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- Congress Enacts Pension Relief
- NAIC Committees Tackle Big Issues at 2008 Annual Meeting
- NCOIL Holds 2008 Annual Meeting
- State Insurance Commissioners Consider Model Regulations and Legislation
- NIPR Reaches New Milestones, Plans for the Future
- NAIC Welcomes New Officers, Honors Past and Present Leaders
- NAIFA Advocacy: Protecting Your Interests
- NAIC Executive Committee Approves New Working Groups, Ratifies Budget
- Did You Know?

## Congress Enacts Pension Relief

Congress has passed a pension “corrections” bill that has been over two years in the making and forwarded it on to President Bush for his signature. Both the House and Senate passed H. R. 7327 by unanimous consent – meaning there was no formal vote on the bill. The House acted on December 10 while the Senate followed suit on December 11.

The President’s signature on H. R. 7327 is not at all assured. The Pension Benefits Guaranty Corporation (PBGC) has lobbied against the bill’s funding relief provisions and continues to oppose the bill. However, President Bush has supported most of the provisions in the package in the past and has not issued a veto threat against H. R. 3727.

Key elements of H.R.7327 include:

### ***Minimum Required Distribution (MRD) Relief***

H.R.7327 addresses minimum required distribution issues—but only for 2009. The 2009 relief means that plan beneficiaries who are at least age 70 1/2 will not have to take (and pay tax on) in 2009 the minimum required distributions they would otherwise be required to withdraw from their pension plans and IRAs.

### ***Minimum Required Distribution (MRD) U. S. Treasury Version***

While H.R. 7327 waives the need to take MRDs in 2009, it does nothing for beneficiaries impacted by the market downturn in 2008. Because of that, the U. S. Treasury Department has announced it is working on “fair and simple” relief plan for 2008 MRDs. Treasury officials have publicly stated their intention to propose relief that will help both those who have not yet taken their MRDs for 2008 and those who have already withdrawn (and face income tax liability on) their MRDs for 2008. It is unclear exactly what form the relief may take and when the Treasury will issue its plan.

***Pension Protection Act (PPA) Corrections Package***

For pension practitioners and beneficiaries, among the most important of the provisions in H. R. 7327 is the section that gives authority to the Treasury Department to issue rules that allow for alternative valuation dates for purposes of defined benefit plan benefit restriction rules. Without that authority, small defined benefit plans that use End of Year valuation are caught in a "hole" caused by statutory language that allows End of Year calculations for benefit funding purposes, but does not amend the benefit restriction rules to allow for use of EOY valuations. The U. S. Treasury favors rule changes, but says it lacks the authority to write rules that will address the problem. H. R. 7327 allows Treasury to act to address then issue via regulations.

- By way of additional background, benefit restriction rules require plans to freeze benefit accruals and refrain from paying lump sum benefits if plans are not funded to at least 60 percent of their obligations. The calculation of their plans' asset values are required by October 1. But plans that use End of Year valuation dates cannot value plan assets until December 31. Hence, authority to use plan valuations as of the end of the year for purposes of benefit restrictions as well as funding obligations is required.

***Funding Relief***

Generally, H.R.7327 allows pension plan sponsors to use two years' worth of plan asset values, rather than just one year, in calculating required plan funding levels. It also allows plans to hit funding targets within a modestly larger range. This will help defined benefit plan sponsors who are facing huge and unanticipated funding obligations as a result in the steep losses of their plans' asset values.

***Fixed Rate for Calculating Limits on Lump Sum Payments***

H.R.7327 sets the rate to use to calculate limits on lump sum payments from defined benefit plans at 5.5 percent. Without this change, plans had to use the greater of 5.5 percent or 105 percent of the yield curve formula. This led to so much uncertainty as to what a plan's funding obligations would be that plan sponsors were unable to plan for their funding obligations. This change in the law provides the certainty that plan sponsors need.

***Post Script***

H.R.7327 was hard-fought and two years in the making. Pension and tax lawmakers have literally been working on this new law since shortly after enactment of the Pension Protection Act passed in August 2006. NAIFA strongly supported (and continues to do so at Treasury) 2008 **and** 9 Minimum Required Distribution relief for beneficiaries of 401(k) plans and IRAs, defined benefit plan funding relief, the 5.5 percent fixed rate provision, and improvements in the End of Year date valuation rules.

