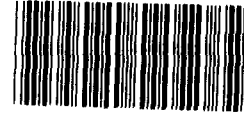


**GAO**

**Testimony**

Before the Subcommittee on Oversight and Investigations  
Committee on Energy and Commerce  
House of Representatives



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**INSURANCE  
REGULATION**

**The Financial Regulation  
Standards and Accreditation  
Program of the National  
Association of Insurance  
Commissioners**

Statement of Richard L. Fogel, Assistant Comptroller General,  
General Government Programs



OS4118 / 146423

INSURANCE REGULATION: THE  
FINANCIAL REGULATION STANDARDS AND  
ACCREDITATION PROGRAM OF THE NATIONAL  
ASSOCIATION OF INSURANCE COMMISSIONERS

Summary of Statement By  
Richard L. Fogel  
Assistant Comptroller General  
General Government Programs

GAO supports the efforts of state legislatures and insurance departments to improve the quality of insurance regulation. Recently, states have attempted to make improvements by adopting the Financial Regulation Standards set forth in NAIC'S accreditation program. Nevertheless, while this program has encouraged wider adoption of the NAIC standards, it does not yet convincingly demonstrate that those state insurance departments that have been accredited can effectively regulate insurers within their borders.

The accreditation program continues to suffer from three problems.

- First, the financial regulation standards are, for the most part, general and have been interpreted permissively by accreditation review teams. As a result, states with weak regulatory authorities have been accredited. Furthermore, GAO found numerous instances where accreditation teams found apparent deficiencies in states' compliance with NAIC'S regulatory practice standards, but certified departmental compliance as acceptable for accreditation purposes.
- Second, the accreditation program has too little focus on state insurance departments' implementation of regulatory authorities and required practices. Accreditation teams are not required to assess insurance departments' use of many required legal or regulatory authorities. They simply assess the existence of such authorities. GAO also found that often review teams recommended accreditation with only a finding that the potential existed for effective use of laws and regulatory authorities or practices.
- Third, GAO found that the review teams' documentation of their accreditation decisions did not consistently support their compliance decisions. In several cases the documentation which existed on the accreditation review led GAO to question the review teams' findings of compliance with the Financial Regulation Standards. The rationale for the review team's positive compliance decisions in the face of apparent deficiencies in an insurance department's program was rarely, if ever, documented.

In order for NAIC'S accreditation program to be a more promising approach to addressing problems associated with regulating multi-state insurers, GAO believes it needs (1) rigorously applied standards with clear and meaningful minimum requirements, (2) added focus on implementation of good regulatory practices, and (3) better documentation of the basis for subjective compliance decisions.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our assessment of the Financial Regulation Standards and Accreditation Program established by the National Association of Insurance Commissioners (NAIC). Through this accreditation program, NAIC is attempting to guide and encourage state legislatures and state insurance departments to adopt minimum standards that it believes are needed for effective solvency regulation.

As you know, states, not the federal government, regulate insurance activities. But insurance companies often operate across state boundaries and therefore cannot be adequately regulated by individual states acting alone, particularly when states have inconsistent laws, regulations, and practices. State insurance commissioners created NAIC as a voluntary organization to help them address regulatory issues arising from the operations of multistate insurance companies. Accreditation of those state insurance departments that meet minimum statutory, procedural, and organizational standards is a crucial element of NAIC's efforts to build a strong national system of solvency regulation among the states.

When we testified before this Subcommittee on May 22, 1991,<sup>1</sup> we expressed serious doubts about NAIC's ability to create and maintain an effective national system for insurance solvency regulation. Our doubts stemmed from NAIC's lack of authority to require states to adopt and enforce its standards. We do not believe NAIC can be granted the authority it needs on a lasting basis, by either the states or the federal government. On the basis of the three accreditation reviews completed at that time (although only two states had yet been accredited), we also testified that the financial regulation standards lacked specificity and that the accreditation review process had procedural weaknesses.

