



SOCIETY OF ACTUARIES

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Navigating the NAIC

By Mark Birdsall

Why should you care about navigating the National Association of Insurance Commissioners (NAIC)? Isn't that what the trade organizations are for to which your company pays dues?

In my four years as a regulatory actuary for Kansas and participating in the NAIC process, it has struck me that the results are shaped by those who participate. The NAIC is primarily a consensus-building organization and, increasingly, it does its work by conference calls and email. The three NAIC national meetings, while very important at the committee level, are less important at the task force, working group and subgroup levels. The primary work of the NAIC is done by task forces, working groups and subgroups, with ratifying approval by the committees, particularly the plenary, which consists of NAIC members representing all U.S. regulatory jurisdictions, including states and territories.

The NAIC consists of its "members," the commissioners, directors and superintendents of the various U.S. states and territories.

The NAIC organization is based primarily on committees, including the Executive Committee (designated EX) and the "lettered" committees A through G. Each committee is chaired by a member (i.e., commissioner) of the NAIC, usually with a vice chair. The following is a list of the lettered committees:

- Life Insurance and Annuities (A) Committee*
- Health Insurance and Managed Care (B) Committee*
- Property and Casualty Insurance (C) Committee*
- Market Regulation and Consumer Affairs (D) Committee*
- Financial Condition (E) Committee*
- Financial Regulation Standards and Accreditation (F) Committee*
- International Insurance Relations (G) Committee*

There are also several liaison committees. NAIC staff supports each of these committees, together with their respective task forces, working groups and subgroups. The name of each of these groups includes the letter committee to which it ultimately reports. For example, the Life Actuarial (A) Task Force reports to the A Committee, the Health Actuarial (B) Task Force reports to the B Committee, and the Casualty Actuarial and Statistical (C) Task Force reports to the C Committee. In some instances, there are joint groups that report to multiple lettered committees, such as the C-3 Phase 2/AG 43 (E/A) Subgroup, whose "parents" are the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force. The Financial

Condition (E) Committee oversees the largest number of NAIC groups, including those related to risk-based capital and implementing principle-based reserves.

The chairs and members of the various task forces, working groups and subgroups represent their respective commissioners. Each of

these groups works according to the charges approved by its parent group. In some cases, the charges come down from the parent group, and in other cases the charges are recommended by the group itself and approved by its parent. There also can be referrals from one NAIC group to another, which referrals can become part of the group charges. The chairs and members participate in discussions, make motions, and vote on various matters pursuant to the charges. NAIC staff is responsible for preparing detailed minutes for most meetings, and those minutes serve as a record that can be referenced in future deliberations. The NAIC officers (president, president-elect, vice president, secretary-treasurer) are elected for a calendar year, and the various committees, task forces, etc. are reauthorized by the NAIC, usually at a commissioners meeting

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held in February. During this reauthorization process, there may be changes in the membership of the various NAIC groups, including the chairs.

If you are interested in a particular issue, such as indexed universal life (IUL) illustrations (a current “hot topic” at the NAIC), what can you do to get up to speed and participate? The best place to start might be www.naic.org. Go to the “Committees and Activities” tab (near the top under the pictures of the current NAIC officers). The list of NAIC committees is on the right of the screen. Since IUL illustrations is a life insurance issue, you could drill down to the A Committee and then the Life Actuarial (A) Task Force. On LATF’s page you might see several things: an upcoming LATF conference call, materials for the conference call, exposure drafts, and an NAIC staff person (Reggie Mazyck).

One simple way to participate in the discussion of an issue is to provide a written comment on an exposure draft of interest to your company. Once the exposure period is completed, there is usually a conference call held during which the written comments received are discussed. The written comments will be provided as materials for the call and the commenters will usually be invited by the chair to discuss their comments, though no discussion is required. My experience has been that thoughtful comments can have an important impact on the discussions.

You can also participate by contacting NAIC staff listed for each NAIC group on its Web page, members of the NAIC group, or by simply speaking up on the conference calls. If a new agenda item is needed, contact the chair or NAIC staff member. A lot of useful communication happens outside of NAIC conference calls and meetings, and you can avail yourself of that opportunity. Remember that because the NAIC is primarily a consensus-building organization, the outcome of an NAIC proposal is usually shaped by those who participate.

A final thought about participating in the NAIC process: While no one is completely objective, discussion points put forward that are self-serving, misleading or simply obstructionist tend to cause the person or organization putting them forth to lose credibility. Build your credibility with regulators and your input will be appreciated in the NAIC process. ●

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