View the Joint Tax Committee's [Technical Explanation of H.R. 7327](#).

View the House Education and Labor Committee's press release on the passage of H.R. 7327 [here](#).

**NAIFA Staff Contact:** [Michael Kerley](#), Senior Vice President – Federal Government Relations, at 703-770-8155 or; [Dani Kehoe](#), NAIFA Outside Counsel.

## NAIC Committees Tackle Big Issues at 2008 Annual Meeting

At its 2008 Annual Meeting held earlier this month in Texas, many of the NAIC working groups and committees met to discuss challenges faced and issues dealt with over the past year, and how the NAIC will address challenges in the coming year.

### Producer Licensing Working Group

The Executive Committee/Plenary adopted the Priorities of the Producer Licensing Working Group including:

- Clarifications to the Uniform Licensing Standards, which are broken down into the following broad categories:
  - Licensing qualifications standards
  - Pre-licensing education requirements
  - Integrity and personal background checks
  - Application for licensure
  - The appointment process
  - Continuing education requirements
  - Limited lines
  - Surplus lines

The NAIC has asked NAIFA to support these standards and promote them with our members; therefore you will be receiving these in greater detail in the future.

- Clarification and further guidance on the provision in the Producer Licensing Model Act dealing with commission sharing. The working group explained that Section 13D of the PLMA is clear and it states that any individual or agency can receive commissions, service fees or any valuable consideration without a license as long as doing so does not violate any other state law, such as anti-rebating, and the individual or entity does not sell, solicit or negotiate insurance.
- Adoption of a State Licensing Handbook to give guidance to state insurance departments and regulated entities on how to administer a producer licensing program. The Handbook has been developed over the last year and a half and NAIFA provided substantial input. It is hoped that use of the Handbook will result in greater uniformity among the states.

### NARAB Working Group

The NARAB Working Group met and is currently considering preliminary recommendations on several GLBA issues including:

- Enforcing a minimum age requirement for non-resident applicants;
- Requiring foreign corporations to register to do business and requesting proof of foreign corporation registration; and
- Requiring specific subject-matter continuing education based on federal mandates.
- Requiring non-resident applicants to obtain a non-resident general or major lines license prior to the issuance of a surplus lines license;
- Not adopting the major lines of authority of the PLMA; and
- Applying in-state trust account requirements to non-residents.

The goal of the working group is to have all recommendations regarding GLBA reciprocity issues ready for adoption by Executive Committee/Plenary at the 2009 Spring National Meeting.

The Working Group is also considering options and alternatives for business entity licensing with the goal of streamlining such licensing.

**NAIFA Staff Contact:** For additional information, please contact [William R. Anderson](#), Senior Vice President – State Government Relations.

### **Interstate Compact**

The Interstate Insurance Product Regulation Commission (Compact) held meetings of the Compact's Management Committee and the full Compact on December 4, 2008. Both NAIFA and AHIA are represented on the Compact's Industry Advisory Committee.

At the meeting, the rule making process was initiated by the Management Committee for four additional standards which had been developed by the Compact's Product Standards Committee. These standards, dealing with life insurance policies and deferred variable annuity contracts, will be published for a 60 day comment period, after which they will be considered for final adoption by the Management Committee and full Compact. The Product Standards Committee reported that six new final standards had been adopted in October, 2008, which means 49 standards are now available for use in filing with the Compact. The Committee will continue its initial review of the draft long-term care standards and will now begin work on the group life and annuity standards.

The Compact has been adopted by 32 states and Puerto Rico, and 140 product filings have been approved by the Compact since it became operational in 2007. The Compact plans to do more outreach to industry through its Communications Committee to better publicize the services and benefits available through the Compact, and has met with the Industry Advisory Committee to discuss how to increase the number of product filings made by industry. The Rulemaking Committee is beginning work on the two remaining rules which need to be adopted, and indicated it was aware of industry concerns regarding the "mix and match" rule which could require Compact users to re-file products once the rule's two year time period expires. Industry has indicated that more companies would use the Compact if these concerns were addressed, and the Rulemaking Committee will be consulting with the Management Committee for guidance on this issue.

### **Indexed Annuities**

The NAIC formed the Indexed Annuities Working Group (reporting to the NAIC Executive Committee) in the fall of 2008 in order to develop the state regulatory response to the SEC's proposed Rule 151A, which would classify most indexed annuities as securities and bring these products under the regulatory jurisdiction of the SEC and FINRA. The working group drafted a letter to the SEC opposing the adoption of Rule 151A, which was submitted to the SEC by the NAIC last fall. Individual commissioners also submitted their own letters to the SEC opposing the proposed rule. The working group recently initiated a coordinated "data call" to state regulators asking them to identify issues and trends which the regulators feel will impact the fixed annuity marketplace. Responses to the data call are due by January 30, 2009, after which the working group will evaluate whether additional state regulatory action is needed with respect to indexed annuities.

NAIFA has been actively involved on this issue. We have filed detailed comments with the SEC in opposition to Rule 151A, on the basis that indexed annuities should not be classified as

securities and to protect the principal that insurance products should be within the regulatory jurisdiction of state insurance regulators. Over 1,000 NAIFA members have filed their own comment letters with the SEC on this issue, and NAIFA has had discussions with the NAIC leadership and other industry groups regarding the appropriate response to the SEC proposal.

## Replacements

The NAIC's Life Insurance and Annuities (A) Committee discussed the issue of predatory practices as it relates to replacements. Specifically, whether recent solvency issues affecting AIG and other insurers are being used with consumers as a reason to suggest replacement of an insurance policy or annuity. The Committee is seeking suggestions from regulators and interested parties on ways to approach the issue. Ron Panneton suggested to the Committee that an obvious first step would be to ask AIG and other solvency affected insurers whether they have recently experienced any increase in either replacement activity or policyholder inquiries seeking information about a possible replacement. The Committee plans to schedule a conference call in January, 2009 to discuss the issue further and consider approaches to deal with any predatory practices identified.

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## NCOIL Holds 2008 Annual Meeting

### *NAIFA's Bill Anderson Testifies on Behalf of NAIFA*

The National Conference of Insurance Legislators (NCOIL) held its 2008 Annual Meeting in Duck Key, FL on November 19-23. NAIFA Senior Vice President Bill Anderson represented NAIFA at the meeting.

### **Election of Officers**

Sen. James Seward, NY, was elected President; Rep. Robert Damron, KY, was elected President-Elect; Rep. George Keiser, ND was elected Vice President and Sen. Carroll Leavell, NM was elected Secretary.

### **Financial Services & Investment Products Committee**

The committee heard a report from the conference of state Bank Supervisors and the American Association of Residential Mortgage Regulators which have jointly developed the Nationwide Mortgage Licensing System (NMLS), a central licensing system for mortgage lenders.

The committee also heard from Robert Easton of the New York Insurance Department who spoke on behalf of National Association of Insurance Commissioners (NAIC) and discussed the federal bailout efforts in the current economic crisis. Mr. Easton addressed at length the current efforts regarding AIG and concluded that, in his opinion, the appropriate measures were being taken to resolve AIG's problems. There was considerable discussion among the legislators that state regulation of insurance has proven to be effective in this current crisis and that calls for federal regulation of the industry are unjustified.

The committee approved the proposed charges for 2009 which include:

- Investigate ways to enhance coordination with the U.S. Department of Defense regarding predatory lending to military personnel
- Monitor subprime mortgage lending issues

- Monitor developments regarding financial guaranty insurance
- Report on federal legislation and state initiatives

### **Life Insurance & Financial Planning Committee**

The committee unanimously adopted a resolution in opposition to SEC proposed rule 151A. [The Resolution in Support of State Insurance Commissioner Authority Over Fixed Indexed Annuity Products](#) states that NCOIL opposes SEC proposed rule 151A and urges the SEC to withdraw its proposal. The resolution further supports increased coordination and communication between state insurance regulators and both state and federal securities regulators for the purpose of identifying areas of mutual concern and to explore any potential opportunities to leverage regulatory resources.