Since we testified last May, seven additional state insurance departments have been accredited by NAIC, and a total of 15 state insurance departments are expected to be accredited by the end of 1992.<sup>2</sup> Our message today is that while the NAIC accreditation program has encouraged wider adoption of NAIC standards, it is not yet a credible mechanism for indicating that a state insurance department adequately regulates insurers within its borders.

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<sup>1</sup>Insurance Regulation: Assessment of the National Association of Insurance Commissioners (GAO/T-GGD-91-37. May 22, 1991).

<sup>2</sup>The nine state insurance departments that have been accredited to date are New York, Florida, Illinois, South Carolina, Ohio, Wisconsin, Kansas, Iowa and North Carolina.

The accreditation program is experiencing three problems. First, the financial regulation standards are for the most part general and have been interpreted permissively. Second, the accreditation program has too little focus on a state insurance department's implementation of its regulatory authorities--that is, on how well the state insurance department actually does its job. Finally, the review teams' documentation of their accreditation decisions has not consistently supported their compliance decisions. Because of these shortcomings, states with weak regulatory authorities and practices have become accredited by NAIC. The program, therefore, has not yet reliably demonstrated that the accredited states adequately regulate insurance companies.

To evaluate the accreditation program, we interviewed NAIC staff and reviewed documentation explaining the program. We also examined workpapers and associated documents for the seven states accredited during 1991. We obtained independent information on the quality of state insurance department regulation by reviewing state auditors' reports for three state insurance departments that have been accredited by NAIC. Finally, we met with NAIC staff to discuss our findings and verify the accuracy of the information we had obtained. Our field work was done at NAIC's Kansas City Headquarters during March and April 1992.

#### THE ACCREDITATION PROGRAM'S STANDARDS AND REVIEW PROCESS

NAIC's financial regulation standards were adopted in June 1989 and fall into three categories:

- First, there are 20 Part A standards covering laws and regulations.<sup>3</sup> According to NAIC, these standards address whether the state insurance department has the needed authority to regulate an insurer's corporate and financial affairs. Part A standards cover such things as regulatory authority to examine firms, minimum required capital levels, prescribed accounting practices, and appropriate corrective actions for troubled companies.
- Second, there are 12 Part B standards covering regulatory practices and procedures. According to NAIC, these standards address whether the state insurance department has the necessary resources and capabilities to conduct financial analysis and examinations of firms operating within the state.

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<sup>3</sup>The June 1989 standards included 17 Part A standards; 4 have since been added. One of the new standards supplements one of the original standards.

- The third part of the program consists of six Part C standards covering organizational and personnel practices. According to NAIC, these standards address whether a state insurance department has professional development and minimum educational requirements for its staff that will promote effective regulatory practices.

In June 1990, NAIC adopted its accreditation program to encourage states to implement the standards. In a full accreditation review, an independent on-site team of about five individuals assesses the state insurance department's compliance with these standards. These on-site visits have generally lasted about 5 days. Subsequent on-site re-accreditation reviews are to be scheduled every 5 years with annual off-site evaluations by NAIC in the interim. To achieve accreditation, a state insurance department must

- have authorities through laws, regulations, or administrative practices that substantially comply with Part A standards;
- have sufficient resources and appropriate procedures and practices to comply with each Part B and Part C standard, as measured by a rating of at least "acceptable" on a rating scale of "excellent," "good," "acceptable," and "unacceptable"; and
- overall, receive an average score of "good" or better for the Part B standards taken together and for the Part C standards taken together.

The accreditation program has apparently encouraged some states to upgrade their laws to meet NAIC standards. According to NAIC, 42 states have adopted legislative packages designed to conform state insurance departments to some of the Financial Regulation Standards, and others are working toward this goal. We note, however, that some standards have not yet been widely adopted by the states. For example, the "Model Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition" was adopted by NAIC in 1985 and is one of the Part A standards, but 32 states have yet to adopt it. Similarly, the "Model Regulation for Life Reinsurance Agreements," which was adopted by NAIC in 1986 and is also a Part A standard, has not been adopted by 31 states. (See appendix.)

Nevertheless, NAIC anticipates that the accreditation program will create powerful incentives for nonaccredited states to upgrade their solvency regulation. Beginning in January 1994, accredited states will generally not accept examination reports prepared by nonaccredited states on those states' domiciled insurance companies. This could require companies domiciled in nonaccredited states to get a second examination, performed by an accredited state insurance department. NAIC expects this

sanction to lead insurers to lobby their home states to become accredited in order to avoid the expense of multiple examinations under differing state rules.

Now, I would like to discuss our observations about the accreditation program.

#### STANDARDS INTERPRETED PERMISSIVELY

The Financial Regulation Standards are typically stated in general terms that give NAIC and its reviewers broad latitude to interpret the standards. Our evaluation of accreditation reviews of the seven state insurance departments accredited during 1991 suggests that NAIC and its review teams have interpreted the standards so permissively that accreditation has not established a meaningful minimum level of solvency regulation.

NAIC and its review teams have interpreted the Part A standards so permissively that states with weak regulatory authorities have been certified. For example:

-- One standard requires a state insurance department to "... have the ability to require that insurers have and maintain a minimum level of capital and surplus to transact business." With such a general standard, NAIC could have defined the minimum acceptable capital at any level. Instead, it has instructed review teams that any minimum was considered acceptable by the review team, no matter how low, as long as the state insurance department also had the authority to require additional capital and surplus based on the type, volume, and nature of insurance business transacted.

One accredited state insurance department requires life insurers of any size to have only \$300,000 each of statutory capital and initial surplus. Other states that have not yet been accredited have even lower requirements, which presumably would also comply with this standard. When NAIC and its reviewers interpret the standards this permissively, we question whether the program has established an effective minimum standard.

-- Another standard requires very specifically that states adopt NAIC's model law on holding company regulation. Yet one state insurance department was accredited even though its commissioner had the authority to waive virtually all the provisions of the law. Here again, the goal of achieving reliable minimum standards seemed to be undermined by the review team's permissive interpretation of the standard.

-- In another case, the review team found an important model law provision missing from the state's authority to regulate holding company transactions. Nevertheless, NAIC accredited

this insurance department, requiring only that the state enact the provision within 2 years.

Part B standards were also permissively applied by the review teams, leading us to question whether minimum resources and capabilities for effective solvency regulation were truly in place in all accredited states. In each of the following cases, for example, review teams found the state insurance departments in compliance with the standards.

- One Part B standard requires a state insurance department to have the resources to examine all domestic companies on a periodic basis commensurate with the financial strength and position of the insurers. This standard is stated as a general requirement with no specific examination frequency supplied as a guideline for reviewers.<sup>4</sup> Because of a backlog, one state insurance department had not examined some of its largest insurers in 8 to 10 years. The state insurance department acknowledged that a substantial examination backlog existed but told the review team it believed it had adequate examination resources except for the backlog. This state insurance department was rated in better than "acceptable" compliance with the standard. Such permissive application of the examination standard leads us to question whether the program had established an acceptable minimum examination standard.
- Another standard requires that a state insurance department's examination staff have a variety of specialists in such areas as computer systems, life/health and property/casualty actuarial sciences, and reinsurance. One state insurance department did not have any specialist expertise to evaluate the quality and controls of insurer computer systems. Furthermore, there was no qualified actuary (either life/health or property/casualty) employed or retained for examination purposes. The team noted a similar lack of specialist expertise in reinsurance. This state insurance department was found in better than "acceptable" compliance with the standard, again leading us to question whether the program had established an effective minimum standard.
- The standards for financial examinations require, in part, that state insurance departments follow the policy and procedures contained in NAIC's Examiner's Handbook. In one recently accredited state, the review team noted considerable

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<sup>4</sup>Effective December 31, 1992, the NAIC accreditation standards will require that states examine all domestic insurers no less frequently than every 5 years. This standard was adopted in December 1990.

variation in examiners' approach, style, and scope of work that suggested the policies and procedures in the Examiner's Handbook were not being followed. Little evidence was found of any planning performed, discussions of reliance on CPA workpapers, or assessment of materiality and risk with respect to particular accounts. The great variety of practices from one examination to another and from area to area within an examination also raised questions about compliance with the standard for supervisory review of financial examination workpapers. This state insurance department was also found to be in better than "acceptable" compliance with both standards.

For the accreditation program to be credible, it must establish some consistent minimum standard that applies at each accredited state. However, the application of NAIC's general standards has been so permissive that states with noted deficiencies have become accredited. NAIC needs to make its general standards specific enough to establish clear minimum requirements and then apply its standards rigorously in the accreditation program. With such a change, NAIC accreditation could become a more meaningful assessment of a state's regulatory effectiveness.

#### LITTLE FOCUS ON IMPLEMENTATION OF STATE SOLVENCY REGULATION PROGRAM

From auditing various financial regulators, we have learned that effective regulation requires a regulator not only to have the right authorities and resources, but also to use them appropriately. The review teams have generally not been required to assess performance of the state insurance department for accreditation. For example, the Part A standards generally require the review team to assess whether the state insurance department has the needed authorities, not whether they have been used appropriately. Although the Part B standards on financial analysis and examination require the accreditation team to review some of the practices of the state insurance departments in these areas, even certain Part B standards focus primarily on the authorities and resources of the department rather than on its performance. As a result, a state can become accredited even when its insurance department may not have effectively used its authorities and resources.

With little emphasis on the actual performance of the regulator, in some instances NAIC has accredited states with only a finding that the potential exists for such performance. For example, in six of the seven state insurance departments accredited in 1991, the review teams found the state insurance department in compliance with certain Part A standards on the basis of laws or rules that had been recently enacted. The review teams were to consider a state to be in compliance with any new law or regulation as long as it was to become effective within 6 months.



Such cases show that the accreditation focus is aimed primarily at the potential for effective regulation rather than the performance. In at least one instance, the review team concluded that a state insurance department's new authority complied with the appropriate standard, largely on the basis of discussions with state insurance department personnel about how they intended to use the new authority in the future and how they might have used it in the past had it been available.

Although review teams examined state insurance department records to determine compliance with certain Part B standards, they sometimes accepted a department's plans rather than actions as sufficient evidence of compliance--another indication that regulatory potential rather than implementation was being assessed. For example, one review team found that a state insurance department complied with the standard for sufficient examination resources despite an examination backlog, in part because the state insurance department had posted job announcements for seven examiner positions (about 25 percent of its total examiner force).

To us, an effective solvency regulator must have not only the necessary authorities but also the demonstrated willingness to use these authorities. But NAIC's program has not substantively examined how state insurance departments' use their authorities and resources. For the accreditation program to credibly identify those states with a minimum effective solvency regulation program, we believe that NAIC should place more focus on assessing a state insurance department's actual use of its regulatory authorities and resources.

#### DOCUMENTATION HAS NOT CONSISTENTLY SUPPORTED THE COMPLIANCE DECISION

As we have indicated, the independent review teams make subjective judgments about a state insurance departments' compliance with the standards. We testified last year that these subjective judgments were largely undocumented. Since that time, NAIC and review teams have improved the documentation of the reviews. Nevertheless, the documentation remained inadequate to explain the basis for the accreditation decisions. In fact, in several cases, the documentation that did exist led us to question the review team's findings that a state insurance department had complied with the Financial Regulation Standards.

In each of the seven accreditation reviews performed since we testified, the teams prepared three documents summarizing their work--a report to NAIC's accreditation committee with the team's recommendation on accreditation, a compliance report that noted the team's compliance determination for each standard, and a management letter providing confidential feedback from the review team to the insurance department. The workpapers from the teams'

reviews were well organized and contained more detail than did those prepared for the first two accreditation reviews.

The documentation for compliance with certain Part A standards was inadequate to explain the accreditation decision for certain states. As I have indicated, many states' laws and regulations contained provisions that varied from NAIC's standards. In some cases, a state did not have certain provisions of a model at all. In other cases, the accreditation team workpapers appeared to indicate clear noncompliance with the Part B Standards. Despite the reported shortcomings in the departments' programs, they were accredited. In most instances, there were no written analyses indicating why such variances still met the standards.

Because of this lack of documentation, we discussed our conclusions and many of the specific examples used in this testimony with NAIC. They disagreed that the examples presented indicate that the accreditation program is not credible. In each case that we discussed, NAIC provided their explanation for the apparent discrepancy between the standard and the compliance of the various state insurance departments. For example:

- While it may have been true that a state was weak in one area, NAIC indicated that the weakness was offset by superior performance in another area. For example, the 8-to-10 year lag between financial examinations in one state was not a big problem, according to NAIC, because the state had a good financial analysis system for reviewing annual and quarterly financial information provided largely by the insurers, which allowed the department to "target" examinations.
- NAIC told us that it would not have been fair to require a state to have a particular provision of the model holding company law since NAIC had not specifically said that particular provision was important. We find this reaction by NAIC surprising since the provision had been in the model law since at least 1986 and the standards clearly require the NAIC Model Holding Company Systems Act or a substantially similar act.
- According to NAIC, in spite of the standard requiring specialists, a state need not have or use specialists in its examination process if they are not needed. In the state described earlier that neither had nor retained specialists, NAIC said that the examiners would have requested specialists if they were needed. Since the examiners did not request specialist assistance, none was needed. Therefore, NAIC's interpretation is that the state insurance department was in compliance with the standard requiring the use of specialists in the areas of computer audit, actuarial science, and reinsurance.

## CONCLUSIONS

We support the efforts of state legislatures and insurance departments to improve the quality of insurance regulation. Recently, states have attempted to make improvements by adopting the Financial Regulation Standards set forth in NAIC's Accreditation Program. We think the program's goal of achieving a national system of insurance solvency regulation is worthwhile. But to have any hope of achieving this goal, accreditation must reliably indicate that an accredited state insurance department is an effective solvency regulator.

So far, the program has not credibly distinguished effective from ineffective solvency regulation. The Financial Regulation Standards have been applied so permissively that accreditation provides us with little confidence that effective minimum standards are in place. Moreover, the program does not assess the performance of regulators as they do their jobs, it allows accredited state insurance departments to become accredited without demonstrating that they are effectively regulating insurance companies. For NAIC's accreditation program to become a more promising approach to addressing problems associated with regulating multistate insurers, we believe it needs (1) rigorously applied standards with clear and meaningful minimum requirements, (2) added focus on the implementation of good regulatory practices, and (3) better documentation of the basis for subjective compliance decisions.

Mr. Chairman, this concludes my prepared remarks. We will be pleased to answer questions.

## GAO

Table 1: Summary of States' Adoption of NAIC Models Related to Accreditation

<u>NAIC Model</u>	<u>Date Model Adopted by NAIC</u>	<u>Number of States With</u>		
		<u>Model/Similar Legislation or Regulation</u>	<u>Related Legislation or Regulation</u>	<u>No Current Legislation or Regulation</u>
Examination Authority (1) Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	1991	8	43	0
Holding Company Act	1969	49	2	0
Holding Company Regulation	1971	34	9	8
Credit for Reinsurance Act	1984	29	19	3
Regulation for Life Reinsurance Agreements	1986	20	0	31
CPA Audit Regulation	1980	24	10	17
Rehabilitation and Liquidation Model Act	1978	27	24	0
IRIS Model Act	1985	29	8	14
Risk Retention Act	1983	42	5	4
Business Transacted w/Producer Controlled P/C Insurer Act (2)	1991	11	0	40
Managing General Agent Act (1)	1989	27	4	20
Reinsurance Intermediaries Act (1)	1990	13	2	36
Life and Health Insurance Guaranty Association Act	1971	49	1	1
Post-Assessment Property and Liability Insurance Guaranty Association Act	1970	44	7	0

(1) States Have Until December 1992 to Adopt

(2) States Have Until June 1993 to Adopt

(Based on NAIC Information, March 1992)

## GAO

Table 2: Summary of States' With Legislation or Regulations Pending Related to NAIC Accreditation Models

<u>NAIC Model</u>	<u>Date Model Adopted by NAIC</u>	<u>Number of States With</u>	
		<u>Changes to Legislation or Regulation Pending</u>	<u>Initial Legislation or Regulation Pending</u>
Examination Authority (1) Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	1991	9	0
Holding Company Act	1985	2	6
Holding Company Regulation	1969	20	0
Credit for Reinsurance Act	1971	2	0
Regulation for Life Reinsurance Agreements	1984	7	0
CPA Audit Regulation	1986	1	3
Rehabilitation and Liquidation Model Act	1980	4	1
IRIS Model Act	1978	4	0
Risk Retention Act	1985	1	3
Business Transacted w/Producer Controlled P/C Insurer Act (2)	1983	5	2
Managing General Agent Act (1)	1991	0	13
Reinsurance Intermediaries Act (1)	1989	2	8
Life and Health Insurance Guaranty Association Act	1990	0	16
Post-Assessment Property and Liability Insurance Guaranty Association Act	1971	5	1
	1970	5	0

(1) States Have Until December 1992 to Adopt

(2) States Have Until June of 1993 to Adopt

(Based on NAIC Information, March 1992)

## GAO

Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>						
	<u>AK</u>	<u>AL</u>	<u>AR</u>	<u>AZ</u>	<u>CA</u>	<u>CO</u>	<u>CT</u>
Examination Authority (1)	R/P	R	M	R	R	R/P	R
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	*	*	M	*	*	M	P
Holding Company Act	M/P	M	M	M	M	M/P	M/P
Holding Company Regulation	M	M	M	M	M	M	R
Credit for Reinsurance Act	R/P	M	M	M	R	R/P	M
Regulation for Life Reinsurance Agreements	*	M	M	*	M	*	*
CPA Audit Regulation	*	*	M	M	R	M	R/P
Rehabilitation and Liquidation Model Act	M	R	R	R	R	R/P	M/P
IRIS Model Act	R	*	M	M	M	M	*
Risk Retention Act	R	*	M	M	M/P	R	M
Business Transacted w/Producer Controlled P/C Insurer Act (2)	P	*	*	M	*	P	P
Managing General Agent Act (1)	R/P	*	*	M	M	P	M
Reinsurance Intermediaries Act (1)	P	*	*	M	M	P	P
Life and Health Insurance Guaranty Association Act	M	M	M	M/P	M	M	M
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	M	R	M	R	M	M

## LEGEND

M: Enacted Model/Similar Legislation/  
Regulation

R: Enacted Related Legislation/Regulation

P: Pending Legislation/Regulation

\*: No Action To Date

(1) States Have Until December 1992  
to Adopt

(2) States Have until June 1993 to Adopt

(Based on NAIG Information, March 1992)

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Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>							
	<u>DE</u>	<u>DC</u>	<u>FL</u>	<u>GA</u>	<u>HI</u>	<u>IA</u>	<u>ID</u>	
Examination Authority (1)	R	R	R	R	R	R	R	
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	M	*	*	*	*	M	*	
Holding Company Act	M/P	M	M	M	M/P	M	M/P	
Holding Company Regulation	M	M	*	M	*	M	M	
Credit for Reinsurance Act	M	R	R	M	R/P	M	M/R	
Regulation for Life Reinsurance Agreements	M	*	*	*	*	M	*	
CPA Audit Regulation	R	*	R/P	*	R	M	*	
Rehabilitation and Liquidation Model Act	R	R	R	M	M	M	M	
IRIS Model Act	M	*	R	M	M	M	R	
Risk Retention Act	M	*	M	M	M	M	M	
Business Transacted w/Producer Controlled P/C Insurer Act (2)	*	*	P	M	P	M	*	
Managing General Agent Act (1)	M	*	M	M	P	M/R	M	
Reinsurance Intermediaries Act (1)	M	*	P	M	P	M	P	
Life and Health Insurance Guaranty Association Act	M	P	M	M	M	M	M	
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	M	M	R	M	M	M/P	

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\*: No Action To Date

(1) States Have Until December 1992  
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(2) States Have until June 1993 to Adopt

(Based on NAIC Information, March 1992)

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Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>						
	<u>IL</u>	<u>IN</u>	<u>KS</u>	<u>KY</u>	<u>LA</u>	<u>MA</u>	<u>MD</u>
Examination Authority (1)	M	M	M	R	R	R	R
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	R	*	M	M	*	*	*
Holding Company Act	M	M	M/P	M/P	M	M	M/P
Holding Company Regulation	M	M	M	*	R	M	M
Credit for Reinsurance Act	M	R	R	M/P	M	R	R
Regulation for Life Reinsurance Agreements	*	M	M	M	*	*	*
CPA Audit Regulation	M	M/R	M	M	M	M	R
Rehabilitation and Liquidation Model Act	R/P	M	M	M	R	R	R
IRIS Model Act	M	R	R	M	M	*	*
Risk Retention Act	M	M	M	M	M	P	M
Business Transacted w/Producer Controlled P/C Insurer Act (2)	P	*	P	*	*	*	M
Managing General Agent Act (1)	M	M	M	*	M	*	M
Reinsurance Intermediaries Act (1)	M	M	P	*	*	*	*
Life and Health Insurance Guaranty Association Act	M	M	M	M	M	M	M/P
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	M	M	M	M	M	M

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Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>						
	<u>ME</u>	<u>MI</u>	<u>MN</u>	<u>MO</u>	<u>MS</u>	<u>MT</u>	<u>NC</u>
Examination Authority (1)	R	R	M	R/P	R/P	R	M
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	*	P	M	R	M	*	M
Holding Company Act	M	M/P	M	M/P	M/P	M	M
Holding Company Regulation	M	R	M	M	*	*	R
Credit for Reinsurance Act	M	*	M	M	M	M	M
Regulation for Life Reinsurance Agreements	*	*	M	M	*	*	M
CPA Audit Regulation	R	R/P	M	M/P	M	*	M
Rehabilitation and Liquidation Model Act	M	M	M	M/R	M/R	M	M
IRIS Model Act	R	P	M	M	*	*	M
Risk Retention Act	M	M	M	M/P	M	M	M
Business Transacted w/Producer Controlled P/C Insurer Act (2)	*	*	M	P	P	*	M
Managing General Agent Act (1)	*	M	M	M	P	*	M
Reinsurance Intermediaries Act (1)	*	*	M	M	P	*	R
Life and Health Insurance Guaranty Association Act	M	M	M	M/R	M	M	M
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	R	M	M/P	M/P	M	M

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Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>						
	<u>ND</u>	<u>NE</u>	<u>NH</u>	<u>NJ</u>	<u>NM</u>	<u>NV</u>	<u>NY</u>
Examination Authority (1)	R	R	R	R	R	R	R
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	M	M	*	P	*	*	*
Holding Company Act	M	M	M	M	M	M	R/P
Holding Company Regulation	M/P	M	M	*	M	R	R
Credit for Reinsurance Act	M	M	M	*	R	R	M/R
Regulation for Life Reinsurance Agreements	M/P	M	*	*	*	*	M
CPA Audit Regulation	*	M	*	M	*	M	R
Rehabilitation and Liquidation Model Act	M	M/R	M	R	R	R	R
IRIS Model Act	M	M	M	*	R	P	*
Risk Retention Act	M	M	M	M	M	M	M
Business Transacted w/Producer Controlled P/C Insurer Act (2)	M	*	*	*	*	*	M
Managing General Agent Act (1)	M	M	M	*	R	M	R
Reinsurance Intermediaries Act (1)	M	*	M	*	*	*	R
Life and Health Insurance Guaranty Association Act	M	M	M	M	M	M	M/R
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	M	M	M	M	M	R

