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MEMORANDUM

TO: Financial Regulation Standards and Accreditation (F) Committee  
FROM: NAIC Staff  
DATE: March 15, 2019  
RE: Application of PBR to Fraternal Benefit Societies

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At the 2017 Spring National Meeting, the Financial Regulation Standards and Accreditation (F) Committee adopted revisions to the Part A: Laws and Regulations (Part A), Liabilities and Reserves standard of the Financial Regulation Standards and Accreditation Program to include the 2009 revisions to the Standard Valuation Law (#820), commonly referred to as principle-based reserving (PBR). The original referral from the Life Actuarial (A) Task Force also included a recommendation to apply the standard to fraternal benefit societies (fraternals) when specifically referenced by the significant elements.

Fraternals are not currently included in Part A of the accreditation program. When the referral was discussed, the Committee agreed that fraternals should be included in the application to PBR. The revisions adopted to the (Ta)2.3-Tc 0 Tw .163 0





Captive Reinsurers

-----Detail Excluded to Conserve Space-----

Other Types of Insurers

For clarity purposes, the scope of the Part A standards excludes regulation of those insurers licensed as fraternal ~~orders~~ benefit societies and title insurers, except that compliance with the “Liabilities and Reserves” standard is required for entities licensed as fraternal benefit societies where specifically referenced within the standard. The scope of the Part A standards also excludes regulation of health organizations, except that compliance with the “Capital and Surplus Requirement” standard is required for entities licensed as health organizations (including health maintenance organizations, limited health service organizations, dental or vision plans, hospital, medical and indemnity or service corporations, or other managed care organizations) to the extent the insurance department regulates such entities. This definition does not include an organization that is licensed as either a life/health insurer or a property/casualty insurer, which are subject to the full Part A accreditation standards.

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MEMORANDUM

TO: Financial Regulation Standards and Accreditation (F) Committee

FROM: Life

elements originally recommended to the Committee in 2010, which was then referred to the Life Actuarial (A) Task Force for further development.

conformance and deviations in the state's Standard Valuation Law from Model #820. The NAIC Legal Division and a group of state general counsels completed a legal review of the state surveys and determined that the following 48 states (the original 45 states plus Pennsylvania, which adopted PBR after the initial NAIC recommendation) have currently adopted the 2009 revisions to Model #820, or legislation including substantially similar terms and provisions: ~~Alabama~~ Arizona; Arkansas; California; Colorado; Connecticut; Delaware; Florida; Georgia; Hawaii; Idaho; Illinois; Indiana; Iowa; Kansas; Kentucky; Louisiana; Maine; Maryland; Michigan; Minnesota; Mississippi; Missouri; Montana; Nebraska; Nevada; New Hampshire; New Jersey; New Mexico; North Carolina; North Dakota; Ohio; Oklahoma; Oregon; Pennsylvania; Rhode Island

Proposed Significant Elements for 2009 Revisions to Standard Valuation Law (#20)

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- a. The following definitions under Section 1B apply on or after the operative date of the Valuation Manual appointed actuary company policyholder behavior principle-based valuation qualified actuary and Valuation Manual?
- b. Policies and contracts issued prior to the operative date of the Valuation Manual are annually valued in accordance with Section 2A?
- c. Policies and contracts issued on or after the operative date of the Valuation Manual are annually valued in accordance with Section 2B?
- d. Prior to the operative date of the Valuation Manual, every life insurance company doing business in this state shall annually submit an actuarial opinion on reserves in accordance with Section 3A?
- e. After the operative date of the Valuation Manual, every holder of a policy or contract (s)(r)acco/TT3 [(,)11(8-12(w)4(n)8((w)g1 T()6( an) ) ]TJe)-



- p. Provisions providing that a company must establish reserves using a principle-based valuation that meets conditions similar to those in Section 12A for policies or contracts as specified in the Valuation Manual?
- q. Provisions providing that a company using a principle-based valuation for one or more policies or contracts specified in the Valuation Manual shall establish procedures for corporate governance and oversight of the actuarial valuation function in accordance with Section 12B?
- r. With respect to policies in force on or after the operative date of the Valuation Manual, provisions providing that a company shall submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the Valuation Manual similar to Section 13?
- s. Prescribes confidentiality provisions similar to Section 14?
- t. Although not required for accreditation, a state's laws and regulations may allow an exemption from the reserving requirements of the Valuation Manual similar to that provided in the Valuation Manual. For such cases, the laws and regulations contain provisions that are similar to those provided in the Valuation Manual?
- x. If state law or regulation allows an exemption from the reserving requirements of the Valuation Manual based on certain parameters (such as insurer premiums or categories of insurers), please provide the citation. If state law or regulation does not allow for this, please indicate such by including "N/A" in the reference column.