The unanimous vote of the committee followed testimony by representatives of the SEC and NASAA citing the need for rule 151A. Susan Voss, Iowa Insurance Commissioner and NAIC Secretary/Treasurer voiced NAIC's opposition to the proposed rule and detailed the numerous activities that the NAIC and individual commissioners have undertaken in the last three years to address suitability in the sale of indexed annuities.

Bill Anderson testified on behalf of NAIFA expressing our opposition to the proposed rule. Bill cited that 4,070 comments have been filed with the SEC on the rule, and 1244 or just over 30% of them were filed by NAIFA members. Bill also said that NAIFA strongly supports the efforts of the NAIC and individual insurance commissioners and is working with them to address suitability and disclosure of indexed annuities.

The committee also:

- Heard a report on state STOLI legislation
- Travel-based underwriting initiatives
- Principles-based reserving efforts

The committee approved its charges for 2009 which include:

- Monitor and input on efforts to create a principles-based approach for life insurance reserves, and develop a position if appropriate
- Explore reform initiatives, including suitability in annuity and life insurance product sales
- Monitor issues related to underwriting practices and/or policy exclusions in life insurance policies, including those relating to lawful travel to foreign countries
- Monitor and report on state life settlement laws, and examine the impact of the NCOIL model on STOLI schemes

### **State-Federal Relations Committee**

This committee is co-chaired by two NAIFA members – Rep. Greg Wren, AL and Rep. Robert Damron, KY.

The committee heard an update on federal regulatory reform initiatives including reports on the Office of Insurance Information (OII) and NARAB II legislation; the close of the 2008 Congressional session and federal insurance priorities for 2009 and 2010. The latter report included an extended discussion on the fate of an optional federal charter (OFC) bill and whether the word “optional” would even be considered by a new Congress.

A panel reported on reciprocity/uniformity efforts in producer licensing. Bill Anderson represented NAIFA on the panel and reported together with Susan Voss on NAIC's efforts to address uniformity in producer licensing which include the most recent “State Outreach

Program” involving small teams of regulators and industry to assist states in becoming more uniform.

Ohio Insurance Commissioner Mary Jo Hudson updated the committee on the Interstate Insurance Product Regulation Compact and discussed other NAIC issues.

The committee approved its long list of charges for 2009 which include:

- Expand efforts to educate Congress on the benefits of a state-based insurance system and oppose federal preemptive measures
- Expand efforts regarding implementation of state modernization initiatives including speed-to-market for life insurance products and producer licensing
- Support implementation and expansion on the Interstate Compact
- Monitor NAIC activity

Rep. George Keiser, (ND) suggested a new charge which was approved – develop a model law for producer licensing uniformity. It remains to be seen how this charge will develop in 2009.

The intimate nature of NCOIL meetings allows continuous and frequent discussions with the legislators and is an excellent venue for NAIFA. NAIFA also is a member of the Industry Education Council to NCOIL which funds much of the educational activities of the association. NAIFA will continue to work closely with NCOIL and will keep you informed of any developments of interest to its members.

**NAIFA Staff Contact:** [Bill Anderson](#), Senior Vice President – State Government Relations, at 703-770-8193.

## **State Insurance Commissioners Consider Model Regulations and Legislation**

NAIC members and committees recently looked at several model regulations and legislation at its 2008 Annual Meeting, considering potential changes and modifications.

### **Annuity Buying Guides**

The Consumer Guides Subgroup of the Annuity Disclosure Working Group has been working to revise the various buyers guides required to be provided to consumers under the NAIC Annuity Disclosure Model Regulation. These guides attempt to explain in easily understood language the terms, conditions and workings of fixed, indexed and variable annuities. The subgroup expects to have the revised guides ready for final adoption by the Spring 2009 NAIC meeting. NAIFA staff has been working with the subgroup on this project and has participated on the subgroup’s weekly guideline drafting conference calls.

### **Report on Status of Senior Designations Model Regulation**

In the summer of 2008 the NAIC adopted the Model Regulation on the Use of Senior-Specific Certifications and Designations in the Sale of Life Insurance and Annuities. The model regulation is designed to regulate the use by agents and advisors of designations that imply specific knowledge or expertise in senior financial issues. NAIC staff recently sent a request for information to state insurance departments regarding the status of state efforts to adopt the model regulation. The NAIC has received 15 responses to date, indicating that one state has enacted a law similar to the model regulation, one state has adopted a regulation based on the

model, one state has enacted a law which included parts of the model and four states plan to introduce legislation or adopt a regulation based on the model.

NAIFA took a leadership position on this issue early on in the process. We were instrumental in bringing this issue to the attention of the NAIC, and worked closely with state securities regulators when they adopted a model rule addressing the use of senior designations in securities sales. We were involved at all stages of the NAIC process to develop its model regulation, and encouraged the NAIC to act quickly on this issue. NAIFA supports the principles contained in the NAIC model, and supports the model's adoption in the states.

### **NAIC Annuity Disclosure Model Regulation**

The Annuity Disclosure Working Group heard a report from the Iowa Insurance Division on its research concerning the use of illustrations in the sale and solicitation of fixed annuities in Iowa. The report indicated elements of good and bad illustrations and provided a list of areas where attention is needed. The Working Group is also considering expanding the scope of the Annuity Disclosure Model to include variable annuities to provide consistency with the NAIC's Suitability Model.

### **Suitability in Annuity Transactions Model Regulation**

The NAIC Suitability in Annuity Sales Working Group continued its work to consider changes to the Model. The focus of this work is enhanced insurer monitoring and supervision requirements, producer education and more liquidity information required to be gathered from the customer considering an annuity purchase. Prior to the meeting a discussion draft of proposed revisions to the Suitability Model was circulated. NAIFA, ACLI, IMSA and NAVA submitted a joint comment letter to Deputy Commissioner Kim Shaul (WI) and Chair of the Working Group expressing the group's strong concern with the discussion draft. The letter suggested that the approach taken in the discussion draft would result in a significant dismantling of the current regulatory framework concerning annuity suitability. The letter suggests an interim meeting to further discuss how best to achieve the goal of suitable annuity sales.

During the Working Group's meeting, it received comments from a number of stakeholders who participated on a panel. NAIFA-Wisconsin member John Wheeler testified on behalf of NAIFA and was at the meeting at the from Deputy Commissioner Shaul. John Wheeler had previously participated in a Wisconsin Suitability Advisory Working Group that had been working on the Annuity Suitability issue in Wisconsin.

The Working Group plans to hold an interim meeting and several conference calls prior to the 2009 Spring National Meeting for the purpose of developing an official NAIC draft of revisions to the Suitability Model.

### **Military Sales Practices Model Regulation**

The Military Sales Working Group reported that as of December 3, 2008 46 states had adopted the Model Regulation which represents over 1,169,000 active duty military personnel or 99.4% of CONUS (Continental United States) components. The Model Regulation seeks to address certain acts and practices which until now have not specifically been declared to be false, misleading, deceptive or unfair under state unfair trade practices statutes. NAIFA supports this Model and our state affiliates have supported the adoption of this Model in those states where it has been considered. Our state associations have done an excellent job supporting the quick adoption of this necessary measure in the states.

## Loans in Excess of a Policy's Cash Value

In 2007 the NAIC's Life and Health Actuarial Task Force (LHATF) was asked to consider model legislation concerning policy loan programs that exceed policy cash surrender values. The LHATF was asked to evaluate the merits of such programs and to examine potential underwriting, risk-based capital and statutory accounting issues. It was thought that the LHATF recommendations in this area may impact the life settlement market by permitting policyholders to gain access to increased levels of policy cash values when their health status changes. The NAIC's Executive Committee and Plenary approved a request for the A Committee to withdraw the charge to LHATF. The Kansas Insurance Department had submitted this request to the A Committee indicating that the need for a model law in this area was not needed since most states were currently allowed to implement these enhanced policy loans. Interestingly, there were no questions or objections from regulators or interested parties to this action by the Executive Committee/Plenary.

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## NIPR Reaches New Milestones, Plans for the Future

NIPR announced the milestone expansion of the Address Change Request (ACR) feature into all 50 states and D.C. This is the first nationwide product implementation since the Producer Database (PDB) was completed in 2002.

