NAIC Accreditation Program

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Why Was the Program Developed?

- Multiple insurance company insolvencies during 1980s
- U.S. Representative John Dingell (MI): "Failed Promises: Insurance Company Insolvencies"
- Various weaknesses were noted in state regulation
  - Company financial information not being analyzed
  - Insufficient staffing and regulatory resources
  - No mandatory requirement regarding examinations
  - Lack of interstate coordination and cooperation
- Suggested federal regulation may be more effective

NAIC Accreditation Program

- Formed in 1989 - collaborative effort involving the NAIC, state insurance regulators, state legislators, and interested stakeholders
- State insurance departments are accredited if they comply with certain minimum standards that are essential to effective solvency regulation
- Currently, all 50 states, the District of Columbia and Puerto Rico accredited

Why States Maintain Accreditation

- Benefits of being accredited
  - Provides assurance that minimum standards are met
  - Allows reliance on other states for regulating non-domestic business
  - Reduces regulatory redundancies
- Consequences of not being accredited
  - Non-domestic states may no longer be able to accept examination report (statutory requirement in most states)
  - State may lose Lead State status in group-wide supervision
  - Facing additional regulation, domestic insurers could choose to redomesticate

Oversight of the Accreditation Program

- NAIC Financial Regulation Standards and Accreditation (F) Committee
  - Chair: Commissioner Todd Kiser (UT)
  - Vice-Chair: Superintendent Elizabeth Kelleher Dwyer (RI)
  - Comprised of 15 state insurance commissioners
  - Vote on all accreditation-related matters and significant policy matters must be approved by NAIC Plenary
  - Meet at each NAIC National Meeting to discuss both state-specific issues and policy issues
  - NAIC staff members serve as support staff and technical experts

Mission of the Accreditation Program

The solvency regulation of multi-state insurers can be adequately monitored by ensuring that each jurisdiction has:

- Adequate solvency laws and regulations
- Effective and efficient financial analysis and financial examination processes
- Appropriate organizational and personnel practices
- Effective and efficient processes related to formation, licensing, and change of control of insurers

The Accreditation Standards

- Part A: Laws and Regulations
- Part B: Regulatory Practices and Procedures
  - Financial Analysis
  - Financial Examinations
  - Department Procedures and Oversight
- Part C: Organizational Management
- Part D: Formation, Licensing, and Change of Control

Part A: Laws and Regulations

- Must adopt certain laws/regulations to provide states with sufficient authority to adequately regulate financial solvency of domestic industry
- Required laws/regulations are considered essential building blocks to financial solvency regulation
- Some standards require adoption of model, while others require a "regulatory framework" or point to NAIC manuals
- A Part A changes require extensive public comment periods and super-majority approval of F Committee and NAIC Plenary (see upcoming timeline)

Part A: Laws and Regulations

1. **Examination Authority**
2. **Capital & Surplus**
3. Accounting Practices & Procedures
4. **Corrective Action**
5. Valuation of Investments
6. **Holding Company**
7. Risk Limitation
8. Investment Regulations
9. **Liabilities & Reserves**
10. Reinsurance Ceded
11. **CPA Audits**
12. Actuarial Opinion
13. Receivership*
14. Guaranty Funds*
15. Filings with NAIC
16. Producer-Controlled Insurers*
17. Managing General Agents*
18. Reinsurance Intermediaries*
19. Regulatory Authority*

* "Regulatory Framework"

Part A: Example Adoption Timeline

Date	Action
2017	Model adopted by the NAIC
Spring 2018	F Cmte holds initial exposure period as potential standard (30 days)
Summer 2018	Based on comments, F Cmte will consider exposing for additional 1-year period, beginning January 1
Fall 2018	NAIC Plenary votes on 1-year exposure period
January 1 – December 31, 2019	1-year exposure period
Spring 2020	F Cmte discusses comments received
Summer 2020	F Cmte votes on whether model should be accreditation requirement (effective two years after the next Jan. 1)
Fall 2020	NAIC Plenary votes on whether model should be accreditation requirement
January 1, 2023	Model becomes required for accreditation

Recent Part A Hot Topics

- Own Risk and Solvency Assessment (ORSA): Required for accreditation effective 1/1/2018
- Credit for Reinsurance – Certified Reinsurers: Required for accreditation effective 1/1/2019
- Principle-Based Reserving: Required for accreditation effective 1/1/2020
- Corporate Governance Annual Disclosures: *Still under consideration at F Committee*
- XXX/AXXX Model Regulation: *Still under consideration at F Committee*

Types of Accreditation Reviews

- Pre-Accreditation Review (dress rehearsal)
  - Assist in preparing the state for the full review
  - Performed by NAIC staff 12-18 months prior to full review
- Full Accreditation Review
  - On-site review performed once every five years (or more often if deemed necessary)
  - Performed by team of independent consultants that report directly to F Committee
- Interim Annual Review
  - Performed annually by NAIC Staff using info provided by the state
  - Used as an early warning indicator and any significant issues are reported to the Committee

Accreditation Program Website

http://www.naic.org/cmte_f.htm

- Recent and upcoming changes
- Items out for exposure
- Meeting materials
- Informational pamphlet
- Listing of accredited jurisdictions
- NAIC Staff Contact Information

Questions?