

NAIC Round-up: Selected Recent Developments at the National Association of Insurance Commissioners

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Life Policy Summaries/Narratives An NAIC working group is considering how to revise provisions in its model regulations governing the content of the *policy summary* required in life insurance policy illustrations and the *policy narrative* that must be provided to purchasers where policy illustrations are not used. The working group expects to consider further what purposes such summaries/narratives should serve, and may recommend different requirements for different types of life policies. The group is gathering and evaluating samples of actual summaries/narratives that are now in use, with a view to using “consumer testing” to evaluate how well such disclosures are fulfilling their purposes.

Adequate Compensation to General Account for Certain Separate Account Products NAIC’s Life Actuarial (A) Task Force (LATF) is reviewing issues relating to whether the pricing of certain separate account life insurance products adequately compensates the insurer’s general account for the risks it assumes in connection with guarantees under the product. Among other things, LATF will consider whether opinions of qualified actuaries should be filed with state insurance regulators, attesting to the adequacy of such compensation. Alternatively, added disclosure relevant to this issue could be required in insurers’ annual statement filings with regulators.

Policy Illustrations for Index Universal Life The NAIC’s recently-adopted Actuarial Guideline 49 regarding IUL illustrations became fully effective only this spring. Nevertheless, LATF has already approved significant revisions. Among other things, the revisions better adapt AG 49 to cases where an index account option has higher charges, in exchange for higher performance crediting rates (and/or higher performance cap rates), as compared to another index account option offered pursuant to the same policy. The changes are still subject to approval by the Life Insurance and Annuities (A) Committee and by the NAIC Executive Committee and Plenary, all of which could be accomplished as early as the NAIC’s Summer National Meeting in August. Going forward, expect the NAIC to further consider the contentious question of whether to modify the current language that makes the provisions of AG 49 inapplicable to in-force illustrations for IUL policies sold before

the provision's effective date. **Insurance Data Security Model Law Update** On March 2, 2016, the NAIC's Cybersecurity (EX) Task Force exposed their draft of the Insurance Data Security Model Law. There has been robust discussion throughout industry and regulators regarding the content, including holding an interim meeting in May to focus on response and comments. The draft is undergoing revision, and is expected to be ready for further discussion at the NAIC's Summer 2016 National Meeting (August 26-29, San Diego).

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