Producers can use [www.nipr.com](http://www.nipr.com) to submit an address change with no transaction fee. NIPR has processed more than 795,000 ACR transactions since the feature was introduced in July 2007. These announcements were made at the NAIC's 2008 Annual Meeting, held earlier this month.

In addition, NIPR's new Warehouse feature, which was recently developed, is in all states and Washington DC. This feature allows producers to electronically store documents that states may require, such as judicial actions, in a central warehouse, rather than having to file them repeatedly in all the states in which the producer is licensed.

In 2009, NIPR expects to reach another milestone, when final states begin providing electronic access to non-resident licensing applications through the NIPR gateway. This will allow producers to more easily apply for licenses in all fifty states and Washington DC.

The NIPR Board met during the national meeting and Bill Anderson assumed his full duties as Vice President having been elected in October. The Board elected Leslie Newman, Tennessee Insurance Commissioner as Secretary/Treasurer. Commissioner Newman also serves as Chair of the Audit Committee and Bill is a member of that committee.

**NAIFA Staff Contact:** [Bill Anderson](#), Senior Vice President – State Government Relations, at 703-770-8193.

## NAIC Welcomes New Officers, Honors Past and Present Leaders

At its 2008 Annual Meeting held last week in Grapevine, Texas, the National Association of Insurance Commissioners (NAIC) elected its new officers, recognized several members for their dedication and leadership in past years.

### Election of Officers:

Roger Sevigny (NH) was elected President, Jane Cline (WV) was elected President-Elect, Susan Voss (IA) was elected Vice President and Kevin McCarty (FL) was elected Secretary-Treasurer.

### Special Recognitions:

The meeting began with a moving farewell to NAIC President and Kansas Insurance Commissioner Sandy Praeger for the incredible job that she did in a year that contained many challenges for the NAIC particularly the financial storm on Wall Street and the collapse of numerous federally regulated entities. Commissioner Praeger reflected on her journey as NAIC president and pointed out that, "Thanks to strong state oversight, we – the insurance regulators – are not currently dealing with massive insurer insolvencies. I'm proud of the work we've done to protect our nation's policyholders."

Also honored was Jim Long, North Carolina Insurance Commissioner who is retiring after nearly four decades of service. Jim received the first President's Award for Distinguished NAIC Member Leadership which is given at the discretion of the NAIC president and honors one who has shown exemplary leadership; served a sustained length of service; and has significantly contributed to advancing the mission of the NAIC. Jim has been a long and ardent supporter of NAIFA and he will be missed.

President Praeger also presented the Esprit de Corps Award to the New York State Insurance Department for their leadership in mobilizing the NAIC's pursuit of consumer protection during the AIG situation and Superintendent Eric Dinallo's numerous testimony before Congress. This award was established in 2006 to recognize outstanding service to the NAIC and the demonstration of a spirit of cooperation with its members.

**NAIFA Staff Contact:** [Bill Anderson](#), Senior Vice President – State Government Relations, at 703-770-8193.

## NAIFA Advocacy: Protecting Your Interests

When it comes to political advocacy and protecting the interests of its members, NAIFA is one of the best in the business. Our talented and experienced staff and volunteers engage decision makers at every level of the legislative and regulatory system, and carry NAIFA's message with them every step of the way.

Recently, President-elect Obama asked the public to comment on his reform efforts at [www.change.gov](http://www.change.gov). The site encourages individuals to share their "stories and ideas" and to participate in online discussions with the Administration's economic and health care policy teams. While individual comments may help the Administration tally general trends and generate a lengthy email database, a more effective communication of our policy suggestions is to harness the power of the members into a single message and to strengthen relationships with the new lawmakers. And this is where NAIFA's leadership comes into play.

Communicating your positions on issues of importance to the new lawmakers, as well as the returning members, is one of the many benefits the New NAIFA provides to you. NAIFA's Government Relations team monitors federal legislation and mobilizes resources to achieve the most favorable outcome for members and their clients. NAIFA's professionals are working for you—meeting with members of Congress, the Administration and their staffs—in an ongoing effort that's well underway.

