requested that the “look through” provision for holding companies be continued in the future.

The Working Group had determined that it is acceptable to apply the “look through” approach for downstream holding companies that do not hold assets or liabilities other than SCA entity stock, provided the financial statements of the SCA entities are separately audited. If a reporting entity uses the “look through” approach and does not obtain an audit of the downstream holding company, the assets of the downstream holding company other than the audited SCA entities are non-admitted.

However the decision would not permit the “look through” approach beyond 2006 due to the potential for unreported liabilities at the downstream holding company level. The rationale is that an audit at the downstream holding company level would detect any unreported liabilities.

Interested Parties believe that the “look through” approach supplemented with an enhanced disclosure requirement would provide an appropriate alternative that addresses the concerns raised by the Working Group. The Interested Parties propose that the “look through” approach, supplemented with additional disclosure, be included as an acceptable method for the valuation of SCA entities in SSAP No. 88.

This proposed disclosure would be added to SSAP 88 in conjunction with a permanent provision in SSAP 88 to allow a “look-through” approach to the valuation of noninsurance downstream holding companies.

If the reporting entity holds an investment in a downstream noninsurance holding company, the reporting entity may “look-through” the downstream noninsurance holding company to the value of any audited financial statements of (1) SCA entities and/or (2) joint ventures, partnerships, and/or limited liability companies in which the downstream noninsurance holding company has a minor ownership interest or otherwise lacks control, i.e., ownership interest is less than 10% (hereinafter referred to as “non SCA SSAP No. 48 entities”) in lieu of obtaining an audit of the financial statements of the downstream noninsurance holding company.

If the reporting entity looks-through the downstream noninsurance holding company in lieu of obtaining an audit of the financial statements of the downstream noninsurance holding company, the financial statements of the reporting entity shall include the following disclosures:

- a) *The name of the downstream noninsurance holding company;*
- b) *The carrying value of the investment in the downstream noninsurance holding company;*
- c) *The fact that the financial statements of the downstream noninsurance holding company are not audited;*
- d) *The fact that the reporting entity has limited the value of its investment in the downstream noninsurance holding company to the value of any audited financial statements of SCA entities and/or non SCA SSAP No. 48 entities owned by the downstream noninsurance holding company and valued in accordance with paragraph 17;*
- e) *The fact that all liabilities, commitments, contingencies, guarantees or obligations of the downstream noninsurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the reporting entity’s determination of the carrying value of the investment in the downstream noninsurance holding company, if not already recorded in the financial statements of the downstream noninsurance holding company.*

The proposal was referred to the SSAP 88 subgroup for review and discussion.

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

1. **Amendment to INT 00-26: EITF 98-3: Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business** that addresses mistakenly recorded goodwill; and
2. **INT 03-17 Disclosure Requirement** that removes a disclosure currently in INT 03-17 that was vague and read "Claims related extra contractual obligations losses and bad faith losses shall be included in losses, and disclosed in a note." A more descriptive disclosure requirement was adopted by the Statutory Accounting Principles Working Group to SSAP No. 55 regarding extra contractual obligation lawsuits.

The Working Group re-exposed by Working Group **INT 06-14: Reporting of Litigation Costs Incurred for Lines of Business in which Legal Expenses Are the Only Insured Peril** based on a proposed change from the Interested Parties Group.

The Working Group also exposed two tentative consensus positions for comment until May 4, 2007:

1. End the requirement for the September 11 disclosure in the Notes to the Financial Statement; and
2. **Application of the Scientific Method in Situations of Reverse Amortization**

This is a referral from the Investment Schedules Subgroup of the Blanks Working Group questioning the correct method of accounting about how to apply the effective yield method to securities that have variability in their cash flows.

The fundamental accounting questions are:

- 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?
- 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?

Financial Regulation—Investments

The **Valuation of Securities Task Force** exposed for comment revisions to the SVO Valuation Methodology and related annual statement instructions. This proposal changes Part Six of the *SVO Purposes and Procedures Manual* to add codes 1 through 5 to correspond with the valuation method used to arrive at the fair value of a security. The proposal also adds a column to Schedule D for disclosing this code and instructions defining the five codes.

