



somewhat
different

NAIC Update

Southeastern Actuaries Conference

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Palm Coast, Florida
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NAIC Issues

State vs. Federal Regulation of Insurance

- ▶ Dodd-Frank Act Related
- ▶ Unrelated to the Dodd-Frank Act

Dodd-Frank Act Related Issues

- ▶ Capital Standards
- ▶ Captives
- ▶ Covered Agreements/US Equivalence Under Solvency II

Capital Standards

The Long and Winding Road

- ▶ Federal Reserve Proposal
- ▶ IAIS
- ▶ NAIC Group Capital Standard

Captives

One Down, One To Go

- ▶ AXXX/XXX Captives **mostly** resolved with AG 48
 - Consequences of a Primary Security Shortfall
 - Small Reinsurer Exemption
- ▶ VA Captives
 - Need to resolve the conflict between hedging economic risk and accounting risk
 - Likely to be retroactive

Covered Agreement

What Is It?

A written bilateral or multilateral agreement regarding prudential measures with respect to the business of insurance or reinsurance that—

- (A) is entered into between the United States and one or more foreign governments, authorities, or regulatory entities; and
- (B) relates to the recognition of prudential measures with respect to the business of insurance or reinsurance that achieves a level of protection for insurance or reinsurance consumers that is substantially equivalent to the level of protection achieved under State insurance or reinsurance regulation.

Covered Agreement

Why Should You Care?

- ▶ A covered agreement on reinsurance collateral could ease controversy with Europe, a vital U.S. trading partner.
- ▶ A covered agreement could benefit U.S. insurers and reinsurers doing business in other countries by reducing possible retaliatory measures.
- ▶ A covered agreement could be a tool to negotiate the mutual recognition of regulatory regimes which could open markets to U.S. insurers doing business in those other countries.
- ▶ A covered agreement could benefit regulators in sharing confidential information. A covered agreement could provide an appropriate, uniform level of confidentiality, which would give U.S. insurance regulators access to information held by non-U.S. insurance supervisors.

Issues Unrelated to the Dodd-Frank Act

- ▶ PBR
- ▶ Fiduciary Rule
- ▶ Unclaimed Property
- ▶ Data Breach
- ▶ Infrastructure
- ▶ Guaranty Associations
- ▶ Underwriting

PBR Is Going Live

January 1, 2017

2013-2016
Enacted

45

states

AL, AZ, AR, CA, CO, CT, DE,
FL, GA, HI, ID, IL, IN, IA, KS,
KY, LA, ME, MD, MI, MN, MS,
MO, MT, NE, NV, NH, NJ,
NM, NC, ND, OH, OK, OR,
RI, SC, SD, TN, TX, UT, VT,
VA, WV, WA, WI

79.51%

gross premium

2016
Pending

2

states

MA*, PA
(*2015 carryover bill)

9.49%

gross premium

2016
Committed**

1

states

DC

**COI support or no
objection to legislation

.73%

gross premium

2017
Committed**

2

state

AK, WY

**COI support or no
objection to legislation

.29%

gross premium

Remaining States

5

states

NY, PR,
GU, AS, VI

9.99%

gross premium

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Back to the Future

The more things change, the more they stay the same.



1986

- ▶ Music on Albums and CDs
- ▶ Movies on VHS or Beta
- ▶ Dozens of TV Channel Choices
 - On Cable & Antenna
- ▶ Travel Agents
- ▶ AAA Triptik
- ▶ Banking in branches