## LEGEND

M: Enacted Model/Similar Legislation/  
Regulation

R: Enacted Related Legislation/Regulation

P: Pending Legislation/Regulation

\*: No Action To Date

(1) States Have Until December 1992  
to Adopt

(2) States Have until June 1993 to Adopt

(Based on NAIC Information, March 1992)

## GAO

Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>						
	<u>OH</u>	<u>OK</u>	<u>OR</u>	<u>PA</u>	<u>RI</u>	<u>SC</u>	<u>SD</u>
Examination Authority (1)	M	M	R	R/P	R	R/P	R/P
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	M	P	*	P	*	M/P	M
Holding Company Act	M	M	M	M/P	M/P	M	M/P
Holding Company Regulation	M	M	M	R/P	M	M	R
Credit for Reinsurance Act	M	R	R	R/P	M	M	R/P
Regulation for Life Reinsurance Agreements	M	P	*	P	*	M	*
CPA Audit Regulation	M	*	P	M	R	*	M
Rehabilitation and Liquidation Model Act	M	R	R	M	R	M	M/P
IRIS Model Act	M	M	*	P	M	M	M
Risk Retention Act	M	M	M	R/P	M	M/R	M
Business Transacted w/Producer Controlled P/C Insurer Act (2)	M	*	*	P	*	*	M
Managing General Agent Act (1)	M	M	M	P	P	*	M
Reinsurance Intermediaries Act (1)	*	P	*	P	P	P	M
Life and Health Insurance Guaranty Association Act	M	M	M	M/P	M/P	M	M
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	M	M	M	M/P	M	R

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Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>						
	<u>TN</u>	<u>TX</u>	<u>UT</u>	<u>VA</u>	<u>VT</u>	<u>WA</u>	<u>WI</u>
Examination Authority (1)	R	R	R	R/P	R	R/P	R
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	*	M/R	*	R/P	*	*	*
Holding Company Act	M/P	M	M/P	M/P	M	M/P	R
Holding Company Regulation	*	M	M	M	M	M	R
Credit for Reinsurance Act	M	M	M	M	M	R	*
Regulation for Life Reinsurance Agreements	*	M	M	M	*	M	*
CPA Audit Regulation	*	M	*	M	*	*	M
Rehabilitation and Liquidation Model Act	M	R	M	R	M	R	M
IRIS Model Act	M	M	R/P	M	M	M	*
Risk Retention Act	M	M	P	M/P	R	M/P	R
Business Transacted w/Producer Controlled P/C Insurer Act (2)	M	*	P	*	*	P	*
Managing General Agent Act (1)	M	M/R	P	P	*	P	*
Reinsurance Intermediaries Act (1)	*	M	P	P	*	P	*
Life and Health Insurance Guaranty Association Act	M	M/R	M	M/P	M	M	R
Post-Assessment Property and Liability Insurance Guaranty Association Act	M/P	M	M/R	M	M	M	R

## LEGEND

M: Enacted Model/Similar Legislation/  
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## GAO

Table 3: States' Adoption of NAIC Models Related to Accreditation

<u>NAIC MODEL</u>	<u>STATE</u>	
	<u>WV</u>	<u>WY</u>
Examination Authority (1)	R	R
Regulation to Define Standards and Commissioner's Authority for Companies in Hazardous Financial Condition	M	P
Holding Company Act	M	M
Holding Company Regulation	*	M
Credit for Reinsurance Act	R	R/P
Regulation for Life Reinsurance Agreements	*	P
CPA Audit Regulation	M	*
Rehabilitation and Liquidation Model Act	R	R
IRIS Model Act	M	M
Risk Retention Act	M	M
Business Transacted w/Producer Controlled P/C Insurer Act (2)	*	P
Managing General Agent Act (1)	*	R/P
Reinsurance Intermediaries Act (1)	*	P
Life and Health Insurance Guaranty Association Act	M	M
Post-Assessment Property and Liability Insurance Guaranty Association Act	M	M

## LEGEND

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