The Task Force also exposed for a 45 day comment period a proposal addressing the impact of FAS 150. FAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. The Task Force is asking for information on how prevalent these transactions are in the insurance industry.

SVO staff provide the Task Force with an update on staff's progress on the implementation of the transparency initiative adopted at the 2006 NAIC Winter National Meeting. These initiatives came out of the Transparency Report Recommendations and committed the SVO to five proposals (See December 2006 NAIC Update).

Financial Regulation—Investment, *Continued*

The Task Force also the creation of a new SVO Filing Procedures Working Group which is charged with exploring whether there are alternatives to the current security by security analysis process of the SVO. The Working Group will provide its first report to the Task Force at the 2007 NAIC Summer National Meeting and expects to make recommendations no later than the 2007 NAIC Winter National Meeting.

Other Financial Regulatory Issues

The **NAIC/AICPA Working Group** continued discussion on several outstanding issues related to the June 2006 adoption of the revised Annual Financial Reporting Model Regulation (Model Audit Rule). After discussion of the policy statement that was exposed at the 2006 NAIC Winter National Meeting the Working Group adopted procedures for updating the Model Audit Rule. The adopted procedures will require NAIC staff to monitor actions taken by the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) regarding changes to the Sarbanes-Oxley Act. The procedures also allow industry interested parties to recommend revisions to the Model Audit Rule. The process itself will work in a similar fashion as the procedures for updating the *Accounting Practices and Procedures Manual*.

In other actions the Working Group:

- Informed interested parties that the Model Audit Rule “Implementation Guide) drafted to assist insurers in complying with the new requirements will be included in the 2007 *Accounting Practices and Procedures Manual* as Appendix G and also will be posted on the homepage of the NAIC website. The revised Model Audit Rule is effective in 2010.
- In another related matter, the Working Group discussed its intent to introduce two (2) proposals for changes to the 2010 annual statements to coincide with the effective date of the revised Model Audit Rule.

The first proposal will recommend that the section in the Annual Statement Instructions related to the Model Audit Rule be removed. Those instructions currently allow states to adopt the Model Audit by “reference” via those instructions. The removal of this section will require states to adopt the revised Model Audit Rule through either statute or regulation.

The second proposal will recommend disclosure in the General Interrogatories of any exemptions granted a reporting entity as permitted in Sections 7H, 14H and 17A of the revised Model Audit Rule.

- The Working Group also discussed a survey of regulators regarding regulators’ preference in updating the premium threshold found in Section 16 - Management’s Report on Internal Control over Financial Reporting and information on progress of adopting the revised Model Audit Rule.

New Subsection 16A imposes this requirement on any insurer whose direct written and assumed premiums meets or exceeds \$500 million. This threshold captures 90% of life and property/casualty companies. The Working Group surveyed the state insurance departments to determine how to maintain the 90% level. Based on the survey results, the Working Group decided to annually review the threshold amount to maintain the 90% level.

The Working Group also discussed the survey results regarding state’s implementation of the revised Model Audit Rule. Twelve states indicated their intent on adopting the revised version during 2007, nine in 2008, seven in 2009 and 21 unsure. In addition, the survey results indicated that 13 states would be adopting the revisions per statute, 29 by regulation, two by a combination of both, and five still unsure.

- In another matter, the Working Group discussed the PCAOB’s “Release No. 2006-007” which includes a new proposed auditing standard – “An Audit of Internal Control over Financial Reporting That Is Integrated with an Audit of Financial Statements.” The comment period on the proposal ended on February 26, 2007. The proposed new standard is a principles-based standard designed to:

Other Financial Regulatory Issues, *Continued*

- a. Focus the audit on the matters most important to internal control by, among other things, directing the auditor's testing to the most important controls; emphasizing the importance of risk assessment; revising the definitions of significant deficiency and material weakness, as well as the "strong indicators" of a material weakness; and clarifying the role of materiality, including interim materiality, in the audit;
- b. Eliminate unnecessary procedures by, among other things, removing the requirement to evaluate management's process; permitting consideration of knowledge obtained during previous audits; refocusing the multi-location testing requirements on risk rather than coverage; removing barriers to using the work of others; and recalibrating the walkthrough requirement;
- c. Scale the audit for smaller companies by, among other things, directing the auditor to tailor the audit to reflect the attributes of smaller, less complex companies; and
- d. Simplify the requirements by, among other things, reducing detail and specificity; better reflecting the sequential flow of an audit of internal control; and improving readability.

The Working Group plans to continue to monitor the proposal and address it upon further developments by the PCAOB.

The **Risk Assessment Working Group** adopted proposed revisions to various sections of the 2007 Health, Life, and Property *Financial Analysis Handbook*. The revisions incorporate concepts regarding the risk-focused surveillance process that was adopted for the 2007 *Financial Conditions Examiners Handbook*.

The Working Group adopted exposed for a 45-day public comment period new procedures to maintain and update the risk-focused examination process and to allow industry participation in the risk-focused training programs. The maintenance process will follow similar procedures used for updating the *Accounting Practices and Procedures Manual*.

The **Financial Examiners Handbook Technical** referred to the Financial Condition (E) Committee a memo recommending the *Financial Conditions Examiners Handbook* (Handbook) is revised to allow Federal Home Loan Banks (FHLB) to qualify as an authorized custodian. FHLBs do not currently meet the requirements contained in the Custodial Safekeeping Agreements Sections of the Handbook. The Working Group has requested that the E Committee re-establish the Custodial Assets Working Group to review the appropriateness of allowing FHLBs to act as authorized custodians, and if so, to review and propose the necessary changes to the Model Act on Custodial Agreements and the Use of Clearing Corporations.

The **Financial (E) Committee** received a report from the Disaster Reporting Working Group regarding comments made on the "Disaster Reporting Framework (Framework)." The Framework was adopted by the Disaster Reporting Framework at the 2006 NAIC Winter meeting and released for public comment. The Framework was developed to guide states on initiating a coordinated disaster reporting effort. The Framework is meant to specify:

- The communication method used to announce the disaster reporting effort to insurers, other state insurance departments, and interested parties;
- The forum that will be utilized by state insurance departments to discuss and collaborate on the information that should be reported;
- The electronic applications that would be utilized to collect, record, and disseminate the information;
- The data elements, including definitions of data elements, which could be collected in a coordinated disaster reporting effort;
- The role of the NAIC in collecting, reviewing, editing, and disseminating the disaster information to the state insurance departments, as well as providing Help Desk assistance to insurers; and

Other Financial Regulatory Issues, *Continued*

- The forum that will provide interested parties an opportunity to communicate any issues with the requested information.

The Framework was also designed to assist in performing solvency and market conduct analysis on insurers regardless of financial condition, as well as to streamline the process of gathering information and prevent duplicative data requests in the event of a disaster. Based on comments from the Disaster Reporting Working Group, the Framework is needed to assist insurance departments in dealing specifically with insurers by providing guidance for:

- Identifying solvency issues at an early date;
- Identifying market conduct issues at an early date;
- Collecting data to assist policymakers; and
- Structuring and organizing data to achieve these objectives.

Comments from the health industry generally opposed the Framework on the basis that:

- The data being requested are, in many cases, not available for health coverages, particularly medical coverage.
- Disaster reporting is a less valuable tool with respect to health coverages, particularly medical coverage, than it is with respect to property/casualty coverages.
- Disaster reporting may conflict with other higher-priority responses to disasters.

The E Committee indicated hesitation in adopting the Framework due to the issues and concerns raised. Consequently based on the number and severity of the industry comments, the E Committee established a Disaster Reporting Framework Implementation Working Group to “finalize the Framework and to develop an implementation plan that will consider and incorporate industry comment.”

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 | September 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 |
| 2006 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 |
| 2006 Health Annual Statement Preparation Seminar | December 10 – 13 | Orlando, FL |
| 2006 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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