You, as a NAIFA member, have a role as well. NAIFA develops policy based on your counsel and relies on your active participation to increase the strength and influence of our advocacy efforts. Constituent lobbying can be one of the most powerful elements of an effective government relations program. Enhancing the [Advisors Political Involvement Committee](#) (APIC), our grassroots network of members who have developed relationships with virtually every member of Congress, is the first step in ensuring successful constituent lobbying. Now is the time to get to know your lawmakers and offer your expertise in the insurance arena. Remember to review NAIFA's positions on [state and federal initiatives](#) and AHIA-NAIFA Health & Employee Benefits positions on [health care reform](#) to deliver consistent messages.

NAIFA's Gov Communications also an effective part of the Government Relations program. NAIFA keeps members abreast of important legislative and regulatory issues affecting the insurance and financial services industry through GovTalk. GovWatch provides a short summary of breaking legislative and regulatory news of interest to members. And when grassroots action is needed on major legislative and regulatory developments that will impact the members' bottom line, a GovAlert is distributed.

In the upcoming year it is near certain that Congress will tackle a wide range of proposals that will affect our industry. NAIFA has a proud history of rising to legislative challenges. We continue to be poised to favorably influence proposals achieving laws and regulations that stabilize the insurance industry, protect your clients, and promote prosperous business for you now and into the future.

**NAIFA Staff Contact:** [Jen Piantedosi](#), Legislative Assistant – Government Relations at (703) 770-8153.

## **NAIC Executive Committee Approves New Working Groups, Ratifies Budget**

The NAIC's Executive Committee adopted the creation of several new working groups at its 2008 Annual Meeting, held from December 5 through December 8 in Grapevine, Texas. Additionally, the Executive Committee approved the NAIC's 2009 budget.

### **Capital And Surplus Relief Working Group**

The NAIC Executive Committee ratified the creation of a new working group, The Capital and Surplus Relief Working Group which has recently been organized to quickly:

- Consider the need and appropriateness for changes to existing NAIC solvency framework components that impact statutory capital and surplus requirements; and
- Provide any recommended changes, including whether or not the changes should be temporary to the Executive Committee.

This working group was formed to consider requests from the ACLI to address reserves and capital requirements for life insurance and variable annuities, as well as investment and accounting practices in light of the current financial crisis. The NAIC is expected to vote on these requests by December 31 so changes would apply to financial statements due by March 1, 2009.

### **Credit Default Swap Working Group**

The Executive Committee also ratified the creation of another new working group, the Credit Default Swap Working Group which is to determine and recommend an intended regulatory course of action as to how credit default swaps should be regulated.

### **NAIC Budget**

The Executive Committee adopted the 2009 Budget which proposes revenues and expenses of \$73.1 million and \$70.7 million, respectively, forecasting revenue growth of 7.1%. The NAIC's expense budget is projected to grow by 6.3%, largely indicative of the NAIC's continued investment in membership services and proposal supporting the membership's strategic initiatives.

New initiatives include:

- Continued investment in the State Producer Licensing Reengineering project, representing consulting resources and one full-time employee.
- Allocation of NAIC resources to the Market Conduct Annual Statement proposal to (1) prepare and support the existing MCAS process (updating it to collect 2008 data filed in 2009); (2) enable the collection of data submitted by states to the NAIC; and (3) automate the aggregation of data for limited analysis and the creation of national ratios and averages by the NAIC, which is still subject to discussion by the NAIC membership in the coming months.
- A proof-of-concept proposal to evaluate the scope, timeline and potential costs of leveraging the Florida Office of Insurance Regulation's Public Hurricane Risk and Loss Model in order to build a national multi-peril model administered by the NAIC for use by states potentially affected by natural catastrophes.
- The addition of one full-time employee to support of the NAIC's goals and priorities in the work of the International Association of Insurance Supervisors (IAIS).

**NAIFA Staff Contact:** [Bill Anderson](#), Senior Vice President – State Government Relations, at 703-770-8193.

### **Did You Know?:**

Did you know that you can find up-to-the-minute coverage of continually developing 2008 election results on NAIFA's website? To learn more, visit [www.naifa.org/advocacy/2008election](http://www.naifa.org/advocacy/2008election)