2016

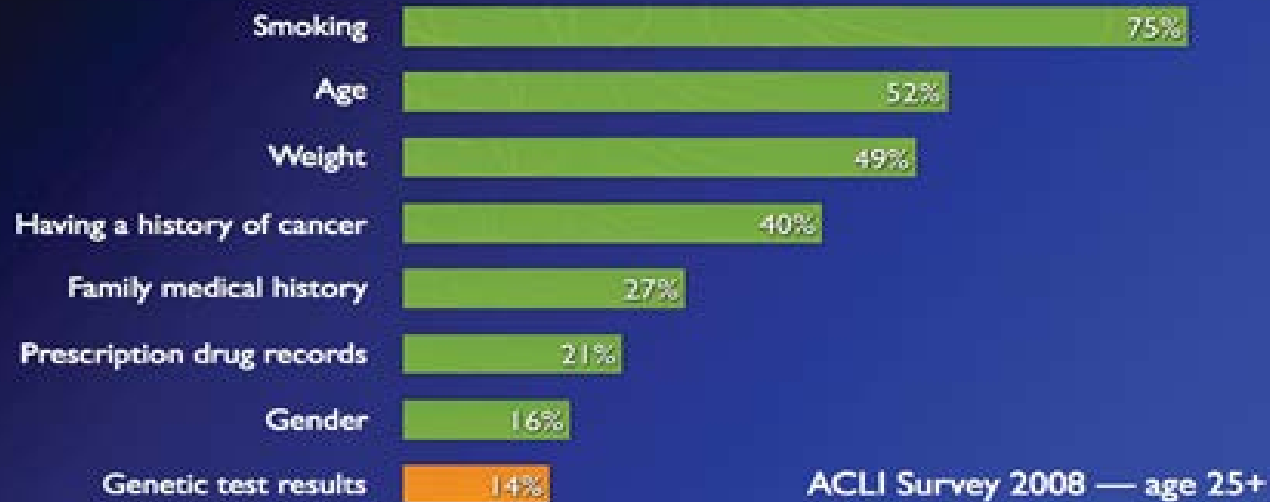
- ▶ Music on iTunes and Spotify
- ▶ Movies Netflix and iTunes
- ▶ Thousands of TV Choices On
 - Satellite, YouTube, Amazon, etc.
- ▶ Expedia
- ▶ Google Maps
- ▶ Banking online

Yet buying life insurance hasn't meaningfully changed in 30 years...

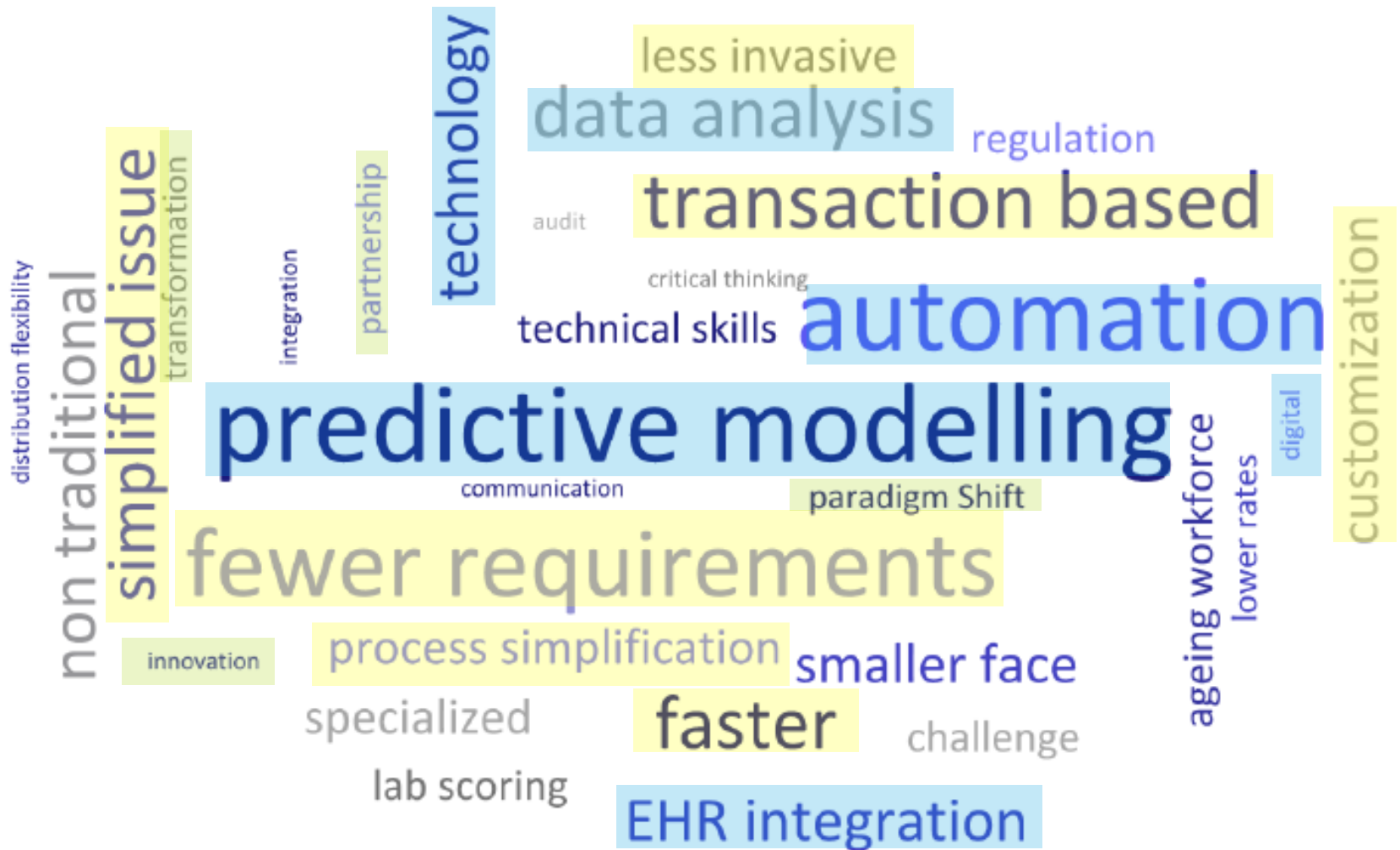
- Meet with an agent and answer pages of health and avocation questions.
- Meet with paramed - provide blood & urine sample and have your height & weight taken.
- Wait weeks to months for a decision on a product that may or may not meet your needs

Public Perception of Life Underwriting

Do you think that the following factors should be considered in determining policy costs?



What's on Everyone's Mind?



NMG Survey 2015

It's Happening Today

▶ Penetrate Underserved Markets

- A Distribution Challenge for Middle Market
- Generationally Changing Expectations

▶ Underwriting Process Ideally Aligns

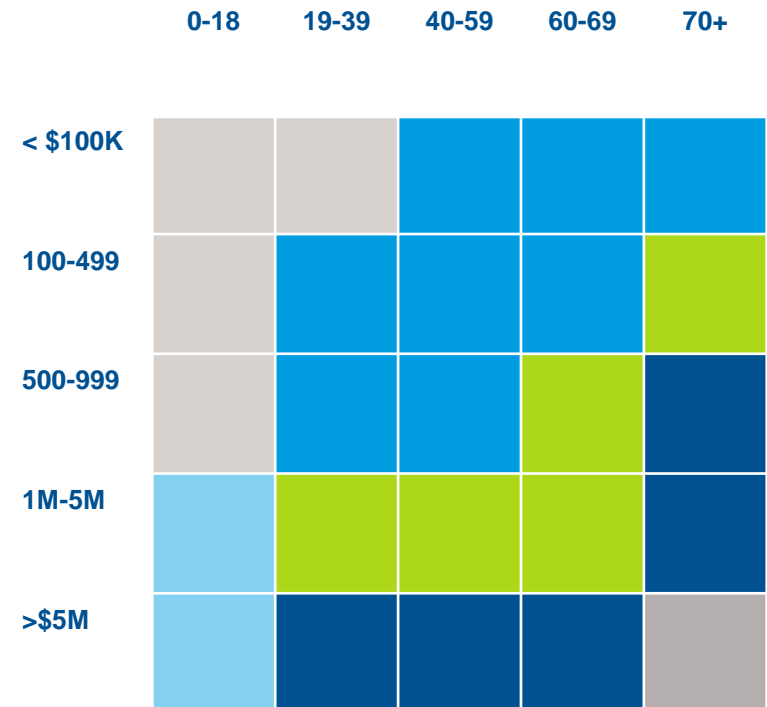
- Faster travel time
- More transactional

▶ Industry Focus Today

- Predictive Analytics
- Automated Rules Engines

▶ Need to Balance

- Desired improvements in process
- Protective value of underwriting
- Cost savings
- Retail rate that is sellable for market / approach



Questions?

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