

CLIENT ALERT

Preview: NAIC Spring 2024 National Meeting

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The National Association of Insurance Commissioners (the “NAIC”) will hold its 2024 Spring National Meeting (the “Spring National Meeting”) from March 15 to March 18, 2024. This meeting will be in a hybrid format, with meetings taking place virtually and in person in Phoenix, Arizona. Willkie attorneys will attend the Spring National Meeting 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 Spring National Meeting.

1. **The Financial Condition (E) Committee** will continue its discussion of the Committee’s previously exposed *Framework for Regulation of Insurer Investments – A Holistic Review* (the “Insurer Investment Framework”). The primary objective of the Insurer Investment Framework is to highlight areas where the insurance regulatory framework could be enhanced in order to strengthen oversight of insurers’ investments in complex assets, taking into account feedback on the NAIC’s current workstreams related to insurer investments and the limited resources of state regulators. The (E) Committee received a number of oral comments on the Insurer Investment Framework at the 2023 Fall National Meeting and is expected to address specific comments at the Spring National Meeting. In addition, below are the expected activities of its working groups and task forces at the Spring National Meeting:
 - **The Statutory Accounting Principles (E) Working Group (SAPWG)** will hear comments on previously exposed items, as well as items from its maintenance agenda. SAPWG is expected to continue discussing proposed revisions to SSAP No. 21R—*Other Admitted Assets*, the most recent draft of which was exposed at a February 20, 2024 SAPWG meeting for a shortened comment period ending March 7, 2024. These revisions, which reflect input received from interested parties since their initial exposure at the 2023 Fall National Meeting,

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aim to provide guidance for debt securities that do not qualify as bonds and to detail accounting practices for residual tranches, as well as to reflect recent changes to SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies* on the definition of residual tranches. Additionally, SAPWG will receive an update from the Interest Maintenance Reserve (“IMR”) Ad Hoc Subgroup on its meetings since forming in October 2023. Further discussion of the IMR topic is anticipated beyond the Spring National Meeting, as information on reported 2023 year-end IMR becomes available and regulators are able to assess the impact of INT 23-01T (which provided a limited-time, optional statutory accounting interpretation allowing insurers to admit a net negative IMR balance under certain circumstances).

- **The Valuation of Securities (E) Task Force (VOSTF)** will continue discussion of comments to and consider adoption of proposed amendments to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (“P&P Manual”) previously discussed at the NAIC’s 2023 Fall National Meeting, including revised updates to the definition of an NAIC Designation; revisions to the proposed procedure authorizing the NAIC Securities Valuation Office’s (“SVO”) discretion over NAIC designations assigned through the filing exemption (FE) process; and the addition of a practical expedient to determine the issue date for private letter rating filing. In new matters, VOSTF will consider exposure of a proposed amendment to the P&P Manual to update its references to the Statements of Statutory Accounting Principles in relation to subsidiary, controlled and affiliated, and related-party bond or preferred stock investments. VOSTF will also hear reports on the annual year-end carryover filings from the SVO and on the proposed collateralized loan obligation (“CLO”) modeling methodology from the CLO Ad Hoc Working Group.

2. **The Innovation, Cybersecurity, and Technology (H) Committee** will receive updates from its working groups and receive presentations on artificial intelligence developments and trends. In addition, its working groups and task forces plan to discuss the following:

- **The Big Data and Artificial Intelligence (H) Working Group** will discuss its project plans for 2024, will hear a presentation from the American Academy of Actuaries and the Society of Actuaries related to Big Data, AI, Fairness, Bias and Governance and will receive an update on international developments on artificial intelligence and machine learning in insurance.
- **The Cybersecurity (H) Working Group** will consider adoption of the Cybersecurity Event Response Plan (CERP) and discuss the work plan for discussion on cybersecurity and cyber insurance. It will also receive a presentation from the American Academy of Actuaries on resources the Academy provides in regard to the actuarial aspects of cyber risks and a presentation from CyberAcuView, which is an industry-supported entity that helps the industry with cyber risk mitigation and resilience.

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- **The Third-Party Data and Models (H) Task Force** will hold its first public meeting and will discuss its 2024 charges and work plan.
3. **The Executive (EX) Committee** will receive the 2023 Annual Report of NAIC Designation Program Advisory Board Activities, as well as reports on the New Avenues to Insurance Careers (N.A.I.C.) Foundation and on NAIC models currently under development. During the joint meeting of the Executive (EX) Committee and Plenary, NAIC Members will consider adoption of the reports of the NAIC's eight standing committees and will receive progress reports on state implementation of recently adopted NAIC model laws and regulations (e.g., the Pet Insurance Model Act). In addition, **the Climate and Resiliency (EX) Task Force** will hear a presentation on climate resilience and receive an update on federal and international climate initiatives and the **Special (EX) Committee on Race and Insurance** will receive updates on the progress of its workstreams and the Member Diversity Leadership Forum.
 4. **The Property and Casualty Insurance (C) Committee** will hear presentations on the use of consumer information in homeowners insurance and on parametric insurance products, as well as receiving an update on the state regulator data call regarding homeowners insurance. In addition:
 - **The Surplus Lines (C) Task Force** will continue discussion of issues raised by the current Uniform Certificate of Authority Application's *Uniform Consent to Service of Process* ("Form 12") in light of the United States Supreme Court's decision in *Mallory v. Southern Railway Co.*, 600 U.S. 122 (2023). Interested parties have raised concerns that broad language contained in Form 12, which was drafted for use by admitted carriers, could subject surplus lines issuers executing the form to a state's general jurisdiction under *Mallory*. At the 2023 Fall National Meeting, the Surplus Lines (C) Task Force directed the formation of a drafting group to review and consider relevant language within the *Nonadmitted Insurance Model Act* (#870) and the *Unauthorized Insurers Process Act* (#850), as well as potentially drafting a new service of process form for use by surplus lines insurers. We anticipate that the drafting group will provide updates on these workstreams.
 5. **The Interstate Insurance Product Regulation Commission** and the **Management Committee** will meet in joint session to hold a public hearing on the proposed *Standards for Individual Deferred Index Linked Variable Annuity Contracts (Commonly Marketed as Registered Index Linked Annuities)* and amendments to the *Additional Standards for Market Value Adjustment Feature Provided through a Separate Account*, as well as discussing priorities, objectives, and action items for the next three years.
 6. **The Financial Regulation Standards And Accreditation (F) Committee** will discuss revisions adopted in 2023 to NAIC publications referenced in the NAIC accreditation standards.

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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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