



Memorandum

To: Director Christina Urias, Chair of the Solvency Modernization Initiatives (EX) Task Force .0009.0009.00093

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monitoring [Group considerations are also taken into account since an acquiring party is subject to a fitness test and scrutiny over its plans regarding the insurer it seeks to control.

In addition, and often overlooked, existing authority to examine affiliates when information isn't forthcoming from an insurer. Under state IHCs, domestic regulators are required to review certain transactions between insurers and their affiliates to assure reasonableness. Most importantly, regulators must approve dividends and

Additionally, regulators should consider the feasibility of establishing the central collection of group consolidating financial statement information for certain holding companies.

4) Enforcement Measures Clear regulatory tools should exist to protect the insurer and its' policyholders when violations occur. That said, registration of a holding company may not be required if jurisdiction over a holding company exists to ensure access to information. GSIWG recommends that penalties be increased and consequences be strengthened when information is not provided. Standards for transactions with affiliates should be clarified and strengthened, as should standards used to determine whether an entity is or is not in control of an insurer.

5) Group Capital Assessment Effective group supervision should also provide a window with a panoramic vista of the group as a whole, thereby alerting regulators to double gearing and excessive leveraging. GSIWG recommends that the US group supervision process include a view and assessment of capital on a group basis, in addition to retaining separate capital requirements for the solo insurance entity. A panoramic view which includes group capital will not only help assess the risk of financial contagion within a group but will also position regulators to better assess and participate in developing systemic risk involving the insurance sector as the insurance sector can be a recipient or conduit of systemic risk.