

MEMORANDUM

TO: Director John Huff, Chair of the Financial Regulation Standards and Accreditation (F) Committee

FROM: Danny Saenz, Chair, Group Solvency Issues (E) Working Group

DATE: July 10, 2015

RE: Recommendations Regarding 2014 changes to the NAIC Insurance Holding Company System Regulatory Act (#440)

#440 to effectuate the charge given to GSIWG. GSIWG believes that certain elements of these amendments should be incorporated into the accreditation standards for any state that is the lead state of an IAIG as defined in #440 and any state that is the domestic regulator for any insurer that is part of an IAIG.

A statement and explanation of how the potential standard is directly related to solvency surveillance and why the proposal and confirm to other regulators (e.g., international and/or federal regulators) that the states have the authority to act as the group supervisor of a large U.S.-based internationally active insurance group (IAIG). However, it should be understood that changes to this model are limited to groups with a) premiums written in at least three countries, b) the percentage of gross premiums written outside the United States is at least ten percent (10%) of the insurance holding company system's total gross written premiums, c) groups with total assets of the insurance holding company system are at least \$50 billion or total gross written premiums of the insurance holding company of at least \$10 billion. These criteria are based on current international standards for defining an IAIG. When this model was adopted by the NAIC, it was recommended that lead states of the small number of U.S.-based groups that meet this threshold should consider adopting the revised language from this NAIC model into their statutes as quickly as possible. The GSIWG now recommends that this become a Part A standard for any state that is the groupwide supervisor of a group that meets the criteria, under the normal proposed timing standard established by the Commission. This would achieve the original objective of clarifying and confirming to international regulators that these states possess such authority.

However, the GSIWG would also note that when this model was adopted by the NAIC, it was recommended that all states consider adopting the statutory language because the U.S. groups that meet the above criteria tend to operate in a large majority of the states, and the proposed changes discuss the authority of domestic regulators to cooperate together to require certain action by the insurance holding company. The GSIWG would therefore recommend that this also be a Part A standard for any state that has a domestic company in a U.S. group that meets the criteria (e.g. where the groupwide supervisor is a U.S. state)

required to submit certain high level information on their largest groups and make that available to all states ~~state~~ that all s
can determine if they have a domestic in such groups.

Although we don't necessarily see the need for states that do not have a domestic company in one of these groups to adopt
this language, we are mindful of the fact that an acquisition of an existing company by one of these large groups in one of
these states could quickly require the state to come into compliance. The GSIWG has no recommendation relative to whether
the

the basis of an accreditation requirement on January 1, 2016. Again, changes to this NAIC model are intended to clarify and confirm to other regulators (e.g., international and/or federal regulators) that the states have the authority to act as the group-wide supervisor of a large U.S.-based internationally active insurance group (IAIG).

Additional information: